

**RESULT UPDATE Q3FY10:
ACCUMULATE**

Date 3rd February 2010

CMP Rs. 360

52 week High / Low 392/111

Equity Cap (current) Rs. 35.27 Cr

Face Value Re. 5

Mkt. Capitalization Rs. 2539Cr

Avg. Daily Vol. (12 M) 312496

BSE SENSEX 16163

NSE - NIFTY 4830

NSE Code MAHASEAMLES

Bloomberg Code MHS IN

BSE Code 500265

SHAREHOLDING PATTERN @ 31-09-09

Promoters 53.62%

Institutions 25.27%

Public & Others 21.11%

	3-MTS	6 MTS	1-YR
MSL	11%	44%	181%
Nifty	5%	2%	78%
Sensex	6%	3%	75%

(Rs. In mn)

PARTICULARS	FY08A	FY09A	FY10E	FY11E
Net Sales	1,498.8	1,989.1	1,366.5	1689.2
Sales Growth	7.8%	32.7%	-31.3%	23.6%
EBITDA	349.2	406.3	361.5	380.6
PAT	221.5	258.3	223.1	265.4
EPS	31.7	36.9	31.9	37.94
P/E (x)	10.3	8.8	10.2	9.5
RONW (%)	21.8%	21.2%	15.7%	17.0%
EV/EBITDA	5.6	4.8	5.4	5.0

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MAHARASHTRA SEAMLESS LTD.

➤ MSL is the beneficiary of improving seamless pipes demand outlook in the international market. With imposition of anti dumping duty on certain OCTG pipes from China by USA and Europe the immediate beneficiary of around 125000-150000t vacuum are Indian players.

➤ MSL has recently secured 22000t seamless pipe order from USA. Going forward due to improving demand scenario we expect order inflow from international market to improve. The current order book of the firm is around Rs550cr, which includes Rs200cr export order.

➤ Any import or anti dumping duty on Chinese players by Indian government which is likely could be additional benefit for MSL to improve its exposure in the Indian market. In the domestic market visibility in the boiler segment is improving with major capex foreseen in power segment. The firm is also increasing its focus in this segment as it contributes around 15% of the current order book.

➤ For Q3FY10 MSL has reported 35% negative growth in net sales mainly due to lower price realization and lower volume. However, due to consequent reduction in cost, profitability of the firm has improved. Operating profit of the firm has improved by 11% and net profit has improved by 12% for the quarter on y-o-y basis.

➤ For nine months ended FY10, sales have shown decline of 20% whereas operating profit and net profit have improved by 10% on y-o-y basis.

➤ The firm has reported 52000 tonnes of seamless pipe volume as against 59000t reported in Q3FY09. For FY10E we expect total volumes to be 202000t and 10500t for seamless and ERW pipes respectively. For FY11E we expect firm to post sales volume of 244000t and 120000t in seamless and ERW segment respectively.

➤ MSL margin has come down to Rs14500/t for the quarter as against Rs17000/t reported in Q2FY10. However we feel this margin is sustainable going forward. In ERW segment too the firm maintained its margin at Rs3000/tonne.

➤ Romania plant relocation is in progress and production is expected to get commissioned by December 2010. The capex is expected to be spent is around Rs200cr in FY10E and Rs100cr in FY11E. This will increase the firm's capacity to 550000TPA from current 350000TPA. Setting up billet plant project is taking shape as the firm has taken initiatives towards land acquisition.

➤ The firm enjoys debt-free status and holds Rs700cr as cash and equivalents parked 1/4th in bank deposits and rest with other financial institutions. It works out at Rs100 per share.

➤ **VALUATION:** We expect the firm's topline to be Rs1366cr and profit to be Rs229cr in FY10E. EPS for the year is expected at Rs32. For FY11E on improved outlook on volumes we expect topline and bottomline of the firm to be Rs1689cr and Rs265cr respectively. At the current market price of Rs360 the stock is available at 9.5x FY11E earnings and 5x FY11E EV/EBITDA. Improving seamless pipes demand outlook in the international market, expected opportunities due to anti dumping duties imposed on Chinese players by developed countries and improving domestic demand outlook in boiler and refinery segment is expected to benefit MSL. **Though the risk remains with raw material price volatility we expect the firm should be able to maintain its margin at Rs14000/t. Accordingly we rate stock as "ACCUMULATE" at current level.**

RESULT HIGHLIGHTS

VOLUME DATA	FY07	FY08	FY09	FY10E	FY11E
Production (MT)					
Seamless	228616	244416	250665	202000	244000
ERW	85533	107594	89459	105000	120000
Realisation (Rs/tonne)					
Seamless	46200	46163	68422	51000	54000
ERW	32611	32872	42267	33000	33000
Raw Material consumed (Rs/tonne)					
Seamless	28108	26131	38698	25000	26000
ERW	26480	28398	35263	25000	25000
EBITDA/tonne					
Seamless	13295	12228	14691	14500	14091
ERW	3336	1633	3464	3000	3000

(Rs. in mn)

	Q3FY10	Q3FY09	VARIANCE	Q2FY10	VARIANCE
Net Sales	370.55	577.51	-35.84%	410.07	-9.64%
Total Expenditure	269.22	501.00	-46.26%	302.92	-11.13%
PBIDT					
	101.33	76.51	32.44%	107.15	-5.43%
Other Income	12.37	25.52	-51.53%	6.01	105.82%
Interest	0.72	4.45	-83.82%	0.70	2.86%
PBDT	112.98	97.58	15.78%	112.46	0.46%
Depreciation	4.83	4.51	7.10%	4.63	4.32%
PBT	108.15	93.07	16.20%	107.83	0.30%
Tax	36.09	28.66	25.92%	36.58	-1.34%
Reported Profit After Tax	72.06	64.41	11.88%	71.25	1.14%
EPS (Unit Curr.)					
	10.22	9.13		10.10	
Cash EPS	10.90	9.77		10.76	
TTM EPS					
Equity	35.27	35.27		35.27	
Face Value	5.00	5.00		5.00	
PBIDTM (%)					
	27.3%	13.2%		26.1%	
PBDTM (%)					
	30.5%	16.9%		27.4%	
PATM (%)					
	19.45%	11.2%		17.4%	
Tax rates					
	33.4%	30.8%		33.9%	

(Rs. in mn)

P & LA/C	FY05	FY06	FY07	FY08	FY09E	FY10E
Gross Sales	867.2	1,077.0	1,519.6	1,647.0	2,152.1	1,470.0
Excise Duty	97.8	110.8	129.6	148.1	163.0	185.0
Net Sales	769.4	966.2	1,390.0	1,498.8	1,989.1	1,285.0
% Change	56.6%	25.6%	43.9%	7.8%	32.7%	-35.4%
Raw Materials	574.4	635.3	814.5	994.0	1,316.1	838.8
Stock Adjustments	(33.3)	(30.7)	13.4	(45.7)	-	-
Employee Expenses	10.5	13.2	17.0	22.7	30.2	19.5
Other Mfg Exp.	21.2	45.9	71.3	-	102.0	65.9
Repairs & Maintenance	1.6	2.9	5.0	-	6.0	6.0
Power, Oil & Fuel	53.6	69.6	93.0	-	122.0	145.0
Selling & Administrative Expenses	12.4	21.4	33.8	-	48.4	31.3
Provisions & Write offs	-	-	-	-	-	-
Other Expenses - Recurring	0.4	0.5	0.5	218.8	0.5	1.0
Non Recurring	0.1	0.2	0.5	-	0.6	1.0
TOTAL EXPENDITURE	640.9	758.2	1,049.0	1,189.8	1,625.8	1,108.4
Operating Profit	128.5	208.0	341.0	309.0	363.3	240.0
% Change	28.1%	61.9%	63.9%	-9.4%	17.6%	-33.9%
Other Income - Recurring	12.0	18.2	31.5	40.1	43.0	40.0
Non Recurring	0.0	0.1	-	-	-	-
EBITDA	140.6	226.2	372.5	349.2	406.3	280.0
% Change	23.3%	61.0%	64.6%	-6.3%	16.4%	-31.1%
Current Interest	1.8	3.4	2.3	3.2	0.3	-
Financial Charges	2.0	1.4	1.2	-	-	-
PBDT	136.7	221.4	369.0	345.9	406.0	280.0
Depreciation	10.5	14.6	16.2	17.7	20.7	28.4
EBIT	130.1	211.7	356.3	331.5	385.6	251.6
PBT	126.2	206.9	352.8	328.2	385.3	251.6
% Change	20.1%	63.9%	70.5%	-7.0%	17.4%	-34.7%
Current Tax	32.5	63.0	116.4	105.6	124.2	81.1
Deferred Tax	8.6	4.6	2.3	1.0	2.5	1.6
Fringe Benefit Tax	-	0.2	0.2	0.2	0.3	0.5
Net Profit Before Minority Interest	85.2	139.1	233.9	221.5	258.3	168.4
% Change	19.2%	63.3%	68.2%	-5.3%	16.6%	-34.8%
Minority Interest	4.5	1.1	0.6	-	-	-
Net Profit After Minority Interest	80.7	138.0	233.3	221.5	258.3	168.4
Extra Ordinary Items	4.5	1.1	0.6	-	-	-
Adjusted PAT	80.7	138.0	233.3	221.5	258.3	168.4
% Change	20.9%	71.0%	69.0%	-5.1%	16.6%	-34.8%
Dividend - Equity	14.4	21.3	37.2	35.2	41.1	26.8
Retained Earnings	70.7	117.8	196.7	186.2	217.2	141.6

(Rs. in mn)

BALANCE SHEET	FY05	FY06	FY07	FY08	FY09E	FY10E
Share Capital - Equity	28.8	28.8	35.0	35.0	35.0	35.0
Preference	-	-	-	-	-	-
Reserves & Surplus						
Revaluation Reserve	-	-	-	-	-	-
Others	284.0	385.1	889.1	1,075.4	1,292.6	1,434.2
Minority Interest	-	-	-	-	-	-
Secured Loans - Long Term	31.8	13.5	8.8	2.0	-	-
Short Term	3.5	24.6	1.1	-	-	-
Unsecured Loans - Long Term	73.1	454.0	97.5	4.0	4.0	-
Short Term	0.1	0.8	0.8	-	-	-
Deferred Tax Liabilities	34.3	38.9	41.3	42.4	78.0	72.7
Total Liabilities	455.5	945.7	1,073.6	1,158.7	1,409.6	1,541.9
Gross Block	286.9	336.7	368.4	374.0	454.0	604.0
Less Accumulated Depreciation	57.8	72.3	88.4	106.1	126.8	155.2
Net Block	229.1	264.4	280.0	267.9	327.2	448.8
Capital WIP	40.8	16.3	5.8	-	5.0	5.0
Investments	19.3	20.5	53.8	55.0	55.0	55.0
Current assets, Loans & Advances						
Inventories	133.1	275.5	251.3	316.0	425.0	490.0
Debtors	96.5	140.0	199.6	235.0	355.0	405.0
Advances	15.9	30.9	39.4	53.0	63.0	72.0
Total Current Assets	245.5	446.4	490.3	604.0	843.0	967.0
Less Current Liabilities	62.1	96.8	64.4	89.0	105.0	120.0
Provisions	19.2	24.3	15.4	32.0	44.0	53.0
Net Current Assets	164.1	325.3	410.5	483.0	694.0	794.0
Cash & Bank	2.1	319.2	323.2	352.5	327.8	238.9
Deffered Tax Asset	0.1	0.1	0.2	0.3	0.5	0.1
Total Assets	455.5	945.7	1,073.6	1,158.7	1,409.6	1,541.9

EXPENSE ANALYSIS	FY05	FY06	FY07	FY08E	FY09E	FY10E
Raw Material / Net Sales	74.7%	65.8%	58.6%	66.3%	66.2%	65.3%
Raw Material adjusted / Net Sales	70.3%	62.6%	59.6%	63.3%	66.2%	65.3%
Power & Fuel / Net Sales	7.0%	7.2%	6.7%	0.0%	6.7%	6.7%
Employee Exp. / Net Sales	1.4%	1.4%	1.2%	1.5%	1.5%	1.5%
Other Mfg Exp./ Net Sales	2.8%	4.8%	5.1%	5.1%	5.1%	5.1%
S & D/ Net Sales	1.6%	2.2%	2.4%	2.4%	2.4%	2.4%
Other Exp./ Net Sales	0.1%	0.1%	0.1%	14.6%	0.1%	0.1%
MARGIN ANALYSIS	FY05	FY06	FY07	FY08	FY09E	FY10E
Operating Margin(%)	16.7%	21.5%	24.5%	20.6%	18.3%	18.7%
EBITDA Margin(%)	18.3%	23.4%	26.8%	23.3%	20.4%	21.8%
PBDT Margin(%)	17.8%	22.9%	26.5%	23.1%	20.4%	21.8%
EBIT Margin(%)	16.9%	21.9%	25.6%	22.1%	19.4%	19.6%
PBT Margin(%)	16.4%	21.4%	25.4%	21.9%	19.4%	19.6%
PAT Margin(%)	11.1%	14.4%	16.8%	14.8%	13.0%	13.1%
EBIAT Margin(%)	11.6%	14.9%	17.1%	15.0%	13.0%	13.1%
ANALYSIS INPUTS	FY05	FY06	FY07	FY08	FY09E	FY10E
Book Value Per Share	48.3	63.0	95.7	145.4	174.3	199.9
DPS	2.5	3.7	5.3	5.0	5.9	3.8
EPS	14.8	24.1	33.4	31.7	36.9	24.1
Adjusted EPS	14.0	23.9	33.4	31.7	36.9	24.1
CEPS	15.8	26.5	35.7	34.2	39.9	28.1
Adjusted CEPS	15.8	26.5	35.7	34.2	39.9	28.1
Cash As a % Of Total Exp.	0.4%	21.2%	30.6%	28.4%	20.9%	25.6%
Net Sales/ Gross Block (Times)	2.7	2.9	3.8	4.0	4.4	2.1
Interest Cost (%)	1.5%	1.1%	0.8%	5.7%	-	-
Current Tax (%)	25.7%	30.6%	33.0%	32.2%	32.2%	32.2%
DEBT EQUITY RATIO (TIMES)	FY05	FY06	FY07	FY08	FY09	FY10
Return On Average Net Worth(%)	30.6%	38.3%	35.0%	21.8%	21.2%	12.0%
Dividend Payout (%)	16.9%	15.3%	15.9%	15.9%	15.9%	15.9%
Dividend Yield (%)	1.0%	1.5%	2.1%	2.0%	2.3%	1.5%
Average Collection period (Days)	39.7	44.7	44.6	52.9	54.1	107.9
Average Payment period (Days)	17.2	22.6	14.4	15.8	14.3	25.3
Inventory Turnover (DAYS)	51.9	77.2	69.2	69.1	68.0	130.0
PRICE/ADJUSTED EPS	FY05	FY06	FY07	FY08	FY09	FY10
P/E	16.9	10.4	7.5	7.9	6.8	10.4
Price/CEPS	15.8	9.4	7.0	7.3	6.3	8.9
Price/Book Value	5.2	4.0	2.6	1.7	1.4	1.3
EV/EBITDA	10.1	6.3	3.8	4.1	3.5	5.1
Pay Back Period	12.9	7.7	5.7	6.0	5.1	7.2

(Rs. in mn)

CASH FLOW	FY05	FY06	FY07	FY08	FY09	FY10
Net profit	80.7	138.0	233.3	221.5	258.3	168.4
Depreciation	10.5	14.6	16.2	17.7	20.7	28.4
Deferred Tax	-8.6	-4.6	-2.3	1.0	1.0	4.9
Change in working capital	-15.4	-161.2	-85.3	-72.5	-211.0	-100.0
Cash Flow From Operating Activities:	67.2	-13.2	162.0	167.7	69.0	101.7
Capex	-60.6	-25.4	-21.1	0.2	-85.0	-150.0
Investments (Net)	6.4	-1.2	-33.3	-1.2	0.0	0.0
Cash Flow from Investing Activities	-54.2	-26.5	-54.5	-1.0	-85.0	-150.0
Dividend	-14.4	-21.3	-37.2	-35.2	-41.1	-26.8
Share Capital	0.0	0.0	6.2	0.0	0.0	0.0
Debt	-18.7	384.6	-384.8	-102.2	-2.0	-4.0
Cash Flow From Financing Activities	-33.1	363.2	-415.8	-137.4	-43.1	-30.8
Others	-19.5	6.5	-312.4	0.0	-34.4	9.8
Net change in cash	-0.7	317.0	4.0	29.3	-24.7	-88.9
Opening cash	2.8	2.1	319.2	323.2	352.5	327.8
Closing cash	2.1	319.2	323.2	352.5	327.8	238.9

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