

RESILIENT TO GROW

Earnings Presentation Q1 FY23

DISCLAIMER

Certain Statements in this document may be forward looking statements. Such forward-looking statements are subject to certain risks and uncertainties like government actions, local political or economic developments, technological risks, and many other factors that could cause our actual results to differ materially from those contemplated by the relevant forward-looking statements. Rama Steel Tubes Limited will not be in any way responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances.

Q1 FY23 RESULTS HIGHLIGHTS

REVENUE
from Operations
reported at
₹ 2400.25 Mn
for **Q1 FY23**

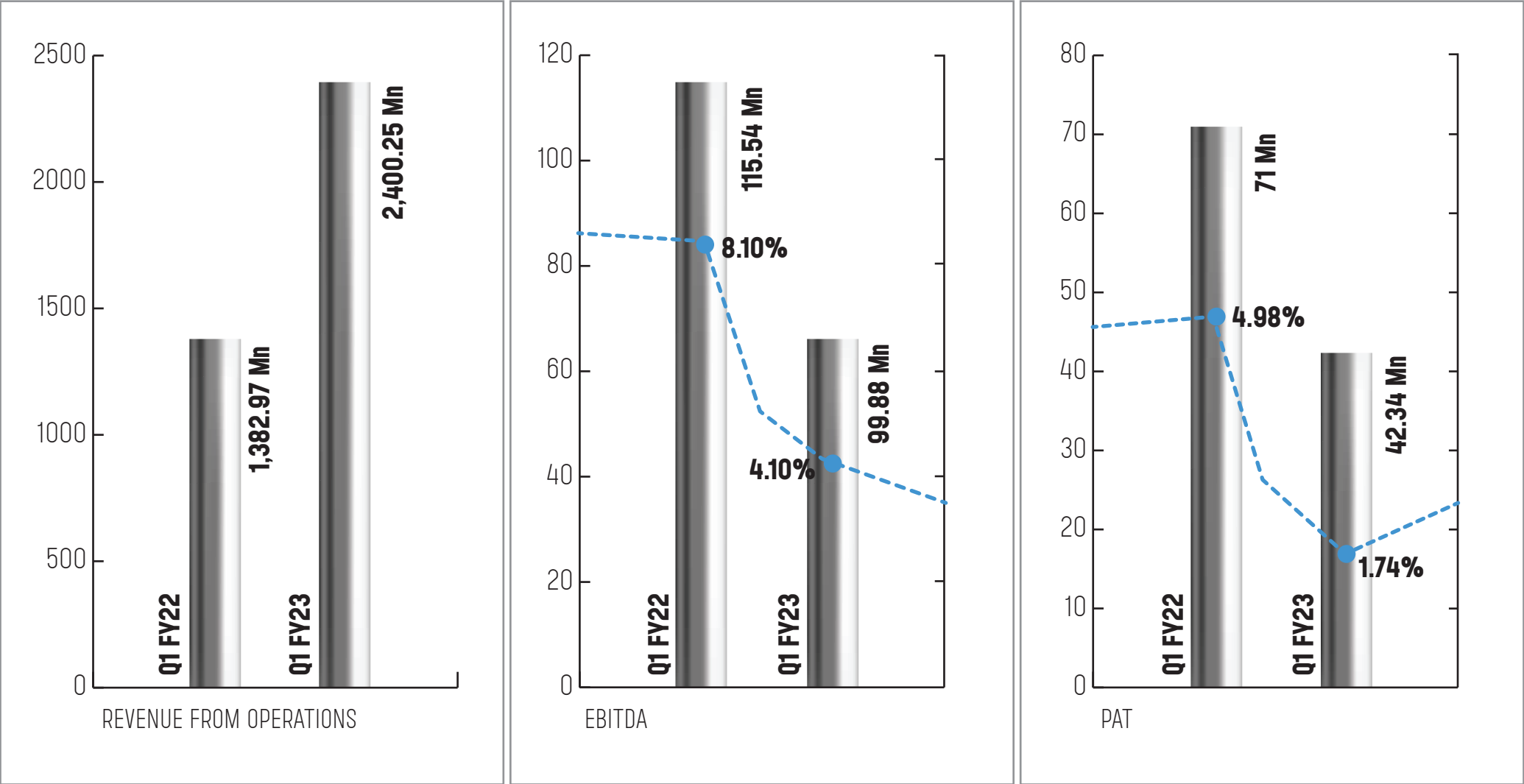
EBITDA
stands at
₹ 99.88 Mn
in **Q1 FY23**

PAT
at
₹ 42.34 Mn
in **Q1 FY23**

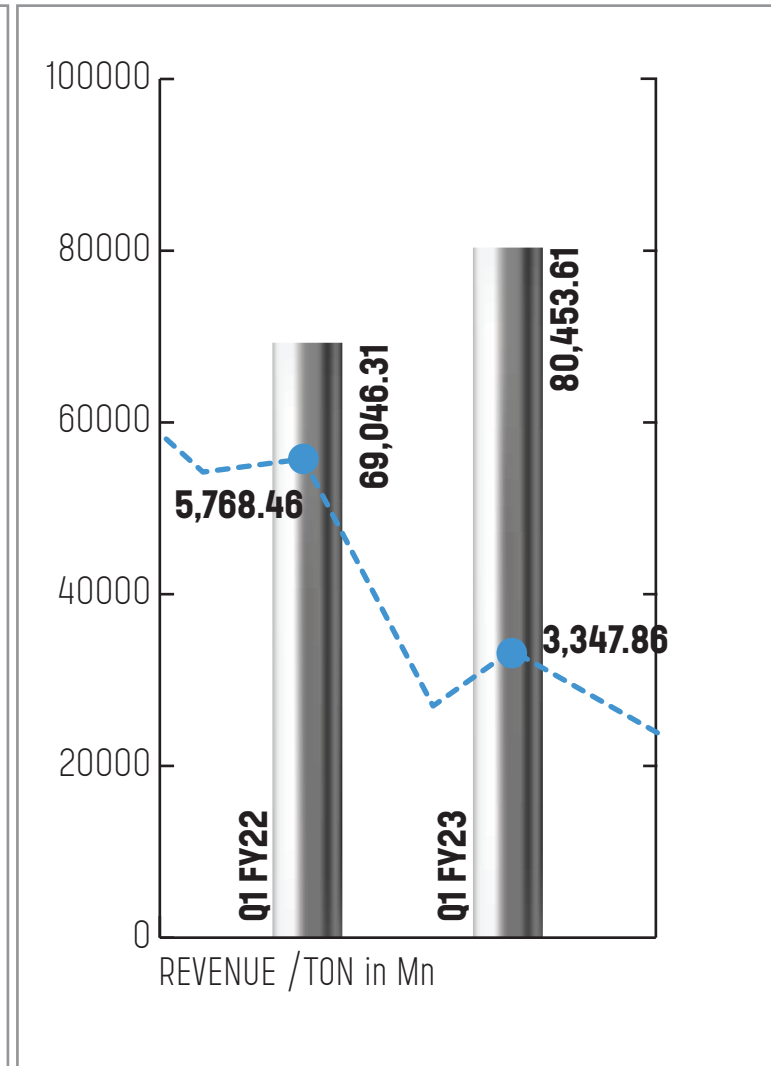
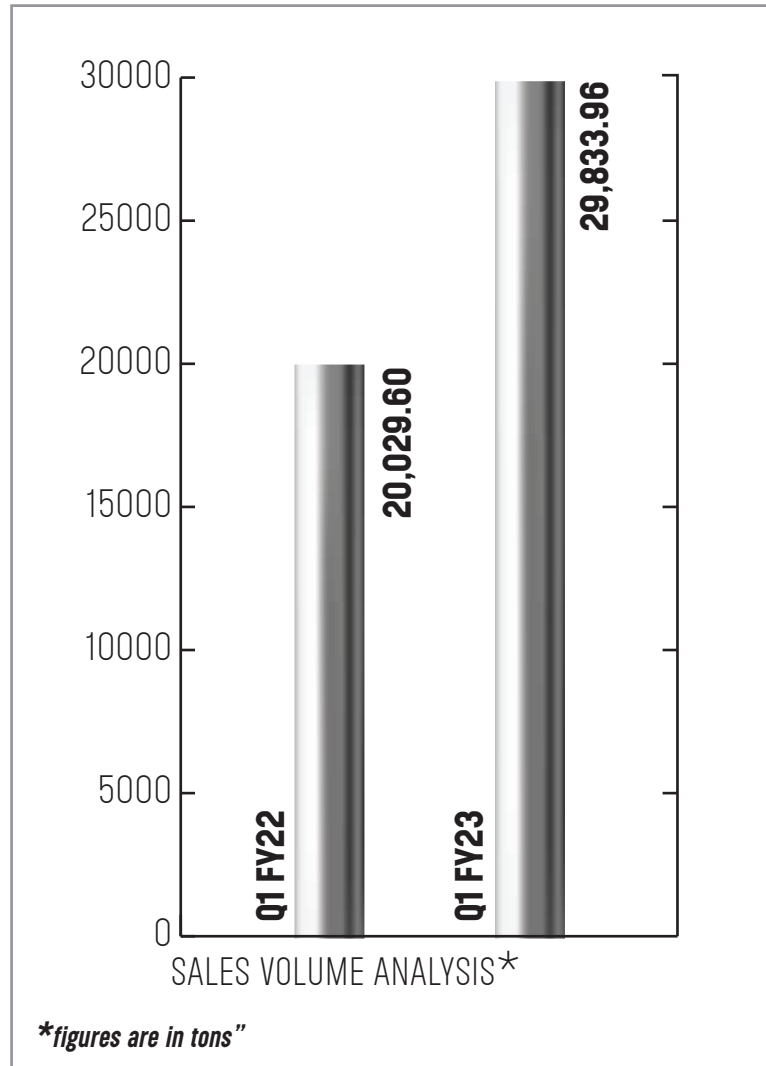
Added
500+ SKU's
in FY22
currently having
956+ SKU'S

VALUE
added Products
contribute to
15%
of **Total Volume**

KEY PERFORMANCE INDICATORS



SALES VOLUME ANALYSIS



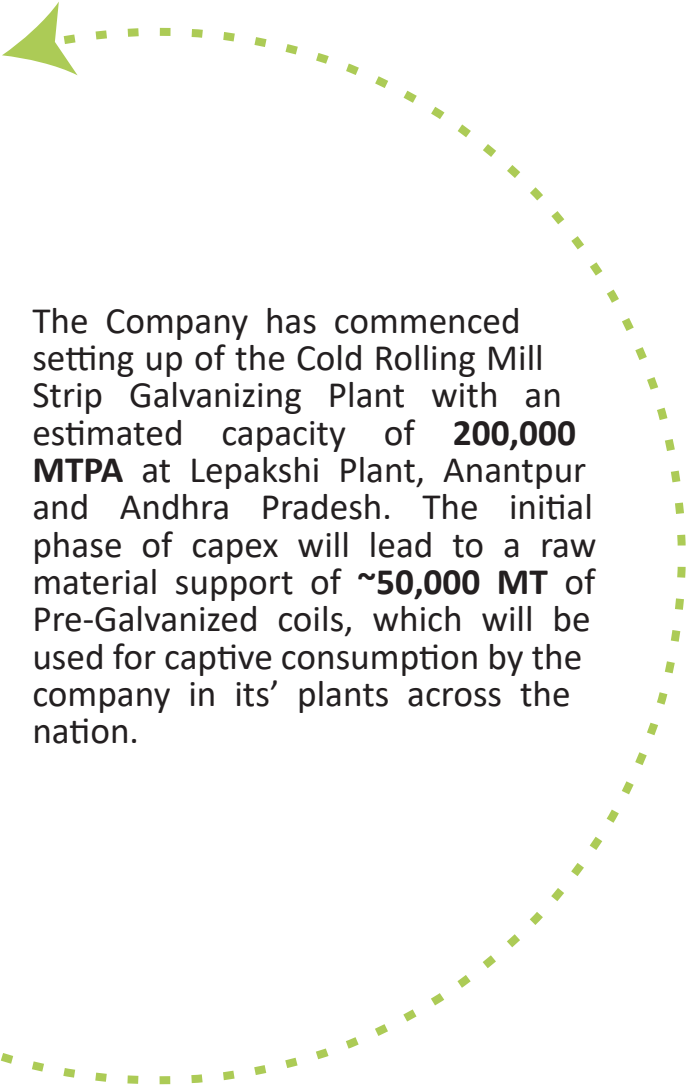
CONSOLIDATED PROFIT & LOSS

Particulars (INR MN)	Q1 FY23	Q1 FY22	YoY%
Revenue from Operations	2,400.25	1,382.97	73.55%
Other Income	35.98	42.82	
Total Revenue	2,436.22	1,425.78	70.87%
Total Expenses excluding Depreciation, Amortization & Finance Cost	2,336.35	1,310.24	
EBITDA*	99.88	115.54	-13.56%
EBITDA Margin (%)	4.10%	8.10%	(400 bps)
Depreciation & Amortization	10.62	9.82	
Finance Cost	38.43	22.54	
Share of profit of associate companies	(0.70)	5.62	
PBT before Exceptional Item	50.82	83.18	
Exceptional Items	-	-	
PBT	50.13	88.80	-43.55%
Tax	7.79	17.80	
PAT	42.34	71.00	-40.36%
Other comprehensive profit / loss	6.26	-0.74	
Net PAT	48.60	70.25	-30.81%
PAT Margin %	1.74%	4.98%	(324 bps)
Diluted EPS	2.89	4.18	

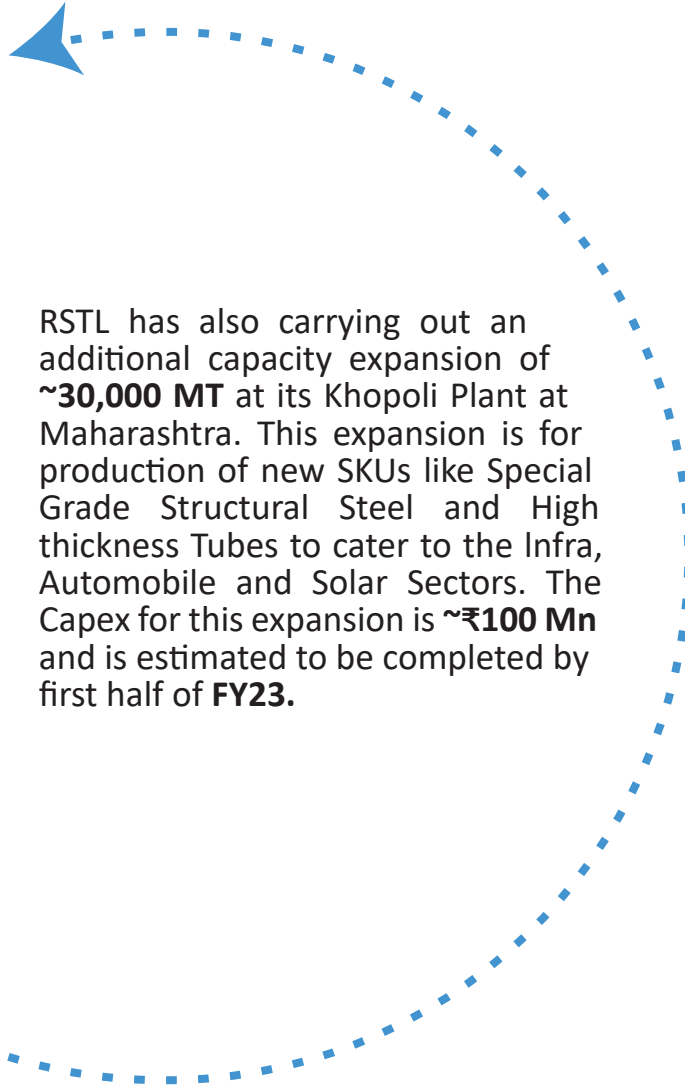
*EBITDA includes Other Income

FINANCIAL PERFORMANCE COMPARISON - Q1 FY23 v/s Q1 FY22

- Total Revenue up ~71% from INR 1,425 MN to INR 2,436 MN.
- Sales Volume Increase by ~49% from 20,029 MT to 29,834 MT showing robust traction and demand for our products.
- Realization / ton and EBITDA/ton stands at INR 80,453/- and INR 3,348/- respectively.
- Sales of Value added contributed ~15% of the total Revenue from Operations.
- Total Installed Capacity stands at 2,64,000 MT, capacity under construction stands at 50,000 MT across Khopoli and Nigeria plant. Capex and backward integration plans are progressing on track. Company has started a forward integration strategy by acquiring a prominent distributor of steel tubes, which will enable to capture market intelligence more effectively.
- Management expects the topline to grow in absolute terms by 25%-30% owing to better growth in volumes due to demand surge for their products, higher export contribution, addition of higher product margins and tapping greater market share



The Company has commenced setting up of the Cold Rolling Mill Strip Galvanizing Plant with an estimated capacity of **200,000 MTPA** at Lepakshi Plant, Anantpur and Andhra Pradesh. The initial phase of capex will lead to a raw material support of **~50,000 MT** of Pre-Galvanized coils, which will be used for captive consumption by the company in its' plants across the nation.



RSTL has also carrying out an additional capacity expansion of **~30,000 MT** at its Khopoli Plant at Maharashtra. This expansion is for production of new SKUs like Special Grade Structural Steel and High thickness Tubes to cater to the Infra, Automobile and Solar Sectors. The Capex for this expansion is **~₹100 Mn** and is estimated to be completed by first half of **FY23**.



RST Industries Ltd. (RSTIL), a step-down subsidiary of Rama Steel Tubes Ltd. located in Nigeria, West Africa has initiated a **capacity expansion of ~20,000 MTPA**, majorly dedicated to the production of roofing sheets. The planned Capex for this expansion is **~₹200 Mn** to be funded through the internal accruals. The New facility is expected to be fully functional in the first half of **FY23**

STRATEGIC INITIATIVES

RSTL embarked on a forward integration drive by acquiring **51% stake** in M/s Ashoka Infrasteel which is an established distributor of Specialized value-added products, ERW pipes, black Steel tubes, Galvanized tubes & Seamless carbon tubes, having presence in this segment for **30+ years**. With this acquisition, RSTL plans to capitalize on the market intelligence received from its widespread distributor network which will aid in better understanding the demand trends of the consumers and lay foundations for new product development. The Fair Value of the firm has been estimated at **₹550 Mn.**

RSTL has ventured into a new segment of Sanitary Ware & Bathroom fittings by acquiring **50% stake** in business of M/s Hagar Mega Mart Pvt. Ltd. This takes the company a step closer towards achieving its vision of becoming a one stop building material company in India.

The total consideration for expansion initiatives is up to **~₹330Mn.** The discharge of consideration is through issuance of **fully paid-up equity shares** of RSTL aggregating to **maximum amount of ₹320 Mn** at a price as may be determined in accordance with SEBI (ICDR) Regulations, 2018 and **remaining through cash** consideration.

FINANCIAL UPDATES

The Board of Directors via a board meeting held on 10th June, 2022 approved the Allotment of **31,16,000 (Thirty-One Lakh Sixteen Thousand Only) Convertible Warrants at an Issue Price of Rs. 382/-** (Rupees Three Hundred and Eighty-Two Only) each (including premium of Rs. 377/-) on preferential basis. The allotment was done on receipt of 25% of issue price upfront and balance to be paid after a period of 18 months from date of allotment.

The Board of directors via a board meeting on 5th July, 2022, proposed to **split the Equity Shares having FV of Rs.5/Share to Equity Shares having FV of Rs.1/Share.** The total no. of shares pre-split is **2,30,00,000 Equity Shares of Rs.115 Mn,** which will convert to **11,50,00,000 Equity Shares of Rs.115 Mn.** The proposal is expected to be completed within **~2 Months** from the date of approval by Board.

Commenting on the performance of Q1 FY23, Mr. Naresh Kumar Bansal, Chairman & Managing Director, Rama Steel Tubes Limited, said:

“We are pleased to announce that the company has reported a stellar performance in terms of sales volume and revenue in the first quarter of FY 23, delivering the highest ever quarterly sales volume of 29,833.96 MT vis-a-vis a **sales volume of 20,029.60 MT in Q1 FY22**. We have posted an extremely encouraging growth rate of **49% on a YoY basis** on our volumes & a growth of **70.87% on a YoY basis** in terms of **total revenue**. Although, the volatility in the steel prices and climbing costs of production have relatively softened the margins, we have still managed to post **EBITDA margins of 4.10%** for the **Q1 FY 23** vis-a-vis **EBITDA margins of 8.10% in Q1 FY22**.

On a macro level, the steel industry witnessed a huge **channel de-stocking** due to domestic steel price corrections. This was triggered by the imposition of duty on steel exports in May 2022. During the quarter, **domestic steel prices witnessed a decline of ~20%** and this has adversely impacted the overall demand of the industry. The industry for Pipes and related materials, is extremely robust. Merely 5% of households in India have piped water, and with governments at both national and state levels are focusing on making basic amenities like tap water abundantly available to all, the total addressable market (TAM) is huge. Further, pipes are now finding use in building structures, furniture, and fittings, in a significant way. Amongst these macro headwinds we have been able to deliver positive

results for the quarterly, mainly on the back of a **robust order book and the scaling demand of our Value-added product segment**. We expect the Value-added products to contribute to **~25-30%** to the Revenue in FY23.

This quarter has witnessed the beginning of a **long-term diversification and forward integration plan for the company**. We have acquired stake in **M/s Ashoka Infrasteel**, which a large and established distributor of speciality steel products in the Western region of India as well as partnered with **M/s Hagar Mega Mart Pvt Ltd-** a leading **Bathroom fittings and sanitary ware provider**. These strategic partnerships will help the Company to **leverage the combined Distribution networks**, enabling deeper market penetration in the existing markets while opening opportunities in the newer markets. We have also **forayed into the segment of Bathroom fittings and sanitary ware** by, which is in line with the company’s objective of being a **one stop solution for building materials**. We foresee a huge potential in this segment and plan to scale up operations in the coming years.

The Company has recently bagged multiple orders aggregating to **~₹363 Mn**, from the **Himachal Pradesh State Electricity Board Limited & Jal Shakti Vibhag (Himachal Pradesh)**. The orders are for supply of ERW Galvanized pipes under Jal Jeevan Mission Project in India and **Poles under Himachal Pradesh State Electricity Board Ltd**. Additionally we have government projects having an order pipeline worth **~Rs.46 Crs**. These orders will strengthen our order book further and contribute

significantly to the top line of the coming quarter. The orders depict our long-standing relationships with government departments and our commitment to be a part of important nation building government initiatives.

We would also like to assure everyone that the Capex initiatives of the company are going well and are within our estimations. **We expect significant improvements in capacity utilizations to come into play at our Sahibabad plant in this fiscal, and also expect raw material support from our Backward integration initiatives at Anantpur, Andhra Pradesh**. The commissioning of a new capacity in Raipur has started and we expect to reach our target of having an installed capacity of half a million tonnes by FY25.

While we continue to face challenges on the price volatility of our chief inputs, we have managed to add **~500 new SKUs in FY22 and continue to add more and more value-added products to our product mix so as to maximize the realizations and create a niche for ourselves and our brands**. As of 30th June, 2022, the Company boasts of **~956 SKUs and expects to close FY23 with ~1,300+ SKUs**.

To conclude, I would like to extend heartiest congratulations to all our stakeholders for an excellent performance in **Q1 FY23** and assure that me and entire team of RSTL remains committed to achieving all our goals & striving towards excellence thereby emerging as one of the market leaders in Steel Pipes Industry”

MANAGEMENT GUIDANCE FOR FY23

Management expects the topline to grow in absolute terms by 25%-30% owing to better growth in volumes due to demand surge for their products, higher export contribution, addition of higher product margins and tapping greater market share.

The value-added products are anticipated to contribute between ~25-30% to the Revenue in FY23. Increased volume, higher share of value added products in the revenue mix, & Cost efficiency will aid EBITDA margins .

The management expects to add 300+ SKU's in this year taking the total number of SKU's to 1300+ in FY23. They expect the major additions in respect of value added products.

Management is focused on creating substantial shareholder value through sustainable growth, well calibrated out capex, increase capital efficiency. Management is also focused on substantially improving key financial metrics like Return on Equity (which stands in the mid-20s) by improving asset turnover and relentless focus on cost reduction across the business chain.

RSTL is making robust focus to increase share in government projects and expected to increase its share@ 20% to total revenue of the company.

RSTL expects a margin improvement of 100-150 bps both in terms of EBITDA & PAT on account of its de-bottlenecking and Backward integration initiatives.

ABOUT RAMA STEEL TUBES LIMITED

Rama Steel Tubes Limited (RSTL) is a pioneer and leading manufacturer in the steel tube industry. RSTL has been continuously striving to improve its performance by **increasing sales, share of value-added products, innovating new products and aggressive cost optimization** on a continual basis. RSTL products range includes MS ERW black pipes from 15mm to 200mm diameter pipes conforming to IS: 1239, IS:1161, IS:3589, IS:3601, & IS:4270 and G.I. Pipes from 15mm to 150mm NB in light, medium and heavy sizes. RSTL has a **global presence in more than 20 Countries**. RSTL has a subsidiary in UAE and a step-down subsidiary in Nigeria which has strengthened the company/s presence in global markets. RSTL has the **world's latest technology, plant and machinery**, which also includes **sophisticated testing equipment**. RSTL has **4 state-of-art manufacturing capabilities** located at Sahibabad (U.P.), Khopoli (Maharashtra) and Anantpur (Andhra Pradesh) and has a **strong distributor network spread** across India.

For further information on the Company, please visit www.ramasteel.com



THANK YOU

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