

FINANCIAL MODEL

PLANT VISIT

Rising Stars

IMPORT
SUBSTITUTION

2024

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

FAST GROWING
BUSINESSES

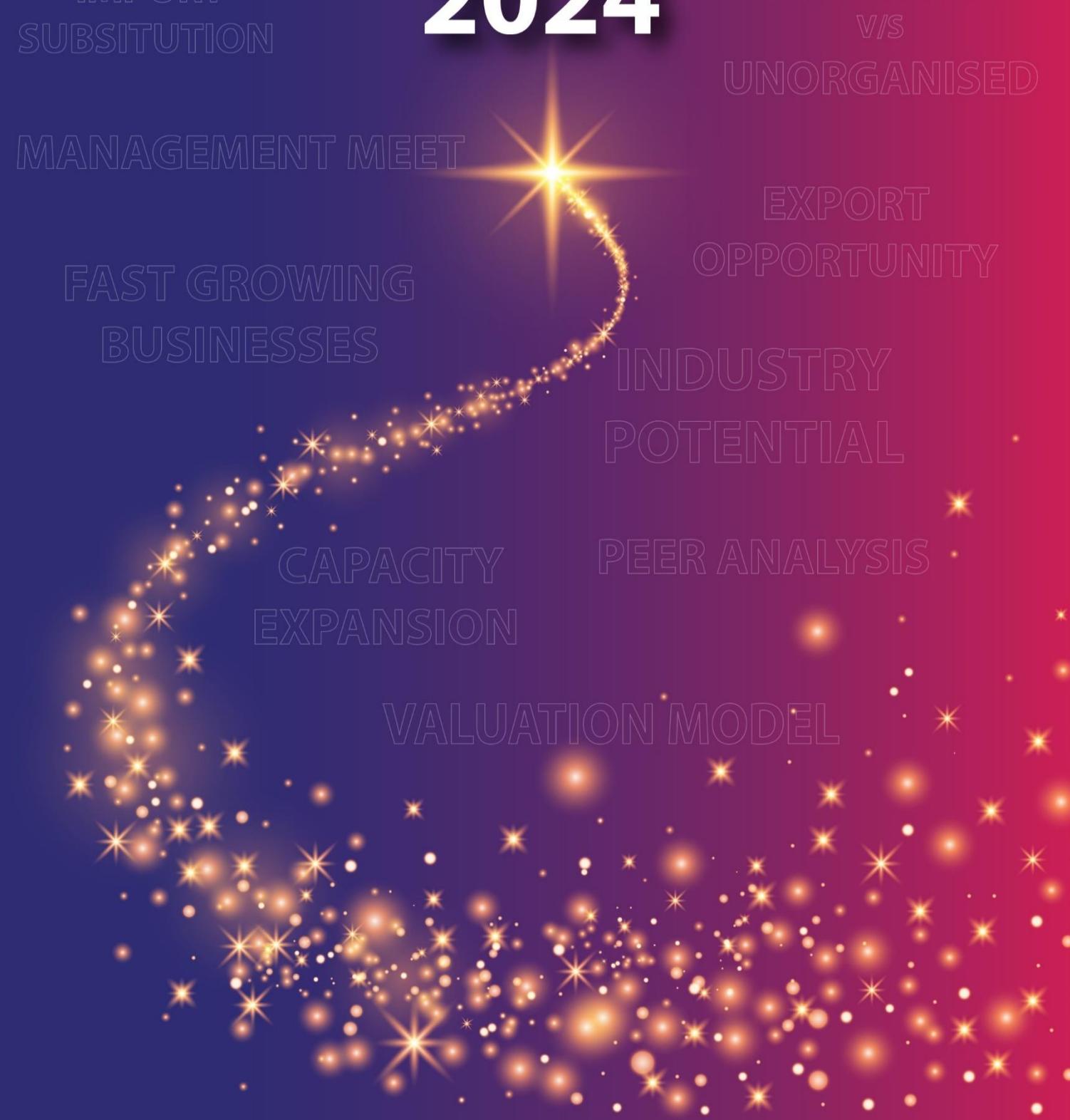
EXPORT
OPPORTUNITY

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Retail Research | 2QFY25 | BUY

Current Price*	Rs. 175.3
Target Price	Rs. 215.0
Upside	22.5%

*Closing price as on 11th Nov'24

STOCK DATA

Industry Segment	Iron & Steel Products
BSE Code	543411
NSE Code	HITECH
Bloomberg Code	HITECH IN
52 Week High / Low (Rs.)	211/98
Face Value (Rs.)	1
Diluted Number of Shares (cr.)	20.3
Market Cap. (Rs cr.)	3,579
Avg. Yearly NSE Volume	16,86,860

SHAREHOLDING PATTERN (%)

Particulars	Dec-23	Mar-24	Jun-24	Sep-24
Promoters	53.2	54.0	50.8	44.0
FII	0.4	1.8	9.3	13.0
DII	11.4	11.4	10.1	17.2
Public & Others	35.0	32.9	29.9	25.8
Total	100.0	100.0	100.0	100.0

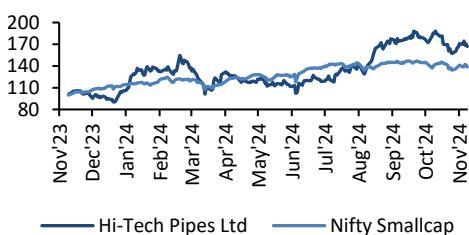
RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
SJS Enterprise	28.5	48.1	104.1	89.5
S&P BSE SmallCap	(2.9)	(1.0)	10.3	48.4

Valuation and return ratio

Y/E March	2023A	2024A	2025E	2026E	2027E
PE (x)	81.3	81.8	45.4	26.1	18.0
P/BV (x)	8.6	6.2	4.0	3.5	2.9
EV/EBITDA (x)	36.9	34.2	21.4	15.0	10.4
EV/Sales (x)	1.6	1.5	1.2	0.9	0.7
Mcap/Sales (x)	1.5	1.3	1.1	0.9	0.7
ROE (%)	9.0	7.6	8.8	13.3	16.2
ROCE (%)	14.0	10.7	12.8	17.5	21.4

Stock Performance (1-year)



Key highlights of the 2QFY25 Result

Highest ever quarterly sales volumes

During 2QFY25, revenues from operations declined 5.4% YoY on account of steep fall in raw material prices. However, EBITDA/PAT during the quarter increased by 57.7%/72.0% YoY to Rs 42.2 cr/Rs 18.1 cr respectively. EBITDA/t in 2QFY25 stood at Rs 3,429/t vs 2,665/t in 2QFY24, up 28.7% YoY. This was primarily due to the company accumulating a lot of fix price orders/contracts which aided to mitigate Rs 600 – Rs 700/t inventory loss. Further, no additional discounts were given to dealers and distributors.

Volume, EBITDA/t & % Share of Value-added products (VAP) guidance: For FY25E/F26E/FY27E, we have assumed sales volume of 0.5 mnt/0.6 mnt/0.8 mnt respectively. We expect its blended EBITDA/t to increase to Rs 3,497/t/Rs 3,915/t/Rs 4,153/t in FY25/FY26/FY27 respectively from Rs 2,967/t in FY24 on the back of increase in % share of value-added products to 50%+ in FY26 on a blended basis.

Growth drivers to boost the blended EBITDA/t and % share of VAP: The upcoming new capacities are majorly focused on value-added products (Gujarat, Sanand (Unit 2, Phase 2) and Sikandrabad) and are likely to be operational by end of FY25. This will aid in margin expansion and achieve 50%+ share of value-added products by FY26.

Fund raise through QIP: The company successfully completed the fund raise through QIP of Rs 500 cr, backed by strong interest from institutional investors. It issued and allotted 2.7 cr equity shares at Rs 185.5/share each to eligible Qualified Institutional Buyers (QIBs).

Maintain BUY with Price Target Rs 215.0/-

We believe, Hi-Tech pipes has mammoth growth prospects in the structural steel tubes space given its (a) Capacity expansion from 0.58 MTPA in FY23, 0.75 MTPA in FY24 to 1 MTPA in FY25E, (b) Transition from generic products to value-added products, (c) Product portfolio enhancement on back of Solar torque tubes, color coated roofing sheets and (d) Healthy demand for structural steel tube over medium and long term (Budgeted Allocation for Jal Jeevan Mission of Rs 70,163 cr in Budget 24-25). **At the CMP of Rs 175.3, the stock is currently trading at a P/E of 45.4x/26.1x/18.0 of its FY25E/FY26E/FY27E EPS of Rs 3.9/Rs 6.7/Rs 9.8 respectively. We assign a higher P/E multiple of 22x and retain our BUY rating on the stock with price target of Rs 215 thus providing an upside potential of 22.5%.**

Financial Summary (Rs Cr)

Particulars	2023A	2024A	2025E	2026E	2027E
Net Sales	2,385.8	2,699.3	3,151.3	4,024.8	5,165.7
<i>Growth (%)</i>	-	<i>13.1%</i>	<i>16.8%</i>	<i>27.7%</i>	<i>28.4%</i>
EBITDA	103.2	114.9	171.7	241.5	320.3
<i>Growth (%)</i>	-	<i>11.3%</i>	<i>49.5%</i>	<i>40.6%</i>	<i>32.6%</i>
Net Profit	43.6	43.9	79.2	137.5	200.0
<i>Growth (%)</i>	-	<i>0.9%</i>	<i>80.2%</i>	<i>73.7%</i>	<i>45.5%</i>
EPS (Rs)	2.2	2.1	3.9	6.7	9.8
<i>Growth (%)</i>	-	<i>(0.6%)</i>	<i>80.2%</i>	<i>73.7%</i>	<i>45.5%</i>
DPS (Rs)	-	-	-	-	-
Div. Yield (%)	-	-	-	-	-

Source: Company, SSL Research

2QFY25 Result

Figures in Rs. Cr.

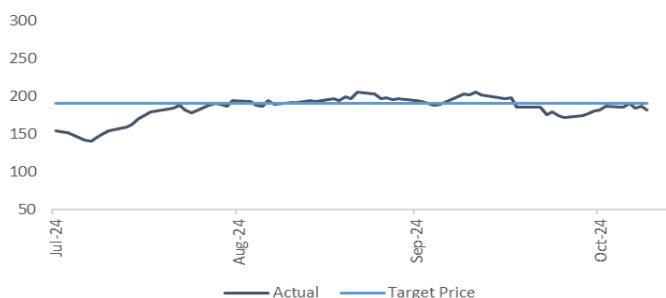
Quarter Ended	2QFY25	1QFY25	Q-O-Q % Change	2QFY24	Y-o-Y % Change	Comments
Net Sales	705.9	867.0	(18.6)	746.0	(5.4)	Highest ever quarterly sales volume
Other Income	1.0	0.5	82.6	0.7	32.9	
Total Income	706.9	867.5	(18.5)	746.7	(5.3)	
Total Operating Expenditure	663.7	824.3	(19.5)	719.2	(7.7)	
Material Cost	630.9	791.4	(20.3)	689.3	(8.5)	
As % of Sales	89.4	91.3	-	92.4	-	
Other Exp.	32.8	32.9	-	30.0	-	
As % of Sales	4.7	3.8	-	4.0	-	
EBITDA (Excl OI)	42.2	42.7	(1.2)	26.8	57.7	EBITDA/t rose YoY primarily due to the company gathering a lot of fix price orders which aided to mitigate Rs 600 – Rs 700/t inventory loss.
EBITDA (Incl OI)	43.2	43.2	(0.1)	27.5	57.0	
Interest & Finance Cost	13.6	14.1	(3.7)	10.4	30.5	
PBDT	29.6	29.1	1.6	17.1	73.1	
Depreciation.	5.3	5.1	2.9	3.1	72.7	
PBT	24.3	24.0	1.3	14.0	73.2	
Tax	6.2	5.9	4.3	3.5	76.8	
Net Profit	18.1	18.1	0.3	10.5	72.0	PAT rose YoY on back of strong operational efficiencies
Operating Margins (%)	6.0	4.9		3.6		
Net Profit Margins (%)	2.6	2.1		1.4		
Tax Rate (%)	25.5	24.8		25.0		
Equity (Rs cr)	17.6	15.8		13.1		
FV (Rs)	1.0	1.0		1.0		
EPS (Rs)	1.0	1.1		0.8		
Cash EPS (Rs)	1.3	1.5		1.0		

Estimate Revision

Particulars (Rs. cr)	New Estimate			Old Estimate			% Change		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Revenue	3151.3	4024.8	5165.7	3304	4207.8	0	-4.6%	-4.3%	-
EBITDA	171.7	241.5	320.3	168.5	231.4	0	1.90%	4.4%	-
EBITDA Margin (%)	5.4	6	6.2	5.1	5.5	0	5.9%	9.1%	-
Adj. PAT	79.2	137.5	200	89.5	140.7	0	-11.51%	-2.3%	-
EPS (Rs. Per share)	3.9	6.7	9.8	5	7.9	0	-22.0%	-15.2%	-

Source: SSL Research

Target Price History



Financial Statements

Income Statement

Figures in Cr.

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue from Operations	2,385.8	2,699.3	3,151.3	4,024.8	5,165.7
% YoY growth	27.0%	13.1%	16.7%	27.7%	28.3%
Cost Of Revenues (incl Stock Adj)	2,174.3	2,462.5	2,844.0	3,622.3	4,638.8
Gross Profit	211.5	236.8	307.3	402.5	526.9
Gross margins	8.9%	8.8%	9.7%	10.0%	10.2%
Employee Cost	26.4	31.5	34.7	40.2	51.7
Other Operating Expenses	81.9	90.5	100.8	120.7	155.0
EBITDA	103.2	114.9	171.7	241.5	320.3
EBITDA margins	4.3%	4.3%	5.4%	6.0%	6.2%
Other Income	2.3	1.2	2.1	2.0	1.5
Net Interest Exp.	35.3	41.9	46.7	35.5	27.3
Depreciation	13.8	15.5	20.9	23.3	25.9
Exceptional Items	-6.5	0.0	0.0	0.0	0.0
PBT	49.9	58.7	106.3	184.6	268.5
Tax	12.8	14.8	27.1	47.1	68.5
Adj PAT	43.6	43.9	79.2	137.5	200.0
PAT margin (%)	1.8%	1.6%	2.5%	3.4%	3.9%
Adj. EPS	2.2	2.1	3.9	6.7	9.8

Balance Sheet

Figures in Cr.

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Assets					
Net Block	286.5	354.4	460.8	517.4	544.0
Capital WIP	36.4	62.3	35.0	15.0	12.5
Intangible Assets under development	0.6	0.5	0.5	0.5	0.5
Other Noncurrent Assets	40.7	45.9	45.9	45.9	45.9
Current Assets					
Current Investment	-	-	2.0	7.0	12.0
Inventories	306.8	346.7	378.6	481.5	537.5
Trade receivables	185.5	280.2	289.6	349.9	386.0
Cash and Bank Balances	21.2	26.0	221.7	188.2	208.3
Short-term loans and advances	-	-	-	-	-
Other Current Assets	37.9	62.7	62.7	62.7	62.7
Total Current Assets	551.3	715.6	954.7	1,089.4	1,206.5
Current Liabilities & Provisions					
Trade payables	174.2	157.3	188.0	275.1	262.7
Other current liabilities	52.7	45.6	67.7	85.3	108.3
Short-term provisions	9.9	3.5	13.1	16.8	21.5
Total Current Liabilities	236.8	206.5	268.9	377.2	392.6
Net Current Assets	314.5	509.1	685.7	712.2	814.0
Total Assets	678.7	972.2	1,228.0	1,291.1	1,416.9
Liabilities					
Share Capital	12.8	15.0	20.5	20.5	20.5
Reserves and Surplus	405.3	561.4	876.0	1,013.6	1,213.6
Total Shareholders' Funds	418.1	576.4	896.5	1,034.0	1,234.1
Minority Interest	-	-	-	-	-
Total Debt	235.1	365.8	300.8	225.8	150.8
Long Term Provisions	1.2	1.5	2.1	2.7	3.5
Other Long-Term Liabilities	22.0	26.1	26.1	26.1	26.1
Net Deffered Tax Liability	2.3	2.5	2.5	2.5	2.5
Total Liabilities	678.7	972.2	1,228.0	1,291.1	1,416.9

Cash Flow

Figures in Cr.

Particulars	FY23	FY24	FY25E	FY26E	FY27E
PBT	56.4	58.7	106.3	184.6	268.5
Depreciation & Amortization	13.8	15.5	20.9	23.3	25.9
Other Adjustments	34.0	40.9	46.7	35.5	27.3
(Inc) / Dec in Working Capital	44.7	(198.9)	21.7	(54.4)	(75.9)
Taxes	(15.1)	(11.3)	(27.1)	(47.1)	(68.5)
Cash from Ops.	133.7	(95.2)	168.4	142.0	177.4
Capital Expenditure & investments	(104.2)	(118.7)	(102.0)	(65.0)	(55.0)
Cash from Investing	(104.2)	(118.7)	(102.0)	(65.0)	(55.0)
Issue of Share capital	122.3	114.6	241.0	-	-
Net Borrowings	(129.4)	155.8	(65.0)	(75.0)	(75.0)
Others	(20.8)	(55.7)	(46.7)	(35.5)	(27.3)
Issuance of Dividend	(0.6)	(0.3)	-	-	-
Cash from Financing	(28.5)	214.3	129.3	(110.5)	(102.3)
Extraordinary receipts/payment	-	-	-	-	-
Net Change in Cash	1.0	0.4	195.7	(33.5)	20.1
BF Cash	0.9	1.9	2.3	198.0	164.6
Forex & Others	-	-	-	-	-
Other Bank Balances	19.3	23.7	23.7	23.7	23.7
Cash in hand	21.2	26.0	221.7	188.2	208.3
FCF	64.4	(204.4)	68.4	82.0	127.4

Key Ratios

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Profitability					
Return on Capital Employed (%)	14.0	10.7	12.8	17.5	21.4
Return on Equity (%)	9.0	7.6	8.8	13.3	16.2
Margin Analysis					
Gross Margin (%)	8.9	8.8	9.7	10.0	10.2
EBITDA Margin (%)	4.3	4.3	5.5	6.0	6.2
Net Income Margin (%)	1.6	1.6	2.5	3.4	3.9
Short-Term Liquidity					
Current Ratio (x)	1.5	1.5	2.0	2.1	2.6
Quick Ratio (x)	0.6	0.8	1.2	1.2	1.4
Avg. Days Sales Outstanding	28	38	34	32	27
Avg. Days Inventory Outstanding	47	47	44	44	38
Avg. Days Payables	27	21	22	25	19
Fixed asset turnover (x)	7.7	7.1	6.5	6.8	7.9
Debt-service coverage (x)	2.9	2.7	3.7	6.8	11.7
Long-Term Solvency					
Total Debt / Equity (x)	0.6	0.6	0.3	0.2	0.1
EBITDA / Interest Expense (x)	2.6	2.4	3.3	6.2	10.8
Valuation Ratios					
EV/EBITDA (x)	36.9	34.2	21.4	15.0	10.4
PE (x)	81.3	81.8	45.4	26.1	18.0
P/B (x)	8.6	6.2	4.0	3.5	2.9

Our recent Rising Star recommendations and price performance

Sr.No.	Company Name	NSE Symbol	Initiated Date	Initiated Price	CMP*	Return (%) since initiated date	Latest rec. Date	Latest Target	High price since Initiation	Return (%) based on High price since initiation
1	APL Apollo Tubes Ltd.	APLAPOLLO	25-Apr-23	1,219.0	1,515.0	24.3	05-Nov-24	1,717.0	1,806.2	48.2
2	Stylam Industries Ltd.	STYLA MIND	27-Apr-23	1,150.0	2,253.2	95.9	13-Feb-24	1,886.0	2,736.0	137.9
3	Star Cement Ltd.	STARCEMENT	05-May-23	123.2	188.0	52.6	14-Aug-24	240.0	256.0	107.8
4	JK Lakshmi Cement Ltd.	JKLAKSHMI	24-May-23	705.0	719.0	2.0	07-Aug-24	963.0	1,000.0	41.8
5	Dhanuka Agritech Ltd.	DHANUKA	29-May-23	711.0	1,590.0	123.6	08-Nov-24	1,982.0	1,926.4	170.9
6	Zen Technologies Ltd.	ZENTEC	12-Jul-23	520.0	1,793.4	244.9	05-Nov-24	2,214.0	1,999.0	284.4
7	SJS Enterprises Ltd.	SJS	05-Oct-23	680.0	1,203.8	77.0	04-Nov-24	1,453.0	1,270.0	86.8
8	KPI Green Energy Ltd.	KPIGREEN	17-Nov-23	389.3	781.0	100.6	14-Aug-24	1,246.0	1,118.0	187.2
9	Syrma SGS Technology Ltd.	SYRMA	06-Dec-23	590.0	544.3	-7.7	29-Oct-24	610.0	705.0	19.5
10	Senco Gold Ltd.	SENCO	11-Dec-23	721.6	1,112.0	54.1	16-Aug-24	1,099.0	1,544.0	114.0
11	Hi-Tech Pipes Ltd.	HITECH	31-Jul-24	149.0	175.3	17.7	31-Jul-24	215.0	211.0	41.6
12	Aditya Birla Capital Ltd.	ABCAPITAL	31-Oct-24	222.2	198.0	-10.9	31-Oct-24	275.0	247.0	11.2

*CMP is closing price on 12th Nov, 2024

Moved to Soft Coverage

Sr.No.	Company Name	NSE Symbol	Initiated Date	Initiated Price	Close price	Return (%) since initiated date	High Price Since Initiation	Return (%) based on High price since initiation	Comments
1	Satin Creditcare Network Ltd.	SATIN	10-Jan-24	259.0	198.0	(23.6)	284.0	9.7	Exited on 27 th Sep'24 due to Microfinance industry under stress.

SBICAP Securities Limited
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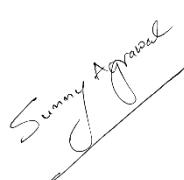
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