

## Steady operational performance....

Maharashtra Seamless (MSL) reported an operationally steady performance for Q1FY21 wherein the company was able to maintain its EBITDA margins despite a challenging market scenario. Consolidated topline for the quarter was at ₹ 459 crore (down 34% YoY, 22% QoQ). Seamless pipe sales volume for the quarter was at 44900 tonnes (down 36% YoY, 34% QoQ). Similarly, ERW volumes for the quarter were at 13184 tonnes (down 18% both QoQ as well as YoY). On a consolidated basis, the company reported an EBITDA margin of 22.0% (compared to 22.2% in Q1FY20, 17.7% in Q4FY20). Consolidated EBITDA was at ₹ 101 crore (down 3% QoQ, 35% YoY). For the consolidated operations, for the quarter, depreciation expense were at ₹ 29 crore (up 4% QoQ, 45% YoY), finance cost was at ₹ 16 crore (up 13% QoQ but down 12% YoY) while other income was at ₹ 17 crore (down 10% YoY). Ensuing consolidated PAT for the period was at ₹ 45 crore (down 41% YoY).

## Completes united seamless tubular acquisition...

Maharashtra Seamless took 100% control over United Seamless Tubular Pvt Ltd (USTPL) on February 14, 2020 after the Supreme Court decision on January 22, 2020. USTPL has a capacity of 300000 tonnes per annum (TPA) in the size range of 4½" to 14" diameter in various grades and wall thicknesses. The plant has Fine Quality Mill (FQM) manufacturing technology, which is supplied by Danielle, Italy. The company has indicated that USTPL will run on partial capacity after completion of trial run by September 2020. With this acquisition, MSL will have an additional opportunity to explore new sectors i.e. auto sector and cylinder pipe oxygen.

## Order books remains flattish QoQ...

Maharashtra Seamless' order book as on date is at ~₹ 600 crore (flattish QoQ). The order book at the end of Q4FY20 was at ₹ 625 crore.

## Valuation & Outlook

For Q1FY21, MSL reported an operationally steady performance. For the quarter, consolidated EBITDA margins were at 22.0% (22.2% in Q1FY20 and 17.7% in Q4FY20). Going forward, we model consolidated operating margins of 19.7% for FY21E and 20.6% for FY22E. We value the stock at 5x FY22E EV/EBITDA and arrive at a target price of ₹ 265. We maintain our **HOLD** rating on the stock.



MAHARASHTRA SEAMLESS LIMITED

### Particulars

Particulars	Amount
Market Capitalisation	₹1675 crore
Debt in ₹ crore (FY20)	₹ 1145 crore
Cash & Cash Eq. (FY20)	₹ 97 crore
EV	₹ 2723 crore
52 Week H / L (₹)	447 / 185
Equity Capital (₹)	₹34 crore
Face Value	₹ 5

### Key Highlights

- Seamless pipe sales volume came in at 44900 tonnes (down 36% YoY, 34% QoQ)
- ERW pipe sales volume came in at 13184 tonnes (down 18% both QoQ as well YoY)
- Maintain HOLD rating with target price of ₹ 265

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### Key Financial Summary

(₹ crore)	FY18	FY19	FY20	FY21E	FY22E
Total Operating Income	2,149.7	3,051.8	2,644.8	2,259.0	2,777.7
EBITDA	311.0	668.6	540.5	445.4	570.8
EBITDA Margin (%)	14.5	21.9	20.4	19.7	20.6
Reported PAT	200.1	201.9	114.7	240.7	307.4
Adjusted PAT	200.1	412.4	361.6	240.7	307.4
Adjusted EPS (₹)	29.9	61.6	54.0	35.9	45.9
EV/EBITDA (x)	6.8	3.9	5.0	6.2	4.8
RoCE (%)	6.6	14.3	10.4	7.8	9.7
RoE (%)	6.8	6.6	3.6	7.1	8.4

Source: Company, ICICI Direct Research

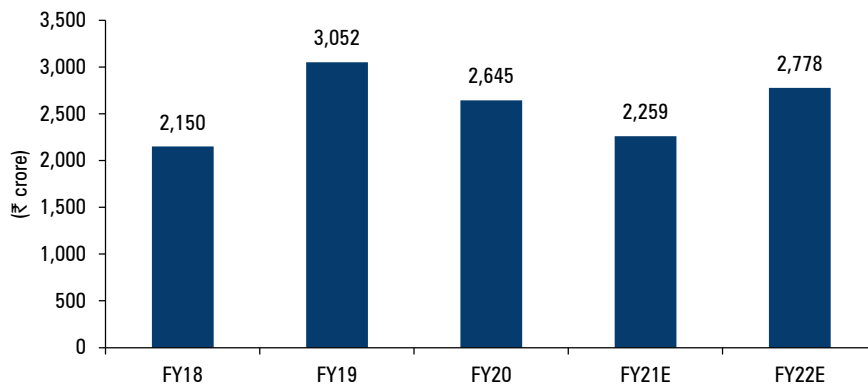
Exhibit 1: Variance Analysis (Consolidated operations)

	Q1FY21	Q1FY20	YoY (%)	Q4FY20	QoQ (%)	Comments
<b>Total Operating Income</b>	459.0	696.2	-34.1	588.4	-22.0	Topline declined 34% YoY and 22% QoQ
Other Income	16.8	18.6	-9.6	(2.9)	NA	Other income declined 10% YoY
Employee Expenses	16.0	18.0	-11.0	19.1	-16.2	In Q1FY21, employee costs as a percentage of sales came in at 3.5% (2.6% as on Q1FY20 and 3.3% as on Q4FY20)
Raw Material Expenses	274.2	425.9	-35.6	349.0	-21.4	In Q1FY21, raw material cost as a percentage of sales came in at 59.7% (61.2% as on Q1FY20 and 59.3% as on Q4FY20)
Other Expenses	67.8	97.9	-30.8	116.3	-41.7	In Q1FY21, employee cost as a percentage of sales came in at 14.8% (14.1% as on Q1FY20 and 19.8% as on Q4FY20)
<b>EBITDA</b>	101.0	154.4	-34.6	104.0	-2.9	EBITDA declined 3% QoQ and 35% YoY
EBITDA Margin (%)	22.0	22.2	-18 bps	17.7	433 bps	EBITDA margin remain flattish YoY
Depreciation	28.9	19.9	44.8	27.7	4.3	
Finance cost	15.8	17.9	-11.6	13.9	NA	
Exceptional Item	-	-	-	246.9	-	
Share of P/L from investment in associates & JV	(6.6)	(10.5)		(6.6)		
PBT	66.4	124.6	-46.7	(194.0)	LP	
Total Tax	21.4	48.2	-55.5	16.8	27.4	
<b>PAT</b>	45.0	76.5	-41.2	(210.8)	LP	PAT was down 41% YoY

Source: Company, ICICI Direct Research

## Financial story in charts

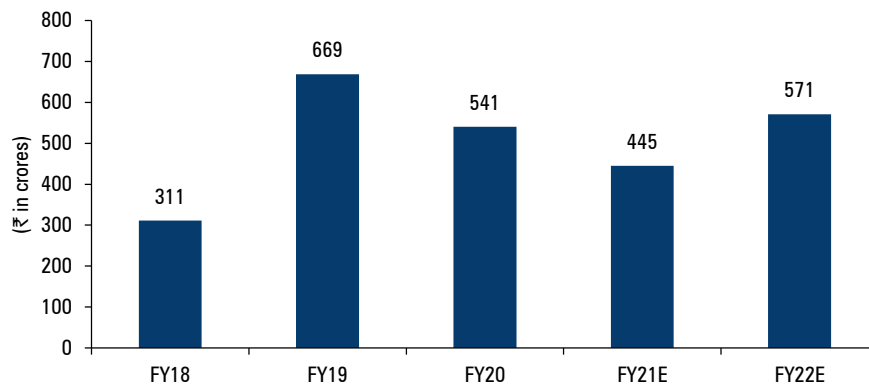
Exhibit 2: Trend in consolidated topline



We expect topline to grow at a CAGR of 4.1% during FY20-22E

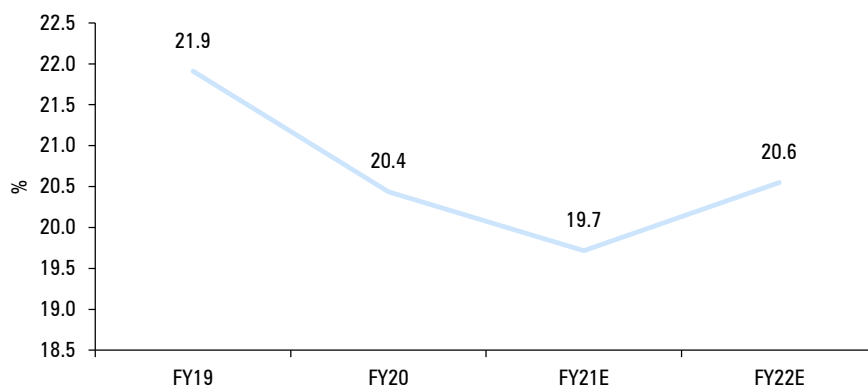
Source: Company, ICICI Direct Research

Exhibit 3: Trend in consolidated EBITDA



Source: Company, ICICI Direct Research

Exhibit 4: Trend in reported consolidated EBITDA margin (in %)



Over the next couple of years, we expect EBITDA margins to hover at ~20-21%

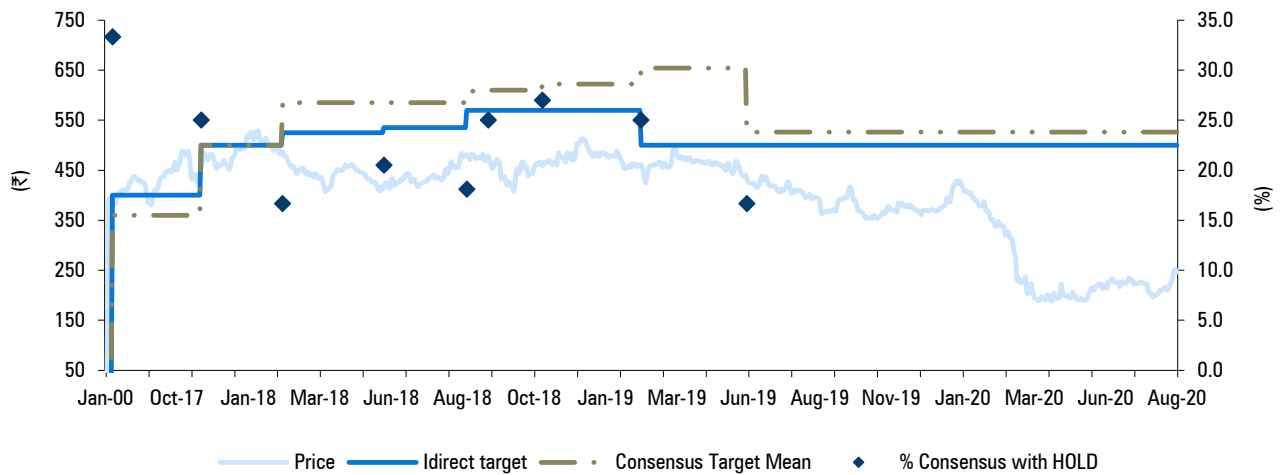
Source: Company, ICICI Direct Research

Exhibit 5: Valuation

	Sales (₹)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	EV/EBIDTA (x)	P/ BV (x)	RoE (%)	RoCE (%)
FY19	3052	42	62	106	4.1	3.9	0.5	6.6	14.3
FY20	2645	-13	54	-12	4.6	5.0	0.5	3.6	10.4
FY21E	2259	-15	36	-33	7.0	6.2	0.5	7.1	7.8
FY22E	2778	23	46	28	5.4	4.8	0.5	8.4	9.7

Source: Company, ICICI Direct Research

Exhibit 6: Recommendation History vs. Consensus



Source: Bloomberg, Company, Reuters

Exhibit 7: Top 10 Shareholders

Rank	Name	Latest Filing	% O/S	Position (m)	Change (m)
1	ODD & EVEN TRADES &	30-06-2020	17.5	11.7	0.0
2	STABLE TRADING COMPA	30-06-2020	17.3	11.6	0.0
3	BRAHMADEV HOLDING &	30-06-2020	8.6	5.8	0.0
4	GLOBAL JINDAL FIN IN	30-06-2020	8.1	5.4	0.0
5	L&T MUTUAL FUND	31-07-2020	5.3	3.5	0.0
6	BHANSHALI LATA	08-03-2016	5.1	3.4	0.0
7	HARYANA CAPFIN LTD	30-06-2020	4.3	2.9	0.0
8	Jindal Saket	30-06-2020	3.3	2.2	0.0
9	GVN FUELS LTD	30-06-2020	2.4	1.6	0.0
10	PUSHPANJALI INVESTRA	30-06-2020	2.1	1.4	0.0

Source: Bloomberg, ICICI Direct Research

Exhibit 8: Shareholding Pattern

(in %)	Dec-19	Mar-20	Jun-20
Promoter	56.3	56.9	56.9
Public	43.8	43.1	43.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Company, ICICI Direct Research

## Financial summary

Exhibit 9: Profit and loss statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Total Operating Income</b>	<b>3,052</b>	<b>2,645</b>	<b>2,259</b>	<b>2,778</b>
Growth (%)	42.0	(13.3)	(14.6)	23.0
Total Operating Expenses	2383	2104	1814	2207
<b>EBITDA</b>	<b>669</b>	<b>541</b>	<b>445</b>	<b>571</b>
Growth (%)	115	-19	-18	28
Depreciation	80	88	91	104
Interest & Finance Cost	39	64	75	101
Other Income	69	50	55	63
Share of Profit / (Loss) of Associate/JV	25	-31	25	30
Exceptional Items	210	247	0	0
PBT	433	161	359	459
Total Tax	231	46	119	151
<b>Reported PAT</b>	<b>202</b>	<b>115</b>	<b>241</b>	<b>307</b>
Growth (%)	1	-43	110	28
<b>Adjusted PAT</b>	<b>412</b>	<b>362</b>	<b>241</b>	<b>307</b>
<b>Adjusted EPS</b>	<b>61.6</b>	<b>54.0</b>	<b>35.9</b>	<b>45.9</b>

Source: Company, ICICI Direct Research

Exhibit 10: Cash flow statement (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
Profit/(Loss) After Taxation	202	115	241	307
Add: Depreciation & Amortisation	80	88	91	104
Net Increase in Current Assets	-954	514	118	-285
Net Increase in Current Liabilities	178	251	-261	72
<b>Cashflow from Operating Activities</b>	<b>-495</b>	<b>968</b>	<b>189</b>	<b>199</b>
Increase/(Decrease) in Investments	166	263	-100	-80
Increase/(Decrease) in Fixed Assets	-24	-1,284	-78	-81
Others	28	0	0	0
<b>Cashflow from Investment Activities</b>	<b>170</b>	<b>-1,022</b>	<b>-179</b>	<b>-161</b>
Inc/(Dec) in Equity Capital	0	0	0	0
Inc/(Dec) in Loan	432	87	10	-30
Dividend & Div Dist Tax	-39	-20	-43	-43
Others	-25	12	6	6
<b>Cashflow from Financing Activities</b>	<b>368</b>	<b>79</b>	<b>-28</b>	<b>-68</b>
Net Cashflow	44	25	-18	-30
Opening Cash	17	61	86	69
<b>Closing Cash</b>	<b>61</b>	<b>86</b>	<b>69</b>	<b>38</b>

Source: Company, ICICI Direct Research

Exhibit 11: Balance sheet (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Liabilities</b>				
Share Capital	34	34	34	34
Reserves & Surplus	3037	3171	3369	3633
Total Shareholders Fund	3070	3205	3402	3666
Total Debt	1059	1145	1155	1125
Deferred Tax Liability	259	223	227	232
Others	30	39	40	41
<b>Total Liabilities</b>	<b>4418</b>	<b>4612</b>	<b>4825</b>	<b>5065</b>
<b>Assets</b>				
Net Block	1173	2364	2357	2337
CWIP	23	29	23	20
Net Fixed Assets	1196	2393	2380	2357
Investments	1295	1032	1132	1212
Inventory	771	762	588	761
Debtors	492	361	371	419
Other Current Assets	974	601	646	711
Cash & Bank Balance	61	86	69	38
Total Current Assets	2299	1810	1674	1929
Current Liabilities	337	595	333	404
Provisions	39	33	34	34
Total Current Liabilities	377	628	367	439
Total Net Current Assets	1923	1182	1308	1490
Other Assets	4	5	5	5
<b>Total Assets</b>	<b>4418</b>	<b>4612</b>	<b>4825</b>	<b>5065</b>

Source: Company, ICICI Direct Research

Exhibit 12: Key ratios (₹ crore)				
(Year-end March)	FY19	FY20	FY21E	FY22E
<b>Per share data (₹)</b>				
Adjusted EPS	61.6	54.0	35.9	45.9
Cash EPS	42.0	30.2	49.5	61.4
BV	458	478	508	547
DPS	5.0	2.5	5.5	5.5
Cash Per Share	9.2	12.9	10.3	5.7
<b>Operating Ratios (%)</b>				
EBITDA Margin	21.9	20.4	19.7	20.6
PBT / Total Operating income	14.2	6.1	15.9	16.5
PAT Margin	6.6	4.3	10.7	11.1
Inventory days	92	105	95	100
Debtor days	59	50	60	55
Creditor days	33	79	50	50
<b>Return Ratios (%)</b>				
RoE	6.6	3.6	7.1	8.4
RoCE	14.3	10.4	7.8	9.7
RoIC	14.5	10.6	7.9	9.8
<b>Valuation Ratios (x)</b>				
P/E	4.1	4.6	7.0	5.4
EV / EBITDA	3.9	5.0	6.2	4.8
EV / Net Sales	0.9	1.0	1.2	1.0
Market Cap / Sales	0.5	0.6	0.7	0.6
Price to Book Value	0.5	0.5	0.5	0.5
<b>Solvency Ratios</b>				
Debt / EBITDA	1.6	2.1	2.6	2.0
Current Ratio	6.1	2.9	4.6	4.4
Quick Ratio	4.1	1.7	3.0	2.7

Source: Company, ICICI Direct Research

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Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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