



VIBHOR STEEL TUBES LTD.

(Formerly known as VIBHOR STEEL TUBES (P) LTD.)

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VSTL: CS: Earnings Call/Q3/2024-25

Date: 17-02-2025

To, Department of Corporate Affairs, BSE LIMITED, P.J Towers, Dalal Street, Mumbai – 400001	To, Listing Department National Stock Exchange of India Limited Exchange Plaza, C-1 Block G, Bandra Kurla Complex Bandra [E], Mumbai – 400051
BSE Scrip Code: 544124	NSE Symbol: VSTL

Subject: Transcript of Earnings Call with respect to Un-audited Standalone Financial Results for the Quarter and Nine Months ended December 31, 2024

Dear Sir,

This is with reference to the Company intimation dated February 10, 2025 filed with the stock exchanges in terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 regarding the earning conference call to discuss the un-audited standalone financial results for the quarter and nine months ended December 31, 2024 scheduled for Thursday, February 13, 2025 at 12:00 P.M, (1ST).

Further to the audio recording filed with the stock exchanges on February 13, 2025, we are enclosing the Transcript of the said Earnings Call.

The same is also being uploaded on the website of the Company at www.vstlindia.com under Financial Results in the Investor section.

This is for your information and records.

Thanking you,

Yours faithfully,

For **Vibhor Steel Tubes Limited**

Mr. Lovkesh
Company Secretary and Compliance Officer
Mem No. A68975

Encl: as above

Vibhor Steel Tubes Limited
Q3 and 9-Month FY'25 Earnings Conference Call
February 13, 2025

Moderator: Ladies and gentlemen, good afternoon and welcome to the Q3 and 9-month FY'25 Earnings Conference Call of Vibhor Steel Tubes Limited.

We have with us today on the call today Mr. 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 management discussion concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' followed by '0' on your touchtone phone.

I would now request Mr. Vibhor Kaushik to share with the audience the company's performance in Q3 and 9-month FY'25. Thank you and over to you, sir.

Vibhor Kaushik: Hello everyone. I welcome everyone on this call. I would like to begin with some positive news about our new upcoming plant in Jharsuguda. All the machineries for the pipe division are now installed and at the moment they are undergoing trial runs. The galvanizing tank for our hot-dip galvanized process is also installed. All the permissions to the government have been put forward and we are expecting the permissions to come very soon. The only one aspect that we are eagerly waiting for is the electricity to come to the factory so that we can start our production in a complete manner. At the moment, the trial runs are done on the temporary electricity line that we have and also the generator that we have installed at the factory that is helping us to do all the trial runs. So, by the time our electricity comes we should be able to do complete performance operation with all the teething problems that a plant generally has in the beginning. All of that shall be taken care of. So, I wanted to start by giving this positive information to everyone here.

Currently I am taking this call from our Hyderabad factory, which is located in Mahbubnagar, Telangana. There are some positive news here as well. One is we have successfully started our square pipe and hollow section production here and we are slowly building our presence in the market because earlier we were only doing round pipe from 0.5 inch to 12 inch. Now we have entered into hollow section as well for lower diameter and for the higher diameter. All of it has started to go in the market and the response is very positive from our dealer network. Apart from that in Hyderabad we have added another product which is a higher diameter 14 inch. 14 inch we started our production only last month and that also is giving us very positive response. It has gone in the market and market has appreciated the quality, the finish of this product.

Moreover in Hyderabad I would like to inform that our additional products such as Highway Guard Rail is doing phenomenally well, more than our expectation. When I say that it is more than our expectation I would like to highlight here that the order booking at this point in time is well above 2000 tons and our capacity to galvanize the highway guard rail is 2000 tons. So, it is a very positive news that we are able to run our galvanizing plant to full capacity here for Highway Guard Rail which is an additional product we only introduced very recently. Once the Jharsuguda operation starts that galvanizing tank which is having a capacity of over 4000 tons shall be very helpful in catering our strong market in these new product range such as Highway Guard Rail. Moreover I would also like to inform everybody present here that the additional product in terms of transmission line which is a structure base for the electricity is also showing a lot of promise. At the moment we have orders around 300 and 400 tons that we are also doing in Hyderabad and the market is very eagerly waiting that we start our Jharsuguda factory so that we can cater to more enquiries which are coming from transmission line. So, our already strong foothold of pipe which is going to be our backbone for our Jharsuguda plant in addition to that we have a very comfortable order booking in others as well which we were initially thinking of going slow but now because the response is very good it is a very comforting situation that our galvanizing tank shall be able to run to full capacity hopefully. This is what we are hoping in Jharsuguda. The steel pipe which we sell in the market under the general brand after Diwali has shown better requirements in the market which is generally used to be the case pre-COVID. After Diwali the market generally used to pick up and this is the same thing we have seen currently as well.

As you can see that the tonnage deficit which was more in Q2 has now that deficit has come down and we shall be able to complete our targets to achieve all the MOU from our raw materials suppliers which was a little bit of a challenge earlier but now it does not seem to be a challenge at all because the market has come back and the demand has started and you can see that translated into our Q3 result in the top line as well. We are hoping Q4 shall continue in the similar manner. It was going in the same track, same line in January. It is February now and we are seeing the same demand, same order booking as well. It appears to me that we should be able to fulfil our targets, achieve our MOU targets fairly easily now. These are the positives in terms of the steel market. It appears that the government is going to be supportive to steel. There are safeguard duties which are being talked about and shall be coming. This is what our raw materials suppliers have been telling us and the same we are translating. Regardless of any safeguard duty or anything that the government will be supportive of, there is a certain demand which has been generated in Quarter 3 and that demand is continuing in Q4 as well. Regardless of any extra support that we get from the raw materials suppliers or from the government, the end user is showing that we shall be able to achieve our targets fairly easily. These are the positive notes that I wanted to communicate to everybody. Now if there are any questions, please feel free to ask and I will answer. Please go ahead.

Moderator: Sure. Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask a question, may press "*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "*" and "2". Participants are requested to use a handset while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions please press "*" and "1". The first question is from Ashok Shah from Eklavya Invesco Family Office.

Ashok Shah: First of all, as we have already completed our expansion, was it on time or did we have to take it late in doing expansion and also by what time is this power expected to be started for commercial production?

Vibhor Kaushik: This is a question that has given us a lot of struggle to be able to answer to our own self as well. How long will the electricity take. But now we have taken a lot of effort. We have established good communication with the government as well, with the industrial department as well and now we have found out that the power which was supposed to come to us in October has now been delayed for certain reasons. Our factory is located and the substation from where the electricity is supposed to come to us is located on the other side of the highway. So, there were some complications. They had to take permission. One government department had to take permission from the other government department such as the highway department. So, the file was pending due to these reasons. Now those hiccups are gone. All the permissions are streamlined, and contractors are there working. We see them every day. So, all the lines are laid out, the cable is laid out. The only transfer of the cable from one side of the highway to the other was pending and that work is now we can see visibly every day. So, now if they say that the electricity shall come to you in a month, it appears to be that the electricity will come to us within a month. But regardless of whether the electricity is coming in 15 days, 30 days or a little more, the good news is that we have started our trial run. Which means that when the electricity comes, all the machines go through certain technical parameters, certain operation steps. So, those steps are now underway which in itself takes around about a month. So, I think it looks like we should be able to streamline ourselves very soon for the production to start in Jharsuguda.

Ashok Shah: So, sir, as you have stated, I think within 1- or 2-months production will start. So, can you just give some rough idea in the next year what will be the production, sales addition due to this increased production via in a rupee form also?

Vibhor Kaushik: The northeast portion of India has very limited presence for our product, for our brand. This is a project that we were eyeing for many years now. The dealer network that we have in places like Raipur, in places like Bhubaneswar, in places like Calcutta has shown us a lot of inquiries and they are very eager for us to start. But when we look at a new plant, we look at certain things. For example, our galvanizing unit which is where most of our margins come from. I can tell this that besides 5, the other product that we have has got inquiries right now which we will be diverting to Jharsuguda. So, it should be running to a very good capacity. A forward-

looking statement is very difficult to say but it is extremely-extremely promising. I can tell that much, and it should generate a revenue. Historically speaking when we entered Telangana 6-7 years ago, it gave us an additional turnover right from the word go when we started. We are expecting the similar thing, similar outcome from Jharsuguda as well. The reason being Telangana only catered to one city, Hyderabad. However, Jharsuguda caters to multiple areas. So, the stations are not a problem. There is Raipur that is demanding. There is Bhubaneswar that is demanding. There is West Bengal that is demanding. There are other parts of Northeast that are demanding and also in the south, Vishakhapatnam where we are not supplying also becomes a viable option for us from Jharsuguda. So, the number of stations that we will be catering from Jharsuguda is more than it was 7 years ago when we were putting up Hyderabad. So, it is very promising and it shall show result and I think it shall show result as soon as the operation starts and we are eagerly waiting for it to start

Ashok Shah: So, as a ballpark figure, should we expect more than 500 crore of sales addition in the current year, next year?

Vibhor Kaushik: I would not like to put it in terms of the numbers. But I can put it in terms of tonnage that we see right now that our transmission line and Highway Guard Grid alone right now there is an enquiry that we can take towards 2,000-3,000 tons. The galvanizing capacity is 4000 tons. So, just the extra products that we have so many enquiries and pipe are waiting. So, Pipe in Hyderabad very first month we were able to complete a target of 2000 tons. So, it looks like if all of this is combined together we see 2000-4000 tons already. So, that is around about 50% of our capacities in Hyderabad. So, there is a definite turnover, and all the turnover is from galvanizing which has a higher markup value as well. So, I will not put it in terms of the value and say 500 is achievable. But I can tell you in terms of tonnage that we can already see that 50% of our production in Hyderabad shall be able to come from Jharsuguda right away.

Ashok Shah: So, at what price current valuation we are selling this production?

Vibhor Kaushik: There is, all the products are little bit different, but we can take anywhere between 70,000-75,000 for these products.

Ashok Shah: So, would it convert to sir, it is more than 300 crore of sales?

Vibhor Kaushik: Mathematically speaking at the current price it appears.

Ashok Shah: Yes.

Vibhor Kaushik: It appears around about, if you do the math on this it comes over 300. But again, I would not like to keep the numbers because the prices of the steel is fluctuating all the time. Now they are talking about the prices going up. Yes. Because of the safeguard duty and everything. So, it might be different. So, that's why in terms of production we always say that this much of order

booking is there in terms of tonnage. Value could go up and down but there is tonnage. The tonnage will remain that, the same.

Ashok Shah: Sir, any plan for a solar plant to reduce power cost? We already have rooftop solar installed in Hyderabad and in Mumbai. So, we are already taking advantage of that. In Jharsuguda also rooftop is not very lucrative because in other states 1 megawatt is allowed, over there 500 is allowed as per my information. But we will install that in due time. But let us first go ahead and start our production, which is our first target and then in a few months we will take a call of how we are going to go ahead with the solar.

Moderator: Thank you. A reminder to participants that you may press "*" and "1" to join the question queue. Ladies and gentlemen to ask a question please press "*" and "1". The next question is from Divya Sharma who is an individual investor. Please go ahead.

Divya Sharma: I have just a simple question. What will be EPS after this plant becomes fully operational? What earnings per share we are fighting for?

Vibhor Kaushik: Our effort is to go ahead and it has taken up a lot of energy, a lot of effort to start this and also there has been a lot of manpower deployed to Jharsuguda as well. So, Jharsuguda has seen expense so far. Now production is yet to start and the production is promising. So, the earnings per share is subjective because there are external factors involved in it. There are many things involved in it. I can just tell you that we are looking at a very positive outcome from this plant and the timing could not have been better because at this point in time it appears that when we go to start our production the steel prices look stable or showing upward trend. Apart from that the new places where we are tapering, the new markets, the new product has a lot of demand. There is a lot of demand in construction. There is a lot of demand in the power. We are already getting, although we are a new player, we are already getting a lot of inquiries. So, we shall be able to have a positive turnover and these products that we have has better margins. So, it shall all translate into our books and if it translates into our books the EPS shall be looking much healthier.

Divya Sharma: Just a random question, if this plant becomes fully operational to its full capacity?

Vibhor Kaushik: Well, I think if it becomes fully operational then the sky is the limit. There are some things that I was saving for the end but now that this question has arrived there is another product which is going to come in Jharsuguda which is even more in terms of its margin. The machines have arrived. We have installed the machine. Test trials are going on which are, these are called the poles, octagon poles and monopoles.

Divya Sharma: Yes, we have mentioned in previous con-call as well.

Vibhor Kaushik: Yes, so octagon pole and high mast we are expecting to start at the same time as will be our pipe and as will be our Highway Guard Rails and as will be our transmission line. The only one unit which will take a little bit more time to start is a monopole which has a phenomenal demand right now, which is also electricity. It is another mode of transferring the electricity power. Instead of the conventional towers, more areas, monopoles are preferred. That machine is going to be delivered and shall reach us by the end of April. It looks like it right now, which is going to be an additional benefit. So, Jharsuguda just right now has a lot of potential as we see it and once this new product starts which also has a lot of demand, we are already getting enquiries from it. So, the overall scenario appears from Jharsuguda very-very positive, let alone that our strong backbone of pipe is going to be there to support us at all times but besides that these all products are showing a lot of potential. So, it is just positive, I cannot see anything which is not positive which is going to come from Jharsuguda. So, EPS and everything shall show a lot of improvement because once it starts to show in numbers, we are planning to give numbers like this for each and every product differently where investors can see what is our margins and how is it turning out. So, it is forward looking, so in forward looking to give a very right actual figure in terms of EPS is difficult but it appears very-very positive.

Divya Sharma: Sir, but what could it be if we take a pessimistic approach?

Vibhor Kaushik: You can consider it definitely better than at the moment what we have.

Divya Sharma: Sir, can we expect at least more than 5, which was I think in previous year quarter, I think previous year quarter too, it was 5.61.

Vibhor Kaushik: See, the way things are at the moment, I would say that it is achievable, maybe even better than that is achievable. Because this year there were corrections that have been due for as long as I would say 2 years. The prices of steel, everything went up during COVID and the corrections were expected. In other, maybe textile, you take any other products, the correction happened. But steel correction happened, it took its own sweet time, now those corrections are behind us. Now it appears that we are leveraged pretty well. So, yes, every outcome appears to be that what figures that you have in mind shall be achievable. But looking forward is difficult to say, but if you put everything together with the demand in the pipe sector, with the demand in all the other products, it is quite an achievable target.

Moderator: Thank you. Next question is from Ashok Shah from Eklavya Invesco Family Office. Please go ahead.

Ashok Shah: Thank you for giving again the permission. Our depth is around 260-270 crores approximately. So, what is the next re-payment plans and how much interest is expected to reduce and are there any interest reactions due to positive outlook given by our care rating agency?

Vibhor Kaushik: The rating has given a positive outlook, shall be giving a positive outlook. Our current requirement of funds is the same as last year. With the new production coming up, we will gauge how the market is, how the demand is. It appears that we might need to raise more from the bank because this is going to be a working capital that we will require. So, working capital banks have been supported.

Ashok Shah: So, sir, currently what interest rate we are seeing?

Vibhor Kaushik: Our interest rate is difficult to say because the working capital is 9.5, there is a lot of LC and there is a lot of BG that we use when we procure our raw material. Each one of it is different. The interest is different but interest cost as a whole has reduced from before. Before as in before we went IPO, the IPO has arrived before that. The only difference is that the corrections of the steel has reflected very differently. But in terms of interest rate that has come down and it should continue to do so now. It remains at the same levels now. So, 9.5 for working capital, for BG and LC it is different. 7.5 somewhere, somewhere 8. So, it's all different. We are leveraging our funds differently according to the situation.

Ashok Shah: So, in any category, it is not more than 10%. Is it true?

Vibhor Kaushik: Well, my CFO can tell better but what I can remember, no, I do not think it is more than 10%.

Moderator: Thank you. A reminder to participants that you may press "*" and "1" to ask questions. Ladies and gentlemen, to ask questions, please press "*" and "1". As there are no further questions, I would now like to hand the conference back to Mr. Vibhor Kaushik Kaushik, Managing Director, for closing comments.

Vibhor Kaushik: Thanks for all the questions. They were all very appropriate questions. At the end, I was saving it for the end, but during the question and answer itself, I have ended up revealing that we shall be starting Octagonal Pole and High Mast Pole as well. But apart from all the new products that we have, I would like to highlight that the association of our brand with Jindal is very strong and that is our backbone and every dealer that is associated with us in the Northeast is very, very eagerly waiting for us to start production there. Once production starts, just for our product, which we have been producing for the past over 20 years, it shall be able to generate enough growth in the company in terms of the turnover and also in terms of its bottom line. The outlook appears very positive in steel now. With the backing of the government, it appears there is a backing in the government. The prices shall appear to look stable, shall appear to even go higher. But more importantly, which is what we look at, there is a demand in the market which we are seeing because our sales have increased in this quarter and that sales shall continue in Quarter 4 as well for the pipes. So, with this, I would like to thank everybody and I would like to communicate with everyone that it is appearing very, very positive for this quarter and for the year to come. With all our new plants coming up, new products coming up, it is very, very positive for Vibhor Steel Tubes and thank you all for your support in our company

and we shall bring all the expectations and translate into reality for everyone. Thank you very much.

Moderator:

Thank you very much. Ladies and gentlemen, on behalf of Vibhor Steel Tubes Limited, that concludes today's session. Thank you for your participation. You may now disconnect your lines.