



RESEARCH REPORT

13th Oct 2023

RUDRA GLOBAL INFRA PRODUCTS LTD

BSE : RUDRA

Sector: VALUE ADDED STEEL/TMT

BSE: 522101

View - BUY

CMP : Rs. 134

Target Price: Rs 177 (In next 12 to 15 mths)

BUSINESS BACKGROUND

Rudra Global Infra Products Ltd (RGIPL) earlier known as MDICL was initially incorporated as a private limited company in 2010 and commenced its operations from February 2013. RIPL manufactures thermo-mechanically treated (TMT) bars and mild steel (MS) billets.

The billets are mainly used in-house for production of TMT bars, under the RUDRA TMX brand. RIPL has facility in Bhavnagar, Gujarat, with installed capacity of 250000 tonnes per year

INVESTMENT HIGHLIGHTS

Steady Operating Financial Performance in FY23 –

RGIPL reported a strong set of FY23 numbers with net sales at Rs 452 crs as compared to a revenue of Rs 351 crs last year, with EBIDTA placed at Rs 31 crs from Rs 30 crs last year with PAT placed at Rs 14 crs from Rs 8 crs last year.

RGIPL enjoys a value added mix of steel products & has forward integrated in to TMT Bars–

RGIPL is a manufacturer of superior quality Billets and TMT Bars. The company has further gone in for a forward integration and set up a TMT rolling mill with an annualized production capacity of 1,20,000MT per annum.

RGIPL has expanded its operations by doubling its billet manufacturing capacity to 240000MT/annum & has used the latest Thermax Quenching System of Germany used in the process of manufacturing TMT. Rudra TMX is a premium brand for TMT Bars in Gujarat.

Some marquee customers include L & T, Adani, Reliance Ind, Intas, Mylan, Alembic, JK Paper, Inox Wind, Minova, Safal & Pashwa Group, NHAI, Sanskruti Group, Dobariya Group, TBEA Kalapi Realty etc

KEY DATA

FACE VALUE	Rs	10.00
DIVD YIELD %		NA
52 WK HI/LOW		148/54
NSE CODE		NA
BSE CODE		RUDRA
MARKET CAP	RS	333 CRS

SHAREHOLDING PATTERN

PROMOTERS	-	73%
BANKS, MFs & DIs	-	%
FIs/Others	-	%
PUBLIC	-	27%

KEY FUNDAMENTALS

YE	FY23	FY24	FY25
Rev Gr%	29	32	33
EBIDTA Gr%	3	37	33
PAT Gr%	75	32	56
EPS Gr%	75	32	56
EPS (Rs)	5.58	7.38	11.56
ROE %	10	13	16
ROCE %	16	18	20
EV/EBIDTA(x)		10	8

Rudra Group Profile & its Execution abilities –

The Rudra group started its journey in 1991 with a steel re-rolling mill having capacity of 1000 MT per month. Today, the group is engaged in various businesses like Ship recycling, oxygen plant, Induction Furnace, Re-rolling mill, producing more than 2 Lakh MT per annum of steel, with a group turnover around Rs 1000 crs per annum.

As far as the top management of Rudra Global Infra Products Ltd is concerned, Mr. Ashok Gupta currently serves as the Chairman of BOD & is a visionary in the field of iron and steel sector

In the late 1990s Mr. Ashok Gupta ventured into ship breaking business in Alang, Bhavnagar and set up Hari Krishna Steel Corporation – a now sister concern of Rudra Global Infra Products Ltd.

Presently Mr. Sahil Gupta, serves as the Managing Director & his insights have been instrumental in improving productivity across the company's operations. Mr. Vivek Tyagi currently serves as Chief Executive Officer at the company & he has helped RGIPL establish Rudra as big a brand it is known today. His endeavours were not only restricted to the primary product of the company, but following the franchise model, he went on to add Cement, 6mm bars, ERW Pipes and MS wires, to company's product portfolio of RGIPL

RGIPL's Business Model includes –

RGIPL manufactures TMT bars from a fully integrated & fully automated plant which manufactures both Billets and TMT bars. TMT bars are made from 100% billets manufactured inhouse and production capacity for both Billets & TMT bars is 2.50 lac tonnes per annum.

RGIPL uses latest German Technology from Thermax to manufacture TMT Bars. RPIIL manufactures Rudra TMX TMT bars in grades like fe500, fe550, fe550D, fe600 & CRS (Corrosion Resistant Steel) with sizes ranging between 8 mm to 40mm as per the require

RGPIL has also established a name for itself as a premium brand in the retail consumer segment

In order to capitalize on its brand value & established marketing network the company decided to cater to even the price sensitive consumer by marketing TMT products made by other manufacturers

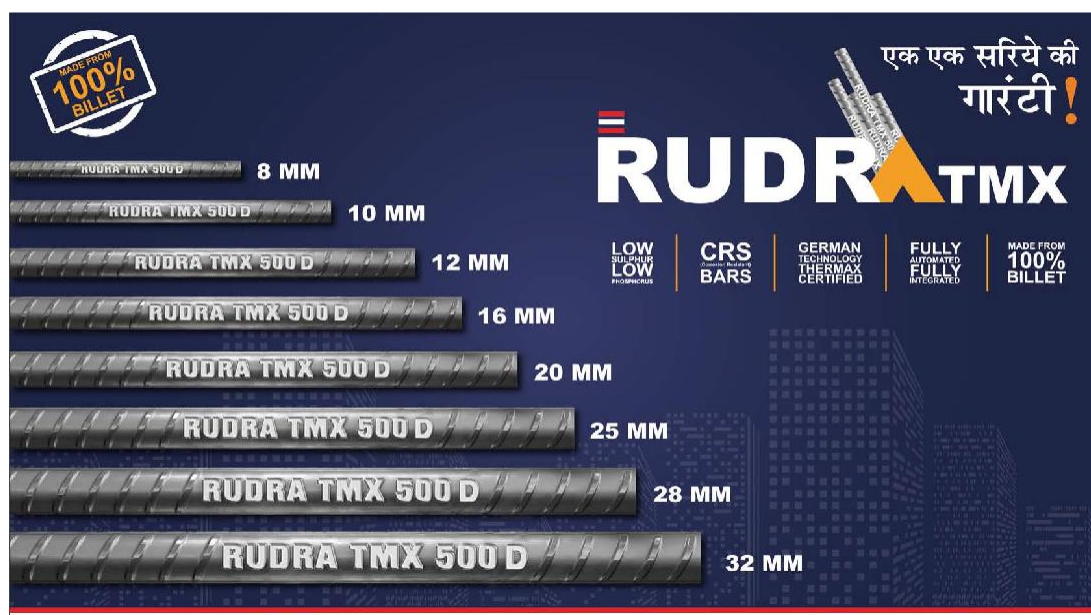
This has enabled RGIPL to increase its market share by penetrating deeper into the TMT bars market catering to different category of customers

By increasing the overall quantity available for sale RPIL has been able to extend its reach from rural to urban markets, retail to bulk buyers, price-conscious to quality demanding customers.

Some key products marketed by RGIPL include –



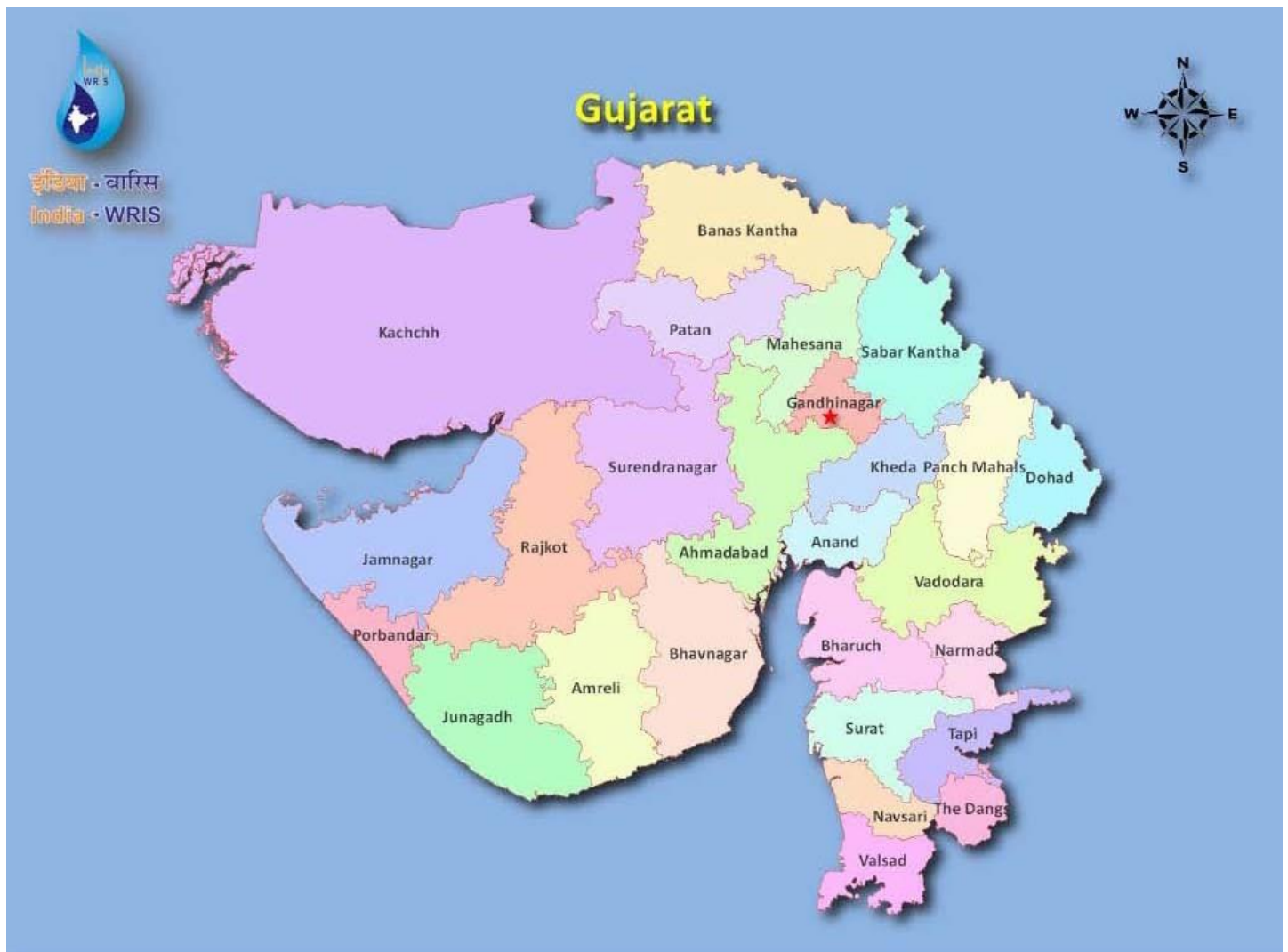
RGIPL's Core Product Portfolio includes –



RGIPL's key customer segments include real estate builders, large construction projects undertaken by EPC companies and general corporate capex undertaken by companies for expansion for new units/capacity expansion

The iron and steel TMT bar industries are India's two most essential sectors since they make a significant contribution to our country's economic development. Due to their quality and strength, they are used in almost every industry, from construction to the manufacturing of TMT bars. Among all steel and iron products, in the modern age, TMT bars serve an important role in the building sector by providing ductility, quality, safety, and longevity.

RGIPL is largely focussed on Gujarat where it enjoys a strong dealer network of over 400 dealers –



RGIPL has also set up multiple shoppe's in the name of RUDRA INFRAMART-A flagship service to provide “one stop solution” to cater to all infra needs of customers

This is a parallel network to capitalize on our established brand-RUDRA, was created where in the company holds exclusive rights to market TMT brands, which include JB500 TMX & TRIDEV TMX

Under the Rudra Inframart network Rudra provides the trust factor behind availability of genuine brands, large selection of products & convenience for fulfilling the need for branded building products at a single location leading to improved merchandising to suit customer requirements and targeted customer reach out productively

What are TMT Bars?

TMT refers to the Thermo Mechanically Treated Steel Bars. These TMT steel bars are the best quality steel that is cooled using water jet 'Thermax' technology. Thus, the TMT Bar's outside surface hardens, and the inner ones stay soft. It can withstand stress or strain form, safeguarding the building, and it helps in creating a super-strong structure.

TMT Bars are ductile, strong, earthquake-resistant, fatigue-resistant, and corrosion-resistant. They are now the industry standard that is in high use for building flyovers, bridges, hydropower plants, dams, high-rise skyscrapers, industrial structures, fast transportation systems, and other structures.

TMT Steel Bars are a boon for buildings today. These bars fit the technical improvements. The advantage of using TMT steel in construction is its high elongation property that offers the structure of the building the required tensile support and strength. It also makes the building earthquake resistant and strong.

People require more shelter as they keep migrating to urban regions from rural areas. It results in the need for residential buildings increase with every year. The raw material prices of the TMT bars, storage, and transportation costs are affordable. Besides these bars provide better and longer durability, higher tensile strength, weldability, and improved elongation to speed up the construction process with less steel.

TMT bars are cost-effective as they assure cost-savings and are easy on-site to manage. The disposable income rise expands urbanization, and they propel the TMT steel bars market as the primary market driver

TMT Bars are essential for any construction. With the growth in the infrastructure and housing sectors there is good demand of TMT Bars across India especially in Tier 2/3/4 towns. The demand in housing sector expected to be strong for the next 2-3 years at least.

Advantages of TMT Bars:

1. **Strength:** TMT bars have a high tensile strength, making them ideal for use in construction projects where strength is critical.
2. **Ductility:** TMT bars are highly ductile, which means that they can bend and deform without breaking. This makes them ideal for use in construction projects where flexibility is required.
3. **Durability:** TMT bars are highly resistant to fire and other forms of corrosion, making them ideal for use in construction projects where durability is important.
4. **Cost-effective:** TMT bars are more cost-effective than other types of steel, making them ideal for use in construction projects where cost is a concern.

TMT bars are in use in a wide range of construction projects in India, including:

- 1. Buildings: TMT bars are used in the construction of residential and commercial buildings, as well as high-rise structures.
- 2. Bridges: TMT bars are used in the construction of bridges, which require high strength and durability.
- 3. Dams: TMT bars are used in the construction of dams, which require high strength and durability.
- 4. Industrial structures: TMT bars are used in the construction of industrial structures such as power plants and oil refineries.

TMT Bars vs. Conventional Bars: Impact on Construction

In contrast to conventional bars, TMT bars are manufactured uniquely. The entire manufacturing process comprises Quenching, Self-tempering, and Atmospheric cooling, making it the best fit for all construction purposes.

Conventional Bars	TMT Saria
Can corrode very easily	Highly corrosion resistant
Low in ductility	Highly flexible and ductile
Weak, in comparison to TMT rods	Adds 20% more strength
Cannot endure calamities	Can withstand natural disasters like earthquake
A higher grade of TMT bars is equivalent to an enhanced grade of TMT bars. Fe 500 is one such high-grade TMT bar that offers the perfect harmony of flexibility and resilience as per IS standards.	
In tune with this, premier steel bars manufacturer, RGIPL offers the best-in-class TMT steel rod Fe 500 that conforms to BIS standards. Fe 500 TMT bars are the backbone of every construction and are the perfect epitome of durability, resilience, and flexibility.	
Although TMT bars are more expensive than traditional steel bars, they are still a cost-effective option for construction projects. The increased durability and longevity of TMT bars can save money in the long run by reducing maintenance and repair costs. Additionally, the strength and flexibility of TMT bar can allow for the construction of lighter and more streamlined buildings, which can save on construction costs	
TMT bars are also contributing to the growth of green construction in India. They are made from recycled materials, reducing the environmental impact of the construction industry. Additionally, they require less concrete than traditional steel bars, reducing the carbon footprint of construction projects.	

TMT bars find their application in many avenues. They are used for constructing Bridges, Dams, High-rise apartments, Industrial structures & Flyovers

The demand for low-cost reinforcement bars of higher yield strength has gone up exponentially over the last few decades. Increasing project scales with, ranging from spectacular high-rises, to mammoth dams and bridges spanning for miles together, the fascination for building 'mega' structures meant that plenty of research went into finding low-cost reinforcement bars of higher yield strength

The sale of construction materials including TMT bars are estimated to grow at a Compounded Annual Growth Rate (CAGR) of 6.18% in terms of volume. Currently, the size of the Indian construction industry is USD 2.8 billion

Increase in demand for low cost reinforcement bars in construction projects such as dams and bridges drives the global thermomechanically treated (TMT) steel bars market. Rise in government support for the production of steel and coal propels the thermomechanically treated (TMT) steel bars market. Thermo-mechanically treated (TMT) steel bars are preferred over torsional bars, as these have high strength and ductility. This is a key factor boosting the demand for global thermo-mechanically treated (TMT) steel bars market. However, technical constraints such as the properties such as ductility and strength associated with high-grade thermo-mechanically treated (TMT) steel bars are anticipated to hamper the global thermos mechanically treated (TMT) steel bars market.

Based on dimension, the global thermo-mechanically treated (TMT) steel bars market can be segmented into 12mm, 68mm, 812mm, and others. The selection of dimensions of the steel bar depends on its use. Thermo-mechanically treated (TMT) steel bars are used in construction of the foundation, which bears the load of the building, beams, and slabs. Thermo-mechanically treated (TMT) steel bars help withstand natural calamities such as windstorms and earthquakes

Key players operating in the global thermo-mechanically treated (TMT) steel bars market include Arcelor Mittal Zenica, Balkan Steel Engineering Ltd., Essar Steel, HBIS Group, HUS Ltd, Metalopromet, SIDERAL S.H.P.K., SIJ Group, and TATA Steel

An estimation of the total TMT rebars market during 2021 was \$10.9 billion. According to market reports & research the TMT Bar market can grow by almost 250% in the next five years. The total market size can become 23.58 billion USD by 2028. However a key trend seen in TMT market is that it is largely a regional market as freight costs are high & hence this industry has seen many regional players.

RGIPL has a strong base in Gujarat and caters in a small way to markets like MP and Rajasthan but this is small as compared to its main market which is Gujarat

Looking at the massive infrastructure programmes of the Govt and strong corporate capex seen off late we believe that RGIPL would significantly benefit from this industry tailwind over the next 2-3 years going ahead also

Key Competitive Moats & growth drivers ahead for RGIPL –

Solid Execution skills - The most important factor for any manufacturing company is execution, and execution has been top-notch for RGIPL

In FY23 alone, the company's revenue grew to Rs 452 crs from Rs 351 crs showing a growth of 29%. Also it incurred a capex of Rs 15 crs doubling its capacity to 2.50 lac tpa which will help it grow strongly in terms of revenue and profits going ahead. Additionally, RGIPL gets quality marine steel which can be processed directly & where availability is easy

Top Quality Management – Experienced Management, Skilled Employee Base and the Promoters of RGIPL have approximately an average 2 plus decades experience in the steel & TMT industry

The promoters of the company have vast experience in the TMT manufacturing sector which is evident from the excellent operations of RGIPL through various economic cycles and also the promoters have infused need based funds to support the operations of the company during economic downturns

Additionally, RGIPL has an excellent operations team, a strong technical team and has focused highly on inhouse R & D on board also.

Strong Operating Cashflows is also a big positive driver –

RGIPL has also generated very healthy operating cash flows in FY23 & FY22 as the company has selected to work with credible government/private customers possessing adequate funding lines which makes it possible for it to get remunerated at periodic milestones that protect its liquidity

This is reflective of the fact that average debtor's period has reduced to 35 days in FY23 from 41 days in FY22 with the CCC also getting reduced to 124 days from 165 days last year.

The CFO/EBIDTA in FY23 stood at 142% vs 196% last year. This clearly indicates a high degree of cash flow generated from the operational EBIDTA generated by the company which is also a positive sign indicating the robustness of the company's business model

Key Weakness –

RGIPL's key customer base is largely concentrated around Gujarat. While this is not a major risk to the business, we believe timely execution is very important and any slowdown here if any could have a negative impact on the company's operations. However, we believe that looking at RGIPL's execution track record till date such an eventuality would not happen in future

Environmental risks like floods, heavy rainfalls & Cyclones can significantly affect business growth

RGIPL enjoys a strong BS with huge scalability potential going ahead –

RGIPL runs a strong business model covering diverse sectors while it continues to invest on a sustained basis largely via internal accruals for both its capex & working capital requirements.

In fact RGIPL has generated very healthy operating cash flows of Rs 44 crs in FY23 & this has helped it fund its WC and capex requirements from internal accruals.

We expect that going ahead overall bottomline growth in the next 2 years starting FY24 onwards should increase at a CAGR of 25% and with capex & WC largely funded from internal cash flows

We expect the PAT to grow solidly in the next 3 years until FY25 to Rs 29 crs from Rs 14 crs in FY23.

Also EBIDTA is also expected to grow by 22% in the next 3 years to Rs 56.80 crs in FY25 from Rs 31 crs in FY23

Going ahead the company is confident of maintaining & improving its EBIDTA margins which currently stand at 7-8% following a strong order book pipeline in the coming years which will also improve in stronger OCFs in coming 2 years ahead

Business Outlook & Stock Valuation –

On a rough cut basis, in FY24E, Topline is expected to touch Rs 600 crs, followed by Rs 800 crs in FY25E.

On the bottomline level we expect the company to record a PAT of Rs 18.51 crs in FY24E which is expected to bounce back to Rs 29.90 crs in FY25

Thus on a conservative basis, RGIPL should record a EPS of Rs 7.38 for FY24E. For FY25E our expectation is that earnings traction for RGIPL would continue to be strong wherein we expect a EPS of Rs 11.56 respectively.

Also another attractive point for RGIPL is that EPS growth over the next two years between FY23 to FY25 is expected to average 30-35% YoY. We believe that this is important going ahead as RGIPL enjoys strong revenue visibility due to its critical product execution abilities and strong tailwinds seen from the enduser segments like Real Estate, Construction, Engineering Sectors and Building Products where the capex cycle looks very strong ahead

On a EV/EBIDTA basis the stock trades at 10x & 8x on FY24 and FY25 which looks low for a well established player enjoying good profitability, and a strong hold in its business segment.

The company management is confident of improving EBIDTA margins in going ahead via operational efficiency and better pricing due to operating leverage benefits ahead

Looking at RGIPL's steady financial track record, strong business domain and dominant market share and strong promoters we expect the stock to get re rated in future.

Hence we believe that the RGIPL stock should be purchased at the current price for a price target of around Rs 177 over the next 12 to 15 months

FINANCIALS

For the Year Ended March RsCr	FY21	FY22	FY23	FY24	FY25
Net Sales	238.00	351.00	452.00	600.00	800.00
EBIDTA	-7.00	30.00	31.00	42.60	56.80
EBIDTA %	-2.94	8.55	6.86	7.10	7.10
Interest	18.00	16.00	15.00	14.40	14.00
Depreciation	6.00	6.00	5.00	5.64	6.20
Non Operational Other Income	1.00	0.00	3.00	2.00	2.00
Profit Before Tax	-30.00	8.00	14.00	24.56	38.60
Core PAT	-30.00	8.00	14.00	18.51	29.00
Diluted EPS (Rs) FV Rs 10	NA	3.19	5.58	7.38	11.56
Equity Capital	25.09	25.09	25.09	25.09	25.09
Reserves	45.00	53.00	68.00	86.51	115.51
Borrowings	176.00	135.00	115.00	120.00	125.00
GrossBlock	80.16	81.63	96.63	108.63	120.63
Investments	0.00	0.00	0.00	0.00	0.00

Source Company our Estimates

KEY CONCERNS

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You can **BUY** under following range 128-135.