

## 1. Vibhor Steel Tubes Limited:

A) **Vibhor Steel Tubes Limited** is manufacturers and exporters of Mild Steel/Carbon Steel ERW Black and Galvanized Pipes, Hallow Steel Pipe, Cold rolled Steel (CR) Strips/ Coils. Company is a 2 decades old manufacturer, exporter and supplier of steel pipes and tubes to various heavy engineering industries in India. Steel pipes and tubes can be used for many purposes such as steel pipes for frames and shafts, steel pipes for bicycle frames, steel pipes for furniture, CDW pipes for shockers, steel pipes for various structural purposes, steel pipes for various engineering purposes etc. Company has a very wide range of steel pipes and tubes products. The lengths of the steel pipes & tubes in different ranges unless otherwise specified by the customers. Company manufactures steel pipes and tubes in various shapes and sizes such square, round, rectangular and elliptical or any special shape. Company has an in-house quality team of 640 dedicated personnel working under the overall supervision of our board of directors in different locations.

B) **Date of incorporation:** April 16, 2003

**Vibhor Steel Tubes Limited** is a manufacturer of steel products in India and majorly supplies to west and southern market companies located in Maharashtra, Gujarat, Madhya Pradesh, Telangana, Karnataka and Tamil Nadu. The company's products are used in various sectors such as water transport, industrial, electric cables, agriculture, automobiles, telecom, infrastructure and oil & gas.

C) **Plant location:** Maharashtra and Telangana

D) **Key Products manufactured:** Electric Resistance Welded Pipes, Hot-dipped Galvanized Pipes, Hollow section pipes, Primer painted pipes

E) **Current installed capacity:**

Plants	MTPA
Maharashtra	1,25,000
Telangana	96,000
Haryana	2,160

The company has plans to expand their operations by setting up a manufacturing unit in Orissa up to 1,20,000 MTPA and expanding the current capacity in Telangana to 1,52,000 MTPA.

The quality control team ensures that our raw materials as well as end products are tested on all quality parameters to ensure that the Company is compliant with the international product standards.

Company's individual Promoters, Mr. Vijay Kaushik, Mr. Vibhor Kaushik and Mrs. Vijay Laxmi Kaushik are first generation entrepreneurs, and have an average experience of approximately thirty years in the mild steel and stainless steel welded pipes and tubes industry in addition to expertise in marketing, procurement, finance, accounting and customer relationship management.

## **2. Industry Structure:**

India is one of the established manufacturers of steel pipes globally, which is one of the most important **sub industries** of the Indian steel sector. Construction, Railways, Oil & gas, agriculture, real estate are some of the key consumers of steel pipes and tubes. **India** is the **second largest steel producer in the world** with an installed capacity of 154.1 MT in FY22. It is also the **second-largest consumer** of finished steel with a consumption of 120 MT in FY23. The Indian steel sector has been able to grow over the years due to domestic availability of raw materials such as iron ore and cost-effective labour. The industry has been driven by domestic steel demand from sectors such as construction, real estate, and automobiles, while the vast coastline has enabled exports and imports, making India one of the leading countries in the global steel industry.

### **A) Global Steel Production**

**China** continued to be the **largest crude steel producer** in CY22 accounting for 54% share. However, Chinese production declined by 2% y-o-y to 1,018 MT in CY22 as compared to 1,035 MT in the previous year due to lockdowns and restrictions enforced in the country due to the outbreak of Covid-19 and a slowdown of its real estate market. China is also cutting down their production due to environmental concerns.

India was the second largest producer of crude steel in CY22 with a 7% share, followed by Japan with a 5% share. The USA and Russia accounted for a 4% share each in the total production during CY22.

## Steel Production Geographical Region in CY22- 1,885 MT

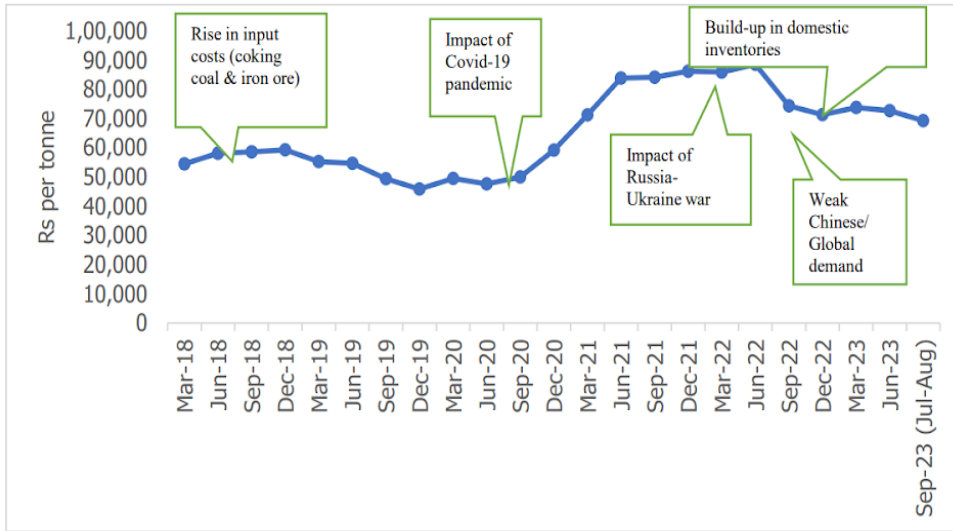
### B) Global Steel Consumption:

After China India is the second largest steel producer in the world with an installed capacity of 154.1 MT in FY22. It is also the second-largest consumer of finished steel with a consumption of 120 MT in FY23. The Indian steel sector has been able to grow over the years due to domestic availability of raw materials such as iron ore and cost effective labour. The industry has been driven by domestic steel demand from sectors such as construction, real estate, and automobiles, while the vast coastline has enabled exports and imports, making India one of the leading countries in the global steel industry.

### C) Per Capita finished steel consumption:

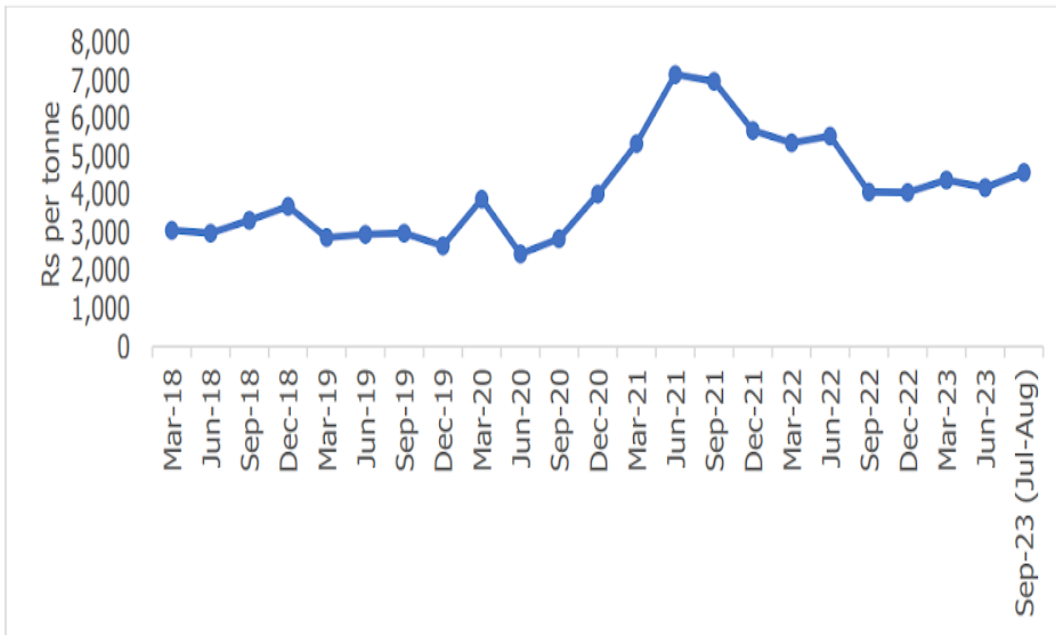
The per capita finished steel consumption in India was 81.1 kg in CY22, which is significantly lower than the world average of 222 kg per capita. The National Steel Policy 2017 envisages that per capita steel consumption will increase to 158-160 kg by FY31. Further, steel has an output multiplier effect of 1.4x on GDP and an employment multiplier effect of 6.8x in India. **Thus, the steel industry has significant domestic potential and is expected to play a key role in the future economic growth of the country.**

### Domestic Average Finished Steel Prices:



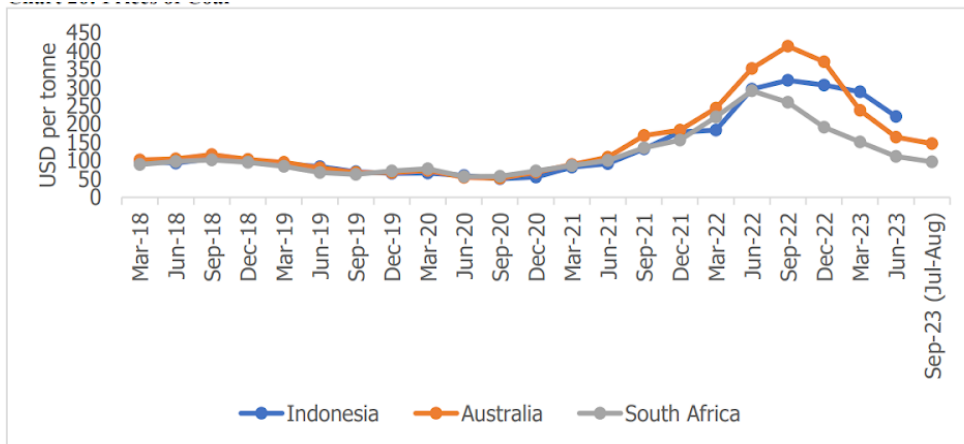
Source: CMIE

### Trend in Iron Ore Prices:



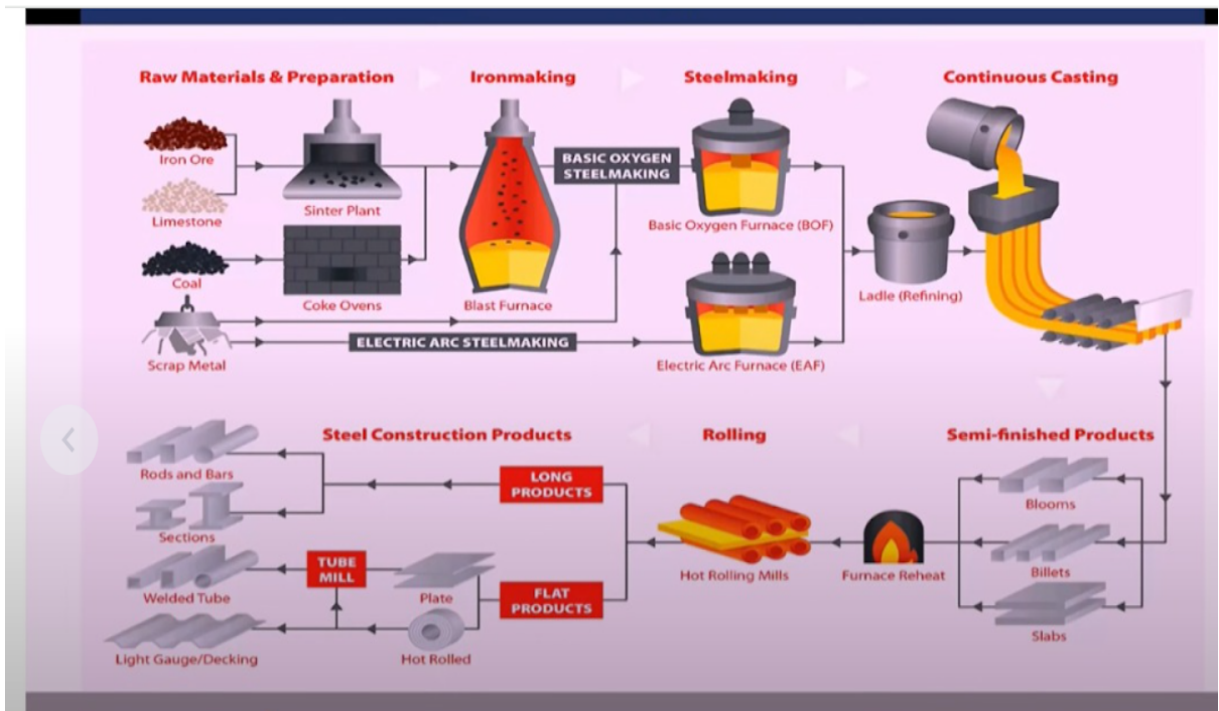
Source: CMIE

### Trend in Coking Coal Prices:



Source: World Bank, CMIE

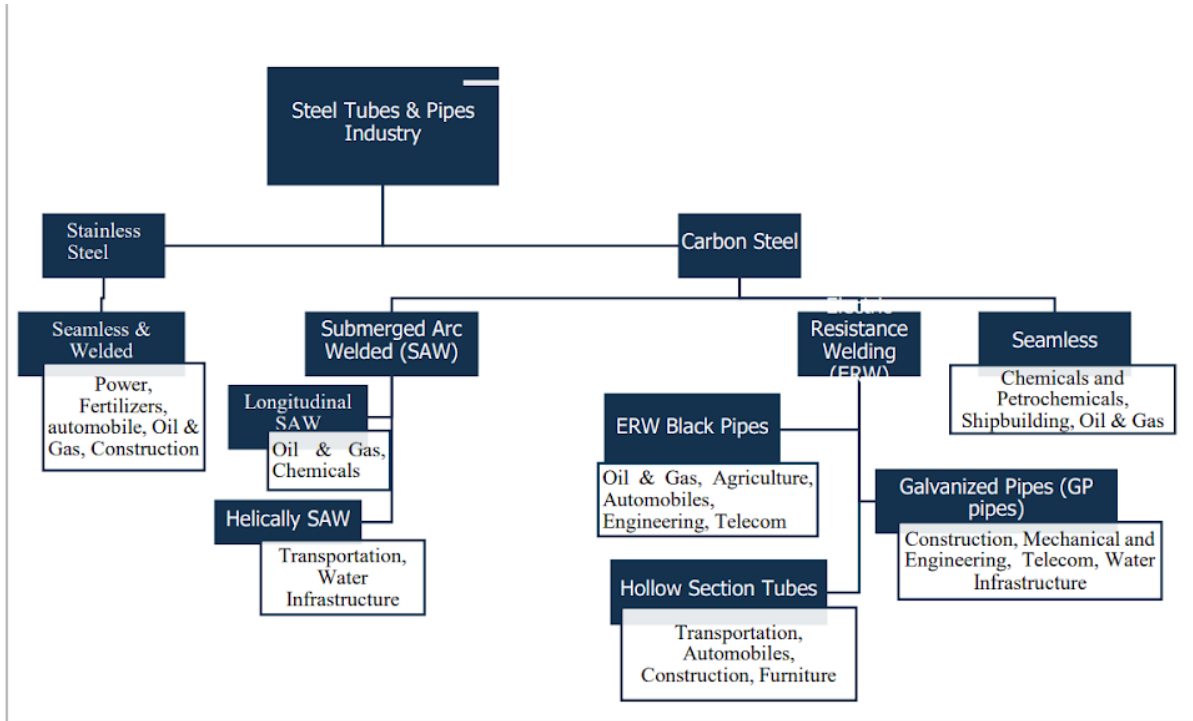
### D) Steel manufacturing process:



### E) Indian Steel Pipes & Tubes:

Steel tubes and pipes are cylindrical structures made of steel that are generally in hollow shape. However, different shapes, sizes and grades are used to cater the requirements

of various industries. India is one of the established manufacturers of steel pipes globally, which is one of the most important sub industries of the Indian steel sector. Construction, Railways, Oil & gas, agriculture, real estate are some of the key consumers of steel pipes and tubes. Various types of steel tubes and pipes are given in the following chart.

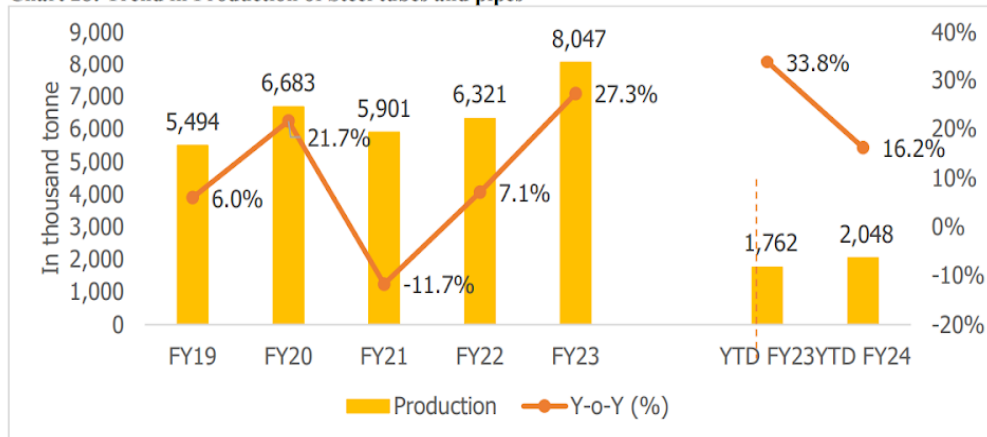


**Domestic Production and Consumption:**

The production of steel tubes and pipes grew at a CAGR of about 10% in the past 5 years from FY19-FY23. Of these years, the industry has witnessed a decline only in FY21 due to the outbreak of Covid-19. During FY23, the production increased by 27.3% y-o-y backed by healthy domestic demand. During YTD FY24, the production of steel tubes and pipes increased by 16.2% on a y-o-y.

## Trend in Production of Steel tubes and pipes:

Chart 28: Trend in Production of Steel tubes and pipes

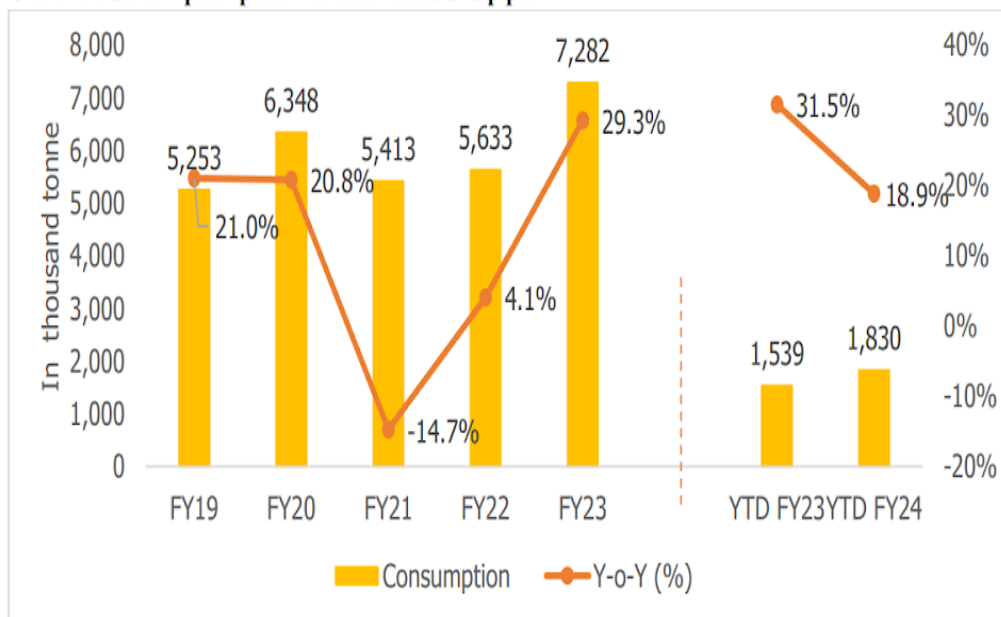


Source: CMIE

Note: YTD FY23 refers to the period from April 2022-August 2022

YTD FY24 refers to the period from April 2023-August 2023

## Consumption pattern of Steel tubes and pipes:

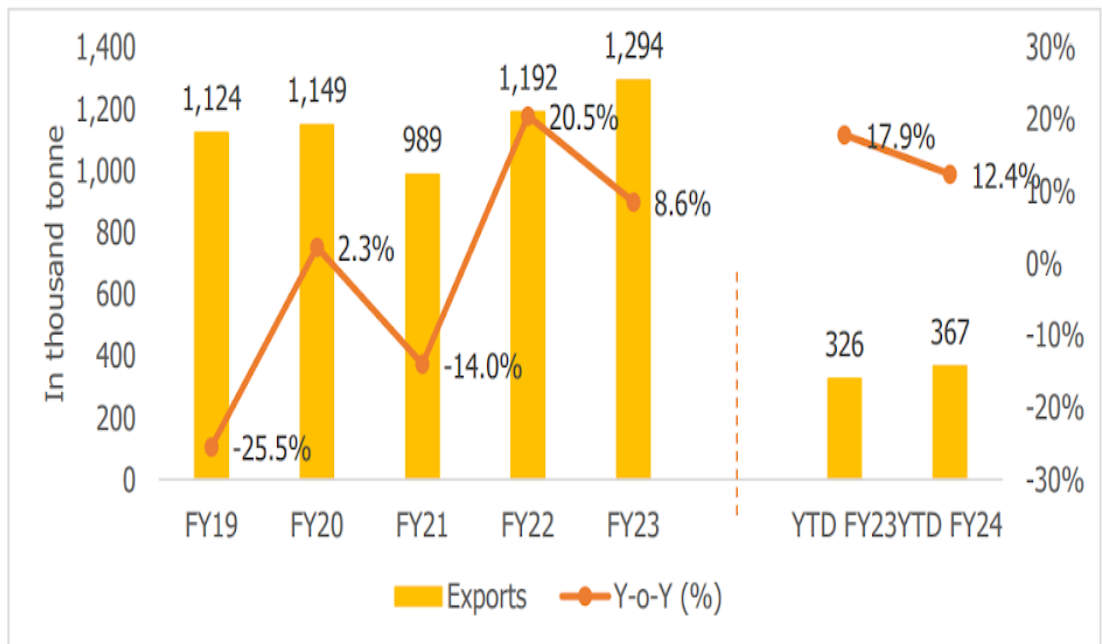


Source: CMIE

Note: YTD FY23 refers to the period from April 2022-August 2022

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**Exports of steel tubes and pipes:**

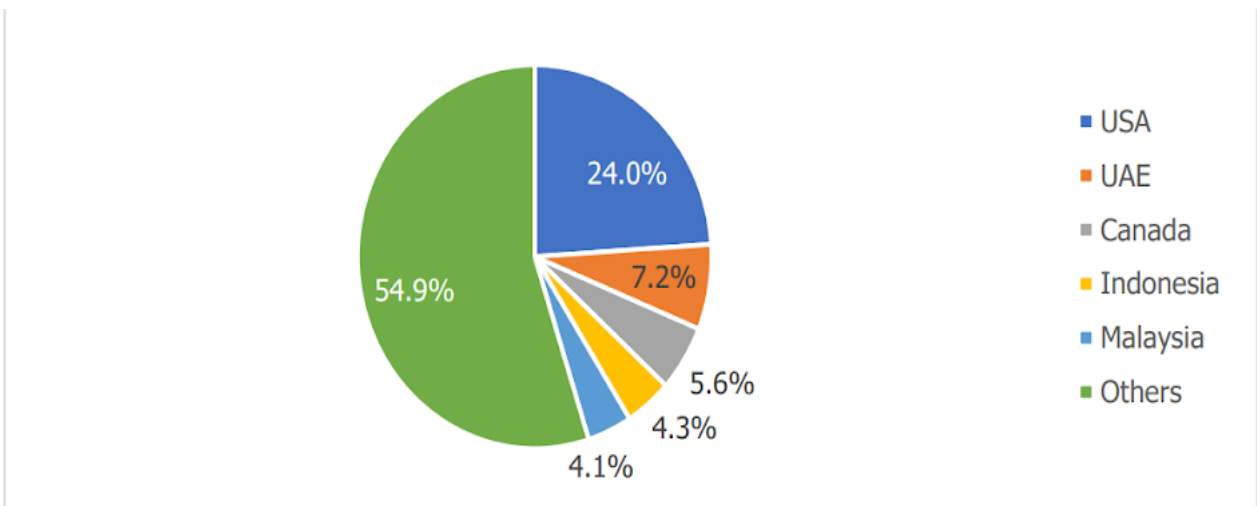


Source: CMIE

Note: YTD FY23 refers to the period from April 2022-August 2022

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**Country-wise exports of Steel tubes and pipes in FY23:**

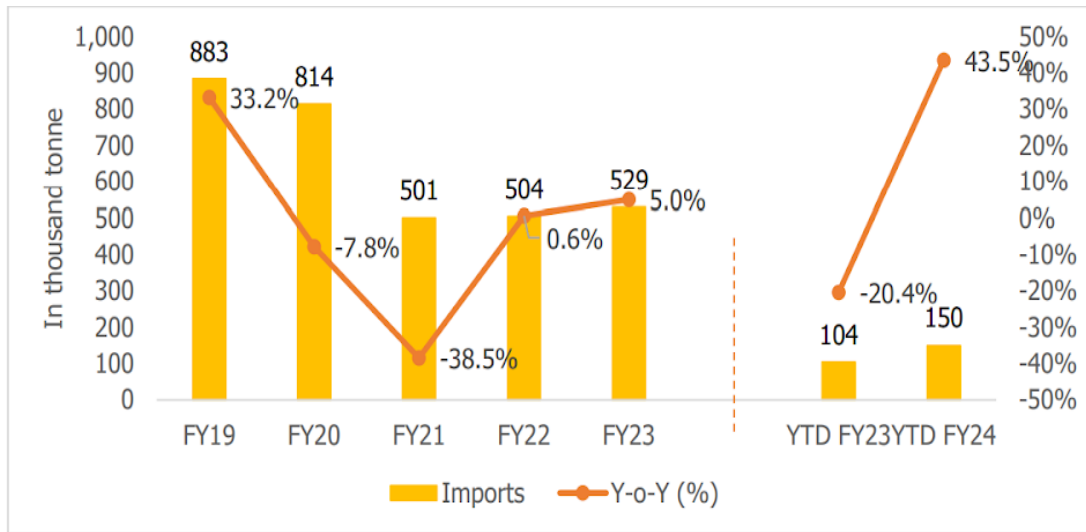


Source: CMIE



### Imports of steel tubes and pipes:

India imports steel tubes and pipes to meet the requirements of demand-supply gap in the country primarily for high temperature resistant pipes used for drilling and oil exploration, which are generally imported by the oil refineries in India.

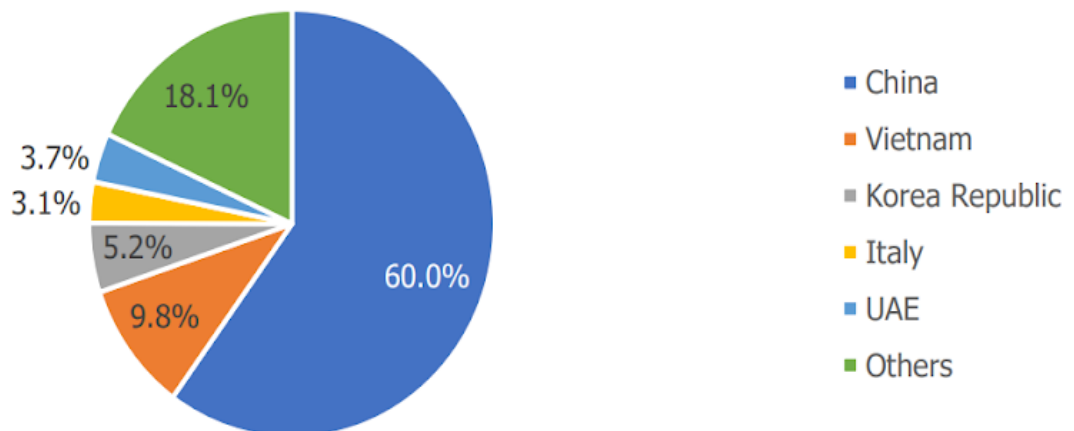


Source: CMIE

Note: YTD FY23 refers to the period from April 2022-August 2022

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### Country-wise Imports of Steel tubes and pipes in FY23:

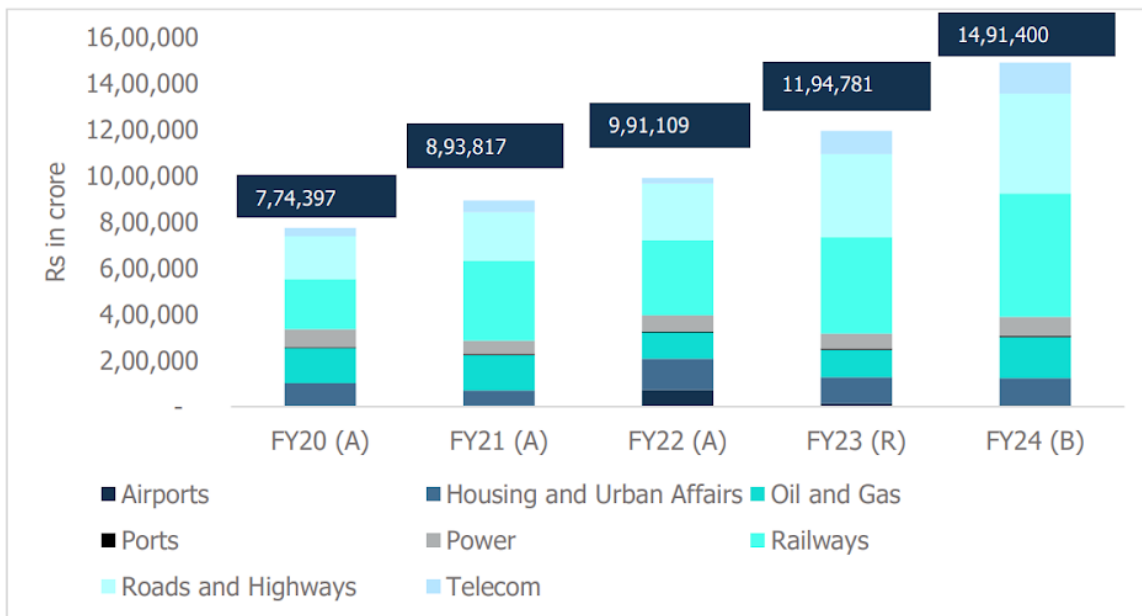


: CMIE

**F) Key Demand Drivers for Steel tubes and pipes:**

**> Continued thrust on construction and infrastructure:**

One of the major drivers for the steel tubes and pipes industry is the infrastructure investment thrust by the Government of India. The budgetary allocation towards infrastructure has grown at a CAGR of about 18% in the past 5 years between FY19-20 to FY23-24. In the Union Budget 2023-24, the government continued its focus on infrastructure development with the allocation of Rs 10 lakh crore towards infrastructure capital expenditure, an increase of 33% over allocation under the Union Budget 2022-23. Total allocation towards infrastructure, including investments in public enterprises, stood at Rs. 14 lakh crore, an increase of 24.8% over revised estimates of 2022-23.

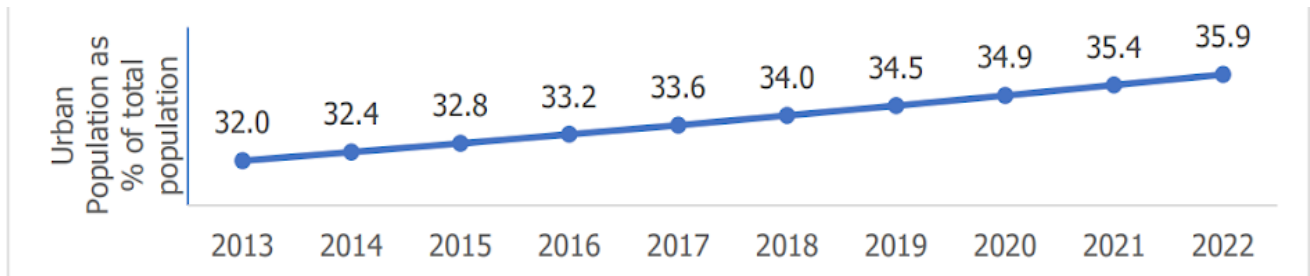


Source: Union Budget 2022-23

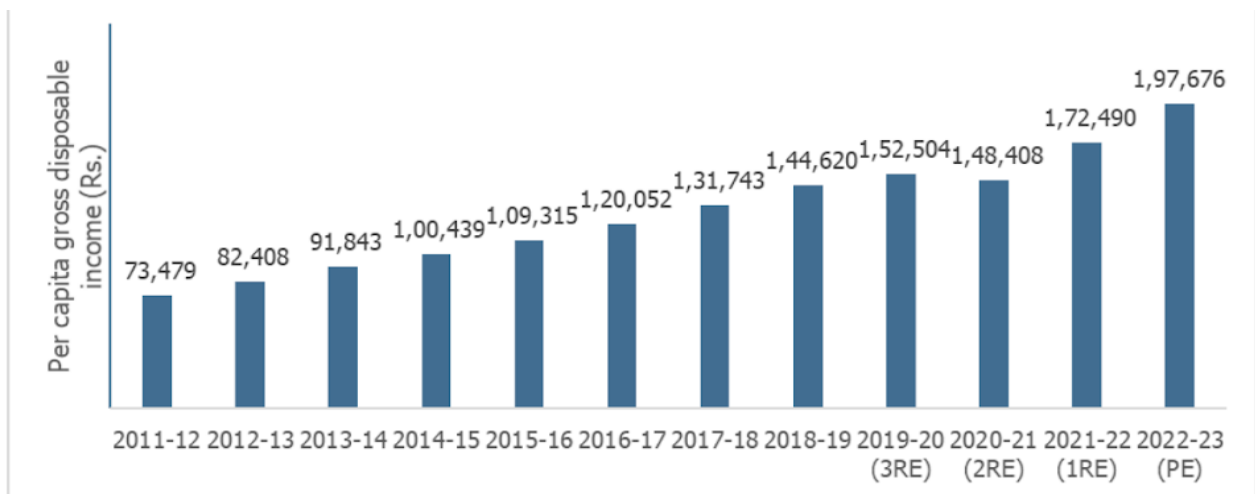
Note: A – Actual budget; R- Revised budget; B- Budgeted

\*Including investments in public enterprises

**> Growth in Real Estate Absorption led by Urbanisation and Increasing Purchasing Power:**



Source: World Bank Database



Source: MOSPI

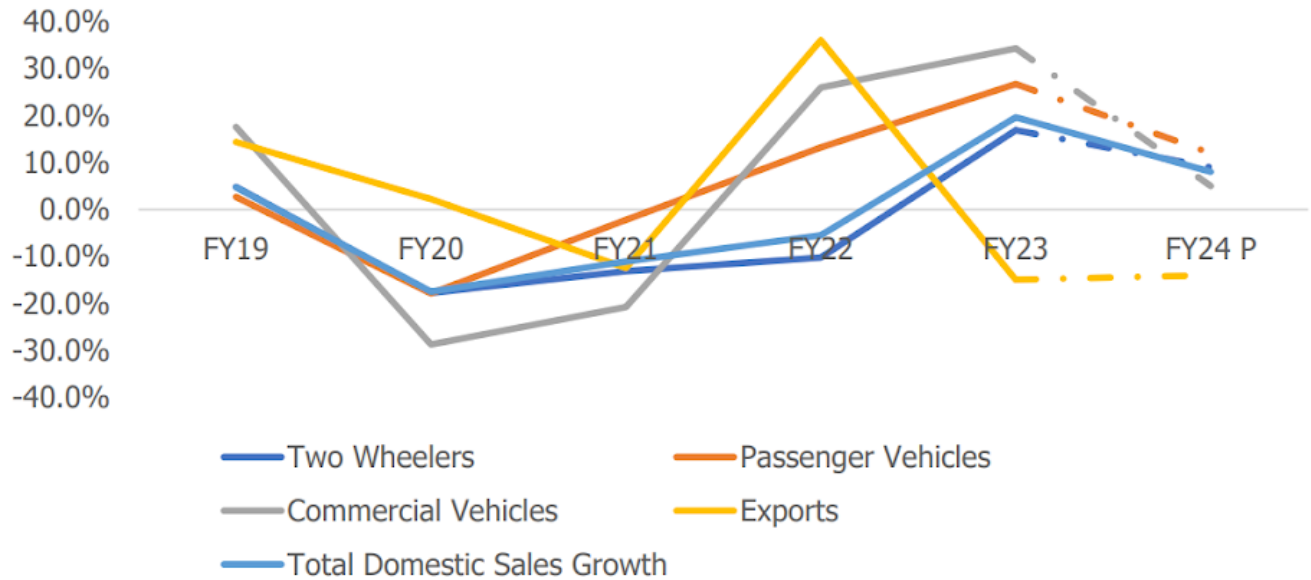
Note: 3RE – Third Revised Estimate, 2RE – Second Revised Estimates, 1RE – First Revised Estimates, 2AE – Second Advanced Estimate;

**> Development of natural gas sector:**

The government’s focus on enhancing the share of natural gas in India’s energy mix will increase the demand for steel pipes.

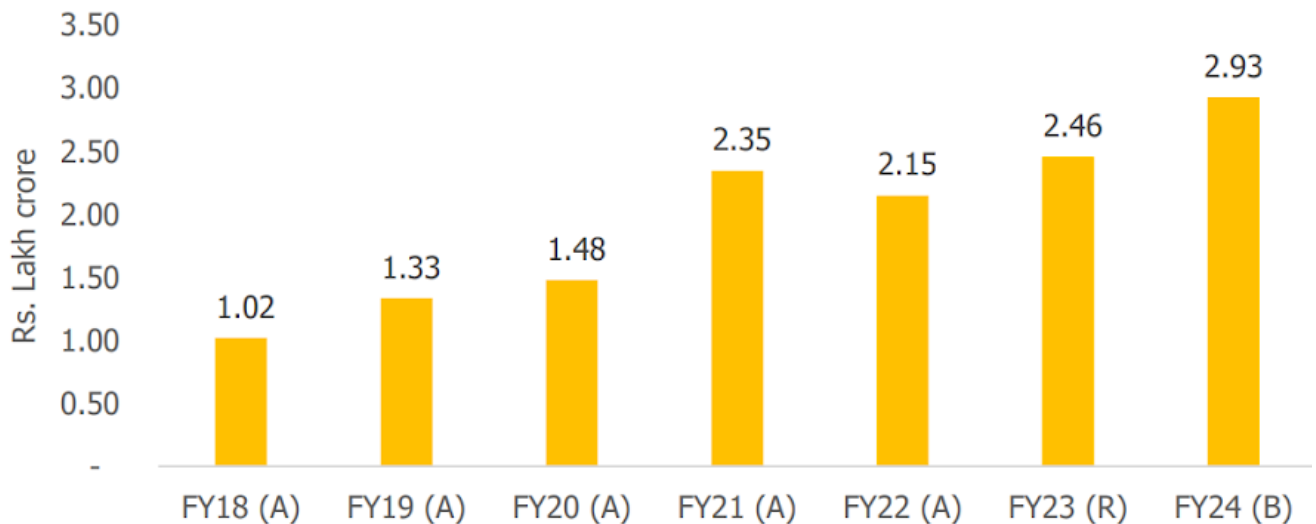
**> Stable growth in automotive industry:**

Steel tubes or pipes are used in the main structure of the vehicle known as chassis and other automotive components such as control shaft tube stack pipe, shock absorber, exhaust pipe, sway bars, other vehicle accessories (side railings, bumpers, grill guards) etc.



Source: CareEdge, SIAM (Society of Indian Automobile Manufacturers), TMA (Tractors Manufacturers Association), CMIE

**> Growing infrastructure for Railways:**



Source: Budget Documents. Note: B – Budgeted, A – Actual, R – Revised and Includes Internal and Extra Budgetary Resources (IEBR)

**> Expansion of metro rail:**

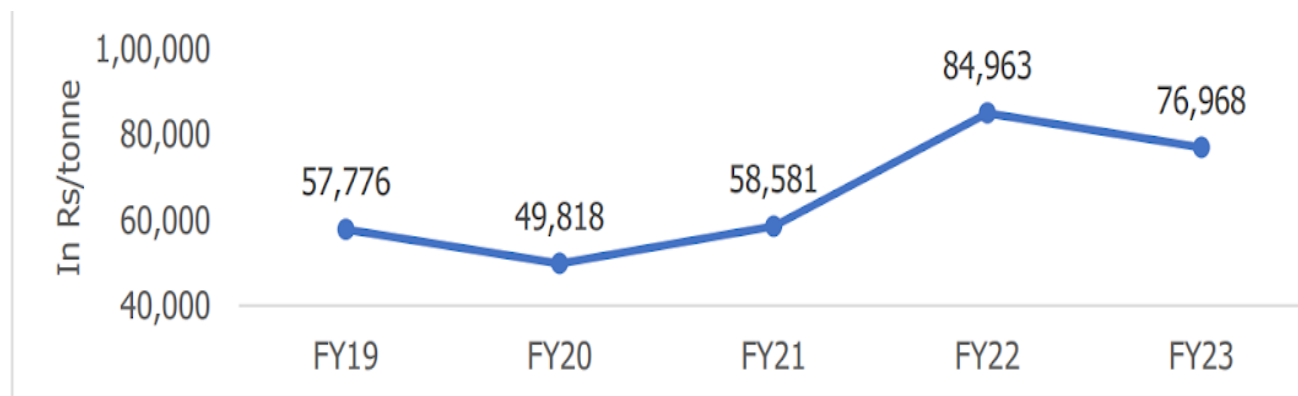
As of August 2022, about 775 Km of metro lines have been operationalised across 19 cities. The metro network, including regional rapid transit systems (RRTS) is proposed to be expanded to 1,700 Km across 27 cities by 2025 and subsequently to 50 cities.

### 3. Challenges Faced by The Industry:

#### > Volatility in steel prices:

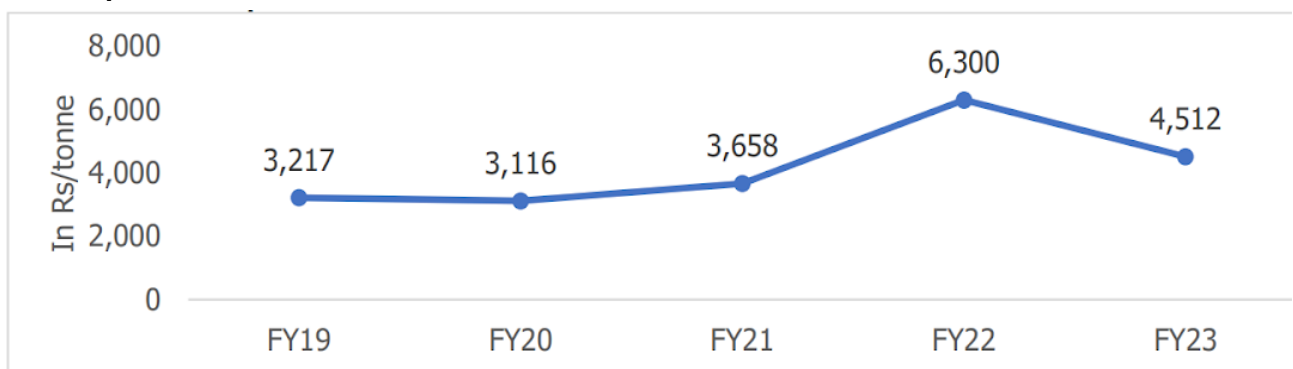
Raw materials such as stainless steel, mild steel, scrap steel etc are used in making steel tubes or pipes. The prices of steel have remained quite volatile due to geo-political tensions, weak international demand and fluctuation in raw material cost such as coking coal as discussed in earlier sections. Volatility in steel prices could impact the input cost of steel tubes and pipes manufacturers. In case of a sharp correction in steel prices, players need to sell high-cost inventory at lower prices which temporarily impacts their margin. Further if the prices remain high over a long period, the procurement from industries such as water infra, irrigation etc. gets postponed, thereby impacting the demand.

#### Domestic Steel Prices:



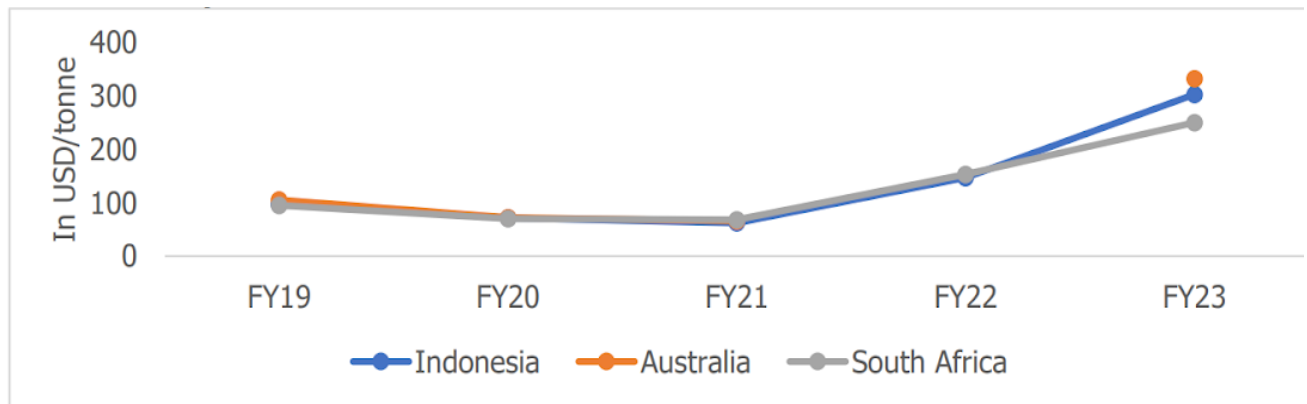
Source: CMIE

#### Iron ore prices:



Source: CMIE

### Coal Prices(Import):



Source: CMIE

#### >High logistics costs:

Logistics costs in India are significantly higher compared to global peers and account for about 14% of the GDP. The chart below shows the comparison of the share of logistics cost in GDP of India vs. developed economies.

#### >Global slowdown:

According to the IMF, the global economic growth for CY23 is estimated at 2.8% down from 3.4% in CY22, a degrowth of around 18%. This is largely because of the turbulence in the financial sector, geo-political tensions, supply chain disruptions, tightening monetary policies, persistent inflation and hike in interest rates. The growth of key export destinations of steel tubes and pipes such as the USA and Canada are projected at 1.6% and 1.5% for CY23 as compared to 2.1% and 3.4% for CY22. Currently, the steel tubes and pipes industry exports around 16% of its production which may get impacted owing to recession, inflationary pressures, supply chain disruptions etc. across the world.

#### > Decarbonisation and environmental concerns:

The Indian steel industry is responsible for roughly 12% of India's carbon dioxide (CO<sub>2</sub>) emissions, surpassing the global average of 7-9%<sup>4</sup>. The emission intensity in the Indian steel industry stands at 2.55 T/TCS<sup>5</sup>, while the global average emission intensity is 1.91 T/TCS. India has made a commitment to decrease the emissions intensity of its Gross Domestic Product (GDP) by 45% by 2030, compared to 2005 levels and achieve net zero by 2070. To support this target, the Ministry of Steel has committed to achieve a Net-Zero by 2070 and has taken a medium-term target to reduce the emission intensity of the steel sector to 2.4 T/TCS by 2030. These targets remain critical for steel industry players including steel pipes and tubes manufacturers for reducing the emissions within the set timelines. The reduction of emissions is also vital for the industry to maintain its

competitiveness in export markets which is becoming increasingly environment conscious - Commencing from October 2023, the European Union (EU) has decided to implement Carbon Border Adjustment Mechanism (CBAM) – a tariff on carbon-intensive imports, which is aimed at preventing carbon leakage. The first phase of CBAM will cover iron & steel, cement, aluminum, fertilizer, electricity and hydrogen sectors.

#### 4. Company's Financials: (Rs. In Lakhs)

Particulars	Period Ended September 30, 2023	Year Ended March 31, 2023	Year Ended March 31, 2022
Revenue	53051.01	111311.90	81,799.60
Gross Profit	5072	10027.12	7290
<b>GP Margin</b>	<b>9.56%</b>	<b>9%</b>	<b>8.91</b>
Net Profit	852.13	2106.62	1133.11
<b>NP Margin</b>	<b>1.61%</b>	<b>1.89%</b>	<b>1.38%</b>
EBITDA	2369.09	4684.44	3018.11
<b>EBITDA Margin</b>	<b>4.46%</b>	<b>4.21%</b>	<b>3.69%</b>
EBIT	2010.15	4047.93	2406.02
Finance Cost	874.96	1225.57	869.80
<b>Interest Coverage Ratio</b>	<b>2.30</b>	<b>0.30</b>	<b>2.77</b>
Debt	18667.52	15237.76	12705.13
Equity	10175.54	9319.79	7197.29
<b>D/E Ratio</b>	<b>1.83</b>	<b>1.63</b>	<b>1.77</b>

#### Cash Flow Statement: (Rs. in lakhs)

	Period Ended September 30, 2023	Year Ended March 31, 2023	Year Ended March 31, 2022
<b>CFOA</b>	<b>(819.78)</b>	<b>702.73</b>	<b>(3454.93)</b>
<b>CFIA</b>	<b>(1,649.39)</b>	<b>(1,553.12)</b>	<b>(407.42)</b>

<b>CFFA</b>	<b>2,554.80</b>	<b>1,307.06</b>	<b>4,413.80</b>
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## 5. Comparison with Industry Peers:

	<b>EPS</b>	<b>P/E Ratio</b>	<b>ROCE</b>	<b>D/E</b>	<b>EBITDA Margin</b>
<b>Vibhor Steel Tubes Limited</b>	8.99	16.80	32.55%	1.83	4.46%
<b>APL Apollo Tubes Limited(Listed)</b>	27.54	49.10	26.90%	0.36	6.62%
<b>Hi-Tech Pipes Limited((Listed)</b>	3.15	47	14.90%	0.56	4.34%
<b>Goodluck India Limited(Listed)</b>	44.66	25.80	16.50%	0.96	7.11%
<b>Rama Steel Tubes Limited(Listed)</b>	0.68	62.60	15.80%	0.46	4.48%

## 6. Conclusion:

Vibhor Steel Tubes Limited revenue is growing at a CAGR of 29.68%. The EBITDA margin of the Company is 4.46% which is less than peers median EBITDA margin of 5.55%. Also D/E ratio of Vibhor Steel Tubes Limited is 1.83 which is high as compared to peers D/E ratio which is 0.51. However company valuation is low in terms of P/E ratio comparison with peers.