Sector: Castings & Forgings | **RESULT REVIEW Q1FY27** | **Declared On: 27 July 2026**

Nelcast Limited

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs116	10.1	Hold	Rs150	29%

**as on 28th July, 2026*

About the Company:

Incorporated in 1982, Nelcast Limited (Nelcast) is the largest manufacturer of ductile iron castings and is a leading producer of grey iron castings with an installed capacity of 160,000 metric tons/year. The company supplies castings for commercial vehicles (CVs), tractors, off-highway vehicles and railways. Nelcast is a leading supplier to several marquee OEMs (Tata Motors, Ashok Leyland, TAFE, Eicher Tractors (TMTL), Volvo-Eicher Commercial Vehicles, SAME Tractors, Escorts Tractors, International Tractors (ITL), Daimler India, Caterpillar, etc.) Tier-1 (Automotive Axles, American Axles, Dana, Rane Madras, Rane-TRW, ZF India, etc.) as well as export customers (Meritor, American Axles, Daimler, Dana, Comer, ZF Industries etc.). The company has manufacturing plants at Gudur and Pedapariya in Andhra Pradesh, and Ponneri in Tamil Nadu. It is the only casting manufacturer with a product range from 0.5-500kg. The company has Mr. P. Deepak as its Managing Director.

Results: Quick Glance:

- The net sales reported a growth of 2.8% to Rs3,410mn as compared to Rs3,319mm in the same quarter last year
- The Ebitda margins for the quarter stood at 4.6% as compared to 8.5% in the comparative quarter last year
- The company reported profit of Rs51mn as compared to Rs125mn in the same quarter last year
- The EPS for the quarter stood at Rs0.59 as compared to Rs1.44 in the corresponding period of last year

Conference Call Highlights:

- It has been an important quarter in the growth journey of Nelcast; moving from cyclical recovery to structural growth. There has been a lag in passing the increasing costs to the customers which did impact the results for the quarter
- In terms of **industry performance**, M&HCV demand remained robust despite industry-wide operational challenges, supported by freight movement and infrastructure activity. The contribution to the revenues of Nelcast remained steady with continued domestic strength. Demand is expected to remain healthy, backed by economic activity, infrastructure spending and fleet replacement demand. Tractor demand remained strong during the quarter, supported by healthy rural sentiment and stable customer schedules with segment contribution increasing to 27.1% of revenues from 23.5% in Q1FY26. The outlook remains positive, supported by rural demand, favourable monsoon conditions and policy support
- For Nelcast in Q1FY27, M&HCV contributed 35.1% of the total revenue, Tractors 27.1%, Exports 33.4%, Railways 0.5%, Off-highway equipment 3.5% and Others 0.4%
- **Exports:** stood at Rs1133mn in Q1FY27; compared to Rs1154mn in same quarter last year. However sequentially there has been an improvement, with the recovery expected to continue going forward as well. The export share stood at 33.4% in Q1FY27 as compared to 35.1% in Q1FY26
- The orders received in **EU** are more of the traditional parts while the larger castings are expected to start but not in larger volumes. There has been couple of orders won but it's generally slow acceptance and thereby the goal is to get its foot in the door. The overall OB for the larger castings is tilted more towards the US markets; entrenching in the agri space
- **Ebitda/kg** was Rs9.5/kg in Q1FY27 compared to Rs14.7/kg in the comparative quarter impacted by the elevated raw material costs and other macro headwinds. It is however expected to improve, supported by higher share of value-added products, Pedapariya ramp-up and better capacity utilisation. While Ebitda/kg moderated in Q1 due to increase in key raw material prices, the overall trajectory through the year reflects the underlying improvement in margins. Going forward, in terms of target **Ebitda/kg**, in a steady state with no major fluctuations at the RM level; Rs15/kg is the guided number which is being worked on to be gradually taken to Rs18-20/kg. The key drivers highlighted are operating leverage, operating efficiency and favourable product mix
- The Management has indicated of multiple **new products** to be entering production from Q2FY27, with initial contribution beginning in Q2 and a gradual ramp-up expected through the year. The new product programs are expected to ramp up progressively through Q2/Q3, with meaningful contribution to volumes and revenues by H2FY27
- With regard to the larger castings, the roll out of first orders is expected in the current month; with full ramp up expected over the next 9 months. By Q4 with matured volumes, the revenue potential is chalked to be around Rs2000-2500mn/year; run-rate expected by end of the FY. With not much of competition in the domestic markets, the company would enjoy premium on these castings

Conference Call Highlights (contd.):

- With regard to **axles**, there is a shift noticed from fabricated to castings; the company had 2 products developed last year which is now standing at 12 that helps it cater all the OEM requirements; and all these parts are single sourced
- The installed capacity has been created for 160,000MT per year which can be further enhanced by 50,000MT within the existing plants with minimal investment (capex required would be around Rs400-500mn). About 70% of **power requirements** are met through renewable sources, and a 1MW in-house solar power plant has been installed at the Pedapariya plant. The cost differential/energy savings is ~10%
- **Financials:** (i) in terms of **tonnage**, the production numbers reported for Q1 stood at 21,184T (Q1FY26: 22,038T), (ii) the overall **capacity utilization** for Q1FY27 stood at 60%, with Gudur at 53%, Ponneri at 100% and Pedapariya at 21%, (iii) the realizations went up to Rs152/kg due to some price increase pass on, compared to Rs146/kg in Q4 and Rs150/ kg in Q1FY26, (iv) Nelcast targets 50:50 contribution from domestic and exports over the next 2-3 years, (v) the net debt stood at Rs1,870mn as of June'26 with repayment of Rs300mn of TL due for the year; Rs100mn already paid and rest to happen end of the year, (vi) capex: FY27E: Rs350mn including both maintenance and improvement requirements, (vii) for FY27E, the Management has guided to hit the 1lk tonnage number; 10% growth on the revenues. The blip of Q1 would be reversed in terms of Ebitda/kg, to the target of Rs15/kg for the year. Double digit growth is expected on the Ebitda front for the year, (viii) with regard to the RM costs, although there is 100% pass through for the company, it comes with a lag. Broadly Rs4/kg was the RM effect that is expected to be passed on to the current quarter pricing

Financials:

Performance (Q1FY27)							
Q1FY27 Result (Rs mn)	**Jun-26**	**Jun-25**	**y-o-y**	**Mar-26**	**q-o-q**	**FY26**	**FY27E**
Total Revenue	3410	3319	2.8%	3682	(7.4%)	13284	14687
EBITDA	158	282	(44.2%)	319	(50.6%)	1105	1175
Other Income	43	41	5.0%	30	45.1%	140	143
Interest	66	93	(29.6%)	69	(4.4%)	325	325
Depreciation	68	64	6.2%	74	(7.2%)	270	276
Exceptional Items	0	0	-	0	-	0	0
Tax	16	41	(62.1%)	54	(71.0%)	165	183
Net Profit	**51**	**125**	**(58.9%)**	**153**	**(66.4%)**	**484**	**535**

Outlook and Recommendations:

The company has delivered a steady quarter with revenue growth of 2.8% y-o-y backed by healthy demand from key end markets. The tractor and commercial vehicle segments continued to witness strong momentum, while exports recorded a sequential improvement during the quarter (Rs1133mn), reflecting encouraging demand trends. The **exports recovery** is expected to continue, supported by normalization of customer schedules, favourable demand trends and emission-related demand tailwinds. The drop in production volume in Q1FY27 is due to the labour challenges that were faced in April/May; normalcy has been achieved in the month of June. There was impact of sea freight cost as well during the quarter. Also, the Pedapariya plant had a temporary stoppage in order to bring about modifications to cater to larger orders. Further, the margins came in lower at 4.6% for Q1FY27, impacted by temporary factors, including **elevated raw material costs** arising from geopolitical developments and **labour availability constraints** across the industry. There are **price revision discussions** that have been initiated with the customers and the benefits of these measures are expected to come in the ensuing quarters. **Ebitda/kg** stood at Rs9.5/kg for the quarter; however expected to improve with higher utilization, product mix enrichment, new product ramp up and realization of customer price revisions. The drop in the margins has translated into lower profits for the quarter. The Management has indicated of commencement of production for **new products** during Q2FY27; the programs are expected to progressively ramp-up through the year and contribute meaningfully to volumes and revenues by H2FY27. Furthermore, it expects **capacity utilisation to improve** as demand strengthens and new product volumes scale up. Efforts are being routed towards expanding customer relationships across Europe and have secured new business opportunities that strengthen the long-term growth pipeline.

Outlook and Recommendations (contd.):

On the **industry** front, the tractor industry demand remained strong during the quarter, supported by healthy rural sentiment and stable customer schedules with the segmental contribution increasing to 27.1% of revenues from 23.5% in Q1FY26. The outlook remains positive, supported by rural demand, favourable monsoon conditions and policy support. M&HCV segment continues to be the largest revenue contributor with the demand expected to remain healthy going forward as well. The **underlying demand** remains healthy across domestic and export markets, coupled with new product launches, improving capacity utilisation and cost pass-through initiatives that are expected to support stronger operational performance over the coming quarters. The company has **guided** of ~10% revenue growth and double-digit growth on the Ebitda for FY27E. With regard to improving the WC cycle; the new contracts are being worked in for lower number of days of credit as changing the existing contracts is difficult. Some of the **tailwinds** include domestic volumes expected to be strong through CV and tractor momentum continued. Exports is also expected to be on the recovery mode after better clarity received on the tariffs for the its customers leading to pent up demand and pre-buying happening before the emission norms to set in Jan. New products getting into production will provide that additional perk to revenues. Beyond the near-term operating environment; the company is at an **important inflection point**. With new product programs ramping up, customer additions gaining traction, exports improving and utilisation levels expected to rise, the foundations are being laid for the next phase of growth. Some of the key monitorable ahead include capacity utilization at the Pedapariya plant, raw material price trajectory, and the company's ability to adjust product realisations. We have achieved our target of Rs150 and maintain hold on the same.

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