



Prime Stock

Short Term Fundamental Pick

Electrosteel Castings Ltd



TODAY'S PRIME STOCK (SHORT-TERM INVESTMENT)

Electrosteel Castings Ltd

BSE CODE: 500128

NSE CODE: ELECTCAST

Sector: Casting, Forgings

Industry: Casting, Forgings

Mrkt Cap (Cr)	14302
P/E (x) TTM	16
P/B (x) TTM	2.8
EV/EBITDA (x)	11
ROE%	15.9
ROCE%	16.2

CMP (Rs): 230 | Buy Range: 225-230 | Target Price: 265 | Potential Upside: 15%

Duration of Recommendation: 3 Months

Electrosteel Castings Ltd is a leading manufacturer of ductile iron (DI) pipes, ductile iron fittings, and cast iron pipes, serving the water supply, sewage, and infrastructure sectors. It also produces metallurgical coke, sponge iron, ferro silicon, and pig iron. The company exports to over 110 countries and caters to major infrastructure projects globally. Its products play a key role in water infrastructure, including government initiatives like the Jal Jeevan Mission.

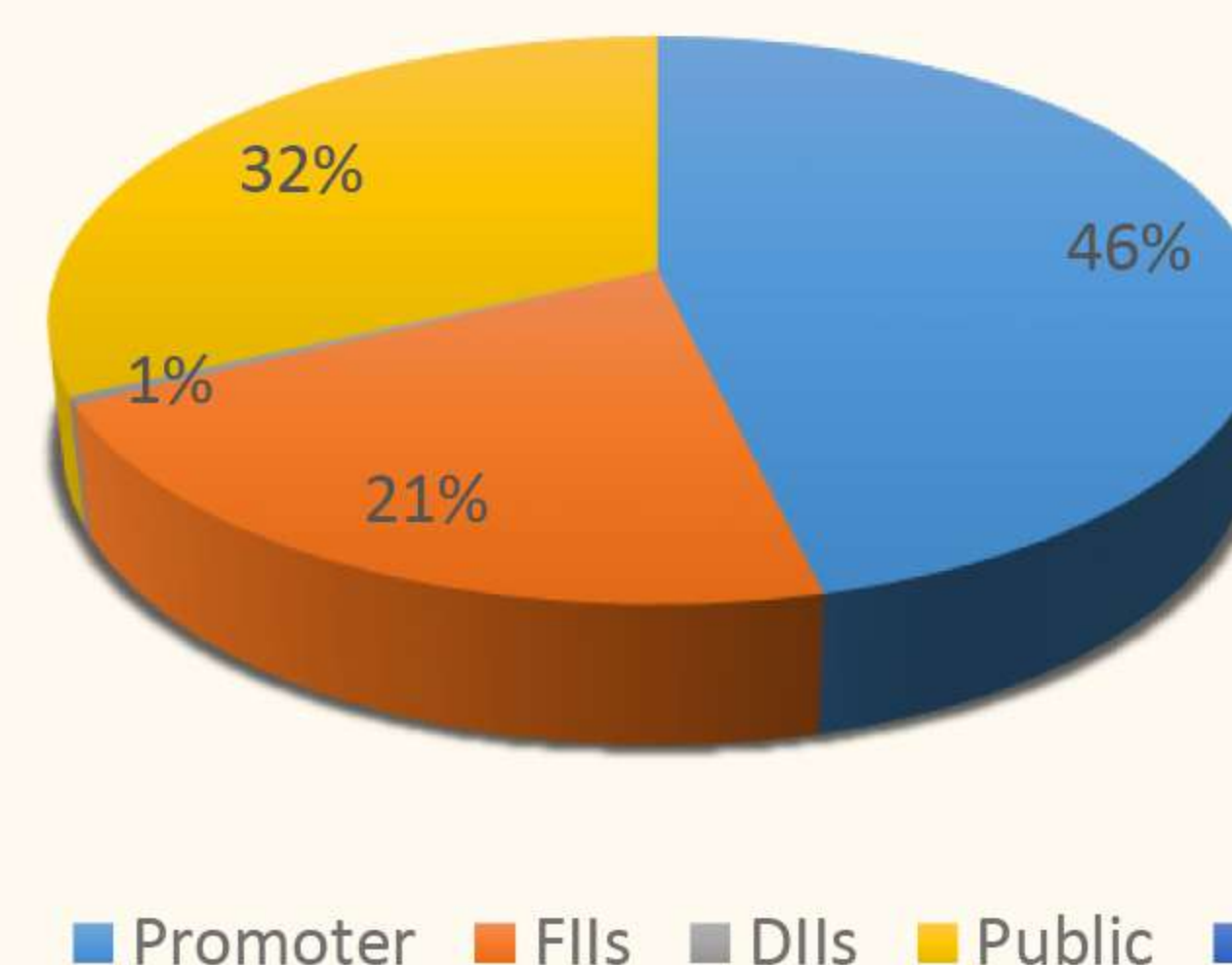
INVESTMENT RATIONALE

- **Strong Financial Performance:** Revenue/EBITDA/PAT have grown at a CAGR of 23%/24%/33% respectively over FY19-24. In Q1FY25, Revenues/EBITDA/PAT have grown by 19.4%/120%/202% to Rs 2012 cr/354 cr/226 cr respectively on year-on-year basis. EBITDA margin is up by 806 bps from 9.5% to 17.6%. On QoQ basis, Revenue/EBITDA/PAT remained flat. Leverage position is also good with D/E is 0.46 with net debt Rs. 1932 crores. Company's ROE & ROCE are 15.9%/16.2% respectively.
- **Market Leadership in DI Pipes:** Electrosteel Castings Ltd is the largest integrated ductile iron (DI) pipe manufacturer in India, commanding around 32% of the total market share. This market leadership positions the company well to capitalize on growing infrastructure projects.
- **Ongoing Capacity Expansion:** Electrosteel Castings Ltd has a capex plan of ₹700 crores to enhance its production capacity to 1 million tons by FY26, ensuring the ability to meet rising domestic and export demand. Ongoing **₹700 crore capex** to expand capacity is being largely funded by internal accruals, reflecting strong cash generation and reducing the need for additional debt.
- **Diverse Clientele and Global Presence:** The company serves prestigious clients such as ISRO, Boeing, and Pfizer, and has a presence in over 110 countries, reducing its dependence on any single market and increasing its growth prospects globally.
- **Government Infrastructure Initiatives is giving tailwinds:** The company is poised to benefit from government schemes like the Jal Jeevan Mission and AMRUT 2.0, which are driving demand for water infrastructure. This provides a long-term growth runway for the company.
- **EBITDA Margin Outlook:** Management expects to sustain an EBITDA per ton in the range of **₹15,000 to ₹18,000**, driven by operational efficiencies and economies of scale. This highlights the company's confidence in maintaining profitability even with fluctuating raw material prices.
- **Attractive Valuations:** Stock is currently trading at a P/E multiple of 15x and 13x its FY25/FY26 estimated EPS, which is below the industry median P/E of 22x and 19.7x for FY25E/FY26E, respectively. The company's growth prospects are further supported by government infrastructure initiatives and ongoing capacity expansion, which are expected to drive future revenue growth

1-Year Price Performance



Shareholding Pattern



Share India Securities Limited

Corporate Office

Share India Securities Limited
A-15, Sector-64, Noida-201301
Contact No. : 1800 203 0303

Call Us: 1800 203 0303

Email: support@shareindia.com

Registered Office

1701-1703, 17th Floor,
Dalal Street Commercial Co-operative Society Limited,
Road 5E, Block 53, Zone 5, Gift City, Gandhinagar,
Gujarat-382355, India



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