

Ratnamani Metals & Tubes Ltd.

13th Feb 2023

All-round Performance

In Q3 FY23, Ratnamani Metals & Tubes Limited (RMTL) posted strong revenue growth of 19%/22% on YoY/QoQ basis, with improving EBITDA margin to ~18%, up by 412 bps/201 bps on YoY/QoQ basis. Based on a strong order book of Rs. 31,020 Mn as of Q3 FY23, we believe RMTL could achieve a topline of Rs. 38,000-40,000 Mn with an operating margin of ~15-17% in FY23E.

Order Book Mix

As of Q3 FY23, RMTL has an order book worth Rs. 31,020 Mn, which includes Rs. 4,960 Mn worth of export orders and Rs. 26,060 Mn worth of domestic orders. In SS pipes and CS pipes, the order book stands at Rs. 7,470 Mn and Rs. 23,550 Mn, respectively.

Capacity expansion (Capex)

Management will be spending Rs. 3,000-3,500 Mn for capacity expansion in SS pipes (brownfield) & Helical Submerged Arc Welding (HSAW) pipes (greenfield). SS pipes expansion is progressing as per the expectations and will be completed by the end of FY24. On HSAW pipes greenfield project, development progress will be shared by management in the coming quarter.

View & Valuation

We have revised our estimates and maintain our view on Ratnamani Metals & Tubes Ltd with a NEUTRAL rating and a target price of Rs. 2,221 (30.6x FY24E earnings), giving it a 10% premium to median multiples based on a strong order book and execution track record of the management.

NEUTRAL

CMP Rs. 2,098

TARGET Rs. 2,221(+5.9%)

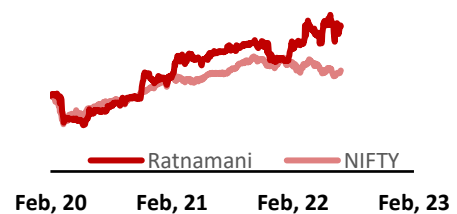
Company Data

MCAP (Rs. Mn)	147,053
O/S Shares (Mn)	70
52w High/Low	2,511 / 1,347
Face Value (Rs.)	2
Liquidity (3M) (Rs. Mn)	44.4

Shareholding Pattern %

	Dec 22	Sep 22	Jun 22
Promoters	60.10	60.10	60.16
FIs	12.51	12.51	12.28
DIs	16.34	16.25	16.36
Non-Institutional	11.03	11.14	11.20

Ratnamani vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Bn)	FY22	FY23E	FY24E
Revenue	31	40	46
EBITDA	5	6	8
Net Profit	3	4	5
Total Assets	30	33	38
ROCE (%)	14%	17%	19%
ROE (%)	15%	17%	18%

Source: Company, Keynote Capitals Ltd.

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Result Highlights (Rs. Mn)

Particulars	Q3 FY23	Q3 FY22	Change % (Y-o-Y)	Q2 FY23	Change % (Q-o-Q)	9M FY23	9M FY22	Change % (Y-o-Y)	FY22
Revenue from Operation	10,987	9,270	19%	8,998	22%	29,753	21,647	37%	31,387
Gross Profit	3,904	2,656	47%	3,082	27%	9,923	7,067	40%	10,348
Gross Profit %	36%	29%	688 bps	34%	128 bps	33%	33%	71 bps	33%
Employee Cost	566	420	35%	469	21%	1,486	1,192	25%	1,591
Other Expenses	1,348	939	43%	1,164	16%	3,689	2,616	41%	3,809
EBITDA	1,991	1,297	53%	1,449	37%	4,748	3,259	46%	4,948
EBITDA %	18%	14%	412 bps	16%	201 bps	16%	15%	91 bps	16%
Depreciation	204	190	7%	187	9%	581	571	2%	802
EBIT	1,787	1,107	61%	1,262	42%	4,168	2,688	55%	4,146
EBIT %	16%	12%	432 bps	14%	224 bps	14%	12%	159 bps	13%
Interest	77	38	105%	47	64%	173	145	19%	214
OI	74	107	-31%	101	-27%	261	278	-6%	377
PBT	1,784	1,177	52%	1,316	36%	4,256	2,820	51%	4,309
PBT %	16%	13%	354 bps	15%	161 bps	14%	13%	128 bps	14%
Tax Expenses	443	286	55%	328	35%	1,059	710	49%	1,083
PAT	1,341	891	51%	988	36%	3,197	2,110	52%	3,226
EPS	19.13	12.72	50%	14.09	36%	45.62	30.11	52%	46.04

Source: Company, Keynote Capitals Ltd.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	22,981	31,388	39,549	45,600	52,576
Growth %		37%	26%	15%	15%
Raw Material Expenses	14,714	21,039	26,498	30,552	35,226
Employee Expenses	1,418	1,591	1,977	1,961	2,261
Other Expenses	2,859	3,811	4,746	5,244	6,046
EBITDA	3,990	4,947	6,328	7,843	9,043
Growth %		24%	28%	24%	15%
Margin%	17%	16%	16%	17%	17%
Depreciation	569	802	978	1,118	1,205
EBIT	3,422	4,145	5,350	6,726	7,838
Growth %		21%	29%	26%	17%
Margin%	15%	13%	14%	15%	15%
Interest Paid	229	214	256	256	256
Other Income & exceptional	442	378	210	315	460
PBT	3,635	4,309	5,305	6,785	8,042
Tax	875	1,083	1,326	1,696	2,011
PAT	2,760	3,226	3,978	5,089	6,032
Others (Minorities, Associates)	0	0	0	0	0
Net Profit	2,760	3,226	3,978	5,089	6,032
Shares (Mn)	70.1	70.1	70.1	70.1	70.1
Adj. EPS	39	46	57	73	86

Balance Sheet

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Cash, Cash equivalents & Bank	550	438	1,984	3,102	6,082
Current Investments	6,365	1,085	1,085	1,085	1,085
Debtors	4,026	6,008	6,723	7,752	8,938
Inventory	5,369	11,120	11,659	13,443	15,499
Short Term Loans & Advances	2	2	2	2	2
Other Current Assets	233	995	995	995	995
Total Current Assets	16,545	19,647	22,448	26,378	32,602
Net Block & CWIP	9,414	9,814	10,837	11,719	11,014
Long Term Investments	0	0	0	0	0
Other Non-current Assets	206	163	163	163	163
Total Assets	26,166	29,625	33,448	38,261	43,779
Creditors	2,423	3,145	3,785	4,527	5,220
Provision	239	103	103	103	103
Short Term Borrowings	8	0	0	0	0
Other Current Liabilities	1,598	2,410	2,410	2,410	2,410
Total Current Liabilities	4,268	5,657	6,297	7,039	7,732
Long Term Debt	1,456	963	963	963	963
Deffered Tax Liabilities	393	420	420	420	420
Other Long Term Liabilities	173	102	102	102	102
Total Non Current Liabilities	2,022	1,485	1,485	1,485	1,485
Paid-up Capital	93	93	140	140	140
Reserves & Surplus	19,782	22,390	25,526	29,597	34,422
Shareholders' Equity	19,876	22,483	25,666	29,737	34,562
Non Controlling Interest	0	0	0	0	0
Total Equity & Liabilities	26,166	29,625	33,448	38,261	43,779

Cash Flow

Y/E Mar, Rs. Mn	FY21	FY22	FY23E	FY24E	FY25E
Pre-tax profit	3,635	4,309	5,305	6,785	8,042
Adjustments	484	725	1,023	1,058	1,001
Change in Working Capital	1,907	-6,645	-615	-2,071	-2,550
Total Tax Paid	-570	-1,220	-1,326	-1,696	-2,011
Cash flow from operating Activities	5,455	-2,830	4,387	4,076	4,482
Net Capital Expenditure	-1,290	-1,437	-2,000	-2,000	-500
Change in investments	-3,755	5,394	0	0	0
Other investing activities	345	221	210	315	460
Cash flow from investing activities	-4,700	4,178	-1,790	-1,685	-40
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	-589	-508	0	0	0
Dividend (incl. tax)	0	-654	-796	-1,018	-1,206
Other financing activities	-199	-184	-256	-256	-256
Cash flow from financing activities	-788	-1,345	-1,051	-1,273	-1,462
Net Change in cash	-32	2	1,546	1,118	2,980

Valuation Ratios

	FY21	FY22	FY23E	FY24E	FY25E
Per Share Data					
EPS	39	46	57	73	86
Growth %		17%	23%	28%	19%
Book Value Per Share	284	321	366	424	493
Return Ratios					
Return on Assets (%)	11%	12%	13%	14%	15%
Return on Equity (%)	15%	15%	17%	18%	19%
Return on Capital Employed (%)	16%	14%	17%	19%	19%
Turnover Ratios					
Asset Turnover (x)	0.9	1.1	1.3	1.3	1.3
Sales / Gross Block (x)	2.3	2.5	2.8	2.9	3.1
Working Capital / Sales (%)	49%	42%	38%	39%	42%
Receivable Days	61	58	59	58	58
Inventory Days	173	143	157	150	150
Payable Days	80	38	47	47	48
Working Capital Days	154	163	169	161	160
Liquidity Ratios					
Current Ratio (x)	3.9	3.5	3.6	3.7	4.2
Interest Coverage Ratio (x)	16.9	21.2	21.8	27.6	32.5
Total Debt to Equity	0.1	0.1	0.0	0.0	0.0
Net Debt to Equity	0.1	0.0	0.0	-0.1	-0.2
Valuation					
PE (x)	32.2	37.6	37.2	29.1	24.5
Earnings Yield (%)	3%	3%	3%	3%	4%
Price to Sales (x)	3.9	3.9	3.7	3.2	2.8
Price to Book (x)	4.5	5.4	5.8	5.0	4.3
EV/EBITDA (x)	22.6	24.7	23.5	19.0	16.5
EV/Sales (x)	3.9	3.9	3.8	3.3	2.8

Source: Company, Keynote Capitals Ltd.

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
4 th August 2022	NEUTRAL	1,779	+2.5%
12 th August 2022	NEUTRAL	1,730	+5.4%
11 th November 2022	NEUTRAL	1,919	+8.4%
13 th February 2023	NEUTRAL	2,098	+5.9%

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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