

STEELCAST LTD

Engineering

Casting On To Growth Slate!

Analyst : Yash Patil

Recommendation Date	05 January 2026
Recommendation Price	210.31
Target Price	250.00
Upside	18.87 %

Company Background

Steelcast is a steel and alloy casting manufacturer supplying to global mining and earthmoving OEMs such as Caterpillar and JCB, as well as heavy engineering companies including BEML and Kurimoto. The company manufactures a wide range of castings ranging from 5 kg to 2.5 tonnes across three manufacturing facilities with a combined annual capacity of 29,000 tonnes. This is supported by a well-equipped machine shop with 31 CNC machines, enabling Steelcast to offer value-added, precision-engineered solutions to its customers.

What We Think

We believe Steelcast is entering a value-creation phase and is well positioned to generate significant alpha over the medium to long term. Strong end-market demand, an expanding pipeline of new products, surplus manufacturing capacity that curtails near-term capex, a net cash position, and strong free cash flow visibility over the next three years collectively underpin this conviction.

Why We Think So

Large Opportunity Size

Steelcast currently represents a small share of the overall sourcing requirements of large global OEMs such as Caterpillar and JCB, providing substantial headroom for growth. The company has consistently expanded its product portfolio, increasing the number of components from 142 five years ago to 298 currently, thereby deepening its relevance within customers' supply chains. This has supported steady growth historically and is expected to continue, driven by a strong demand outlook, increasing wallet share with existing customers, and the onboarding of new programs.

Calibrated Expansion Strategy

In FY13–14, the company undertook a significant capacity expansion, increasing installed capacity from 13,000 tonnes to 29,000 tonnes, supported by a favorable demand outlook from a large customer. However, a subsequent slowdown in end markets resulted in underutilization of the expanded capacity, leading to financial stress. Drawing on this experience, management has recalibrated its strategy by diversifying the customer base, broadening the product mix, and adopting a disciplined, phased approach to capacity additions. Current utilization in FY25 stands at 43.3%, with volumes of 12,564 tonnes, providing ample headroom for growth and limiting any near-term capex requirements. With existing capacity expected to reach near-peak utilization by the end of FY28, the company plans to establish a new greenfield facility in a calibrated, phased manner thereafter.

Strong Cost Controls Driving Margins

Steelcast has meaningfully reduced its cost base and extracted efficiency gains across its operations through a combination of tighter cost controls and process improvements. Alongside these internal initiatives, a favourable exchange-rate environment, particularly the depreciation of the rupee, has further supported margin expansion. Combined with operating leverage from rising utilization and a progressively richer product mix, the company's profitability profile has materially improved. While current EBITDA margins of 28–29% reflect peak utilization benefits, management expects margins to settle at a structurally higher and sustainable range of 25–26% over the medium term as growth accelerates.

Strong Balance Sheet and Returns

Steelcast maintains a healthy net cash position of ~Rs. 100 crore, providing financial flexibility and downside protection. The company generates strong operating cash flows, delivers ROCE above 30%, and has no immediate large capex requirements.

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Valuation

The stock trades at ~24x TTM earnings, reflecting recent concerns around the US, a key export market. Near-term performance may remain muted over the next two quarters due to duty-related adjustments, but these appear cyclical and temporary. With a potential trade deal, improving export visibility, continued product additions, and strong medium- to long-term growth prospects, the current correction offers an attractive entry point. Based on 22x FY27E EPS, we arrive at a target price of 250 Rs., reinforcing Steelcast's compelling risk-reward profile and buy recommendation for medium- to long-term investors.

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