

Strong Tailwinds present in the sector

CMP: INR 335

Rating: ACCUMULATE

Target Price: INR 387

Stock Info

BSE	500378
NSE	JINDALSAW
Bloomberg	JINDALSAW IN
Sector	Iron & Steel
Face Value (INR)	2
Mkt Cap (INR Mn)	107,166
52w H/L (INR)	385/77
Avg Daily Volume (in 000')	1081

Shareholding Pattern %

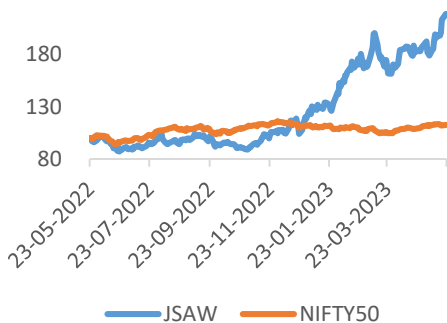
(As on June, 2023)

Promoters	63.26
Public & Others	36.74

Stock Performance (%)

	1m	6m	12m
JINDALSAW	17	115	114
NIFTY	2.6	-0.2	12.3

Jindal Saw Vs Nifty



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Growth in volumes, RM has stabilized and execution levels improved. Core earnings has improved

Operating Metrics (Consol)

- **Revenues** came in at INR 44.1 Bn (-15% QoQ) (+26.8% YoY)
- **EBITDA** came in at INR 6.08 Bn (+1.3% QoQ) (+154.9% YoY)
- **EBITDA Margins** came in at 13.79% (Vs 11.57% QoQ) (Vs 6.86% YoY)
- **Adj. PAT** came in at INR 2.43 Bn (Vs 2.94 Bn QoQ) (Vs -0.2 Bn YoY)
- **PAT Margins** came in at 5.47% (Vs 5.59% QoQ) (Vs -0.56% YoY)

Sales Volumes for the quarter (tonnes):

- **Iron & Steel Pipes** at 369K (Vs 233K YoY)
- **Pellets** at 393K (Vs 295K YoY)

Production Volumes for the quarter (tonnes):

- **Iron & Steel Pipes** at 391K (Vs 232K YoY)
- **Pellets** at 370K (Vs 426K YoY)

Other Highlights:

Jindal Saw & Hunting Pte. JV to start production of OCTG threading facility from FY24

Total orderbook stood at US\$1.4 Bn (Vs \$ 1.45 Bn QoQ)

JITF case is currently sub-judice (INR 8.56 Bn received out of 18.91 Bn consideration). Company is confident on receiving the remainder money hence no adjustment/impairment taken in carrying value of loans and investments to JITF. Next hearing in end of August

Orderbook also includes orders for SIL but not UAE subsidiary

Orderbook executable in 12-18 months, ~34% orders for exports

Net Debt Levels at INR 44 Bn Vs 30.6 Bn QoQ due to debt taken for acquisition of SIL

Sathavahana ISPAT merged into the company on 26th April 2023

NCLT Allahabad has approved the amalgamation of Sulog Transshipments Limited (step down subsidiary) with Jindal ITF Limited on 9th Aug 2023.

Board approved the **liquidation of Jindal Saw Middle East FZE** (subsidiary)

Outlook:

In the short-term, company is expected to benefit from strong demand, stronger sales of VAP and better WC efficiency. Additionally, JSAW is expected to benefit from government policies like Aatmanirbhar Bharat and Jal Jeevan mission scheme. Company is confident of improving EBITDA margins from here on too. They had earlier given guidance of 14% EBITDA margins and are on track to achieve it by Q2FY24. For the full year, company has guided for a similar topline growth as that of FY23 (~40%). QoQ performance will be better (Q2 will be better than Q1) in volume and value. FY24 exit absolute EBITDA will be better than current EBITDA while margins may remain in the similar region.

We are positive on the company and its ability to deliver the guidance. OCTG pipes is a good opportunity for the company to grow as per guidance. For the above positives we believe the company can deliver decent upside from here. **We value the stock 12x FY24 EPS of 32.2 and assign ACCUMULATE rating.**

We believe any proceeds from JITF-NTPC case will be used to reduce debt and will help profitability.

Jindal Saw Q1FY24 Concall KTAs**Key Highlights:**

- FY24 exit EBITDA margins will be similar to current or better. Absolute EBITDA will be higher because Q4 is better than Q1
- INR ~3-3.5 Bn debt repayment expected per year from now (barring LIC bond and debt taken for SIL)
- Going ahead, WC as a % of sales will come down
- No major capex on books now
- No significant impact on gross margins due to liquidation/build-up of inventory

Orderbook:

- Orderbook has large size contracts so shipments
- 70-75% of orderbook for water segment, 20-25% in Oil and Gas and 5-10% in industrials
- Export orders (35% of orderbook) includes NEOM
- Exports to remain above 30% for year end
- Export has few high margin orders

DI Pipes

- Company sold 43,000 tonnes Q1FY24 (40,000 tonnes QoQ and 1,50,000 tonnes in FY23). Company has an order book of 150,000 tonnes. The business is expected to benefit further with stabilization in raw material prices and the geopolitical situation.
- It would also serve as a substitute for imports
- 100 mm to 1.2 metre diameter pipes available

Sathavahana Ispat Ltd (SIL):

- Maintenance spends completed. Company will be EBITDA positive for FY24 and full utilization will be in FY25
- Trial productions have been successful. Connectors, CRA, carbon steel, stainless steel and alloys are currently being produced
- Acquisition funding is less than the intrinsic value of the company

Hunting JV:

- Hunting will offer its patented premium connection technology, which will be used to thread premium connections on seamless casing and tubing primarily used for deep drilling operations in the oil and gas industry

JITF Vs NTPC Case:

- NTPC order final answer will come in end of August (Solicitor General will himself represent NTPC or someone in his stead). No more delays

Other KTAs:

- Depreciation for the current quarter was higher due to SIL merging
- New reporting segments now Water (domestic), Oil & Gas (International and domestic) and Others (power, infra and others)
- Subsidiaries contribute 10-15% in consolidated performance
- All subsidiaries are contributing positive

Outlook:

QoQ performance will be better (Q2 will be better than Q1) in volume and value. FY24 exit absolute EBITDA will be better than current EBITDA while margins may remain in the similar region. Company expects improvement in WC going forward. Domestic market demand robust, majority orders currently for water segment.

Sales Break up

Sales Break Up

Production (Qty. in Metric Tonnes)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24
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
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

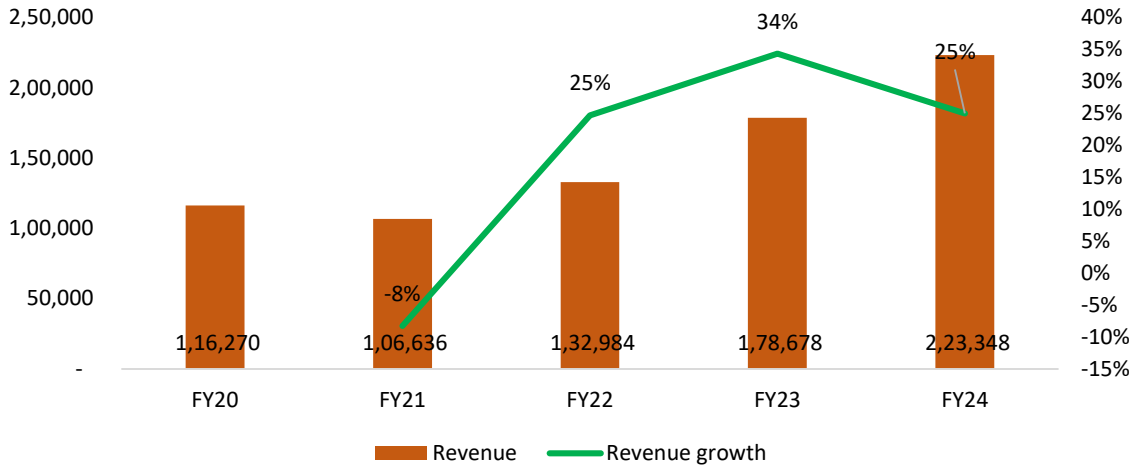
Sales Break Up

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

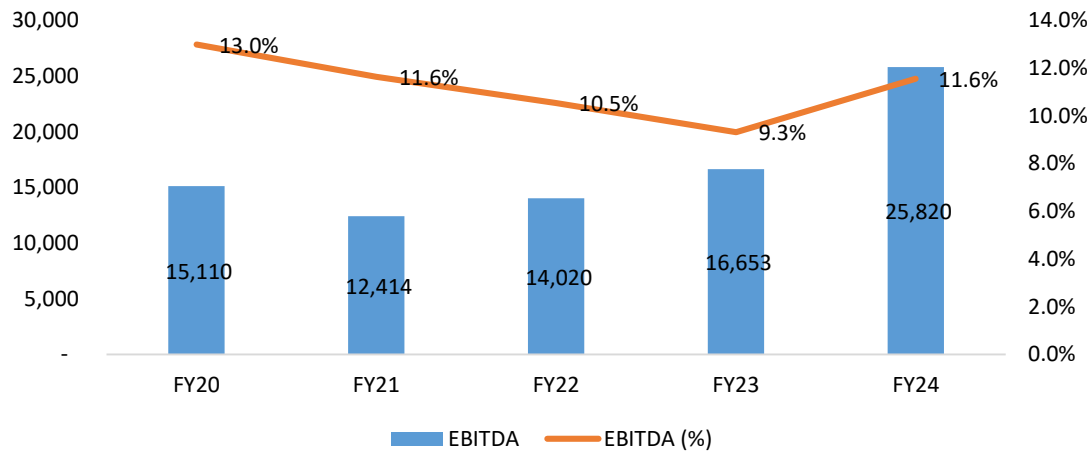
Capacity (Metric Tonnes)

Capacity (Metric Tonnes)		Sathavahana (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		

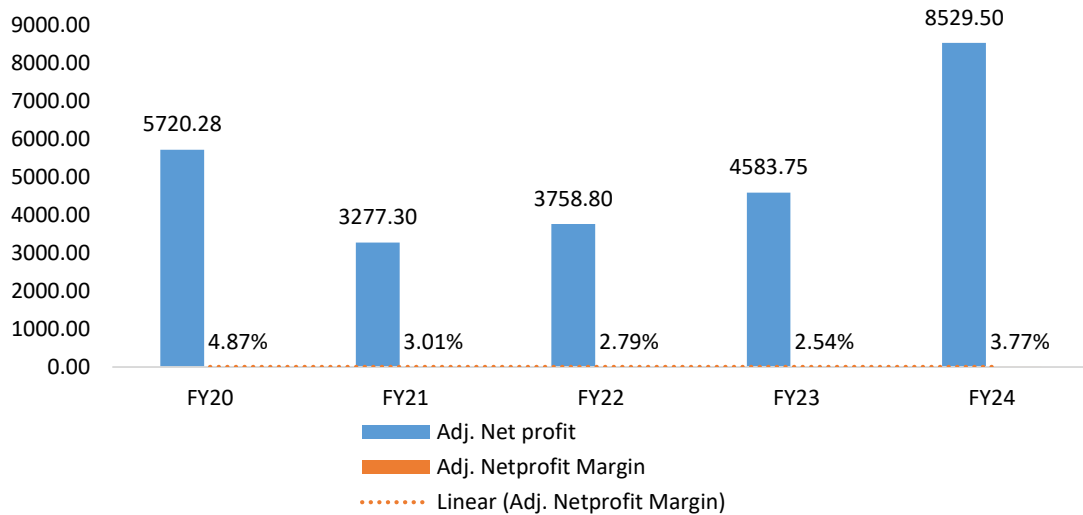
Revenue Vs Revenue Growth



EBITDA Vs EBITDA Margins



PAT Vs PAT Margins



Income Statement (Consolidated)

	FY20	FY21	FY22	FY23	FY24
Revenue	1,16,270	1,06,636	1,32,984	1,78,678	2,23,348
Net Raw Materials	69,347	60,275	79,023	1,11,923	1,36,547
Employee Cost	9,659	8,966	10,149	11,792	15,634
Other Expenses	22,155	24,981	29,793	38,310	45,786
EBITDA	15,110	12,414	14,020	16,653	25,380
EBITDA (%)	13.0%	11.6%	10.5%	9.3%	11.4%
Depreciation	4216.70	4588.70	4729.90	4707.80	5649.36
Interest expense	6198.50	4927.90	4601.20	6375.90	6694.70
Other income	1091.40	2095.50	1525.50	1785.60	2819.89
Profit before tax	4666.00	4992.80	6214.70	7100.00	15856.23
Taxes	53.40	1715.50	2455.90	2672.40	5549.68
Adj. Net profit	5720.28	3277.30	3758.80	4583.75	10306.55
Adj. Netprofit Margin	4.87%	3.01%	2.79%	2.54%	4.56%
EPS (INR)	17.35	9.97	12.88	19.78	32.23

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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