

Vibhor Steel Tubes Ltd

Leading the way in ERW Pipes and Cold Rolled Steel




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Vibhor Steel Tubes Limited (VSTL), an established manufacturer and exporter, specializes in producing Mild Steel/Carbon Steel ERW Black and Galvanized Pipes, Hallow Steel Pipes, and Cold Rolled Steel (CR) Strips/Coils. With two decades of experience, the company has been supplying steel pipes and tubes to various heavy engineering industries in India. The versatile applications of their products include frames, shafts, bicycle frames, furniture, shockers, and various structural and engineering purposes.

Offering an extensive range of steel pipes and tubes in different shapes and sizes, such as square, round, rectangular, elliptical, or any specified custom shape, the company has been in collaboration with Jindal Pipes Limited since 2003. Operating under a renewed agreement dated April 01, 2023, they manufacture and supply finished goods for Jindal Pipes Limited under the brand name "Jindal Star." The long-term agreement spans six (6) years, during which Jindal commits to providing orders with a minimum quantity of 1,00,000 MT per annum, filling a significant portion of Unit I & Unit II capacity of Vibhor Steel Tubes Limited.

VSTL's proposed issue size is INR 72.17 cr and the entire amount is fresh issue. The proposed fresh issue will be utilized for

- INR 62 cr for funding working capital requirements of the company
- And the balance amount would be used for general corporate purposes

At the IPO price of INR 151 (upper price band), ASPL is valued at P/E of 13.6x.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	PAT	EBITDA (%)	PAT (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (x)	EV/Sales (x)	EV/EBITDA (x)
FY21	510.5	18.9	0.7	3.7	0.1	0.4	32.0	1.1	10.3	415.3	0.7	18.3
FY22	818.0	29.4	11.3	3.6	1.4	6.0	38.0	15.7	13.1	25.2	0.5	13.3
FY23	1113.1	45.6	21.1	4.1	1.9	11.1	49.2	22.6	17.8	13.6	0.4	9.1

Industry Steel pipes
Issue Details

Listing	BSE & NSE
Open Date	13 th Feb 2024
Close Date	15 th Feb 2024
Price Band	INR 141-151
Face Value	INR 10
Market Lot	99 shares
Minimum Lot	1 Lot

Issue Structure

Fresh Issue	100%
Issue Size (Amt)	INR 72.17 cr
Issue Size (Shares)	47,49,669
QIB Share (%)	≤ 75%
Non-Inst Share (%)	≥ 15%
Retail Share (%)	≥ 35%
Pre issue sh (nos)	1,41,83,000
Post issue sh (nos)	1,89,32,669
Post issue M Cap	286 cr

Shareholding (%)	Pre (%)	Post (%)
Promoter	98.24	73.59
Public	1.76	26.41
TOTAL	100	100

Growth Strategies

Expansion of company's footprint in international markets

Having successfully exported finished goods under the brand name "Jindal Star" to approximately 10 countries worldwide, the company is committed to continuing its strategy of diversification and expansion in these regions to foster business growth. The company adopts a selective approach in expanding to new locations, carefully examining geographies where it can consistently deliver high-quality products without encountering significant delays or interruptions. Through further geographical diversification of its operations, the company aims to hedge against the risks associated with concentrating operations in specific areas and protect itself from fluctuations resulting from business concentration in a limited geographical area.

Continue to improve operating efficiencies through technology enhancements

Company's production process is entirely automated, with manufacturing facilities equipped with the latest product-specific machinery and equipment, enabling them to manufacture products in accordance with customer requirements. Aligned with their proposed expansion plans, they have the intention to enhance their technology systems to boost asset productivity, improve operating efficiencies, and strengthen their competitive position.

Continue to enhance core strengths by attracting, retaining and training qualified personnel

The organization recognizes that the effective execution and management of projects are pivotal to its ongoing success. They acknowledge that the maintenance of quality, cost reduction, and timely project completion relies significantly on the skills and workmanship of their employees. In response to heightened competition for qualified personnel within the engineering and manufacturing sector in India, the company aims to enhance competitiveness by intensifying its focus on staff training. The company provides engineering and technical personnel with diverse work experiences and learning opportunities through continuous training in the latest systems, techniques, and knowledge upgrades. As of January 24, 2024, the total number of employees, including laborers, is 640, with an attrition rate ranging approximately between 5% and 10% over the last three years.

Strengthen Goodwill

The company has been engaged in the manufacturing of mild steel and stainless-steel pipes/tubes for approximately the last twenty years. In contrast to their peer group industry players and competitors, who benefit from an average operating history that is 40 years longer, their brand development is currently at a relatively nascent stage. Given their current market presence with customers in diversified sectors and geographies, there is an intention to make consistent efforts to strengthen their goodwill with the assistance of Jindal Pipes Limited and enhance

brand visibility to achieve parity with industry peers. To realize this objective, various marketing initiatives, including participation in industrial trade fairs and dealer meetings organized by Jindal Pipes Limited, are planned.

Key Risks & Concerns

- The company is reliant on a single customer, Jindal Pipes Limited, from which a significant portion, over 90% of its revenue is derived. The cancellation, delay, or reduction in orders by Jindal Pipes Limited has the potential to cause a material adverse effect on the business, results of operations, and financial condition of the company.
- The company's business exhibits a high working capital intensity. In the event of insufficient cash flows to meet the necessary payments for working capital requirements, there is a possibility of adverse effects on the results of operations.

Issue Structure and Offer Details

The proposed issue size of Vibhor Steel Tubes IPO is INR 72.17 cr (fresh issue) and the price band for the issue is in the range of INR 141-151 and the bid lot is 99 shares and multiples thereof.

Issue Structure	
Investor Category	Allocation
QIB	Not more than 50% of the Net Issue
NIB	Not less than 15% of the Net Issue
Retail	Not less than 35% of the Net Issue

Number of shares based on a higher price band of INR 151

Source: Company Reports

VSTL financial summary and analysis

Fig in INR Cr (unless specified)	FY21	FY22	FY23	Fig in INR Cr (unless specified)	FY21	FY22	FY23
Income Statement				Per share data & Yields			
Revenue	510.5	818.0	1,113.1	Adjusted EPS (INR)	0.4	6.0	11.1
YoY Growth (%)		60.2	36.1	Adjusted Cash EPS (INR)	3.8	9.2	14.5
Raw Material Cost	453.7	745.1	1,012.8	Adjusted BVPS (INR)	32.0	38.0	49.2
RM Cost to Sales (%)	88.9	91.1	91.0	Adjusted CFO per share (INR)	24.2	(18.2)	3.7
Employee Cost	13.6	15.0	17.5	CFO Yield (%)	16.2	(12.1)	2.5
Employee Cost to Sales (%)	2.7	1.8	1.6	Adjusted FCF per share (INR)	24.3	(14.1)	(2.6)
Other Expenses	24.3	28.5	37.2	FCF Yield (%)	16.1	(9.3)	(1.7)
Other Exp to Sales (%)	4.8	3.5	3.3	Solvency Ratio (X)			
EBITDA	18.9	29.4	45.6	Total Debt to Equity	1.2	1.8	1.6
Margin (%)	3.7	3.6	4.1	Net Debt to Equity	1.0	1.5	1.4
YoY Growth (%)		55.6	55.2	Net Debt to EBITDA	3.1	3.6	2.8
Depreciation & Amortization	6.6	6.1	6.4	Return Ratios (%)			
EBIT	12.3	23.3	39.2	Return on Equity	1.1	15.7	22.6
Margin (%)	2.4	2.8	3.5	Return on Capital Employed	1.5	8.6	11.9
YoY Growth (%)		89.2	68.6	Return on Invested Capital	10.3	13.1	17.8
Other Income	1.0	0.8	1.3	Working Capital Ratios			
Finance Cost	9.2	8.7	12.3	Payable Days (Nos)	24	19	14
Interest Coverage (X)	1.3	2.7	3.2	Inventory Days (Nos)	37	45	39
Exceptional Item	0.0	0.0	0.0	Receivable Days (Nos)	28	20	18
PBT	4.2	15.4	28.2	Net Working Capital Days (Nos)	41	46	44
Margin (%)	0.8	1.9	2.5	Net Working Capital to Sales (%)	11.2	12.6	12.0
YoY Growth (%)		269.3	83.7	Valuation (X)			
Tax Expense	3.5	4.0	7.2	P/E	415.3	25.2	13.6
Tax Rate (%)	83.5	26.2	25.4	P/BV	4.7	4.0	3.1
PAT	0.7	11.3	21.1	EV/EBITDA	18.3	13.3	9.1
Margin (%)	0.1	1.4	1.9	EV/Sales	0.7	0.5	0.4
YoY Growth (%)		1,546.2	85.9	Cash Flow Statement			
Min Int/Sh of Assoc	0.0	0.0	0.0	PBT	4.2	15.4	28.2
Net Profit	0.7	11.3	21.1	Adjustments	15.8	14.3	15.7
Margin (%)	0.1	1.4	1.9	Change in Working Capital	28.3	(62.6)	(29.8)
YoY Growth (%)		1,546.2	85.9	Less: Tax Paid	(2.8)	(1.6)	(7.2)
Balance Sheet				Cash Flow from Operations	45.5	(34.5)	7.0
Share Capital	14.2	14.2	14.2	Net Capital Expenditure	(1.8)	(4.0)	(10.8)
Total Reserves	46.3	57.8	79.0	Change in Investments	0.9	(0.1)	(4.7)
Shareholders Fund	60.5	72.0	93.2	Cash Flow from Investing	(0.9)	(4.1)	(15.5)
Long Term Borrowings	7.6	14.2	13.5	Change in Borrowings	(27.3)	52.8	25.3
Deferred Tax Assets / Liabilities	1.8	1.6	1.6	Less: Finance Cost	(9.2)	(8.7)	(12.3)
Other Long Term Liabilities	0.0	0.0	0.0	Proceeds from Equity	0.0	0.0	0.0
Long Term Trade Payables	0.0	0.0	0.0	Buyback of Shares	0.0	0.0	0.0
Long Term Provisions	0.8	0.8	0.9	Dividend Paid	0.0	0.0	0.0
Total Liabilities	70.6	88.7	109.2	Cash flow from Financing	(36.5)	44.1	13.1
Net Block	52.0	49.9	54.3	Net Cash Flow	8.1	5.5	4.6
Capital Work in Progress	0.0	0.0	0.0	Forex Effect	0.0	0.0	0.0
Intangible assets under development	0.0	0.0	0.0	Opening Balance of Cash	7.4	15.5	21.0
Non Current Investments	0.0	0.0	0.0	Closing Balance of Cash	15.5	21.0	25.6
Long Term Loans & Advances	1.0	1.9	7.8				
Other Non Current Assets	0.0	0.0	0.0				
Net Current Assets	17.6	36.9	47.0				
Total Assets	70.6	88.7	109.2				

Source: Ventura Research

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