

Order Book stands at ~Rs 3,300 crore

JSL's order book stands at US\$ 700 million (Rs 3,300 crore). The company intends to keep the order book outstanding for not more than 9 months to prevent exposure to the vagaries in the pricing of key raw materials which have been very volatile recently. Of this order book, large diameter pipes (HSAW & LSAW) constitute 65% while the balance being contributed by Ductile Iron pipes (31%) & Seamless Pipes (4%) respectively. The current order book includes export orders of approx 55%. The major exports are in Middle East, Gulf region and South East Asia.

Capex to drive future revenues

Bellary Plant capacity expansion in HSAW pipes from 40,000 MPTA to 150,000 MPTA has commenced operations during the quarter under review. JSL also plans to double its Ductile Iron Plant capacity from 200,000 MTPA by June 2011 at an estimated cost of Rs 350 crore. The same shall be funded through internal accruals. The initial work on project designing has already commenced.

JSL also intends to set up a greenfield Ductile Iron pipe facility in United Arab Emirates through a joint venture company with majority stake with JSL. The plant shall have a capacity of 300,000 MTPA and the operations are expected to commence in FY12. The estimated cost outlay for this facility has been estimated at app. USD 60 million.

Valuation & Recommendation

AT CMP of Rs 203, the stock is currently available at 9x its FY11e earnings of Rs 22.6 which looks attractive. With the company consolidating its position through capacity expansion across all the pipe products especially for oil & gas applications coupled with the strong order book & positive industry outlook, we remain bullish on the growth prospects of the company. We recommend a BUY on the stock with a price target of Rs 282 (valued at one year forward PE of 12.5x), an upside of more than 39% from the current levels for a time horizon of 9 to 12 months.

Result Update



Kyon ki bhaiya, sabse bada rupaiya.

(Rs. In Cr.)

Jindal Saw Ltd.	Q2FY10	Q2FY09	% Chg.	Q2FY10	Q1FY10	% Chg.	FY201003
Net Sales	1135.0	1500.2	-24.4	1135.0	1086.3	4.5	6777.5
Other operational Income	4.3	0.9	379.8	4.3	0.0	Infinity	9.3
Total Oper. Income(TOI)	1139.3	1501.1	-24.1	1139.3	1086.3	4.9	6786.7
Raw Materials Cons.-	510.3	987.8	-48.3	510.3	799.1	-36.1	4098.0
% to TOI	44.8%	65.8%	-	44.8%	73.6%	-	60.4%
Stock adj. (-)Inc / (+)Dec-	147.3	3.4	4272.1	147.3	-163.2	LP	225.7
% to TOI	12.9%	0.2%	-	12.9%	-15.0%	-	3.3%
Net Raw Mat adj. for stock	657.7	991.2	-33.7	657.7	635.9	3.4	4323.7
% to TOI	57.7%	66.0%	-	57.7%	58.5%	-	63.7%
Other expenses	183.4	232.6	-21.2	183.4	115.5	58.7	979.0
% to TOI	16.1%	15.5%	-	16.1%	10.6%	-	14.4%
Contribution Net_Sales	298.2	277.3	7.5	298.2	334.9	-11.0	1484.1
Personnel	42.3	38.3	10.5	42.3	46.9	-9.7	209.1
% to TOI	3.7%	2.6%	-	3.7%	4.3%	-	3.1%
Total expenditure	883.4	1262.1	-30.0	883.4	798.3	10.7	5511.7
Operating Profit	255.9	239.0	7.1	255.9	288.0	-11.2	1275.0
% to TOI	22.5%	15.9%	-	22.5%	26.5%	-	18.8%
Non-Operating Income	5.7	0.6	938.2	5.7	4.6	24.4	8.3
Interest	27.6	38.2	-27.8	27.6	21.8	26.5	184.2
Exceptional Items	0.0	0.0	0.0	0.0		-	0.0
Gross Profit	234.1	201.4	16.2	234.1	270.8	-13.6	1099.2
Depreciation	33.7	21.1	59.8	33.7	33.9	-0.6	131.3
PBT before Extra-ord	200.3	180.3	11.1	200.3	236.9	-15.4	967.9
% to TOI	17.6%	12.0%	-	17.6%	21.8%	-	14.3%
Extraordinary Items	-2.3	-2.3	0.0	-2.3	-2.3	-0.4	-11.5
PBT	198.1	178.0	11.3	198.1	234.6	-15.6	956.5
Tax Rate	24.9%	24.9%	-	24.9%	24.1%	-	25.6%
Prov. for Tax	49.2	44.3	11.1	49.2	56.6	-13.1	244.7
% to TOI	4.3%	3.0%	-	4.3%	5.2%	-	3.6%
Profit after Tax	148.8	133.7	11.3	148.8	178.0	-16.4	711.7
% to TOI	13.1%	8.9%	-	13.1%	16.4%	-	10.5%
Face Value	2.0	10.0	-80.0	2.0	2.0		2.0
Equity Share capital	55.3	52.1	6.0	55.3	54.7	1.0	54.7
EPS (Rs.)	5.4	25.7	-79.0	5.4	6.5	-17.2	26.0
CEPS (Rs.)	6.6	29.7	-77.8	6.6	7.8	-14.7	30.8

Source: ACE Equity

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