

Strong Tailwinds present in the sector

CMP: INR 520

Rating: Book Partial Profits

Target Price: INR 481

Stock Info

BSE	500378
NSE	JINDALSAW
Bloomberg	JINDALSAW IN
Sector	Iron & Steel
Face Value (INR)	2
Mkt Cap (INR Bn)	166
52w H/L (INR)	539/108
Avg Daily Volume (in 000')	1364

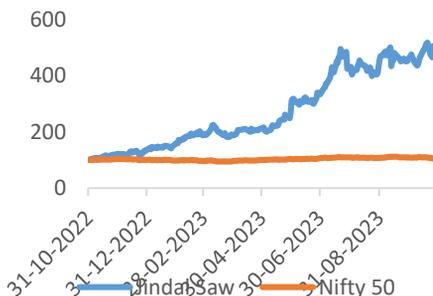
Shareholding Pattern %

(As on December, 2023)

Promoters	63.26
Public & Others	36.74

Stock Performance (%)	1m	6m	12m
JINDALSAW	20	52	346
NIFTY	0.7	9.2	18.8

Jindal Saw Vs Nifty



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Strong performance all round, exceptional growth in margin profile.

Operating Metrics (Consol)

Revenues came in at INR 56.56 Bn (+3.47% QoQ) (+9.65% YoY)
EBITDA came in at INR 9.89 Bn (+22.95% QoQ) (+99.68% YoY)
EBITDA Margins came in at 17.48% (Vs 14.71% QoQ) (Vs 9.6% YoY)
PAT came in at INR 5.32 Bn (+41.5% QoQ) (+147.9 YoY)
PAT Margins came in at 9.33% (Vs 6.85% QoQ) (Vs 4.12% YoY)

Sales Volumes:

Iron & Steel Pipes at 442,800 tonnes (+15.1% YoY)
 Pellets at 387,800 tonnes (-2.64% YoY)

Key Points from Concall:

Jindal Hunting JV to be next trigger: Company mentioned that the JV can deliver volumes of 70,000 joints p.a. and at full potential, the JV can generate revenues of USD 100 Mn, which will have higher margins. Once the API license is acquired, the company will commence operations.

Order visibility and margins: Current orderbook is sustainable for 9-12 months and company has good visibility for next 6 months but post that, the orders will have to be won more competitively.

Sathvahana DI Plant to increase capacities: Currently, Sathvahana plant is running at 85%, company is planning to debottleneck to tak capacity from 200,000 tonnes to 250,000 tonnes. With the DI plant, company also aims to penetrate in water segment in TN.

Outlook:

Company confident of generating **INR 250 Bn revenues without any capex**. No other M&A on cards. Sathvahana plant is close to optimum utilization, hence capex is underway. JITF Vs NTPC case should have a resolution in this quarter itself. **We believe any proceeds from JITF-NTPC case will be used to reduce debt and will help profitability**. Stainless steel segment is anticipated to have a steep rise (which will also aide margins). **MENA region is performing very well** which will contribute to performance going ahead.

On the other hand, company has strong visibility for next 6 months but post that, the bids will be won competitively. Moreover, **company doesn't expect these margins to hold going ahead and expects mild moderation**. Looking at overall business and industry, the crude has corrected to ~70\$ levels which is **not very exciting for oil companies to announce capex**. The USA election season is around the corner, **we believe the order announcement will reduce post election in USA**. Overall, the MENA region looks exciting but the orderbook strength from other regions may start to dry up soon. **To stay ahead of the curve, we change our rating to "Book Partial Profits". We maintain 10x FY24EEPS valuation and arrive at target price of INR 481.**

We will keep a tab on Welspun Corp as well at the moment, to monitor the order inflow, especially from USA.

Jindal Saw Q3FY24 Concall KTAs**Key Highlights:**

- Red Sea issue is developing complexities but no significant problem faced so far for freight.
- Company waiting for oil capex to pick up. Bay of Bengal having lot of activities in exploration.
- Anticipating water infra to increase going ahead in industry since it is not at desired levels
- Company has an order of INR 30 Bn from KSA (over 2 years) but has faced no shipping incident so far
- Beyond O&G and water, products can be used in industrial sector as well. Applications in heat exchangers, refineries and sugar sector
- Stainless steel segment in company has received prequalification for defence segment (with high grades products). This will help in steep growth and high VAP.
- Strong traction for products in MENA region. Cant operate in USA because the requirement for DI pipes is different there and large diameter pipes export has freight disadvantage
- Next 6 months look extremely strong but beyond that, company will have to competitively win orders. Deal pipeline healthy
- Company doesn't expect current margins to sustain but is confident to maintain it above 12-14% levels.
- Company has applied for INR 10 Bn QIP. Not an immediate requirement but company is keeping provisions ready. Most likely plan is to pay off Sathvahana debt with fund raise.
- Domestic Vs Export contri at 60:40. In exports, mainly small diameter DI pipes are being exported

Orderbook:

- Current orderbook of USD 1.4 Bn (1.4 Mn tonnes) which gives visibility of next 12 months. Additional orderbook from UAE subsidiary of USD 135 Mn
- UAE orderbook completion will spill on next year
- 70% of total orderbook for Oil and Gas. 35% of orderbook for exports
- Jindal Saw Gulf LLC saw volumes of 63,000 tonnes (Vs 59,000 tonnes QoQ). Visibility of 2 months in UAE sub.

Capacity & Capex:

- Capacity at close to full utilization but can increase revenues by another 20% without any capex
- Debottlenecking at Sathvahana plant, Nashik plant and coke oven factory on cards. No major capex planned.
- Nashik seamless facility has 2 lines which will be able to service 2 distinct sizes post debottlenecking
- Debottlenecking capex to get Nashik facility ready for opportunities in Hydrogen transportation

Sathvahana Ispat Ltd (SIL):

- Total loan taken for Sathvahana plant at INR 10 Bn
- Company is planning debottlenecking at plant which will take capacity from 200,000 tonnes to 250,000 tonnes in 15 months. Current CU at 85%

Hunting JV:

- API audit completed, expect to get license by next month. FY25 to have profitable operations.
- JV has capacity of manufacturing 70,000 joints per annum and at full potential can deliver revenues of USD 100 Mn
- Competing with players like Sumitomo & Tenaris
- Range of production up to 35 inches
- JV has qualified for bidding for tenders. Prequalification for vendor bidding also done
- JV has cost advantage and hopes to realise some benefits from Atma Nirbhar Bharat plan as well.

JITF Vs NTPC Case:

- Case hearing finally began from NTPC side, case partly heard. New dates given and hearing should conclude soon. Court has heard argument from NTPC's side and company is confident of winning based on the hearing.

Other KTAs:

- Consol net debt has come down from INR 56 Bn to INR 54 Bn. Debt will continue to go down
- No impact in forex for this quarter

Outlook:

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Sales Break up

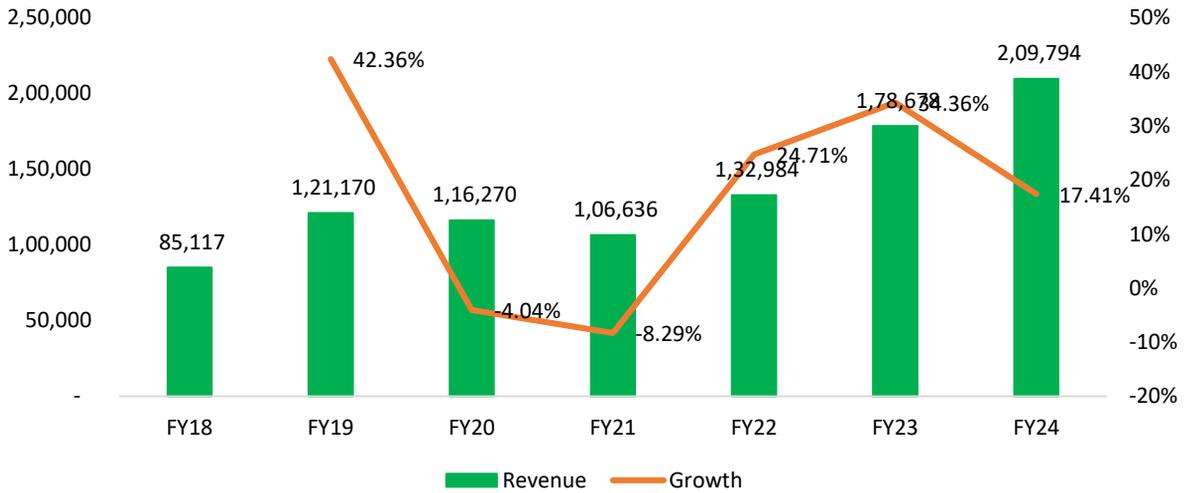
Sales Break Up											
Production (Qty. in Metric Tonnes)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24
LSAW	44,200	35,600	20,300	28,300	29,900	30,400	60,000	47,300			
HSAW	51,300	43,500	71,500	95,100	45,500	66,200	1,27,300	1,21,800			
DI Pipes	1,02,900	1,10,600	1,14,400	1,24,100	89,700	1,04,700	1,31,500	1,57,500			
Pig Iron	12,600	4,600	2,100	2,700	6,400	2,900	3,900	17,200			
SS Tubes and Pipes	46,800	51,700	53,700	52,800	61,700	59,600	62,000	60,100			
Total - Pipes and Pig Iron	2,57,800	2,46,000	2,62,000	3,03,000	2,33,200	2,63,800	3,84,700	4,03,900	3,69,000	4,26,000	4,42,800
Pellets	3,66,200	3,70,000	3,97,500	3,83,700	2,95,200	3,94,000	3,98,300	3,69,600	3,93,000	4,00,000	3,87,800

Sales Break Up			
Products (Qty. in Metric Tonnes)	FY21	FY22	FY23
LSAW	1,57,500	1,28,400	1,67,600
HSAW	3,48,300	2,61,400	3,60,800
DI Pipes	4,33,400	4,52,000	4,83,400
Pig Iron	14,400	22,000	30,400
SS Tubes and Pipes	1,58,300	2,05,000	2,43,400
Total - Pipes and Pig Iron	11,11,900	10,68,800	12,85,600
Pellets	12,64,500	15,17,400	14,57,100

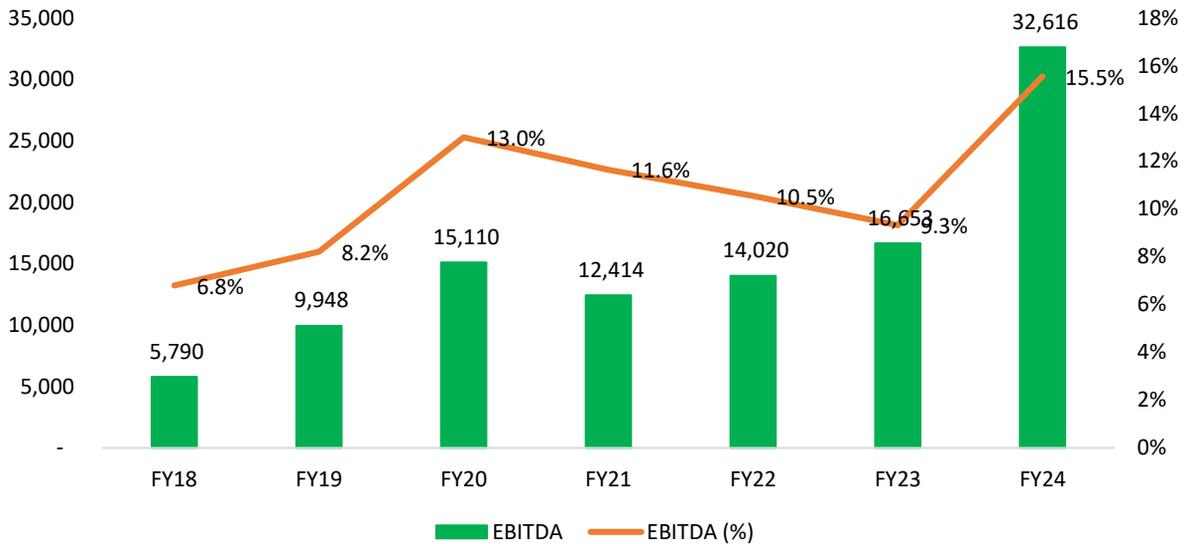
Capacity (Metric Tonnes)

Capacity (Metric Tonnes)		Sathvahana (Metric Tonnes)	
LSAW & HSAW	15,00,000.00	Mini Blast Furnace	2,50,000
DI Pipes	8,00,000.00	DI Pipe	2,10,000
DI Fittings	18,000.00	Coke Oven	4,00,000
SS Tubes and Pipes	3,50,000.00		
Total - Pipes and Pig Iron	26,68,000.00		
Pellet	15,00,000.00		

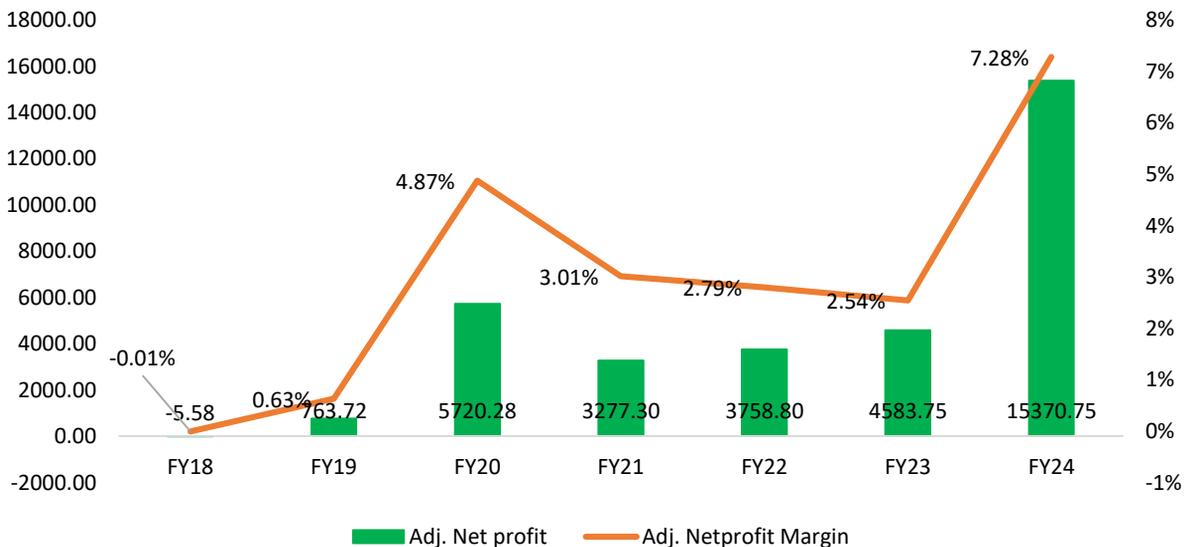
Revenue Vs Revenue Growth



EBITDA Vs EBITDA Margins



PAT Vs PAT Margins



Income Statement (Consolidated)

	FY20	FY21	FY22	FY23	FY24E
Revenue	1,16,270	1,06,636	1,32,984	1,78,678	2,09,794
Net Raw Materials	69,347	60,275	79,023	1,11,923	1,21,357
Employee Cost	9,659	8,966	10,149	11,792	15,052
Other Expenses	22,155	24,981	29,793	38,310	40,770
EBITDA	15,110	12,414	14,020	16,653	32,616
EBITDA (%)	13.0%	11.6%	10.5%	9.3%	15.5%
Depreciation	4216.70	4588.70	4729.90	4707.80	5657.07
Interest expense	6198.50	4927.90	4601.20	6375.90	7059.07
Other income	1091.40	2095.50	1525.50	1785.60	1355.33
Profit before tax	4666.00	4992.80	6214.70	7100.00	21234.49
Taxes	53.40	1715.50	2455.90	2672.40	5863.74
Adj. Net profit	5720.28	3277.30	3758.80	4583.75	15370.75
Adj. Netprofit Margin	4.87%	3.01%	2.79%	2.54%	7.28%
EPS (INR)	17.35	9.97	12.88	19.78	48.07

Balance Sheet (Consolidated)

Y/e 31 Mar (INR Mn)	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2023 FY
Current Assets						
Cash and Cash Equivalents	719	1,442	1,717	5,519	4,966	776
Bank Balances Other Than (iii) Above	718	873	1,704	1,717	1,759	1,356
Investments	13	18	28	652	104	49
Trade Receivables	19,298	22,126	18,639	21,252	18,058	35,629
Contract Asset	NA	150	161	351	1,531	1,247
Current Tax Assets, Net	734	635	751	795	887	520
Loans	1,917	1,160	588	535	649	917
Inventories	24,631	31,875	26,872	29,186	37,555	41,048
Other Current Assets	4,745	5,592	7,269	6,874	7,487	7,270
Other Financial Assets	332	259	241	290	241	244
Noncurrent Assets						
Right of Use Assets	0	0	2,751	2,455	2,342	2,426
Capital Work in Progress	1,264	2,598	4,226	4,037	2,931	2,999
Tangible Assets	71,126	71,539	72,037	70,593	71,126	71,211
Investments	1,089	1,886	1,260	1,329	2,132	2,456
Other Financial Assets	1,898	1,989	6,915	6,828	8,490	8,682
Deferred Tax Asset-net	3,274	3,896	3,931	4,103	4,071	3,948
Trade Receivables	126	80	80	114	84	57
Loans	2,749	5,076	5,084	3,412	1,982	588
Intangible Assets	76	89	124	108	100	79
Other Non-current Assets	247	261	157	2,106	2,008	480
Total Assets	1,35,239	1,51,711	1,54,747	1,62,254	1,68,503	1,82,559
Current Liabilities						
Total Outstanding Dues of Micro\ Enterprises and Small Enterprises		55	82	135	169	286
Total Outstanding Dues of Creditors Other Than MESE		17,983	13,932	19,231	15,232	29,768
Short-term Borrowings	27,255	26,839	25,500	27,851	39,546	29,503
Lease Liabilities			229	199	219	242
Current Tax Liabilities, Net	294	412	113	233	263	1,055
Other Current Liabilities	3,633	6,056	10,932	12,567	12,137	15,550
Provisions	148	182	229	953	955	956
Other Financial Liabilities	4,819	6,065	7,132	3,075	2,868	3,071
Noncurrent Liabilities						
Long-term Borrowings	33,115	26,331	23,607	22,983	18,326	17,348
Lease Liabilities	NA	NA	2,543	2,316	2,221	2,126
Deferred Tax Liabilities Net	4,960	5,834	4,469	5,328	6,293	6,674
Other Long-term Liabilities	1,177	1,204	1,071	1,020	968	2,461
Provisions	1,001	1,060	1,468	675	521	442
Other Financial Liabilities	295	295	294	294	294	294
Shareholders' Equity						
Common Stock - Par Value	640	640	640	640	640	640
Other Equity	54,324	62,184	66,995	69,191	73,002	78,588
Minority Interest	(2,964)	(3,823)	(4,746)	(4,436)	(5,150)	(6,445)
Total Shareholders Equity	54,964	62,824	67,635	69,830	73,642	72,783
Total Liabilities & Shareholders Equity	1,35,239	1,51,711	1,54,747	1,62,254	1,68,503	1,82,559

Cash Flow (Consolidated)

Y/e 31 Mar (INR Mn)	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2023 FY
Operating Activities						
Net Profit/loss before Tax and After Exception Items	-	-	4,666	4,993	6,215	7,100
Depreciation and Amortization Expenses	-	3,963	-	4,589	4,730	4,708
Loss on Sale of Property, Plant and Equipment and Intangible Assets, Net	-	-	-	7	(26)	79
Profit on Disposal of Subsidiary (exception Item)	-	(3,779)	-	-	-	250
Net Gain/loss on Sale of Current Investments	-	-	-	(7)	(8)	(11)
Gain/(loss) on Fair Valuation of Current Investment	(5)	(0)	(1)	-	-	(0)
Share of Profit/loss of Joint Ventures and Associates	(0)	0	-	-	-	5
Provision of Liability for Share Based Payments	-	-	-	1	61	69
Provision for Doubtful Debts Written Back	(79)	-	-	-	-	(17)
Provision for Doubtful Debts and Advances (net)	-	-	-	216	268	2
Bad Debts Written Off/(recovered), Net	-	77	-	-	-	(231)
Effect of Unrealized Foreign Exchange Gain/loss	(275)	(506)	954	(430)	70	3
Income from Government Grant	(89)	(173)	(117)	(113)	(107)	(144)
Interest Incomes	(951)	(674)	(1,144)	(1,176)	(1,116)	(959)
Net Gain/loss on Derivatives	(5)	-	98	(111)	(4)	(36)
Finance Costs	-	-	-	4,928	4,601	6,376
Operating profit before WC changes	4,931	8,778	9,864	12,896	14,685	17,194
Trade Receivables	(6,440)	(3,908)	3,805	(2,000)	3,089	(12,344)
Loans, Other Fincial Assets and Other Assets	334	(1,106)	(7,080)	(109)	(2,200)	(641)
Inventories	(1,636)	(8,022)	5,371	(2,463)	(8,184)	(3,121)
Trade Payables	1,663	13,406	(4,192)	6,780	(4,544)	16,841
Other Fincial Liabilities, Provisions and Other Liabilities	1,781	2,499	4,962	1,780	(497)	(141)
Cash Flow from Operating Activities	5,651	15,673	16,646	15,697	2,273	17,787
Taxes Paid	-	(1,663)	-	-	(1,538)	(1,613)
Net CFO	5,651	14,011	16,646	15,697	735	16,174
Investing Activities						
Purchase of Property, Plant and Equipment and Intangible Assets	0	-5182	0	-4035	-4535	-3225
Sale Proceeds from Property, Plant, Equipment and Intangible Assets	0	218	0	65	1010	867
Purchase of Long-term Investments	-409	0	0	0	-758	-153
Proceeds from Sale of Mutual Funds	0	0	0	638	716	762
Investments in Mutual Funds	-10	-19	-539	-1361	-159	-766
Purchase/sale of Government Securities	0	0	0	0	0	0
Loan Received Back from Related and Other Parties	725	0	0	1723	2244	1634
Loans Given to Related Parties and Other Parties	0	-1171	-291	0	0	-405
Investment in Treasury Shares By Jindal Saw Employee Welfare Trust	0	0	0	-30	-35	1
Interest Received	578	206	652	277	247	582
Cash Flow from Investing Activities	-1203	-5161	-4686	-3586	-1913	-702
Fincing Activities						
Proceeds from Long-terms Borrowings	3255	884	685	3314	0	1621
Repayments of Non-current Borrowings	0	-2417	0	-6055	-4657	-4646
Short-term Borrowings	5415	-244	-2445	-4319	13253	-9138
Loan from Related Parties	1131	410	4	423	2	37
Loans Repaid to Related Parties	0	-2050	-42	-204	-117	-426
Payment of Lease Liabilities and Fince Lease Liabilities	0	-39	0	0	0	-618
Dividend Paid (net of Unclaimed/unpaid Dividend)	0	0	0	-630	-631	-631
Interest and Bank Charges Paid	-5451	-5521	-5716	-4920	-4329	-6220
Cash Flow from Fincing Activities	-4696	-9769	-11681	-8312	610	-19685
Other Adjustments						
Cash Flow Net Changes in Cash	-252	723	284	3791	-553	4966
Exchange Differences on Translation of Foreign Currency Cash and Cash Equivalents	-5	22	4	-9	15	22
Upon Disposal of Subsidiaries	-	(43)	-	-	-	-

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Stock Rating Scale

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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