



## Mahalaxmi Seamless Low Priced Pick

Face Value: Rs 10

CMP: Rs 33

Target Price: Rs 60

BSE Group/Code: S/513460

52-Week High/Low: Rs 39/19

Market Cap: Rs 17.5 cr.

### Highlights:

- Quality producer of Carbon Steel/Alloy Steel Seamless tubes
- Caters to host of growing industries
- Offers tailor made solutions in the pipe and tube segment
- Great potential ahead for the pipes & tubes industry

### Background:

Mahalaxmi Seamless (MSL) is manufacturer of cold drawn Carbon Steel / Alloy Steel Seamless tubes in India, with a manufacturing capacity of 1000 MT and 10000 U bends per month (10,000 tpa or 5 Million meters p.a.). It is the only plant in India to manufacture tubes up to 30 m in length. The dimensional range of its tubes is-Outer Diameter (OD) from 4 mm to 101.60 mm wall thickness (W.T.) from 0.71 mm to 7.0 mm. MSL also offers pipes of various types. The raw material billets or mother tubes are sourced from reputed Indian or global manufacturers after due diligence and quality checks.

### Promoters:

A visionary, instrumental behind the establishment of MSL, M P Jalan is a commerce graduate and has vast functional expertise in the areas of marketing.

### Manufacturing:

MSL has 70,000 sq ft of shop floor space is equipped with surface treatment plant, Push Pointing / Swaging machines, Draw Benches in various capacities from 1M.T to 50 M.T., six/seven roller straightening machines, cutting, de-burring facilities with 115m long Electrical Heating Roller Hearth Furnace with inert (Nitrogen + Hydrogen) atmosphere for scale free surfaces.



## Products:

U' Bends, Alloy Pipe, Alloy Steel Pipe, Alloy Steel Seamless Pipes/Tubing, Automobile Tubes/Pipes, Carbon Steel Pipe/Seamless Tubes, Carbon Steel Tubing, Cold Drawn Seamless Tubes, ERW/Seamless/Extruded Carbon Steel Pipe, Fuel Injection Pipe/Tubes, Heat Exchanger Tubes, Hexagonal Tubes, High Alloy Boiler Tubes/Pipes, High Alloy Extruded Pipe, High Pressure Tubing, Hydraulic Pipes, High Pressure Boiler Tubes, Hydraulic Tubes, Hydraulic & Pneumatic Tubing, Mechanical Tubing, Precision Automotive Mechanical Tubes, Profile Pipes, Rectangular Tubes, Seamless Carbon Steel Pipe, Seamless Carbon Steel Tubing/Pipes, Square Tubes, Steel Pipes, Superheater Tubes, Tubings and Welded Carbon Steel Heat Exchanger Tubes.

## Standards of Fabrication:

MSL manufactures the tubes as per standards of various countries, the most common being ASTM, SAE, DIN, BS, IS, EN etc. In addition to these norms it can manufacture tubes as per customer specific demands like stricter tolerances, heat treatment condition, surface finishes and final external and internal surface conditions.

## Application:

MSL caters to Heat Exchanger, Automobiles and Fuel Injection and Hydraulic fields for a growing number of customers in India.

## User Industries for MSL Products:

Pipelines-15%  
Hydraulics/Automobiles-25%  
Boilers-5%  
Heat Exchangers-55%

## Quality Systems & Certifications

MSL is an ISO 9001: 2000 certified company and is on its way to acquire coveted TS16949. The company is a proud awardee of the "Well Known Tube Maker/pipe maker" certificate from Indian Boiler Regulatory Board allowing self-certification on their behalf. It is certified by TUV in India to supply to European Union (EU) under Pressure Equipment Directive (PED) and AD 2000 WO certification. It has been selected by CBI (a Dutch government organization chartered to promote import from developing countries into EU) after a comprehensive audit of its systems and processes.

## Clients:

MSL's major clients include Larsen & Toubro (L & T), Godrej and Boyce Mfg.Co., Reliance Industries and Tata Motors among others.



## Financial Performance:

Rs in crore	Q1FY08	Q1FY07	%	FY07	FY06	%
Sales	8.42	4.45	89.2	27.78	29.06	-4.4
Other Income	0.21	0.01	2000	0.39	0.27	44.4
PBIDT	1.79	0.58	208.6	4.19	4.92	-14.8
Interest	0.11	0.06	83.3	0.39	0.21	85.7
PBDT	1.68	0.52	223.1	3.8	4.71	-19.3
Depreciation	0.31	0.27	14.8	1.09	1	9
PBT	1.37	0.25	448	2.71	3.71	-27
Tax	0.52	0.07	642.9	1.12	1.44	-22.2
Deferred Tax	0	0	-	-0.17	-0.17	0
PAT	0.85	0.18	372.2	1.76	2.44	-27.9
Equity				5.3	5.3	
Reserves				4.87	3.11	
Book Value (Rs)				19.2	15.6	
EPS (Rs)				3.6	4.6	
OP Margin (%)	21.2	13		15	16.9	
NP Margin (%)	10.1	4		6.3	5	

## Equity Holding:

Foreign-2 %

Promoters-44.6 %

PCBs-17

Public-36.4

## Prospects:

The global export market of the steel pipes & tubes is stated to be close to \$ 27 billion a year with the US, Western Europe, Australia, and Japan being the biggest importers. India is one of the major exporting nations including Indonesia, Malaysia and Thailand.

The building & construction industries along with the oil & gas (which uses boiler and heat exchangers) sector are the major marketplaces for pipe and tubes. With the construction market booming and further development of new markets for steel pipes ranging from commercial framing to water pipes, the future of steel tubing industry certainly looks bright. Significant consolidation and rationalization of excess capacity has occurred in some segments, while cost containment and improved process and quality control measures have led to productivity gains and quality improvements across the entire pipes & tubes industry.

Steel tubes successfully meet the requirement of advanced automotive and heat exchange industry. The main feature of steel tubes are its high rigidity and low weight leading to major cut down in weight, dimensions, material and total cost.

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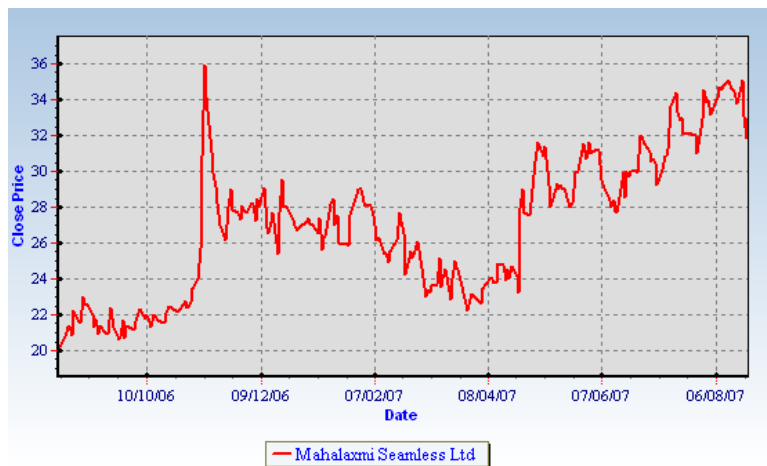
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## Outlook:

MSL supplies its products according to DIN 2391 and ISO-8535 grades. Its superior quality hollow section profiles (square, rectangle, hexagonal etc) made of the best raw materials. This hollow section profiles are available in different lengths, thickness and weights. The company continues to receive repeat orders from its blue chip clients.

## Price Chart:



## Investment Perspectives:

- MSL produces many types of pipes and tubes for host of industries and one stop solution for pipes and tubes. It has blue chip clients which give repeat orders to the company which give clear visibility to the revenue growth.
- MSL has posted excellent results in Q1FY08, which is likely to be sustained in the remaining quarters. It is likely to achieve sales of Rs 40 crore in FY08 with a net profit of Rs 4.25 crore. This would give an EPS of Rs 8.5.
- In view of the booming user industries, the sales are expected to touch Rs 50 crore and a net profit to Rs 5.6 crore. EPS would advance to Rs 11.5.
- The shares of MSL are currently available at Rs 33 discounting its estimated EPS of Rs 8.5 for FY08 and Rs 11.5 for FY09, 3.7 and 2.7 respectively.
- The conservative P/E of even 5 will take the share price of MSL to Rs 60 in the medium-to-long term. This translates into a gain of about 65 per cent.



# Sunidhi

Mahalaxmi Seamless

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