

MAHARASHTRA SEAMLESS LTD.

Buy at CMP: Rs 787 | Target: Rs 898 (14%) | SL: Rs 720

Sector

Dec 16, 2024

Iron & Steel

Maharashtra Seamless manufactures steel pipes and tubes, including ERW, seamless, and coated pipes, along with pipe fittings. It operates in steel pipes and power segments.

Investment Rationale

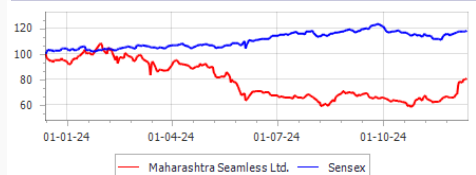
- ◆ **Dominant position in domestic seamless pipe industries:** MSL holds a dominant 55% market share in the seamless pipe segment and 18% in the high ERW pipe segment. It has an estimated production capacity of 650,000 MT per annum for seamless pipes and 125,000 MT per annum for ERW pipes. While MSL serves various industries such as chemicals, agriculture, and infrastructure, its primary focus is on the oil and gas sector. The company generates approximately 87% of its EBITDA from seamless pipes, with the remaining contributions coming from ERW pipes, rigs, and renewables. Going forward, MSL aims to focus on high-value products, particularly in the renewable and rig segments. The management has projected a production target of 15,000 tons for FY25, despite a flat growth outlook for volumes in the same year.
- ◆ **Anti-dumping measures and government initiatives boost India's seamless pipe industry:** India imposed an anti-dumping duty in May 2016 for five years to combat dumping from China, which was later extended for another five years in October 2021. This has created a favorable environment for the domestic seamless pipe industry, supported by government initiatives such as PSUs prioritizing local manufacturers and the Atmanirbhar Bharat drive, which mandates minimum value addition within the country. These efforts have significantly bolstered the industry's performance in recent years.
- ◆ **Robust Financial Strength Driven by Zero Debt and Strong Profitability:** MSL's strong market position in seamless pipes has led to large-scale operations, healthy profitability, and significant net worth growth. The company maintains a solid financial profile with no term debt, minimal working capital debt, and capital investments funded through internal accruals. Despite a moderation in H1 FY2025, performance is expected to improve in H2 FY2025, with an operating margin (OPM) of 16-17% for the year. Debt has dropped from INR 1,145 crore in FY20 to zero, reducing finance costs and driving a 69% CAGR in PAT from FY21 to FY24. With no gross debt, debt coverage indicators remain strong and are expected to stay healthy.
- ◆ **Outlook and Valuations:** We model a Revenue/PAT CAGR of 19%/9% and estimate MAHSEAMLES to clock PAT of Rs 1,275 Cr by FY27E. MAHSEAMLES is trading at forward PE (x) of 8.3 and we value at 10(x) FY27E and Recommend BUY on MAHSEAMLES with Target Price of Rs. 898 (14%) .

Script Details

BSE Group	A
BSE Code	500265
NSE Code	MAHSEAMLES
Bloomberg Code	MHS IN
Market Cap (INR Cr.)	10,533
Free Float (%)	32.0%
52wk Low/High	1099/563
Beta (1yr Nifty 50)	0.00
Face Value (INR)/ D. Yield (%)	5/1.3
Total paid Up Shares (Mn.)	134.0

Share Holding Pattern (%)

Promoters	Public	Others
68.0%	32.0%	-

Share Price Relative Performance

Year	Revenue	EBITDA	PAT	PE Ratio (x)	EV/EBITDA (x)
FY24	5,404	1,364	974	10.8	8.5
FY25E	6,431	1,158	900	11.7	15.1
FY26E	7,653	1,377	1,071	9.8	12.7
FY27E	9,107	1,639	1,275	8.3	10.7

Source: Company Data, Ace Equity, GEPL Research

TECHNICAL VIEW

Observation

- Since 2020, the stock has consistently exhibited a higher top and higher bottom formation, clearly indicating a long-term bullish trend. This upward trajectory highlights sustained investor confidence and strong price momentum over an extended period.
- On the weekly scale, the stock has displayed robust price development. The recent corrective phase found support at the 61.80% retracement level of the prior uptrend from 271 to 1,078, effectively pausing the downward movement. At this critical level, the stock formed a double bottom pattern, a strong reversal signal. In the prior week, it broke out above this level with exceptionally high volume, marking the highest trading volume since listing.
- This week's close above the high-volume breakout candle further confirms the strength of the price structure and reinforces the bullish outlook.
- The RSI momentum indicator, sustaining above its 9-week average and holding above the 60 level on the weekly scale, underscores strengthening bullish momentum.
- These technical factors collectively suggest that the stock is well-positioned to continue its upward trajectory, supported by strong price action and improving market sentiment.



Inference & Expectations

- Considering these factors, it can be inferred that MAHSEAMLES stock is set to continue uptrend.
- Going ahead we expect the prices to move higher till 898 level.
- The stop loss must be at 720level, strictly on the closing basis.

Source: Tradingview.in, GEPL Research



Name	Designation	Email	Contact
Mr. Vidnyan Sawant	AVP – Technical Research	Vidnyan@geplcapital.com	+91 (22) 48934000
Mr. Dibandu Maji	Research Analyst, Fundamental Desk	dibandumaji@geplcapital.com	+91 (22) 66142689
Mr. Neel Parekh	Research Associate, Technical Desk	neelparekh@geplcapital.com	+91 (22) 66182687

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Reg./Corp. Office: D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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