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Key Data	
Bloomberg Code	ELSC IN
NSE Code	ELECTCAST
BSE Code	500128
Industry	Steel pipes & castings
Face Value (₹)	1
BV per share (₹)	77
Dividend Yield (%)	0.63
52 Week L/H(₹)	31 /204
Market Cap. (₹ Mn.)	88,462

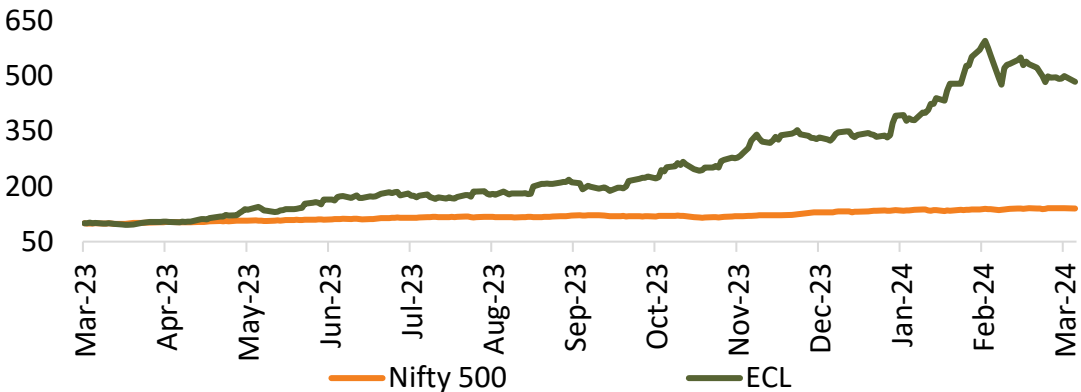
Shareholding Pattern

Particulars	Mar-23	Jun-23	Sep-23	Dec-23
Promoter	44.1%	44.1%	44.1%	44.1%
Institutions	16.7%	16.7%	16.4%	18.9%
Others	39.2%	39.2%	39.5%	37.0%
Total	100%	100%	100%	100%

Source: Company, Anand Rathi Research, Bloomberg

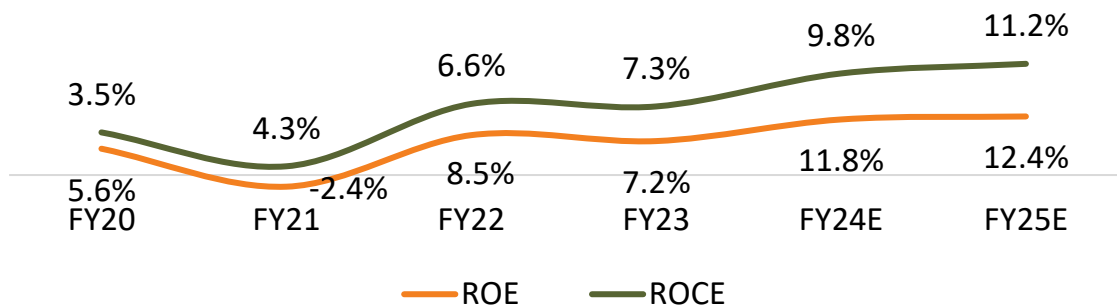
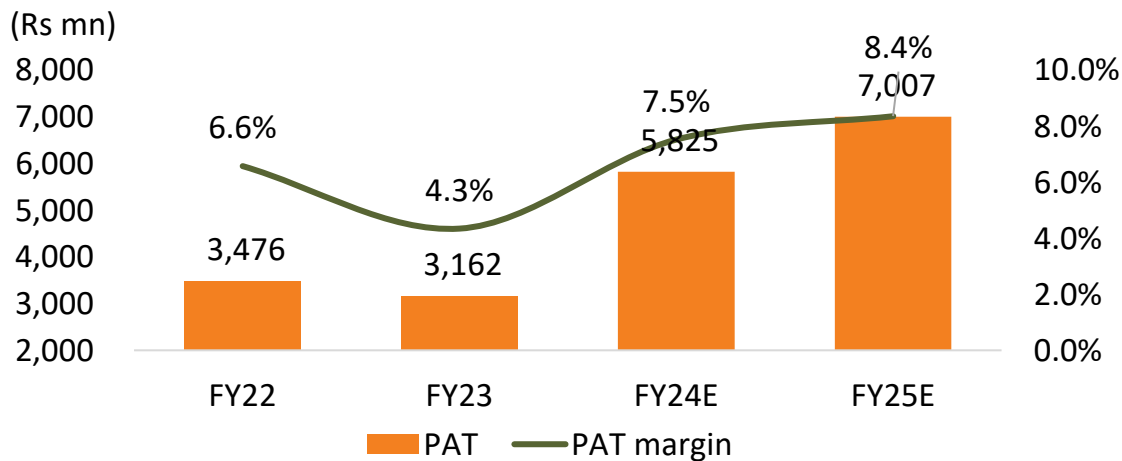
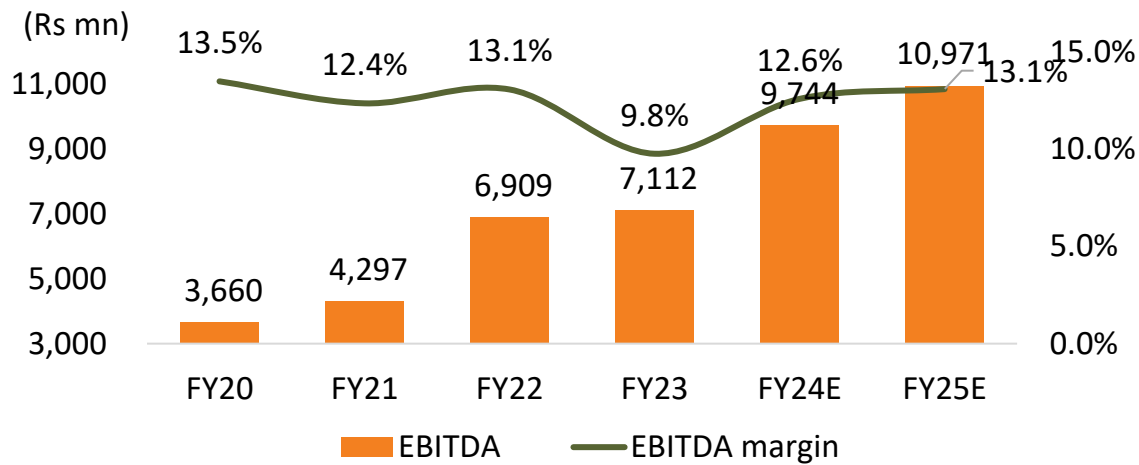
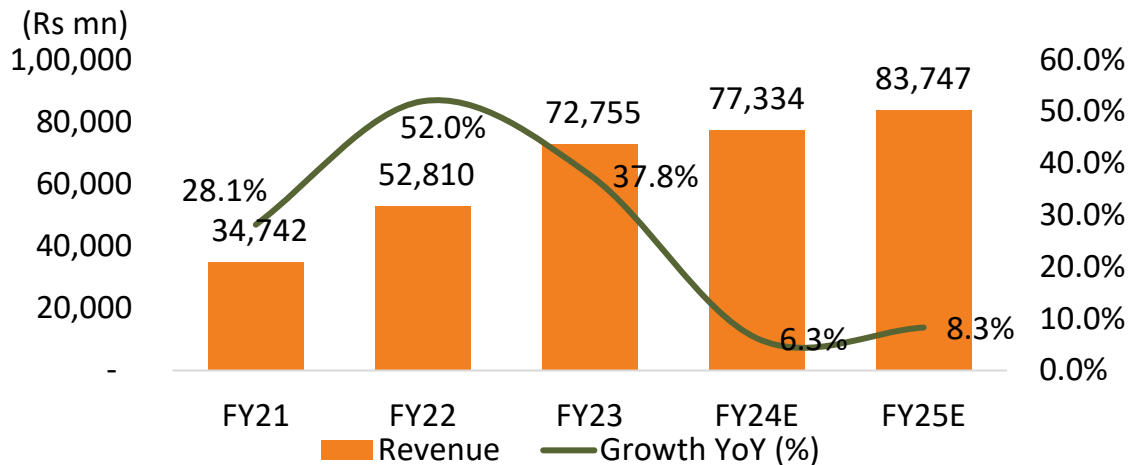
(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
Net Sales	52,810	72,755	77,334	83,747
EBITDA	6,909	7,112	9,744	10,971
EBITDA Margin (%)	13.1	9.8	12.6	13.1
PAT	3,473	3,158	5,825	7,007
PAT Margin (%)	6.6	4.3	7.5	8.4
EPS (₹)	5.8	3.9	9.8	11.8
P/E (x)	24.8	37.7	14.8	12.3

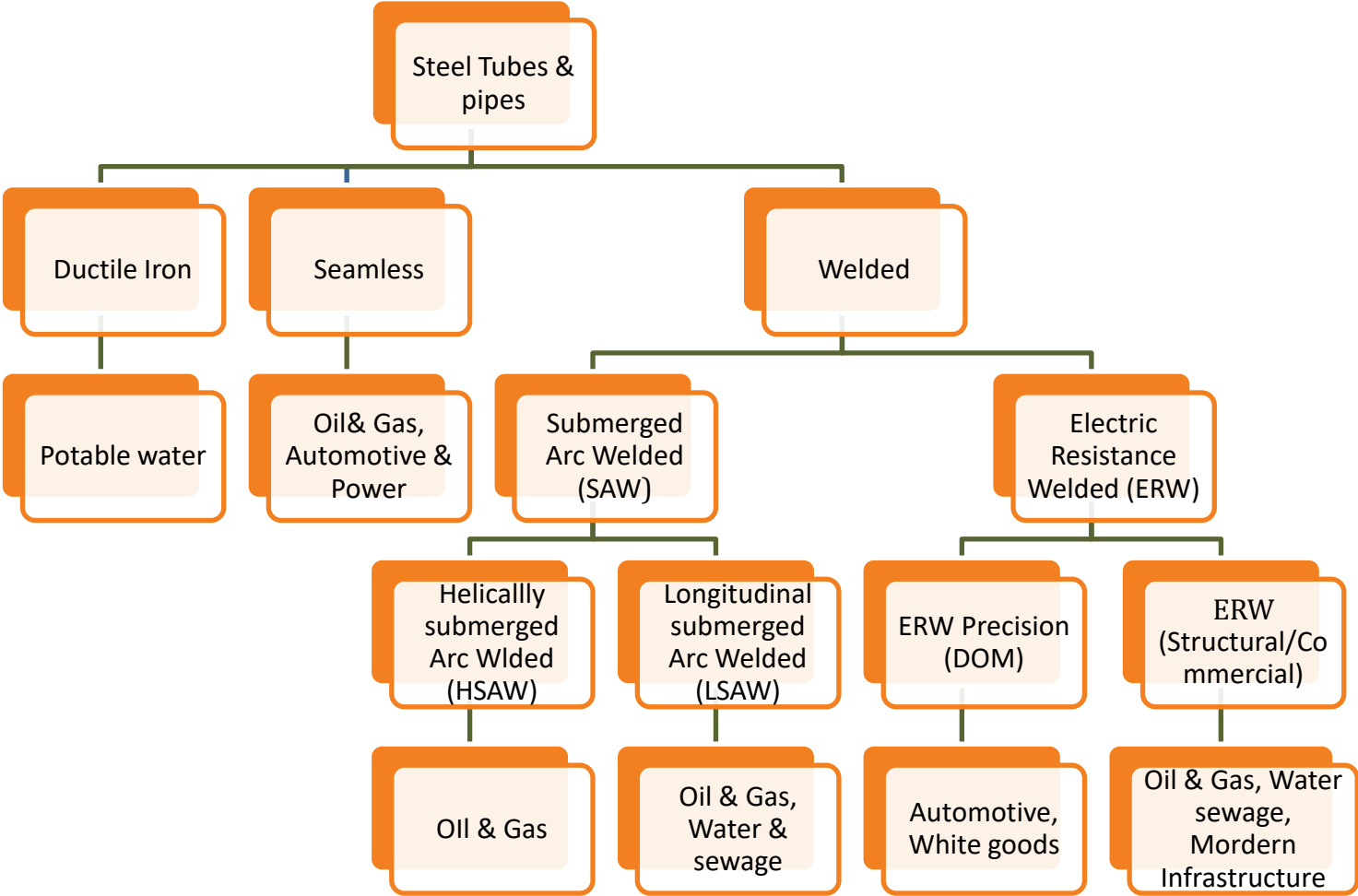
Relative stock performance (Mar'23=100)



- ❑ Electrosteel Castings Limited is an India-based pipeline solution provider. The Company is engaged majorly in the business of manufacturing ductile iron (DI) pipes, ductile iron fittings (DIF) and cast iron (CI) pipes. Its products also include ductile iron flange pipes, restrained joint pipes, cement and ferro alloys. The Company operates through pipes and fittings segment. The Company's products DI pipes and DIF are used for various applications, such as water transmission and distribution, desalination plants, storm water drainages and sewage treatment plants. The Company's manufacturing facilities are spread across five locations in India, out of which three are located in West Bengal, each in Tamil Nadu and Andhra Pradesh.
- ❑ The company has many customers such as ISRO, Boeing Corporation, Doha Metro, Vikram Sarabhai Space Centre, Pfizer Facility, Hamad International Airport, Kargil, BMW (Wallersdorf, Germany), WWTP, Okhla, India's New Parliament Building, Ras Abu Aboud Stadium, Qatar, French Atomic Centre.
- ❑ Moreover, it also caters to overseas customers of Europe, North and South America, Southeast Asia, Middle East and Africa. Its subsidiaries include Electrosteel Castings (UK) Limited, Electrosteel Algeria SPA, Electrosteel Doha for Trading LLC, Electrosteel Castings Gulf FZE, and Electrosteel Brasil Ltda. Tubos e Conexões Duteis.
- ❑ ECL's Revenue/EBITDA increased by 39%/25% CAGR from FY20 to FY23 on account of healthy product mix, operational efficiency and brand visibility. Over the years, company has strengthened its financial position through strong customers base and repeat orders. The company aimed to be debt free by FY25 which will enable them to keep lower its working capital requirements in coming years.
- ❑ Despite Covid-19 pandemic and uncertainty, company has shown improvement in performance. EBITDA margin has been in double digit over the years which shows its resilience and competitive edge over its peer group. Going ahead, company plans to make surplus investment towards capacity expansion, supported by backward integration and sector tailwind.
- ❑ We believe that ECL's Revenue/EBITDA/PAT is expected to grow at a CAGR of 7%/24%/48% respectively over FY23-25E. On valuation front, At CMP, the stock is trading at 12x of FY25E EPS. We initiate the coverage with a **"BUY"** rating on this stock by assigning 16x of FY25E earnings with a target price of **Rs185**.

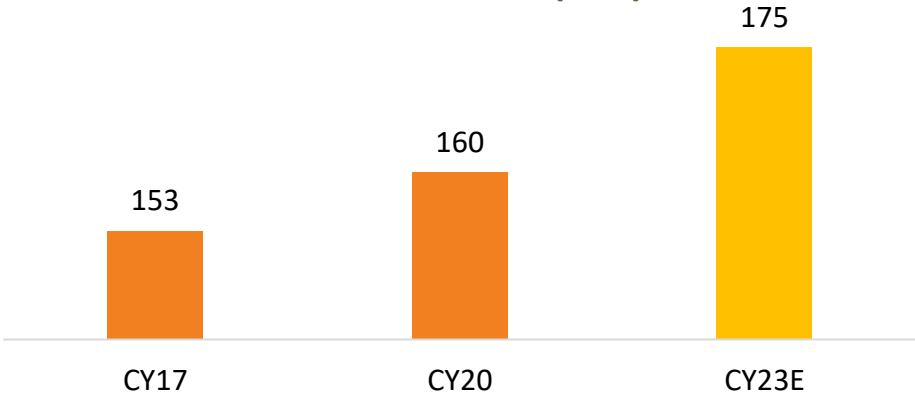
Story in charts



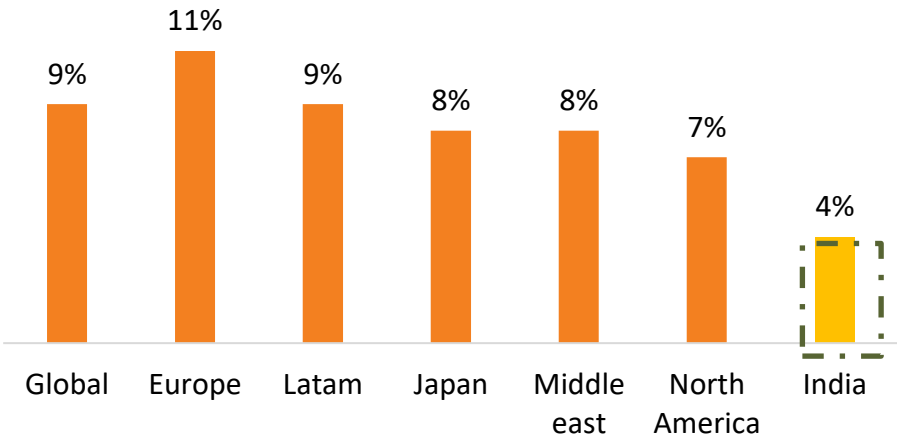


- ❑ The steel pipes are generally used for transportation of fluid such as water, oil and gas. These pipes are manufactured using low carbon and alloy steel. They are largely used for downstream, upstream, and midstream processing of petroleum and crude oil. Factors such as yield strength, ductility, pressure rating, and inside diameter are taken under consideration for their selection.
- ❑ As per market & research report, the global steel pipes and tubes market size reported around \$160 bn in CY20. The industry is expected to increase a 3% CAGR over the period, 2020 to 2023 to \$175 bn in CY23 led by the rising production of oil & gas which creates a need for the transportation of such commodity. Therefore, such requirement and rise in the rapid industrialization & urbanization, increase in the population, and rise in the growth in the manufacturing sectors especially in developing economies will enable to boost the steel pipes market.
- ❑ Structural steel has been considered the premier green construction material, and the structural steel industry continues to improve its leading environmentally friendly position by further reducing greenhouse gas emissions. Europe uses highest structural steel for their economic development while India pertains to be the lowest one for the use and application of structural steel. However, sectors like oil & gas, water transportation, firefighting, construction, infrastructure and furniture, among others, are expected to further drive the demand for India.

Global market size (\$bn)

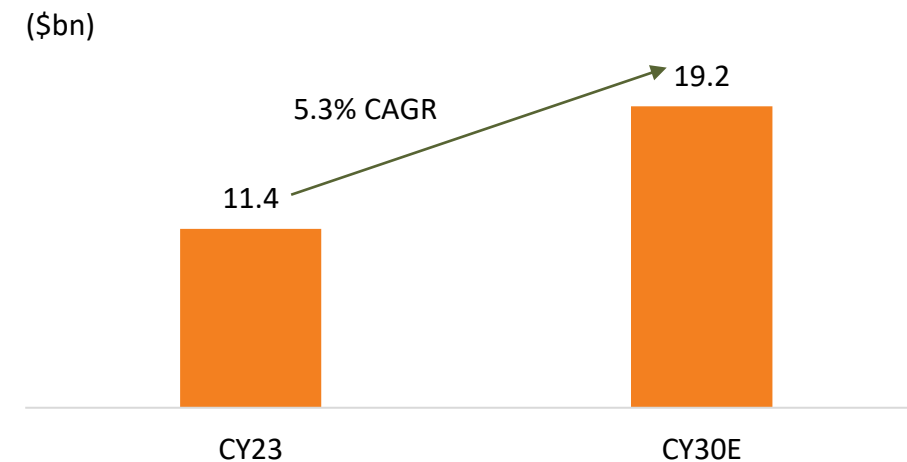


Structural steel as a % of steel consumption

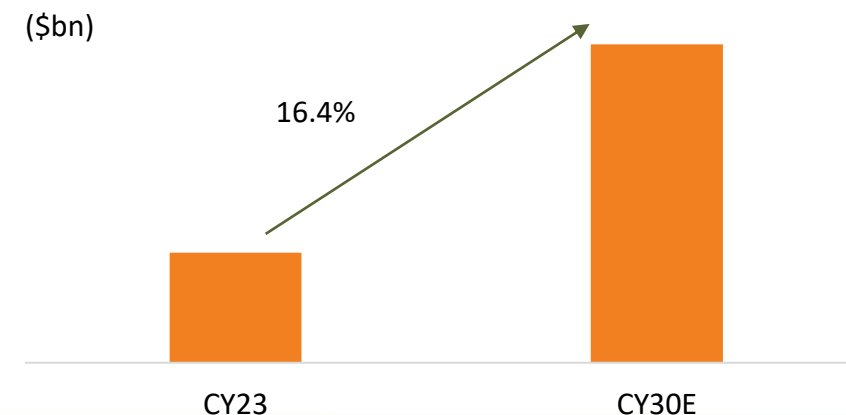


- ❑ The Ductile iron pipes are those pipes which are used for underground piping applications, especially for potable water transmission and distribution. They have a significant improvement over traditional cast iron pipes due to their superior strength and ductility
- ❑ These pipes have various advantages over cast iron pipes. These advantages include high ductility, impact resistance, and ability to bear high pressure. Owing to such advantages, ductile iron pipes can be used in shallow undergrounds with loose soil. Moreover, owing to their ductility, they are widely used in places in high seismic activities, such as Japan, Indonesia, Fiji, and Turkey.
- ❑ Furthermore, owing to the increase in global population, the demand on the existing water infrastructure is increasing across countries. Therefore, countries across the world are investing significantly in improving their waster infrastructure; thereby, increasing demand for ductile iron pipe. Moreover, increase in population is driving growth in agriculture sector. Thus, the extensive use of ductile iron pipes for water supply in irrigation projects, is expected to positively influence the ductile iron pipes market growth.
- ❑ On the basis of diameter, the market is categorized into DN up to 300, DN 300 to 700, DN 700 to 1000, DN 1000 to 1200, and DN 1200 and above. Also, region-wise, the market is analyzed across North America, Europe, Asia-Pacific, and LAMEA. Asia-Pacific held the largest ductile iron pipes market share in 2021,

Global DI pipes market

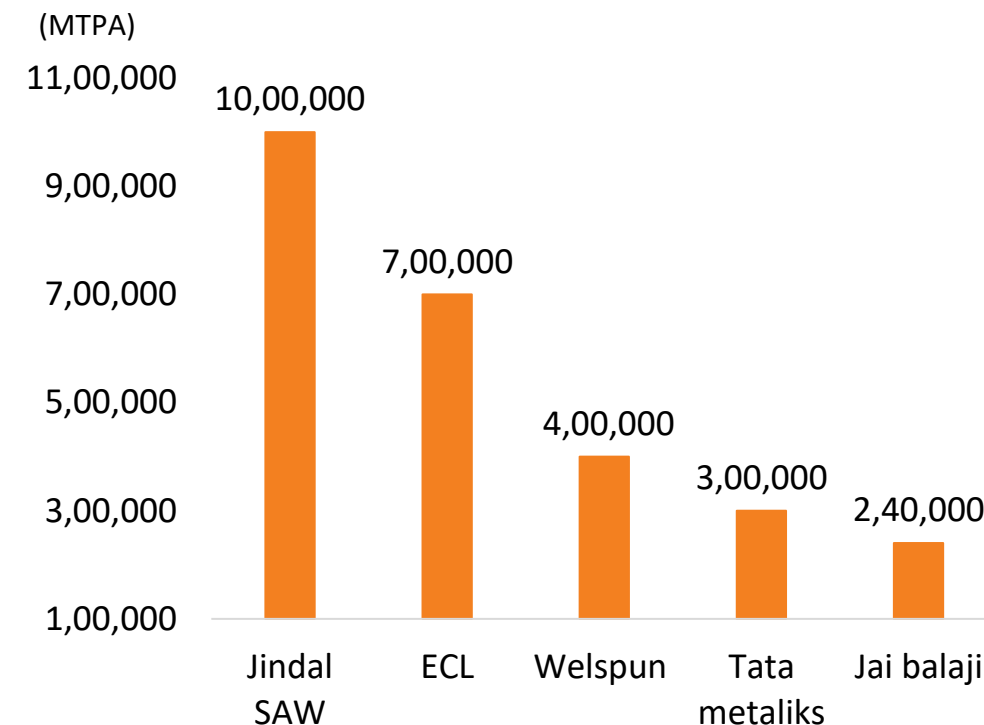


Indian DI pipes market



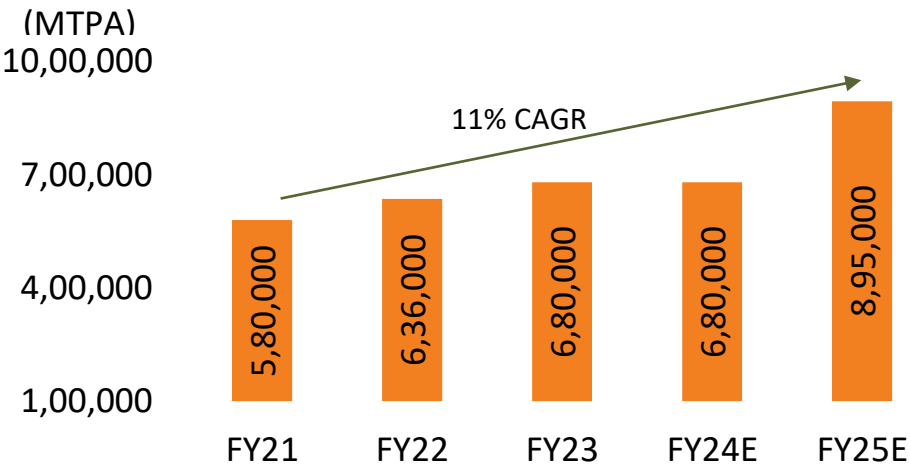
- ❑ ECL is engaged in the business of manufacturing Ductile Iron (DI) Pipes, Ductile Iron Fittings (DIF) and Cast Iron (CI) Pipes. The Company is also the first to set up a Ductile Iron Pipe Plant in India. Also, company is India's leading pipeline solution provider.
- ❑ DI pipes consist 80% of sales mix. The main raw materials used in the production of DI Pipes are Iron Ore and Coke. Iron Ore for Eastern India operation is mainly procured from Odisha and Jharkhand. However, Coke is captively produced at Haldia for Eastern India operation and captively produced at Srikalahasthi unit for Southern India operation.
- ❑ These pipes are sold majorly in India aided by significant growth levers such as push from the Government to adopt 24x7 water supply system in the urban conglomerates, shift towards pipe based irrigation system from canal based irrigation system, Har Ghar Nal se Jal programme (Jal Jeevan Mission) and Swachh Bharat Mission by government and preferring more durable water supply solution.
- ❑ Globally company has a reach to supply their products to nearly 90 countries till now. The Company has always been the distinct choice for water engineers and domain experts in Ductile Iron Pipes and Fittings. Moreover, company has the total order book of around 6 lakh MTPA (domestic and exports) which gives the revenue visibility of 9-12 months.

2nd largest player (as per capacity)

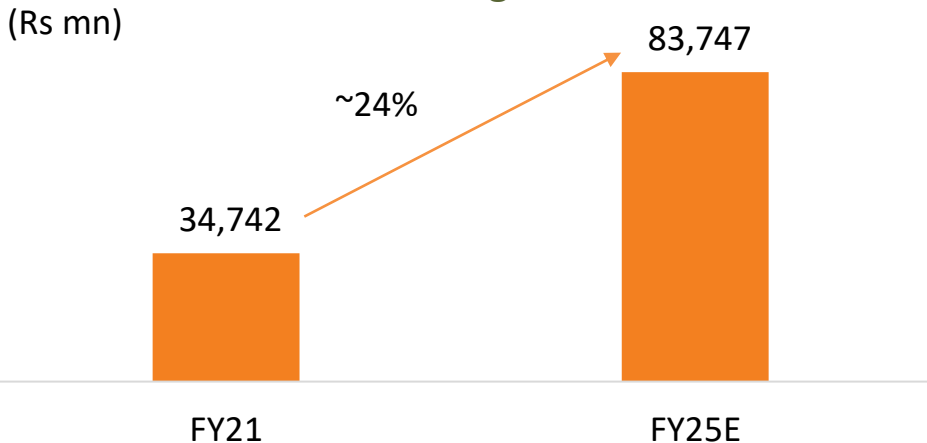


- ECL current capacity is 680Kt, which will increase to 895Kt, at an estimated capex of Rs 6.5bn. Of this, nearly 40kt will be upgraded via de-bottlenecking at its Khardah plant, in FY24. The rest will take place in the Srikalahasthi Plant (SW), Andhra Pradesh. In 2002, company acquired stake in Srikalahasthi pipes which has a total area of 340 acres, and can house 700-750Kt of DI pipe manufacturing capacity. Moreover, this plant is more efficient than company's Khardah plant and reaps better margins due to operating efficiency.
- The company has planned a total capex of Rs 6.5bn, ECL has already spent Rs 3.4bn and the remaining Rs3.1bn will be spent over the next 2-3 quarters which will be funded through internal accruals. ECL is likely to complete this plant by Q2FY25. Therefore, this expansion will enable the company to take the capacity to ~9 lakh tonne.
- Therefore, continuous capacity expansions has resulted in improvement of profitability over the years. Additionally, both the units are fully backward integrated in terms of a sinter plant, sponge iron unit, coke oven plant, power plant, ferroalloy plant and cement plant. Therefore, such level of backward integration helps maintain high quality of products, leading to better EBITDA margins. We believe that government Government's flagship scheme i.e Outlay of Rs3.60 lakh crore towards providing water supply to rural household and Amrut 2.0 scheme laid by government to provide water taps connections in 4,800 statutory towns will act as a tailwind for operational growth.

Capacity expansion

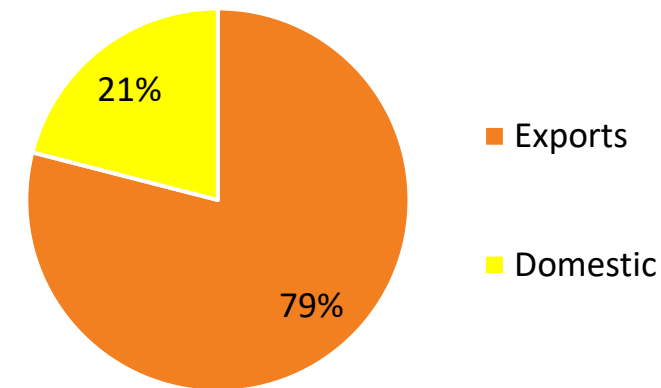


Revenue growth

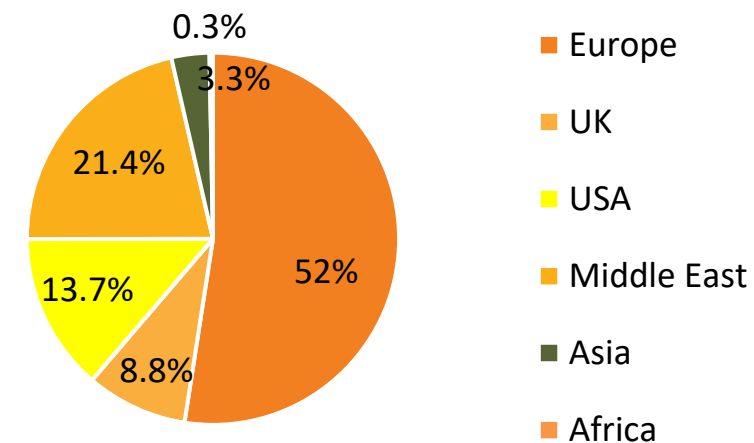


- ❑ Electrosteel casting is the largest exporter of DI pipes from India and has been an exporter for more than two decades. The company exported 17% of its total volumes in FY23 and these constituted 21% of its total revenues. The export market has always been resilient for the company compared to domestic markets.
- ❑ In FY23, the demand of the Company's products has been healthy. However, there was pressure on cost due to surge in raw material costs due to the Ukraine war as well as robust steel demand. However, company was able to pass on the costs to the customers due to its long presence in their business markets and sound business practices.
- ❑ Out of its exports, 52% is contributed by countries in the EU, followed by the Middle East at 21%, and the US at 14%. The company has indicated that they are likely to maintain its export sales to 20-25% of total revenue.
- ❑ As per management, the European countries and parts of Africa are facing major issues in terms of water availability in their peak summer months. Therefore, company is witnessing good growth and from the Middle East owing to the infrastructure development in countries like Saudi Arabia.
- ❑ Thus, company's operational efficiency with favorable market conditions in overseas geographies and strong domestic demand led by infrastructure development will facilitate the company for overall growth.

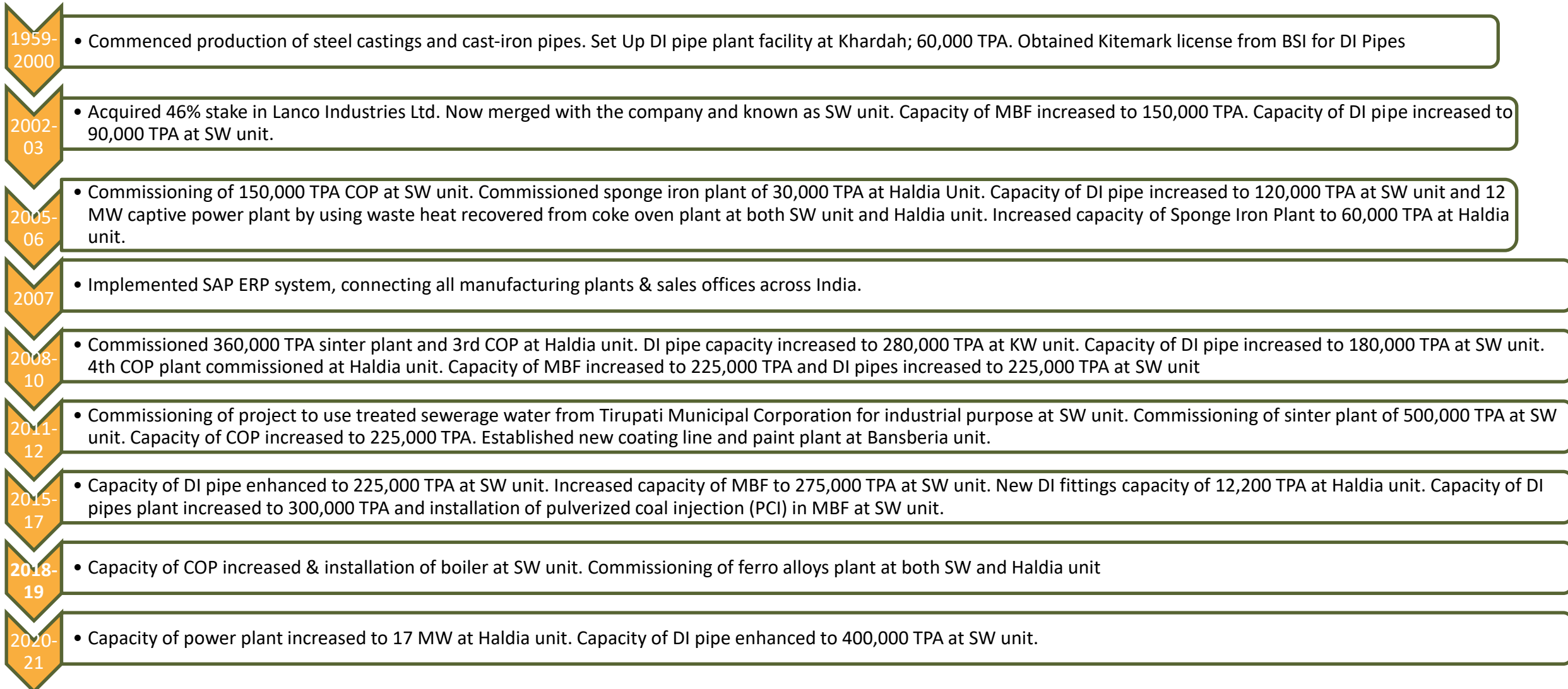
Geographical mix



Export market



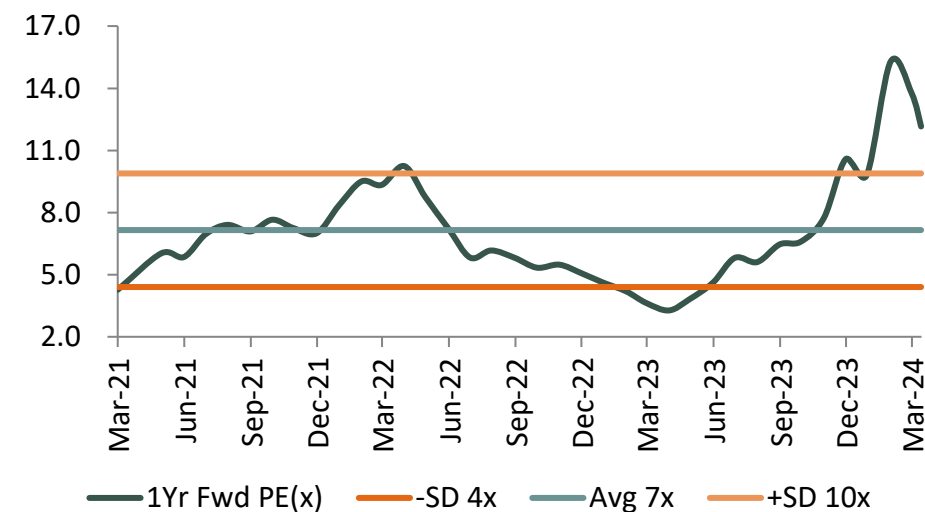
Milestones



Valuation and Outlook

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P/E Band



Name	Designation	Details
Mr. Umang Kejriwal	Managing Director	He is a visionary pioneer who played a pivotal role in accelerating the business performance and has shown the path to create a long-standing foot print in Ductile Iron spun-pipe manufacturing space worldwide
Mr. Mayank Kejriwal	Joint Managing Director	He has over 44 years of rich experience in the pipe-manufacturing industry and has been instrumental in development policies and strategic plans aligned with the vision and mission of the company
Mr. Sunil Katial	Whole Time Director & CEO	Being a B-Tech (Electrical Engineering) from Punjab Engineering College, Chandigarh. He has a varied experience of over 41 years in many markets related to the steel and power industry.
Mr. Ashutosh Agrawal	Whole-time Director & CFO	He is a member of ICAI, ICWAI and CS (inter) and has total experience of more than 35 years in the fields of finance, accounts, direct & indirect tax, corporate affairs and commercial matters. Since 2006, he has joined the Electrosteel Group and has been looking after all the financial matters.
Mr. Uddhav Kejriwal	Whole-time Director	Being a commerce graduate, He has made a major contribution for the creation of the Haldia family. He oversees all the financial affairs and commercial issues pertaining to the business of the company.

Key risks & peer comparison

- ❑ Imposition of Anti-dumping duty on Indian DI Pipes by European Commission.
- ❑ Delay in government expenditure towards waste - water sector.
- ❑ Significant increase and fluctuations in input material prices like Coal, Iron Ore and Consumables.

Peer comparison

Company	Market cap (Rs mn)	EPS		P/E		EV/EBITDA		ROE	
		FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
Electrosteel Castings Ltd	88,462	14.8	12.3	9.8	11.8	10.7	9.3	11.8	12.4
Peers									
Jindal SAW Ltd	133,562	60.8	55.4	6.8	7.5	5.6	6.3	14.5	13.3
Maharashtra Seamless Ltd	114,212	71.8	66.2	11.8	12.8	8.3	9.1	15.7	12.7
Welspun corp Ltd	133,795	38.8	43.1	13.1	11.8	8.3	7.9	19.4	18.5
Ratnamani tubes and metals Ltd	186,771	86.9	97.5	30.7	27.4	20.3	17.8	21.1	20.4

Note : (Peer group figures are as per Bloomberg estimates (as on 14th Mar’24)

Consolidated Financials

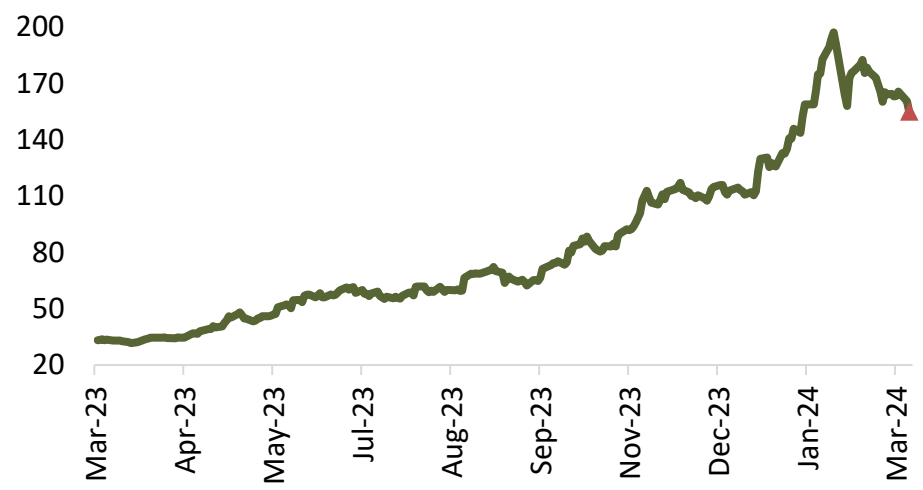
(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
Net Sales	52,810	72,755	77,334	83,747
Operating Expense	45,901	65,643	67,590	72,777
EBITDA	6,909	7,112	9,744	10,971
Other Income	628	1,113	1,547	1,759
Depreciation	1,147	1,212	1,358	1,438
EBIT	6,390	7,013	9,933	11,291
Interest	1,947	2,859	2,166	1,949
Exceptional expense/income	-	-	-	-
PBT	4,443	4,154	7,767	9,342
Tax	967	992	1,942	2,336
Minority interest/Share of JV	(3)	(4)	-	-
PAT	3,473	3,158	5,825	7,007
	FY-22	FY-23	FY-24E	FY-25E
Sales Growth %	52.0	37.8	6.3	8.3
Operating Margin %	13.1	9.8	12.6	13.1
Net Margin %	6.6	4.3	7.5	8.4

Source: Company, Anand Rathi Research

(In ₹ mn)	FY-22	FY-23	FY-24E	FY-25E
<u>Liabilities</u>				
Equity Share Capital	595	845	595	595
Reserves & Surplus	40,436	42,982	48,807	55,814
Total Shareholder's Funds	41,031	43,826	49,402	56,408
Minority Interest	14	11	-	-
Long-Term Liabilities	9,414	7,710	6,659	5,159
Other Long-term Liabilities	1,040	1,025	1,025	1,025
Deferred Tax Liability	3,454	3,195	3,195	3,195
Short-term Liabilities	31,286	29,419	27,645	24,019
Total	86,238	85,186	87,925	89,806
<u>Assets</u>				
Net Fixed Assets	27,632	27,308	30,150	31,012
Long-Term L&A	12,707	13,769	13,769	13,769
Non Current Investments	951	659	659	659
Other Non-Current Assets	37	311	311	311
Current Asset	44,911	43,138	43,035	44,054
Total	86,238	85,186	87,925	89,806

Rating & Target Price History

ECL rating history & price chart



NOTE: Prices are as on 14 March 2024 close.
Source: Bloomberg, Anand Rathi Research

ECL rating details

Date	Rating	Target Price (₹)	Share Price (₹)
14-Mar-24	BUY	185	148

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