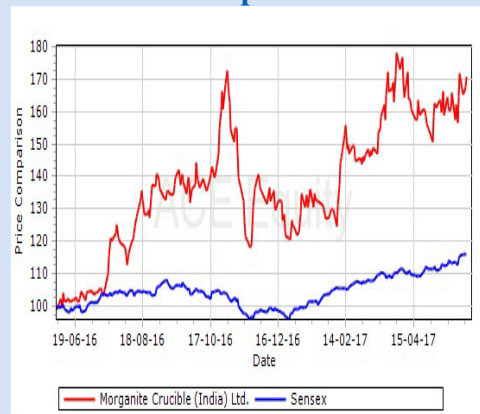


**Company Details**

CMP:	Rs.850.00
Face value:	Rs.10.00
Market cap:	Rs.238 Crs.
EPS	Rs.47.02
52 week high:	Rs.898.00
52 week low:	Rs.465.05
BSE Code:	523160
Sector	Refractories

**Financial Highlights (YoY)**

Rs. in crores			
	FY17	FY16	% Var
Net Sales	113.40	109.86	3.22
Total Expend	88.87	85.86	3.51
PBDIT	24.53	24.00	2.21
Op.Profit	30.67	26.80	14.44
OPM (%)	27.05	24.39	10.87
PBT	25.74	18.37	40.12
PAT	16.17	10.40	55.48
Cons. PAT	14.52	9.99	45.35
EPS (Rs.)	57.75	37.14	55.48
Equity	2.80	2.80	-

**Share Price Graph****Research Analyst**

Sumit Kumar Shrivastava

[sumit.shrivastav@satco.co.in](mailto:sumit.shrivastav@satco.co.in)

Satco Capital Markets Ltd.

Board Line: +91 022 2645 6666 |

Ext: 288 | Fax: +91 022 2651 6783

**Company Background**

**Morganite Crucible India Ltd.**, a Mumbai-based company incorporated in 1986, is a subsidiary of Morgan Advanced Materials plc. UK and engaged in the business of manufacturing and selling of silicon carbide, clay graphite crucibles and its accessories. It is based in Aurangabad, Maharashtra and its subsidiary company Diamond Crucible Company has plant at Mehsana, Gujarat. The Company has also other diversified activities, such as trading and manufacturing of foundry consumables and refractory materials for which it has started first phase of testing and development foundry lubricant, which include die lube. It exports business accounts for around 60% of its total revenue.

**Financial Performance**

The Consolidated net sales and PAT of the Company at Rs.113.40 crores and Rs.16.17 during FY17 are up by 3.2% and 55.5%, respectively, compared to those for FY16. The operating profit margin has improved from 24.4% for FY16 to 27.1% during FY17. The EPS, on face value of Rs.10, has improved from Rs.37.14 for FY16 to Rs.57.75 for FY17. The Company had recommended dividend of 80% for FY17 against 40% FY16.

**Investment Rationale**

- As Indian economy recovers and capex cycle picks up, all the user segments of the Company's products will lead to much better growth in future. The Company is looking forward to cease the opportunities to grow and expand its product base to various industries. Crucible products cater mainly to aluminum, copper, zinc, gold and silver foundries segments and are expected to grow in double digit in 2016-20. This augurs well for the Company in the coming few years.
- The Company is a subsidiary of Morgan Advanced Materials plc. UK which has a long heritage of manufacturing quality crucibles and allied products. It holds 75% stake in the Company and is recognized as a technology leader, providing crucibles and engineered consumables for the metals industry. It has manufacturing and distribution centers in Brazil, China, India and Germany and additional distribution centers in the United States, Mexico and South America. Thus, the Company has full access to information on the global developments in its areas through Morgan's global presence and also has access to all the research and technology developments undertaken. This helps the Company to be better prepared to capitalise on the changes in India.
- The company enjoys high entry barriers in silicon carbide and clay graphite crucibles segments. The key requirements for success in the industry are quality and cost competitiveness. Entry barriers are high by way of capital investment and technology.
- In addition, the Company has also ventured into supply and manufacturing of different accessories related to ferrous industry and also foraying into supply of lubrications for the foundries. Many smaller customers are serviced through its distribution channels.
- The Company has equity capital of Rs.2.8 crores and reserves of Rs.84.9 crores and the book value of the share works out to Rs.313.20. Its cash in hand in accounts works out to Rs.163.80 for FY17 per share at the end of FY17. It has zero debt on its books.
- The promoters hold 75% equity capital of the Company, followed by institutions and non-promoter corporates that hold 1% and 0.9%, respectively, and the balance 23.1% shares are held by the public.

**Concerns**

Slowdown in economy & in end-user industries, increase in input cost and exchange rate fluctuations are some of the concerns.

**Valuation**

**The share of this MNC is trading at a lower P/E of 16x against that of sector at 18.9x.** Keeping in view the positive outlook for economy & multi end user industries, increasing demand for crucibles, improved financial performance of the Company during FY17, higher OPM, **trading-cum- dividend** and lower PE ratio, we recommend a buy on the share of this Company with an expected price appreciation of **about 30%** over the next 12 months.

*These views expressed in this report are personal views of the analysts. SATCO capital market ltd. shall not be responsible for any loss arising from the use thereof. Also, SATCO does not have any investment exposure to any of the stocks covered in this newsletter.*