

## Vesuvius India

**Recommended Date: 23 Dec 2025**

**Price: 469**

**Action: BUY**

Industry/Sector	Target Price	Upside Potential	Investment Duration
Refractory – Proxy to Steel Sector	553	18%	6 to 9 Months

### About Company:

- Vesuvius India is aggressively solidifying its market leadership by doubling its investment commitment to INR 1K crore, focusing on high-tech flow control and advanced refractories to support the nation's booming steel production. Supported by its UK-based parent group, company has recently operationalized new AlSi, basic monolithic and mould flux facilities in Vizag, while maintaining a robust, debt-free balance sheet and a strong focus on domestic import substitution.

### Investment Rationale:

- Company delivered strong revenue growth in 3QCY25 (Q2FY26), reporting a 23% YoY and 4% QoQ. Growth was supported by a healthy steel production environment and scale-up in new product capacities such as mould flux powder and alumina-silica monolithics, alongside dispatches linked to newly commissioned steel capacities.
- Margins softened as EBITDA margin contracted by 87bps YoY to 16.9%, primarily due to elevated alumina prices. However, this pressure appears transient, with the full benefit of recent price hikes and moderation in alumina costs expected to reflect from 4QCY25 (Q3FY26) onward. Notably, adjusted PAT rose 15 percent YoY INR 61.5 crores despite higher depreciation and lower other income.
- Growth momentum remains underpinned by the company's leadership in flow control refractories, rising market penetration in services and strong technological capabilities. The ramp-up in basic and AlSi monolithics, coupled with expanding steel industry capacities, should continue to support volume and mix improvement.
- Management's will invest ~500 crores in advanced and flow control refractory products indicates sustained innovation and margin resilience, with Operating profits around 18% level. A domestic market-focused strategy, strong cash flows, net cash balance sheet and measured inorganic stance further reinforce operational visibility.
- Stock currently trades at reasonable valuations (PE of 39.3x and EV/EBITDA of 24x), supported by improving margin outlook, capacity scale-up and upcoming steel plant dispatch contributions. Continued new product traction, operating leverage benefits, and services expansion provide catalysts for further re-rating, making the company a compelling proxy to Steel sectoral pick.

### Potential Risks:

- Company remains dependent on imported raw materials, especially magnesia and alumina, where price volatility and supply disruption can materially affect margins. Elevated global commodity prices may restrict near-term profitability until cost normalization fully reflects in operations.
- Steel dumping risk from China and Korea could pressure domestic steel production, affect utilisation rates and reduce refractory demand. Such a downturn may trigger operating deleveraging, impacting fixed-cost absorption and sales volume growth for the company.
- Company's business growth is heavily reliant on steel sector momentum; any slowdown or delay in steel industry expansion, could defer margin improvement and weaken earnings delivery.

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