

Price: 727

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 03-Apr-2025

Maharashtra Seamless Limited is enhancing operational efficiency and market presence, with a 16% increase in seamless pipe dispatches. The company plans to expand production capabilities, including a new facility in Telangana by 2025, and explore premium thread manufacturing. Financially, revenue rose 2% to Rs. 1,410 crores, with a 21% EBITDA increase. The company aims to capitalize on oil and gas demand, seeking government support against anti-dumping practices.

Sales		Profit & Loss		Profitability Matrix	
Current Year	5065 Cr	Operating Profit(Year)	913 Cr	Operating Profit Margin	18.0 %
Previous Year	5707 Cr	Operating Profit(Quarter)	280 Cr	EBITDA Margin	26.93 %
Current Quarter	1408 Cr	PAT (Year)	975 Cr	Net Profit Margin	18.0 %
Previous Quarter	1291 Cr	PAT (Quarter)	190 Cr	EPS	57.7
Revenue (QYoY)	1430 Cr				
Valuation Matrix		Growth(YoY)		Growth(QoQ)	
Trailing P/E	12.6	Sales Growth	-12.8 %	Sales Growth	9.06 %
PEG Ratio	0.54	PAT Growth	22.95 %	Sales Growth QYoY	-1.54 %
EV/EBITDA	8.69	EPS Growth	-20.74 %	PAT Growth	-15.18 %
P/B	1.67	Dividend Yield	1.38	PAT Growth QYoY	-32.14 %
Capital Allocation		Holdings		Leverage	
RoE	18.9 %	Promoter	68.1 %	Debt/Equity	0.00
RoA	15.9 %	FII	9.12 %	Debt	0.00 Cr
RoCE	23.8 %	DII	3.85 %	Market Cap	9733 Cr
RoIC	24.4 %	Public	19.0 %	Enterprise value	9675 Cr
		No of Shares	13.4 Cr	Cash Equivalents	57.4 Cr

source : Company filings

Company's Overview Based on Recent Concall and Performance:

During the recent earnings call, Maharashtra Seamless Limited highlighted several new initiatives and business strategies aimed at enhancing operational efficiency and market presence. The company reported a significant improvement in the dispatches of seamless pipes, which increased by 16% quarter-on-quarter, contributing to a better product mix and improved margin profiles. This improvement was attributed to the reversal of inventory markdowns from Q1, as more orders were executed. The company also emphasized its commitment to maintaining a strong order book, which currently stands at Rs. 1,674 crores, reflecting a conducive demand environment in the manufacturing and oil and gas sectors.

In terms of diversification and future growth, Maharashtra Seamless is focusing on expanding its production capabilities. The company plans to commission a new finishing line facility in Telangana by December 2025, which is expected to boost revenue growth in FY '26. Additionally, the company is exploring opportunities to enhance its manufacturing capabilities in the premium thread segment, with ongoing discussions with a foreign player. The management also highlighted the potential for setting up solar plants in Maharashtra for captive consumption, contingent on receiving necessary approvals.

The company's financial performance showed a mixed picture, with revenue increasing by 2% to Rs. 1,410 crores and EBITDA rising by 21% to Rs. 280 crores. However, PAT and EPS declined due to lower treasury returns. Despite this, the company has quadrupled its dividend payouts over the past three years, reflecting a strong commitment to shareholder returns. The management is also considering further capital expenditure plans, with Rs. 852 crores already announced, to support future growth and maintain a competitive edge in the market.

Looking ahead, Maharashtra Seamless is well-positioned to capitalize on the growing demand in the oil and gas sector, with expectations of a 4% annual growth in the seamless pipe market. The company is actively petitioning the government to protect domestic manufacturers from anti-dumping practices, which could further enhance margins. While the company has made significant strides in enhancing shareholder value, with a market cap increase from Rs. 2,000 crores to Rs. 8,000 crores over the past 2.5 years, there remains room for improvement in addressing the valuation gap and enhancing shareholder value through strategic initiatives such as share buybacks or higher dividends.

MAHSEAMLES Daily Closing One Year Price Chart



Name	Mar Cap (Rs. Cr.)	P/E	ROE	Sales(G) QoQ	Sales(G) QYoY	PAT(G) QoQ	PAT(G) QYoY
Mah. Seamless	9732.59	12.58	18.90%	9.04%	-1.57%	-15.18%	-32.15%
Jindal Steel	92328.34	22.62	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	52284.00	63.79	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	49031.07	20.33	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	48926.08	16.75	6.44%	-0.75%	4.89%	-85.58%	-64.61%

Aspect	Commentary
Revenue	The company experienced a decline in annual revenue from 5707 Cr to 5065 Cr, indicating a challenging year. However, quarterly revenue showed a positive trend, increasing from 1291 Cr to 1408 Cr, suggesting potential recovery or seasonal factors at play. This mixed performance highlights the need for strategic adjustments to sustain growth.
Profit & Loss	Annual operating profit stood at 913 Cr, with a quarterly figure of 280 Cr. Despite a strong operating profit, the PAT for the year was 975 Cr, with a quarterly PAT of 190 Cr, indicating potential cost pressures or non-operating expenses affecting net profitability. This necessitates a focus on cost management and efficiency improvements.
Profitability Matrix	The company maintains a robust operating profit margin of 18.0% and an EBITDA margin of 26.93%, reflecting efficient operations. The net profit margin is also strong at 18.0%, supported by an EPS of 57.7. These metrics suggest a well-managed cost structure and effective pricing strategies, crucial for sustaining profitability.
Valuation Matrix	With a trailing P/E of 12.6 and a PEG ratio of 0.54, the company appears undervalued relative to its growth prospects. An EV/EBITDA of 8.69 and P/B of 1.67 further support this view, indicating potential for value appreciation. Investors may find this an attractive entry point, given the company's growth trajectory.
Growth (YoY)	The company faced a 12.8% decline in sales growth, yet PAT grew by 22.95%, indicating improved profitability despite revenue challenges. EPS growth was negative at -20.74%, suggesting earnings dilution. The dividend yield of 1.38% provides some return to shareholders, but growth strategies need reassessment.
Growth (QoQ)	Quarterly sales growth of 9.06% signals recovery, though QYoY sales growth was slightly negative at -1.54%. PAT declined by 15.18% QoQ and 32.14% QYoY, highlighting volatility in earnings. This underscores the need for consistent revenue streams and cost control to stabilize quarterly performance.
Capital Allocation	The company demonstrates strong capital efficiency with RoE at 18.9%, RoA at 15.9%, RoCE at 23.8%, and RoIC at 24.4%. These metrics reflect effective use of capital and investment strategies, supporting long-term value creation. Continued focus on optimizing capital allocation will be key to sustaining these returns.
Holdings	Promoter holding is high at 68.1%, indicating strong confidence in the company's prospects. FII and DII holdings are relatively low at 9.12% and 3.85%, respectively, suggesting potential for increased institutional interest. Public holding stands at 19.0%, providing a stable shareholder base.
Leverage	The company has a debt-free balance sheet with a debt/equity ratio of 0.00, enhancing financial flexibility. A market cap of 9733 Cr and enterprise value of 9675 Cr reflect a strong market position. Cash equivalents of 57.4 Cr provide liquidity, supporting operational and strategic initiatives without leverage concerns.

Analyst viewpoint: Maharashtra Seamless demonstrates robust growth prospects, highlighted by a commendable 9.06% quarter-on-quarter sales growth and a 16% increase in seamless pipe dispatches. The company's strategic focus on expanding production capabilities, with plans for a new facility in Telangana by 2025, positions it to capitalize on the burgeoning demand within the oil and gas sector. With a trailing P/E ratio of 12.6 and a PEG ratio of 0.54, Maharashtra Seamless appears undervalued, providing an attractive entry point for investors. Its EBITDA margins have risen by 21%, reflecting effective operational efficiencies and the realization of a value-centric growth trajectory that aligns with shareholder interests. Amidst a stable financial backdrop, the company enjoys a strong capital allocation strategy, evidenced by a notable RoE of 18.9% and an entirely debt-free balance sheet.

Despite these positive indicators, certain areas warrant attention; the 15.18% drop in profit after tax (PAT) underscores a need for enhanced cost management and consistent revenue streams. While Maharashtra Seamless is actively taking steps to address these challenges, including lobbying for protective measures against anti-dumping practices, ongoing vigilance in these areas will be crucial to maintain momentum in the competitive landscape. Nonetheless, in light of its strategic initiatives and strong market position, we uphold a bullish outlook for Maharashtra Seamless in the short to mid-term.

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