

PSL Limited

CMP Rs 174

P/E 5.2x FY11e



PRICE TARGET Rs 250/- (12 Months)

Index Details

Sensex	16,677
Nifty	4,958
BSE Small Cap	7,308

Industry	PIPE INDUSTRY
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Scrip Details

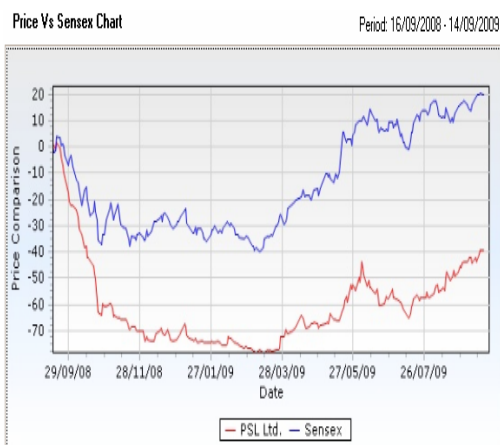
Mkt Cap (Rs in crores)	930.2
Book Value (Rs)	162.2
Eq Shares O/s (Cr)	5.4
Avg Vol	444,844
52 Week H/L	305 / 60
Dividend Yield (%)	2.9
Face Value (Rs)	10

BSE Code	526801
NSE Code	PSL

Shareholding Pattern (30th June 09)

Shareholders	% holding
Promoters	49.1
Indian Institutions	14.2
FII's	13.8
Non Promoter Corporate	11.7
Public	11.2
Total	100.0

PSL Limited Vs Sensex



PSL Limited is the largest manufacturer of high grade large diameter Helical Submerged Arc Welded (HSAW) pipes in India. The company manufactures & supplies pipes certified to API (American Petroleum Institute) standards for oil, gas as well as water transmission projects. PSL has a total manufacturing capacity of 1,475,000 MT per annum.

Key Investment Highlights

Surge in HSAW pipes demand augurs well for PSL

The HSAW pipes are comparatively cheaper than LSAW pipes by \$150 to \$200 primarily due to usage of HR Coils vis-à-vis costlier steel plates used for manufacturing of LSAW pipes. Further with the former technology now at par with the latter, HSAW has managed to replace a majority of LSAW applications. PSL is well positioned to cater to this growing demand, being the largest manufacturer of HSAW pipes.

Commands a healthy market share in India

PSL is a dominant player in the HSAW pipes space in India having a market share of more than 40%. The company's leadership position in this space is evident from the fact that PSL has bagged majority of the large orders placed by GAIL.

Order book set to take off

The company's order book stands at Rs 4,586 crore which is ~1.2x its FY09 revenues with 30% alone being contributed by GAIL, its biggest customer. The company expects to bag a large share of orders for the proposed gas pipeline network to be built by GAIL, GSPL, and other domestic players, who have announced plans to construct pipeline transmission networks worth over Rs 20,000 crore.

Valuation & Recommendation

At CMP of Rs 174, the stock is trading at 7.3x & 5.2x its FY10 & FY11 earnings of Rs 23.7 & Rs 33.3 respectively. With the company consolidating its position as the largest manufacturer of HSAW pipes in India coupled with the strong order book & positive industry outlook, we recommend a BUY on the stock at current levels with a price target of Rs 250, an upside of more than 44% for a time horizon of 9 to 12 months.

Key Financials:

Y/E March, (Rs in crore)	FY09	FY10e	FY11e
Net Revenues	3,648.9	4,125.0	5,250.0
EBIDTA	310.1	341.5	441.0
PAT	94.9	126.5	178.2
EPS (Rs.)	22.3	23.7	33.3
EPS Growth (%)	12.3	17.3	40.9
ROCE	13.1	13.2	15.4
RONW	15.1	15.6	17.7
P/E (x)	7.8	7.3	5.2
EV/EBIDTA (x)	5.4	5.1	4.0