

Ratnamani Metals & Tubes Ltd.

21st May 2024

Expecting growth in international orders

In Q4 FY24, Ratnamani Metals & Tubes Limited (RMTL) posted flat revenue growth on a YoY and 19% on a QoQ basis. The Company's EBITDA margin declined by 362 Bps on a YoY and 197 bps on a QoQ basis due to a change in product mix. Management has guided that on the consolidated levels, the Company will do a topline of ~Rs. 60 Bn. Due to higher mix of SS pipes and water projects, we believe the Company wouldn't see higher EBITDA margins for FY25 but would be able to maintain ~17-18%.

Order book mix

As of Q4 FY24, RMTL has an order book worth Rs. 24,230 Mn (down by 3% on a QoQ and 1% on a YoY basis), which includes Rs. 7,130 Mn worth of export orders and Rs. 17,100 Mn worth of domestic orders. In SS pipes and CS pipes, the order book stands at Rs. 8,310 Mn and Rs. 15,920 Mn, respectively. Currently, the management sees good traction in the international market.

Segmental performance

Steel Tubes & Pipes saw a flat growth on a YoY basis. However, due to change in product mix, operating profit degrew by 19% on a YoY basis. Operating margin declined by 354 Bps on a YoY basis.

Bearing Rings segment saw a strong growth of 16% on a YoY basis. This segment saw significant improvement in operating profits, which jumped 62% on a YoY basis. Operating margin improved by 237 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. 3,386 (~35x FY25E earnings).

NEUTRAL

CMP Rs. 3,276

TARGET Rs. 3,386 (+3.3%)

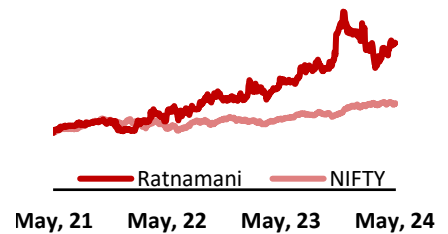
Company Data

Bloomberg Code	RMT IN
MCAP (Rs. Mn)	2,29,390
O/S Shares (Mn)	70
52w High/Low	3,924 / 2,259
Face Value (Rs.)	2
Liquidity (3M) (Rs. Mn)	172

Shareholding Pattern %

	Mar 24	Dec 23	Sep 23
Promoters	59.77	59.77	59.77
FIIIs	12.86	12.77	12.87
DIIIs	16.14	16.28	16.47
Non-Institutional	11.22	11.17	10.87

Ratnamani vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs. Bn)	FY23	FY24E	FY25E
Revenue	45	51	59
EBITDA	8	9	10
Net Profit	5	6	7
Total Assets	38	40	47
ROCE (%)	22%	21%	20%
ROE (%)	21%	21%	20%

Source: Company, Keynote Capitals Ltd.

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Q4 FY24 Result Update

Result Highlights (Rs. Mn)

Particulars	Q4 FY24	Q4 FY23	Change % (Y-o-Y)	Q3FY24	Change % (Q-o-Q)	FY24	FY23	Change % (Y-o-Y)
Revenue from Operation	14,957	14,991	0%	12,573	19%	50,591	44,744	13%
Gross Profit	4,708	5,344	-12%	4,205	12%	17,295	15,287	13%
Gross Profit %	31%	36%	-417 Bps	33%	-197 Bps	34%	34%	2 Bps
Employee Cost	652	607	7%	651	0%	2,578	2,092	23%
Other Expenses	1,599	1,731	-8%	1,551	3%	5,746	5,441	6%
EBITDA	2,457	3,006	-18%	2,003	23%	8,971	7,754	16%
EBITDA %	16%	20%	-362 Bps	16%	49 Bps	18%	17%	40 Bps
Depreciation	250	253	-1%	247	1%	975	833	17%
EBIT	2,207	2,753	-20%	1,756	26%	7,996	6,920	16%
EBIT %	15%	18%	-361 Bps	14%	79 Bps	16%	15%	34 Bps
Interest	117	139	-16%	127	-8%	451	312	45%
OI	388	66	492%	152	155%	732	327	124%
PBT	2,478	2,679	-8%	1,781	39%	8,277	6,935	19%
Tax Expenses	547	753	-27%	453	21%	2,026	1,813	12%
Minority Interest	10	10		-1	-1249%	23	18	
PAT	1,922	1,915	0%	1,329	45%	6,228	5,105	22%
EPS	27.55	27.47		18.94	45%	89.18	73.09	

Source: Company, Keynote Capitals Ltd.

Segmental Highlights (Rs. Mn)

Particulars	Q4 FY24	Q4 FY23	Change % (Y-o-Y)	Q3FY24	Change % (Q-o-Q)	FY24	FY23	Change % (Y-o-Y)
Revenue								
Steel Tubes & Pipes	14,222	14,360	-1%	11,986	19%	48,040	43,700	10%
Bearing Rings	734	631	16%	587	25%	2,550	1,044	-
Pipe Spools & Auxillary Support Systems	1					1		
Operating Profit								
Steel Tubes & Pipes	2,231	2,760	-19%	1,799	24%	8,066	7,087	14%
Bearing Rings	62	38	62%	45	37%	186	61	-
Pipe Spools & Auxillary Support Systems	-21					-21		
Operating Profit %								
Steel Tubes & Pipes	16%	19%	-354 Bps	15%	67 Bps	17%	16%	57 Bps
Bearing Rings	8%	6%	237 Bps	8%	71 Bps	7%	6%	141 Bps
Pipe Spools & Auxillary Support Systems	-1485%	-	-	-	-	-1485%	-	-

Source: Company, Keynote Capitals Ltd.

Q4 FY24 Conference Call Takeaways

Piping Segment

- In SS pipes, the Company is seeing an order inflow of >Rs. 1.5 Bn, which used to be ~1.2-1.5 Bn.
- Within CS pipes, 20-25% of the order book is from water projects.

Bearing & Pipe Spooling segment

- In the bearing segment, the Company did a topline of Rs. 2,580 Mn, with an EBITDA margin of 11% and PAT of Rs. 67 Mn.
- Pipe spooling segment has commercialized production. Sales for pipe spooling are expected to begin in August 2024.

Management Guidance

- The management has guided a topline of Rs. 60 Bn for FY25, with an EBITDA margin in the range of 16-18%.
- Odisha's plant HSAW capacity is expected to come online in FY25.
- Though the Company is facing muted demand in the domestic market, the international market is seeing a surge in demand, especially from the Middle East and Europe.
- Demand is expected to pick up in 3-4 months.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Net Sales	31,388	44,744	50,591	58,884	67,687
Growth %		43%	13%	16%	15%
Raw Material Expenses	21,039	29,457	33,296	38,863	44,673
Employee Expenses	1,591	2,092	2,578	3,062	3,587
Other Expenses	3,811	5,441	5,746	6,654	7,446
EBITDA	4,947	7,754	8,971	10,305	11,981
Growth %		57%	16%	15%	16%
Margin%	16%	17%	18%	18%	18%
Depreciation	802	833	975	1,070	1,100
EBIT	4,145	6,920	7,996	9,235	10,880
Growth %		67%	16%	15%	18%
Margin%	13%	15%	16%	16%	16%
Interest Paid	214	312	451	417	417
Other Income & exceptional	378	327	732	350	350
PBT	4,309	6,935	8,277	9,168	10,814
Tax	1,083	1,813	2,026	2,292	2,703
PAT	3,226	5,123	6,251	6,876	8,110
Others (Minorities, Associates)	0	-18	-23	-26	-30
Net Profit	3,226	5,105	6,228	6,850	8,080
Shares (Mn)	70.1	70.1	70.1	70.1	70.1
Adj. EPS	46	73	89	98	115

Balance Sheet

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Cash, Cash equivalents & Bank	438	341	2,069	3,382	8,242
Current Investments	1,085	1,351	887	887	887
Debtors	6,008	10,092	9,415	12,366	13,537
Inventory	11,120	12,592	13,487	16,711	19,209
Short Term Loans & Advances	2	814	388	388	388
Other Current Assets	995	139	411	411	411
Total Current Assets	19,647	25,330	26,657	34,145	42,675
Net Block & CWIP	9,814	12,229	13,304	12,734	12,134
Long Term Investments	0	0	0	0	0
Other Non-current Assets	163	244	237	237	237
Total Assets	29,625	37,803	40,198	47,117	55,046
Creditors	3,145	3,742	3,560	4,630	5,661
Provision	103	367	50	50	50
Short Term Borrowings	0	958	1,214	1,214	1,214
Other Current Liabilities	2,410	3,540	1,176	1,176	1,176
Total Current Liabilities	5,657	8,608	6,000	7,070	8,101
Long Term Debt	963	572	211	211	211
Deffered Tax Liabilities	420	700	741	741	741
Other Long Term Liabilities	102	1,163	1,085	1,085	1,085
Total Non Current Liabilities	1,485	2,435	2,036	2,036	2,036
Paid-up Capital	93	140	140	140	140
Reserves & Surplus	22,390	25,899	31,265	37,087	43,955
Shareholders' Equity	22,483	26,039	31,405	37,227	44,095
Non Controlling Interest	0	721	757	783	814
Total Equity & Liabilities	29,625	37,803	40,198	47,117	55,046

Cash Flow

Y/E Mar, Rs. Mn	FY22	FY23	FY24	FY25E	FY26E
Pre-tax profit	4,309	6,917	8,277	9,168	10,814
Adjustments	725	991	825	1,137	1,167
Change in Working Capital	-6,645	-3,326	-1,752	-5,106	-2,639
Total Tax Paid	-1,220	-1,496	-2,239	-2,292	-2,703
Cash flow from operating Activities	-2,830	3,087	5,112	2,907	6,638
Net Capital Expenditure	-1,437	-1,377	-2,090	-500	-500
Change in investments	5,394	-803	450	0	0
Other investing activities	221	103	188	350	350
Cash flow from investing activities	4,178	-2,077	-1,453	-150	-150
Equity raised / (repaid)	0	0	27	0	0
Debt raised / (repaid)	-508	-284	-765	0	0
Dividend (incl. tax)	-654	-654	-841	-1,027	-1,212
Other financing activities	-184	-222	-350	-417	-417
Cash flow from financing activities	-1,345	-1,161	-1,929	-1,444	-1,629
Net Change in cash	2	-151	1,730	1,313	4,860

Valuation Ratios

	FY22	FY23	FY24	FY25E	FY26E
Per Share Data					
EPS	46	73	89	98	115
Growth %		58%	22%	10%	18%
Book Value Per Share	321	382	459	542	641
Return Ratios					
Return on Assets (%)	12%	15%	16%	16%	16%
Return on Equity (%)	15%	21%	21%	20%	19%
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	3.0	3.3	3.7
Working Capital / Sales (%)	42%	34%	37%	41%	46%
Receivable Days	58	66	70	68	70
Inventory Days	143	147	143	142	147
Payable Days	38	41	39	36	40
Working Capital Days	163	172	174	174	177
Liquidity Ratios					
Current Ratio (x)	3.5	2.9	4.4	4.8	5.3
Interest Coverage Ratio (x)	21.2	23.2	19.4	23.0	27.0
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	27.2	35.4	32.2	27.3
Earnings Yield (%)	3%	4%	3%	3%	4%
Price to Sales (x)	3.9	3.1	4.4	3.7	3.3
Price to Book (x)	5.4	5.3	7.0	5.9	5.0
EV/EBITDA (x)	24.7	18.2	24.7	21.5	18.5
EV/Sales (x)	3.9	3.1	4.4	3.8	3.3

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%
21 st May 2024	NEUTRAL	3,276	+3.3%

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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