

Vibhor Steel Tubes Limited
Q2 and H1 FY25 Earnings Conference Call
November 15, 2024

Moderator:

Ladies and gentlemen, good day and welcome to the Vibhor Steel Tubes Limited Q2 and H1 FY25 Earnings Conference Call. We have with us today representing Vibhor Steel Tubes Limited Mr. Vijay Kaushik – Chairman and Mr. Vibhor Kaushik – Managing Director of the company. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touchtone phone.

Incorporated in 2003, Vibhor Steel Tubes Limited is a manufacturer and exporter of Mild Steel, Carbon Steel, ERW Black and Galvanized Pipes, Hollow Steel Pipes, Cold Rolled Steel Strips/Coils. The company also manufactures Crash Barriers which are widely used on median, shoulders, verge and high embankments.

VSTL is promoted by Mr. Vijay Kaushik a first generation entrepreneur with a rich experience of more than 4 decades in the manufacturing sector. Mr. Vibhor Kaushik joined the company in 2006 and under his leadership the company has expanded its capacity by 19 fold. VSTL promoters are ably supported by a highly skilled and experienced team of 600 plus people.

VSTL has 2 manufacturing units each in Telangana and Maharashtra with a total installed capacity of 221,000 metric ton per annum. VSTL has a wide product profile comprising Electric Resistance Welded Pipes, Hot-Dipped Galvanized Pipes, Hollow Section Tubes and Crash Barriers amongst others. The products find applications across multiple sectors including agriculture, oil and gas, automobile, telecom etc. The company went public in February 2024. I now hand the conference over to Mr. Vibhor Kaushik from Vibhor Steel Tubes Limited. Thank you and over to you, sir.

Vibhor Kaushik:

I welcome everyone. Currently I am on this call from China. I had come here for an inspection of some machines that we have ordered for our upcoming project in Jharsuguda in Odisha. The plant in Odisha we have taken a lot of our focus. We are in expansion mode and this plant **tube wells and 2 tube well and the switching line should** start as soon as we get the electrical the project is completed **Two tubels and switching line is** completed we are waiting for electrical to come and then we will start our production. We are hoping that will happen within one-month period of time.

And apart from that I want to tell that our Mumbai plant and Hyderabad plant both are running at optimal level and especially in Hyderabad besides the Pipe and Crash Barrier I like to let everybody know that we have also started Transmission Line and we have procured orders as well. There are 2 orders that we have procured the total order at this point in time in Hyderabad is 650 tons for transmission line. The reason I am pointing it out is to let all the investors be aware that besides Steel Pipes and Galvanized Pipes earlier we have introduced Crash Barriers, Highway Guardrails which is showing a steady growth.

Apart from that in Hyderabad now we have also started Power Transmission Line which is a conventional angle based Power Transmission, so this is something I am very excited to share with all the investors that we have successfully entered into this field as well.

And about Jharsuguda besides Steel Pipes, Black and Galvanized as soon as the electricity comes in which is hopefully another 28 days to one month we shall also start other products sale that we have introduced in Hyderabad which is Highway Guardrails and Crash Barriers, Power Transmission Line and apart from these 2 new products we shall also be introducing another domain which is Octagonal Poles and High Mast Poles. These are highway products they are used for lighting systems and all these 3 new products Crash Barriers, Pole and our Conventional Power Transmission line they should all start together hopefully by the end of December in Jharsuguda.

All the machines we have ordered they are on the way. Some machines are reaching in by the end of this month and some are reaching by the beginning of December and these machines are all focused for the expansion that we are doing in different areas as I mentioned, Highway Guardrail, Power Transmission Line and Octagonal. And apart from that I would like to inform that we have successfully placed order for machinery for Monopole which is a Power Transmission new technology. It is a shift from conventional Transmission Line which is angle-based to a new method of transferring the power through a pole system which requires very less space and is a much more effective. that machinery order is placed. We are expecting that machinery to arrive in our Jharsuguda plant next year by April. So that is another domain we shall be entering next year, but as for right now I can say that successfully by the end of December in Jharsuguda besides Steel Pipes and Galvanized Pipe, Highway Crash Barrier, Power Transmission and Pole all of them shall start at the same time. These products have a lot of demand in India and besides the demand they have high margins as well, so we are really looking forward to it.

The company is attributing these products in various exhibitions this year and we are getting phenomenal responses and I am very hopeful and very positive that this should take us very less time to capture the market and our Jharsuguda shall be very fruitful because we are very close to the steel manufactures, so our raw material procurement is very easy and all this products that we are introducing is viable to able to cater to PAN India level not just locally because our Steel we are going to be sitting very close to our raw material supplier, so our

logistic cost for raw material will be minimal and that will give us advantage to cater and send this material to all the directions in India. So this is what I wanted to let all the investors know that what we promised earlier in February that we are putting up a plant. The plant is I would say is 70%-75% already installed in Jharsuguda. Once the power line which is also very close government contractors are working at it. They are installing the pole and cables, so the power will come and what we promised in February we shall be delivering in December now the plant should be running along with it all the expansion as I have explained. Thank you.

Moderator:

Thank you. Ladies and gentlemen we will now begin the question and answer session. As there are no questions in the queue I hand over the conference to Mr. Vibhor Kaushik for closing comments. Over to you.

Vibhor Kaushik:

Mr. Vijay Kaushik is also present, so it is a coincidence that last time also I was in China when we had a meeting like this and that time also I had come to inspect some machines and those machines have arrived.

I would like to inform that this year because of the central elections the demand, the projects and the government everything has been slow which has reflected in quarter 1 and quarter 2. However, having said that it is important there are highlights wherein the month of October we had seen everything mostly coming back to its original normal shelf that happened last October last year.

Our sales have picked up in October and that has been reflected in our production also production value, production quantity and our dispatched value and dispatched quantity as well. So we are hopeful and we are positive that the demand is now going to be very steady for our Steel Pipe and Black and Galvanized for quarter 3 and quarter 4. And along with that Crash Barriers, the new product has also already hit up we are hitting a constant average of anywhere between 500 tons to 800 tons in a month and we are expecting this to increase because now more and more road contractors are getting aware of our presence in the market and they are getting aware of the products that we are making and our quality. So that is what we are expecting in quarter 3 and quarter 4 there are Steel Pipes, Black and Galvanized both shall pick and apart from that Crash Barriers shall also see because quarter 3 and quarter 4 the contractors have targets to complete by the end of the year, so we should see growth in both of this.

Apart from that Transmission Line as I have said we already have more than 500 tons of order, so this means that the market has a lot of demand as they are entertaining us. We have just entered in the market and yet we have been able to capture orders in the market. So this is all evident that the market has very healthy demand for all the new products that we have come up with and we are very positively looking for quarter 3 and quarter 4 for all our products that has existed and all the new products that are coming up.

Vijay Kaushik: Exports, we increased by 300 tons – 400 tons for increase of export GI Pipe.

Moderator: Sir we have a question from the lines of Rahil Shah from Crown Capital. Mr. Shah please go ahead.

Rahil Shah: So you just mentioned you are adding the new product line, correct? You are introducing the Transmission Lines and then you also mentioned something about a Monopole, so when will that be starting?

Vibhor Kaushik: Monopole has a few set of equipment that is required. The name of those equipment are Plasma Cutters, Press Brake and Pole Closing. Now Plasma Cutter we have already secured. That has arrived in our factory. It is currently going under installation. Pole Closing has also been purchased and it is currently getting installed. Press Brake which is the main item that is the reason why I am in China we have just placed the order for it. We are expecting this machine to arrive India in April, so we can say that by May or June this domain we should be able to enter successfully. It also requires galvanized setup which we already have up to a certain diameter higher than that we shall be installing. But the first phase of Monopole I am expecting to start somewhere in June next year.

Rahil Shah: Can you please highlight again what is the use for this Monopole like where it is used most? And how will it benefit us?

Vibhor Kaushik: Most of the Power Transmission in India and also around the world has happened in the conventional setup which uses angles. You must have seen on highways they have four legs, they are big structures that carries electricity grid. Now those structures take up a lot of space. They look like a big robot with arms because they are holding the cables together for transmission. The problem is that is being going on for quite a while, but the problem with that setup is it takes a lot of space. So now when the land is getting more expensive it is the need of the hour that we look for a replacement of a structure that will take up a very less space, so that is where the monopole comes in. Monopole is a cylindrical body. It is like a pipe, but is made in a different way it is made on a Press Brake. It is circular in structure and it takes may be half of the space of what Angle-Based Transmission Line would take. And its weight is also less than Angle-Based, so it is profitable in both sense in the amount of space it takes and also amount of tonnage it requires. So this is what monopole is. It is used in all transmission line from 33 kv, 133 to all the way up to 700. But India is still growing. There are not too many players who have entered this domain as yet, but there is a certain demand. I was at the exhibition and a lot of contractors approached us and they were hoping that we start as soon as possible because we already have an experience with Galvanizing. So this is what a monopole is. It is for the transmission of the power and it is a take from conventional way to a modern way which requires less space and is more effective.

Vijay Kaushik: So that is one thing Mr. Vibhor has told you. The other aspect is this when this passes through a farmer's land they object it and this Monopole line can be installed along the road from one city to another city and if you are aware of this thing you have watched also that along the road side there are very big poles installed on which 3 lines runs everything runs on this structure. The government can build this line very quickly and can pull it and can be done on low cost. Even if we don't get permission for farmer's land from farmers, this Transmission Line can go along the road side from one place to another very soon. This is a big advantage of Monopole which has been just launched in India. You will see in very few places. When you pass through city and if you are going from Noida then you can watch this Monopole. In Hyderabad also when you are passing through city then you can watch this Monopole. Then it will become easy because in India even today electricity is manufactured in South. Electricity is made near the coal mines and if electricity is manufactured near coal mines then Transmission Line will have to be very quickly developed within India and this Monopole will be a great support for it by which this Transmission Line can be pulled very easily and very quickly. So seeing all these things we have gone into Monopole line.

Rahil Shah: Yes, sir I also Google this and it seems quite effective, but at present in our business we can't consider it as a major contributor correct?

Vijay Kaushik: It is in the future. This project is going to give us many times more benefit than our Pipe business.

Rahil Shah: So you think this can be bigger than our core business of all Galvanized Pipe?

Vijay Kaushik: Yes.

Rahil Shah: So if we keep this aside for now and if we don't consider it as of now, at what growth percentage do you think your remainder of the business can grow, the Pipes, our Transmission and the Crash Barriers?

Vijay Kaushik: Only 2 months have passed since the Transmission Line has started and we have an order of around 600 ton. We have already supplied 10 ton and one truck has also gone now the work has started since 2 months in Hyderabad. And now Jharsuguda will also start, so there is a lot of margin in it. The structure is completely of GI. We have put up another GI plant in Hyderabad last month in which this structure will be manufactured in China and its demand cannot be met in India because plants are installed in Kolkata. It is only in one place Skipper and Utkarsh make more and mainly these 2 are the only producers. So after our arrival supplies are being made from Hyderabad to South etc., and even we are getting orders from North side and angle comes from Shimla and now we are getting it from Raipur also, so all these things are also there which are new and good ones with good margins also. Pipe is quantity based the more Pipes you make the more you save even if you make little, it will be saved a lot of margin is there, that is raw material is Rs. 50 and it is sold for Rs. 80, Rs. 90.

Rahil Shah: How much positive impact will come on margins because they have fallen in this quarter?

Vijay Kaushik: If we tell the calculations, then Rs. 5 per kg or Rs. 7 per kg is saved in Transmission and in Pipes Rs. 3 is saved for doing GI, this is the cost.

Vibhor Kaushik: Mr. Shah let me step in about the margins and the contribution what is going to be. See in Pipes the model is that we have to keep a lot in stock, so price variation everything becomes a part of it becomes affective. In this it is order based, we get orders and we get raw material and then we process it, so our profit at the time of when we quote it to any other customer it remains same there is no major variable factors in it because we have already considered raw material prices and we have already considered Galvanizing Pipes and everything. In terms of the volume if we look the turnover will always be high for Pipe because the volume of Pipe will always be more. We have 2 plants in Bombay and Hyderabad where we are making Pipe. Third Jharsuguda which sometimes I feel is a bigger market for everything for Pipes also. So the Pipe contribution from Jharsuguda will also be significantly high, so in terms of the topline if you see Pipe will always have more, but in terms of a bottom line if you see when we do a breakup in the future because this is right now we have just entered, so there is not much data for us to show, but in the future you will see that our bottom line contribution from these other product is going to be significantly higher than Pipe. And in terms of how much it is variable, but you can consider as at least 2% higher than what it generally reflects in Pipes more than that. But at this point in time you can consider 2%.

Rahil Shah: So, sir overall on an annual basis are you able to guide for a certain revenue growth?

Vibhor Kaushik: So now we are expecting in quarter 3 and quarter 4 there will be a revenue growth. The reason for revenue growth will be one market has come back to normal, the election time is over although there was election going on Maharashtra, but now that is also over and plus this is the end quarter 3, quarter 4 always see all the targets has to be completed, so the growth will always be higher. And more importantly Jharsuguda an entire new area where we don't supply is coming up for the last quartet at least, so definitely the revenue turnover will increase only for the Pipe if we talk only about the Pipe, but apart from Pipe revenue growth from all these new products as well that will definitely show because we have order in hand, we are executing it right now, so they will definitely show in quarter 3 and quarter 4.

Rahil Shah: Since your H1 we saw a de growth in both the quarters, do you think H2 will more make compensate for annual sale overall annual growth over FY24?

Vibhor Kaushik: This is something I highlighted last time also. If we leave the COVID time that era and we go little back, the industry has always been pre-Diwali and post-Diwali. Pre-Diwali the numbers are always a little stressed, and after that the numbers become better. The reason for that is that everyone has a project, everyone has a timeline to complete, so the growth start to be seen. The same thing is happening with the Steel Pipe prices also. The prices are going up the

reason why it is going up is because the same trend which has been going on for years has now come back because the COVID era was different, so I don't talk about that, but otherwise this has been the trend and if we go by the trend which we have already seen in October and which we are seeing in November also the prices are going north for raw material, so yes there is growth. The margins will come back, our turnover will also increase and the turnover will increase because of all the new product line and the new area where we have to cater which is North-East of India.

Rahil Shah: So far what I understand I think H2 will be much better and FY26 will be a game changer for both revenue and margins?

Vibhor Kaushik: Absolutely, we are very positive on that because we have seen a lot of positive response from the market and we have really entered into this domain. So yes, what you have understood and I am glad that we have been able to translate it to you and I think you have understood exactly what we are doing and how we are implementing it. Thank you.

Moderator: Thank you. Vibhor, sir any closing comments from you end.

Vibhor Kaushik: Well I am on the way right now to Airport. My job in China is finally finished and I think all the machines and all the equipment that we have ordered most of them are coming the only thing that is not which is Monopole as I was discussing with Mr. Shah that machine order is placed. So now all my energy will be in India we shall be running this different plant in time hopefully in the next 20 days to 25 days. The first phase of the production will start which is a Smaller Diameter Pipe and then in another 40 days to 45 days full-fledged we are hoping to start our Jharsuguda. So in December hopefully the number from Jharsuguda in our topline revenue shall start reflecting and we are really looking forward to it. Apart from that all the expansion that we have been doing from February till now I am glad to announce that the Crash Barrier has been successfully retained an average of 500 tons to 600 tons every month. And I am glad to announce that the new domain in Transmission Line has already got us orders which shows that there is a lot of demand in India, and there are players who are doing Galvanizing and they are known for quality such as us. We got good response and good orders already and we are really looking forward to catering to all these new sectors that we have entered. And that will show in both our topline and bottom line in quarter 3 and quarter 4 and definitely in the coming years ahead. Thank you.

Moderator: Thank you members of the management team. On behalf of Vibhor Steel Tubes Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.