

Capex to drive growth...

About the stock: Vesuvius India (VIL) is a subsidiary of the Vesuvius Group, UK. It is a leading metal flow engineering company. The company supplies high performance refractory material to the steel industry and other process industries used for lining vessels such as blast furnaces, ladles and tundishes to enable them to withstand high temperatures and/or corrosive attack.

- Shaped refractories account for ~37% of revenue in CY21 followed by unshaped refractories (~41%) and services (~ 22%)
- It holds ~11% market share in the Indian refractories industry

Q4CY22 Results: VIL reported decent set of Q4CY22* numbers.

- Revenues came in at ₹ 348.4 crore, grew by 34.5% YoY, aided by better demand in steel, cement
- EBITDA in Q4CY22 came in at ₹ 39.5 crore, grew by 96% YoY with margins at 11.3%. Gross margin contracted by 160bps to ~39.4% YoY
- Consequently, PAT grew by 110.4% YoY to ₹ 27.6 crore.

What should investors do? We expect decent earnings in the long term led by operational efficiency, product innovation, R&D and a strong steel capex pipeline.

- We remain long term positive and retain our **BUY** rating on the stock

Target Price and Valuation: We value VIL at ₹ 1935 i.e. 26x on average CY23E & CY24E EPS

Key triggers for future price performance:

- Focused on capturing domestic market share through faster growth in the manufactured goods segment through localised manufacturing and new product launches. Currently, manufactured goods contribute 50-55%
- Focusing on margin accretive solution oriented services segment, which has grown at 34.4% CAGR in CY13-20 and now contributes 26% to revenue compared to 4% in CY13.
- Higher steel production and technological advancement is expected to drive refractories demand. India's crude steel production is expected to grow from 150 MT to 300 MT by FY2030 backed by higher infrastructure spend and strong steel capex pipeline.

Alternate Stock Idea: We also like Grindwell Norton in our coverage.

- Ambition to maintain market share in abrasives and increase market share in ceramic & plastics with gradual penetration of new value added products
- BUY with a target price of ₹ 2340

Key Financial Summary

(₹Crore)	CY20	CY21	CY22	CY23E	CY24E	CAGR (CY22-24E)
Net Sales	791.5	1,047.2	1,342.6	1,557.4	1,825.9	16.6
EBITDA	76.8	99.2	163.9	202.6	246.3	22.6
EBITDA margin (%)	9.7	9.5	12.2	13.0	13.5	
Net Profit	53.1	68.1	116.8	136.8	165.2	18.9
EPS (₹)	26.1	33.5	57.5	67.4	81.4	
P/E (x)	61.9	48.2	28.1	24.0	19.9	
P/BV	3.9	3.7	3.3	2.9	2.6	
EV/EBITDA (x)	35.5	27.5	16.6	13.8	11.3	
RoCE (%)	7.9	9.5	14.5	15.3	16.5	
RoE (%)	6.3	7.6	11.7	12.3	13.1	

Source: Company, ICICI Direct Research *December year end



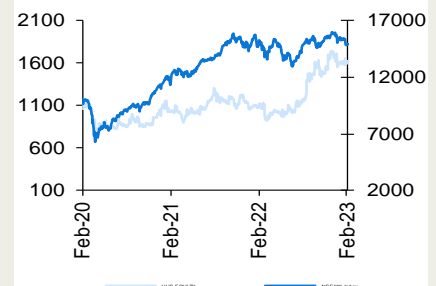
Particulars

Particular	Amount
Market Capitalization (₹crore)	3,283
Total Debt (CY22) (₹crore)	0
Cash and Inv (CY22) (₹crore)	570
EV (CY22) (₹crore)	2,713
52 week H/L (₹)	1858 / 900
Equity capital (₹crore)	20.3
Face value (₹)	10.0

Shareholding Pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promot	55.6	55.6	55.6	55.6
FII	0.6	0.6	0.8	0.9
DII	25.2	24.5	24.1	23.2
Others	18.7	19.4	19.5	20.4

Price Chart



Key risks

- i) Any slowdown in steel, cement capex to adversely affect sales ii) Overdependence on China for raw material site can disrupt supply chain

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Key takeaways of recent quarter

Q4CY22 Results

- Vesuvius India (VIL) reported revenues at ₹ 348.4 crore, grew by 34.5% YoY aided by better demand in steel, cement, which consume more than 80% of refractories products. And marginally de-grew by 1.3% on QoQ basis. For CY22 total revenue came at ₹ 1342.6 crore grew by 28.2%
- EBITDA came at ₹ 39.5 crore, grew by 96% YoY with EBITDA margins expanded by 356 bps YoY to 11.3% and contracted by 282 bps on QoQ. For CY22 EBITDA came at ₹163.9 and grew by 65.1% with 12.2% margins as against 9.5% in CY21. Gross margins contracted by 160bps to ~39.4% on YoY basis and 70bps on QoQ basis.
- Vesuvius India reported PAT at ₹ 27.6 crore, grew by 110.4% YoY, amid good operational performance.
- Vesuvius India recommended dividend for CY22 of ₹ 8.25 per share (₹7.25 in CY21) with FV of ₹10.

Vesuvius - ESG Disclosure Score*

Score	CY19	CY20	CY21
Environmental	2.1	2.1	2.1
Social	20.5	20.5	20.5
Governance	78.6	78.6	78.6
Overall ESG Score	33.8	33.8	33.8

*Source: Bloomberg, ICICI Direct Research, *Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures*

Exhibit 1: Variance analysis

Year	Q4CY22	Q4CY21	YoY (%)	Q3CY22	QoQ (%)	Comments
Income from Operation	348.4	258.9	34.5	352.8	-1.3	Aided by better demand and pricing pass through
Cost of materials consumed	134.7	121.1	11.2	122.6	9.8	
Purchase of stock-in-trade	80.4	63.3	27.0	76.1	5.5	
Change in inventories	(4.0)	(31.6)		12.6		
Employee cost	25.2	21.9	15.4	23.5	7.5	
Other expenses	72.6	64.2	13.2	68.0	6.8	
EBITDA	39.5	20.2	96.0	50.0	(20.9)	
EBITDA Margin (%)	11.3	7.8	356 bps	14.2	-282 bps	
Other Income	6.6	5.2	27.5	6.1	7.9	
Depreciation	8.8	7.6	15.8	7.5	16.6	
Interest	0.0	0.0	-	0.0	-	
PBT	37.3	17.7	110.4	48.5	(23.1)	
Taxes	9.7	4.6	110.4	12.4	(22.2)	
PAT	27.6	13.1	110.4	36.1	(23.4)	

Source: Company, ICICI Direct Research, *December Year End.

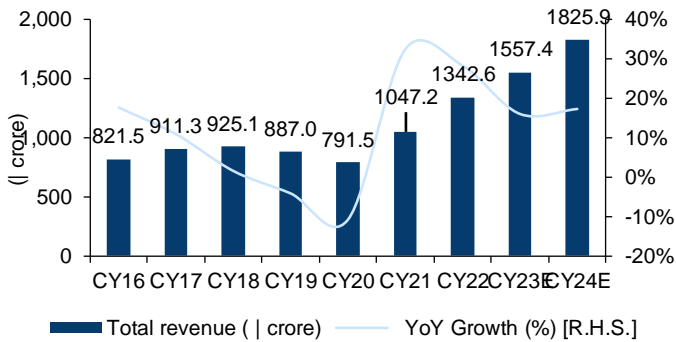
Exhibit 2: Change in estimates

₹crore	Actual			CY23E			CY24E		
	CY20	CY21	CY22	Old	New	Change	Old	New	Change
Revenue	792	1047	1343	1448	1557	7.6	-	1826	-
EBITDA	77	99	164	170	203	19.2	-	246	-
EBITDA Margin (%)	9.7	9.5	12.2	11.8	13.0	121 bps	-	13.5	-
PAT	53	68	117	116	137	18.0	-	165	-
EPS (₹)	26.1	33.5	57.5	57	67.4	18.1	-	81.4	-

Source: Company, ICICI Direct Research

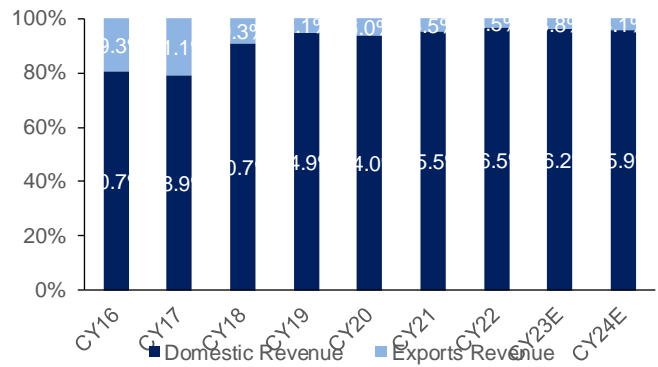
Financial story in charts:

Exhibit 4: Overall revenue CAGR trend over CY16-24E



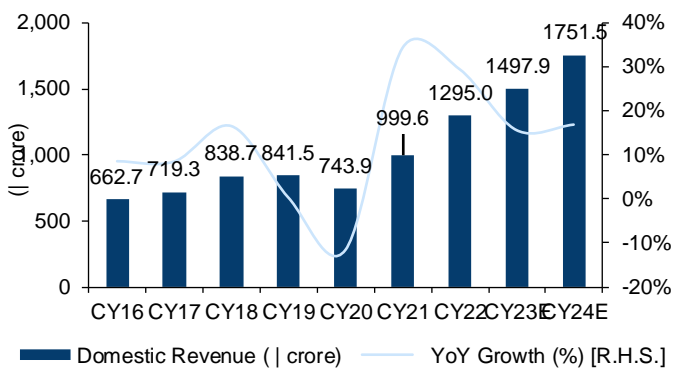
Source: Company, ICICI Direct Research

Exhibit 5: Domestic and export share...



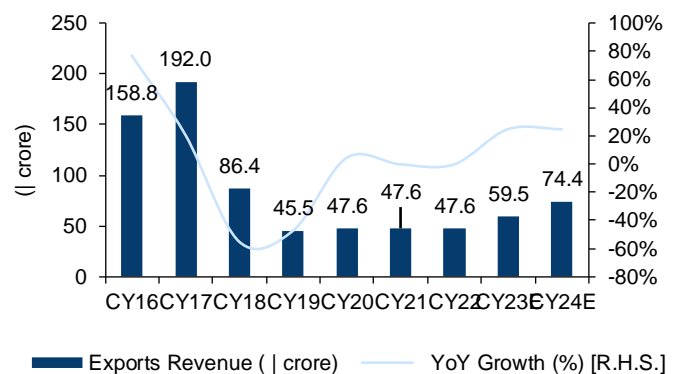
Source: Company, ICICI Direct Research

Exhibit 6: Domestic revenue growth trend over CY16-24E



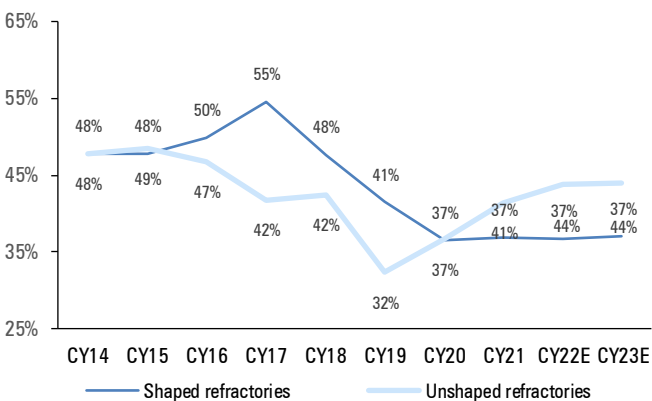
Source: Company, ICICI Direct Research

Exhibit 7: Exports revenue growth trend in CY16-24E



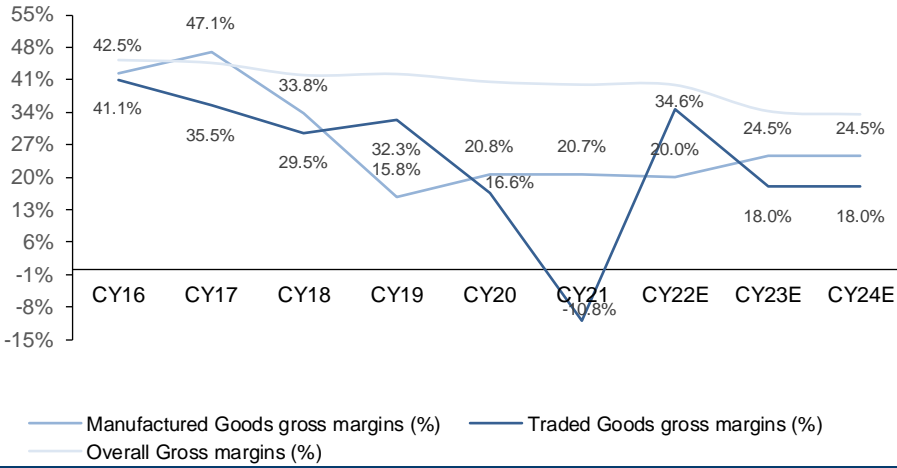
Source: Company, ICICI Direct Research

Exhibit 8: Revenue contribution by refractories type....



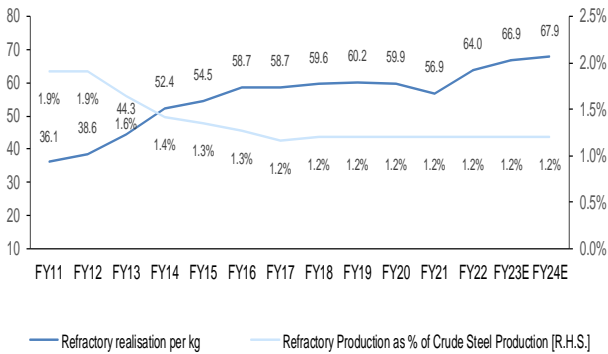
Source: Company, ICICI Direct Research

Exhibit 9: Type-wise gross margin trend....



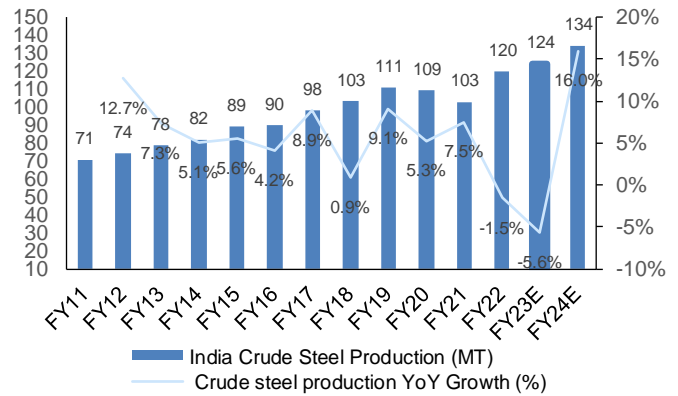
Source: Company, ICICI Direct Research

Exhibit 10: Refractory as percentage of steel production vs. realisation



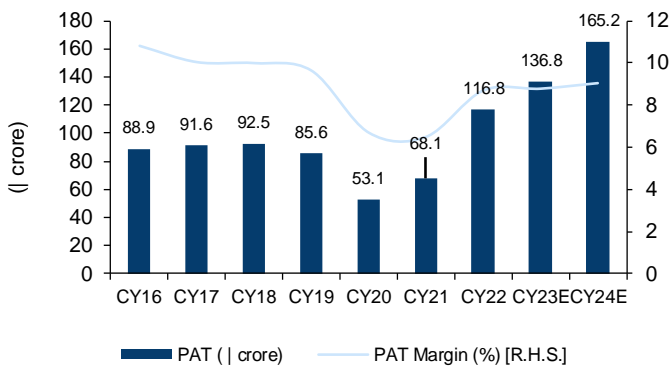
Source: Company, ICICI Direct Research

Exhibit 11: India crude steel production (MT) trend...



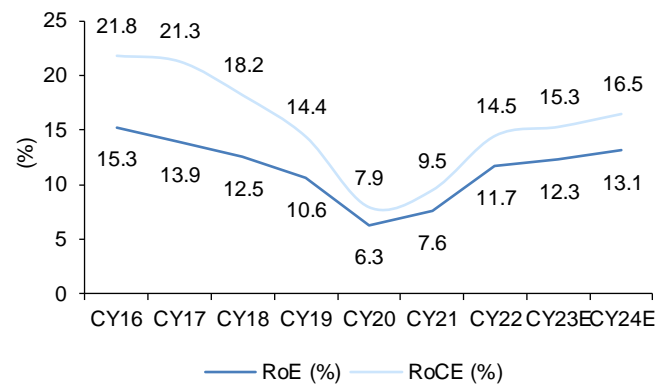
Source: Company, ICICI Direct Research

Exhibit 12: PAT, PAT margin (%) trend....



Source: Company, ICICI Direct Research

Exhibit 13: RoE & RoCE trend...



Source: Company, ICICI Direct Research

Financial Summary

Exhibit 14: Profit & loss statement (₹ crore)				
(₹Cr ore)	CY19	CY22	CY23E	CY24E
Net Sales	884	1,335	1,549	1,817
Total Operating Income	887	1,343	1,557	1,826
% Growth (Op. Income)		51.4	16.0	17.2
Other Income	29.2	22.9	25.7	28.9
Total Revenue	916	1,365	1,583	1,855
Cost of materials consumed	339	511	596	700
Purchase of stock-in-trade	171	306	327	374
Change in inventories	1	(12)	-	-
Employee cost	66	90	106	124
Other Expenses	190	283	325	382
Total expenditure	766	1,179	1,355	1,580
EBITDA	121	164	203	246
% Growth (EBITDA)		35.7	23.7	21.6
Interest	-	-	-	-
PBDT	150	187	228	275
Depreciation	27	30	45	53
PBT	123	157	184	222
Tax	38	40	47	57
PAT	86	117	137	165
% Growth (PAT)		36.5	17.2	20.7
EPS	42.1	57.5	67.4	81.4

Source: Company, ICICI Direct Research

Exhibit 15: Cash flow statement (₹ crore)				
(₹Cr ore)	CY19	CY22	CY23E	CY24E
Profit after Tax	85.6	116.8	136.8	165.2
Depreciation	26.6	29.9	44.5	53.3
Interest	-	-	-	-
Other income	(29.2)	(22.9)	(25.7)	(28.9)
Prov for Taxation	37.9	40.1	46.9	56.7
Change in Working Capital	(10.7)	(11.6)	(90.7)	(52.0)
Taxes Paid	(29.8)	(23.1)	(46.9)	(56.7)
Cashflow from Operating Activi	80.2	129.2	65.0	137.6
(Purchase)/Sale of Fixed Asset	(31.4)	(111.3)	(122.4)	(133.3)
(Purchase)/Sale of Investments	(10.1)	(4.2)	(23.6)	(16.3)
Other Income	29.2	22.9	25.7	28.9
Cashflow from Investing Activiti	(12.2)	(92.7)	(120.2)	(120.7)
Changes in Networth	(4.2)	-	0.0	0.0
Interest	-	-	-	-
Dividend paid	(14.7)	(16.7)	(18.3)	(20.3)
Cashflow from Financing Activi	(18.9)	(16.7)	(18.3)	(20.3)
Changes in Cash	49.1	19.8	(73.5)	(3.4)
Opening Cash/Cash Equivalent	419.3	550.2	570.0	496.5
Closing Cash/Cash Equivalent	468.5	570.0	496.5	493.1

Source: Company, ICICI Direct Research

Exhibit 16: Balance Sheet (₹ crore)				
(₹Cr ore)	CY19	CY22	CY23E	CY24E
Share Capital	20.3	20.3	20.3	20.3
Reserves & Surplus	784.2	974.9	1,093.4	1,238.4
Total Shareholders fund	804.5	995.2	1,113.7	1,258.7
Goodwill	-	-	-	-
Total debt	-	-	-	-
Other liabilities	52.3	86.3	86.3	86.3
Total Liabilities	856.7	1,081.5	1,200.0	1,345.0
Gross Block	215.3	324.9	404.9	484.9
Acc: Depreciation	92.2	137.3	137.3	137.3
Net Block	123.1	187.7	267.7	347.7
Capital WIP	27.7	38.2	36.0	36.0
Investments	48.4	70.9	94.5	110.8
Inventory	107.5	204.1	233.5	273.8
Sundry debtors	187.7	209.4	247.9	290.7
Cash	468.5	570.0	496.5	493.1
Loans & Advances	0.3	0.4	0.7	0.9
Inv+Other current assets	17.1	45.7	42.7	49.6
CL & Prov.	124.4	246.2	220.7	258.9
Net Current Assets	656.7	783.4	800.5	849.1
Total Assets	856.7	1,081.5	1,200.0	1,345.0

Source: Company, ICICI Direct Research

Exhibit 17: Key ratios				
(Year-end March)	CY19	CY22	CY23E	CY24E
EPS	42.1	57.5	67.4	81.4
Cash EPS	55.2	72.2	89.4	107.7
BV	396.3	490.2	548.6	620.0
DPS	7.3	8.3	9.0	10.0
Cash Per Share	45.4	67.6	67.6	67.6
EBITDA Margin	13.6	12.2	13.0	13.5
PBT / Net Sales	10.6	10.0	10.1	10.6
PAT Margin	9.6	8.7	8.8	9.0
Inventory days	44.2	55.5	54.7	54.7
Debtor days	77.2	56.9	58.1	58.1
Creditor days	51.2	66.9	51.7	51.7
RoE	10.6	11.7	12.3	13.1
RoCE	14.4	14.5	15.3	16.5
RoIC	32.0	37.7	29.9	29.5
P/E	38.4	28.1	24.0	19.9
EV / EBITDA	23.3	16.6	13.8	11.3
EV / Net Sales	3.2	2.0	1.8	1.5
Market Cap / Sales	3.7	2.4	2.1	1.8
Price to Book Value	4.1	3.3	2.9	2.6
Net Debt / E equity	-	-	-	-
Current Ratio	2.4	1.7	2.2	2.2
Quick Ratio	1.5	0.9	1.1	1.1

Source: Company, ICICI Direct Research

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Reduce: -15% to -5%;

Sell: < -15%



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