

FINANCIAL MODEL

PLANT VISIT

Rising Stars

IMPORT
SUBSTITUTION

2024

ORGANISED
V/S
UNORGANISED

MANAGEMENT MEET

EXPORT
OPPORTUNITY

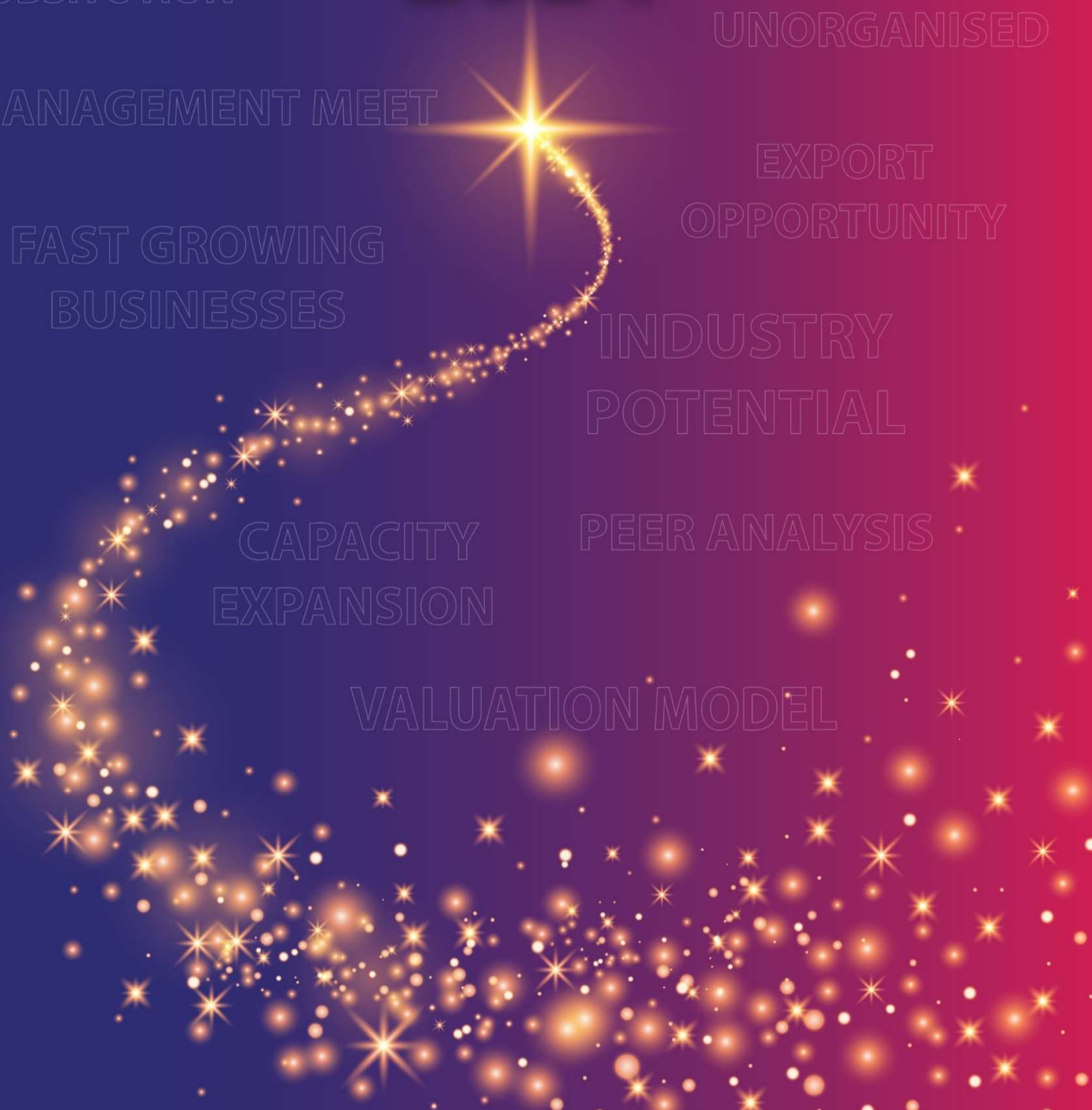
FAST GROWING
BUSINESSES

INDUSTRY
POTENTIAL

CAPACITY
EXPANSION

PEER ANALYSIS

VALUATION MODEL



Retail Research | BUY

Hi-Tech Pipes Ltd

Capacity expansion to drive growth!!!

Current Price	Rs. 149.0
Target Price	Rs. 190.0
Upside	27.0%

STOCK DATA

Industry Segment	Iron & Steel Products
BSE Code	543411
NSE Code	HITECH
Bloomberg Code	HITECH IN
52 Week High / Low (Rs.)	170.3/74.0
Face Value (Rs.)	1.0
Diluted Number of Shares (Crore.)	17.8
Market Cap. (Rs Crore.)	2,227
Avg. Yearly NSE Volume	18,54,110

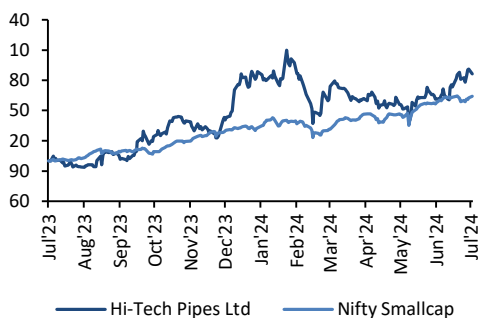
SHAREHOLDING PATTERN (%)

Particulars	Dec-23	Mar-24	Jun-24	Jul-24
Promoters	55.6	53.2	54.0	50.8
FII	0.1	0.4	1.8	8.7
Other Institution	7.5	11.4	11.3	10.2
Public & Others	36.8	35.0	32.9	30.3
Total	100.0	100.0	100.0	100.0

RETURNS STATISTICS (%)

Particulars	1M	3M	6M	12M
Hi-Tech Pipes	15.0	16.6	0.6	86.3
Nifty Smallcap	2.4	11.9	21.8	64.2

Stock Performance (1-year)



Source: NSE

Hi-Tech Pipes Ltd. is one of India's leading steel processing companies having more than three decades of experience with a strong presence in steel pipes, hollow sections, tubes, cold rolled coils & strips, road crash barriers, solar mounting structures, GP/GC sheets, color coated coils and a variety of other galvanised products. The company operates six state-of-the art integrated manufacturing facilities located at Sikandrabad (UP), Sanand (Gujarat), Hindpur (AP) – near Bangalore and Khopoli (Maharashtra), with an installed capacity of 0.75 million tonnes per annum (MTPA) as of FY24 on a consolidated basis and is on its way to reach 1 MTPA capacity in FY25. The company has a direct marketing presence in over 20 states with more than 450+ dealers & distributors across India.

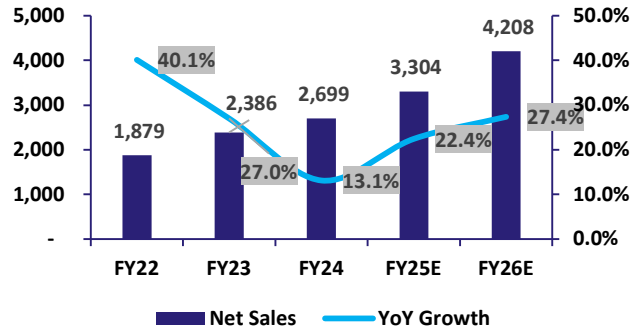
Advancing ahead, we believe Hi-Tech Pipes has mammoth growth prospects in the structural steel tubes space given its (a) Capacity expansion from 0.58 MTPA in FY23, 0.75 MTPA in FY24 to 1 MTPA in FY25E, (b) Transition from generic products to value-added products, (c) Product portfolio enhancement on 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).

We expect Revenue/EBITDA/Net Profit to grow at a CAGR of 24.9%/41.9%/78.9% between FY24-FY26E to Rs.4,208 cr/Rs.231 cr/Rs.141 cr respectively. At a CMP of Rs.149, the stock is trading at 29.6x/18.8x P/E multiple based on expected EPS of Rs. 5.0/7.9 for FY25E/FY26E respectively. **We have valued the business at 24x P/E multiple based on its FY26E earnings and arrive at a target price of Rs.190 thus providing an upside potential of 27.0% and assign a BUY rating for the stock.**

Financial Summary

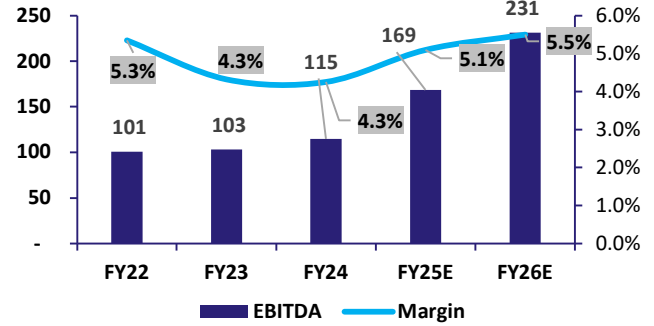
Particulars	FY22	FY23	FY24	FY25E	FY26E
Net Sales (Rs. cr)	1,879	2,386	2,699	3,304	4,208
Growth (%)	-	27.0	13.1	22.4	27.4
EBITDA (Rs. cr)	101	103	115	169	231
Growth (%)	-	2.0	11.7	47.0	36.7
Adj. Net Profit (Rs. cr)	40	44	44	90	141
Growth (%)	-	12.8	0.0	104.5	56.7
EPS (Rs)	2.3	2.5	2.5	5.0	7.9
Growth (%)	-	9.6	(0.6)	103.8	57.1
P/E (x)	65.7	60.0	60.3	29.6	18.8
P/BV (x)	10.2	6.3	4.6	3.1	2.6
Debt/Equity (x)	1.4	0.6	0.6	0.3	0.2
ROE (%)	15.6	9.0	7.6	10.4	14.1
ROCE (%)	14.7	14.0	10.7	13.7	18.1

Revenue Growth Trend (Rs.cr)



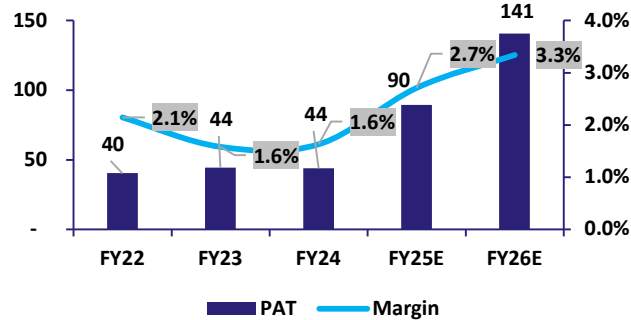
Source: Company, SSL Research

EBITDA (Rs.cr) and OPM (%)



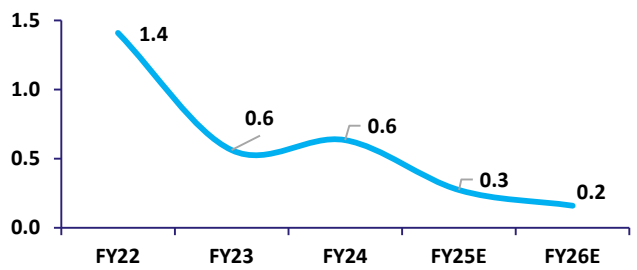
Source: Company, SSL Research

Adj. PAT (Rs.cr) and NPM (%)



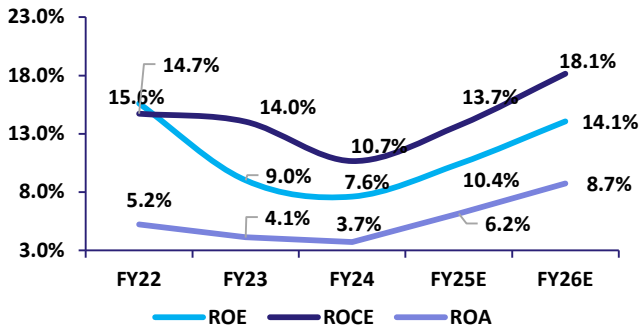
Source: Company, SSL Research

Debt/Equity (x)



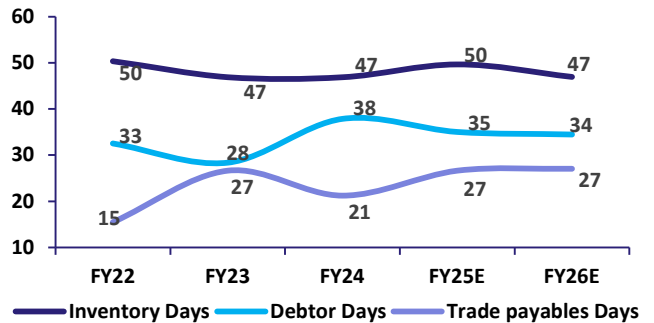
Source: Company, SSL Research

ROE/ROCE/ROA Trend (%)



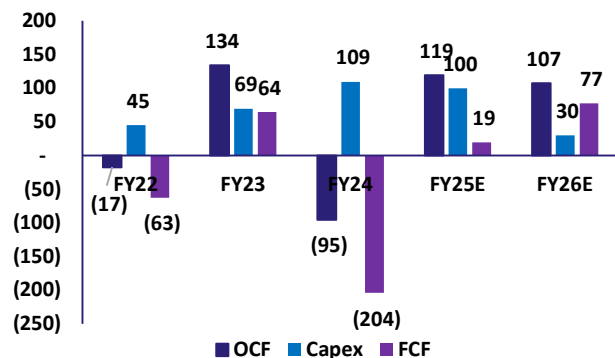
Source: Company, SSL Research

Working Capital Days



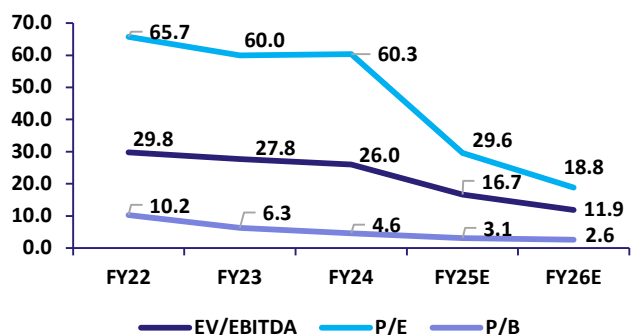
Source: Company, SSL Research

OCF/Capex/FCF (Rs.cr)



Source: Company, SSL Research

Valuation Metrics (x)



Source: Company, SSL Research

(A) Investment Rationale

1. Capacity expansion to aid volume growth

Installed capacity to increase from 0.75 MTPA in FY24 to 1 MTPA in FY25E

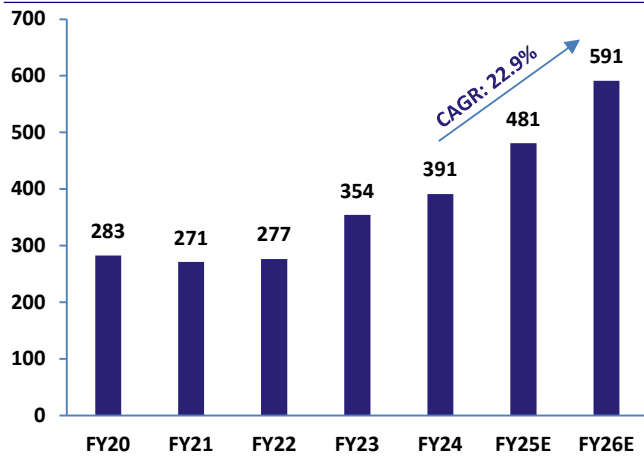
**Sales Volume assumption
FY25E - 0.48 MTPA
FY26E – 0.59 MTPA**

As of FY23, Hi Tech Pipes Ltd had a total installed capacity of ERW steel tubes & pipes to the tune of 0.58 MTPA. With capex of Rs 100 cr, the company commissioned greenfield capacity of 0.17 MTPA in Sanand, Gujarat (Unit 2, Phase 1) and commercialised the same on 18th Mar 2024. We expect the benefit of the expanded capacity to start flowing from 1QFY25 onwards. The company is also setting up a greenfield plant at Sikandrabad (UP) with capacity of 0.15 MTPA (capex of Rs 85 cr) which is likely to be commissioned in 3QFY25. In addition, the company is also expanding its capacity in Gujarat, Sanand (Unit 2, Phase 2) by 0.11 MTPA (capex of Rs 55 cr) which will get commissioned in 4QFY25. With this expansion in Gujarat and UP the company will have capacity to the tune of 1 MTPA by FY25 end and the benefits in terms of incremental sales volume will be seen during FY25E - FY27E period. For FY25/FY26, we have assumed the company to reach sales volume of 0.48 MTPA/0.59 MTPA respectively.

Overall, the company will spend Rs 140 cr for the above capacity expansion, which will be funded through a mix of internal accruals and warrants. We have assumed capex of Rs 100 cr and Rs 30 cr in FY25E and FY26E respectively. We expect capex to peak out in FY25E.

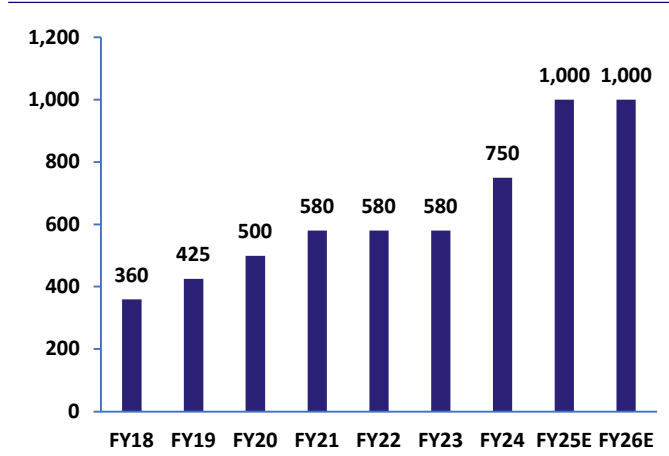
During FY24-FY26E period, we expect sales volume to grow at CAGR of 23% to 0.59 MTPA. We expect capacity utilisation to be at 48% in FY25E and 59% in FY26E. This shows that there is enough capacity available to pursue growth opportunity in FY27E.

Sales Volume ('000 MT)



Source: Company, SSL Research

Production Capacity ('000 MT)



Source: Company, SSL Research

2. Increase in % share of Value-added products to drive profitability

Value-added products command higher EBITDA/t as compared to general products. EBITDA/t for general products/Value-added products is ~Rs 2,000/tonne & Rs 5,000/tonne respectively. The company’s % share of value-added product increased from 18% in FY21 to 35% in FY24. We expect its blended EBITDA/t to increase to Rs 3,502/t and Rs 3,915/t in FY25 and FY26 respectively from Rs 2,967/tonne in FY24 on the back of increase in % share of value-added products to 40% in FY25 and 50%+ in FY26 on a blended basis.

Growth drivers to boost the blended EBITDA/t and % share of Value-added products

1. Commissioning of Gujarat, Sanand (Unit 2, Phase 1) in Mar’24. This plant will manufacture torque tubes for solar tracker structures which are higher margin products and would improve the overall profitability of the company.
2. The upcoming new capacities are majorly focused on value-added products (Gujarat, Sanand (Unit 2, Phase 2) and Sikandrabad). This will help to improve margins and achieve 50%+ share of value-added products by FY26.

EBITDA/tonne assumption:

FY25E – Rs 3,502/t

FY26E – Rs 3,915/t

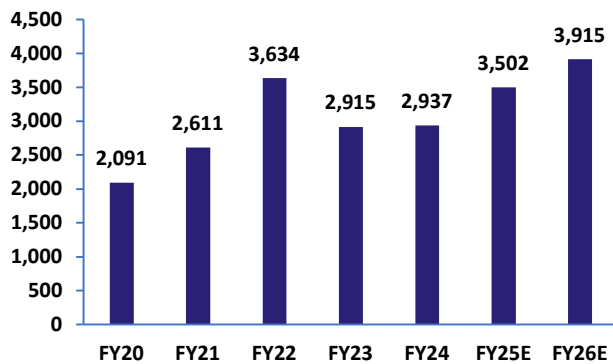
% Share of value-added products to increase:

FY24: 35%

FY25E: 40%

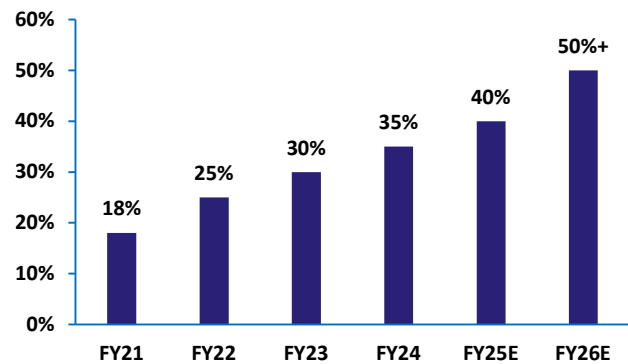
FY26E: 50%+

EBITDA/tonne (Rs.)



Source: Company, SSL Research

Share of Value-added products in sales mix (%)



Source: Company, SSL Research

3. PAN India distribution network to expand by 10%-15% over the next 18 months

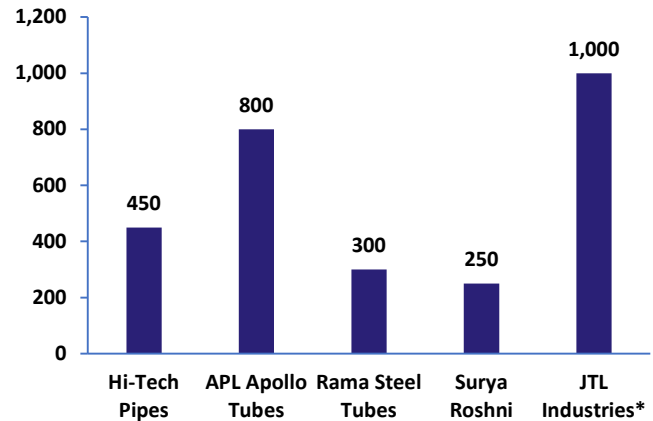
Expects dealer/distribution network to increase by 10%-15% over the next 18 months.

Over the last three decades, the company has built a highly integrated distribution network across India. The network comprises of more than 450 distributors/dealers and 1,200+ SKUs spread across India. It expects to increase the dealer/distribution network by 10%-15% over the next 18 months. Additionally, the company has healthy PAN India connects with over 150+ OEM customers and ~1,100 workforce. The company has successfully completed 125+ projects in India.

Derives strength from North-Western market; To penetrate in Southern market

As of now, the company is strengthening its penetration in the North-Western markets. With expanded capacity & distribution network, the key focus area will be southern market going ahead.

FY24 Dealer Network of Hi-Tech Pipes & Peers



Source: Company, SSL Research

* - Dealers & Retailers

4. Solar Torque Tubes

The solar panel turns out to be the most effective once its placed perpendicular to the sun's rays, which means it should continuously adjust its position to face the sun as it moves across the sky. This will benefit the panels to produce the optimum energy. However, fixed solar panels aid in capturing sunlight only at a certain angle.

To address this issue, solar tracking systems are designed which assists in tilting and rotating the solar panels to follow the sun's path and maximize energy production. The tracking systems can be single-axis (rotating east to west) or dual-axis (rotating east to west and tilting north to south). However, it has its own disadvantages such as increased costs, maintenance and potential for wear and tear over time.

What are Torque tubes?

Torque tubes serves as a structural component that supports solar panels, ensures their proper alignment and is often part of tracking systems for optimal sunlight capture. It contributes to the solar installation's stability, longevity and efficiency.

Solar tracker with Torque tubes

The solar tracker with torque tubes plays a dual role of combining the benefits of dual-axis tracking with robust mechanical structure. Here's a look at the benefits: -

- (a) **Enhanced efficiency:** Solar tracker with torque tubes helps in higher energy production. It can capture enhanced energy production by 20%-30% compared to fixed solar panels and around 5-10% more than traditional dual-axis trackers.
- (b) **Improved reliability:** Torque tubes helps in distributing the load evenly, reducing the stress, on back of interconnected panels. This improves the life span of solar installation ultimately leading to savings.
- (c) **Space-Efficient:** It consumes less space by connecting rows of solar panels leading to more room for other purposes on the site.

With the recent developments in the renewable energy space, Solar torque tubes have witnessed good demand in Water, Infrastructure and Green energy applications. These tubes are a promising technology in the renewable energy sector, offering enhanced performance and improved utilization of solar resources. The company currently has a capacity of around 1 lakh tons for these pipes. As per the industry standards, 1 Megawatt (MW) power requires around 20-25 tonnes of solar torque tubes; thus, enabling the company to enjoy such a large market opportunity.

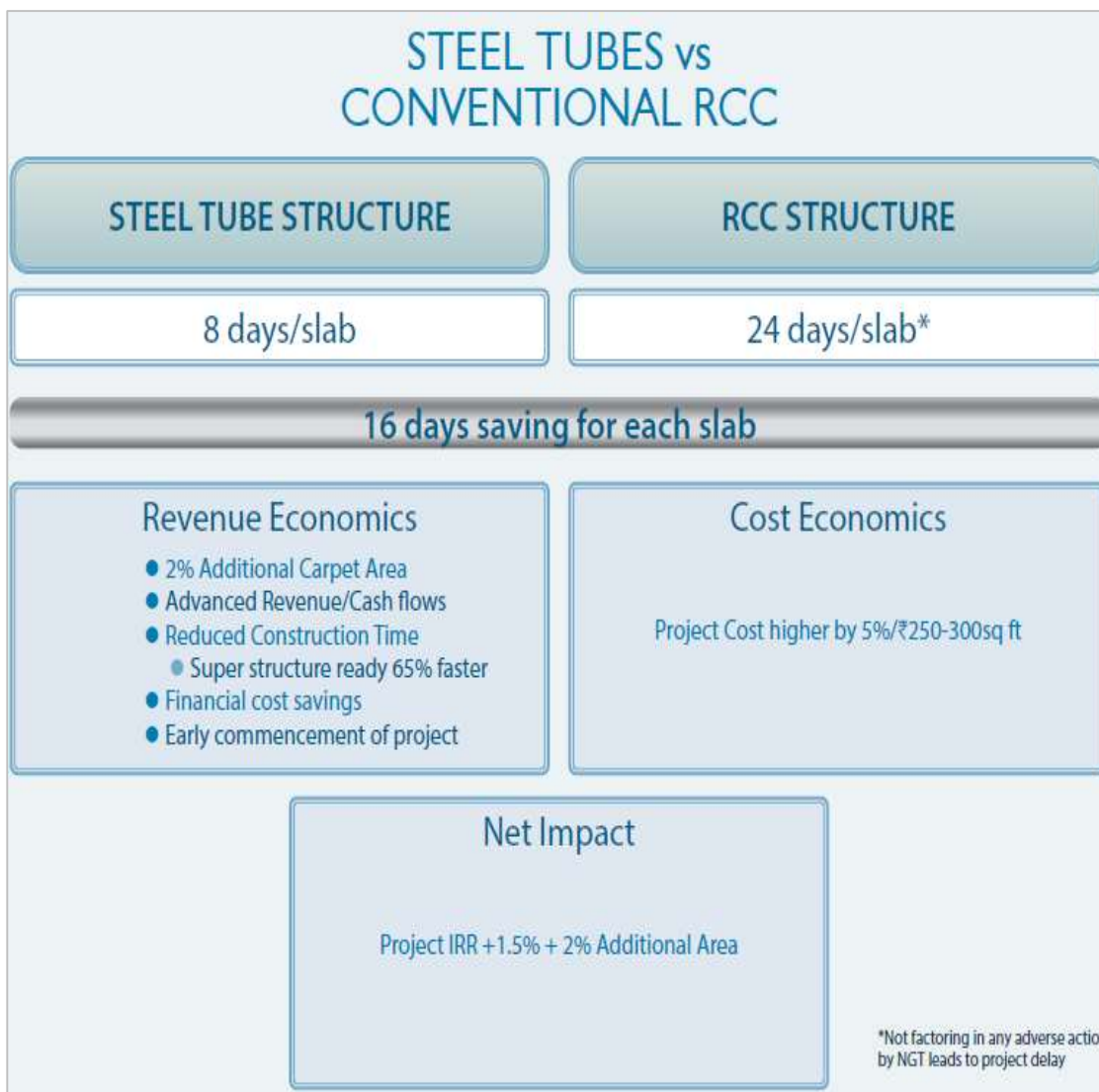
The solar installed capacity in India as on FY24 stood at 82 GW and is expected to reach 280 GW by FY30E.

1 Megawatt (MW) power requires around 20-25 tonnes of solar torque tubes

The solar installed capacity in India as on FY24 stood at 82 GW and is expected to reach 280 GW by FY30E. This will provide huge opportunity for solar torque tube players.

(B) Why Tubular Technology is getting popular in construction and infrastructure industry?

1. Steel tubes aids in reducing the area covered by the vertical sections thereby generating higher carpet area by 2-3%.
2. While constructing the superstructure, adequate time is saved which eventually leads to massive savings in finance costs for the builder.
3. Tubular technology helps to pre-advance cash flows in case of an institutional building for medical building, hotel or for school purposes.
4. Steel tube structures are 15% costlier than RCC structures. But in RCC structures the erection time is more as compared to structural tube structures (3 yrs v/s 1 yr). This helps the consumers to achieve higher IRR.



Source: APL Apollo Annual Report

(C) Financial Overview & Valuation

We expect Revenue/EBITDA/Net Profit to grow at a CAGR of 24.9%/41.9%/78.9% between FY24-FY26E to Rs.4,208 cr/Rs.231 cr/Rs.141 cr respectively. At a CMP of Rs.149, the stock is trading at 29.6x/18.8x P/E multiple based on expected EPS of Rs. 5.0/7.9 for FY25E/FY26E respectively. **We have valued the business at 24x P/E multiple based on its FY26E earnings and arrive at a target price of Rs.190 thus providing an upside potential of 27.0% and assign a BUY rating for the stock**

Peer Comparison

Company	M.Cap (Rs cr)	Sales (Rs cr)			CAGR FY24-FY26E	EBITDA (Rs cr)			CAGR FY24-FY26E	Net Profit (Rs cr)			CAGR FY24-FY26E
		FY24	FY25E	FY26E		FY24	FY25E	FY26E		FY24	FY25E	FY26E	
Hi-Tech Pipes	2,227	2,699	3,304	4,208	24.9%	115	169	231	41.9%	44	90	141	78.9%
APL Apollo Tubes	41,001	18,119	23,147	29,138	26.8%	1,192	1,629	2,165	34.8%	732	1,067	1,465	41.5%
JTL Industries	3,968	2,040	2,734	3,677	34.2%	152.2	223.8	311	42.9%	113	169	226	41.5%

Company	P/E			EV/EBITDA			P/B			RoE (%)			Dividend Yield (%)		
	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Hi-Tech Pipes	62.0	30.4	19.3	26.7	17.1	12.2	4.7	3.2	2.7	7.6	10.5	14.0	0.0	0.0	0.0
APL Apollo Tubes	61.4	42.1	30.7	38.4	27.9	20.4	12.5	9.6	7.3	20.3	22.8	23.8	0.0	0.0	0.0
JTL Industries	32.2	22.3	16.6	23.3	15.9	11.4	4.9	4.0	3.3	19.1	19.7	21.6	0.1	0.0	0.0

(D) Key Risks

1. Increase in price difference between HR coil-based steel tube pipes and scrap-based pipes
2. Slowdown in domestic demand
3. Volatile raw material costs

(E) Sensitivity of End Consumer Finished Goods Price to the change in raw material price

Particulars (Rs/tonne)	②	Base Case	①
	Decline in RM Price by Rs. 10,000/tonne		Increase in RM Price by Rs. 10,000/tonne
	-20%		+20%
HR Coil	40,000	50,000	60,000
Margin	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Cost to distributor	50,000	60,000	70,000
Margin of distributor	1,000	1,000	1,000
Freight cost	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Cost to retailer	52,000	62,000	72,000
Margin of retailer	2,000	2,000	2,000
Freight cost	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
Cost to fabricator	55,000	65,000	75,000
Labour charges	35,000	35,000	35,000
	-10%		+10%
Cost to consumer	90,000	1,00,000	1,10,000

Scenario 1: Increase in raw material price by 20% (i.e Rs 10,000/tonne): As seen in the above table, despite of increase in raw material price (i.e HR Coil) by 20%, the cost to consumer increases only by 10%. This is due to the fact that all other parameters like margins for company, margin for distributor, freight cost, margin of retailer, labour cost etc continue to remain constant despite of the increase in raw material prices.

Scenario 2: Decrease in raw material price by 20% (i.e Rs 10,000/tonne): As seen in the above table, despite of decrease in raw material price (i.e HR Coil) by 20%, the cost to consumer decreases only by 10%. This is due to the fact that all other parameters like margins for company, margin for distributor, freight cost, margin of retailer, labour cost etc continue to remain constant despite of the increase in raw material prices.

(F) Company Overview

Hi-Tech Pipes Ltd is one of India's leading manufacturers of innovative steel products such as ERW steel tubes & pipes, Cold rolled coils, galvanized plain and Corrugated sheets, Color coated coils & sheet, Metal beam crash barrier etc in the Indian steel segment. The company's products find application in a wide range of industries such as agriculture, infrastructure, telecommunications, defence, railways, aviation, water transportation, city gas distribution, real estate, telecom and automobiles.

It has six advanced manufacturing facilities strategically located in important customer hubs and near key raw material sources in Uttar Pradesh, Andhra Pradesh, Maharashtra and Gujarat. Its corporate office is located in Delhi and have marketing offices in Ahmedabad, Bengaluru and Ghaziabad. Over the years, the company has built and grown its capacity from 0.24 MTPA (FY16) to 0.75 MTPA (FY24) implying a CAGR of 15.3%.

The company is a research-led and future-focused manufacturer of steel tubes and pipes and other steel products operating a robust B2B and B2C model. The company has more than three decades of experience and has a strong PAN India connects with over 150+ OEM customers. It has a strong distributor and dealer base of 450 and has established presence with over 1,200+ SKUs spread across India.

FY24 Capacity and Product Portfolio

Plant Location	Capacity (MTPA)	Product Portfolio
Sikandrabad, UP	2,55,000	MS Steel pipes, Hollow Sections, GI Pipes, Cold Rolled Coils & Strips, GP Coils, GC Sheets, Crash Barriers, Color Coated Coils
Hindpur, AP	1,20,000	MS Steel Pipes, Hollow Sections & GP Pipes
Sanand, Gujarat	1,25,000	MS Steel Pipes, Hollow Sections, GI Pipes, GP Pipes, CR Pipes, Solar Torque Tubes, Large Diapipes
Khopoli, Maharashtra	80,000	MS Steel Pipes & Hollow Sections, CR Pipes, GP Pipes
Sanand (Unit-II)	1,70,000	MS Steel Pipes & Hollow Sections, CR Pipes, GP Pipes
Total	7,50,000	Diversified Range



Product Mix

Hi-Tech Jalshakti: These pipes are specifically engineered top quality pipes for agricultural and borewell applications. Its raw material is Prime HR Coil. It caters to Agriculture and Water Management industry.



Hi-Tech Organic: These pipes are renowned for their flexibility, lightweight nature and robustness. Their galvanization grants them enhanced productivity and durability when compared to PVC, plastic, or ABS pipes, particularly in diverse greenhouse projects. Its raw material is Prime HR Coil. It caters to Agriculture and Poly Houses industry.



Hi-Tech Firefighter: These pipes are known for its distinguishing red quality, galvanized quality and durability, providing exceptional corrosion and chemical resistance. Its raw material is Prime HR Coil. It's used for firefighting in commercial buildings and housing projects.



Hi-Tech Bahubali: These pipes are named for its robust strength and large dimensions, is a type of GI pipe specifically designed for heavy-duty construction endeavors. These pipes are coated with a high-quality galvanized finish, providing exceptional resistance against rust and corrosion. It's known for its uniform weight and thickness; it has a product life of more than 50 years. The raw material used is Prime HR Coil. It caters to Infrastructure, Airport and Metro Stations.



Hi-Tech Pre-Gal: Hi-Tech Pre-Gal pipes are specifically designed and manufactured to meet the niche needs of the Indian ocean refinery industry. Its raw material is Prime GP Coil. It caters to various industries such as Railing, Fencing, Road Signs, Cladding, Furniture & containers, Solar mounting structure and Roof top sheds.



Hi-Tech Casewell: These pipes are highly favored in the borewell industry for their durability and quality. Raw material used is Prime HR Coil. It has a product life of more than 20 years. It caters to Bore well and Water industry.



Hi-Tech Shakti: Hi-Tech Shakti pipes are used for a wide range of applications in the infrastructure and engineering. It has a product life of more than 20 years. It uses Prime HR Coil as raw material. It caters to Poles and railings, Scaffolding, Casing columns and Telecom tower.



Hi-Tech Solar Torque Tubes: These pipes are specifically designed and manufactured to meet the niche needs of the Indian renewable energy. It is made of HR coil sheets which enables a higher level of solar energy conversion, resulting in increased electricity generation or heat production. It has a product life of more than 25 years.



Hi-Tech Pillar: These pipes are renowned for their strength, lightness and cost-effectiveness and are ideal for robust and durable construction projects. It has low maintenance needs and a long lifespan. They offer affordability and reliability for long-term use.



Hi-Tech Crashguard: These are metal beam barriers known for their cost-effective, easy to install, low maintenance, simple repairs and exceptional durability. They contribute to road safety in India. Crafted from high-quality metal, these barriers withstand severe collisions and various accidents. It has a service life of 30 years or more. Applicability: (i) National Highways, Expressways, Bridges and Flyovers, (ii) High embankments/Sharp curves and Bank, (iii) Factory areas etc.



Hi-Tech Flatmax: Hi-Tech Flatmax excels in manufacturing premium-grade cold rolled steel strips and sheets. It has a production capacity of 1,20,000 mt per year and offer a diverse range of cold rolled sheets in various sizes and shapes catering to industries like automotive, construction and engineering. It caters to Housing industry, Automobile, Office furniture, Electric lamination, Precision tubes and pipes and White goods industry.



Hi-Tech GC Sheet: Galvanized corrugated steel sheet is lightweight roofing material crafted from thin yet resilient sheets of galvanized iron or steel. It caters to Housing industry, Industrial roof, Household roof tops, garages.



Hi-Tech Colorstar: The Hi-Tech Color coated sheet is a construction material renowned for its durability and exceptional resistance to corrosion. Its versatility extends its usability to various applications, including roofing, cladding and interior design. Architects, engineers, and contractors favor this product due to its ease of customization, as it can be effortlessly punched, rolled, and joined to meet their specific requirements.

(G) Industry Outlook

Structural Steel Tube Market

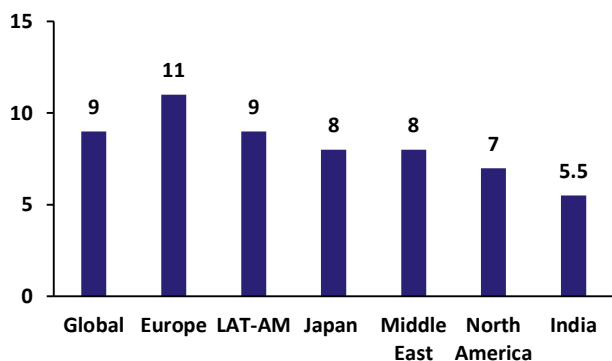
Structural steel tubes are defined as seamless and welded tubes which are in the form of circular, oval, square, rectangular and special shapes. The primary purpose of these tubes is to be used in welded, riveted, or bolted construction of bridges and buildings. Nowadays, structural steel tubes are extensively used in modern structures such as airport terminals, warehouses, railways, urban infra, urban real estate etc.

During construction activities these tubes provide greater durability than pipes and concrete. They possess a high tensile strength with low weight coupled with flexibility making it ideal to use. It is 100% recyclable too. The structural steel tube market in India is still at a kicking off stage. The industry is viewing a paradigm shift in the approach to steel consumption and increased recognition and acceptability for structural steel tubes and pre-engineered building (PEB) material which is expected to drive demand for structural steel.

The per capita finished steel consumption in 2022 was 221.8 kgs for world and 645.8 kgs for China. The same for India was 86.7 kgs (FY23) exhibiting a huge underlying opportunity and penetration growth. The current finished steel consumption of India stood at 136.3 million tonnes (FY24). As per an IBEF report, overall steel consumption is expected to clock a 6.1% CAGR to 206 million tonnes by FY31 (i.e., >1.5x of FY24).

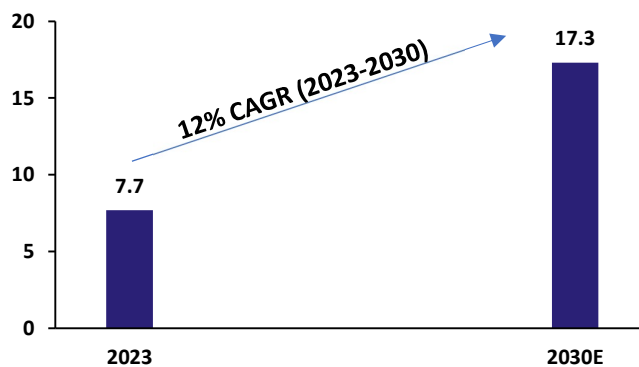
The total market size of structural steel tube is of 4 million tonnes out of a total ERW market size of 6 million tonnes. As per media reports, during FY23, 9% of the total steel consumed globally was in the form of structural steel tubes whereas India accounted for only 5.5% (2023). We believe with such lower penetration; India has a massive potential left to grow in market size. We expect the same to grow at a CAGR of mid-teens in the next three years.

Structural Steel Tubes market as % of Steel market (2023)



Source: Company, SSL Research

Potential Structural Steel Tubes market in India (Mn Tonnes)



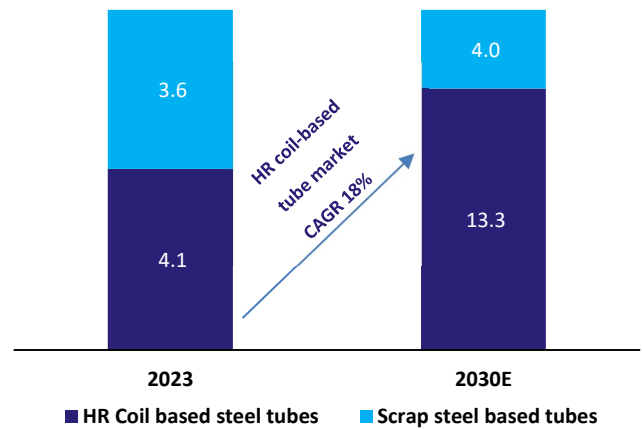
Source: Company, SSL Research

To strengthen India’s infrastructure, the GOI came out with National Infrastructure pipeline (NIP) envisaging a target investment of Rs.111 trillion between 2020-2025. The current budget FY25 also saw a proposal to spend Rs.10 trillion on over the next 5 years under PM Awas Yojana Urban 2.0 for building 1 cr home for urban poor and middle-class families. The government will also take up 3 cr more houses under the PM Awas Yojana in rural and urban areas. Rising population with improvement in living standards, requirement for strong, durable quality of construction for private residences will augment for more affordable housing projects, urban real estate resulting in demand for structural steel tubes.

HR Coil based steel tube market to grow faster vs scrap steel-based tube market on account of:

- Superior quality
- Better cost efficiencies for blast furnace HRC mills over local scrap steel melting mills
- Commissioning of new blast furnace HR mills in next 3-4 years which will increase supply of HR coil in India

Structural steel tube market potential (million ton)



Source: APL Apollo Tubes Investor Presentation

Growth engines to drive demand for structural steel tubes



1. Infrastructure & Housing:

- (a) **Urban development program** – Smart cities, Amrut scheme, Hriday, National Infrastructure Pipeline (NIP)
- (b) **Growing vertical mode of development** – Increased spending on Skyscrapers
- (c) Increased warehousing demand due to rapid digital transformation
- (d) **Rapid urbanization in Tier II & Tier III cities** – rising construction of G+20 structures, green building norms & Rural housing schemes (PMAY-G)

2. Water Supply

- (a) 'Nal se Jal' scheme to offer piped water to every rural house by 2024 with outlay of Rs 3.5 trillion
- (b) UP Jal Nigam
- (c) Jal Jeevan Mission of Central government to provide safe and adequate drinking water through individual household tap connections by 2024 to all households in rural India.

3. Oil & Gas

- (a) 4 mn mt of estimated demand for piped city gas distribution
- (b) One Nation, One Gas grid – Expanded by 17,000 km to 34,500 km by 2025.

4. Defence

- (a) Structural steel plays a crucial role in the manufacturing of equipment for the Indian Defence forces. Structural steel is widely used in the construction of military vehicles and in the construction of various defence infrastructures such as military bases, barracks, hangars, command centres and storage facilities, among others.

5. Airports

- (a) **'Udan Scheme'**: The Udan (Ude Desh ka Aam Nagrik) scheme is an ambitious regional air connectivity scheme launched by the Indian government in 2016. Its primary objective is to make air travel affordable and accessible to the common citizens of India, particularly those living in remote and underserved areas. Government plans to open 100 airports by 2025 with an investment of Rs 1 tn.

6. Railway Infrastructure

- (a) Investment of ~Rs 50 lakh cr by 2030 for redevelopment of ~400 stations and build new 4 freight corridors.
- (b) Bullet train project, National rail corridor



7. Agriculture

- (a) Micro Irrigation:** Target to reach 100 lakh hectares in 5 years.
- (b) Poly House: Future of farming** – High subsidy

(H) Key Management Personnel

- 1. Ajay Kumar Bansal (Chairman & Managing Director)** – As a veteran of the steel industry with over 36 years of experience, Mr. Ajay Kumar Bansal serves as the Chairman and MD of Hi-Tech pipes Ltd. He has been a prominent representative of the industry in various national and international forums. He leads a team of seasoned professionals in managing the company's operations and identifying new growth opportunities through strategic planning. Under his leadership, the company has expanded from a single manufacturing unit across the country, with an impressive track record of growth and success.
- 2. Anish Bansal (Whole-Time Director)** – Anish Bansal is responsible for overseeing the portfolio of the company. He brings with him a wealth of knowledge and expertise, having successfully completed his B.Sc. (Economics) in Banking and Finance from Cardiff University, England. With over 15 years of experience in the fields of business development and administration, he has honed his skills in various areas. These include corporate finance, strategy, marketing, product development, project implementation, international trade, and finance, among other corporate matters.
- 3. P.K.Saxena (Non-Executive Independent Director)** – P.K.Saxena is a distinguished member of the team which brings over three decades of experience in banking to his role as a Director of the company. With a master's degree in Physics and Finance, as well as being a Certified Associate of the Indian Institute of Bankers (CAIB), he has a strong educational foundation to support his expertise in the field.
- 4. Neerja Kumar (Non-Executive Independent Director)** – Neerja Kumar holds MSc. And MPhil. in Botany and has retired as the General manager – (MSME) of Punjab National Bank (PNB). She started her career as a Management Trainee with PNB and has nearly four decades of experience with the bank across various disciplines. She has also served as a Deputy General Manager in Mumbai, where she handled HR, Planning and Development, Credit, Inspection, and Audit. Mrs. Kumar's extensive knowledge and expertise in the banking industry has been invaluable to the team at Hi-Tech Pipes Ltd.
- 5. Vivek Goyal (Non-Executive Independent Director):** Vivek Goyal is a highly experienced financial expert with a Master's degree in Finance and Control and a membership in the Institute of Chartered Accountants of India (ICAI). He has also completed several certification courses on concurrent audits of banks from ICAI. With over two decades of experience, he has managed clients across various industries, specializing in Audit, Taxation, Corporate Finance, Corporate Advisory, Risk Management, Corporate Governance, M&A and restructuring initiatives.

6. **Mukesh Kumar Garg (Non-Executive Independent Director):** Garg brings with him a wealth of experience and expertise in the field of Railway infrastructure projects. He has an extensive experience in planning and executing large-scale infrastructure projects, handling heavy tenders and managing contracts for both maintenance and railway infra projects. Additionally, he has a remarkable track record of successfully contesting in Arbitration cases.

Source: Company website

Financial Statements

Income Statement (Rs cr)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Revenue from Operations	1,879	2,386	2,699	3,304	4,208
% YoY growth	40.1%	27.0%	13.1%	22.4%	27.4%
Cost Of Revenues (incl Stock Adj)	1,699	2,174	2,463	2,993	3,795
Gross Profit	180	212	237	311	412
Gross margins	9.6%	8.9%	8.8%	9.4%	9.8%
Employee Cost	22	26	31	36	46
Other Operating Expenses	57	82	90	106	133
EBITDA	101	103	115	169	231
EBITDA margins	5.3%	4.3%	4.3%	5.1%	5.5%
Other Income	1	2	1	2	2
Net Interest Exp.	36	35	42	30	22
Depreciation	10	14	15	20	23
Exceptional Items	-	(7)	-	-	-
PBT	55	50	59	120	189
Tax	16	13	15	31	48
Adj. PAT	40	44	44	90	141
PAT margin (%)	2.1%	1.8%	1.6%	2.7%	3.3%
Adj. EPS	2.3	2.5	2.5	5.0	7.9

Balance Sheet (Rs cr)

Particulars	FY22	FY23	FY24	FY25E	FY26E
Assets					
Net Block	239	287	354	461	496
Capital WIP	29	36	62	35	8
Intangible Assets under development	0	1	1	1	1
Other Non-current Assets	11	41	46	46	46
Current Assets					
Current Investment	-	-	-	2	7
Inventories	259	307	347	450	542
Trade receivables	167	186	280	317	397
Cash and Bank Balances	17	21	26	77	53
Short-term loans and advances	-	-	-	-	-
Other Current Assets	46	38	63	63	63
Total Current Assets	490	551	716	909	1,061
Current Liabilities & Provisions					
Trade payables	80	174	157	241	312
Other current liabilities	42	53	46	71	89
Short-term provisions	4	10	4	14	18
Total Current Liabilities	126	237	206	326	419
Net Current Assets	365	315	509	583	643
Total Assets	643	679	972	1,126	1,192
Liabilities					
Share Capital	12	13	15	18	18
Reserves and Surplus	246	405	561	842	983
Total Shareholders' Funds	259	418	576	860	1,000
Minority Interest	-	-	-	-	-
Total Debt	364	235	366	236	161
Long Term Provisions	1	1	1	2	3
Other Long-Term Liabilities	18	22	26	26	26
Net Deferred Tax Liability	1	2	2	2	2
Total Liabilities	643	679	972	1,126	1,192

Cash Flow (Rs cr)

Particulars	FY22	FY23	FY24	FY25E	FY26E
PBT	55	56	59	120	189
Depreciation & Amortization	10	14	15	20	23
Other Adjustments	36	34	41	30	22
(Inc) / Dec in Working Capital	(114)	45	(199)	(21)	(78)
Taxes	(4)	(15)	(11)	(31)	(48)
Cash from Ops.	(17)	134	(95)	119	107
Capital Expenditure & investments	(46)	(104)	(119)	(102)	(35)
Cash from Investing	(46)	(104)	(119)	(102)	(35)
Issue of Share capital	13	122	115	194	-
Net Borrowings	69	(129)	156	(130)	(75)
Others	(18)	(21)	(56)	(30)	(22)
Issuance of Dividend	-	(1)	(0)	-	-
Cash from Financing	64	(29)	214	34	(97)
Extraordinary receipts/payment	-	-	-	-	-
Net Change in Cash	0	1	0	51	(24)
BF Cash	1	1	2	2	53
Forex & Others	-	-	-	-	-
Other Bank Balances	16	19	24	24	24
Cash in hand	17	21	26	77	53
FCF	(63)	64	(204)	19	77

Key Ratios

Particulars	FY22	FY23	FY24	FY25E	FY26E
Profitability					
Return on Assets (%)	5.2	4.1	3.7	6.2	8.7
Return on Capital (%)	14.7	14.0	10.7	13.7	18.1
Return on Equity (%)	15.6	9.0	7.6	10.4	14.1
Margin Analysis					
Gross Margin (%)	9.6	8.9	8.8	9.4	9.8
EBITDA Margin (%)	5.3	4.3	4.3	5.1	5.5
Net Income Margin (%)	2.1	1.6	1.6	2.7	3.3
Short-Term Liquidity					
Current Ratio (x)	1.4	1.5	1.5	2.0	2.1
Quick Ratio (x)	0.7	0.6	0.8	1.0	1.0
Avg. Days Sales Outstanding	33	28	38	35	34
Avg. Days Inventory Outstanding	50	47	47	50	47
Avg. Days Payables	15	27	21	27	27
Fixed asset turnover (x)	7.3	7.7	7.1	6.8	7.3
Debt-service coverage (x)	2.8	2.9	2.7	5.6	10.6
Long-Term Solvency					
Total Debt / Equity (x)	1.4	0.6	0.6	0.3	0.2
EBITDA / Interest Expense (x)	2.5	2.6	2.4	5.0	9.7
Valuation Ratios					
EV/EBITDA (x)	29.8	27.8	26.0	16.7	11.9
P/E (x)	65.7	60.0	60.3	29.6	18.8
P/B (x)	10.2	6.3	4.6	3.1	2.6

Our recent rising star recommendations and price performances

Sr.No.	Company Name	NSE Symbol	Initiated Date	Initiated Price (Rs)	CMP (Rs)	Return (%) since initiated date	Latest rec. Date	Latest Target (Rs)
1	APL Apollo Tubes Ltd.	APLAPOLLO	25-Apr-23	1,219.00	1,499.60	23	16-May-24	1,795.00
2	Stylam Industries Ltd.	STYLAMIND	27-Apr-23	1,150.00	1,925.90	67.5	13-Feb-24	1,886.00
3	Star Cement Ltd.	STARCEMENT	05-May-23	123.2	213.1	73	07-Jun-24	240
4	JK Lakshmi Cement Ltd.	JKLAKSHMI	24-May-23	705	879.8	24.8	29-May-24	1,090.00
5	Dhanuka Agritech Ltd.	DHANUKA	29-May-23	711	1,690.00	137.7	21-May-24	1,547.00
6	Zen Technologies Ltd.	ZENTEC	12-Jul-23	520	1,607.90	209.2	08-May-24	1,137.00
7	SJS Enterprises Ltd.	SJS	05-Oct-23	680	833.9	22.6	23-May-24	840
8	KPI Green Energy Ltd.	KPIGREEN	17-Nov-23	438.1	935.9	113.6	02-May-24	1,109.50
9	Syrma SGS Technology	SYRMA	06-Dec-23	590	481	-18.5	14-May-24	522
10	Senco Gold Ltd.	SENCO	11-Dec-23	721.6	951.2	31.8	27-May-24	1,025.00
11	Satin Creditcare Network.	SATIN	10-Jan-24	259	220.8	-14.8	02-May-24	324

CMP is based on closing price as of 29th July 2024

SBICAP Securities Limited

(CIN): U65999MH2005PLC155485

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