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18 June, 2025 | **PICK OF THE MONTH** | **VOL-11, NO-04**

Industry: Castings & Forgings | **Magna Electro Castings Limited** | **BUY**

CMP: Rs.1069 | **TARGET PRICE: Rs.1350** | **TIME : 12 months**

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 (silicon molybdenum), 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.

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. Furthermore, it actively incorporates repurposed foundry output, demonstrating commitment to sustainability.

The variety of material capabilities offered have applications across sectors like auto, hydraulics, pumps, marine, locomotives, engines, valves, gearboxes, off-highway, printing, flow control and suspension components, with no sector contributing over 20% of the overall revenues. We initiate coverage on MECL with a **BUY** rating and a TP of Rs1350 (20.2x of Mar'26E EPS of Rs66.7), implying an upside of ~26%.

Operational Strength: MECL operates well-established, backward-integrated manufacturing facilities equipped with in-house capabilities for **metal handling, moulding, melting, sand processing, heat treatment, finishing, core making, testing, and packing**. By delivering **design-driven, technologically advanced casting solutions**, MECL has established itself as a **globally competitive player** with a strong reputation for **engineering excellence**.

Capex Execution: MECL has a **comfortable capital structure** with low reliance on external debt and is supported by **stable operational performance** and a **sustained order book**. MECL is currently undertaking **debt-funded capital expenditure** to expand its moulding capacity. The company has been installing some balancing equipments/machinery which will enhance the production activities. Despite initial delays, MECL commenced trial runs for its third moulding line (Sinto) in May-June 2025.

Improving Financials: MECL has reported **decent growth in revenues** but for FY24 where domestic market underwent demand correction and the exports were also impacted by lower demand with inventory adjustment and shorter transit time. FY25 has seen a bounce-back with revenue growth of 22.8% on a y-o-y basis. There has been a strong **improvement** seen in Ebitda margins due to fluctuating but improving gross margins. It is **net debt-free** with free cash balance of Rs121mn as of March 2025.

SNAPSHOT	
52 week H/L	**Mcap (INR mn)**
1,299/440	4,523
Face value: 10	
BSE Code	**NSE CODE**
517449	NA

Shareholding Pattern as on 31st March, 2025		
Parameters	**No of Shares**	**%**
Promoters	2,260,826	53.4
Institutions/MF	2,100	0.05
Public	1,969,178	46.5
TOTAL	**4,232,104**	**100.0**

Annual Performance				
(Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**
Total Revenue	1,646	1,437	1,764	2,117
EBITDA	257	234	342	411
EBITDA (%)	15.6	16.3	19.4	19.4
Other Income	33	16	17	20
Interest	3	2	3	4
Depreciation	55	44	46	47
PBT	231	204	310	379
PAT	171	151	231	282
Equity (Rs mn)	42	42	42	42
EPS (INR)	40.5	35.7	54.6	66.7

Quarterly Performance				
Parameters (Rs mn)	**Jun-24**	**Sept-24**	**Dec-24**	**Mar-25**
Sales (Net)	422	456	431	455
EBITDA	96	97	74	74
EBITDA (%)	22.8	21.3	17.2	16.3
Other Income	5	5	3	4
Interest	0	0	1	2
Depreciation	11	12	11	12
PAT	67	67	49	48
Equity (Rs mn)	42	42	42	42

Ratio Analysis				
Parameters (Rs mn)	**FY23**	**FY24**	**FY25**	**FY26E**
EV/EBITDA (x)	17.6	19.3	13.5	11.2
EV/Net Sales (x)	2.7	3.1	2.6	2.2
M Cap/Sales (x)	2.7	3.1	2.6	2.1
M Cap/EBITDA (x)	17.6	19.4	13.2	11.0
Debt/Equity (x)	0.1	0.1	0.2	0.1
ROCE (%)	26.5	19.9	24.9	25.1
Price/Book Value (x)	4.8	4.2	3.5	2.9
P/E (x) (TTM)	9.6	9.3	19.6	16.0

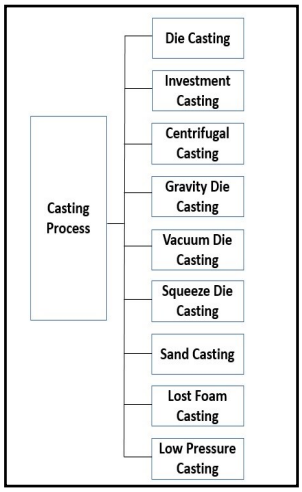
Source: Annual Report, Progressive Research

Note: Data calculated as on 17th June, 2025

18 June, 2025	PICK OF THE MONTH	VOL-11, NO-04
Industry: Castings & Forgings	Magna Electro Castings Limited	BUY
CMP: Rs.1069	TARGET PRICE: Rs.1350	TIME : 12 months

Foundry Industry: defined as industrial facilities that produce metal castings specializing in metals like iron, steel, aluminium and copper. *Metals are cast into shapes by melting them into a liquid, pouring the metal into a mould, and removing the mould material after the metal has solidified as it cools*. Foundries are one of the largest contributors to the manufacturing/recycling activities, melting and recasting millions of tons of scrap metal. The foundry market stands as a cornerstone of industrial production, supplying essential components for a myriad of industries ranging from automotive to aerospace. The global foundry market is projected to grow from USD125.57bn in 2023 to USD171.7bn by 2032, CAGR of ~3.99% (Credence Research). It has been witnessing strong growth led by escalating demand for semiconductor devices across various industries, including automotive, telecommunications and consumer electronics. The global foundry market is strategically distributed across key regions such as Asia-Pacific (highest market share; led by China and Korea), North America, and Europe, each contributing significantly to the global landscape. The India foundry market size is estimated at USD25.57bn in 2025, and expected to reach USD42.61bn by 2030, at a CAGR of ~11.13% during the forecast period (Mordor Int.). There are foundry clusters across the country and each is known to be catering to specific end use markets (like Coimbatore cluster is famous for pump-set castings, Kolhapur and Belgaum clusters for automotive castings, the Rajkot cluster for diesel engine castings, and the Howrah cluster for sanitary castings). Some of the **key players** include JSW Steel Ltd., Larsen and Toubro Ltd., and Electrosteel Castings Ltd., to mention a few which are pivotal in driving innovation and meeting the vivid needs of the global market. Growth across the Indian foundry industry has been led by the demand across sectors like automotive, engineering, energy, and infrastructure.

Exhibit 01: Casting Types



Source: Market Reports, Progressive Research

Exhibit 02: Foundry Industry Classification

Category	Sub-category	Description/Example
By Material	Ferrous	Iron (gray, ductile, white), steel (carbon, alloy, stainless)
	Non-Ferrous	Aluminum, copper, magnesium, zinc, brass
By Type	Sand Casting	Versatile process using sand molds; suitable for various metals and sizes
	Investment Casting	Lost-wax process; high precision, intricate shapes, good surface finish
	Die Casting	Molten metal injected into reusable steel dies; high-volume production, good dimensional accuracy
	Other Types	Permanent mold casting, centrifugal casting, continuous casting
By End-User	Automotive	Engine blocks, cylinder heads, transmission cases, chassis components, wheels
	Aerospace	Turbine blades, structural components, landing gear parts, engine parts
	Construction	Pipes, fittings, valves, structural elements, building hardware
	Machinery	Gears, pumps, valves, machine tool components, industrial equipment parts
	Other End-Users	Agriculture (tractor parts), marine (ship components), energy (wind turbine parts), medical (surgical instruments)

Source: Market Reports, Progressive Research

The global automotive industry market is expected to reach USD6,861.45bn by 2033, at a CAGR of 6.77% during the forecast period 2023-33 (Spherical Insights). Larger percentage of govt. funds is being allocated to road infrastructure upgrades in an effort to strengthen the transportation and logistics sectors. The CV segment is dominating the market with the largest revenue share over the forecast period. The global Medium and Heavy Commercial Vehicles (M&HCV) market is expected to register a CAGR of 8% during 2025-30. For the Indian auto industry, the market size is estimated at USD137.06bn in 2025, and expected to reach USD203.25bn by 2030, at a CAGR of 8.2% during the forecast period (Mordor Int.). The Indian 2W industry is gaining immense popularity due to fuel efficiency and lower purchase costs of 2Ws, rapidly growing population, road traffic congestion, lack of parking spaces, inadequate mobility infrastructure, and reduced carbon emissions, particularly in electric variants. The M&HCV segment is expected to expand in the range of 0-3% in FY26 (ICRA). The global pumps market size was estimated at USD57.66bn in 2023 and is anticipated to grow at a CAGR of 4.4% from 2024 to 2030. The India pumps market generated a revenue of USD4355.5mn in 2023 and is expected to reach USD6392.9mn by 2030; expected to grow at a CAGR of 5.6% from 2024 to 2030 (Grand View Research).

Exhibit 03: Pump Industry Classification

Category	Sub-category	Specific Types
Types	Centrifugal	Radial Flow Pump, Mixed Flow Pump, Axial Flow Pump
	Positive Displacement	Rotary (Gear Pump, Screw Pump, Vane Pump, Lobe Pump, Others), Reciprocating (Diaphragm, Piston, Plunger)
End-Use	-	Agriculture, Construction & Building Services, Water & Wastewater, Power Generation, Oil & Gas, Chemical, Others
Regions	-	Latin America, Europe, North America, Middle East & Africa, Asia Pacific
Countries	-	US, Canada, Mexico, Germany, France, Italy, UK, Spain, Russia, China, Japan, India, South Korea, Australia, Brazil, Saudi Arabia, UAE

Source: Market Reports, Progressive Research

Foundry Industry (contd.):

The global metal casting market size accounted for USD177.54bn in 2024 and is predicted to increase from ~USD199.86bn in 2025 to ~USD400.74bn by 2034, expanding at a CAGR of ~8.48% from 2025 to 2034 (Precedence Research). The **metal castings industry** has its growth closely linked to the industrialization trends. As industries expand globally, there is a rising demand for metal castings across various sectors, including automotive, aerospace, construction, and machinery. Furthermore, the automotive industry is a major driver of the metal casting market; with the expansion of the auto sector globally, there is an increasing need for complex and lightweight metal components, which are often produced through casting processes.

Metal Casting Process: The casting industry's value chain begins with **raw material sourcing**, involving suppliers of base metals like iron ore and aluminium, alloy providers for elements such as manganese and silicon, sand suppliers for molds, binder suppliers, and providers of refractory materials. The process moves into **pattern and mold making**, where pattern makers create replicas and mold makers construct molds through various techniques like sand mold preparation and die creation. **Melting** is a critical stage where foundries melt metals in furnaces, refine the melt, and remove dissolved gases through degassing. The molten metal is then poured into molds during the **casting** phase, followed by **solidification**. **Post-casting processes** include shakeout to remove the casting, de-gating to eliminate excess material, heat treating to alter metal properties, and surface cleaning to remove impurities. **Finishing** involves machining for precision, grinding for smoothness, and surface treatments for protection or aesthetics. **Quality control** ensures product integrity through inspection and testing. **Distribution and logistics** cover packaging, warehousing, and transportation to deliver castings to customers. Finally, the value chain culminates in **end-use industries** where customers like automotive, aerospace, and construction integrate castings into their products.

Exhibit 04: Metal Casting Process

Furnace & Melting	Transform the metal from a solid state into a liquid state for pouring into moulds
Degassing	Remove dissolved gases, particularly hydrogen
Mould Making	Create a cavity that will hold the molten metal and give it the desired shape
Pouring	Transfer the molten metal from the furnace or ladle into the mould cavity
Shakeout	Remove the solidified casting from the mould
Degating	Remove the excess metal that solidified in the gating system
Heat Treating	Modify the properties of the metal, such as hardness, strength, and ductility
Surface Cleaning	Remove any remaining mould material or surface contaminants
Finishing	Achieve the final desired dimensions, surface finish, and appearance of the casting
Casting Process Simulation	Predict and optimize the casting process before production

Source: Market Reports, Progressive Research

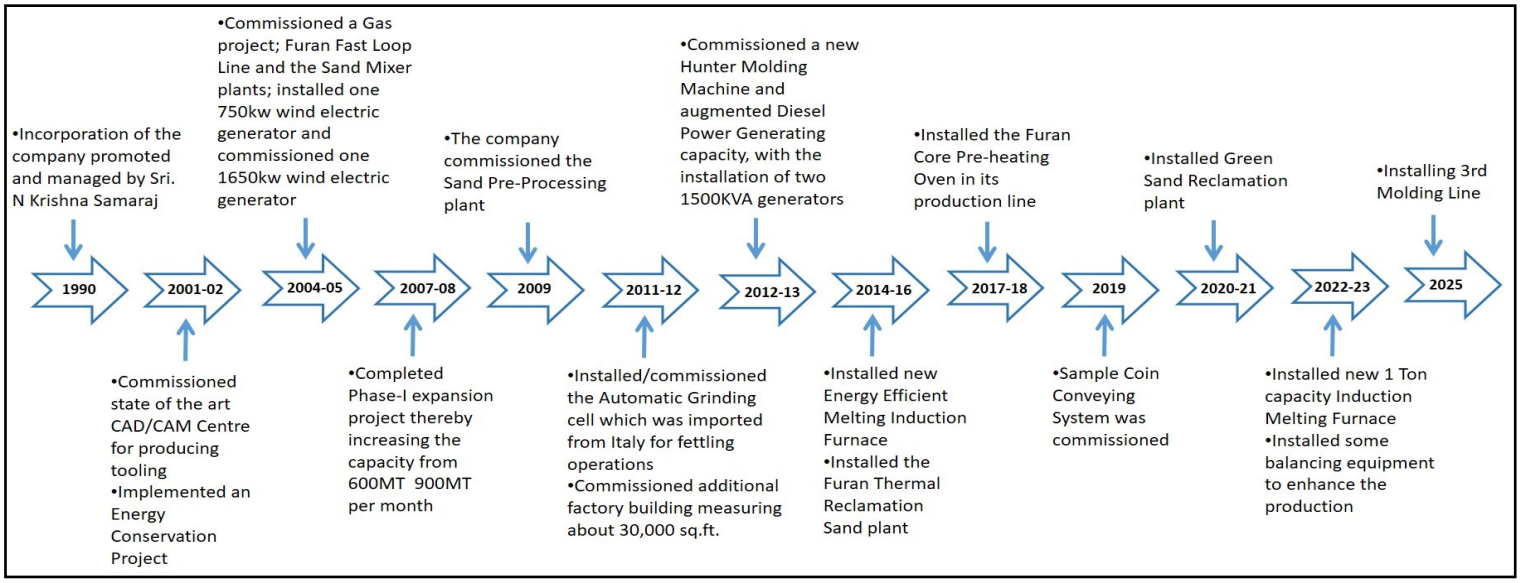
The Indian foundries are increasingly adopting advanced technologies like automation, Industry 4.0, and green foundry practices to stay competitive. These advancements include the use of smart sensors, robotics, and AI-driven systems that improve production efficiency and reduce wastage. Sustainability is also becoming a priority, with more foundries adopting eco-friendly processes such as waste heat recovery systems, low-emission melting techniques, and recycling of sand and other materials. The Indian foundry industry **faces several challenges** like the rising raw material costs, particularly for iron and steel, that have increased production expenses. Additionally, fluctuations in global trade relations have led to unpredictable export markets, impacting the industry's stability. Another challenge is the skilled labour shortage; as the industry modernizes, the demand for workers proficient in operating advanced machinery and digital systems grows, and there is a gap in training programs to meet this demand. Despite these challenges, the Indian foundry industry has strong growth prospects both for the domestic as well as international markets.

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. As on 31st March, 2023, MECL had an installed capacity of 13,140MT for production of ductile iron castings. Sri. N. Krishna Samaraj is the Managing Director and driving force behind this company since inception.

About the Company (contd.):

Exhibit 05: Key Milestones



Source: Market Reports, Progressive Research

Investment Rationale:

(A) Operational Strength:

The company has well-established manufacturing facilities with in-house machining capabilities where ~65-70% is machining and the remaining is rough castings. MECL operates well-established, backward-integrated manufacturing facilities, strategically spread across **11.3 acres** of land (plus additional 1.8 acre added near the factory in Coimbatore). The facility is equipped with in-house capabilities for **metal handling, moulding, melting, sand processing, heat treatment, finishing, core making, testing, and packing**. In addition, a portion of the machining work is outsourced to its sister concern, **Samrajyaa and Company**, located in close proximity to MECL's main unit, enabling seamless coordination and workflow optimization. MECL has windmills of 3.25MW for captive consumption and has also entered solar power purchase agreement for the next 20 years, which together meets ~80-85% of its power requirements. The company is undertaking capex to augment its moulding capacity, which complements its existing product profile and will enable the company to produce castings from 1-250kgs segments. MECL also possesses niche capabilities in **complex fabrication, prototyping, machining**, and **heat treatment**, enabling it to serve sophisticated client requirements. By delivering **design-driven, technologically advanced casting solutions**, MECL has established itself as a **globally competitive player** with a strong reputation for **engineering excellence**.

The company's customer base spans multiple sectors including **automotive, locomotive, wind energy, transmission, and valves**, with no single sector contributing more than **20% of total revenues**, ensuring **risk diversification**. In the automotive segment, MECL primarily supplies to **heavy vehicle manufacturers**. The company has once again been honoured with the **Caterpillar Supplier Excellence Award** for the year 2024, reflecting the company's unwavering commitment to quality, performance, and customer satisfaction. This marks the **second consecutive year** that MECL has received this prestigious recognition, underscoring the company's consistent excellence, perseverance, and the collaborative efforts of the entire Magna team.

The Heart of Machining: In March-April 2025, MECL inaugurated a comprehensive **Tool Crib** at its machine shop. The Tool Crib is designed to provide machine operators with fully organized, pre-set tool kits, streamlining operations and reducing setup time. Given the frequent daily changeovers across machines that cater to low-to-medium volume niche production, this initiative is expected to significantly enhance Overall Equipment Effectiveness (OEE). The resulting improvements in productivity and quality are also anticipated to positively influence overall customer satisfaction.

The company continues to strengthen its operations through consistent focus on new product development (NPD) and product innovation. In April 2025, as part of its strategic efforts to advance precision in NPD and enhance productivity to future-proof operations; MECL inaugurated the **HEXAGON ENSPEC Coordinate Measuring Machine (CMM)**. This state-of-the-art system complements the company's existing CMM infrastructure and represents a significant expansion of its capabilities to meet growing business demands. More than just a technological upgrade, this investment underscores MECL's commitment to maintaining the highest standards of quality and innovation. The advanced features of the new CMM are expected to redefine the company's NPD and manufacturing processes, delivering unmatched accuracy, reliability, and efficiency.

Investment Rationale (contd.):

(A) Operational Strength (contd.):

Commitment to Sustainability and Climate Resilience: MECL has actively undertaken rainwater harvesting initiatives as part of its broader environmental sustainability efforts. The effectiveness and resilience of these systems were successfully demonstrated in April 2025, when an unexpected summer downpour delivered **~13cm of rainfall**, including **7scm in just 20 minutes**. The rainwater harvesting infrastructure efficiently managed the heavy inflow, significantly reducing surface runoff and contributing to **groundwater recharge**. The facility is strategically located in **Kinathukadavu, Coimbatore district, Tamil Nadu**, a high-rainfall zone that receives **~700mm of annual precipitation** over 20-30 rainy days, representing **85.37% of the district's historical maximum rainfall**. This location further reinforces the importance of MECL's proactive water conservation infrastructure. Aligned with its commitment to **minimizing ecological footprints**, the company is striving to contribute meaningfully to the **Sustainable Development Goals (SDGs)**, particularly those focused on climate action and environmental sustainability.

In **June 2024**, the company reinforced its operational capabilities by commissioning a state-of-the-art **Auto Grinding Machine**, a CNC fettling system engineered for uniform and precise finishing of castings. This advanced technology is transforming the grinding process by delivering consistent dimensional accuracy and ready-to-machine surfaces, thereby enhancing productivity and product quality.

In **July 2024**, the company commissioned a new **Medium Voltage (MV)** panel with ample capacity to support current operations and the upcoming third moulding line project. This upgrade has significantly improved the electricity distribution infrastructure, enhancing system reliability, operational safety and energy efficiency. The foundation work for the **third moulding line** project commenced in May 2024. This strategic expansion includes the installation of an **FBO V Moulding Line** from Sinto Japan (SINTOKOGIO Ltd. and Sinto Bharat Manufacturing Pvt. Ltd) and a high-performance sand plant from Eirich India. The new line will add an installed capacity of 1,200MT per month, increasing the company's total moulding capacity to 2,000MT per month. With the integration of this third moulding line alongside the existing two lines, Magna will be equipped to manufacture cast products ranging from 1-250kg delivering enhanced cost efficiency and superior precision quality.

The company is committed to operational excellence through a **'First Time Right'** approach and adherence to global standards in NPD. To support this strategy, regular training programs are conducted on **Advanced Product Quality Planning** (APQP) and **Production Part Approval Process** (PPAP) for approximately 32 process owners and members of the product development team. These initiatives ensure a strong quality culture and robust execution across all stages of product development.

The **Kuttner Sand Cooler** plays a critical role in ensuring operational consistency and product quality. Operating silently and efficiently, it maintains precise sand temperature control reducing input temperatures from 45-65°C to an optimal 38-42°C. This precision enables the production of high-quality moulds with superior surface finishes and low rejection rates. Its reliable performance makes it an indispensable asset in delivering best-in-class casting results.

Exhibit 06: Third Moulding Lines

Source: MECL LinkedIn Handle

Investment Rationale (contd.):

(B) Manufacturing Process:

The infrastructure connects every aspect of concept-to-product development, manufacture, and rigorous testing, utilising the latest machinery, equipment and most advanced CAD/CAM/Simulation software. This integrated approach ensures every product benefits from reduced lead times, improved quality, and optimised performance.

Product Development: For the design and development of every product more than 25GB of data goes into it. Each casting commences with the development of accurate 3D models backed by simulation expertise in more than 2500 castings using MAGMA Soft & Nova Cast. Machining simulations get executed with precision using EDGE CAM & MASTER CAM. The additional facilities include CMMs, FARO 6-Axis Scanner among others.

Molding Lines: Magna has **two molding lines** to address varied customer requirements. The company is competitive from 1-20kg and then 75-250kgs; the gap in between would be catered by the new molding line. IMF **Furan line** for large castings of **50 to 250kgs** with a capacity of **10 molds per hour** with match plate size of 1200mm x 1000mm x 350/350mm. Another line is the **Hunter high-pressure green sand molding line** for small-to-medium castings of **1-20kgs** with a capacity of **70 molds per hour** and match plate size of 600mmx 500mm x 215/185mm. As per latest updates, all the machineries and equipment required for **third moulding line** project have been received and the erection work is nearing completion. The statutory approvals have also been received. The trial run was scheduled for May, 2025 and the third moulding line project is expected to be commissioned by June, 2025. The total installed molding capacity is estimated to be ~2000MT per month with the project cost at Rs407.9mn (Rs250mn through internal accruals and remaining through a long term loan taken from Union Bank of India). The additional melting capacity will be accordingly adjusted as and when the production picks up. This expansion will also enable the company to secure new business in medium sized components range on a competitive basis. On successful completion of this project, the company will able to cater to a wide range of castings from 1-250kgs.

Sand Treatment: The company has world class standards of sand treatment. For this process, the sand is first pre-processed before being routed through high-end mixers for the core shop and molding lines. Secondary sand cooler mechanisms are used for optimal molding conditions. Thermal reclamation ensures high recyclability of the sand.

Core Shop: The core shop offers unique capabilities (a) time-tested coldbox core process, (b) all core compositions and settings are stored and retrieved instantly via a central server, (c) RFID-enabled machines for perfect, precise and repeatable cores, (d) shell cores (e) 3D-printed cores and molds.

Melting and Testing: The raw material that goes into the making of every casting matches the highest quality benchmarks, with 3 medium frequency induction furnaces having **3 tons per hour supply to both molding lines**. The vital parameters such as metal composition, temperature and quality are tested. There are Advanced Thermal Analysis (ATAS), Spectrometers, Leco Carbon-Sulphur determinator, radiation pyrometer, image analyser, comprehensive mechanical and impact testing done.

Fettling & Finishing: MECL has a dedicated finishing division 35,000 sq.ft. in a dust-controlled environment with independent cells for each product line, ensuring timely output and superior finish comprising of Special Purpose Machines (SPMs), CNC Fettling Machines, High Speed Grinders using Diamond Coated Tools, Grit Blasting, Paint Booth.

Machining: It includes a wide range of CNC machines, multiple CMMs, honing inspection, profile scanners and borescopes to ensure world class machining.

The company also provides **value-added** services like painting, phosphating, powder coating, comprehensive leak testing (pressure range: 6 to 35 bar), millipore testing for cleanliness certification to mention a few.

Exhibit 07: Machining Process Types

Machining Process	Description	Applications
HMC (Horizontal Machining Center)	CNC machine tool with a horizontally oriented spindle, used for various machining operations like milling, drilling, and tapping on horizontal surfaces	Heavy-duty cutting, large-scale production. Common in automotive, aerospace, and heavy machinery industries
VMC (Vertical Machining Center)	A CNC machine tool with a vertically oriented spindle, used for machining operations on vertical surfaces	Precision work, high-speed production. Used in electronics, medical devices, and general manufacturing
Turn Mill	Combines turning and milling operations in one machine, allowing machining complex parts perform rotational and non-rotational operations	Producing intricate, highly accurate parts. Used in aerospace, automotive, and medical industries
VTL (Vertical Turning Lathe)	A lathe machine with vertically held work piece is used for turning large and heavy work pieces	Machining large and heavy components like turbine parts, engine casings
HTL (High-Temperature Lathe)	Designed for machining materials requiring high-temperature conditions, such as super alloys	Aerospace and power generation industries for machining components that withstand extreme temperatures
Honing	A precision machining process that improves surface finish and geometric accuracy using abrasive stones	Finishing engine cylinders, gears, hydraulic cylinders, and components requiring high precision
Proto Parts Machining	Manufacturing prototype parts using CNC machines for initial testing and evaluation before mass production	Product development and R&D in automotive, aerospace, and consumer electronics industries

Source: Market Reports, Progressive Research

Investment Rationale (contd.):

(C) Product Offerings and Clientele: MECL offers low-to-medium volume production of 1-250kg machined castings with a variety of material capabilities. These have applications across different sectors like automobiles, hydraulics, pumps, marine, locomotives, engines, valves, gearboxes, off-highway, printing, flow control and suspension components. The different metals used include ductile iron, SiMo, CGI, ADI and grey iron. The company caters to different sectors, such as automotive, locomotive, windmill, transmission, and valves industries with no sector contributing over 20% of the overall revenues. In automobiles, the company mainly supplies to heavy vehicle manufacturing companies. MECL also has niche products, such as complicated fabricating, prototyping, machining, and heat treatment. The company also provides **value-added services** like painting, phosphating, powder coating, comprehensive leak testing (pressure range: 6 to 35 bar), millipore testing for cleanliness certification.

Customers: From critical castings to independent products, MECL has a wide range of customers and world-class manufacturing capabilities to meet the diverse global industry needs. The company has a range of customers both across the domestic as well as international markets. Domestic Customers: include Accelleron, TEL (Turbo Energy Ltd), Wabtec, Caterpillar, Perkins, CNH Industrial, Flowserve, Pitti, Spirax Sarco, GE (General Electric), Craftsman Automation, Eriez, Yanmar, Magna Digitech. Global Customers: include Wabtec, HYDAC, Oilgear, SPX Flow, Babcock & Wilcox (B&W), Hendrickson, Flowserve, Parker, FMC Technologies, Eriez, Twin Disc, Johnson Controls, Caterpillar, GKN Rockford, Inc., MAN Energy Solutions, Spirax Sarco, LESER.

Exhibit 08: Product Portfolio

Source: MECL Website

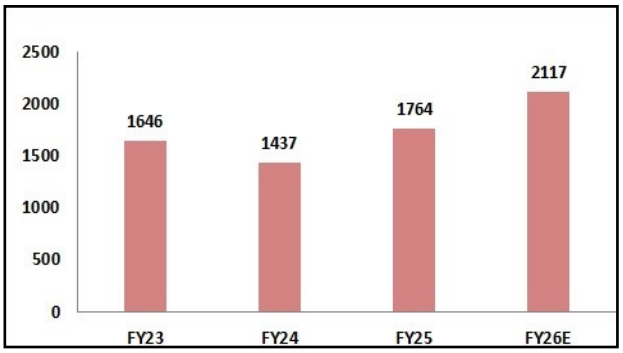
Investment Rationale (contd.):

(D) Capex Fortification:

MECL maintains a **comfortable capital structure** with low reliance on external debt and is supported by **stable operational performance** and a **sustained order book**. The company is currently undertaking **debt-funded capital expenditure** to expand its moulding capacity. The foundation work for the **third moulding line** project commenced in May 2024. This strategic expansion includes the installation of an FBO V Moulding Line from Sinto Japan (SINTOKOGIO Ltd. and Sinto Bharat Manufacturing Pvt. Ltd) and a high-performance sand plant from Eirich India. The new line will add an installed capacity of 1,200MT per month, increasing the company's total moulding capacity to 2,000MT per month. With the integration of this third moulding line alongside the existing two lines, Magna will be equipped to manufacture cast products ranging from 1-250 kg delivering enhanced cost efficiency and superior precision quality. The company has been installing some balancing equipments/machinery which will enhance the production activities. Despite initial delays, for the third molding line, the trial run was scheduled for May, 2025 and is expected to be commissioned by June, 2025. The project has received the official **Consent to Operate (CTO)** from the **Tamil Nadu Pollution Control Board**, and an additional **700KVA** of power has been sanctioned and connected by the **Tamil Nadu Electricity Board.** This trial marks a critical milestone towards the operationalization of the new sand plant, moulding machine, mould handling system, and automated pouring (auto pour) setup. The current focus is on establishing **sand quality standards**, ensuring **consistency in moulding operations**, optimizing **mould handling processes**, and integrating and validating the **auto pouring system**. This advancement is expected to significantly enhance production capabilities, setting the foundation for a major capacity expansion and readiness for **high-quality, efficient manufacturing** in the near term. MECL is steadily advancing its green sand moulding expansion project with a focused and deliberate approach. The commissioning of the **Sinto green sand moulding line** is expected within the next **one to two months**. A critical factor in ensuring the quality and consistency of green sand moulds is the precise and calibrated **addition of binders and sand**. To this end, the company has implemented an advanced additive system capable of efficiently supporting both the existing **Hunter moulding line** and the upcoming **Sinto line**. This integration is expected to enhance process stability and mould quality across the expanded production infrastructure. Advanced simulation software, automation, and 3D printing are anticipated to increase the production fidelity while shortening the time to market when custom components are required. MECL has been offering these and further building on the capabilities for the same. There are efforts underway to add-on to the ability to integrate digital manufacturing processes providing the flexible process flows needed to allow the foundries to achieve greater efficiency and quality control.

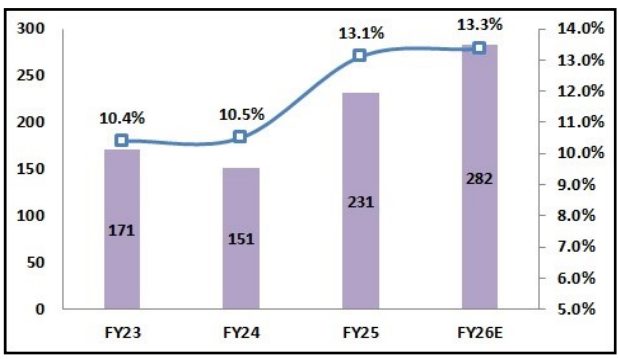
Financials: The company caters to domestic and export markets with export sales contributing to ~47% (in FY24) to the overall revenues. The company has reported **decent growth in revenues** but for FY24 where the domestic market underwent a demand correction and the exports were also impacted (decreased by 13.4%) by the lower demand with inventory adjustment and shorter transit time. FY25 has seen a bounce back with a revenue growth of 22.8% on a y-o-y basis. There has been a strong **improvement** seen in the Ebitda margins due to fluctuating but improving gross margins. The company is **net debt-free** with free cash balance of Rs121mn as of Mar'25; with adequate liquidity and no major LT debt repayments. The current ratio stood comfortable at 2.1x as on Mar'25 (PY: 4.1x). The company gives a credit period of 75-90 days to its foreign clients, while it gives a credit period of ~60-75 days to its domestic customers. Interest coverage stands at 116.1x in FY25 (PY: 102.9x). The company is undertaking **debt funded capex** to augment its moulding capacity, which will enable it to produce castings in different weight segments to cater to customer requirements. The company continues with its expansion plan which is to the tune of ~Rs410mn. In order to fund the capex, the company has borrowed funds to the tune of ~Rs97.6mn. This capex is expected to be completed by June-July 2025. The capital structure is expected to remain healthy with accretion of profits. There is immense cyclicality which is seen in the business and mostly the orders are dispatched/executed in Q4 or Q1 of any financial year. The company is gradually increasing the dividend payouts, the same stood as Rs6 for FY25; Rs3 in FY24 and Rs2.50 for FY23.

Exhibit 09: Revenue Trend (Rs in mn)



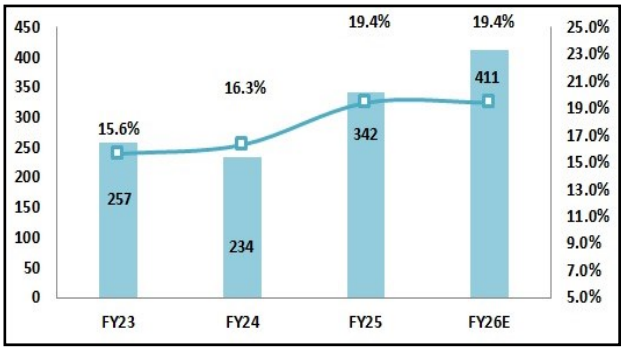
Source: Annual Reports, Progressive Research

Exhibit 10: PAT (Rs in mn) v/s PAT Margins



Source: Annual Reports, Progressive Research

Exhibit 11: Ebitda (Rs in mn) v/s Ebitda Margins



Source: Annual Reports, Progressive Research

Risks and Concerns:

The primary **raw materials** for ductile iron casting i.e. steel scrap and ferro alloys are subject to high price volatility driven by global and domestic demand-supply dynamics. This inherent fluctuation, particularly in steel scrap prices, which have been significantly impacted by **geopolitical tensions** such as the Russia-Ukraine conflict, poses a risk to MECL's cost structure and overall profitability. With ~45-48% of revenue derived from export markets, the company's earnings are also vulnerable to **foreign exchange** rate fluctuations. Furthermore, MECL faces multiple challenges stemming from demand-supply imbalances in both domestic and international markets. The company operates in a **niche segment**, producing specific tonnage castings tailored to customized applications. While this specialization supports product differentiation, it limits scalability, making revenue growth sensitive to adverse market conditions and leading to heightened operational risks during **periods of subdued demand**. Despite its long-standing operational history and a diversified client base across industries, MECL's overall scale remains modest, as reflected in its operating income. To capture growth opportunities, particularly in the high demand, low & medium weight casting segments, the company must further enhance its engineering capabilities. This includes acquiring the right blend of technical skills, experience, and innovation to address increasingly complex manufacturing requirements, a direction in which MECL is actively progressing. The company is also undertaking incremental capital expenditure and expanding its production lines. However, the **execution** of these projects may face delays, adding to operational uncertainties. The broader demand outlook for the casting industry remains linked to trends in industrial growth, infrastructure investment, and the rising emphasis on energy-efficient solutions. India continues to be a favourable hub for casting production due to its cost competitiveness and strong domestic demand. However, the industry faces pressure from **unorganized players**, who benefit from **low entry barriers** and often compete aggressively on price, thereby eroding market share. Additionally, **competition** from international manufacturers many of whom have adopted advanced technologies and offer more efficient solutions poses a growing challenge to MECL's market position. Moreover, the company's key end-user segments, particularly the automobile and pump industries, are highly cyclical, which further impacts revenue visibility and predictability. The stock is **highly illiquid** and is very thinly traded on **BSE only.**

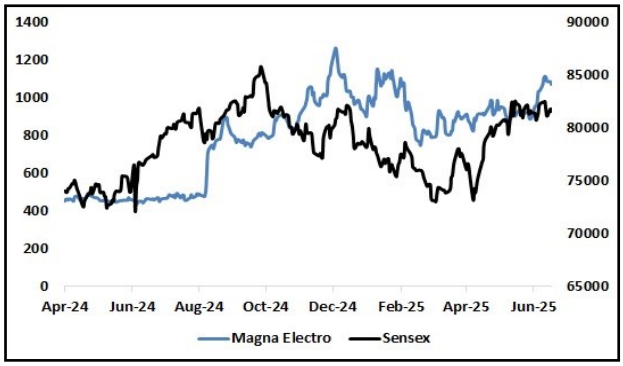
Outlook and Recommendations:

The Indian foundry and castings market is on a strong growth trajectory, backed by surging infrastructure development, expansion in the automotive sector, rising demand for industrial machinery, favorable government initiatives such as Make in India, and increased global outsourcing opportunities. The domestic metal casting market is expected to grow with GOI led manufacturing expansion, rising industrialization, and demand for heavy engineering products. The metal casting industry is undergoing a transformative shift marked by **technological advancement**, **sustainability imperatives**, and **globalization trends**. Sectors such as automotive, construction, railways, and heavy engineering are driving consistent demand for castings. MECL, with its expertise in **ductile iron and grey iron castings**, and proprietary high-precision casting capability branded under *Magna MasterCAST*, is well-positioned to capitalize on this sectoral uptrend. The company specializes in low-to-medium volume production of machined castings, offering end-to-end solutions from **design and simulation** to **final machining**, which aligns with the increasing demand for customized and value-added products. The **China+1 strategy**, rising energy and manufacturing costs in Europe, and the **shutdown of foundries in the US** have further created a favorable export opportunity for Indian players, and MECL is poised to be a key beneficiary of this realignment. In line with its growth ambitions, MECL has undertaken a significant capacity expansion through its **third moulding line** project. As of May 2025, all equipment has been received, erection is nearing completion, and statutory approvals are in place. **Trial runs have begun**, and the line is expected to be commissioned by **June-July 2025**, increasing total moulding capacity to **~2,000MT per month**. This expansion enables the company to tap into the medium-sized components segment on a competitive basis.

Outlook and Recommendations (contd.):

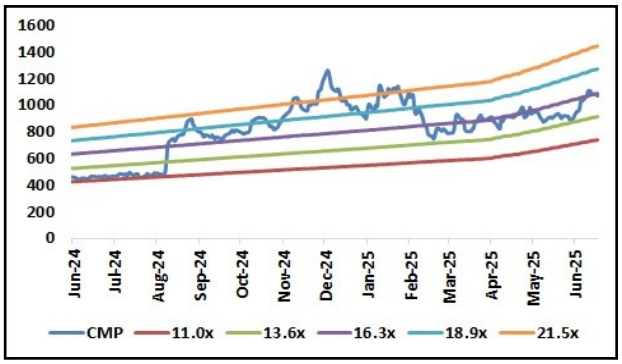
Additionally, the casting market is witnessing a shift towards **lighter materials** like **aluminium** driven by fuel efficiency and EV trends. MECL's adaptability to these shifts, along with its proficiency in **precision and pressure die casting**, positions it strongly to serve the emerging needs of OEMs seeking lightweight, high-performance, and sustainable solutions. MECL is also aligned with global sustainability efforts. Its commitment to **green melting techniques**, **renewable power sourcing**, and **recyclable materials** affirms its long-term viability in a market increasingly shaped by **environmental regulations**. On the organizational front, the induction of **Mr. Ajeya Vel Narayanaswamy** (son of MD Sri. N. Krishna Samaraj) as **Executive Director (Marketing)** reflects proactive **succession planning** and an increasing involvement of the next generation, which bodes well for continuity and fresh strategic impetus. MECL's Management remains focused on **capital discipline**, aiming to run a **net-debt-free operation** while delivering **strong return ratios**. The company's strategic direction to become a **one-stop solution provider** in high-precision, niche casting applications, underpinned by engineering excellence and operational sustainability, lends high visibility to its long-term growth potential. Considering all the positive triggers mentioned above, we initiate coverage on the stock with a **BUY** rating for a target of Rs1350.

Exhibit 12: Price v/s Sensex



Source: Ace Equity, Progressive Research

Exhibit 13: One Year Forward P/E



Source: Ace Equity, Progressive Research

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Registered Office Address:

Progressive Share Brokers Pvt. Ltd,

122-124, Laxmi Plaza, Laxmi Indl Estate,

New Link Rd, Andheri West,

Mumbai—400053, Maharashtra

www.progressiveshares.com | Contact No.:022-40777500.

Compliance Officer:

Ms. Neha Oza,

Email: compliance@progressiveshares.com,

Contact No.:022-40777500.

Grievance Officer:
Email: grievancecell@progressiveshares.com