



KEY HIGHLIGHTS

1. RESULTS OVERVIEW:

- Total sales volume increased by 22.50% year-over-year, reaching 1.23 lakh tons.
- EBITDA increased by 57.66% year-over-year to Rs. 42.19 crore.
- EBITDA per ton increased by 28.66% year-over-year to Rs. 3,429.
- EBITDA margin increased by 239 bps YoY and increased by 102 bps QoQ to close at 5.98%.
- PAT margin increased by 108 bps YoY and increased by 46.9 bps QoQ to close at 2.55%.

2. MANAGEMENT COMMENTARY:

- Company aims to achieve a product mix of 50% value-added products within the next 1.5 to 2 years. Currently, value-added products contribute 36% to 37% of the total product mix.
- Higher diameter pipes (above 300mm x 300mm) yield higher EBITDA per ton, ranging from Rs.6,000 to Rs.7,000 per ton, compared to pipes below 300mm x 300mm, which have EBITDA per ton between Rs.3,000 to Rs.5,000.
- Company estimates the demand for steel tubes and pipes in the telecom sector to be approximately 500,000 tons annually, based on the addition of roughly 50,000 telecom towers each year in India.
- Company has secured its biggest-ever order from the solar sector. Currently, solar projects contribute 10% to the company's revenue. This is expected to increase with the new capacity additions.

3. PRICE PERFORMANCE (%)

Particulars	3 M	1 Y
Hi tech Pipes	-24.02%	57.99%
Nifty Small cap 250	-4.18%	27.5%
Nifty Small cap 100	-3.2%	25.2%

4. CONCALL SUMMARY:

- Key strategic actions under Hi-Tech 2.0 include:
 - Doubling manufacturing capacity from 1 million tons to 2 million tons.
 - Becoming the second largest manufacturer of ERW Steel Tubes and Pipes.
 - Achieving net debt-free status by FY 25 end.
 - Strengthening brand presence in India and globally.
 - Reducing incremental working capital.
 - Focusing on value-added products.
 - Exploring new markets, applications and geographies.
- The company is maintaining its sales volume guidance of 500,000 tons for FY25. Sales volume is expected to increase in FY26 following capacity expansion
- Total Capacity and its Utilization:
 - Current Capacity: Hi-Tech Pipes currently has an installed capacity of 750,000 tons per annum.
 - Capacity Utilization: The company achieved sales volume of 245,000 tons in H1 FY25 and is targeting 500,000 tons for the full year. Based on these figures, capacity utilization is estimated to be around 66% for FY25.
- Capex Plans:
 - Capacity Expansion: Hi-Tech Pipes plans to double its manufacturing capacity from 1 million tons to 2 million tons. This expansion aims to meet growing demand in sectors like infrastructure, building and construction, and renewable energy.
 - New Greenfield Project: The company is constructing a new greenfield manufacturing facility at Sikandrabad, Uttar Pradesh. The facility is expected to be operational in FY25 and will contribute to achieving the 1 million ton capacity target.

5. VALUATION AND OUTLOOK:

- Company has a robust near term capacity expansion plans, from 0.58 MTPA in FY23, 0.75 MTPA in FY24 to 1 MTPA in FY25E.
- Management has vision to transit from generic products to value-added products going forward.
- Strong cash generation will enable business development and further growth visibility in future.
- We initiate BUY rating on stock and value the stock at 31.4x FY26 earnings to arrive at the target of Rs.184.**

RECOMMENDATION – BUY

CMP –156

TARGET – 184 (18%)

Industry	Steel & Iron Products
NSE CODE	HITECH
BSE CODE	543411
Market Cap (₹ Cr)	3167
Shares outstanding (in Cr)	20.3
52 wk High/Low (₹)	211/100
P/E	51.4
P/BV	3.67
Face Value (₹)	1.00
Book Value (₹)	42.5
EPS (₹)	2.93
Dividend Yield (%)	0.02
Debt / Equity	0.44
Interest coverage	2.61

SHAREHOLDING PATTERN

	Oct 24	Sep 24	Jun 24
Promoters	44.01	50.76	53.95
FIIs	12.98	9.31	1.82
DIIIs	17.22	10.05	11.35
Public	25.79	29.89	32.88
Promoter Pledging	2.57	2.57	2.57

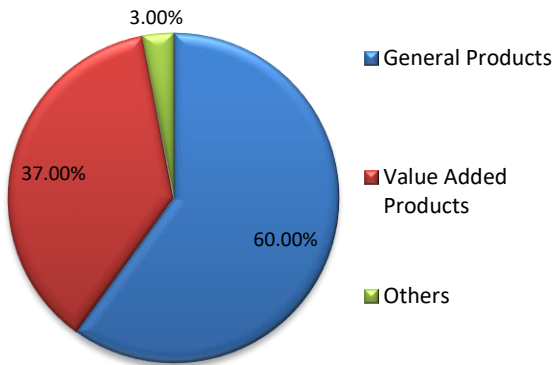
FINANCIAL SNAPSHOT (₹ Cr)

Y/E March	2024A	2025E	2026E
Core			
Sales	2699.3	3151	3721
Sales Gr. (%)	13.1	16.7	18.1
EBITDA	114.9	171.7	219
EBITDA mrg. (%)	4.3	5.4	5.8
PAT	44.0	79.7	118.9
EPS (₹)	2.94	3.93	5.86
EPS Gr. (%)	-0.7	33.7	49.1
Ratios			
RoE (%)	10.23	9.8	10.9
RoCE (%)	12.04	12.8	15.2
Valuation			
P/E (x)	47.5	39.7	26.62
Net Debt/ equity	0.76	0.67	0.59

Particulars	TTM	5 Yr Avg
Historical P/E :	53.1	22.7
Industry P/E :	22.7	
Historical P/B :	2.6	2.4
Industry P/B :	2.3	



Product Mix (%) Q2FY25



QUARTERLY PERFORMANCE (CONSOLIDATED)

(₹ Cr)

Y/E March	FY23		FY24				FY25			FY24	FY25E*
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3QE*		
Net sales	569	702	642	746	630	681	867	706	753	2699.3	3151
YoY change (%)	29.38	18	24.41	24.6	10.7	-2.97	35.01	-5.4	19.5	13.1	16.7
Total Expenditure	541	668.0	621	719	599	646	824	664	714	2584.4	2979
EBITDA	28.0	34.0	21.0	27	32	35	43	42	39	114.9	171.7
Margins (%)	4.9%	4.8%	3.3%	3.6%	5.0%	5.2%	4.9%	6.0%	5.2%	4.3	5.4
Depreciation	4.0	5	3	3	4	6	5	5	5	15.5	20.9
Interest	8.0	8	8	10	9	14	14	14	13	41.9	46.7
Other income	1.0	0	0	1	0	0	1	1	1	1.2	2.1
PBT	17.0	21.0	11.0	14	19	15	24	24	22	58.7	106.3
Tax	4	5	3	4	5	4	6	6	5.5	14.8	26.6
Rate (%)	25%	23%	26%	25%	25%	25%	25%	26%	25%	25.1	25%
Adjusted PAT	13	16	8	11	14	11	18	18	16.5	43.9	79.7
YoY change (%)	28.1	41.2	79.16	142.4	10.1	-29.78	125.1	72.0	17.86	16.51	81.4
Key Performance Indicator											
RM Cost (% of Sales)	90%	90%	93%	92%	90%	89%	91%	89%	-	8%	-
Staff Cost (% of Sales)	1%	1%	1%	1%	1%	1%	1%	1%	-	1%	-
Other Costs (% of Sales)	9%	9%	6%	7%	9%	10%	8%	10%	-	91%	-
EBITDA Margin (%)	5%	5%	3%	24	5%	5%	5%	6%	5.2%	4.3%	5.4%
PAT Margin (%)	2%	2%	1%	12	2%	2%	2%	3%	2.2%	1.6%	2.53%

Source: Company, Hem Securities Research.

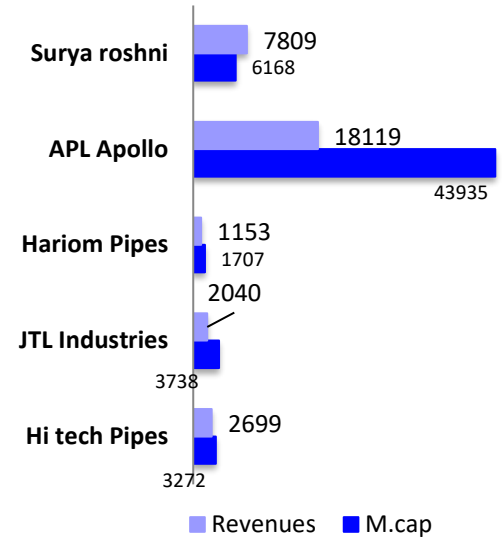
*Insights into the assumptions:

- 1> Expected to see sharp growth in FY25 on the back of Owning to the improving demand dynamics and a strong sales performance in FY24.

INDUSTRY OVERVIEW

- The Government's ambitious goal of transforming the nation into a USD 5 Trillion economy serves as a catalyst for growth in the steel industry. It is anticipated that by FY 2030-31, annual steel production will exceed 300 Million tonnes. Steel pipe and tube manufacturers have effectively expanded their operations to meet the global demand scale. The future growth in this segment can be attributed to increased investments in highways, bridges, flyovers, and public utilities, which will serve as drivers of demand.
- The worldwide electric resistance welded (ERW) pipes and tubes market is expected to be worth USD 71.9 Million in 2023. According to the Future Market Insights report, the market is predicted to expand at a CAGR of 5.2% between 2023 and 2033, totalling around USD 119.4 Million by 2033. It is anticipated that the global steel pipe market is likely to record a valuation of USD 97.88 Billion in 2023. The steel pipe market is expected to expand at an average CAGR of 3.9% and reach USD 143.50 Billion by 2032.
- India holds the distinction of being the world's largest centre for Electric Resistance Welded (ERW) pipe production, boasting an annual domestic market of 8-10 Million tonnes. Over the past five years, the ERW pipe market has witnessed a consistent a growth rate of 4% to 5%. Looking ahead, this growth rate is projected to further accelerate to 8% to 10% in the coming years.

KEY PLAYERS



PEER PERFORMANCE

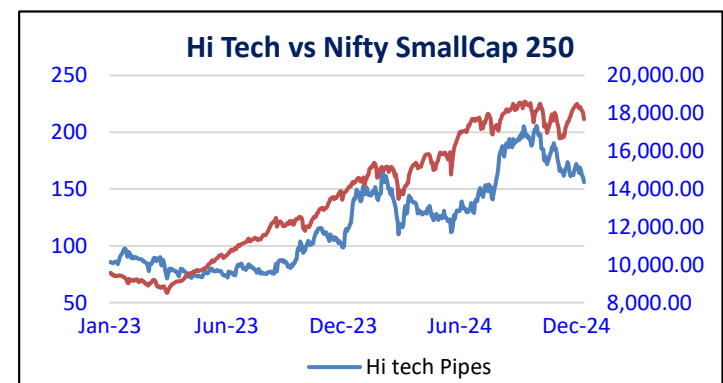
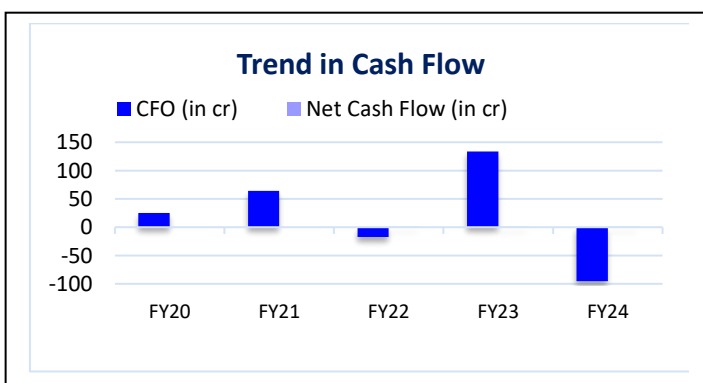
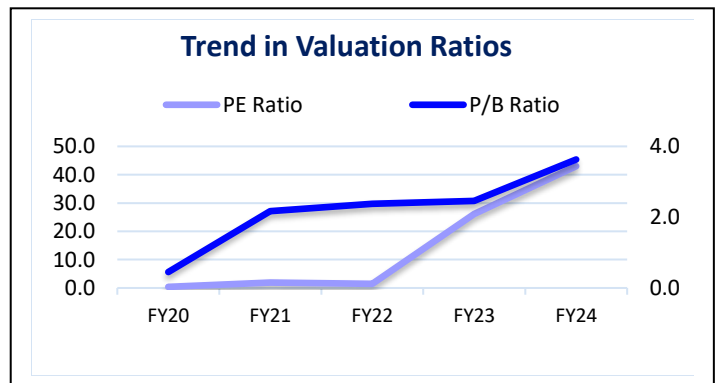
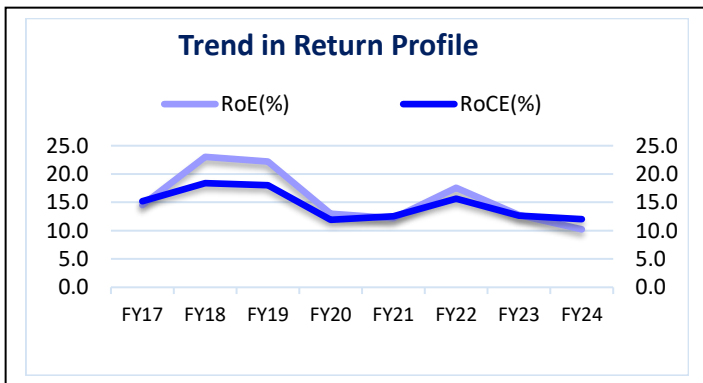
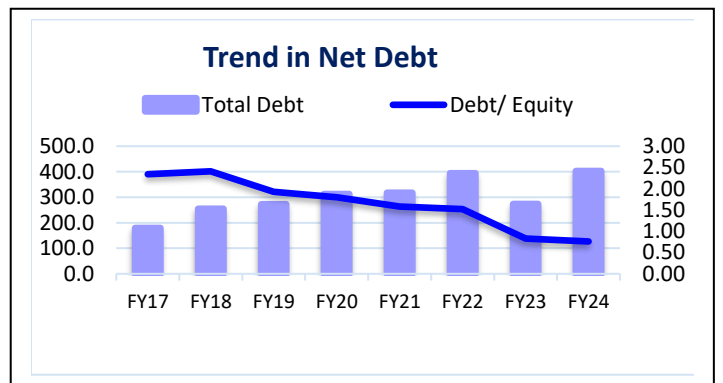
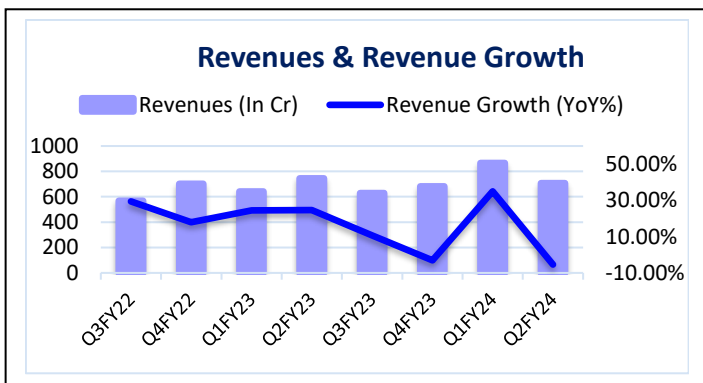
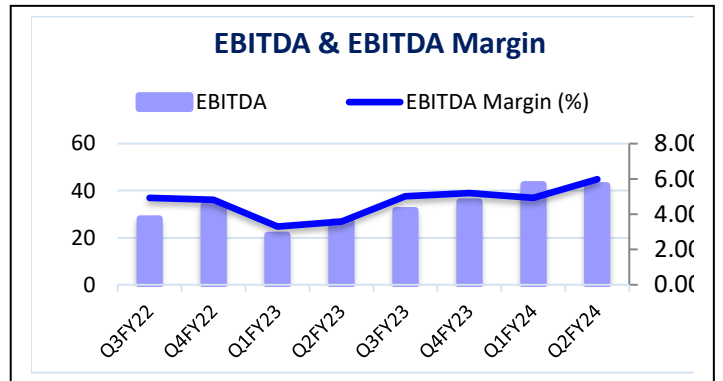
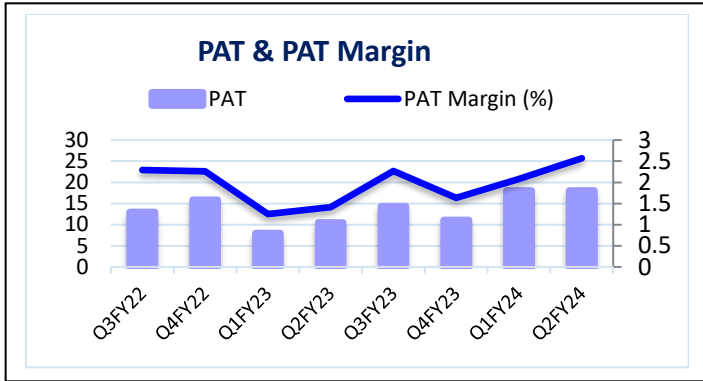
(₹ Cr)

Particulars	Hi tech Pipes Ltd	JTL Industries	Hariom Pipes	APL Apollo Tubes	Surya Roshni
Market Cap	3272.1	3738.2	1707.4	43934.9	6168.3
Net Sales	2699.3	2040.2	1153.2	18118.8	7809.3
EBITDA	114.9	152.2	138.6	1192.2	572.4
PAT	44.0	113.0	56.8	732.4	329.2
EPS (Rs)	2.9	3.2	19.7	26.4	30.3
EBITDA MARGIN %	4.3	7.9	10.0	6.7	7.5
PAT MARGIN %	1.6	5.5	3.9	3.9	4.2
ROCE %	12.0	23.7	14.6	25.4	21.1
ROE %	10.2	26.5	14.3	22.2	16.5
P/E	53.1	32.0	28.5	75.4	19.2
P/B	2.6	3.1	3.1	11.4	2.7
EV/EBITDA	22.6	20.9	11.8	41.1	10.2
Dividend Yield	0.0	0.1	0.1	0.3	0.9
Mcap/Sales	1.1	1.8	1.3	2.4	0.8

Source: Company, Hem Securities Research.



STORY IN CHARTS





INVESTMENT RATIONALE:

- Company has ambitious expansion plan to increase the capacity from 0.58 MTPA in FY23, 0.75 MTPA in FY24 to 1 MTPA in FY25E and to double it to 2 million tonnes over the next 3-4 years.
- Company has mammoth growth prospects in the structural steel tubes space given its Transition from generic products to value-added products and Product portfolio enhancement on back of Solar torque tubes, color coated roofing sheets.
- Given the established brand and favourable dynamics, company will continue to capitalize on upcoming opportunities.
- Company has a strong corporate governance framework driven by its Board of Directors.
- The company intends to improve the mix of value-added products (VAP) from 36% in Q1FY25 to 50–55%.
- Guidances for FY25: Sales volume guidance: 0.5mn tonnes, revenue guidance: Rs.35bn with EBITDA/t of Rs.3,500, Plans to increase EBITDA/t to Rs.5,000 in the next two–three years.
- 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).
- 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.
- Sanand plant's utilisation in Q1 was 35%. Management expects it to rise to 40–50% in Q2 and 65% in Q3 and Q4.

RISK FACTORS:

- Reduction in demand from construction and infrastructure companies can hurt earnings.
- Volatility in HRC prices.
- Competitive intensity in structural steel tube industry.

COMPANY RECAP

- Hi-Tech Pipes business of manufacturing of ERW Steel Round & Section Pipes, cold Rolled Strips & Engineering Products and distribution of the same across india.
- Leading player:** Company is one of India's leading manufacturers of Steel Pipes with a presence in more than 5,000 retail stores.
- Diverse End-User Industries:** The company makes steel pipes and its allied products. The products are used in multiple sectors including Infrastructure, Construction, Automobiles, Energy, Agriculture, Defense, Engineering & Telecom.
- Established Brands:** Company operates 12 brands like Alshakti, Organic, Shakti, Casewell, Flatmax, Firefighter, Bahubali, Pre-Gal, GC Sheet, Pillar, ColorStar and Crashguard.
- Product Mix:**
General Products : 66%
Value Added Products : 31%
Others : 3%
- Clients :** Reliance Industries Limited, TATA, Suzlon, GMR, ADANI Group, Larsen and Toubro, BAJAJ, GVK, DLF, Ashok Leyland, JAYPEE Group, HP, Indian Oil, GAIL, Airports Authority of India, NTPC, BHEL, Power Grid, DMRC, PDIL, Gammon & Airtel.
- Projects:** Surat Diamond Bourse, Narendra Modi stadium, motera, Ahmedabad, Dedicated Freight Corridor, High Speed Bullet Train etc.
- Capacity:** The Company operates five state-of-the-art integrated manufacturing facilities at Sikandrabad (UP), Sanand (Gujarat), Hindupur (AP) and Khopoli (Maharashtra), with an installed capacity of almost 7,50,000 MTPA, on a consolidated basis. The Company has a direct marketing presence in over 17 states across India. **The company has enhanced its capacities from 3,60,000 MTPA in FY18 to 7,50,000 in FY24.** The company completed its Brown field expansion in its Sikandrabad Facility for Commercial Production of Color Coating Line having an installed capacity of 50,000 MT in Jan,23.
- The company is supplying to the world's largest solar park at Khavda, Gujarat. This is a 40GW solar power plant, which would be a three-year project. Hi-Tech is the preferred supplier for the project due to its proximity.
- Two new projects:** a greenfield one in Secundrabad (UP) with capacity of 0.15mn tons and a brownfield one with capacity of 0.11mn tons in Sanand (Gujarat). Total capital expenditure on the two facilities is close to INR1.25bn.

Ratios						
Y/E March (Basic (INR))	2019	2020	2021	2022	2023	2024
Profitability and return ratios						
Net profit margin (%)	2.01	1.69	1.70	2.15	1.58	1.63
EBITDA margin (%)	5.21	5.00	5.34	5.40	4.42	4.30
EBIT margin (%)		4.46	4.72	4.89	3.57	3.73
ROE (%)	22.20	12.9	12.18	17.56	12.78	10.23
ROCE (%)	18.0	11.9	12.56	15.63	12.68	12.04
Working Capital & liquidity ratios						
Payables (Days)	15.4	19.2	15.88	13.8	21.30	24.57
Inventory (Days)	40.9	49.7	49.99	43.50	43.31	44.18
Receivables (Days)	32.4	41.4	35.11	27.98	27.00	31.49
Current Ratio (x)	1.2	1.23	1.37	1.43	1.45	1.53
Valuations Ratios						
EV/sales (x)	0.4	0.3	0.56	0.53	0.54	0.91
EV/EBITDA (x)	6.6	6.2	10.41	9.79	12.13	21.28
P/E (x)	8.9	3.9	19.52	15.29	27.17	47.53
P/BV (x)	1.7	0.5	2.22	2.39	3.10	3.97
Dividend Yield (%)	0.1	0.4	0.00	0.10	0.03	0.02
Return on Assets (%)	5.7	3.8	3.91	5.89	4.45	4.17
Leverage Ratio						
Debt/Equity (x)	1.9	1.8	1.6	1.5	0.8	0.76

Cash Flow Statement						
Y/E March	2019	2020	2021	2022	2023	2024
CF from Operating activities (A)	49	25	64	-17	134	-95
CF from Investing Activities (B)	-40	-39	-40	-46	-98	-117.2
CF from Financing Activities (C)	-9	14	-25	64	-35	213
Net Cash Flow	-0	-0.11	-0.09	0.27	0.99	0
Add: Opening Bal.	0	1	1	1	1	2
Closing Balance	0	1	1	1	2	2

Source: Company, Hem Securities Research.



RATING CRITERIA

INVESTMENT RATING	EXPECTED RETURN
BUY	>=15%
ACCUMULATE	5% to 15%
HOLD	0 to 5%
REDUCE	-5% to 0
SELL	<-5%

RECOMMENDATION SUMMARY

DATE	RATING	TARGET
20 TH Dec 24	BUY	184

DISCLAIMER

HEM Securities Limited (“Research Entity or HSL”) is regulated by the Securities and Exchange Board of India (“SEBI”) and is licensed to carry on the business of broking, depository services and other related activities. Broking services offered by HEM Securities Limited are under SEBI Registration No.: INZ000168034.

This Report has been prepared by HEM Securities Limited in the capacity of a Research Analyst having SEBI Registration No. INH100002250 and distributed as per SEBI (Research Analysts) Regulations 2014. This report does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable. This report is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this report should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his own advisors to determine the merits and risks of such investment. This should not be construed as invitation or solicitation to do business with HSL. The investment discussed or views expressed may not be suitable for all investors.

This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject HSL and associates / group companies to any registration or licensing requirements within such jurisdiction. The distribution of this report in certain jurisdictions may be restricted by law, and persons in whose possession this report comes, should observe, any such restrictions. The information given in this report is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. HSL reserves the right to make modifications and alterations to this statement as may be required from time to time. HSL or any of its associates / group companies shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. HSL is committed to providing independent and transparent recommendation to its clients. Neither HSL nor any of its associates, group companies, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including loss of revenue or lost profits that may arise from or in connection with the use of the information. Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein. Past performance is not necessarily a guide to future performance. The disclosures of interest statements incorporated in this report are provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report.

We offer our research services to clients as well as our prospects. Though this report is disseminated to all the customers simultaneously, not all customers may receive this report at the same time. We will not treat recipients as customers by virtue of their receiving this report.



HSL and its associates, officer, directors, and employees, research analyst (including relatives) worldwide may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company(ies), mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company/company(ies) discussed herein or act as advisor or lender/borrower to such company(ies) or have other potential/material conflict of interest with respect to any recommendation and related information and opinions at the time of publication of research report or at the time of public appearance.

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

ANALYST CERTIFICATION/ DISCLOSURE OF INTEREST

Name of the Research Analyst: Deepanshu Jain

The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

SN	Particulars	Yes/No
1.	Research Analyst or his/her relative's or HSL's financial interest in the subject company(ies)	No
2.	Research Analyst or his/her relative or HSL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the Research Report	No
3.	Research Analyst or his/her relative or HSL has any other material conflict of interest at the time of publication of the Research Report	No
4.	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5.	HSL has received any compensation from the subject company in the past twelve months	No
6.	HSL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7.	HSL has 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	No
8.	HSL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9.	HSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10.	Research Analyst or HSL has been engaged in market making activity for the subject company(ies)	No

Since HSL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months. Associates of HSL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

There were no instances of non-compliance by HSL on any matter related to the capital markets, resulting in significant and material disciplinary action during the last three years.