

Ratnamani Metals & Tubes Ltd.

9th August 2023

Results exceeded expectations

In Q1 FY24, Ratnamani Metals & Tubes Limited (RMTL) posted strong revenue growth of ~20% on a YoY basis. This growth can be attributed to the inclusion of subsidiary sales which they acquired in October 2022. Additionally, the Company's EBITDA margin improved by ~417 Bps on a YoY basis based on lower inventory cost and operating efficiency compared to Q1 FY23. We hold the perspective that RMTL has the capability to maintain its EBITDA margin in the range of ~17-18%, and given its substantial order book, we believe it will sustain its growth trajectory.

Order book mix

As of Q1 FY24, RMTL has an order book worth Rs. 29,210 Mn (up by ~20% on a QoQ and ~25% on a YoY basis), which includes Rs. 5,690 Mn worth of export orders and Rs. 23,520 Mn worth of domestic orders. In SS pipes and CS pipes, the order book stands at Rs. 6,590 Mn and Rs. 22,620 Mn, respectively.

Segmental performance

Steel Tubes & Pipes saw a topline growth of ~14% on a YoY basis, and its operating profit grew at a substantial rate of ~53% due to lower inventory cost and operational efficiency. Operating margin improved by ~418 Bps on a YoY basis.

Bearing Rings segment, which they operate through their subsidiary (Ravi Technoforge), has showcased flat growth on the topline but saw significant improvement in operating profits which jumped ~40% sequentially. Operating margin improved by ~238 Bps on a QoQ basis.

View & Valuation

We have revised our estimates and changed our view on Ratnamani Metals & Tubes Ltd from NEUTRAL to BUY rating and a target price of Rs. 2,963 (30.6x FY25E earnings), giving it a 10% premium to median multiples based on the strong order book and execution track record of the management.

BUY

CMP Rs. 2,575

TARGET Rs. 2,963(+15.1%)

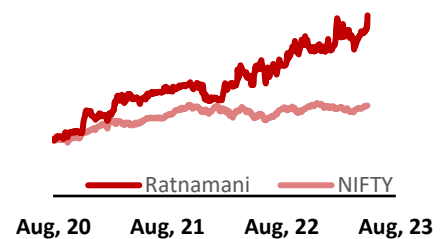
Company Data

Bloomberg Code	RMT IN
MCAP (Rs. Mn)	179,436
O/S Shares (Mn)	70
52w High/Low	2,700 / 1,703
Face Value (Rs.)	2
Liquidity (3M) (Rs. Mn)	111

Shareholding Pattern %

	Jun 23	Mar 23	Dec 22
Promoters	59.77	60.06	60.10
FIIIs	12.79	12.77	12.51
DIIIs	16.45	16.39	16.34
Non-Institutional	10.99	10.76	11.03

Ratnamani vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Bn)	FY23	FY24E	FY25E
Revenue	45	53	59
EBITDA	8	9	10
Net Profit	5	6	7
Total Assets	38	50	58
ROCE (%)	22%	21%	20%
ROE (%)	21%	21%	19%

Source: Company, Keynote Capitals Ltd.

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Q1 FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	Q1 FY24	Q1 FY23	Change % (Y-o-Y)	Q4 FY23	Change % (Q-o-Q)	FY23
Revenue from Operation	11,749	9,768	20%	14,991	-22%	44,744
Gross Profit	4,009	2,936	37%	5,344	-25%	15,287
Gross Profit %	34%	30%	407 Bps	36%	-152 Bps	34%
Employee Cost	669	450	49%	607	10%	2,092
Other Expenses	1,277	1,178	8%	1,731	-26%	5,441
EBITDA	2,063	1,308	58%	3,006	-31%	7,754
EBITDA %	18%	13%	417 Bps	20%	-249 Bps	17%
Depreciation	243	190	28%	253	-4%	833
EBIT	1,820	1,118	63%	2,753	-34%	6,920
EBIT %	15%	11%	404 Bps	18%	-288 Bps	15%
Interest	99	48	105%	139	-29%	312
OI	85	86	-1%	66	30%	327
PBT	1,806	1,156	56%	2,679	-33%	6,935
Tax Expenses	458	288	59%	753	-39%	1,813
Minority Interest	10			10	-2%	18
PAT	1,339	868	54%	1,915	-30%	5,105
EPS	19.24	12.40	55%	27.47	-30%	73.09

Source: Company, Keynote Capitals Ltd.

Segmental Highlights (Rs. Mn)

Particulars	Q1 FY24	Q1 FY23	Change % (Y-o-Y)	Q4 FY23	Change % (Q-o-Q)	FY23
Revenue						
Steel Tubes & Pipes	11,117	9,768	14%	14,360	-23%	43,700
Bearing Rings	633	0		631	0%	1,044
Operating Profit						
Steel Tubes & Pipes	1,805	1,178	53%	2,760	-35%	7,087
Bearing Rings	53	0		38	40%	61
Operating Profit %						
Steel Tubes & Pipes	16%	12%	418 Bps	19%	-298 Bps	16%
Bearing Rings	8%			6%	238 Bps	6%

Source: Company, Keynote Capitals Ltd.

*Note: RMTL acquired a controlling stake in its subsidiary, Ravi Technoforge Private Limited (RTL), on October 2022. Accordingly, the results for the Q1 FY23 does not include RTL and are not comparable to Q1 FY24.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	31,388	44,744	52,775	59,108	66,201
Growth %		43%	18%	12%	12%
Raw Material Expenses	21,039	29,457	34,832	39,011	43,693
Employee Expenses	1,591	2,092	2,797	3,133	3,509
Other Expenses	3,811	5,441	5,964	6,679	7,481
EBITDA	4,947	7,754	9,183	10,285	11,519
Growth %		57%	18%	12%	12%
Margin%	16%	17%	17%	17%	17%
Depreciation	802	833	1,031	1,106	1,136
EBIT	4,145	6,920	8,151	9,178	10,383
Growth %		67%	18%	13%	13%
Margin%	13%	15%	15%	16%	16%
Interest Paid	214	312	417	417	417
Other Income & exceptional	378	327	350	350	350
PBT	4,309	6,935	8,085	9,112	10,316
Tax	1,083	1,813	2,021	2,278	2,579
PAT	3,226	5,123	6,064	6,834	7,737
Others (Minorities, Associates)	0	-18	-40	-46	-53
Net Profit	3,226	5,105	6,024	6,788	7,684
Shares (Mn)	70.1	70.1	70.1	70.1	70.1
Adj. EPS	46	73	86	97	110

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Cash, Cash equivalents & Bank	438	341	1,725	5,423	9,707
Current Investments	1,085	1,351	1,351	1,351	1,351
Debtors	6,008	10,092	11,611	13,004	14,564
Inventory	11,120	12,592	14,978	16,775	18,788
Short Term Loans & Advances	2	814	814	814	814
Other Current Assets	995	139	139	139	139
Total Current Assets	19,647	25,330	30,618	37,507	45,364
Net Block & CWIP	9,814	12,229	13,198	12,592	11,955
Long Term Investments	0	0	0	0	0
Other Non-current Assets	163	244	244	244	244
Total Assets	29,625	37,803	44,059	50,342	57,563
Creditors	3,145	3,742	4,838	5,305	5,942
Provision	103	367	367	367	367
Short Term Borrowings	0	958	958	958	958
Other Current Liabilities	2,410	3,540	3,540	3,540	3,540
Total Current Liabilities	5,657	8,608	9,704	10,171	10,807
Long Term Debt	963	572	572	572	572
Deffered Tax Liabilities	420	700	700	700	700
Other Long Term Liabilities	102	1,163	1,163	1,163	1,163
Total Non Current Liabilities	1,485	2,435	2,435	2,435	2,435
Paid-up Capital	93	140	140	140	140
Reserves & Surplus	22,390	25,899	31,019	36,789	43,320
Shareholders' Equity	22,483	26,039	31,159	36,929	43,460
Non Controlling Interest	0	721	761	807	860
Total Equity & Liabilities	29,625	37,803	44,059	50,342	57,563

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	4,309	6,917	8,085	9,112	10,316
Adjustments	725	991	1,098	1,173	1,203
Change in Working Capital	-6,645	-3,326	-2,808	-2,724	-2,937
Total Tax Paid	-1,220	-1,496	-2,021	-2,278	-2,579
Cash flow from operating Activities	-2,830	3,087	4,354	5,283	6,003
Net Capital Expenditure	-1,437	-1,377	-2,000	-500	-500
Change in investments	5,394	-803	0	0	0
Other investing activities	221	103	350	350	350
Cash flow from investing activities	4,178	-2,077	-1,650	-150	-150
Equity raised / (repaid)	0	0	0	0	0
Debt raised / (repaid)	-508	-284	0	0	0
Dividend (incl. tax)	-654	-654	-904	-1,018	-1,153
Other financing activities	-184	-222	-417	-417	-417
Cash flow from financing activities	-1,345	-1,161	-1,320	-1,435	-1,569
Net Change in cash	2	-151	1,384	3,698	4,284

Valuation Ratios

	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data					
EPS	46	73	86	97	110
Growth %		58%	18%	13%	13%
Book Value Per Share	321	382	455	538	632
Return Ratios					
Return on Assets (%)	12%	15%	15%	14%	14%
Return on Equity (%)	15%	21%	21%	19%	19%
Return on Capital Employed (%)	14%	22%	21%	20%	19%
Turnover Ratios					
Asset Turnover (x)	1.1	1.3	1.3	1.3	1.2
Sales / Gross Block (x)	2.5	3.1	3.1	3.2	3.5
Working Capital / Sales (%)	42%	34%	36%	41%	47%
Receivable Days	58	66	75	76	76
Inventory Days	143	147	144	149	149
Payable Days	38	41	42	45	45
Working Capital Days	163	172	177	179	180
Liquidity Ratios					
Current Ratio (x)	3.5	2.9	3.2	3.7	4.2
Interest Coverage Ratio (x)	21.2	23.2	20.4	22.9	25.8
Total Debt to Equity	0.1	0.1	0.0	0.0	0.0
Net Debt to Equity	0.0	0.0	0.0	-0.1	-0.2
Valuation					
PE (x)	37.6	35.7	30.2	26.8	23.7
Earnings Yield (%)	3%	3%	3%	4%	4%
Price to Sales (x)	3.9	4.1	3.5	3.1	2.8
Price to Book (x)	5.4	7.0	5.8	4.9	4.2
EV/EBITDA (x)	24.7	23.6	19.9	17.8	15.9
EV/Sales (x)	3.9	4.1	3.5	3.1	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%
12 th May 2023	NEUTRAL	2,389	+7%
9 th August 2023	BUY	2,575	+15.1%

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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