

Poised to grow steadily & profitably

Introduction:

Ratnamani Metals and Tubes was incorporated in 1983. It is the market leader in manufacturing Tubes & Pipes in Stainless Steel/Exotic and also a significant player in manufacturing Carbon Steel Welded Pipes. The company is multi location and multi product enterprise. It caters to more than 16 industries and has 37 countries export presence. The company is headquartered in Ahmedabad and its manufacturing facilities are at Chhatral, Indrad and Kutch in Gujarat and its business offices are situated in Mumbai, Delhi, Hyderabad and Chennai. The products are widely accepted by its end user industries across India as well as abroad.

Key Highlights:

- ⇒ The current capacity of Ratnamani consists of 8000 tons of stainless steel seamless tubes, 20,000 tons of stainless steel welded tubes & pipes, 6,500 tons of hot extrusion facility for stainless steel tubes, 180000 tons of HSAW facility, 40,000 tons of LSAW facility, 60,000 tons of circ. Seam and 70,000 tons of ERW facility.
- ⇒ The Stainless Steel Seamless and Carbon Steel segment is operating at optimum level while stainless steel welded pipes is lagging behind due to slag in demand, mainly from refineries/petchem and power sectors
- ⇒ The new expansion includes 20,000 tons of hot extruded pipe facility and 10,000 tons of cold finishing facility in stainless steel segment.
- ⇒ The overall capacity for Stainless Steel post capex completion would constitute 20,000 tons of stainless steel welded facility, 18,000 tons of stainless steel seamless (cold finish) facility and 26,500 tons of hot extruded seamless facility (16,500 for captive usage and 10,000 tons for sale).
- ⇒ The company is mulling to scrap the existing old LSAW capacity of 40,000 tons and add new capacity through Greenfield and debottlenecking process of 1.20,000 tons in carbon steel segment. This would increase overall carbon steel capacity from 3,50,000 tons to 4,70,000 tons.
- ⇒ We are optimistic about expansion in Stainless Steel Segment would be operational from November 2019 and Carbon Steel Segment would be from December 2019.
- ⇒ The delay in completion of expansion program was due to higher complexity and to ensure quality through rigorous assessment and testing processes.
- ⇒ The company would be funding capex of around 600crores through long term debt (1/2) and balance through internal accruals.
- ⇒ The current order book stands at ~INR 1479 crores. The Stainless steel portion in order book is ~INR 342 crores and carbon steel is ~INR 1137 crores. The export order stands at ~244 crores.
- ⇒ The current working capital cycle is around six months and we believe it would remain at elevated levels going forward due to ramping of new capacity would take time and raw material conversion period for customized value added products would be around 4 months.
- ⇒ We are expecting revenue growth in range of 10-15% for next two years and EBITDA margins to be in 16-18% range.

Why we like this stock & valuation methodology

Ratnamani metals and tubes Ltd. as a company always adhere to high quality and specialized products for niche market which helps to maintain market dominance and higher margins. The Company has able to make difference through delivering premium products, offering wide product portfolio and becoming preferred supplier. A decade of expansion and diversification later, company is at a very important juncture of record high order book as well as international orders. Considering its leadership position in the domestic stainless steel pipe segment, we believe Ratnamani is best suited to benefit from the impending revival in the domestic capex cycle in oil refinery, petrochemicals, power and fertilizer sectors. We expect Revenue/EBITDA/PAT to grow at CAGR of 23.3%/33.4%/31.1% respectively from FY18-FY21. Thus, we recommend **BUY** rating for a target price of INR 1,280 (upside 42%) valuing at 18x PE to FY21E EPS.

Sector Outlook Positive

Stock

CMP (Rs)	890
Target Price (Rs)	1280
BSE code	520111
NSE Symbol	RATNAMANI
Bloomberg	RMT IN
Reuters	RMT.BO

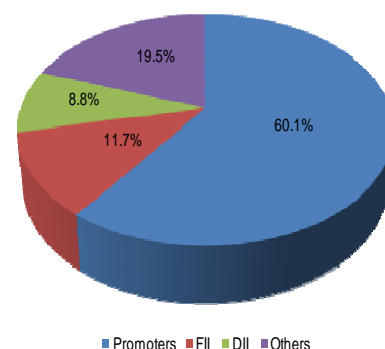
Key Data

Nifty	10,784
52WeekH/L(Rs)	1065/735
O/s Shares (Mn)	46.7
Market Cap (Rs bn)	41
Face Value (Rs)	2

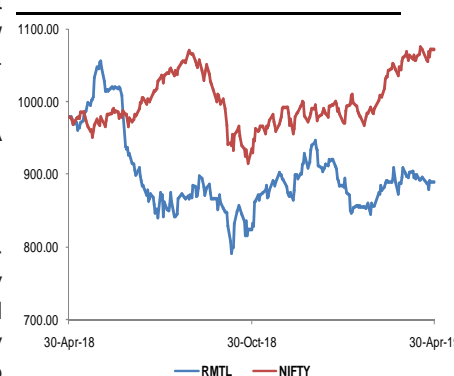
Average volume

3 months	10590
6 months	15630
1 year	11240

Share Holding Pattern (%)



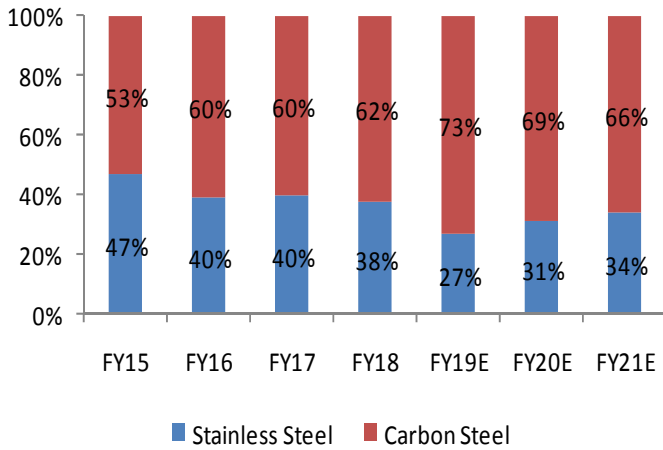
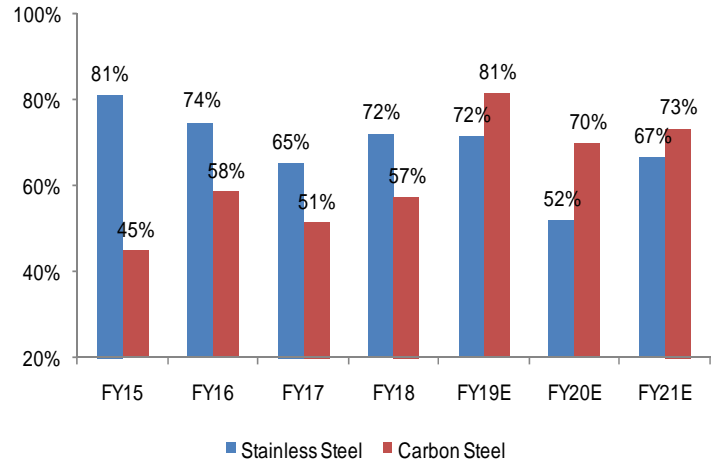
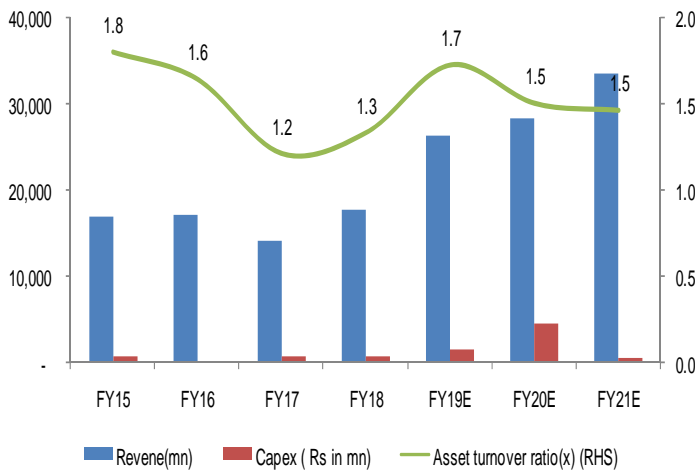
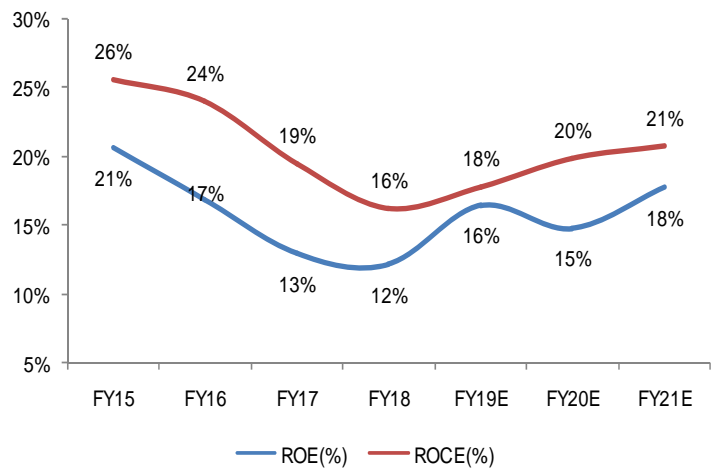
Relative Price Chart



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Favourable Sales Mix

Better Capacity Utilization

High Asset Turnover Ratio

Improving Return Ratios




Profit & Loss Statement

INR (in millions)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Revenue	17,177	14,117	17,898	26,411	28,375	33,570
Revenue Growth %	1.8%	(17.8%)	26.8%	47.6%	7.4%	18.3%
EBITDA	2,856	2,572	2,659	3,848	4,643	6,314
EBITDA Growth %	(4.6%)	(9.9%)	3.4%	44.7%	20.7%	36.0%
PAT	1,652	1,443	1,518	2,315	2,384	3,322
PAT Growth %	(4.2%)	(12.7%)	5.2%	52.5%	3.0%	39.4%
EPS	35.4	30.9	32.5	49.5	51.0	71.1
EPS Growth %	-4.2%	-12.7%	5.2%	52.5%	3.0%	39.4%
No. of Shares (mn)	47	47	47	47	47	47

Balance Sheet (Consolidated)

YE March(INR in mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Liabilities						
Equity Capital	93	93	93	93	93	93
Reserves & Surplus	10,348	11,776	12,987	14,962	17,089	20,155
Equity	10,441	11,869	13,080	15,056	17,183	20,248
Net Worth	10,441	11,869	13,080	15,056	17,183	20,248
Minority Interest						
Net Deferred tax liability/(Asset)	483	481	429	429	429	429
Total Loans	143	0	789	1,000	4,000	4,000
Capital Employed	11,067	12,350	14,298	16,485	21,612	24,677
Assets						
Gross Block	4,986	5,598	6,165	7,665	12,165	12,665
Less: Depreciation	526	1,117	1,711	2,465	3,440	4,685
Net Block	4,460	4,481	4,454	5,200	8,725	7,980
Capital WIP	477	383	469	469	469	469
Investments	43	117	109	120	132	145
Others	40	44	35	35	35	35
Current Assets						
Inventories	2,947	3,391	5,740	5,835	5,992	6,871
Sundry Debtors	3,899	4,252	5,582	6,963	8,654	9,785
Cash and Bank Balance	108	147	46	899	900	3,145
Current Investments	242	738	0	0	0	0
Loans and Advances	801	431	806	806	806	806
Other Current Assets	155	146	224	227	230	232
Total Current Assets	8,152	9,105	12,398	14,730	16,583	20,840
Less: Current Liabilities & Provisions						
Sundry Creditors	1,225	1,163	1,928	2,831	3,518	3,978
Provisions	217	125	183	183	183	183
Other Current Liabilities	663	491	1,055	1,055	630	630
Total Current Liabilities & Provisions	2,105	1,780	3,166	4,069	4,332	4,792
Capital Applied	11,067	12,350	14,298	16,485	21,612	24,677

**Disclaimer Appendix****Analyst (s) holding in the Stock : Nil****Analyst (s) Certification:**

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