

**Jindal Saw Ltd.**

**Price Target : Rs. 120**

**Company Details**

CMP	89.00
Face Value	2.00
Market Cap (Cr)	2865.79
EPS ( TTM )	32.63
52 Week High	102.70
52 Week Low	63.10
BSE Code	500378
Sector	Construction & Engg

**YOY - Financial Highlights [INR – Crore]**

Description	Mar-19	Mar-18	Var%
Net Sales	12117.00	8478.23	42.92
Total Expenditure	11038.23	7825.26	41.06
PBIDT	1078.77	652.97	65.21
Operating Profit	1224.94	809.10	51.40
OPM (%)	12.17	12.20	-0.25
PBT	987.61	139.14	609.80
PAT	775.99	6.02	12,790.20
EPS	26.59	-5.55	-579.10
Equity Capital	63.95	63.95	-

**9Mnt - Financial Highlights [INR – Crore]**

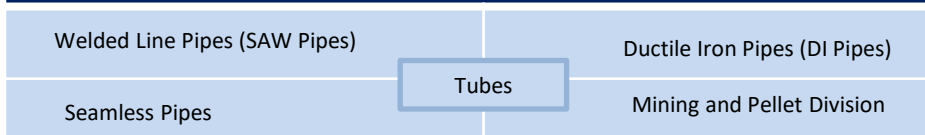
Description	Dec-19	Dec-18	Var %
Net Sales	8726.02	8679.42	0.54
Total Expenditure	7911.46	7909.11	0.03
PBIDT	814.56	770.31	5.74
Operating Profit	437.21	406.45	7.57
OPM (%)	13.59	13.21	2.88
PBT	373.89	406.45	-8.01
PAT	433.54	273.71	58.39
EPS	16.32	10.28	58.75
Equity Capital	63.95	63.95	-

**Company Background**

**Jindal Saw Ltd.** a part of OP Jindal group, started operations in 1984. The company is the leading global manufacture & supplier of Iron & steel pipe products and accessories. Its clients include world's leading oil and gas , water bodies and engineering companies .

The company manufactures SAW Pipes (Submerged Arc Welded Pipes) and spiral pipes for the energy transportation sector; carbon, alloy and seamless pipes and tubes for industrial applications; Ductile Iron (DI) pipes & Fittings for water and wastewater transportation. It has manufacturing facilities in India, USA, Europe and UAE (MENA). Exports account for 30% of its revenues.

**5 - Business Divisions**



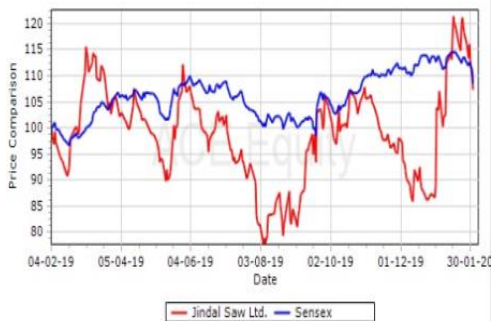
**Financial Performance**

The company had reported Net sales of Rs. 12117 cr for FY19 which were higher by 42.9% over those of Rs. 8478.23 cr for FY18. The Operating profit was at Rs. 1224.94 cr in FY19 up by 51.4% against that of Rs. 809.10 cr in FY18. The PAT was significantly higher at Rs 775.99 cr in FY19 against only Rs. 6.02 cr in FY18.

The Net Sales of the company for 9 months ended Dec2019 at Rs. 8726 cr are marginally higher by 0.5% due to slowdown in economy but PBT for 9month of FY20 was lower by 8% compared that in 9month of FY19. However PAT at Rs.433.54 cr is up by 58.4% due to write back of deferred tax liability amounting to Rs 231.13 Cr.

**Investment Rationale**

- ❖ The company is the third largest producer of DI pipes in the world supplying pipes and fittings to more than 30 countries .
- ❖ The government has planned in Budget 20-21 to expand National Gas Grid to 27000 km and announced Rs 103 lakh crore National infrastructure Pipeline Project. Besides, the city gas distribution projects are expected to add several thousand more kilometers of steel pipeline . This will benefit the company.
- ❖ **Initiatives like expansion of national gas grid and piped water supply to households will boost demand of the pipe sector.**
- ❖ Recently the company has **upgraded its Nashik plant by increasing the capacity by 70000 tones** and at Nagothane the company has **installed new pipe and tube mill** which will enhance the production in near future.
- ❖ The company has **expanded in Middle East** and through the business partners in Abu Dhabi and Oman expecting the growth opportunities in Oil and Gas market there.
- ❖ The government's focus on infrastructure development and key initiatives like '**Make in India', 'Jal Shakti Mission'**, interlinking of water bodies and development in the oil and gas sectors for self-sustance are expected to provide more business opportunities to the company.
- ❖ The current **order book for pipes and pettlets is app. \$1000 million**. With improved investment scenario in India, the Company is working on new opportunities and expected to get new orders.
- ❖ In international market the water sector is set to attract increasing attention due to water scarcity. The composition of water market includes several sub-sectors and industries which may be valued at around \$ 500 billion to \$ 600 billion a year, this creates huge opportunity for the company in coming years.
- ❖ The company has declared 100% dividend for FY19, amounting to Rs 2 per share on FV of Rs.2 per share, which provides tax-free dividend yield of 2.18%.



## Shareholding Pattern

The Promoters hold 63.02% equity capital of the company, FIIs hold 10.97%, DII's hold 1.37% and the balance 24.64% shares are held by public.

## Concern

The slowdown in economy and Competition from peers are some of the main concerns. Promoters have pledged 3.82% of their share holding.

## Valuation

The share of the company is trading at very attractive TTM PE of 2.73x, against that of the industry PE of 13.62x. The share is trading at 50% of its book value of Rs 184.52. Keeping in view the positive outlook for the company, government's focus on infrastructure development, setting up of business in other geographies and expansion of plans, we estimate the company to report EPS of about Rs.34.5 for FY20 and based on PE of 3.5x we see price of scrip to appreciate to Rs 120 in the next 12 months ( about 35 % appreciation ).

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## Stock Recommendation List

Company Name	Recommended Price	Target Price	Buy/Sell	Recommended Date	CMP
Century Enka Limited.	193	260	BUY	31-01-2020	184
Gujarat Heavy Chemicals Ltd.	202	282	BUY	23-01-2020	182
Alembic Pharmaceuticals Ltd	599	740	BUY	17-01-2020	654
Petronet LNG Ltd.	270	391	BUY	10-01-2020	275
Fiem Industries Limited	444.45	564	BUY	03-01-2020	480
KEC International Ltd.	298.1	382	BUY	30-12-2019	356
Nesco Ltd.	639	895	BUY	21-12-2019	805
Eris Lifesciences Ltd	464	594	BUY	13-12-2019	519
Gujarat State Petronet Ltd	219.15	270	BUY	07-12-2019	246

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