



Farsight

MORNING FARSIGHT

Monday, November 05, 2018

**MAGNA ELECTRO
CASTINGS**

CMP:RS 154

TRGT:RS 180

TIME HORIZON: 1 YEAR

Magna Electro Castings, manufacturing & supplying ductile and grey iron castings in the weight range of 300 grams to 2,000 kilograms for various end user industries like auto, locomotives, valve, wind mills, transmission etc, with an installed capacity of 10,800 MTPA, has posted good earnings for Q2FY19, with management having sound quite optimistic about current demand environment, as also laid out expansion plans. Management has stated that business sentiments have improved substantially during the last 3 months and if such growth momentum sustains, company should be in a position to post a decent growth in the current financial year. Hence, company is evaluating the proposals for increasing the moulding capacity. During FY18, company has repaid all LT Loans. For Q2FY19, company saw its Income rising to Rs 31.8 cr from Rs 29.7 cr QoQ and Rs 24.6 cr YoY, a growth of 7% QoQ and 29% YoY. PAT is placed at Rs 4 cr against Rs 2.45 a QoQ and Rs 1.99 cr YoY, yielding an EPS of Rs 8.76 for Q2FY19 and Rs 14.12 for H1FY19, which was at Rs 14.98 in FY18. Company manufacturing facility, spread over 10 acres of land, has in-house facilities of metal handling, moulding. melting, sand plant, heat treatment, finishing, core shop, testing facilities and packing. Presence of captive power source for the unit is an added advantage. As on 30th Sept 2018, company had working Capital Loan of Rs 4.6 cr, which is backed by Cash Eqv of Rs 4.4 cr and inventories of Rs 9 cr. Further, it has no client concentration risk with different industrial requirements including auto, valves, transmission, locomotives, etc. contributing around 10-12% of its total income. On an estimated EPS of Rs 30 for FY19, stock is trading at PE of just 5.1x, while current M Cap and EV of Rs 70 cr are seen quite low, with annual turnover of more than Rs 120 cr. Share ruling at Rs 154 can move to Rs 180 in 1 year. Buy as an investor only.

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POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s): - No. • Firm interest of the stock / Instrument (s): - No.