



## RAMA STEEL TUBES LTD.

Manufacturers & Exporters : ERW Steel Tubes (Black & Galvanised)

CIN : L27201DL1974PLC007114 | AN ISO 9001 : 2015 CO.

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Date: November 19, 2022

To

The Manager – Listing  
National Stock Exchange of India Limited,  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (East),  
Mumbai – 400 051  
**Symbol: RAMASTEEL**

The Secretary  
BSE Limited,  
Corporate Relationship Dept.,  
P. J. Towers, Dalal Street,  
Mumbai - 400 001.  
**Scrip Code: 539309**

Dear Sir/Madam,

**Sub: Transcript of Q2 FY 23 Earnings Conference Call on Financial Results for the quarter and half year ended September 30, 2022**

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of earnings conference call on Unaudited Financial results for the quarter and half year ended September 30, 2022 held on Tuesday, November 15, 2022, the same is also available on website of the Company.

You are requested to take this information on your record.

For Rama Steel Tubes Limited

  
(Arpit Suri)

Company Secretary & Compliance Officer  
Email id: investors@ramasteel.com



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**“Rama Steel Tubes Limited  
Q2 FY2023 Earnings Conference Call”**

**November 15, 2022**



**ANALYST**

**MR. ATUL DAGA - CAPTIVE IR STRATEGIC ADVISORS  
PRIVATE LIMITED**

**MANAGEMENT: MR. RICHI BANSAL - EXECUTIVE DIRECTOR – RAMA  
STEEL TUBES LIMITED  
MR. RAJEEV KOHLI – CHIEF EXECUTIVE OFFICER -  
RAMA STEEL TUBES LIMITED**



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*November 15, 2022*

**Moderator:** Ladies and gentlemen, good day and welcome to the Q2 FY2023 Earnings Conference Call of Rama Steel Tubes Limited. 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 please signal an operator by pressing “\*” then “0” on your touchtone telephone. Please note that this conference is being recorded. Before we begin we would like to mention that some of the statements made in today’s discussions maybe forward looking in nature and may involve risks and uncertainties. A detailed statement in this regard is available in the earnings release shared on the exchange today. We shall start the call with the opening remarks and then we will move on to the Q&A session. I now hand the conference over to Mr. Atul Daga from Captive IR Strategic Advisors Private Limited. Thank you and over to you Sir!

**Atul Daga:** Thank you. Good evening everyone. On behalf of Captive IR Strategic Advisors, I would like to welcome you all for the Q2 FY2023 Earnings Conference Call of Rama Steel Tubes Limited. From the management team we have with us Mr. Richi Bansal, the Executive Director; and Mr. Rajeev Kohli, the CEO of the company. I would like to hand over the mic to the management team. Over to you Sir!

**Richi Bansal:** Hi, everyone. I am Richi Bansal this side Executive Director of Rama Steel Tubes Limited and we have Mr. Rajeev Kohli, who is the CEO of the Group on call with us.

In the beginning I would like to briefly introduce our company Rama Steel Tubes Limited and about its latest developments. We are one of the pioneers in manufacturing of steel tube industry in India, we are a pan India based company, almost a four decade old company we are, we have four manufacturing units, two are based out of Delhi NCR in Ghaziabad then we have our third unit which is based out of Khopoli, Maharashtra, and the fourth unit is based out of Bengaluru in Lepakshi, and our total installed capacity at the moment is 300000 tons on an annual basis out of which 30000 tons will be in production that is the new capacity what we have added 30000 tons that will be under production by the end of next month, and then out of our total capacity we have approximately 10% to 15% is our export markets and then we have our own 100% owned subsidiary in Nigeria as well where we are into steel trading and then we have our own manufacturing unit in Nigeria in Lagos where we are doing steel chequered plates and we are doing steel pipes and roofing sheets.

We talk about the business updates then we have one subsidiary in South in Andhra by the name of Lepakshi, which is under the final stage of a merger with Rama Steel Tubes Limited and then we are one of the largest suppliers to state governments for Jal Jeevan



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Shakti. We have recently been awarded orders in the tune of 150 Crores from HP state government first unit supply of Jal Shakti Vibhag. I am talking about our financial results in last year our total topline was 775 Crores and in H1 we have already touched the topline of close to 600 Crores. We are continuously increasing our number of SKUs at the moment we have 1300 SKUs tentatively what we are producing right now and we have a target of increasing the SKUs from 1300 to 2500 in the next one year and we expect almost close to 100% growth by FY2025 and we are even increasing more capacities within the group we have a target of scaling the capacities in the tune of 0.5 million tons by the end of FY2025. Rajeev would you like to say something.

**Rajeev Kohli:**

Good evening everybody. This is Rajeev Kohli, I am the CEO of the company and first of all I would like to brief you about my financial performances this year and in a nutshell I will tell you. The company has recorded revenue operations of around 3470 million in Q2 FY2022 and 5872 if you take it on a semiannual basis, actually there is a growth of 80% and around 78% respectively in Q2 and H1 financial year though our EBITDA was reported around 105 millions in Q2 FY2023 and 204.89 half yearly basis. To be honest I will let you know that it has dropped down a little bit, but this is all because of the market owing the increase in the cost of the raw material if you see the tube industry and our PAT stood around 93.61 million in H1 FY2023 and basically the PAT margin stood around 1.58% in H1 FY2023 this is again it has taken a little bit of shift just because of the market scenario and all that and it is a promise now what we are doing is I am trying to tell you that this can be covered up by increasing our revenue growth by 30% this year we will definitely be doing in spite of this kind of little bit of market hit and also and then we expect to improve our EBITDA margins by improving our product mix as Mr. Richi Bansal said it that we are already working on 1300 SKUs already though we had plan to give it by the end of FY2023 but we have already achieved it right now and probably to go by 2500 by the end of this year which is like definitely we are working on it, and for our value added products we are anticipating a growth of around 25% to 30% in the revenue of FY2023 and then since we are giving our level best to do it and definitely we are putting a lot of efforts, we are putting up new machines, we are increasing our capacity and backward integration as Richi told you about it and we basically did almost 481 million, the order we had already given the orders to the government supplies which is around 481 million which we did easily in last quarter from August till today. So we are looking forward to it and we are expected to get around 100 millions of orders definitely and it will be executed easily to our government departments. So that is up to you like now if anybody wants to ask questions or something.



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**Richi Bansal:** If we talk about the volume growth we did 120000 tons last year and then this financial year our target is 175000 tons, which is almost 40%, 45% growth.

**Moderator:** Thank you. Ladies and gentlemen we will now begin the question and answer session. The first question is from the line of Arun Kejriwal from Ujjwal Securities. Kindly proceed.

**Arun Kejriwal:** First of all I would like to congratulate you on an organized results and I wanted to ask you what is the location advantage you are having over other competitors?

**Richi Bansal:** Sir we are a pan India based company, if we talk about the location benefits like we have a unit based out of South and West and North. Right now we are covering three roles for the country, Eastern region we do not have any business right now so because logistic plays a very important role in our steel pipe industry logistic is almost 2.5% to 3% cost of the total product cost, so having a presence on a local basis in domestic market we are able to compete over other competitors. Only two or three companies in the country are pan India based thus otherwise all the people are based either someone is based out of North India or someone is based out of South India so that market share they are not able to get and then we are sourcing the raw material on a local zone wise basis like in Maharashtra we are sourcing from JSW, in South we are sourcing from JSW, in North we are sourcing everything from Steel Authority so we get the raw material at the same price and we are able to sell the pipe also at same price to all our customers on a pan India basis, and even our delivery and service is much faster as compared to our competitors. Basically there is a big, big question about the service in our industry because we have 1300 SKUs. Having a presence in the domestic industry in a zonal basis we are able to provide that kind of a service and then recently this year only we have acquired one more company Ashoka Infra which is into retail segment of steel tubes and pipes so the acquisition of that company now we have our own warehousing facility in Maharashtra and Bengaluru we already have three warehouses where we are able to stock our products and we have a better service to our smaller clients as well.

**Arun Kejriwal:** Thank you so much for that.

**Richi Bansal:** You may grow organically and inorganically both ways.

**Rajeev Kohli:** In a nutshell we would like to say that we are working on a neighborhood policy, wherever it is there, wherever we can sell it we have a plan there so it is absolutely very much advantageous for us.



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- Arun Kejriwal:** One more question I wanted to ask was any other USPs you would like to highlight?
- Rajeev Kohli:** We are basically producing almost every kind of material, we make GP material, we make sizes ranging from 15 mm to about 200 mm then we make GP pipes, we make the round pipes, hollow section pipes. So it is basically single window system type that is basically the USP, we make poles also, we are into government department also, so the USP basically would say is that if you see the other companies most of the companies either they are very good with their structural quantity or somebody is making only round pipes we are basically making all kind of varieties, we are increasing our SKUs, thickness wide thinner gauge, higher gauge that would probably add to, we can call it as the USP that is it. Then really you will find companies which are producing everything almost everything.
- Arun Kejriwal:** Thank you so much for that and I would like to congratulate once again.
- Moderator:** Thank you. The next question is from the line of Jayesh from Jayesh & Group Company. Kindly proceed.
- Jayesh:** Good evening Sir, many congratulations on your decent result. I do have one question regarding the capacity utilization front so what is our capacity utilization and who are our primary customers?
- Richi Bansal:** Right now we have our installed capacity of 300000 tons and this year our capacity utilization is almost 175000 tons out of 300000 tons, 30000 tons out of 300000 tons will be under production by the end of next month which is a new capacity what we have added and 50000 tons was the capacity what we have added last year only so that is still not fully functional we are able to achieve only 30%, 40% out of that, we are still increasing the number of SKUs on that particular tube mill, so as we increase our number of SKUs our capacity utilizations keep on increases and in our industry the capacity utilization thumb rule is almost 70%, you cannot have more than 70% of capacity utilization.
- Jayesh:** Sir one more question from my side that is how are we seeing global demand and who are our customers exactly?
- Richi Bansal:** We have more supplies to our channel partners, we have a big distribution network, we supply to our dealers and distributors and we have good presence in the government sector and then we are doing a little bit of OEM as well, we have a good trajectory OEM as well like the 5% to 10% service in the OEM sector also now. So these are our major clients, if we talk about major clients then we are supplying to almost all the Jal Shakti departments of



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the country, we are supplying to a lot of state electricity boards where we supply steel tubular poles, so we have a tie-up with the UP government, Himachal Government and Uttarakhand government. So all these states we are supplying on a regular basis steel tubular poles. These are our major clients and our export stands at 10% to 15% that is it. In India itself we see lot of growth. Right now are focusing more on Indian markets and the domestic markets.

**Jayesh:** Done with my questions Sir. Thank you.

**Moderator:** Thank you. The next question is from the line of Astha from Jain Wealth. Kindly proceed.

**Astha:** I would like to know what is the management vision over the next two years and then how are we seeing the competition evolving?

**Richi Bansal:** Sorry can you please go again how are we seeing the competition?

**Astha:** What is our vision for the next two years Sir?

**Richi Bansal:** I have already briefed it but I will tell you once again. So right now we have a capacity of 300000 tons, in the next two years we are looking at a capacity of somewhere close to 0.5 million tons in installed capacity and we are planning to give almost 35% to 40% growth on a year-on-year basis that is the basic target what we have, that is the overview what we have and then we are increasing more of value added products where we can get higher EBITDA margins so the 30000 tons new capacity what we have recently installed in our Khopoli plant that is purely a value added product that product will be exported that is for a 100% export market and as well as we have demand for that particular product in domestic markets as well. So we are looking at 12% to 13% of EBITDA margins in that particular product. So we are increasing more of a value added products and slowly and gradually we have a target of achieving at least 30% to 40% value add products and the balance we will be doing our structural products.

**Astha:** Sir my second question I have one more question that how do we see our acquisition sitting in the entire growth story?

**Richi Bansal:** See we are not only a steel pipe manufacturers we are basically a building material company, when we are supplying products to any government department or to any big construction company or to our builders over there they require steel tubes, they require all the structures and they require the sanitary fittings, so everything is complementing each



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other, so we have the same network, same set of marketing people and then that particular client that is more dependent and has no faith everyone today wants to buy from one roof under one roof they want to buy everything they do not want that hassle of going to 10 different suppliers for all the products so we get a better pricing and we get an edge over our competitors to secure those orders and to secure those markets.

**Astha:** I have just one last question talking about our margins the margins were like quite compressed during Q2 wherein other like our competitors performed quite well.

**Richi Bansal:** If you get a little comparison what we are talking about our competitors.

**Rajeev Kohli:** What happens is when you try to see this we compare with ourselves definitely there has been a cut down in the margins because of the high price than others, if we compare ourselves from the last year over something...

**Richi Bansal:** There has been a drastic fall in the steel prices.

**Rajeev Kohli:** That is what I am saying it, that is I am trying to come on that and there has been a drastic change in everything and if you talk about the comparison then I would fall in 98% if you say, if there are 100 companies who are manufacturing I think 98% I would score that we have done better than most of the companies have given their losses though we have reduced our margins because this is not in our hands and since we are growing, so if you see it that way we have reduced because of the market scenario it is a stock loss kind of things you know this is not in our hands and if you compare it with those 98% people would have done better than us then only it maybe 1% or 2% definitely they have a bigger network they have a bigger thing so they can survive a little bit.

**Richi Bansal:** We are still a growing company with market share; if you see earlier we did 26000 tons of our total volume and this year the number is somewhere close to 50000 tons which is almost double the volume of our previous quarter.

**Rajeev Kohli:** 28774.

**Richi Bansal:** When we are increasing our market share at that time we also have to cut down on the margin side to get a new client, we have to pass on some extra discounts so this is just a temporary phase and then in Q2 the prices of steel they have gone down by 10% to 12% so that is one of the biggest threat what the industry is facing and then we have regular stocks





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we have almost 45 days of inventory all the time so that stock losses are still there. The inventory cost is one big reason what impacted on the margins.

**Rajeev Kohli:** Operations have no problem operations have improved operational margins.

**Astha:** Just a last question can you like give me some highlight on your order book?

**Richi Bansal:** Can you come again?

**Astha:** Total order book.

**Rajeev Kohli:** Right now our total order book stands somewhere close to 120 Crores.

**Astha:** Thank you Sir that is all from my end.

**Moderator:** Thank you. The next question is from the line of Shikha Kapur from GQuant Investech. Kindly proceed.

**Shikha Kapur:** Mr. Richi one question I wanted to understand that we all know that our industry is in a difficult scenario right now with volatile steel prices or maybe destocking by the dealers and the organized players like yourself you have to push the sales through discounts or maybe take a hit on your margin so can you just guide a bit in terms of overall outlook when are we looking at some kind of stability in prices or maybe when the restocking?

**Richi Bansal:** Yes, at the moment global steel scenario if you look at we still see more correction in the steel prices a little bit more correction in the steel prices for next one quarter we still see the prices to go a little bit further down in the steel sector and then like our organized sector has to compete with the unorganized sectors in India which is one of a very big sectors always a parallel sector what we have in the country. So there is a little bit of a threat for another one quarter and after that we really see the markets to be very, very good. We see the margins coming back and though on the demand side there is not an issue we are already increasing our volumes and we have good order books, we are getting orders on a regular basis from the government sector as well as from the domestic markets, so right now we are targeting just to increase our volumes to sustain the margins.

**Shikha Kapur:** If I talk about EBITDA per ton it has drastically fallen in last couple of months in fact quarter-on-quarter if you see there is a sharp decline so should I understand that it is more of a commoditized product in your mix?

- Richi Bansal:** It is just a stock loss what we are getting on the inventories that is it, every month we are seeing a fall of 2%, 2.5% in the steel prices so that is the only thing what is impacting on the EBITDA margins that is it. Otherwise we are working on a very good EBITDA that stock loss commodity price correction is not in our hand that is the global scenario.
- Shikha Kapur:** What is the best upside where do you see because I think this is the only plant which you just mentioned of that 30000 tons it is more on the value addition so can you just guide a bit?
- Richi Bansal:** On a consolidated basis it is going to increase our EBITDA margins, so we are trying to get into a more of a value added products where our EBITDA margins are already 12% for these EBITDA margin products where even the markets go down or there were corrections in the steel prices then it will not impact on the overall profitability of the growth.
- Shikha Kapur:** You are saying the 2% kind of a margin will jump to 12% once this Khopoli is in full production?
- Richi Bansal:** No the 2% was the PAT margin our EBITDA was 5%, 5.5% EBITDA so 12% will be only on the 30000 tons out of 300000 tons that will be only a 10% of the total production, so we are just increasing our value added products and we cannot just convert our 100% capacity into value added capacity, so first we are able to achieve this 10% in next two quarters and then again we are going to add on another 10% of the capacity with the same value added products, so 10%, 12%, 15% will keep on increasing in every two quarters.
- Shikha Kapur:** So for this quarter what was the portion of value added products in our portfolio?
- Richi Bansal:** This 30000 tons we are going to start the production in this particular month.
- Shikha Kapur:** So we are already halfway of the third quarter..
- Richi Bansal:** We only get one month of this value add product, this is a new product, new line what we have recently installed so we are under the trial runs of this product and I think we will be in full production by end of this month.
- Shikha Kapur:** One more question on your new acquisition of Hagar Mart in the press note it was mentioned about the revenue of about 2 Crores and a PAT of 120 odd Crores and your share would be 50%-51%, so in one month this company has done 2 Crores and a 50% kind of a margin net level margins if I understand it right?

- Richi Bansal:** Sorry can you please go again on the numbers?
- Shikha Kapur:** In your press note if you can just reinstate what exactly do we mean that 2 Crores of sales and 1 Crores kind of a profit so are we going to extrapolate it for the next couple of quarters?
- Richi Bansal:** No, it is not Rs.1 Crore of a profit there is a goodwill I think when we have acquired that company on equity basis there is a little bit of gain in the equity pricing that is what we are saying it is not the profit that is not mentioned in the balance sheet.
- Shikha Kapur:** So what exactly is the profitability of that company?
- Richi Bansal:** That is a new company that is a startup that is a new company into sanitary ware it is 2, 3 year old company and recently started and in the last two, three years like they have reached to the highest number of SKUs in the country in that particular segment in sanitary ware, faucets, current fittings and bathroom accessories. So right now we have the highest number of SKUs. We look at the PAT margins of approximately 25% to 30% in Hagar Mega Mart by the end of this year so because that company is still getting approved with lot of government departments with lot of companies we are getting the approvals done, we have already been approved by NDCC and then it has already been approved with lot of government projects so they have recently started supplying the products so I think it will take at least this year it is going to take for that company to stabilize its supplies and the PAT margin in that company will be somewhere close to 29% to 30%.
- Shikha Kapur:** Thank you that is all from my side and all the best.
- Moderator:** Thank you. The next question is from the line of Naman Maheshwari from JAC Capital. Kindly proceed.
- Naman Maheshwari:** Good evening and congratulations on a robust volume. Sir just wanted to reiterate on your 120 Crores worth of order book can you help us with some split between value added products and general products would that be possible?
- Richi Bansal:** I comment on everything, but yes out of that like 50% of the orders from the government sector, balance of the 10% of the quantity is from the value add and rest are our domestic volumes with our channel partners.

**Naman Maheshwari:** Sir second question is how are Ashoka Infra volumes coming or getting reflected in our consolidated financial statements?

**Richi Bansal:** The volumes will start reflecting from Q3 because that provision got completed in September so in Q2 only September volume would be added to our balance sheet which is very normal one. So from Q3 Ashoka Infra's volumes and profitability and everything will be reflecting in the company's account.

**Naman Maheshwari:** Probably one, one-and-a-half months of performance that has elapsed during this time that is how Ashoka Infra has been performing any update that you would like to give?

**Richi Bansal:** We have done a volume of 4500 tons in one-and-a half months.

**Naman Maheshwari:** Thank you for that and one more point related to our international operations I know that we are focusing more on domestic but can you just throw some light on what is the differential in the profitability over African business versus Indian business?

**Richi Bansal:** In Africa definitely the profit margins are higher as compared to our domestic markets and those markets are little difficult and there is a lot of entry barrier to those markets. So it took us 20 years to establish the business there and after working on continuously for the last two decades we were able to get a successful last three, four years in our African operations. So right now we have one manufacturing unit over there which is producing almost 2000 tons per month not a very big quantity but as per the African market size the profitability is good so it is doing 2000 tons per month and then we have a very big service center which is again doing 1000, 1500 tons a month on a monthly basis.

**Naman Maheshwari:** Okay thank you so much for all the questions. Thank you so much.

**Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Rajeev Kohli for closing comments.

**Rajeev Kohli:** Thank you very much everybody for giving such a valuable time of yours and I hope that we answered your questions properly and any kind of doubts or something you can always come back to us. Thank you very much. Thank you Richi Sir and thank you everybody being on the line.

**Richi Bansal:** Thank you. Have a nice day.



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**Moderator:**

Thank you. On behalf of Captive IR Strategic Advisors Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.