

Ratnamani Metals & Tubes Ltd.

14th February 2024

Order book moderates

In Q3 FY24, Ratnamani Metals & Tubes Limited (RMTL) posted revenue growth of 14% on a YoY and 11% on a QoQ basis. The Company's EBITDA margin declined by 218 Bps on a YoY and 571 bps on a QoQ basis due to a blend of lower margin orders book of water and oil & gas projects. As expected, the EBITDA margin for H2FY24 will be relatively lower than H1FY24. We hold the perspective that RMTL has the capability to maintain its EBITDA margin in the range of ~17-18% for FY24. The new order bookings moderated as order book declined due to a slowdown in projects on account of upcoming elections.

Order book mix

As of Q3 FY24, RMTL has an order book worth Rs. 24,990 Mn (down by 16% on a QoQ and 19% on a YoY basis), which includes Rs. 6,370 Mn worth of export orders and Rs. 18,620 Mn worth of domestic orders. In SS pipes and CS pipes, the order book stands at Rs. 6,200 Mn and Rs. 18,790 Mn, respectively. The pace of new order bookings slowed down as the order book contracted, primarily due to a slowdown in projects on account of upcoming elections.

Segmental performance

Steel Tubes & Pipes saw a topline growth of 13% on a YoY basis, and its operating profit degrew marginally by 1% due to a lower margin order book. Operating margin declined by 218 Bps on a YoY basis.

Bearing Rings segment, which they operate through their subsidiary (Ravi Technoforge), has showcased strong growth on the topline by 42% on a YoY basis. This segment saw significant improvement in operating profits, which jumped 94% on a YoY basis. Operating margin improved by 205 Bps on a YoY basis.

View & Valuation

We have revised our estimates and maintained a NEUTRAL rating on Ratnamani Metals & Tubes Ltd with a target price of Rs. 3,136 (32x FY25E earnings).

NEUTRAL

CMP Rs. 3,020

TARGET Rs. 3,136 (+3.8%)

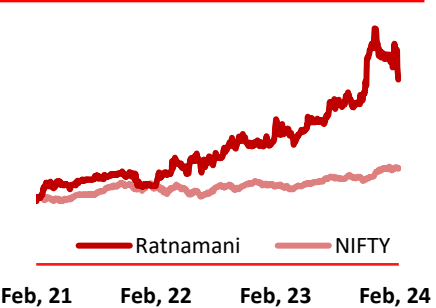
Company Data

Bloomberg Code	RMT IN
MCAP (Rs. Mn)	2,11,790
O/S Shares (Mn)	70
52w High/Low	3,924 / 1,916
Face Value (Rs.)	2
Liquidity (3M) (Rs. Mn)	256

Shareholding Pattern %

	Dec 23	Sep 23	Jun 23
Promoters	59.77	59.77	59.77
FIIIs	12.77	12.87	12.79
DIIIs	16.28	16.47	16.45
Non-Institutional	11.17	10.87	10.99

Ratnamani vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Bn)	FY23	FY24E	FY25E
Revenue	45	53	61
EBITDA	8	9	10
Net Profit	5	6	7
Total Assets	38	44	51
ROCE (%)	22%	21%	20%
ROE (%)	21%	21%	20%

Source: Company, Keynote Capitals Ltd.

Chirag Maroo, Research Analyst
Chirag@keynotecapitals.net

Q3 FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	Q3 FY24	Q3 FY23	Change % (Y-o-Y)	Q2 FY24	Change % (Q-o-Q)	9M FY24	9M FY23	Change % (Y-o-Y)	FY23
Revenue from Operation	12,573	10,987	14%	11,312	11%	35,634	29,753	20%	44,744
Gross Profit	4,205	3,904	8%	4,372	-4%	12,587	9,923	27%	15,287
Gross Profit %	33.4%	35.5%	-209 Bps	38.7%	-521 Bps	35.3%	33.4%	197 Bps	34%
Employee Cost	651	566	15%	605	8%	1,926	1,486	30%	2,092
Other Expenses	1,551	1,348	15%	1,318	18%	4,147	3,689	12%	5,441
EBITDA	2,003	1,991	1%	2,449	-18%	6,515	4,748	37%	7,754
EBITDA %	15.9%	18.1%	-218 Bps	21.6%	-571 Bps	18.3%	16.0%	232 Bps	17%
Depreciation	247	204	21%	236	5%	726	581	25%	833
EBIT	1,756	1,787	-2%	2,213	-21%	5,789	4,168	39%	6,920
EBIT %	14.0%	16.3%	-229 Bps	19.6%	-559 Bps	16.2%	14.0%	224 Bps	15%
Interest	127	77	65%	108	17%	334	173	93%	312
OI	152	74	106%	107	42%	344	261	32%	327
PBT	1,781	1,784	0%	2,211	-19%	5,799	4,256	36%	6,935
Tax Expenses	453	443	2%	568	-20%	1,479	1,059	40%	1,813
PAT	1,328	1,341	-1%	1,643	-19%	4,320	3,197	35%	5,105
EPS	18.94	19.13	-	23.45	-	61.63	45.62	-	73.09

Source: Company, Keynote Capitals Ltd.

Segmental Highlights (Rs. Mn)

Particulars	Q3 FY24	Q3 FY23	Change % (Y-o-Y)	Q2 FY24	Change % (Q-o-Q)	9M FY24	9M FY23	Change % (Y-o-Y)	FY23
Revenue									
Steel Tubes & Pipes	11,986	10,574	13%	10,716	12%	33,818	29,340	15%	43,700
Bearing Rings	587	413	42%	596	-2%	1,816	413	340%	1,044
Operating Profit									
Steel Tubes & Pipes	1,799	1,818	-1%	2,231	-19%	5,835	4,327	35%	7,087
Bearing Rings	45	23	94%	26	74%	124	23	433%	61
Operating Profit %									
Steel Tubes & Pipes	15%	17%	-218 Bps	21%	-580 Bps	17%	15%	251 Bps	16%
Bearing Rings	8%	6%	205 Bps	4%	336 Bps	7%	6%	120 Bps	6%

Source: Company, Keynote Capitals Ltd.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Net Sales	31,388	44,744	52,775	60,691	69,795
Growth %		43%	18%	15%	15%
Raw Material Expenses	21,039	29,457	34,304	40,056	46,065
Employee Expenses	1,591	2,092	2,797	3,217	3,699
Other Expenses	3,811	5,441	6,333	6,979	7,677
EBITDA	4,947	7,754	9,341	10,439	12,354
Growth %		57%	20%	12%	18%
Margin%	16%	17%	18%	17%	18%
Depreciation	802	833	1,031	1,106	1,136
EBIT	4,145	6,920	8,310	9,332	11,217
Growth %		67%	20%	12%	20%
Margin%	13%	15%	16%	15%	16%
Interest Paid	214	312	417	417	417
Other Income & exceptional	378	327	350	350	350
PBT	4,309	6,935	8,243	9,266	11,151
Tax	1,083	1,813	2,061	2,316	2,788
PAT	3,226	5,123	6,182	6,949	8,363
Others (Minorities, Associates)	0	-18	-40	-46	-53
Net Profit	3,226	5,105	6,142	6,903	8,310
Shares (Mn)	70.1	70.1	70.1	70.1	70.1
Adj. EPS	46	73	88	98	119

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Total Assets	29,625	37,803	44,062	50,765	58,677
Cash, Cash equivalents & Bank	438	341	1,955	5,049	9,011
Current Investments	1,085	1,351	1,351	1,351	1,351
Debtors	6,008	10,092	11,611	13,352	15,355
Inventory	11,120	12,592	14,751	17,224	19,808
Short Term Loans & Advances	2	814	814	814	814
Other Current Assets	995	139	139	139	139
Total Current Assets	19,647	25,330	30,620	37,929	46,478
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	44,062	50,765	58,677
Creditors	3,145	3,742	4,740	5,529	6,324
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	9,606	10,395	11,190
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	31,120	36,988	44,051
Shareholders' Equity	22,483	26,039	31,260	37,128	44,191
Non Controlling Interest	0	721	761	807	860
Total Equity & Liabilities	29,625	37,803	44,062	50,765	58,677

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24E	FY25E	FY26E
Pre-tax profit	4,309	6,917	8,243	9,266	11,151
Adjustments	725	991	1,098	1,173	1,203
Change in Working Capital	-6,645	-3,326	-2,679	-3,426	-3,791
Total Tax Paid	-1,220	-1,496	-2,061	-2,316	-2,788
Cash flow from operating Activities	-2,830	3,087	4,601	4,696	5,775
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	-921	-1,036	-1,247
Other financing activities	-184	-222	-417	-417	-417
Cash flow from financing activities	-1,345	-1,161	-1,338	-1,452	-1,663
Net Change in cash	2	-151	1,614	3,094	3,962

Valuation Ratios

	FY22	FY23	FY24E	FY25E	FY26E
Per Share Data					
EPS	46	73	88	98	119
Growth %		58%	20%	12%	20%
Book Value Per Share	321	382	457	541	643
Return Ratios					
Return on Assets (%)	12%	15%	15%	15%	15%
Return on Equity (%)	15%	21%	21%	20%	20%
Return on Capital Employed (%)	14%	22%	21%	20%	20%
Turnover Ratios					
Asset Turnover (x)	1.1	1.3	1.3	1.3	1.3
Sales / Gross Block (x)	2.5	3.1	3.1	3.3	3.7
Working Capital / Sales (%)	42%	34%	36%	40%	45%
Receivable Days	58	66	75	75	75
Inventory Days	143	147	145	146	147
Payable Days	38	41	42	44	44
Working Capital Days	163	172	178	177	177
Liquidity Ratios					
Current Ratio (x)	3.5	2.9	3.2	3.6	4.2
Interest Coverage Ratio (x)	21.2	23.2	20.8	23.2	27.8
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	40.6	34.2	30.4	25.2
Earnings Yield (%)	3%	2%	3%	3%	4%
Price to Sales (x)	3.9	4.6	4.0	3.5	3.0
Price to Book (x)	5.4	8.0	6.7	5.7	4.7
EV/EBITDA (x)	24.7	26.9	22.6	20.2	17.1
EV/Sales (x)	3.9	4.7	4.0	3.5	3.0

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%
6 th November 2023	NEUTRAL	2,892	+7.6%
14 th February 2024	NEUTRAL	3,020	+3.8%

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

Disclosures and Disclaimers

The following Disclosures are being made in compliance with the SEBI Research Analyst Regulations 2014 (herein after referred to as the Regulations).

Keynote Capitals Ltd. (KCL) is a SEBI Registered Research Analyst having registration no. INH000007997. KCL, the Research Entity (RE) as defined in the Regulations, is engaged in the business of providing Stock broking services, Depository participant services & distribution of various financial products. Details of associate entities of Keynote Capitals Limited are available on the website at <https://www.keynotecapitals.com/associate-entities/>

KCL and its associate company(ies), their directors and Research Analyst and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies) or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

KCL and / or its affiliates do and seek to do business including investment banking with companies covered in its research reports. As a result, the recipients of this report should be aware that KCL may have a potential conflict of interest that may affect the objectivity of this report. Compensation of Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

Details of pending Enquiry Proceedings of KCL are available on the website at <https://www.keynotecapitals.com/pending-enquiry-proceedings/>

A graph of daily closing prices of securities is available at www.nseindia.com, www.bseindia.com. Research Analyst views on Subject Company may vary based on Fundamental research and Technical Research. Proprietary trading desk of KCL or its associates maintains arm's length distance with Research Team as all the activities are segregated from KCL research activity and therefore it can have an independent view with regards to Subject Company for which Research Team have expressed their views.

Regional Disclosures (outside India)

This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL & its group companies to registration or licensing requirements within such jurisdictions. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

Specific Disclosure of Interest statement for subjected Scrip in this document:

Financial Interest of Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Any other material conflict of interest at the time of publishing the research report by Research Entity [KCL] and its associates; Research Analyst and its Relatives	NO
Receipt of compensation by KCL or its Associate Companies from the subject company covered for in the last twelve months; Managing/co-managing public offering of securities in the last twelve months; Receipt of compensation towards Investment banking/merchant banking/brokerage services in the last twelve months; Products or services other than those above in connection with research report in the last twelve months; Compensation or other benefits from the subject company or third party in connection with the research report in the last twelve months.	NO
Whether covering analyst has served as an officer, director or employee of the subject company covered	NO
Whether the KCL and its associates has been engaged in market making activity of the Subject Company	NO
Whether the Research Entity [KCL] and its associates; Research Analyst and its Relatives, have actual/beneficial ownership of 1% or more securities of the subject company, at the end of the month immediately preceding the date of publication of the research report or date of the public appearance.	NO

The associates of KCL may have:

- financial interest in the subject company
- actual/beneficial ownership of 1% or more securities in the subject company
- received compensation/other benefits from the subject company in the past 12 months
- other potential conflict of interests with respect to any recommendation and other related information and opinions.; however, the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of KCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.
- acted as a manager or co-manager of public offering of securities of the subject company in past 12 months
- be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or act as an advisor or lender/borrower to such company(ies)
- received compensation from the subject company in the past 12 months for investment banking / merchant banking / brokerage services or from other than said services.

The associates of KCL has not received any compensation or other benefits from third party in connection with the research report.

Above disclosures includes beneficial holdings lying in demat account of KCL which are opened for proprietary investments only. While calculating beneficial holdings, it does not consider demat accounts which are opened in name of KCL for other purposes (i.e. holding client securities, collaterals, error trades etc.). KCL also earns DP income from clients which are not considered in above disclosures.

Analyst Certification

The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject securities or issues, and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report.

Terms & Conditions:

This report has been prepared by KCL and is meant for sole use by the recipient and not for circulation. The report and information contained herein is strictly confidential and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of KCL. The report is based on the facts, figures and information that are believed to be true, correct, reliable and accurate. The intent of this report is not recommendatory in nature. The information is obtained from publicly available media or other sources believed to be reliable. Such information has not been independently verified and no guaranty, representation of warranty, express or implied, is made as to its accuracy, completeness or correctness. All such information and opinions are subject to change without notice. The report is prepared solely for informational purpose and does not constitute an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments for the clients. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. KCL will not treat recipients as customers by virtue of their receiving this report

Disclaimer:

The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent. This report and information herein is solely for informational purpose and may not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. Certain transactions -including those involving futures, options, another derivative product as well as non-investment grade securities - involve substantial risk and are not suitable for all investors. No representation or warranty, express or implied, is made as to the accuracy, completeness or fairness of the information and opinions contained in this document. The Disclosures of Interest Statement incorporated in this document is provided solely to enhance the transparency and should not be treated as endorsement of the views expressed in the report. This information is subject to change without any prior notice. The Company reserves the right to make modifications and alternations to this statement as may be required from time to time without any prior approval. KCL, its associates, their directors and the employees may from time to time, effect or have affected an own account transaction in, or deal as principal or agent in or for the securities mentioned in this document. KCL, its associates, their directors and the employees may from time to time invest in any discretionary PMS/AIF Fund and those respective PMS/AIF Funds may affect or have effected any transaction in for the securities mentioned in this document. They may perform or seek to perform investment banking or other services for, or solicit investment banking or other business from, any company referred to in this report. Each of these entities functions as a separate, distinct and independent of each other. The recipient should take this into account before interpreting the document. This report has been prepared on the basis of information that is already available in publicly accessible media or developed through analysis of KCL. The views expressed are those of the analyst, and the Company may or may not subscribe to all the views expressed therein. This document is being supplied to you solely for your information and may not be reproduced, redistributed or passed on, directly or indirectly, to any other person or published, copied, in whole or in part, for any purpose. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject KCL to any registration or licensing requirement within such jurisdiction.

The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction. Neither the Firm, not its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The person accessing this information specifically agrees to exempt KCL or any of its affiliates or employees from, any and all responsibility/liability arising from such misuse and agrees not to hold KCL or any of its affiliates or employees responsible for any such misuse and further agrees to hold KCL or any of its affiliates or employees free and harmless from all losses, costs, damages, expenses that may be suffered by the person accessing this information due to any errors and delays.

Keynote Capitals Limited (CIN: U67120MH1995PLC088172)

Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

SEBI Regn. Nos.: BSE / NSE (CASH / F&O / CD): INZ000241530; DP: CDSL- IN-DP-238-2016; Research Analyst: INH000007997

For any complaints email at kcl@keynoteindia.net

General Disclaimer: Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.keynotecapitals.com; Investment in securities market are subject to market risks, read all the related documents carefully before investing.