



Farsight

MORNING FARSIGHT

Tuesday, December 04, 2018

**MAGNA ELECTRO
CASTINGS**

CMP:RS 179

TRGT:RS 212

TIME HORIZON: 1 YEAR

Magna Electro Castings is still looking a good buy, as company has now taken quantum leap in its quarterly earnings. Company is manufacturing & supplying ductile and grey iron castings in the weight range of 300 grams to maximum of 2,000 kilograms for various end user industries like auto, locomotives, valve, windmills, transmission etc, with installed capacity of 10,800 MTPA. For Q2FY19, it had posted good performance with 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 was placed at Rs 4 cr against Rs 2.45 cr QoQ and Rs 1.99 cr YoY, showing multifold growth, and yielding EPS of Rs 8.76 for Q2FY19 and Rs 14.12 for H1FY19, which was at Rs 14.98 in whole of FY18. Thus, company has covered entire FY18 performance in H1FY19 itself and now looks very well placed to report EPS of over Rs 28 for FY19. Further, during FY18, company has repaid entire all the Long Term Loans and as at the Balance Sheet date there is no Term Loan outstanding. As on 30th Sept 2018, company had a virtually debt free balance-sheet with no LT debt and minimal working Capital Loan of Rs 3.1 cr, which was amply backed by Cash Eqv of Rs 4.4 cr and inventories of Rs 9 cr. Company has a well-established manufacturing facilities supported by its backward integration set up. The company's manufacturing facility, spread over 10 acres of land, has in-house facilities such as 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. 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, with stock trading at PE of just 6.4x, while current M Cap and EV of Rs 82 cr are also quite low, with annual turnover of more than Rs 120 cr and company's long track record of presence for over two decades in the ductile iron casting segment Share ruling at Rs 179 can move to Rs 212 in 1 year. Buy as an investor only.

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