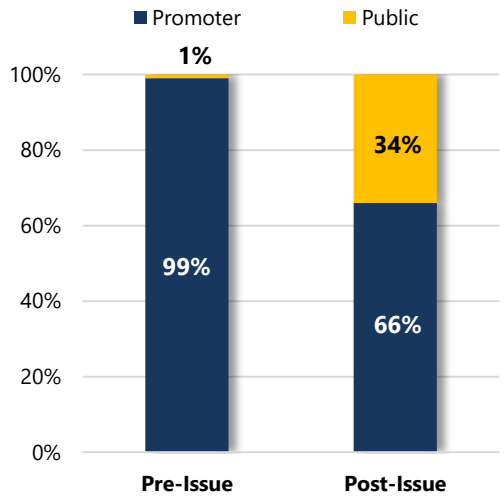
HARIOM PIPE INDUSTRIES LTD.

ISSUE DETAILS	
Issue Opens	Wed, 30th March, 2022
Issue Closes	Mon, 5th March, 2022
Listing Date	Wed, 13th March, 2022
Face Value	INR 10
Price Band	INR 144-153
Lot Size (Multiples)	98
Lot Amount	INR 14,994
Issue Size	INR 1,300 Mn
Issue Shares - Total	8.5 Mn
Issue MCap - Listing	INR 3,897 Mn
Listing On	NSE, BSE
Website	hariompipes.com
Lead Manager	ITI Capital Ltd.
Name of Registrar	Bigshare Services Pvt. Ltd.
NIFTY 50 Index	17,325

OFFER STRUCTURE		
Fresh issue	INR 1,300 Mn	100%
Offer for sale	-	-

ISSUE BREAK-UP		
QIB Portion	INR 390 Mn	30%
Non-Institutional	INR 455 Mn	35%
Retail Public	INR 455 Mn	35%

SHAREHOLDING (%)



THE BUSINESS

Hariom Pipe Industries Ltd. is an integrated manufacturer of Mild Steel (MS) Pipes, Scaffolding, HR Strips, MS Billets, and Sponge Iron. They cater to the southern and western Indian markets for their products. They are a premium manufacturer of iron and steel products. The company has gone from strength to strength, evolving into an integrated steel manufacturer with a stronghold in the South Indian market. The company operates **two plants**, one at **Mahabubnagar District in Telangana** (Unit I) and the second plant at **Anantapur District, Andhra Pradesh** (Unit II). They mainly sell MS Pipes through more than **200 distributors and dealers**. They also sell MS Pipes and Scaffoldings to certain developers and contractors directly as B2B sales. Hariom Pipe Industries has more than 200 employees, 1400 plus Retailers distribution network, 150 plus manufacturing specifications, and a total of 300832 MT manufacturing capacity.

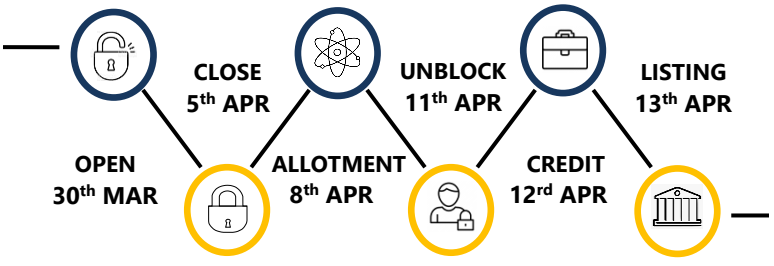
PROMOTER(S)

Rupesh Kumar Gupta and Shailesh Gupta are the company promoters. The Promoter and the Promoter Group, post-issue in aggregate will hold ~66% of the paid-up Equity Share capital of the company.

FINANCIALS (CONS. INR Tn)

YEAR	REV	EBITDA	OPM	PAT	NPM	EPS
FY19	1,336	173	11%	80	6%	7
FY20	1,608	239	12%	79	5%	6
FY21	2,541	350	11%	151	6%	11
6MFY22	2,009	259	9%	129	6%	15

ISSUE TIMELINE



OBJECTS OF THE ISSUE

FRESH ISSUE: The company proposes to utilise the Net Proceeds from the Fresh Issue towards funding the following objects:

(INR Mn)

PARTICULARS	AMOUNT TO BE FUNDED FROM THE NET PROCEEDS	ESTIMATED DEPLOYMENT	
		FY2022	FY2023
Funding capital expenditure requirements	500	-	500
Funding the working capital requirements of their company	400	-	400
General corporate purposes	[●]	[●]	[●]
TOTAL	[●]	[●]	[●]

COMPANY OVERVIEW

Hariom Pipe Industries Ltd. is an integrated manufacturer of Mild Steel (MS) Pipes, Scaffolding, HR Strips, MS Billets, and Sponge Iron. **They use iron ore to produce Sponge Iron** which is then processed across various stages to manufacture their final products **viz. MS Pipes and Scaffolding** making their manufacturing process cost-effective. They cater to the southern and western Indian markets for their products. Their MS Pipes are marketed and sold in these geographies under the brand name "Hariom Pipes". Substantial portion of the Sponge Iron, MS Billets and HR Strips produced by them are used for captive consumption in the manufacturing MS Pipes and Scaffolding. They manufacture MS Pipes and Scaffoldings **of more than 150 different specifications** and cater, directly and indirectly, to customer requirements in various sectors such as **housing, infrastructure, agriculture, automotive, power, cement, mining, solar power and engineering.** Their integrated plant at Mahabubnagar District in Telangana **(Unit I)** manufactures finished steel products from iron scrap and Sponge Iron and their other plant at Anantapur District, Andhra Pradesh **(Unit II)** exclusively manufactures Sponge Iron. Unit II is located near Bellary, which is one of the hubs in South India for iron ore production. **The iron ore** required to produce Sponge Iron at Unit II is mostly procured through the **online bidding process. Most of the Sponge Iron produced at the Unit II is transported to the Unit I and used as a raw material for manufacturing MS Billets, HR Strips, MS Pipes and Scaffolding**. They have an integrated steel plant which manufactures finished products i.e. MS Pipes from Iron Ore through multiple stages of manufacturing such as Iron ore ---> sponge iron --->billets ---> HR Strips ---> MS Pipes. The manufacturing of Sponge Iron at their Unit II has reduced their dependence on external sources for raw materials since its acquisition in September, 2020. The integration of Unit I and II has optimized their operations and profitability through backward integration which helps with efficient logistics, inventory management, procurement, energy savings and quality control. The Company has a quality control team led by qualified chemists and engineers ensure that their raw materials as well as end products are tested on all quality parameters to ensure that they are compliant with the required market standards. They mainly sell MS Pipes through more than 200 distributors and dealers. They also sell MS Pipes and Scaffoldings to certain developers and contractors directly as B2B sales. **They believe that their key differentiator is their range of product specifications in terms of thickness, length, quality, availability and customised products**. The Promoters Mr. Rupesh Kumar Gupta and Mr. Sailesh Gupta are third generation entrepreneurs and individually have more than a decade of experience in the iron and steel industry. They have been instrumental in the growth and management of the company.

MANUFACTURING FACILITIES

Unit I is located around 70 kms from Hyderabad in the Mahabubnagar District, State of Telangana and close to Jadcherla industrial area. This proximity enables ease of logistics, power, water supply and raw materials for their operations in Unit I. Skilled personnel for Unit I also come from Hyderabad. **Unit II** is located at Anantapur District, Andhra Pradesh which is around 18 kms from Bellary, which is one of the hubs in South India for iron ore production. **The connectivity between Unit I and southern markets provides the benefits of logistics considering accessibility and proximity.** Their company has established a manufacturing process which keeps costs low, leading to a competitive price advantage as compared to others in the industry. They have synchronized their processes in such a manner that one product follows the other without any break leading to costs and time efficiencies. They have 32 KVA dedicated feeder for their furnace at their Unit I **which makes them eligible for obtaining private power from IEX through the online bidding process**, against their contracted load of 9,999 KVA with TSSPDCL with fixed power cost. In peak season for agriculture where there is shortage of supply of power from TSSPDCL, they have the alternative facility of receiving uninterrupted supply of power from IEX at competitive rates. They have installed multiple operations at a single location i.e. Unit I where they manufacture the entire range of their products viz. MS Billets to Mild Steel (MS) Pipes and Scaffolding. The hot charging process installed in their Unit I enables the MS Billets produced to be directly fed into the rolling mill for producing HR Strips leading to savings in the cost of coal and power. Further, by using a crusher, they crush the slag and extract iron content from the slag which is again recycled in furnaces for producing MS Billets.

CAPACITY UTILIZATION:

DETAILS OF UNIT I - MAHBUBNAGAR	PARTICULARS	FISCAL			FOR SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2021
		2019	2020	2021	
Induction Furnace	Installed Capacity (in MTPA)	37,200	95,832	95,832	47,916#
	Capacity Utilized (in MTPA)	31,000	46,276	44,788	35,727
	Utilized Capacity (in %)	83.33%	48.29%	46.74%	74.56%
Rolling Mill	Installed Capacity (in MTPA)	24,000	84,000	84,000	42,000#
	Capacity Utilized (in MTPA)	20,771	34,280	43,546	32,231
	Utilized Capacity (in %)	86.55%	40.81%	51.84%	76.74%
Piping Mill	Installed Capacity (in MTPA)	20,000	84,000	84,000	42,000#
	Capacity Utilized (in MTPA)	18,282	24,183	29,303	22.437
	Utilized Capacity (%)	91.41%	28.79%	34.88%	53.42%
Scaffolding	Installed Capacity (in MTPA)	1,000	1,000	1,000	500#
	Capacity Utilized (in MTPA)	655	980	282	441
	Utilized Capacity (%)	65.50%	98.00%	28.20%	88.20%

#The installed capacity for six months period ended September 30, 2021 is not annualized

Reasons for utilization levels for the Pipe Mill unit below 50% for the last three Fiscals and for six months period ended September 30, 2021:

The installed capacity of piping unit at their Unit I is based on the manufacturing of pipe of similar sizes, shapes and thickness. The installed capacity mentioned in the above table cannot be considered or applied for the purpose of estimating the capacity utilisation accurately since they manufacture pipes of more than 150 variations with respect to their thickness, sizes and shapes (such as square, round and rectangle) in the same piping unit. **While switching from one size to another size during manufacturing of pipes, some idle time is involved due to change in the technical parameters,** of the piping unit, that is done manually. Further, the time of manufacturing is different for every variation of pipe. Also the speed of the pipe mill depends upon the thickness of the HR Strips used for manufacturing pipes. Due to aforesaid factors, there is variation in capacity utilisation. Additionally, during the last 3 Fiscals, **the Billets manufactured by uthem, the mother raw material for manufacturing Pipes, were sold to other manufacturers to meet their working capital requirements**. As on September 30, 2021, they have manufactured 22,437 MTPA of pipes as against the installed capacity of 84,000 MTPA leading to 26.71% (annualised 53.42%) capacity utilisation.

Reasons for utilization levels for the Furnace unit below 50% for the last three Fiscals and for six months period ended September 30, 2021:

Initially, Telangana State Pollution Control Board (TSPCB) had granted them permission to manufacture 63,000 MTPA MS Billets at their Unit I using only one Induction Furnace. However, looking at increased demand for their products, they installed another Induction Furnace unit at their Unit I in the Fiscal 2020 and applied for Environmental Clearance for increase in the present licensed capacity of Induction Furnace from 63,000 MTPA MS Billets to 1,45,200 MTPA MS Billets by using two Induction Furnaces. However, because of Covid-19 pandemic and new pollution norms, they received Environmental Clearance only on April 9, 2021. Thereafter, on July 28, 2021 and on September 14, 2021, they received the Consent for Expansion and Consent to Operate, respectively from TSPCB for aforementioned expansion to manufacture 1,45,200 MTPA MS Billets by using two Induction Furnaces. Additionally, there is involvement of heating process in the Induction Furnace, at the time of conversion of raw material such as scrap, sponge iron and pig iron into liquid metal in batches. A single batch of heating process generally takes three hours by which they are able to procure 18 MTPA liquid metal. Thereafter, the liquid metal gets converted into MS Billets (solid form) by using certain processes which generally takes half an hour. **Hence, the installed capacity of the Induction Furnace cannot be utilized fully because of time gap between aforementioned two processes.**

DETAILS OF UNIT II –ANANTAPUR	PARTICULARS	FISCAL			FOR SIX MONTHS PERIOD ENDED SEPTEMBER 30, 2021
		2019	2020	2021	
Sponge Iron	Installed Capacity (in MTPA)	0.00	0.00	36,000	18,000
	Capacity Utilized (in MTPA)	0.00	0.00	22,578	14,159
	Utilized Capacity (%)	0.00%	0.00%	62.72%	78.66%

#The installed capacity for six months period ended September 30, 2021 is not annualized

BUSINESS OVERVIEW

THEIR PRODUCTS

SPONGE IRON:

Sponge iron is a metallic product produced through direct reduction of iron ore in the solid state. It is a substitute for scrap and is mainly used in making steel through the secondary route. The process of sponge iron making aims to remove the oxygen from iron ore. The sponge iron is a superior substitute of steel scrap for different steel/iron based items like TMT bars, D.I Pipes (Ductile Iron Pipes) and so forth. Sponge Iron is likewise an appropriate material for utilizing as a coolant in Linz-Donawitz (LD) converters of the integrated steel plants.

MS BILLETS:

Raw steel cannot be of use while in its pure form, thus it has to be cast into shape. **The freshly made steel, which is still in the form of a metal bar or rectangle, is called billets.** Billets, or ingots, are not of practical use until they have been formed into more functional shapes and sizes. While they have already been put in the furnace, they still require a series of shaping and moulding procedures such as hot and cold working, milling and cutting before they are sold in for different applications like round bar, flat bar, angle plate, spring steel, wire rod, D-bar, Hot/Cold Rolled Strips/ Coil.

HR STRIPS:

HR Strips refers to pieces of iron or steel that may be forged into long, narrow strips. HR Strips are typically used in the manufacture of various types of goods such as pipes, tubes, and gun barrels. It is usually made from a piece of bar iron/ MS Billets that has been selected due to its length and thickness

MS PIPES:

Their primary product is HR (Hot-Rolled) MS pipes. In pipes, they manufacture square, rectangular, circular and Dshaped sections respectively. They manufacture HR pipes up-to a maximum size of 250x250mm for square sections, 300x200mm for rectangular sections and 300mm NB (nominal bore) for circular sections. The thickness can vary from 2mm to 6mm. **Their products have multiple applications in multiple industries such as architectural, industrial, infrastructural, general engineering, power plants, solar power plants, steel industry, railways, cement plants, mining and so on.**

SCAFFOLDING, TUBE ACCESSORIES AND FITTINGS:

Scaffolding is used in construction activity, both buildings and other infrastructure construction. Scaffolding is used for variety of purposes including ease of construction process and safety of workers. Their range of scaffolding accessories or fittings include the following: • Telescopic Props/ Adjustable Props/ Jacks/Props • Cuplock Horizontal/ Ledgers • Cuplock Verticals • H Frame System • Cross Bracings • Span/Acro Span/Telescopic Span/Adjustable Span • Jalli (Plank) • Clamps/Couplers • Fixed Base Plates • Adjustable • Base Plates • Adjustable U Jacks • Spigot Pin/Joint Pin.

BOD AND MANAGEMENT BACKGROUND

DESIGNATION	NAME	EXPERIENCE	ABOUT
Chairman and Independent Director	Pramod Kumar Kapoor	17+years in textile industry	He holds a Bachelor's degree in Textile Technology from Birendra Narayan Chakrabarty University, Kurukshetra. He has more than 17 years of experience in textile industry. Previously, he has worked as President – Marketing (Textiles- Domestic Sales) in Visaka Industries Ltd. Presently, he is into the business of plastic manufacturing.
Managing Director	Rupesh Kumar Gupta	20+ years	He has been the main guiding force behind the growth and business strategy of the Company. He has more than two decades of experience in the steel industry.
Whole-time Director	Sailesh Gupta	10+ years	He has experience of more than a decade in Marketing. He is a Commerce Graduate from Osmania University. He has been a backbone of the Company for identifying, negotiating and implementing new business opportunities. He is in charge of overall sales & marketing function with focus on continuous communication and building relationships with their clients. He plays crucial role in team building and clients addition and retention.
Company Secretary and Compliance Officer	Chirag Partani	4 years	He is a qualified Company Secretary and an associate member of the Institute of Company Secretaries of India. He holds a bachelor's degree in laws from Osmania University. He also holds a bachelor's degree in commerce from Osmania University, Hyderabad. He has previously worked with AARV Infratel Ltd. He has been associated with the Company since October 6, 2017. He is currently responsible for the secretarial and legal compliances and matters in their company.

STRATEGIES

TO EXPAND THEIR GEOGRAPHICAL NETWORK

Their Company is presently serving the markets of Southern and some parts in Western India. Their distribution channels developed over the years have been critical to their growth. They intend to continue developing and nurturing existing markets and creating new distribution channels **in under and non-penetrated geographies.** They aim to further develop their domestic sales networks in those territories where there are lower transportation costs having a significant demand of their products, where they can sell at price-points that can effectively offset higher transportation costs.

ORGANIC GROWTH BY EXPANSION OF THEIR MANUFACTURING CAPACITY

Hariom Pipes has embarked on a phase of growth to build scale and expand its portfolio of value-added products. From the Net Proceeds of the Issue, they shall be deploying funds for expansion of their MS Pipe manufacturing capacity by setting up of two additional pipe mills adjacent to their existing Unit I. **This expansion will increase their capacity from the present 84000 MTPA to 132000 MTPA.** They will also be expanding their Furnace Unit capacity which will enhance their production capacity to the extent of 104232 MTPA from the existing capacity of 95832 MTPA. **Their Company in 6MFY21 acquired the Sponge Iron manufacturing facility i.e. Unit II as a part of their backward integration initiatives.** They will continue to explore both backward and forward integration initiatives to achieve the goal of becoming an end-to-end and cost-effective manufacturer of their products.

TO UPGRADE THEIR EXISTING MANUFACTURING FACILITIES

Hariom Pipes constantly endeavours to improve its productivity levels by optimum resource utilization, improvement in manufacturing process, skill up-gradation of their workers, modernization of machineries to achieve better asset turnover. They will continue to further improve their manufacturing processes to identify the areas of bottlenecks and correct them. This would help them in improving efficiency and putting resources to optimal use. They have a team of chemist and engineers who strive to improve the production methodologies by conducting experiments and **creating innovative prototypes to enhance their manufacturing processes**.

TO EXPAND THEIR PRODUCT RANGE TO ADD MORE VALUE-ADDED PRODUCTS

MS Pipes and Scaffoldings are the end products that are manufactured from the conversion of Sponge Iron to HR MS Billets and HR Strips. They provide a range of product specifications in MS Pipes and Scaffoldings in terms of thickness, length, quality, availability, and customised products. **They intend to further enhance their value proposition by manufacturing value added products which have better margins and wider markets.** Certain value-added products require a certain modifications and extensions to their existing lines which are in the development phase.

Some value additions to their existing products include the following:

- **Rust Free MS Pipe**: These are anti rust oil coated MS Pipes which prevent rusting of MS Pipes.
- **End Facing of MS Pipe:** This process provides a softer finish to the MS Pipe thereby avoiding injuries due sharp edges
- **Packaging:** They use packing strips/tapes for packing their MS Pipes to enable easy movement from one place to another.

They believe that such value additions further enhance the quality and sale of their products.

TO INCREASE OPERATIONAL EFFICIENCY

They continue to invest in increasing their operational efficiency throughout the organization. They are addressing the increase their operational output through continuous process improvement, QC / QA activities, customer service, consistent quality and technology development. Alignment of their people to 'process improvement' through change management and upgrading of skills as required for customer satisfaction is a continuous activity. **Awareness of this quality commitment is widespread amongst their employees.**

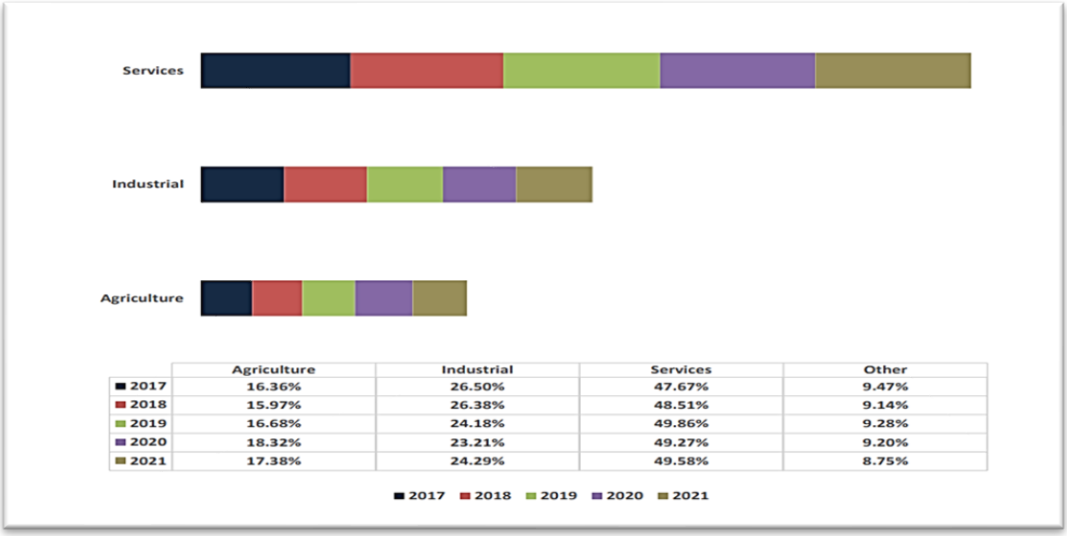
SWOT ANALYSIS

STRENGTHS	WEAKNESS
1. Integrated nature of their operations. 2. Environment friendly manufacturing process. 3. Strategic location of manufacturing Units. 4. Cost advantage in manufacturing their products. 5. Competitive pricing of their products.	1. They have historically derived a significant portion of their revenue from their top 10 customers. 2. Their cash flow from operating activities has turned negative for the period of 6MFY22 due to substantial increase in inventories.
OPPORTUNITIES	**THREATS**
1. Infusion of funds for capacity creation and modernization. 2. Indian Infrastructure initiatives by the Government of India to support the GDP Growth roadmap. 3. Increasing focus on infrastructure and building projects. 4. Urban infrastructure programme under Public Private Partnership. 5. Growing demand for intermediate products.	1. The steel and steel products industry is characterized by volatility in the prices of raw materials and energy. 2. Demand for their products is seasonal as climatic conditions, particularly the monsoon, affect the level of activity in the construction industry.

INDUSTRY OVERVIEW

INDIAN STEEL INDUSTRY ANALYSIS

SHARE OF GDP BY SECTOR :



	Agriculture	Industrial	Services	Other
2017	16.36%	26.50%	47.67%	9.47%
2018	15.97%	26.38%	48.51%	9.14%
2019	16.68%	24.18%	49.86%	9.28%
2020	18.32%	23.21%	49.27%	9.20%
2021	17.38%	24.29%	49.58%	8.75%

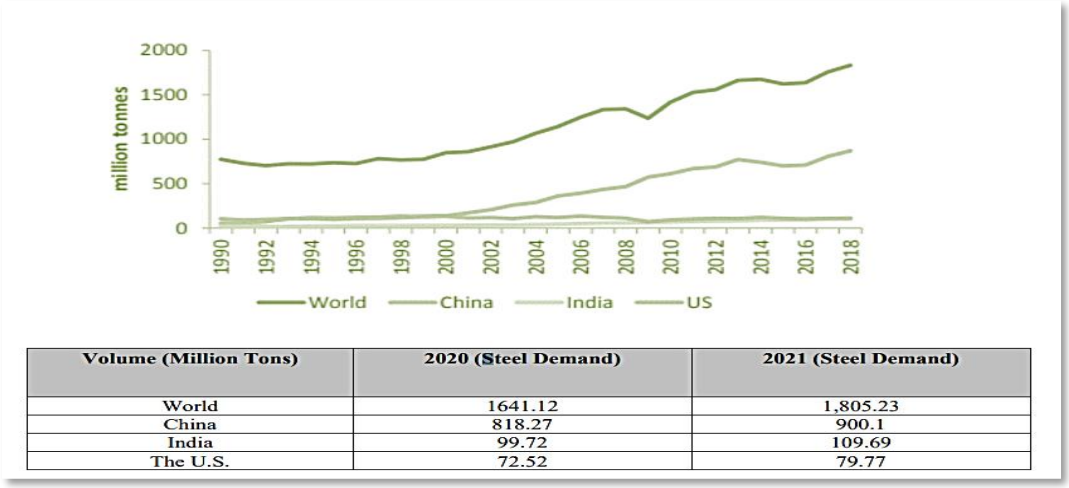
Steel sector in India is also experiencing a vital growth and is anticipated to witness high gains in next years. **The major reason for the steel pipe market is the rise in demand from the oil and gas industry.** The oil and gas sector is expanding, and they are now being found at greater depths than before. The new levels at which the pipes are being placed are a hostile environment of high temperatures and pressures for the pipes. Enhancement in technology in directional drilling demand high strength and flexible pipes and seamless steel pipes are able to meet the criteria. Steel pipes are witnessing high market growth and is anticipated to be a major product in forecast timeframe. **Growth in the oil and gas industry is leading to an increased demand for the Steel Pipes and Tubes market.** Innovations across the oil and gas industry, such as horizontal drilling in the US, are leading to an increase in the consumption of steel pipes because of their ability to access remote locations and deep-water regions. This is further propelling the demand for the market. Development of infrastructure, especially in the developing countries, is leading to the construction of more buildings, and steel pipes are used in making handrails and pipe bollards, for their properties like being able to be formed in many shapes and sizes. Steel tubes offer low or reduced maintenance costs, along with being inexpensive in the first place. This is leading to an expansion in the market of steel tubes.

OVERVIEW OF GLOBAL STEEL DEMAND AND INDIA'S POSITION IN GLOBAL STEEL INDUSTRY

During the period FY21-FY26, the demand for steel would be majorly driven by growth in the construction and automotive sectors. Steel in the form of alloy sheets are used in automotive applications, and beams and pillars are extensively used in construction works. Thus, the combination of both would majorly contribute to the global demand for the alloy in the forecast period. Pipes and tubes are manufactured using crude steel; stainless steel are extensively used in manufacturing household appliances and utensils, whereas nuclear infrastructure is built using alloy steel. Increasing demand from the automotive and the structural engineering sectors, which are the chief consumers of the product in the market is likely to stimulate demand in the future. Moreover, the essential applications of steel in oil & gas sector is anticipated to boost the growth of the market in the upcoming years.

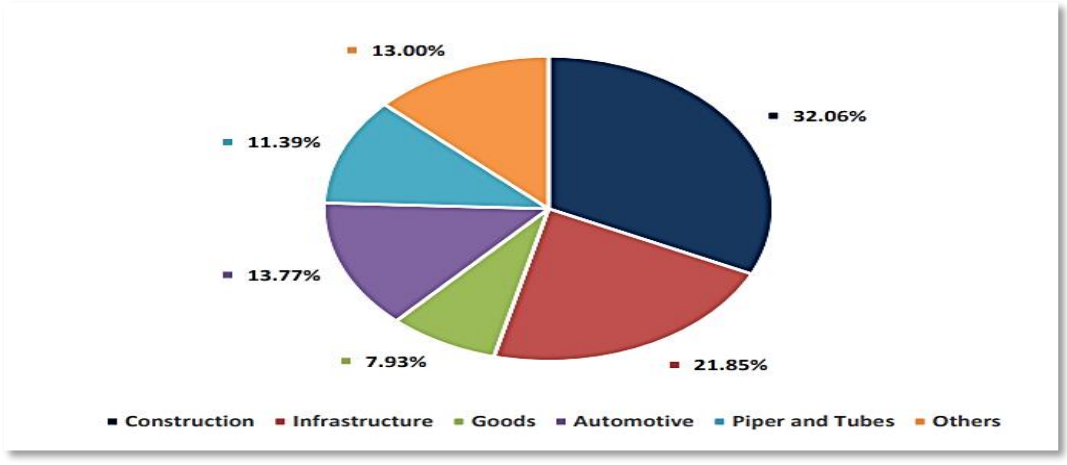
The greater tensile strength makes the product more durable and increases longevity. Hence, it finds application in oil storage tanks, street lighting poles, and earth moving equipment. **Growing inclination towards green energy trend has also brought new variables to the steel industry.** Obligations for anti-dumping tariffs by the U.S. along with the current/upcoming guidelines in China could be a key contributor in the changing dynamics of global steel market. Thus, reflecting fluctuations of steel prices in the near future. China steel industry is targeting new carbon peaks by 2030 and carbon neutrality by 2060, which will drastically reduce steel production capacity. **India is the second largest steel producer globally.** The steel consumption in India is widely attributed to the infrastructural and construction industry. Rapid industrialization and urbanization, combined with increased private and government investment in infrastructure will fuel product demand. Properties such as durability, low maintenance, long life, high strength, and reusability propel the demand in the construction of low-rise and highrise buildings, sports stadiums, slabs bridge deck, harbors, siding and roofing, offices, security fencing and coastal and flood defenses. Steel has advantageous properties over other materials such as higher cryogenic toughness, higher heat resistance, higher corrosion resistance, higher ductility, more attractive appearance, higher strength and hardness, and lower maintenance. These properties of the material should develop new opportunities for its use in the structural components of vehicles.

GLOBAL STEEL DEMAND, 1990 & 2021:



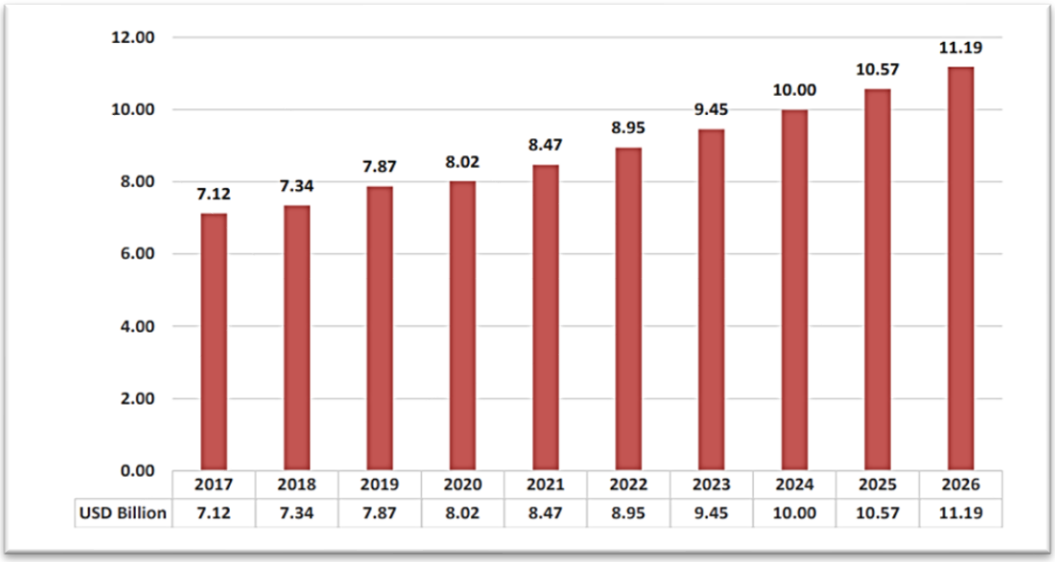
Volume (Million Tons)	2020 (Steel Demand)	2021 (Steel Demand)
World	1641.12	1,805.23
China	818.27	900.1
India	99.72	109.69
The U.S.	72.52	79.77

INDIA STEEL DEMAND BY SECTOR, FY21:



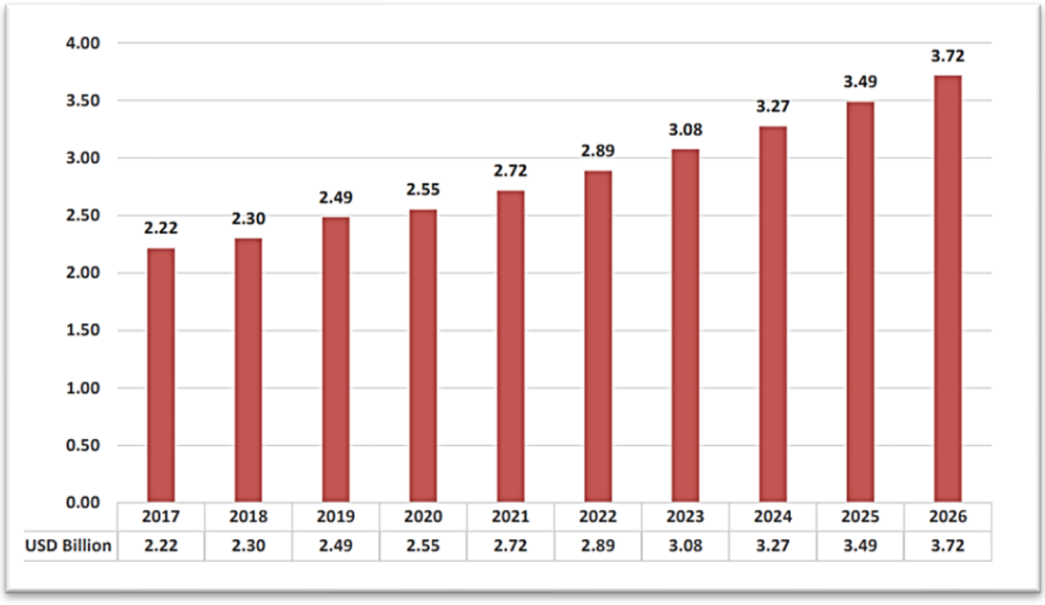
India holds a very vital place in the global steel market. The companies are striving to achieve the untapped market in several avenues to cater to higher market share and investing heavily on improving their product portfolio through research and development initiatives. The government is also helping the corporations through publicprivate partnerships which would be beneficial on a holistic level for the Indian economy. **Orissa, Chhattisgarh, Karnataka, Telangana, and Jharkhand are the predominant production hubs for India.**

INDIA SPONGE IRON MARKET, USD BILLION, FY17-FY26



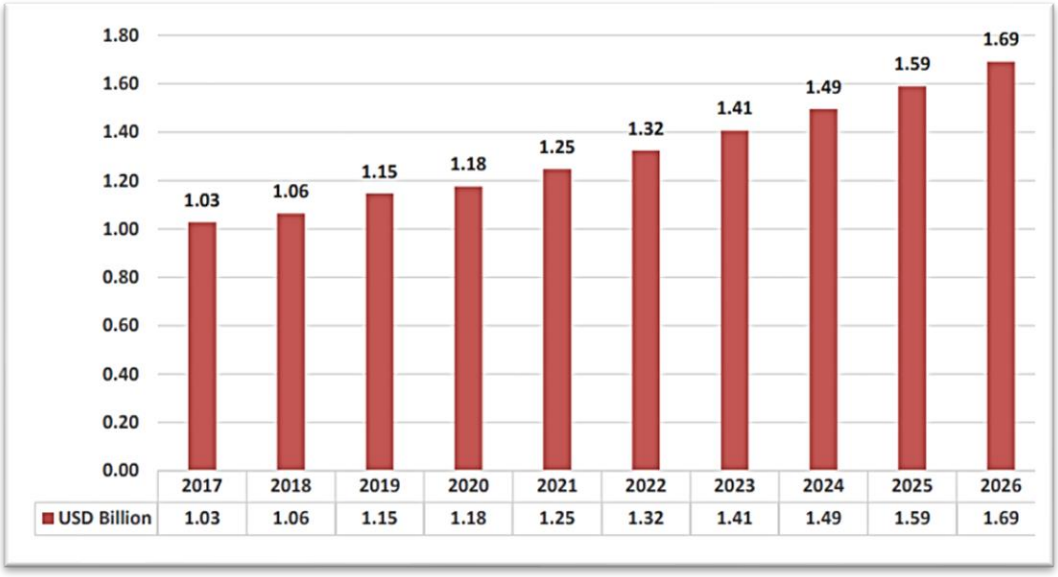
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
USD Billion	7.12	7.34	7.87	8.02	8.47	8.95	9.45	10.00	10.57	11.19

SOUTHERN INDIA SPONGE IRON MARKET, USD BILLION, FY17-FY26

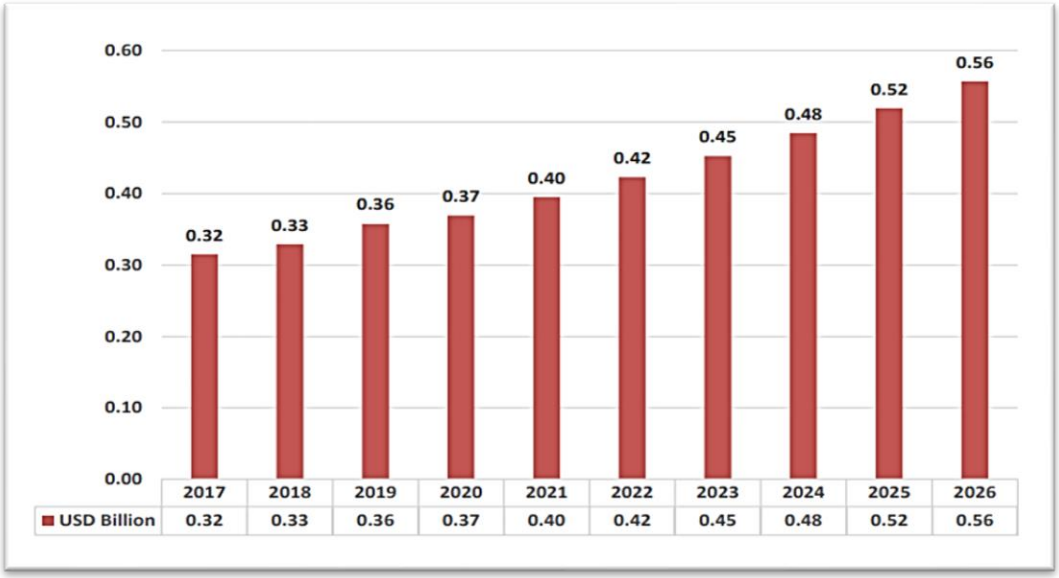


	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
USD Billion	2.22	2.30	2.49	2.55	2.72	2.89	3.08	3.27	3.49	3.72

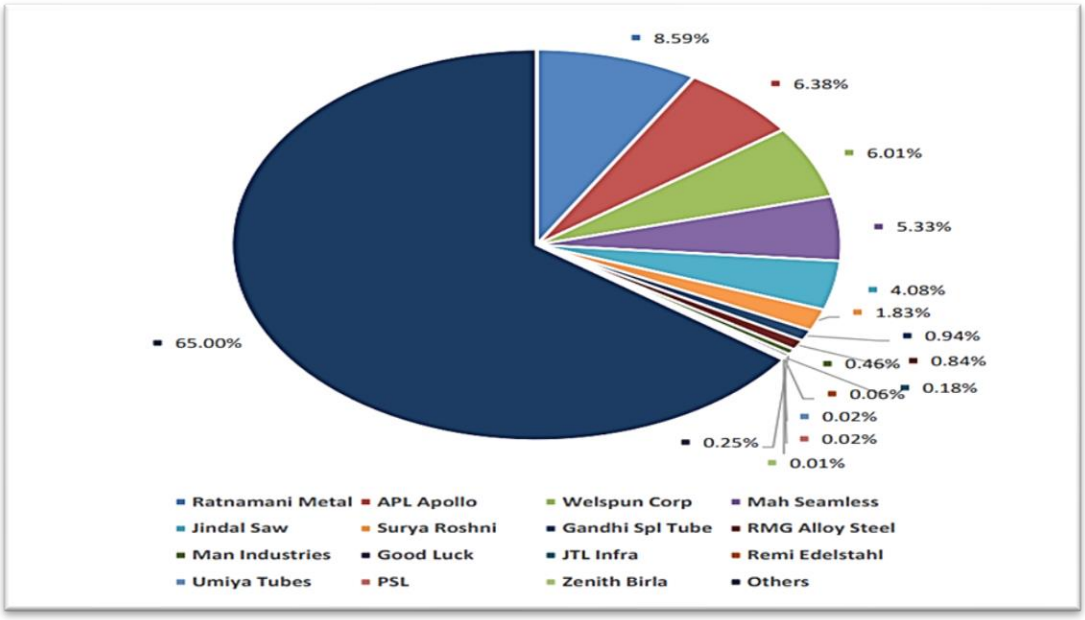
INDIA MS PIPE / TUBES MARKET,USD BILLION,FY17-FY26



SOUTHERN INDIA MS Pipe / Tubes market, USD BILLION, FY17-FY26



India Steel -Tubes & Pipes company revenue market share, FY20



MARKET ANALYSIS INDUSTRY FOR INDIA AND REGIONAL

MARKET DRIVERS

- Infusion of funds for capacity creation and modernization
- Indian Infrastructure initiative by the Government of India to support the GDP Growth roadmap
- Growing oil & gas exploration in the country
- Urban infrastructure programme under Public Private Partnership
- Growing demand for intermediate products

MARKET RESTRAINTS

- Threat of alternative from other materials
- Over dependency on domestic consumption
- Fluctuating raw material prices
- High capital requirement for new entrant
- Lack of Technology
- Shortage of metallurgical coal

COMPETITIVE TRENDS IN THE HOME MARKET

- Increase in global manufacturing activity
- Resilient growth driven by supply side reforms
- Consumption led growth influenced by Government policies and investments

FACTORS THAT MAKE INDIA AN ATTRACTIVE REGION FOR STEEL PRODUCTS

- Low per capita consumption
- Declining steel demand in China can benefit India to become a leading steel products producer and consumer
- Positive outlook for automotive and construction sector
- Healthy growth of 7% to 8% is anticipated in the next few year for steel sector in India
- Make in India and smart city implementation is further influencing the demand in India.

KEY DEMAND DRIVERS

Asia Pacific region is expected to be the largest consumer of carbon steel during the forecast period, and this is attributed to the fact that countries in this region like China, India, and Southeast Asian countries are focusing more on infrastructural development. Rapid urbanization has changed the lifestyle of the people and, in turn, has increased the prevalence of secure infrastructure over a broad aspect, thus, augmenting product demand. Ministry of Steel of the Indian government is laying emphasis on utilization of steel for industrial purposes, as India contributes to the list of top manufacturers of steel across the globe, which is creating a demand in the market. Moreover, the government in nations such as China, Japan, and the United States are also supporting steel sales, thereby driving the market growth. Resuming operations after taking control of the Covid-19 pandemic, China announced an increase in the export rebates for cold-rolled steel, stainless steel strip, and other products from present 10.0% to 13.0% for a variety of steel products. This may prompt Indian steelmakers to seek higher border tariffs on imports.

PEER COMPARISON

Following is a table which compares Hariom Pipes Industries Ltd. with its listed industry peers: -

(FY21)

NAME OF THE COMPANY	TOTAL INCOME (Mn)	FV PER SHARE	P/E RATIO	EPS	ROE (%)
HARIOM PIPE INDUSTRIES LTD.	**2548**	**10**	**-**	**10**	**21%**
LISTED PEERS:					
APL APOLLO TUBES LTD.	60520	2	78	12	11%
HI-TECH PIPES LTD.	10273	10	41	13	9%
RAMA STEEL TUBES LTD.	3288	5	103	3	6%
JTL INFRA LTD.	4404	2	11	18	21%

KEY FINANCIALS (CONS. INR Mn)

BALANCE SHEET	FY19	FY20	FY21
ASSETS	**1034**	**1397**	**1737**
NON-CURRENT ASSETS	**431**	**503**	**681**
Fixed Assets	428	495	589
Capital Work In progress	0	1	83
Other Financial Assets	0	5	5
Other Non Current Assets	2	2	4
CURRENT ASSETS	**603**	**894**	**1057**
Inventories	390	595	801
Financial Assets	146	245	206
Other Current Assets	66	54	50
EQUITY AND LIABILITIES	**1034**	**1397**	**1737**
EQUITY	**361**	**483**	**708**
Equity Share Capital	132	132	170
Other Equity	229	351	538
LIABILITIES	**673**	**914**	**103**
NON-CURRENT LIABILTIES	**327**	**296**	**377**
Financial Liabilities	316	272	339
Provisions	1	2	2
Deferred Tax Liabilities	10	22	36
CURRENT LIABILTIES	**346**	**618**	**652**
Financial Liabilities	329	585	602
Provisions	1	0	0
Current Tax Liabilities	12	15	23
Other Current Liabilities	4	17	27

CASH FLOW	FY19	FY20	FY21
BEGINNING C&CE	**116**	**113**	**212**
CFO	32	5	104
CFI	-319	-120	-235
CFF	324	92	121
Change in C&CE	37	-23	-10
CLOSING C&CE	**40**	**17**	**7**

PROFIT & LOSS	FY19	FY20	FY21
SALES	**1336**	**1608**	**2541**
Other Income	3	4	7
TOTAL INCOME	**1339**	**1612**	**2548**
EXPENSES			
Cost of materials	841	1095	1803
Changes In Inventories	1	-189	-75
Employee expenses	58	83	95
Power and Fuel	252	365	338
Other expenses	14	18	37
EBITDA	**173**	**239**	**350**
Dep. & Amort.	22	52	63
EBIT	**152**	**187**	**287**
Finance Cost	35	74	75
PBT	**116**	**113**	**212**
Tax expense	36	34	61
PAT	**80**	**79**	**151**

RATIOS	FY19	FY20	FY21
Sales Growth	-	20%	58%
Profit Growth	-	-1%	91%
EBITDA%	13%	15%	14%
EBIT%	11%	12%	11%
NPM%	6%	5%	6%
ROE%	22%	16%	21%
ROCE%	22%	24%	26%
ROA%	8%	6%	9%
D/E	1.9	1.9	1.5
Current Ratio	1.7	1.4	1.6
Asset Turnover Ratio	1.3	1.2	1.5
EPS	7	6	11
PE (@153)	22	26	14
BVPS	21	28	42
P/BV (@153)	7	5	4

SOURCE: RHP, CAPITALLINE, COMPANY WEBSITE.