

# Magna Electrocasting

**Rs 198**
*Cast well*

BSE Sensex: 33,157

Nifty-50: 10,323

## FINANCIALS

	SALES	OPM (%)	OP	OTHER INC.	PBIDT	INT	PBDT	DEP.	PBT	EO	PBT AFTER EO	TOTAL TAX	PAT	EPS* (Rs)
1503 (12)	101.44	14.5	14.66	0.45	15.11	2.32	12.79	4.42	8.37	0	8.37	2.94	5.43	11.9
1603 (12)	96.18	15	14.38	0.9	15.28	1.56	13.72	4.63	9.1	0	9.1	2.45	6.65	14.5
1703 (12)	83.65	17.3	14.43	0.55	14.98	0.54	14.44	5.12	9.31	0	9.31	1.85	7.46	16.3
1803 (12P) &	90	15.7	14.15	0.69	14.84	0.46	14.38	5.59	8.79	0	8.79	1.86	6.93	15.1
1903 (P) &	101.42	16.2	16.47	0.76	17.23	0.44	16.8	6.04	10.76	0	10.76	3.01	7.75	16.9

\* On current equity of Rs 4.58 crore; Face Value: Rs 10. (P): Projections. &: Figures are as per new Indian Accounting Standard. Figures in Rs crore.  
Source: Capitaline Databases

Incorporated in 1993, Magna Electrocasting (Magna) is in the business of Manufacturing & Supplying Ferrous Components in small and medium volumes to users worldwide. It specializes in the manufacture of Ductile Iron and Gray Iron casting in the weight range of 300 grams to a maximum of 2000 Kilograms.

It also adds value by heat treatment, surface treatments and machining so that the products are ready to assemble.

The company operates in 2 segments: Foundry and Wind Energy.

Sustainable growth and development of the foundry sector is crucial to the Government of India's manufacturing Policy

The Indian Foundry Industry is a vital industrial segment of the manufacturing sector, especially the engineering sub-sector. Globally, it is ranked 3<sup>rd</sup> and produces 9 million MT of cast components of various specifications with an estimated revenue of USD 12.5 billion and exports of USD 2 billion. The sector provides direct and indirect employment to more than 2 million people.

The sustainable growth and development of the foundry sector is crucial to the Government of India's manufacturing Policy which aims to substantially increase the share of manufacturing and to provide 250 million jobs in the next 10 years.

### Caters to a wide range of user industries

The castings produced by the company are used in industries like Automotives, Electricals, Valves, Refrigeration, Railroads, Hydraulics; Printing etc.

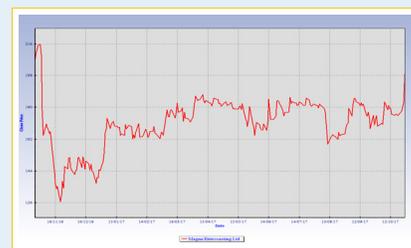
It also produces fully machined components, utilizing its in-house CNC machine shop and other facilities as well.

The Machined components manufactured by the company are used in industries like Railroads, pump, windmills, off Highway, automotives, hydraulics etc.

Thus, company caters to many industries and any revival in the capex and industrial activity in any industry segment, will lead to higher growth for the company.

### Suitable location and complete in-house facility

The company has 3 manufacturing facilities, all around the industry belt of Coimbatore.



## STOCK DATA

BSE Code	:	517449
BSE Group	:	XD
NSE Code	:	Not listed
Bloomberg	:	METC IN
Reuters	:	MAGN.BO
Par Value (Rs)	:	10
52-week High/Low	:	Rs 223 / Rs 124
Sector	:	Castings, Forgings & Fastners

## SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 0
Institutions	: 1.3
Corporate Holding	: 0
Promoters	: 42.41
Public & Others	: 56.29
Total	: 100

\* as on 30/09/2017.

Source: Capitaline Databases

The city has become a hub for automobiles, engineering, hydraulics and other industrial activities, which are the major clients of Magna.

At these plants, Magna undertakes entire range of casting, machining and process activities. The scope of work includes, melting, metal handling, melting, green sand molding, heat treatment, physical testing, weighing, pressure testing, measurement rooms, finishing, core shop, packaging etc. thus, there is a complete in-house manufacturing facility wherein products are ready to assemble.

The company has installed Wind Energy Generators, all located in and around Coimbatore, with a total capacity of 4MW as part of the Green initiative and generation of Clean Energy. About 83% of power generated from wind mills is consumed in-house while the rest is sold to Tamil Nadu SEB.

#### Capex to improve the quality of Castings

The company has been constantly upgrading its production processes to be in line with the latest in the Industry.

In FY 2017, the company installed the Furan core preheating oven in its production line at a cost of Rs 11.80 Lakh. This will improve the quality of Furan cores, flexibility in planning process as the lead time is reduced and productivity of Furan cores will increase and Natural curing of Furan cores will be eliminated.

Apart from this, it will also improve the quality of Castings, furan castings delivery performance and internal surface finish.

#### Financials

For the quarter ended June 2017, it registered a 4% rise in sales to Rs 22.67 crore. OPM fell 370 basis points to 14.6% which saw OP go down 18% to Rs 3.31 crore. PBT fell 25% to Rs 2.05 crore and PAT was down 27% to Rs 1.54 crore. Performance was adversely affected due to GST transition related issues.

In FY 2017, sales had fallen 13% to Rs 83.65 crore. OPM had improved 230 basis points to 17.3% which saw OP flat at Rs 14.43 crore. PBT grew 2% to Rs 9.31 crore and PAT went up 12% to Rs 7.46 crore due to effective material consumption, cost controls etc. Exports stood at Rs 42 crore, accounting for around half of sales.

In FY 2017, the foundry operations were very subdued due to weak global market conditions. However the company strives to acquire more orders from domestic market in the following years.

In FY 2017 the Wind Energy Division registered higher revenue due to better wind velocity and better evacuation by TANGEDCO. The Wind Energy Division was able to meet about 83% of the total requirement of the company.

#### Valuation

For FY'18, we expect the company to register sales and PAT of Rs 90.23 crore and Rs 6.93 crore respectively. This gives an EPS of Rs 15.1 for FY18. The EPS is likely to rise to Rs 16.9 in FY19. At current market price of Rs 198, the scrip trades at 11.8 times expected FY19 earnings.

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### MAGNA ELECTROCASTING: RESULTS

	1706 (3) &	1606 (3) &	Var. (%)	1703 (12)	1603 (12)	Var. (%)
Sales	22.67	21.90	4	83.65	96.18	-13
OPM (%)	14.6	18.3		17.3	15.0	
OP	3.31	4.02	-18	14.43	14.38	0
Other inc.	0.38	0.29	30	0.55	0.90	-39
PBIDT	3.70	4.31	-14	14.98	15.28	-2
Interest	0.18	0.20	-7	0.54	1.56	-65
PBDT	3.51	4.11	-15	14.44	13.72	5
Dep.	1.46	1.37	7	5.12	4.63	11
PBT	2.05	2.74	-25	9.31	9.10	2
EO	0.00	0.00	—	0.00	0.00	—
PBT after EO	2.05	2.74	-25	9.31	9.10	2
Total Tax	0.51	0.64	-19	1.85	2.45	-24
PAT	1.54	2.10	-27	7.46	6.65	12
EPS (Rs) *	#	#		16.3	14.5	

\* On current equity of Rs 4.58 crore; Face Value: Rs 10; &: Figures are as per new Indian Accounting Standard;  
 #EPS can not be annualized due to seasonality in business; Figures in Rs crore  
 Source: Capitaline Databases