

**Strong Tailwinds present in the sector**

**CMP: INR 383**

**Rating: ACCUMULATE**

**Target Price: INR 444**

**Stock Info**

BSE	500378
NSE	JINDALSAW
Bloomberg	JINDALSAW
Sector	Iron & Steel
Face Value (INR)	2
Mkt Cap (INR Mn)	122,625
52w H/L (INR)	410/77
Avg Daily Volume (in 000')	1364

**Shareholding Pattern %**

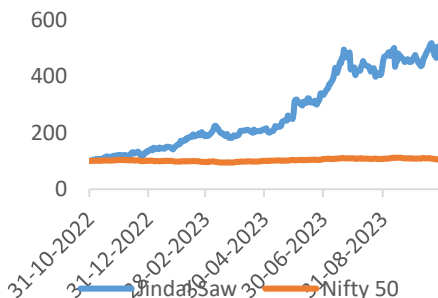
*(As on June, 2023)*

Promoters	63.26
Public & Others	36.74

**Stock Performance (%)**

	1m	6m	12m
JINDALSAW	10	127	390
NIFTY	-3	5	5.75

**Jindal Saw Vs Nifty**



**Abhishek Jain**

abhishek.jain@arihantcapital.com  
022-422548871

**Miraj Shah**

miraj.shah@arihantcapital.com

**Strong performance all round, company achieved EBITDA margins which they guided for in Q3FY23.**

**Operating Metrics (Consol)**

- **Revenues** came in at INR 54.6 Bn (+24% QoQ) (+35.2% YoY)
- **EBITDA** came in at INR 8.04 Bn (+32.3% QoQ) (+142.7% YoY)
- **EBITDA Margins** came in at 14.71% (Vs 13.79% QoQ) (Vs 8.19% YoY)
- **Adj. PAT** came in at INR 3.56 Bn (Vs 2.43 Bn QoQ) (Vs 0.29 Bn YoY)
- **PAT Margins** came in at 6.48% (Vs 5.47% QoQ) (Vs 0.72% YoY)

**Sales Volumes:**

- **Iron & Steel Pipes** at 426,000 tonnes (+61% YoY) (including 44,000 tonnes of Sathvahana DI Plant)
- **Pellets** at 400,000 tonnes (+1% YoY)

**Production Volumes:**

- **Iron & Steel Pipes** at 438,000 tonnes (+57% YoY) (including 49,000 tonnes of Sathvahana DI Plant)
- **Pellets** at 392,000 tonnes (+48% YoY)

**Investment Rationale:**

**Jindal Hunting JV to be next trigger:** Company mentioned that the JV can deliver volumes of 50,000-70,000 tonnes p.a. which will have higher margins. Once the API license is acquired, the company will commence operations. If license acquired in current CY then the JV will be breakeven in FY24 itself.

**Visibility ample and steady growth:** Company is confident of delivering similar performance in coming quarters and better margins as well. There is enough visibility for the next 2-3 years but the company does not want to bloat up the orderbook and delay deliveries which may hamper margins depending on RM prices.

**Sathvahana DI Plant to increase capacities:** Currently, Sathvahana plant is running at 60-65% but the utilization will increase since the company is adding balancing equipments which will take utilization to 80-90%. With the DI plant, company also aims to penetrate in water segment in TN.

**Outlook:**

The overall business for Jindal Saw is in a sweet spot. Company has performed exceptionally well and has guided for better performance going ahead as well. The asset allocation has been improving and the credit rating was upgraded as well. Sathvahana and Abu Dhabi subsidiaries performance has been strong too. 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. The next thing to look out for currently is the Hunting JV approval and outlook.

We are positive on the company and its ability to deliver the guidance. For the above positives we believe the company can deliver decent upside from here. **We value the stock 10x FY24 EPS of 44.4 and maintain ACCUMULATE rating.**

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

**Q2FY24 Concall KTAs:**

**Strong performance all round, company achieved EBITDA margins which they guided for in Q3FY23.**

**Orderbook, Capacity & Capex:**

- Don't want to bloat the orderbook, hovering at 1.4 BN\$
- Exports will remain 30%-40% of orderbook and revenues
- Not looking at any more capex or investment in JV
- Current Capacity utilization at Sathvahana at 60-70%, adding some balancing equipments which will take utilization to 80-90% in future
- Boiler plate utilization at 60-65%

**Operational & Business Highlights:**

- Enough demand visibility for next 2-3 years. May not see such a steep curve but result in upward trend
- JV launch done (but commercial production not started), if API license is received this year itself then JV would be breakeven this year itself. Jindal Saw investment in JV is \$2 Mn (remainder debt)
- Volume capacity in JV is 50,000-70,000 tonnes p.a. which is high margin business
- MENA region war has no impact on business. No slowdown in exports from Abu Dhabi
- Company is adding Pulverised Coal Injection (PCI) to blast furnace to reduce cost of coal per unit of liquid production
- Good water demand form Rajasthan, Himachal Pradesh, Uttar Pradesh, Gujarat, Maharashtra, Telangana, Andhra and Odisha. With Sathvahana, will expand in south (TN)
- Company is aiming for higher realization products

**Other KTAs:**

- Ukraine was a large supplier of seamless, stainless pipes and tubes to Europe which is now being substituted to India
- Total installed capacity can produce pipes of 2.5 Mn tonnes (domestic) and pellets of 1.7 Mn tonnes
- Current orderbook at US\$ 1.44 Bn, (\$1.408 Bn of Iron & Steel, \$31 Mn of Pellets)
- Above orderbook does not include orders of UAE subsidiary (124,000 tonnes)
- Volume growth in almost all categories, RM prices rangebound
- Visibility of 12-15 months at current pace of execution
- 30% of orderbook from global markets
- JV of Jindal and Hunting commenced operations in September 2023
- JITF Vs NTPC case next hearing in Dec 2023
- Demand good from all segments
- Standalone and Consol both performance in an uptrend
- FY24 will be best ever in performance

**Valuations:** The overall business for Jindal Saw is in a sweet spot. Company has performed exceptionally well and has guided for better performance going ahead as well. The asset allocation has been improving and the credit rating was upgraded as well. Sathvahana and Abu Dhabi subsidiaries performance has been strong too. 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. The next thing to look out for currently is the Hunting JV approval and outlook. We are positive on the company and its ability to deliver the guidance. For the above positives we believe the company can deliver decent upside from here. **We value the stock 10x FY24 EPS of 44.4 and maintain ACCUMULATE rating.**

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

## Sales Break up

Sales Break Up										
Production (Qty. in Metric Tonnes)	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24
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		
<b>Total - Pipes and Pig Iron</b>	<b>2,57,800</b>	<b>2,46,000</b>	<b>2,62,000</b>	<b>3,03,000</b>	<b>2,33,200</b>	<b>2,63,800</b>	<b>3,84,700</b>	<b>4,03,900</b>	<b>3,69,000</b>	<b>4,26,000*</b>
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

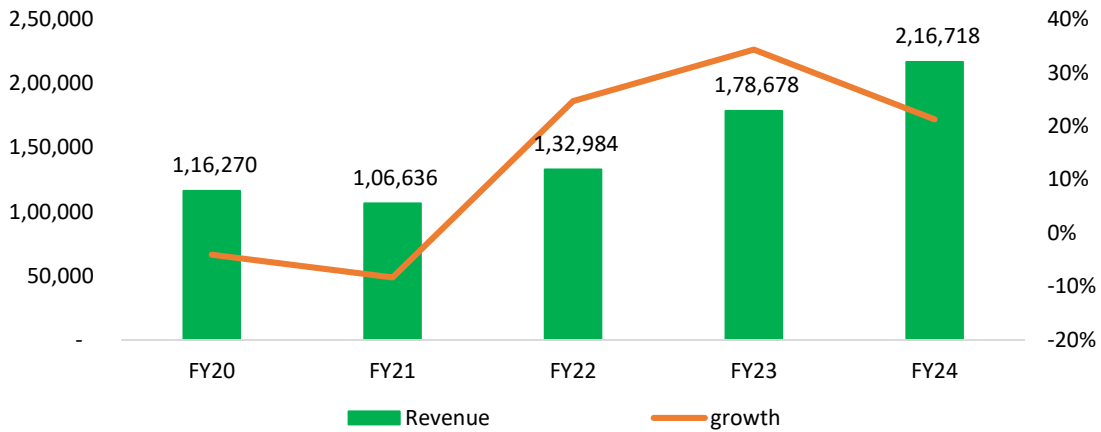
\*Includes 44,000 tonnes from South India DI plant

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
<b>Total - Pipes and Pig Iron</b>	<b>11,11,900</b>	<b>10,68,800</b>	<b>12,85,600</b>
Pellets	12,64,500	15,17,400	14,57,100

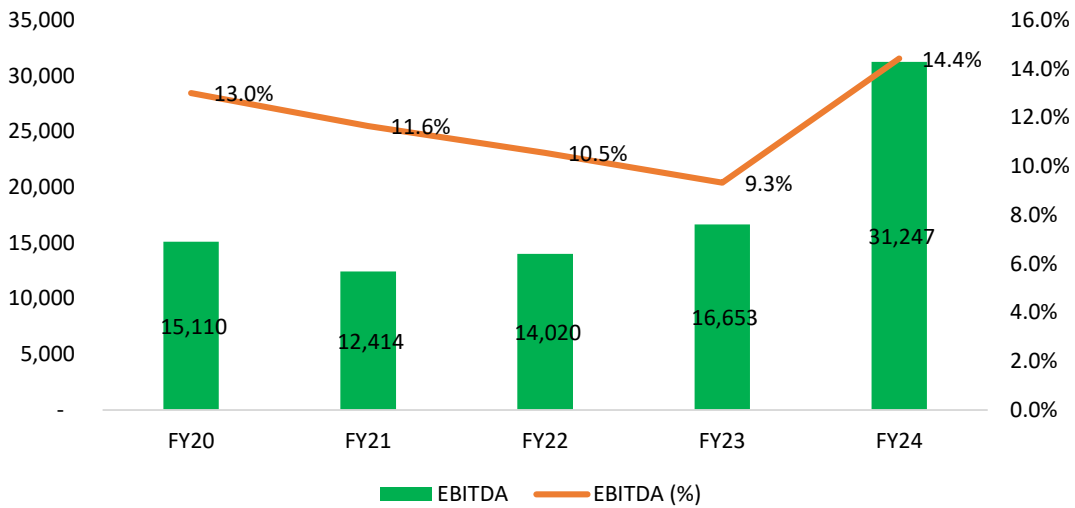
## Capacity (Metric Tonnes)

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		
<b>Total - Pipes and Pig Iron</b>	<b>26,68,000.00</b>		
Pellet	15,00,000.00		

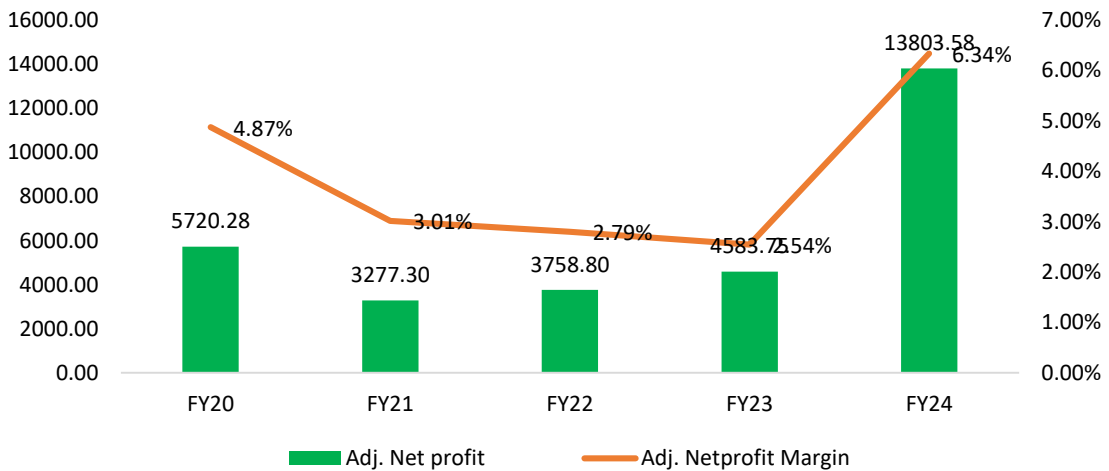
**Revenue Vs Revenue Growth**



**EBITDA Vs EBITDA Margins**



**PAT Vs PAT Margins**



## Income Statement (Consolidated)

	FY20	FY21	FY22	FY23	FY24
<b>Revenue</b>	<b>1,16,270</b>	<b>1,06,636</b>	<b>1,32,984</b>	<b>1,78,678</b>	<b>2,16,718</b>
Net Raw Materials	69,347	60,275	79,023	1,11,923	1,26,755
Employee Cost	9,659	8,966	10,149	11,792	15,912
Other Expenses	22,155	24,981	29,793	38,310	42,804
<b>EBITDA</b>	<b>15,110</b>	<b>12,414</b>	<b>14,020</b>	<b>16,653</b>	<b>31,247</b>
<b>EBITDA (%)</b>	<b>13.0%</b>	<b>11.6%</b>	<b>10.5%</b>	<b>9.3%</b>	<b>14.4%</b>
Depreciation	4216.70	4588.70	4729.90	4707.80	5750.64
Interest expense	6198.50	4927.90	4601.20	6375.90	6978.81
Other income	1091.40	2095.50	1525.50	1785.60	1132.33
Profit before tax	4666.00	4992.80	6214.70	7100.00	19645.43
Taxes	53.40	1715.50	2455.90	2672.40	5841.85
<b>Adj. Net profit</b>	<b>5720.28</b>	<b>3277.30</b>	<b>3758.80</b>	<b>4583.75</b>	<b>13803.58</b>
<b>Adj. Netprofit Margin</b>	<b>4.87%</b>	<b>3.01%</b>	<b>2.79%</b>	<b>2.54%</b>	<b>6.34%</b>
EPS (INR)	17.35	9.97	12.88	19.78	44.42

## Balance Sheet (Consolidated)

Y/e 31 Mar (INR Mn)	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2023 FY
<b>Current Assets</b>						
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
<b>Noncurrent Assets</b>						
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
<b>Total Assets</b>	<b>1,35,239</b>	<b>1,51,711</b>	<b>1,54,747</b>	<b>1,62,254</b>	<b>1,68,503</b>	<b>1,82,559</b>
<b>Current Liabilities</b>						
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
<b>Noncurrent Liabilities</b>						
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
<b>Shareholders' Equity</b>						
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)
<b>Total Shareholders Equity</b>	<b>54,964</b>	<b>62,824</b>	<b>67,635</b>	<b>69,830</b>	<b>73,642</b>	<b>72,783</b>
<b>Total Liabilities &amp; Shareholders Equity</b>	<b>1,35,239</b>	<b>1,51,711</b>	<b>1,54,747</b>	<b>1,62,254</b>	<b>1,68,503</b>	<b>1,82,559</b>

## Cash Flow (Consolidated)

Y/e 31 Mar (INR Mn)	2018 FY	2019 FY	2020 FY	2021 FY	2022 FY	2023 FY
<b>Operating Activities</b>						
Net Profit/loss before Tax and After Exceptional 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 (exceptional 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
<b>Operating profit before WC changes</b>	<b>4,931</b>	<b>8,778</b>	<b>9,864</b>	<b>12,896</b>	<b>14,685</b>	<b>17,194</b>
Trade Receivables	(6,440)	(3,908)	3,805	(2,000)	3,089	(12,344)
Loans, Other Financial 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 Financial Liabilities, Provisions and Other Liabilities	1,781	2,499	4,962	1,780	(497)	(141)
<b>Cash Flow from Operating Activities</b>	<b>5,651</b>	<b>15,673</b>	<b>16,646</b>	<b>15,697</b>	<b>2,273</b>	<b>17,787</b>
Taxes Paid	-	(1,663)	-	-	(1,538)	(1,613)
<b>Net CFO</b>	<b>5,651</b>	<b>14,011</b>	<b>16,646</b>	<b>15,697</b>	<b>735</b>	<b>16,174</b>
<b>Investing Activities</b>						
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
<b>Cash Flow from Investing Activities</b>	<b>-1203</b>	<b>-5161</b>	<b>-4686</b>	<b>-3586</b>	<b>-1913</b>	<b>-702</b>
<b>Financing Activities</b>						
Proceeds from Long-term 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 Finance 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
<b>Cash Flow from Financing Activities</b>	<b>-4696</b>	<b>-9769</b>	<b>-11681</b>	<b>-8312</b>	<b>610</b>	<b>-19685</b>
<b>Other Adjustments</b>						
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)	-	-	-	-

**Arihant Research Desk**Email: [instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

Tel. : 022-42254800

**Head Office**

#1011, Solitaire Corporate Park  
 Building No. 10, 1<sup>st</sup> Floor  
 Andheri Ghatkopar Link Road  
 Chakala, Andheri (E)  
 Mumbai – 400093  
 Tel: (91-22) 42254800  
 Fax: (91-22) 42254880

**Registered Office**

Arihant House  
 E-5 Ratlam Kothi  
 Indore - 452003, (M.P.)  
 Tel: (91-731) 3016100  
 Fax: (91-731) 3016199

**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%

**Research Analyst  
Registration No.**

INH000002764

**Contact**

SMS: 'Arihant' to 56677

**Website**[www.arihantcapital.com](http://www.arihantcapital.com)**Email Id**[instresearch@arihantcapital.com](mailto:instresearch@arihantcapital.com)

**Disclaimer:** This document has been prepared by Arihant Capital Markets Ltd. This document does not constitute an offer or solicitation for the purchase and sale of any financial instrument by Arihant. This document has been prepared and issued on the basis of publicly available information, internally developed data and other sources believed to be reliable. Whilst meticulous care has been taken to ensure that the facts stated are accurate and opinions given are fair and reasonable, neither the analyst nor any employee of our company is in any way is responsible for its contents and nor is its accuracy or completeness guaranteed. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Arihant may trade in investments, which are the subject of this document or in related investments and may have acted upon or used the information contained in this document or the research or the analysis on which it is based, before its publication. This is just a suggestion and Arihant will not be responsible for any profit or loss arising out of the decision taken by the reader of this document. Affiliates of Arihant may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report. No matter contained in this document may be reproduced or copied without the consent of the firm.

Arihant Capital Markets Ltd.  
 1011, Solitaire Corporate park, Building No. 10, 1st Floor,  
 Andheri Ghatkopar Link Road, Chakala, Andheri (E)  
 Tel. 022-42254800 Fax. 022-42254880