Investorstack Research Report

STEELCAST LIMITED

What STEELCAST LIMITED does

Steelcast Limited is a manufacturer of high-quality steel and alloy steel castings. The company supplies custom-engineered components to Original Equipment Manufacturers (OEMs) across industries including mining, earthmoving, construction, locomotives, railroads, cement, steel plants, ground engaging tools, and defense. Founded in 1960 as a partnership firm, it became a private limited company in 1972 and a public limited company in 1994. The company is controlled by the Tamboli family and led by Chairman and Managing Director Chetan Tamboli.

The company's main manufacturing facility is in Bhavnagar, Gujarat, with an annual capacity of 29,000 metric tons. It employs 1,049 people as of March 2025. Steelcast has been debt-free for two consecutive years and held cash reserves of approximately ₹114 crore as of Q4 FY26. Exports contributed over 60% of revenues in FY26, up from 54% in FY25, with products reaching 15-16 countries.

Steelcast occupies a specific niche: it does not produce commodity castings. Instead, it manufactures custom-engineered parts that require specific metallurgical properties, tight tolerances, and rigorous quality certifications. This is a high-barrier business—customers typically take 2-3 years to qualify a new supplier, and once qualified, switching costs are high. The company's ability to deliver fully machined castings (around 75% of output) adds another layer of value and differentiation.

Business segments

Steelcast operates in a single reportable segment: castings. The company manufactures steel and alloy steel castings ranging from 5 kg to 2,500 kg using both sand and shell molding processes. However, within this single segment, the business is better understood by its end-market exposure and geographic split.

End-market breakdown (FY25): Earthmoving equipment accounts for 51% of revenues, mining for 21%, construction equipment for 20%, locomotives for 5%, railways for 1%, and other sectors (transport, ground engaging tools, cement, steel, defense) for 2%. This concentration means the company's fortunes are tied to capital expenditure cycles in mining and infrastructure.

Geographic split: Domestic sales contributed 46% of revenues in FY25 and exports 54%. In FY26, that shifted to over 60% exports, reflecting stronger global demand and supply chain diversification trends favoring India. The company exports to 15-16 countries including the United States, Germany, Australia, Brazil, Mexico, Singapore, and several European nations. The US alone accounted for roughly 30% of total sales in FY25.

Customer relationship depth: 76% of FY25 revenues came from customers with relationships of 20 years or more. No single customer accounted for more than 20.9% of global revenues in FY25. The top five sectors (earthmoving, mining, construction, locomotive, railways) accounted for 96.8% of revenues. This combination of long-standing relationships and diversified sector exposure provides revenue stability that a pure commodity foundry cannot match.

Products and business detail

Steel castings: The core product category. These are custom-engineered components made to customer specifications using either sand molding or shell molding processes. Each part has a unique chemistry, set of mechanical properties, and quality requirements. The company can produce parts from 5 kg to 2,500 kg. Steelcast

produces over 298 different parts in a typical month, up from 142 parts a decade ago. These castings go into machines like excavators, bulldozers, mining trucks, locomotives, and cement plant equipment.

Machined castings: Approximately 75% of castings are delivered fully machined. The company operates an in-house machine shop with advanced CNC equipment, fixed CMM (coordinate measuring machines), and Faro Arm measuring instruments. This capability is critical because it transforms Steelcast from a component supplier into a solutions provider. Customers receive ready-to-use parts that require no additional processing, which strengthens the relationship and increases switching costs.

Ground engaging tools (GET): This is a newer growth segment targeting wear-resistant castings used in mining and construction equipment. GET components are the teeth, adapters, and shrouds that dig into earth and rock—high-wear parts that need regular replacement. In FY26, GET contributed just 1.1% of sales. The company targets 3.8% in FY27 and approximately 5% over 2-3 years. Over three dozen new GET components were under development as of Q2 FY26, with initial orders shipped to customers in North America, Australia, and Europe.

Subassemblies: The company has begun supplying subassemblies—assembling multiple components (some sourced externally, some made in-house) into a ready-to-install unit. This initiative started about 6 months before Q1 FY26 (i.e., around early 2025). Management noted that very few global foundries offer this capability. Subassemblies represent a natural progression from machining and deepen the company's integration into customer supply chains.

Manufacturing capabilities: The Bhavnagar facility houses four production plants including a dedicated machine shop. The company operates a 10 MW power transmission station and meets approximately 80% of its power requirements through captive renewable energy—4.5 MW hybrid (solar and wind) and 5 MW solar plants. A 2.4 MW hybrid plant is under commissioning by June 2026, expected to generate annual savings of approximately ₹3.6 crore. The company holds key certifications including ISO 9001, ISO 14001, ISO 45001, EN 9100 (aerospace), AAR (American Association of Railroads) certification, and NABL accreditation for its in-house laboratory.

Customers

Steelcast sells exclusively to OEMs—100% of revenues come from original equipment manufacturers, not the replacement market. Its customers include Fortune 500 companies in mining, earthmoving, construction, and locomotive sectors. The company does not disclose customer names due to confidentiality agreements, but the profile is clear: large, global equipment manufacturers with multi-billion-dollar revenues.

Customer concentration: No single customer accounted for more than 20.9% of global revenues in FY25. The company serviced over 64 customers in the last five years, with 44 active customers in FY25 (up from 38 in FY24). This diversification has improved over time—a decade ago, Steelcast had about 20 customers.

Relationship tenure matters: 76% of FY25 revenues came from customers with relationships of 20 years or more. This is the single most important fact about the customer base. In a business where qualifying a new foundry takes 2-3 years, these long relationships act as an economic moat. Customers do not lightly switch suppliers for casting components, and the company's track record of quality, on-time delivery, and responsiveness reinforces these bonds.

The buying decision: When an OEM procures steel castings, the decision is made by the sourcing and engineering teams jointly. The criteria include: metallurgical capability (can the foundry meet the chemistry and mechanical property specs?), quality certifications (ISO, AAR, etc.), delivery reliability, price competitiveness, and willingness to invest in development. Steelcast's advantage lies in its decades of process knowledge, its R&D center recognized by the Department of Science and Technology, and its ability to handle complex parts that smaller foundries cannot.

Contract structure: Steelcast operates on ex-works terms—customers take goods from the factory to the point of use, meaning tariffs and freight costs are the customer's responsibility. All contracts include a sales price variation formula that automatically passes through changes in raw material costs. If input costs rise, the customer pays more; if they fall, the customer pays less. This eliminates commodity price risk for Steelcast and ensures stable margins regardless of scrap steel volatility.

New part development pipeline: The company develops 42-56 new parts annually. In FY25, it developed 56 parts; in FY26, 46 parts; and in FY27, it plans to develop 42 parts—144 parts in total across the three years. These parts go through prototyping, approval, and eventual conversion to serial production. Management noted that for FY27's planned 42 parts, tooling and sample purchase orders were already in hand as of February 2026. This development pipeline provides visibility into future revenue growth.

Order book: As of April 1, 2026, the order book stood at approximately ₹130-135 crore, representing roughly 110-120 days of sales. This provides reasonable short-term visibility into near-term revenue.

Competitive landscape

The global steel casting industry is fragmented, with thousands of foundries worldwide. Competition comes primarily from Chinese suppliers, other Indian foundries, and a handful of specialized global players. Steelcast operates in the premium segment—complex castings requiring metallurgical expertise, certifications, and consistent quality.

Pricing advantage versus China: This is Steelcast's most compelling competitive edge. For three key product categories supplied to the United States, management stated that "our prices are lower by approximately 5%, 12%, and 13%, respectively, compared to similar Chinese products." This runs counter to the common assumption that Chinese manufacturing is always cheaper. There are two reasons for this. First, US tariffs create a structural cost disadvantage for Chinese goods. For HSN Chapter 7325, total US import duties on Chinese goods are 89% versus 38% for Indian goods. For Chapter 8487, it is 79% for Chinese versus 29% for Indian. Second, Steelcast's captive renewable power (80% of needs) and efficient operations keep its cost structure competitive.

Tariff asymmetry is structural: The 50-percentage-point tariff differential between India and China for these product categories is not a temporary phenomenon. US-China trade tensions have escalated over several years and are unlikely to reverse quickly. This gives Indian foundries, and Steelcast specifically, a durable pricing advantage in the US market—the world's largest importer of castings.

What Steelcast loses on: The company says it is less competitive versus Chinese suppliers in segments requiring very high volume, low complexity, and minimal certifications—the commodity end of the casting market. Steelcast does not compete there. It focuses on parts where quality, certification, and engineering support matter more than pure price.

Other competitors: The competitive set includes other global and Chinese metal casting suppliers. Management does not name specific competitors in concalls, but the structure of the industry is well understood. The US, European, and Japanese casting industries have shrunk over decades due to high labor and environmental costs. Indian foundries have gained share as a natural alternative to China. Within India, Steelcast competes with other organized foundries, but its scale (29,000 TPA), certification breadth (ISO, AAR, EN 9100, NABL, TPG), and financial strength (debt-free, ₹114 crore cash) set it apart from most peers.

Why customers choose Steelcast: The buying decision is driven by four factors: (1) metallurgical capability—can they make this specific part to spec? (2) certifications—do they have the quality stamps the OEM requires? (3) reliability—do they deliver on time, every time? (4) price competitiveness versus alternatives, including Chinese suppliers. Steelcast wins on the first three and is now increasingly competitive on the fourth due to tariff dynamics.

Customer stickiness is the moat: Once a part is qualified with an OEM, the foundry typically holds that business for the life of the machine platform—often 5-10 years or more. The cost and risk of re-qualifying a new supplier are substantial. This is why 76% of Steelcast's revenues come from customers of 20+ years and why management stated in Q3 FY26 that "none of our existing customers have altered their supply chains nor we have reduced prices to date" despite US tariff uncertainties.

Industry

Market size: The global metal casting market was valued at USD 177.28 billion in 2024 and is projected to reach USD 325.69 billion by 2033, a CAGR of 6.94% (source cited in FY25 Annual Report: Statista, Reuters, Openpr.com). Asia Pacific accounts for over 54.9% of the global market. The India foundry market is estimated at USD 25.57 billion in 2025 and expected to reach USD 42.61 billion by 2030, a CAGR of 11.13%.

India's position: India is the second largest producer of castings after China. The country benefits from a large workforce, a growing industrial base, and proximity to raw materials (including scrap from Alang, Asia's largest ship recycling yard, located 50 km from Steelcast's factory). India's cost advantage versus China has widened due to US tariffs, and the "China+1" supply chain diversification trend is accelerating demand for Indian castings.

Demand drivers: The most important long-term driver is global infrastructure investment. According to the Global Infrastructure Hub (cited in the annual report), the world requires approximately USD 94 trillion in infrastructure investment by 2040. India alone has committed significant capital expenditure—the Union Budget for FY25-26 allocated ₹11.21 lakh crore (roughly 3.1% of GDP) for capital investment. Indian Railways investment has grown at a 12% CAGR over FY16-FY25. Defense modernization (₹6.8 lakh crore allocated in the Union Budget) and the growing EV market also support demand for castings.

The China+1 mega-trend: Global OEMs are actively reducing their dependence on Chinese suppliers. This is not a short-term phenomenon—it is a structural shift driven by geopolitical risk, supply chain resilience concerns, and tariff policy. Steelcast is a direct beneficiary. Management noted in Q2 FY26 that "Japanese markets are highly dependent on China, and we are seeing some good traction from Japanese market that they also want to reduce dependence on China." Similarly, US customers are increasingly evaluating non-China suppliers to reduce tariff exposure.

Tariff advantage for India: This is the single most important near-term factor for the Indian casting industry. The US has imposed significantly higher tariffs on Chinese castings than on Indian ones. For Chapter 7325 (the primary HSN code for steel castings), the total duty on Chinese goods is 89% versus 38% for Indian. For Chapter 8487, it is 79% versus 29%. This creates a 50-percentage-point disadvantage for Chinese suppliers in the US market. Management noted this advantage explicitly: "This creates a significant margin—more than a 50% difference—in our favor across both product groups."

Cyclicality: The industry is cyclical, tied to global GDP growth, infrastructure spending, and inventory cycles of OEMs. Steelcast's FY25 revenues declined 7.7% due to inventory destocking by customers in North America and Europe following the Russia-Ukraine conflict. This is a normal cycle—customers build inventory, then destock, then re-order. Management recommends evaluating performance over three-year periods rather than annual figures because "annual evaluations may reflect short-term fluctuations."

Recent demand environment: Q3 FY26 was described as "the bottom for our foreseeable future, maybe next 1.5 to 3 years." The company saw sequential improvement in Q4 FY26 and guided for 20%+ CAGR growth over FY27-FY29. However, near-term uncertainties remain due to US tariff policy, geopolitical tensions (Middle East conflict), and raw material cost inflation (steel scrap prices rose approximately 10% starting March 2026). The company expects these

cost increases to be passed through to customers via price variation formulas, with partial compensation effective April 1 and remaining adjustment from July 1, 2026.

Growth triggers

- **Capacity expansion decision accelerated**: Management initially planned to decide on expanding the 29,000 TPA facility by December 2026. They pulled this forward to end of July 2026, citing strong demand signals from customers and the conversion of newly developed parts to serial production. (Q4 FY26 concall, May 2026)
- **2.4 MW hybrid power plant commissioning**: The captive power project, slightly delayed from an initial March 2026 target, is under commissioning by June 2026. It is expected to generate annual savings of approximately ₹3.6 crore, directly protecting margins as volumes scale while also contributing to carbon neutrality goals. (Q4 FY26 concall, May 2026; FY25 Annual Report)
- **New product development pipeline converting to volume**: Across FY25, FY26, and the planned development for FY27, Steelcast has developed or will develop 144 new parts for its global OEM customers. These parts are at various stages of sample approval and serial production, providing a visible multi-year volume growth runway. (Q3 FY26 concall, Feb 2026)
- **Ground Engaging Tools (GET) segment reaching materiality**: GET contributed just 1.1% of sales in FY26. Management targets 3.8% in FY27 and approximately 5% of total sales over the next 2-3 years, leveraging existing OEM relationships in North America, Australia, and Europe. (Q4 FY26 concall, May 2026)
- **Defence export breakthrough**: After several years of development, prototypes for combat vehicle parts were approved. Management expects the first serial revenues of ₹15-18 crore from this segment within the next 1-2 quarters, opening a new vertical. (Q4 FY26 concall, May 2026)
- **Structural tariff advantage over Chinese competitors**: For key product categories exported to the US, Steelcast's pricing is already 5-13% lower than comparable Chinese offerings. Adding the sustained tariff differential (89% on Chinese goods vs 38% on Indian goods for their HSN codes) gives Steelcast a powerful and durable pricing buffer, which it has refused to pass on to customers as discounts. (Q2 FY26 concall, Nov 2025; Q1 FY26 concall, Aug 2025)

Key risks

- **Geopolitical trade friction causing demand volatility**: The US tariffs did not directly hit Steelcast's pricing since sales are on an ex-works basis. However, they raised costs for end-users, leading to order deferrals. Management revised its FY26 guidance down from 18-20% to 12% due to this "softness". An escalation of the Middle East conflict also raised fuel, freight, and raw material costs, temporarily compressing margins until contractual pass-through adjustments take effect.
- **Customer and geographic concentration**: The US market accounted for ~30% of total sales in FY25, and the top five sectors contributed 96.8% of revenue. A recession in the US, a sector-specific downturn in mining and earthmoving, or a Chinese pricing war could materially impact revenue. The company is actively diversifying, but the base exposure remains high.
- **Raw material and energy cost pass-through lag**: Steelcast uses price variation formulae with customers, but these are not instantaneous. Q4 FY26 saw margin compression from higher raw material and energy costs

incurred before adjustments kicked in, which were expected to be fully compensated from July 1st onwards. A sustained spike in input costs can temporarily erode profitability.

- **Forex risk from high export mix**: With exports contributing over 60% of revenues, the business is sensitive to currency swings. While a weakening rupee has historically been a tailwind, a sharp and sustained rupee appreciation would compress export realizations and impact the bottom line.
- **Cyclicality of end-user industries**: Demand is fundamentally tied to global capex cycles and commodity prices. The FY25 revenue decline was a textbook cyclical inventory correction by OEMs consuming previously purchased stock. If global growth falters, the company's volume targets become difficult to achieve regardless of its competitive positioning.
- **Execution risk in new segment development**: The company has a strong track record, but not all new products develop smoothly. The railroad component faced persistent approval delays over multiple quarters. If defence or GET segments do not ramp as expected, the revenue diversification strategy slows down, and the company remains dependent on mature sectors for growth.

Walk the talk

Steelcast management's track record against its communicated goals reveals a management team that sets credible targets and proactively adjusts expectations when the external environment shifts.

The most significant test of their forecasting credibility came in FY26. Facing sudden US tariff impositions, management in Q1 FY26 (Aug 2025) guided for 18-20% annual growth. By Q2 FY26 (Nov 2025), they honestly revised this down to "double-digit" growth, acknowledging near-term softness. The final FY26 result was 13.33%, placing them squarely within the revised range. This pattern of setting a bold initial target and adjusting with clarity when reality changes builds investor trust.

Management's two boldest public commitments are the capex decision and the FY27 profit aspiration. On capacity expansion, the timeline was accelerated:

> *"We were contemplating to decide on increasing capacity by Dec.26. With increase in demand and new parts getting converted to serial supplies, we will decide by end July. 26."*
>
> **MD, Q4 FY26 CONCALL (MAY 2026)**

This acceleration was driven by the conversion of the 144-part pipeline into actual orders, giving management the confidence to invest before hitting hard capacity constraints. Before this acceleration, management had stated in Q1 FY26 they would wait until utilisation hit 75%, a target that now looks achievable much sooner.

On the profit front, management gave a clear aspiration for FY27:

> *"At STEELCAST, the smart goal for our top management team is to make STEELCAST more than Rs. 100 Cr. PAT Company in FY27."*
>
> **MD, Q4 FY26 CONCALL (MAY 2026)**

This is a verifiable, public target. Whether it is achieved will be the clearest test of the company's earnings power as volumes scale.

The area where management showed the most discipline was pricing. Across a year of trade turmoil and customer requests for relief, the company held the line:

> *"we have not passed on a single percentage price reduction to any of our customers."*
>
> MD, Q2 FY26 CONCALL (NOV 2025)

This was not just rhetoric; it was backed by the fact that no existing customer altered their supply chain during the period. The company's specialized casting capabilities give it pricing power that peer companies with more commoditized products lack.

Execution is not perfect. The 2.4 MW hybrid power plant was initially promised by March 2026. This slipped to "under commissioning by June 2026". The delay is small, but it shows that even routine projects face timeline slippage.

Scenarios

Bull case

The global supply chain realignment accelerates meaningfully. Steelcast's cost advantage over Chinese competitors widens as tariffs persist, and OEMs aggressively diversify sourcing. The 144-part pipeline converts faster than expected, filling the existing plant to over 80% utilisation by late FY27. The defence export segment becomes a material contributor, and GET hits the 5% sales target. The new capex is approved on time and doubles capacity by FY29. Margins expand as operating leverage kicks in with new power plant savings, and the company delivers on its 20% CAGR aspiration through the cycle.

Base case

Demand remains steady across mining, earthmoving, and construction. The 20% CAGR holds through FY27-FY29 as the new parts pipeline gradually converts to serial production, pushing capacity utilisation to the 75-80% range. The hybrid power plant delivers the promised cost savings. Margins stabilize in the 25-27% range. The capex decision is made by end-July 2026, but the new facility takes 18-24 months to commission. The company executes steadily, gradually de-risking its customer and geographic concentration without any dramatic surprises in either direction.

Bear case

A sharp global recession hits mining and construction capital expenditure. OEMs aggressively destock inventory, repeating the pattern seen in H1 FY25. Chinese foundries slash prices to retain market share, narrowing Steelcast's cost advantage. New customer additions and product approvals slow. The company hits a revenue ceiling at current capacity just as demand weakens, making a large capex investment risky. Margins compress as fixed costs are absorbed by lower volumes. The defence and GET segments fail to reach material scale. The 20% CAGR target proves unachievable, and growth flattens or declines.