

Initiating Coverage Surya Roshni Ltd.

December 02, 2022





Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Iron & Steel Products	Rs 466.7	Buy in Rs 462-471 band and add on dips to Rs 408-417 band	Rs 532	Rs 572	2-3 quarters

HDFC Scrip Code	SURROSEQNR
BSE Code	500336
NSE Code	SURYAROSNI
Bloomberg	SYR IN
CMP Dec 01, 2022	466.7
Equity Capital (Rs cr)	53
Face Value (Rs)	10
Equity Share O/S (cr)	5.3
Market Cap (Rs cr)	2539
Book Value (Rs)	298
Avg. 52 Wk Volumes	234638
52 Week High (Rs)	673
52 Week Low (Rs)	323.6

Share holding Pattern % (Sep, 2022)	
Promoters	62.9
Institutions	1.2
Non Institutions	35.9
Total	100.0



HDFCsec Retail research
stock rating meter

for details about the ratings, refer at the end of the report

* Refer at the end for explanation on Risk Ratings

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Our Take:

Surya Roshni Ltd. (SRL) enjoys strong industry leadership by being India's largest manufacturer of GI pipes and the largest exporter of ERW pipes. Moreover, its oil & gas sector offerings are approved by the American Petroleum Institute (API). The company stands to benefit from the evolving opportunities across its end-user segments in India and across the world from regions like the Middle East, Europe, Africa and Asia. The 3LPE coating line, will further allow the company to address the opportunities in the Oil & Gas and City Gas Distribution sector. Under the Steel Pipes & Strips segment, the Company manufactures diversified range of products that are used across agriculture, infrastructure, oil & gas, water and construction sectors.

SRL has emerged as the second-largest lighting company in India. It has also successfully catered to the 'conventional lights to LED transition', as its products are widely accepted amongst the masses. It is steadily enhancing its presence into the 'fast-moving electrical goods' (FMEG) space. The Company's strong dealer and distributor network, allow itself to reach across the nation, especially into the tier II, tier III and rural areas.

The company's consolidated order book of Rs 1,742 cr as on August 31, 2022, provides adequate revenue visibility in the short to medium term. Moreover, continued lower imports and government initiatives such as Product Linked Incentive (PLI) scheme are expected to support volumes and margins of industry players in lighting segment including SRL over the medium term.

Valuation & Recommendation:

SRL is into two happening sectors. Though lighting business is smaller portion, yields lower margins and growing at a much slower pace, the pipes business is doing well. Recent quarterly results show an improvement in margins. We think the stock is valued attractively given the potential of its pipes business. **We believe investors can buy the stock in in Rs 462-471 band (8.5x FY24E EPS) and add on dips to Rs 408-417 band (8.5x FY24E EPS) for base case target of Rs 532 (9.7x FY24E EPS) and bull case target of Rs 572 (10.4x FY24E EPS) for a period of 2-3 quarters.**



Financial Summary (Consolidated):

Particulars (Rs cr)	Q2FY23	Q2FY22	YoY (%)	Q1FY23	QoQ (%)	FY21	FY22	FY23E	FY24E
Operating Income	1984	1946	2.0	1840	7.8	5,561	7,731	8,427	9,016
EBITDA	129	101	28.0	70	85.1	379	443	497	568
APAT	68	44	53.5	22	205.2	158	205	248	293
Diluted EPS (Rs)	12.7	8.4	53.5	4.2	205.2	29.5	38.4	46.5	54.8
RoE-%						12.1	14.1	15.0	15.4
P/E (x)						15.8	12.1	10.0	8.5
EV/EBITDA						8.5	7.0	5.5	4.7

(Source: Company, HDFC sec)

Q2FY23 Result Review:

Surya Roshni reported healthy overall numbers in Q2FY23. Consolidated revenue from operations during the quarter remained flat at Rs 1984 cr on YoY basis. EBITDA stood at Rs 131 cr, up by 28% YoY. EBITDA margin stood at ~6.6%, expanded by 140 bps. For H1FY23, Revenue/EBITDA/PAT grew by ~13%/~3%/~11%, YoY.

It reported a sustained growth momentum, primarily led by value-added products. It continued to undertake multiple price hikes partly to mitigate the higher input costs. The company reduced debt by Rs 72 crore in H1FY23, finance cost also reduced by 26% in H1FY23. Debt Equity reduced to 0.31x as on 30th September 2022 as compared to 0.37x as on 31st March 2022.

Steel Pipe & Strips Segment: The company reported healthy performance in terms of EBITDA/MT despite falling steel prices. Steel Pipes and Strips EBITDA/MT stood at Rs 5,259 a growth of 30% YoY for Q2FY23. It reported volume growth of 4% YoY in Q2FY23 despite the flattish revenue growth. Sharp correction in steel prices globally triggered destocking at dealer level which impacted the revenue growth. There is a robust order inflow and enquiry generation in exports as well as in API coated pipes and the Order book in these two stood at Rs 845 crores as of Sept 30, 2022. The company successfully ramped up operations at the new DFT technology-based manufacturing at Malanpur with ~56% capacity utilization in Q2FY23.

Lighting & Consumer Durable Segment: Q2FY23 witnessed 12% growth across all business divisions of B2C and B2B, on a YoY basis. Similarly, H1FY23 grew by 29% with growth in most businesses. LED revenue grew by 29% and 48% YoY during Q2FY23 and H1FY23 respectively backed by value added products like LED battens and down lighters. Professional Lighting witnessed 37% and 49% growth in revenue for Q2FY23 and H1FY23, along with good inflow of orders. LED lighting bulbs replacement cost continued to witness a major reduction. Continued aggressive advertisement and marketing campaigns were run through TV advertisements, print and digital media to strengthen brand equity. Capex for PLI scheme is ongoing as per the plan.



Key highlights from management concall-Q2FY23

- On a per ton basis, it has booked orders at Rs 50000/Rs 32000 under API/Exports respectively.
- Going forward, the management expects EBITDA per tonne to be around Rs 5500 in the next 2 quarters and around Rs 5000 for full FY23.
- The management highlighted that it is considering capex plans for steel pipes facility in the Eastern & Western region and GP galvanised line and will make public announcement of the same by next board meeting.
- Under the steel pipe segment, the company has orders in hands from PSA, API & Oil & Gas segment from Har Ghar Jal to other purposes. The company's focus is on high-margin products in the steel pipe segment.
- A price hike of around 5% can be seen in the next 2 quarters.
- The EBITDA margin for full FY23 is expected to be around ~10% in pipes segment going back to FY21 levels.
- The management expects a volume growth of ~10%/15% in the steel pipe segment/lighting segment respectively in next 2 years.
- Utilization level in the conventional lighting segment is ~20%, most of the capacity has been shifted towards manufacturing of LEDs. Capacity utilization in the LEDs is around ~65-70% which has good scope for growth in the lighting segment.
- The management said its focus will remain more in the domestic markets rather than exports as it is witnessing robust demand in India.
- Company's value added products in the steel pipe segment comprises of API, GI Pipes, Large Diameter Section pipes. General products include infrastructural section pipes, round pipe, black round pipe and CR pipe.
- In pipes segment, ~60% of the sales is B2C whereas ~40% is B2B and B2G (Oil & Gas)
- Management expects sales volume to be in the range of 4.5-5 lakhs tons in next half of FY23 vs 3.48 lakh tons in H1FY23.
- The company keeps an inventory of HR coil for around 35-40 days if the prices are rising whereas an inventory of 30-35 days is kept if prices are falling. ~95% of the raw material is sourced from domestic sources.
- Management has given a guidance of 1000 tons in the PVC pipe segment and sees good growth prospects in next 1-1.5 years.
- The replacement cost (due to quality issues) now stand at 5.9% which was at one time it was more than 12%, a significant reduction on year-on-year as well as quarter-on-quarter basis. The company is focusing to reduce this cost further going forward.
- Mr. Jitendra Agrawal has joined the Board as CEO for lighting and consumer durable having very rich experience in electrical and lighting industry with Luminous Power Technologies including 19 years at Phillips India Limited.

Key Developments & Triggers:

Resilient performance in FY22 & First half of FY23

Steel Tubes & Pipes: Revenue during FY22 stood at Rs 6402 crores, up by ~48% YoY. EBITDA stood at Rs 342 crores, up by ~34% YoY. The company commissioned large diameter section pipe facility with Direct Forming Technology (DFT) at Gwalior in mid-April, 2022, which has added a capacity of 36,000 MTPA of new product categories. It increased its share of value-added products leading to strong margins and



higher EBIDTA/MT. It reported an increase in EBIDTA/tonne in steel division to Rs 4,646 per MT in FY22 backed by increasing thrust on high-value products galvanized pipes, 3LPE coated API pipes, higher exports and inventory gains. The company received strong orders across the year, including highest ever single order of 40,000 MT from Indian Oil. It also recorded strong export volumes during the year.

Revenue for H1FY23 stood at Rs 3106 crores, up by 9% YoY. EBITDA stood at Rs 149 crores, marginally down by 1% YoY. EBITDA/mt stood at Rs 4283/t vs Rs 4502 in H1FY22. Profit before tax stood at Rs 85 crores, slightly up by 2% YoY.

Transition towards high margin products

Sr. No	Product Name	FY19		FY20		FY21		FY22	
		Volume Share	EBITDA/MT (Rs)	Volume Share	EBITDA/MT (Rs)	Volume Share	EBITDA/MT (Rs)	Volume Share	EBITDA/MT (Rs)
1	GI Pipes	30%	4557	35%	4534	35%	4602	33%	5456
2	Black Pipes	27%	2205	24%	2023	23%	2216	24%	2884
3	Section	20%	1871	19%	1670	19%	1843	13%	1611
4	API & Spiral Pipes	9%	4310	11%	7143	12%	7630	18%	9136
5	CR Strips	13%	1958	11%	1586	11%	1693	12%	2627
	Total	100%	3010	100%	3256	100%	3525	100%	4648

(Source: Company, HDFC sec)

Light & Consumer Durables:

Lighting: Surya Roshni witnessed strong revenue growth of 18% in both B2C and B2B segments in LED lighting and revenue growth of 16% in consumer lighting with higher proportion of value-added products. It Launched products as per market needs, with a special focus on LED Battens, and LED Downlighters, smart downlighter, dazzle series, GenXT streetlight and GenXT flood light, prime spot and LED bulkhead. Mitigated risks by extending channel finance to channel partners. The company bagged prestigious orders for façade lighting of Jammu Tawi bridges, Jaipur Sodala elevated flyover, and Narmada bridge at Bharuch. It also Executed the design, supply, installation and maintenance of 54,000 LED street lights in Greater Noida. Furthermore, it Received Government approval in PLI scheme under 'Large Investment Category', for investment of 25.3 crore in manufacturing of 'Components for LED Lights' and have already invested Rs 5 crores out of Rs 25 crores (minimum investment) for the year.



Transformed the product portfolio from conventional lighting to LED Lighting and Consumer Durables

Sr No	Product Name	FY19		FY20		FY21		FY22	
		Sales (Rs Cr)	EBITDA (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)	Sales (Rs Cr)	EBITDA (Rs Cr)
1	LED- Lighting	38%	14%	49%	11%	53%	12%	59%	11%
2	LED-EESL	21%	11%	8%	8%	1%	11%	-	-
	Total LED (1 + 2)	60%	13%	56%	11%	54%	12%	59%	11%
3	CFL (Peak Sale Rs. 374 Cr.)	2%	-	1%	-	-	-	-	-
4	Conventional	22%	4%	22%	3%	23%	9%	19%	1%
5	Consumer Durables	17%	7%	21%	7%	23%	8%	22%	6%
	Grand Total (1 to 5)	100%	10%	100%	8%	100%	10%	100%	8%

(Source: Company, HDFC sec)

Consumer Durables

Fans: The company launches six new models, across price points and increased its share of premium fans. It also expanded in to the CPC/CSD segment. It increased the authorised service centres, in order to drive faster resolution of consumer calls within 24 hours.

Home Appliances: This category witnessed 43% YoY growth in the dry irons (critical category in the electrical industry) sales. It witnessed 40% YoY growth in the induction cook top category. It launched new eco fin oil filled radiators along with carbon heaters despite a poor heating season, thereby expanding the category. It launched new products in the kitchen appliances and food preparation categories, including magnus and xpert mixer grinders, along with max and max plus hand blenders.

Revenue for H1FY23 stood at Rs 718 crores, up by 29% YoY. EBITDA during the first half of FY23 stood at Rs 53 crores, up by 20% YoY. Profit before tax stood at Rs 37 crores, up by 34% YoY.

Huge opportunities in pipes segment from end-use industries

Water segment: The ambitious 'Har Ghar Nal Se Jal' programme aims to provide safe and adequate drinking water to 150 million Indian households (approx. 0.5 million villages) by 2024. At present, only 48.53% of rural households have been covered. The 25% incremental capex for water and irrigation in the Union Budget 2022- 23, further, strengthens the demand optimism from this segment.

Oil & Gas segment: India's refining capacities are expected to reach around 298 MT by 2025. The aggressive capacity expansion drive by the state refiners, worth Rs 2 trillion (\$27 billion), shall further translate into a strong demand for oil and gas pipelines.



Natural Gas transition: Decarbonisation, climate change and emission discharge are extremely critical in today’s time, necessitating the need of diversification of the energy mix. India is on course towards becoming a natural gas based economy through aggressive expansion of its national gas grid to around 34,500 kms by 2024-25, from the current levels of around 21,735 kms. Besides, all the states are further targeted to be connected through a Trunk National Pipeline network by 2027. It augurs well for the demand of company’s steel pipe products.

City Gas distribution: Favourable regulations has led to increasing participation from public & private sectors in the CGD market. This would result in aggressively expanding the coverage of CGD network across all the geographical areas, covering overall 70.86% of the cumulative population and 52.80% of the area of the country. This would lead to increasing pipeline demand across the country.

Diversified product range in Steel pipe segment

Product	Volume Share	Market Position	Applications
GI Pipes	33%	#1 High Growth in Exports	Agriculture Irrigation, Casing and tubing, Hot Water/ Plumbing, Water pipelines, Green Houses, Fire Fighting, etc.
API/3LPE Coated Spiral Pipes	18%	Leading API Pipe Manufacturer High Growth	Oil and Gas, Water Transportation City Gas Distribution
Black Pipes	24%	Amongst Top 3	Construction, Fabrication, Fencing, Powder Coating, Sign Boards, Industrial Application, Scaffoldings
Hollow Section Pipes	13%	Leading Brand + High Growth + DFT Technology	Infrastructure – Airport, Metro, Railways, Warehousing, Industrial Infrastructure, Urban Development, Solar, Poles
CR Strips	12%	Serving Delhi - NCR Region	Auto Components, Motor Stamping, Cycle Rims, Umbrella Tubes & Rips

(Source: Company, HDFC sec)

Established dominant position & wide marketing network

SRL has established brand names of “Prakash Surya” and “Surya” for its two business segments, viz., steel pipes and strips, and lighting and consumer durables, respectively. The company is one of the leading players in both these segments with around 2,500 dealers/distributors and more than 250,000 retailers spread across the country for the lighting segment and 21,000 dealers and around 250 major distributors in the steel pipe segment to augment its market reach. It also has secondary network of 300+ RTF & 2,500+ DSPs supports primary network, and promotes effective communication with market. It is a leader in various states such as AP, Telangana MP, Chhattisgarh, Uttar Pradesh and Jharkhand Second in Karnataka, Delhi, Maharashtra, Bihar, Rajasthan and Uttarakhand, amongst others.



The diversified product portfolio includes electric resistance welded (ERW) steel tube pipes (SRL being the largest exporter from India in this segment), galvanised iron (GI) pipes, hollow section pipes, API coated pipes, and spiral pipes manufactured through strategically located plants at Gwalior (Madhya Pradesh), Hindupur (Andhra Pradesh), Bahadurgarh (Haryana) and Anjar (Gujarat) to cater to supplies to different parts of the country. Its manufacturing plant for lighting segments are located in Kashipur, Uttarakhand & Gwalior, Madhya Pradesh. The company also exports its lighting products and API-certified pipes to more than 50 countries around the world. Exports contributed around 19% of gross sales in FY22.

Future strategies & outlook

Steel pipes & strips: The business is expected to maintain a positive momentum in exports of its value-added products like API Pipes, across geographies like Middle East, Europe and Australia which are largely unfazed by major geo-political challenges. The Company is further increasing its market share in GP pipes through the Government's ambitious Jal Jivan Mission. The Company is further expecting the capacities of DFT-based pipes to peak out in FY23 owing to strong domestic demand from the huge capex spend in India that will necessitate the demand for higher thickness and higher gauge material. In the exports market, the Company is prepared to meet the 'inch-to-inch' pipes market of Canada and US. The outcome will lead to incremental exports for the Company.

Lighting & Consumer Durables: In the consumer lighting, the Company will continue with the high growth momentum by focussing on further improving the distribution and reach, across urban, semi-urban and rural India. There will be several new product launches, across LED Lamps, battens and downlighters, with a strong focus on smart lighting products. Besides, the Company will continue to aggressively drive Channel Financing.

Under Professional Lighting, the Company will further strengthen the key account management, projects and design teams to drive a focused approach on the customers and improve the project execution capabilities. There will be several new product launches, across segments, including several smart products and solutions. Façade lighting and solar lighting will continue to be the high growth areas for the Company.

Under Consumer Durables, the Company will focus on gaining market share in both fans and appliances through expansion of product range of fans, across types and price points. The Company would also launch several new products in appliances, including in water heaters, room heaters, mixer grinders and induction cooktops. Surya Roshni will further focus on aggressive Advertising and Promotions (including both above the line and below the line advertising) to enhance its brand visibility. The Company will also continue to invest in automation and upgradation of systems to drive higher efficiencies and productivity. Besides, Surya Roshni is investing in the PLI scheme for LED Lighting, for attaining further business advantage. With a very strong and trusted brand, consumer centricity and innovation at the core, strong focus on



quality, extremely strong distribution, a wide product range across lighting and consumer durables, aggressive and focused plans for the year, a capable and experienced Senior Management Team, disciplined working capital management and supportive Government initiatives like Atmanirbhar Bharat and the PLI scheme, Surya Roshni is on track to achieve yet another value accretive growth in 2022-23.

PLI strengthening backward integration

Surya Roshni commenced manufacturing facility for LED components (i.e. LED Drivers, Mechanicals, Housing, Packaging, Modules, Wire Wound Inductors etc.) under PLI scheme for 'Large Investment' category. This will help to boost manufacturing of components of LED Lightings of India, to reduce dependency on imports of components. The company has fulfilled the investment criteria by investing cumulative incremental minimum investment in Plant & Machinery of Rs 25cr. It expects Incremental sales over the base year of Rs. 450cr. It expects incentives of 4% to 6% on sales over the base year for a period of five years subsequent to the base year. The company will gain significant benefits from this scheme like leveraging own manufacturing of LED products and also increase the level of backward integration as well as increase the OEM opportunities.

Sizeable business opportunities in PVC pipes segment

Growth drivers

- Government initiatives such as Housing for All, 'Nal se Jal', Project AMRUT and Swachh Bharat Mission.
- Demand outlook for non-agricultural pipes appears to be good as the major urban real estate markets show signs of a sustained recovery.
- The sector is expected to see an average Annual growth of 10%.

The company achieved ~20% revenue growth in FY22 to Rs 77cr as compared to Rs 64cr in FY21 from PVC Pipes. These pipes have applications in Housing, irrigation, infrastructure, drainage and chemical transportation, among others. Sizeable business opportunity with Strong Branding of 'Prakash Surya' and Distribution Network.

Industry prospects

The global steel pipes industry is expected to grow at nearly 4% in the next three years till FY25 and the contribution of the domestic pipes industry in the global industry will continue to remain at 9-10%. The domestic iron and steel pipe industry is one of the key sectors in the infrastructure development of the country. From the extension of pipelines for river interlinking to providing drinking water to every household, the industry plays a critical role in the development of the nation. The overall industry size is currently estimated to be around ₹60,000 crores. The major growth drivers for the industry include demand emanating from domestic water infrastructure, oil exploration and transportation, construction, irrigation, infrastructure, and expansion of gas pipelines such as national gas grid and city gas distribution.



While the COVID-19 pandemic had caused certain disruptions, the industry witnessed a V-shape recovery post the removal of restrictions and has surpassed pre-covid levels. The industry has witnessed consolidation with increasing dominance of larger players especially in Electric Welded Resistance (ERW) segment which has been the most fragmented segment historically. (Source: Care Credit Rating)

Key Risks & Concerns:

- The main raw material for the steel pipe segment of SRL is HR coils, the prices of which are volatile due to global demand supply conditions and Govt policies (eg levy of export duty in India in May 2022). SRL, being a converter of raw material to finished good, is able to pass on the fluctuation in raw material prices in the final product, albeit with a time lag. Due to the nature of business, SRL is partially exposed to price volatility risk on its inventory which may adversely impact the margins. However, a part of its steel pipe business is backed by confirmed orders which mitigate the inventory price fluctuation risk to some extent.
- SRL has a working capital-intensive nature of business operations owing to the large inventory that the company has to maintain for raw material and finished goods. It has also to extend credit to its customers. In FY22, it had 46 days of inventory and 42 days of debtors.
- Lighting segment generates low margins due to severe competition and competition from imports.
- Dependence on Govt policies – Pipes demand is indirectly dependent on Govt initiatives and encouragement whether in infrastructure, Oil & Gas or water.
- Running two disparate business under one company dissuades investors who are interested in either business.
- Second half of a fiscal is better than the first half inducing seasonality concerns.
- Steel pipes division is working at ~85% utilization and may need capex for raising capacity in the next few quarters.

Company Background:

SRL commenced its operations in 1973 as a Steel Pipe manufacturing unit from Bahadurgarh (Haryana). In 1985, the Company diversified into manufacturing lighting products and established its facilities at Kashipur (Uttarakhand). The promoter and executive chairman of the company, J P Agarwal, has a rich experience of over four decades in the industry and has been conferred Padma Shri for his services in the field of trade and industry by the Government of India. The company has 49 years of brand presence in India, under the brand 'Prakash Surya'. It is the No.1 manufacturer of ERW GI Pipe manufacturer in India and also the No.1 exporter of ERW pipes from India over 50 countries.

It further diversified into PVC pipes in 2010 and into consumer durables such as fans and home appliances in 2014-15. The Company's brands 'Surya' (for lighting and consumer durables) and 'Prakash Surya' (for steel pipes and strips) enjoy strong customer recall across India as well as over 50 countries worldwide.



Manufacturing Locations

Manufacturing facilities of steel tubes & pipes

Locations	Products
Anjar	ERW and Spiral Pipes (GI, Black, Section) and API Pipes with 3LPE Coating
Malanpur	ERW (GI, Black and Section)
Hindupur	ERW (GI, Black and Section), along with GP Pipes
Bahadurgarh	ERW Pipes (GI, Black, Section), API Pipes

Manufacturing facilities & R&D centre of lightings

Locations	Products
Kashipur	LEDs (Lamps, Streetlights, Downlighters and Battens), HID, T5 and Filaments, MCPCBs, Drivers
Malanpur	Plant manufacturing LEDs (Lamps, Streetlights, Decorative Lighting), Conventional lights (GLS and FTL), Glass shells, Caps, MCPCBs, Drivers
Surya Technology & Innovation Centre (STIC) at Noida	Innovation centre for adapting latest lighting trends, approved by DSIR and NABL, Focus on in-house development of LED products

(Source: Company, HDFC Sec)

Manufacturing Capacities

Steel Pipe & Strips Capacity

9.25,000 MT ERW Pipes (including GI capacities of 3,60,000 mt)	2,00,000 MT Spiral Pipes (including offline capacities of 1,40,000 mt)
3 LPE Coating Facilities External: 27,50,000 sq. mtr. Internal: 11,00,000 sq. mtr.	1,15,000 MT CR Sheets
	36,000 MT Section Steel Pipes -DFT

Lighting Capacity

90 Million Pieces LED Bulbs	10 Million Pieces p.a. LED Tubes & Fittings
3.60 Million Pieces p.a. LED Street Lights	200 Million Pieces p.a. GLS

(Source: Company, HDFC Sec)

Peer Comparison:

(Rs cr)	Mcap	Revenue			EBITDA Margin (%)			APAT			RoE (x)			P/E		
		FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E	FY22	FY23E	FY24E
Surya Roshni Ltd	2539	7731	8427	9016	5.7	5.9	6.3	205	248	293	14.1	15.0	15.4	12.1	10.0	8.5
APL Apollo Tubes Ltd	31388	13063	13436	19929	7.2	6.8	7	557	550	909	28.2	22.5	30.5	50.8	51.5	31.2
Ratnamani Metals & Tubes Ltd	13600	3139	3965	4601	16	16	17	323	427	557	14.3	16.4	17.9	39.6	31.8	24.4



Financials (Consolidated):

Income Statement

(Rs cr)	FY20	FY21	FY22	FY23E	FY24E
Net Revenues	5471	5561	7731	8427	9016
Growth (%)	-8.4	1.7	39.0	9.0	7.0
Operating Expenses	5117	5182	7288	7929	8448
EBITDA	354	379	443	497	568
Growth (%)	-4.8	7.1	16.8	12.3	14.3
EBITDA Margin (%)	6.5	6.8	5.7	5.9	6.3
Depreciation	103	103	108	113	117
Other Income	3	5	6	6	7
EBIT	254	281	340	390	458
Interest expenses	114	70	64	57	65
PBT	140	211	277	333	393
Tax	37	53	72	85	100
PAT	103	158	205	248	293
Share of Asso./Minority Int.	0	0	0	0	0
Adj. PAT	103	158	205	248	293
Growth (%)	-15.1	54.4	29.4	21.1	18.0
EPS	18.8	29.5	38.4	46.5	54.8

Balance Sheet

As at March	FY20	FY21	FY22	FY23E	FY24E
SOURCE OF FUNDS					
Share Capital	54	54	53	53	53
Reserves	1185	1314	1494	1713	1969
Shareholders' Funds	1239	1367	1548	1767	2023
Minority Interest	0	0	0	0	0
Total Debt	1032	732	593	678	768
Net Deferred Taxes	61	64	57	57	57
Other Non-curr. Liab.	11	12	12	18	19
Total Sources of Funds	2343	2175	2210	2519	2866
APPLICATION OF FUNDS					
Net Block & Goodwill	1061	1029	943	1147	1093
CWIP	15	10	53	3	2
Investments	0	0	0	0	0
Other Non-Curr. Assets	53	64	51	56	60
Total Non Current Assets	1130	1103	1047	1206	1155
Inventories	918	869	988	1062	1210
Debtors	696	756	888	993	1112
Cash & Equivalents	2	1	1	170	361
Other Current Assets	226	212	191	208	223
Total Current Assets	1841	1838	2068	2433	2906
Creditors	295	480	594	728	779
Other Current Liab & Provisions	333	286	312	392	416
Total Current Liabilities	628	767	905	1120	1195
Net Current Assets	1213	1072	1162	1313	1712
Total Application of Funds	2343	2175	2210	2519	2866



Cash Flow Statement

(Rs Cr)	FY20	FY21	FY22	FY23E	FY24E
Reported PBT	140	211	277	326	380
Non-operating & EO items	-8	0	4	1	-3
Interest Expenses	114	70	64	57	65
Depreciation	103	103	108	120	131
Working Capital Change	-35	210	-103	-181	-207
Tax Paid	-39	-54	-64	-83	-97
OPERATING CASH FLOW (a)	276	540	285	239	269
Capex	-48	-66	-54	-75	-75
Free Cash Flow	228	474	231	164	194
Investments	0	0	0	0	0
Non-operating income	0	0	0	0	0
INVESTING CASH FLOW (b)	-48	-66	-54	-75	-75
Debt Issuance / (Repaid)	-101	-441	-137	85	90
Interest Expenses	-115	0	-63	-57	-65
FCFE	12	33	32	193	218
Share Capital Issuance	0	0	1	0	0
Dividend	-11	-19	-8	-24	-27
Others	-2	-14	-25	0	0
FINANCING CASH FLOW (c)	-229	-474	-231	4	-2
NET CASH FLOW (a+b+c)	-1	0	0	169	192

One Year Price Chart



Key Ratios

	FY20	FY21	FY22	FY23E	FY24E
Profitability Ratios (%)					
EBITDA Margin	6.5	6.8	5.7	5.9	6.3
EBIT Margin	4.6	5.1	4.4	4.6	5.1
APAT Margin	1.9	2.8	2.7	2.9	3.2
RoE	8.6	12.1	14.1	15.0	15.4
RoCE	11.2	12.9	16.1	17.0	17.4
Solvency Ratio (x)					
Net Debt/EBITDA	2.9	1.9	1.3	0.5	0.3
Net D/E	0.8	0.5	0.4	0.2	0.1
PER SHARE DATA (Rs)					
EPS	18.8	29.5	38.4	46.5	54.8
CEPS	37.9	48.7	58.7	67.7	76.8
BV	227.8	255.0	290.2	331.8	381.6
Dividend	2.0	3.0	4.0	4.5	5.0
Turnover Ratios (days)					
Debtor days	51	48	39	41	43
Inventory days	59	59	44	44	46
Creditors days	22	25	25	29	31
VALUATION					
P/E	24.8	15.8	12.1	10.0	8.5
P/BV	2.0	1.8	1.6	1.4	1.2
EV/EBITDA	9.9	8.5	7.0	5.5	4.7
EV / Revenues	0.6	0.6	0.4	0.3	0.3
Dividend Yield (%)	0.4	0.6	0.9	1.0	1.1
Dividend Payout (%)	10.6	10.2	10.4	9.7	9.1

(Source: Company, HDFC Sec)



HDFC Sec Retail Research Rating description

Green Rating stocks

This rating is given to stocks that represent large and established business having track record of decades and good reputation in the industry. They are industry leaders or have significant market share. They have multiple streams of cash flows and/or strong balance sheet to withstand downturn in economic cycle. These stocks offer moderate returns and at the same time are unlikely to suffer severe drawdown in their stock prices. These stocks can be kept as a part of long term portfolio holding, if so desired. These stocks offer low risk and lower reward and are suitable for beginners. They offer stability to the portfolio.

Yellow Rating stocks

This rating is given to stocks that have strong balance sheet and are from relatively stable industries which are likely to remain relevant for long time and unlikely to be affected much by economic or technological disruptions. These stocks have emerged stronger over time but are yet to reach the level of green rating stocks. They offer medium risk, medium return opportunities. Some of these have the potential to attain green rating over time.

Red Rating stocks

This rating is given to emerging companies which are riskier than their established peers. Their share price tends to be volatile though they offer high growth potential. They are susceptible to severe downturn in their industry or in overall economy. Management of these companies need to prove their mettle in handling cyclicalities of their business. If they are successful in navigating challenges, the market rewards their shareholders with handsome gains; otherwise their stock prices can take a severe beating. Overall these stocks offer high risk high return opportunities.

Disclosure:

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