

RECOMMENDATION SNAPSHOT				
*CMP	MCap (Rsbn)	Recommendation	Target	Potential Upside
Rs1139	4.82	Hold	Rs1200	5%

\*as on 29th May, 2026

### About the Company:

Established in 1990, Magna Electro Castings Ltd (MECL) boasts over 500 man-years of technical expertise in the foundry industry. With a portfolio of 1,200+ unique product designs and simulations of over 2,500+ castings, the company specializes in utilizing materials such as ductile iron, SiMo, compacted graphite iron (CGI), austempered ductile iron (ADI), and grey iron. Their production capabilities range from 1-250kg, with an impressive 80% of their energy consumption sourced from renewable resources. MECL is engaged in manufacturing and supplying ductile and grey iron castings in the weight range of 300gms to maximum of 2000kgs. In three decades of progress, MECL has carved out a niche for itself as a pioneer supplier of engineered cast products to MNCs globally. The USP of the company lies in supplying technically challenging low to medium volume cast products; making MECL the go-to-company for high-quality and technically challenging products in US, EU and India. Furthermore, the company actively incorporates repurposed foundry output, demonstrating a commitment to sustainability. MECL also produces fully machined components utilising its in-house CNC machine shop and other facilities. It caters to end-user industries including auto, locomotives, valve, windmills, and transmission, among others. Sri. N. Krishna Samaraj is the Managing Director and driving force behind this company since inception.

### Results: Quick Glance:

- The net sales for the quarter reported an increase of 4.6% to Rs476mn as compared to Rs455mn in the same quarter last year
- The Ebitda margins for the quarter under review stood at 13.8% as compared to 16.3% in the comparative quarter last year
- The company reported profit of Rs27mn as compared to Rs48mn in the same quarter last year
- The EPS for the quarter stood at Rs6.28 as compared to Rs11.38 in the corresponding period of last year
- For FY26, the revenues came in at Rs1964mn as compared to Rs1764mn; growth of 11.3% while the PAT stood at Rs185mn as against Rs231mn. The EPS came in at Rs43.65 as against Rs54.62 in FY25
- The Board has recommended a final dividend of Rs5 per equity share (50%) on face value of Rs10 per share

### Financials:

Performance (Q4&FY26)									
Q4&FY26 Result (Rs mn)	Mar-26	Mar-25	y-o-y	Dec-25	q-o-q	FY26	FY25	y-o-y	FY27E
Total Revenue	476	455	4.6%	480	(0.8%)	1964	1764	11.3%	2318
EBITDA	65	74	(11.9%)	73	(10.8%)	331	342	(3.1%)	394
Other Income	5	4	33.5%	4	15.2%	19	17	10.0%	20
Interest	4	2	-	3	33.0%	10	3	-	17
Depreciation	25	12	-	25	(1.2%)	89	46	-	100
Exceptional Items	0	0	-	0	-	0	0	-	0
Tax	15	17	(11.2%)	12	25.0%	67	79	(15.4%)	80
Net Profit	27	48	(44.8%)	38	(29.2%)	185	231	(20.1%)	218

### Outlook and Recommendations:

The company has reported a small growth of ~4.6% on the topline, however, the margins have taken a beating and so has the bottom-line. This probably is owing to the probable change in the product mix as well as the global geopolitical issues which the Management had clearly mentioned in the AGM and is clearly evident in the FY26 numbers. During this period, the revenue for the full year has not collapsed, while at the same time, the customer retention appears to be more or less stable and the demand absorption appears to have started. The company has been offering niche products, which makes it difficult for customers to quickly switch suppliers.

**Outlook and Recommendations (contd.):**

The company has kept a tight control on the working capital cycle; the overall cash conversion cycle too has remained strong. All these factors are indicative of key points to note including better customer quality, stronger collections, improved working capital discipline and better bargaining power. There has been near term margin compression, however the same can be compensated by the increase in the capacities which are added and can be seen in the balance sheet as well. While the capex has already been incurred, the P&L has already started absorbing the overheads and depreciation; however, the revenues are yet to fully scale. Even after the expansion, the balance sheet remains healthy where the debt remains manageable with healthy cash generation and a strong equity base. MECL was lacking scale which they are trying to fill in, however, customer diversification and integrated capabilities are some factors which we have monitored diligently.

With the growth capex almost ending, the company replaced some of the old machinery with better efficiency machinery and high throughput equipment. In addition to this, there are some new sand recycling machines also added at the plant. The company has also made some additions/investments related to the solar equipment which can help reduce the power cost to some extent. There have been some new appointments made by the Management in the mid-level teams. In addition to catering the increase in the capacity, there has been some increase in the head counts in the plant as well. MECL is a small, niche, high-quality foundry exporter and is gradually scaling up in the precision casting platform with higher throughput capability addition post the commissioning of the 3rd moulding line. Though the company has seen a dip in the margins, the topline has shown good growth for the full year despite the geopolitical turmoil which affects MECL as well as its dealers/suppliers. MECL is in the earlier stage of capacity ramp-up with a niche positioning, and may be entering a multi-year operating leverage cycle post the completion of a major expansion while maintaining balance sheet discipline. The company has successfully tackled the various headwinds which have been surfacing one after the other in FY26 and has maintained the balance strength. The stock is highly illiquid and any unfavourable development leads to wild swings in the stock price; however, we continue to maintain our target price to Rs1200.

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