

VIBHOR STEEL TUBES LIMITED IPO

13-02-2024 TO 15-02-2024

Industry: Iron & Steel Products

Price Band: ₹141-151

Recommendation: Subscribe for listing gains

Post Implied Market Cap: ₹272-286 Cr

Key Data

Issue Size (₹ Cr)	72
Fresh (₹)	72
OFS (₹)	0.00
No of shares offered	51,18,411 - 47,79,444
Face Value (₹ /share)	10
Bid Lot	99

About the Company

Vibhor Steel Tubes Limited (Vibhor) is a well-established steel pipes manufacturer and exporter with over two decades of experience. They exclusively supply to Jindal Pipes Ltd under the brand name Jindal Star, offering products like Mild Steel, Carbon Steel, and Hollow Steel Pipes. The company recently renewed its agreement with Jindal Pipes for six years, ensuring a minimum annual order of 1 Lakh MT with a 2% discount on the Gross Sale price. With manufacturing units in Maharashtra and Telangana, Vibhor Steel Tubes employs 627 professionals led by experienced promoters with three decades of expertise in the industry.

Indicative Timetable

Activity	On or about
Finalisation of Basis of Allotment	16/2/2024
Refunds/Unblocking ASBA Fund	19/2/2024
Credit of equity shares to DP A/c	19/2/2024
Trading commences	20/2/2024

Investment Rationales

- Association with Jindal Pipes Limited:** The promoters of Vibhor Steel Tubes Limited and Jindal Pipes Limited share a common friendship from Hisar origin, fostering a longstanding relationship between the two companies. Initially starting with job work activities, Vibhor now exclusively produces pipes for Jindal under the brand "Jindal Star". With a renewed business agreement, Vibhor sells all its finished products under the "Jindal Star" brand to Jindal and its approved customers, ensuring transparent pricing and effective passing of raw material price variations.
- Well-developed distribution and marketing network:** With support from Jindal Pipes Limited, Vibhor Steel Tubes has established a robust networking infrastructure within the industry and society, enhancing customer identification and marketing strategy development. Their distribution and marketing network ensures product availability, efficient supply chains, and focused customer service. As of September 30, 2023, they have exported to approximately 10 countries worldwide, expanding their market reach internationally.
- Integrated manufacturing facility:** We prioritize infrastructure and technology upgrades to ensure seamless manufacturing processes and adaptability to evolving market demands. With a focus on technological advancements, we maintain modern machinery and well-equipped infrastructure across our two manufacturing units.
- Strategic location of manufacturing Units:** Unit I, situated in Raigad, Maharashtra, exclusively handles all export sales due to its strategic location conducive to export activities. Unit II, located in Mahabubnagar District, Telangana, benefits from proximity to the Jadcherla industrial area, ensuring convenient logistics, power, water supply, and raw material access for Unit I operations. Skilled personnel for Unit I are sourced from Hyderabad, further optimizing operational efficiency.

Shareholding (No. of shares)

Pre-Issue	14,183,000
Post Issue (Lower price band)	19,301,411
Post Issue (Higher price band)	18,962,444

Shareholding Pattern

Promoters	%
Pre Issue	93.40%
Post Issue	68.86%
Promoters Group:	
Pre Issue	4.84%
Post Issue	3.62%
Public - Others:	
Pre Issue	1.76%
Post Issue	26.52%

Issue Breakup

QIB	50%
NIB	15%
Retail	35%

Other Details

BRLMs: Khambatta Securities Ltd

Registrar: KFin Technologies Ltd.

Listing: BSE & NSE

Research Analyst

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Risk

- 1) High working capital requirement.
- 2) Low single digit margin is a concern.

MView

We believe Vibhor Steel Tubes Limited IPO gives investors an opportunity to invest in a prominent steel pipes manufacturer and exporter which has a rich history spanning over two decades. The key strength of the company comes from the association with Jindal Pipes enjoying a long standing relationship with Jindal under the brand of Jindal Star. Along with this rationale the capacity expansion gives long term visibility in terms of long term. Vibhor has strategic plants located near the ports helping them to focus more on exports business in future. By looking at the financials the company has shown a strong growth in FY2022 and FY 2023 with 60.2%/36.1% in revenue from operations and substantial growth in net Profit FY 2022 and FY 2023 with 1546%/85.9%. On valuation parse at the upper band of ₹151/-, the issue is asking for a Market Cap of ₹286/-Cr. Based on annualized FY 2024 earnings and fully diluted post-IPO paid-up capital, the company is asking a P/E of 16.8x which seems very reasonably priced by looking at its revenue and profit growth and even by comparison to its peer which are trading in the range of 30-40x on an average. Giving a good room of listing gains due to valuation gap between listed peers and Vibhor steel tubes ltd. We believe the company's exclusive supply arrangement with Jindal Pipes Ltd under the renowned brand "Jindal Star" has heartened its position in the market along with diverse product portfolio serving the needs of all sectors. Hence, considering all the parameters, we are recommending investors to "SUBSCRIBE" the issue for listing prospective only.



CONSOLIDATED FINANCIAL TABLES

BASIC FINANCIAL DETAILS

Particulars ₹ (in Cr)	As at Sept' 30	As at March' 31		
	2023 (06)	2023	2022	2021
Equity Share Capital	14.18	14.18	14.18	14.18
Reserve & Surplus	87.57	79.01	57.79	46.31
Net worth	101.76	93.20	71.97	60.49
Net Debt	160.27	126.83	106.07	58.74
Revenue from Operations	530.51	1,113.12	818.00	510.47
EBITDA	23.69	46.84	30.18	19.92
EBITDA Margin (%) as stated	4.47%	4.21%	3.69%	3.90%
Profit before Tax	11.32	28.22	15.36	4.16
Net Profit for the year	8.52	21.07	11.33	0.69
Net profit Margin	1.61%	1.89%	1.39%	0.13%
Operating cash flow	-8.20	7.03	-34.55	45.42
Return on Equity (ROE) (%)	8.37%	25.51%	17.11%	1.1496
EPS	6.01	14.85	7.99	0.49
ROCE	6.97%	16.48%	12.09%	9.90%

Source: Company RHP

COMPARISON WITH INDUSTRY LISTED PEERS ₹ (in Cr)

Companies	Mcap (in Cr)	FV	Revenue from operation FY 2023 (in Cr)	EPS	NAV	P/B	P/E	RoNW
Vibhor Steel Tubes Ltd.	286	10	1,114.38	8.99	96.21	1.57	16.80	22.6
APL Apollo Tubes Ltd.	37,462	2	16,213.13	23.2	108.37	11.4	49	21.36
Hi-Tech Pipes Ltd.	2,014	1	2,388.11	3.06	32.71	5	48.6	9.01
Goodluck India Ltd.	3,307	2	3,086.80	33.30	227.47	4.3	27	14.16
Rama Steel Tubes Ltd.	2,104	1	1,336.75	1.22	5.37	6.86	65.7	10.97

Date as on 31st March 2023, Cline Mcap,PE, PB calculated as on 09-02-2024

Vibhor Steel Tubes Ltd, EPS/PE, P/B,NAV calculated on annualised basis post money



MSEARCH

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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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