

Steelcast (Quick Notes by Devesh)

Product Line: Carbon Steel, Low Alloy Steel, High Alloy Steel, Manganese Steel and other Superior Grades of Wear and Abrasion Resistant Steel Castings produced by No Bake and Shell Moulding Processes with world class quality control facilities

Industries Catered to:

- Earthmoving Equipment Manufacturers
- Mining Equipment Manufacturers
- Construction Equipment Manufacturers
- Steel Plant Equipment Manufacturers
- Cement Plant Equipment Manufacturers
- Railway
- US Rail Road
- Ground Engagement Tools (GETs)
- Locomotives
- Transportation

Market Cap	₹ 1,204 Cr.	Current Price	₹ 595	High / Low	₹ 606 / 407
Stock P/E	15.7	Book Value	₹ 106	Dividend Yield	1.14 %
ROCE	42.2 %	ROE	37.6 %	Face Value	₹ 5.00
Promoter holding	45.0 %	Price to book value	5.66	Debt to equity	0.11
Profit Var 5Yrs	27.4 %	Sales growth 5Years	15.6 %	Industry PE	25.1
PEG Ratio	0.57	Price to Sales	2.50	CMP / FCF	65.6
ROIC	31.8 %	Price to Cash Flow	11.2	No. Eq. Shares	2.02
CFO to PAT	140 %	Int Coverage	56.8	EVEBITDA	9.93

Compounded Sales Growth

10 Years:	5%
5 Years:	16%
3 Years:	33%
TTM:	32%

Compounded Profit Growth

10 Years:	14%
5 Years:	27%
3 Years:	107%
TTM:	82%

Stock Price CAGR

10 Years:	35%
5 Years:	24%
3 Years:	78%
1 Year:	31%

Return on Equity

10 Years:	15%
5 Years:	22%
3 Years:	25%
Last Year:	38%

Margin Profile:

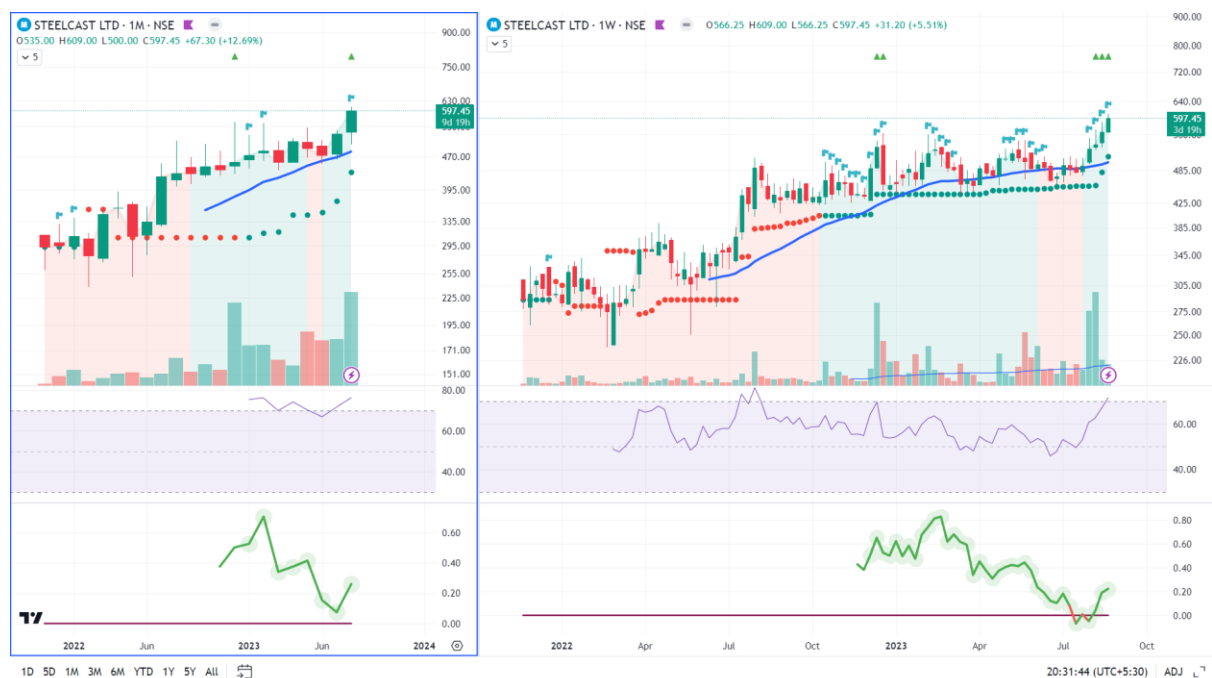
- ✓ Stable and Expanding
- ✓ EBITDA Margins of 24-25%
- ✓ PAT Margin of 15-16%

Recent Updates and Guidance:

- The Revenue from Operations saw a marginal increase of 3.3% on a Y-o-Y basis. The demand in Global market seems to be slower and surging up in domestic market.
- The EBITDA margins for Q1FY24 were strong, reaching a peak of 27.0%, marking a YoY increase of 622 basis points. This growth was primarily driven by the leverage we maintained through cost savings in our power expenses following the commissioning of solar and hybrid power plants, reduced input prices during the quarter, optimized expenses, increased customer pricing, and improved operating margin efficiency.
- EBITDA Margins are expected to be stable around 20-22% and additional 200-300 bps may be achieved due to cost savings and raw material prices
- Company has commissioned its 5 MW Solar Power Plant for captive use effective from 30th March,2023. Hybrid power plant already commissioned on July 8th but due to State Government regulatory issues, the savings have yet not started. Both these plants will meet around 80% of the total power requirement at present capacity utilization and balance 20% will be met through the state electricity board. Overall cost savings should be around 10-11 Cr every year
- Domestic revenues have increased significantly and exports share has gone down but the share of domestic and exports remains roughly around 45-55
- Q2 and Q3 might be softer in terms of revenue but the bottom-line will be protected

- Long term debt free. Short term also coming down and the company should be completely debt free by October 2023
- ROCE: 42.3%, ROE: 38% and WCC down to 83 days
- Foraying into new segments - Railways, Ground Engaging Tools and Defence
- Expected to increase the presence in 15+ countries in the next 1 to 2 years
- Capacity utilization projected to be around 50% for the current financial year, with targets of 60% for FY25 and 75% for FY26.
- Cost-wise, the company continues to be 20-25% lower than the global peers
- Seeing growth in all the industry segments which they are catering like Mining, Earth Moving, Locomotives, Transport, Construction, Railways, Ground engaging tools, Cement, Steel and Defence.

Technical



Valuations

- P/E of 15.7x (Still trading at avg valuations of 5 years)
- EV/EBITDA of 10x (Still trading at avg valuations of 5 years)
- PEG - 0.57x, P/CF of 11.2x

Steelcast Ltd

Market Cap	1,206.91
Sales Growth Assumption	15%

	FY23	FY24E	FY25E	FY26E
Sales	477	548.55	630.83	725.46
Capacity Utilisation	16,000.00	20,000.00	24,000.00	28,500.00
EBITDA Margin	24.00%	24.00%	24.00%	24.00%
EBITDA	114.48	131.65	151.4	174.11
Depreciation	18	18	18	18
EBIT	96.48	113.65	133.4	156.11
Interest Cost	2	2	0	0
PBT	94.48	111.65	133.4	156.11
Tax	25.00%	25.00%	25.00%	25.00%
PAT	70.86	83.74	100.05	117.08

PE Multiples Historically	15
Current Market Cap	1,206.91
Current Price	596.3

PE on Exit Basis		Price	3Yr CAGR
10	1,170.82	579.62	-1%
15	1,756.23	869.42	13%
20	2,341.65	1,159.23	25%

Variant Perceptions / Drivers:

- ✓ Smallcap with consistent margins in a difficult business
- ✓ Changing product mix (entering new industries with tailwinds)
- ✓ Geographical expansion
- ✓ Comfortable valuations
- ✓ Capex
- ✓ Margin expansion due to power cost savings
- ✓ Deleveraging