

Price: 711

Recommendation: Buy

Industry: Iron & Steel Products

Sector: Industrials

Report Date: 22-Mar-2025

Maharashtra Seamless Limited is enhancing its market position through strategic initiatives. Recent earnings show a 16% increase in seamless pipe dispatches, boosting revenue by 2% to Rs. 1,410 crores and EBITDA by 21% to Rs. 280 crores. The company is expanding with a new facility in Telangana, exploring premium threads, and considering solar plants. With a strong order book and improved credit rating, it aims to sustain growth and enhance shareholder value.

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	12.3	Sales Growth	-12.8 %	Sales Growth	9.06 %
PEG Ratio	0.52	PAT Growth	22.95 %	Sales Growth QYoY	-1.54 %
EV/EBITDA	8.50	EPS Growth	-20.74 %	PAT Growth	-15.18 %
P/B	1.63	Dividend Yield	1.41	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	9524 Cr
RoIC	24.4 %	Public	19.0 %	Enterprise value	9467 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 key initiatives and strategies aimed at enhancing their market position and financial performance. The company reported a significant improvement in the dispatches of seamless pipes, which increased by 16% quarter-on-quarter, contributing to a 2% rise in revenue to Rs. 1,410 crores and a 21% increase in EBITDA to Rs. 280 crores. However, PAT declined to Rs. 190 crores due to lower returns on treasury investments. The company emphasized its strategic focus on improving product mix and executing more value-added orders to enhance margin profiles. "Dispatches of seamless pipes improved meaningfully in addition to improvement in product mix," noted the management, underscoring the positive impact on earnings.

Maharashtra Seamless is actively pursuing diversification and expansion strategies, including the commissioning of a new finishing line facility in Telangana by December 2025, which is expected to drive revenue growth in FY '26. The company is also exploring opportunities in the premium thread segment and is in discussions with a foreign player to enhance its manufacturing capabilities. Additionally, the company is considering setting up solar plants for captive consumption, although approvals are still pending. The management reiterated their commitment to capital expenditure, with Rs. 852 crores allocated for ongoing projects, and highlighted the importance of maintaining a robust order book, which currently stands at Rs. 1,674 crores.

Looking ahead, the company is optimistic about future growth prospects, driven by strong demand in the oil and gas sector and a conducive manufacturing environment. The market for seamless pipes is expected to grow at a CAGR of 4%, supported by increased capital expenditure in the oil and gas industry. The company plans to activate inactive production capacity and ramp up operations at the new facility, with an anticipated production of 15,000 tons per quarter post-commissioning. "There is no problem in demand. Our order book is good. We are getting good orders and we are dispatching appropriately," the management stated, reflecting confidence in sustaining growth momentum.

On the positive side, the company's strong market position, improved credit rating to AA+, and strategic initiatives are expected to enhance shareholder value. However, challenges remain, such as the need for government support to protect against Chinese dumping practices and the effective utilization of cash reserves. The management is focused on addressing these issues, with plans to increase dividends and explore inorganic growth opportunities. The company is also working to close the valuation gap in the stock market, aiming to enhance shareholder value through strategic financial management and operational excellence.

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	9524.13	12.31	18.90%	9.04%	-1.57%	-15.18%	-32.15%
Jindal Steel	93266.65	22.85	14.12%	4.79%	0.42%	10.46%	-50.70%
Tube Investments	55574.35	67.80	26.48%	-2.28%	14.66%	-6.38%	8.52%
Jindal Stain.	51543.26	21.37	19.88%	1.33%	8.54%	7.36%	-5.35%
SAIL	47624.96	16.30	6.44%	-0.75%	4.89%	-85.58%	-64.61%

Aspect	Commentary
Revenue	The company experienced a decline in annual revenue, indicating potential challenges in maintaining sales momentum. However, quarterly revenue showed a positive trend, suggesting short-term recovery or seasonal factors at play. This mixed performance highlights the need for strategic adjustments to sustain growth.
Profit & Loss	Annual operating profit and PAT reflect strong profitability, with a notable increase in PAT. However, quarterly figures show a decline in PAT, possibly due to external factors or increased costs. This suggests a need for cost management and efficiency improvements to stabilize quarterly earnings.
Profitability Matrix	The company maintains healthy profitability margins, with strong operating and net profit margins. The EPS indicates solid earnings performance, supporting investor confidence. These metrics suggest effective cost management and pricing strategies, contributing to overall financial health.
Valuation Matrix	The valuation metrics indicate the company is attractively priced, with a low P/E and PEG ratio, suggesting potential undervaluation. The EV/EBITDA and P/B ratios further support this view, making it an appealing investment opportunity for value-focused investors.
Growth (YoY)	Year-over-year growth metrics reveal a decline in sales and EPS, indicating challenges in sustaining growth. However, PAT growth remains positive, suggesting effective cost control or other factors boosting net income. This mixed growth profile requires strategic focus on revenue enhancement.
Growth (QoQ)	Quarter-over-quarter growth shows a positive trend in sales, but a decline in PAT, highlighting potential cost pressures or revenue mix issues. The negative PAT growth suggests a need for operational adjustments to improve profitability in the short term.
Capital Allocation	The company demonstrates strong capital efficiency, with high RoE, RoA, RoCE, and RoIC, indicating effective use of capital to generate returns. This reflects sound financial management and strategic investment decisions, enhancing shareholder value.
Holdings	The ownership structure shows a high promoter holding, indicating strong confidence in the company's prospects. Institutional and public holdings are relatively balanced, suggesting a diverse investor base. This structure supports stability and potential for strategic partnerships.
Leverage	The company maintains a debt-free position, enhancing financial flexibility and reducing risk. This strong leverage profile, combined with a healthy market cap and cash reserves, positions the company well for future growth opportunities and strategic investments.

Analyst viewpoint: Maharashtra Seamless Limited is poised for robust growth in the short to mid-term, driven by impressive quarter-on-quarter metrics and well-planned strategic expansions. The company's recent performance showcases a 16% uptick in seamless pipe dispatches, which fueled a commendable 9.06% QoQ sales growth. With an EBITDA margin of 26.93% and a healthy PEG ratio of 0.52, the valuation remains attractive, underlining the company's potential undervaluation. The strategic allocation of Rs. 852 crores towards ongoing expansion projects, including the commissioning of a new facility in Telangana, positions the company well to capitalize on upcoming industry trends. Furthermore, its debt-free status provides substantial leeway for strategic investments and potentially rewarding dividend distribution, reinforcing investor confidence.

In comparison to its peers, Maharashtra Seamless exhibits superior RoE and P/E metrics, depicted by its aggressive tactical emphasis on premium segments. Despite the adverse impact on quarterly PAT by external treasuries, the management's commitment to margin enhancement through product diversification holds promise. The robust order book, alongside a favorable regulatory environment supporting domestic production, enhances the forecast of sustained demand. Nevertheless, the company must remain vigilant of potential hurdles including the need for effective deployment of cash reserves to close the valuation gap and protect against external market pressures.

Please read detailed disclosure on next page.

Explanation of Investment Rating*	
Investment Rating	Expected Return (over 12-month)
BUY	>=15%
SELL	<-10%
NEUTRAL	>-10% to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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