

# Man Industries (India) Ltd



**CMP: Rs. 73**

**Not Rated**

**Target Price: NA**

Nifty	8224
Sensex	27,316
Sensex PE(x)	22.05
Nifty PE(x)	22.79
Industry PE(x)	11.09

## Stock Data

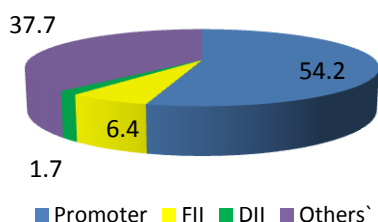
Sector	Construction & Engineering
BSE Code	513269
NSE Code	MMANINDS
FV	5.0
Market Cap (INR cr)	418
Market Cap (US\$ mn)	70
Equity Share Cap.	29

## Stock Performance (%)

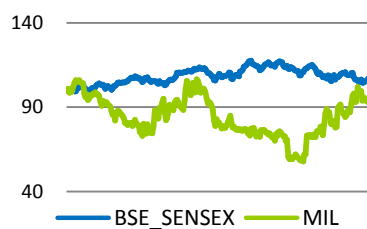
52-week high/low INR 94/45

	1M	3M	12M
Absolute (%)	7.1	57.0	-6.5

## Shareholding Pattern (%)



## Relative Stock Movement



Date : 19<sup>th</sup> June 2015

**Man Industries Ltd. (MIL), flagship company of Man Group promoted by Mr. Ramesh Mansukhani (Chairman), is a leading manufacturer and exporter of large diameter Carbon Steel Line Pipes for various high pressure transmission applications for gas, crude oil, petrochemical products and potable water.**

- **MIL** posted **robust financial** performance for **Q4FY15** with **revenue** increasing by **80% YoY** to Rs. **655 Crs.** as compared to Rs. 364 Crs. in Q4FY14, **net profit rose by 1,559%** to Rs. 45 Crs. (Rs. 3 Crs). **the EPS** working out to Rs 7.8 and **OPM & NPM** stood at **13% and 7%** against 7% and 1% respectively.
- **MIL's** FY2015 consolidated **total income increased** by 36% YoY to **Rs. 1,364 Crs.** (Rs. 1,005 Crs). **Net profit** for the year increased by **458% YoY** to **Rs. 50 Crs.** (Rs. 9 Crs.) and **EPS working out to Rs. 8.8** on a **tiny equity capital base of Rs. 28.6 Crs.** At a **CMP of Rs. 73** the share trades at a **PE multiple of only 7x** and the **Mcap at only Rs. 418 Crs.**
- **MIL** has a strong presence in exports market with **Middle Eastern** countries as major of its business volumes is exported to that region. **MIL** also exports to other regions like USA, Europe, Africa and South East Asia.
- **MIL's** **marquee clients** list includes GAIL, IOCL, HPCL, BPCL, ONGC, Reliance, Adani, BHEL, L&T, etc. in **domestic market** and in the **international market** it caters to SHELL, Kinder Morgan, Kuwait Oil company, Hyundai Engineering & construction Ltd., Petrobrass – Brazil and many more.
- **MIL** has the opening **order book at Rs. 1,000 crs** and in month of May bagged further export **order of Rs. 510 crs. aggregating to Rs. 1,500 crs** + in the beginning of the fiscal year, indicating a strong financial performance. MIL has **outstanding bids over USD 2 billion** at various stages of evaluation for several other oil, gas and water projects in India and abroad. We believe normally this orders are executable over a period of 3-6 months and further orders during the course of the year should enable **robust performance** in the current year too.
- Assuming **30% topline growth (36%)**, company could gross the **Topline of over Rs 1,775 Crs.** in FY16, **EBITDA of Rs. 187 crs.** and **PAT at Rs. 85-90** crs with potential **EPS at Rs 15 +**, making the share available a little over **PE of 4x.** This offers an **excellent opportunity** for growth and **we strongly recommend** for investment to all our clients.

## Financials

INR crs	Q4FY15	Q4FY14	YoY (%)	FY15	FY14	YoY (%)	FY16E
<b>Total Income</b>	655	364	80%	1,364	1,005	36%	1,775
<b>Operating Profits</b>	86	24	251%	149	86	73%	187
<b>PAT</b>	45	3	1559%	50	9	458%	89
<b>EPS</b>	7.8	0.5		8.8	1.6		15.5
<b>Share Capital</b>				29	29		29
<b>Reserves</b>				454	632		543

Source: Company Research

➤ **Demerger:**

- **Man Group** has come out with a strategy to **restructure the business verticals** and split the company into **Man Industries Ltd (MIL)** - core business of pipes and coating systems and **Man Infracore Ltd** - real estate, infrastructure and construction activities business, in order to achieve **high growth** and **potential profitability**, along with the **unlocking of values** in their respective businesses.
- A scheme of arrangement to that effect with shares of **Man Infracore Ltd** to be **issued** and allotted, on a proportionate basis to the shareholders of **MIL** on the following basis; "For **every 1 (One)** fully paid-up **equity share** of Rs 5 each held by the equity shareholders in **MIL**, **1 (One)** fully paid-up **equity share of Rs 5 each of Man Infracore Ltd**".
- We understand that **Man Infracore** has a good asset base with **land bank** worth **Rs. 185** crores at cost price which can be utilized for residential and commercial development, with a share capital of Rs. 29crs. which should work out to a minimum value of Rs. 15-20 per share.

➤ **Key Strengths:**

- **MIL** is one of the most **reputed brand** in pipes industry in **Domestic market** and strongly established in **International markets**.
- The company has **state-of-the-art manufacturing facilities** located at Anjar in Gujarat and Pithampur in Madhya Pradesh, spread over **150 acres of land** for **LSAW & HSAW Line Pipes** with a total installed capacity of **1 million tonne per annum**, out of which 50% is in LSAW and 50% is HSAW.
- In the year 2012, **MIL** has entered into **strategic alliance with Kobe Steel Ltd. (Japan)**, one of the **largest manufacturer of Iron and steel**. This strategic alliance with Kobe Steel has helped **MIL** to get **good technical, raw material** sourcing support as well as it has widened MIL's customer base in global market.
- **MIL** has one of the **best product range** in the industry. **MIL** has **entire range of thickness of LSAW and HSAW pipes** for various clients.
- **MIL** has **strong global marketing** and has received many **Awards and Certificates** from **International Bodies and Government of India**.

➤ **Competitive Edge:**

- **Coating & Strategic location:** MIL has integrated Pipe plant with coating facilities. MIL' Anjar plant enhances Export competitiveness with better strategic location.
- **Low operational & capital cost:** MIL's 3RBE technology brings down the cost of capital and operational cost as well.
- **Lean Organisation:** Organization understands its customer value and focuses on its key processes.

➤ **Top Public Shareholders:**

Sr. No.	Name Of the Shareholder	% of Total Shares Held
1	Orange Mauritius Investments Ltd.	4.45
2	Mangal Keshav Capital Ltd.	4.02
3	Heena Vinay Kalantri	4.14
4	Kobe Steel Ltd.	3.18
5	United India Assurance Company Ltd.	1.13
6	Godavari Commercial Services Pvt. Ltd.	1.72
	<b>Total</b>	<b>18.64</b>

➤ **Demand for pipes Internationally:**

Pipelines are one of the most important element of a nation's infrastructure. **Global pipe demand from 2013-17 is expected to reach USD 357 billion (Rs. 22,676 billion) with an increase in 5.3% volumes each year, reaching 51.8 million tons in 2017.** Middle East, West Asia, Africa, South East Asia, Australia and the domestic market would be key volume drivers for Indian pipe manufacturers. These geographies account for over 40% of the total global demand of around 75 million tonnes of SAW pipes. Demand for line pipes (such as HSAW, LSAW Pipes) is rising as the need for oil & gas, water and waste water transportation is growing.

US oil boom and Alaska Pipeline project expected to significantly boost demand. **In the mature markets, demand for replacement pipe will also drive the pipe demand more than in the past.** The fall in oil prices forces companies to invest in efficient pipeline network in order to reduce transportation cost. With continued investment in global oil and gas E & P activities, the demand for line pipes is expected to remain strong. **Global demand for water pipe is forecasted to increase 6.8% per year through 2017.**

➤ **Demand for pipes Domestically:**

**India's pipeline density is 3km/1000 sq km as compared to 50 km/1000 sq km in UK, China and USA.** The penetration level of pipelines in oil & gas transportation is low at 32% in India as compared to 59% in USA and 79% globally, which shows **MIL has a high potential for growth with increase in domestic demand.**

The oil and gas sector has been conferred the status of infrastructure recently, which is expected to push oil and gas pipelines. **New gas finds on India's eastern coast, heavy investment is being lined up for laying pipelines across the country and as per plans, the length of trunk pipelines is set to triple to 33,000 kms in the next 4-5 years.**

**With a market size of over USD 4 billion (Rs. 254 billion), the Indian water and wastewater market is growing at the rate of 10%–12% every year.** Government-related projects contribute over 50% of the revenues generated by this market, while the private sector contributes the rest. **India is expected to invest USD 11 billion (Rs. 698 billion) in developing infrastructure in 63 of the largest cities, with an emphasis on water supply and sanitation.**

➤ **Valuation**

- MIL has strategically located plants and 3RBE technology which brings down its cost of capital and operational cost which would enable it to cater to the rising demand for pipes, globally and domestically, on the back of oil & gas, water and waste water transportation sectors. Exports constitutes major portion of its revenue with LSAW forming huge share of its revenue, which would allow margins to grow at a faster pace.
- MIL is currently trading at a price of Rs. 73 and effective cost after the demerger works out to be Rs. 58 only and we believe there is substantial upside over next 12-18 months

➤ **Peer Comparison:**

**Consolidated Financial Results for the Year Ended March 2015**

(INR in Crs.)	Jindal Saw	Welspun Corp	Man Industries
Sales Revenue	8,325	8,450	1,364
Other Income	129	109	35
<b>Total Income</b>	<b>8,454</b>	<b>8,559</b>	<b>1,399</b>
Total Expense	7,389	7,608	1,250
<b>PBIDT</b>	<b>1,065</b>	<b>951</b>	<b>149</b>
Interest	540	283	46
PBDT	525	668	103
Depreciation	403	437	43
PBT before exceptional Item	122	231	60
Exceptional Item	(56)	-	-
PBT	66	231	60
TAX	21	18	10
<b>PAT</b>	<b>45</b>	<b>214</b>	<b>50</b>
Extraordinary Items	30	-	-
Share of Profit /(Loss) of associates	-	-	-
Minority Interest	11	144	-
<b>Reported PAT</b>	<b>26</b>	<b>69</b>	<b>50</b>
<b>Adj. PAT</b>	<b>90</b>	<b>69</b>	<b>50</b>
<b>Equity Capital</b>	<b>58</b>	<b>132</b>	<b>29</b>
Reserves	3,628	2,668	454
Face Value	2	5	5
EPS	0.9	2.6	8.8
EPS before exceptional items	3.1	2.6	8.8
CMP	57	78	73
<b>MCAP</b>	<b>1,653</b>	<b>2,053</b>	<b>417</b>
MCAP/Income	0.2	0.2	0.3
MCAP/EBITDA	0.0	2.2	2.8
<b>MCAP/ Adj. PAT</b>	<b>18.4</b>	<b>9.6</b>	<b>8.3</b>
EBIDTA Margin	13%	11%	11%
<b>PAT Margin</b>	<b>1%</b>	<b>2%</b>	<b>4%</b>
Debt	7,832	2,804	436
<b>Debt / Equity</b>	<b>2.1</b>	<b>1.0</b>	<b>0.9</b>

➤ **Critical Analysis**

- **MIL** has the **highest PAT margins at 4%** and considering the Q4 PAT margins at 7%, one can assume the margins at 5%.
- **MIL** has the **lowest leverage** and hence can attract better valuations.
- **MIL** is trades at **PE** of little over **8x** of FY15 EPS , with Jindal Saw at 18.4x and Welspun Corp trading around 10x.
- **MIL** has no overseas subsidiary companies and hence much leaner and cleaner balance sheet.

## **Disclosures and Disclaimers:**

This report has been prepared by NVS Wealth Managers Pvt. Ltd. Investment Advisors

This report is issued by NVS Wealth Managers which is a subsidiary of NVS Brokerage Pvt. Ltd. and which is regulated by SEBI. This report is prepared and distributed by NVS for information purposes only and neither the information contained herein nor any opinion expressed should be construed or deemed to be construed as solicitation or as offering advice for the purposes of the purchase or sale of any security, investment or derivatives. The information and opinions contained in the Report were considered by NVS to be valid when published. The report also contains information provided to NVS by third parties. The source of such information will usually be disclosed in the report. Whilst NVS has taken all reasonable steps to ensure that this information is correct, NVS does not offer any warranty as to the accuracy or completeness of such information. Any person placing reliance on the report to undertake trading does so entirely at his or her own risk and NVS does not accept any liability as a result. Securities markets may be subject to rapid and unexpected price movements and past performance is not necessarily an indication to future performance.

This report does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Investors must undertake independent analysis with their own legal, tax and financial advisors and reach their own regarding the appropriateness of investing in any securities or investment strategies discussed or recommended in this report and should understand that statements regarding future prospects may not be realized. In no circumstances it be used or considered as an offer to sell or a solicitation of any offer to buy or sell the Securities mentioned in it. The information contained in the research reports may have been taken from trade and statistical services and other sources, which we believe are reliable. NVS or any of its group/associate/affiliate companies do not guarantee that such information is accurate or complete and it should not be relied upon as such.

Any opinions expressed reflect judgments at this date and are subject to change without notice

Important: These disclosures and disclaimers must be read in conjunction with the research report of which it forms part. Receipt and use of the research report is subject to all aspects of these disclosures and disclaimers. Additional information about the issuers and securities discussed in this research report is available on request.

Certifications: The research analyst(s) who prepared this research report hereby certifies that the views expressed in this research report accurately reflect the research analyst's personal views about all of the subject issuers and/or securities, that the analyst/research entity/associate have no known conflict of interest and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific views or recommendations contained in this research report. The Research Analyst certifies that he /she or his / her family members/ relatives does not own the stock(s) covered in this research report. The research analyst has not served as an officer, director or employee of the subject company.

Independence: NVS has not had an investment banking relationship with, and has not received any compensation for investment banking services from, the subject issuers in the past twelve (12) months, and NVS does not anticipate receiving or intend to seek compensation for investment banking services from the subject issuers in the next three (3) months. The analyst/ research entity or its associates have not received any compensation for products or services other

than investment banking or merchant banking or brokerage services from the subject company in the past twelve months. The analyst/ research entity has not managed or co-managed public offering of securities for the subject company in the past twelve months.

The analyst or its associates have not received any compensation or other benefits from the Subject Company or third party in connection with the research report. The subject company is not and was not a client during twelve months preceding the date of distribution of the research report.

NVS is not a market maker in the securities mentioned in this research report, although it or its affiliates may hold either long or short positions in such securities. NVS does not hold more than 1% of the shares of the company (ies) covered in this report. However NVS, associate companies and their clients might be holding this stock in their personal capacities.

**Suitability and Risks:** This research report is for informational purposes only and is not tailored to the specific investment objectives, financial situation or particular requirements of any individual recipient hereof. Certain securities may give rise to substantial risks and may not be suitable for certain investors. Each investor must make its own determination as to the appropriateness of any securities referred to in this research report based upon the legal, tax and accounting considerations applicable to such investor and its own investment objectives or strategy, its financial situation and its investing experience.

The value of any security may be positively or adversely affected by changes in foreign exchange or interest rates, as well as by other financial, economic or political factors. Past performance is not necessarily indicative of future performance or results.

**Sources, Completeness and Accuracy:** The material herein is based upon information obtained from sources that NVS and the research analyst believe to be reliable, but neither NVS nor the research analyst represents or guarantees that the information contained herein is accurate or complete and it should not be relied upon as such. Opinions expressed herein are current opinions as of the date appearing on this material and are subject to change without notice. Furthermore, NVS is under no obligation to update or keep the information current.

**Copyright:** The copyright in this research report belongs exclusively to NVS. All rights are reserved. Any unauthorized use or disclosure is prohibited. No reprinting or reproduction, in whole or in part, is permitted without the NVS's prior consent, except that a recipient may reprint it for internal circulation only and only if it is reprinted in its entirety.

**Caution:** Risk of loss in trading in can be substantial. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

**Method:** We have not rated the stock

Rating Scale :

This is a guide to the rating system used by our Research team. Our rating system comprises six rating categories, with a corresponding risk rating.

Risk Rating

Risk Description	Predictability of earnings/ Dividends; F volatility
Low risk	High predictability / low volatility
Medium risk	Moderate predictability / volatility
High risk	Low predictability / High volatility

Total expected return matrix

Rating	Low Risk	Medium Risk	High Risk
Buy	Over 15%	Over 20%	Over 25%
Accumulate	10% - 15%	15% - 20%	20% - 25%
HOLD	0% - 10%	0% - 15%	0% - 20%
Sell	Negative returns	Negative returns	Negative returns
Neutral	NA	NA	NA
Not Rated	NA	NA	NA

**Please Note:**

Our recommendations are for a minimum period for one year.

**Contact us:**

Saloni Shah,

Deepa Bhatia

Corporate Office Address: 702, Embassy Centre, Nariman Point, Mumbai – 400 021 • Tel.:+91 22 6631 5511, Fax: +91 22 66519134 • Email: [nvswealthmanagers@gmail.com](mailto:nvswealthmanagers@gmail.com), [saloni.nvswealthmanagers@gmail.com](mailto:saloni.nvswealthmanagers@gmail.com)