

Ratnamani Metals & Tubes Ltd

Ratnamani Metals & Tubes is engaged in the manufacturing of stainless steel pipes and tubes and carbon steel pipes at Kutch, Indrad and Chhatral in the state of Gujarat. The company has maintained its performance ever since and its 5 years sales CAGR stands at 15.3% and PAT CAGR for the same period is at 11.8%.

The beginning of FY20 was however not favourable for the company, but it recovered in 3QFY20 by reporting a qoq sales growth of 23.9% and a yoy sales growth of 3.8%. This was volume driven growth while realization restricted the overall growth. EBITDA margin expanded by 23bps to 13.6% in the same quarter. The management has further guided 15% revenue CAGR for coming years. Going ahead, the company is expanding its Stainless Steel and Carbon steel capacity by 20,000 tons and 2,00,000 tons capacity, respectively, which is fully ready for trial run. The commissioning is expected from April 2020 onwards which delayed to previous expectation of around February. Management is expecting 25% utilization in FY21. On SS front, company has approval for production upto 18 inch diameter which they are looking forward to production according to client requirement. Gradually, it will take 2 years to reach 60-70% utilization levels of new capacity. The opportunity is huge as currently there no other producer in India, hence imports close to 40000 tonnes per year and there is huge export market for these pipes. Based on latest budget, government spending on Oil & Gas refinery and petro chemicals of around INR 1 lakh crore for National Grid Programme, Cross Country Pipeline and CGD will boost order book in coming quarters.

Current Order book stands at INR 1569 crores which includes orders from SS and CS division at `1,053cr and `516cr, respectively. The export contribution in overall orderbook is ~ `448cr while rest is domestic. The orders are 100% made up from only Oil and Gas sector where margins are higher compared to water segment. The company is amanging its cash well and managed to increase its cash flow to `553cr in FY19 from `148 cr in FY15. It's debt dependency is also very low with a debt-equity of 0.05x. Ratnamani regularly pays dividend of an average 15%. It currently trades at a PE of 20.2x and delivers RoCE of 25.9%. Hence, Buy.

BUY
CMP ₹1,313

Stock Info

Sector	Metals
Market Cap (₹ cr)	6,136
Beta	0.4
52 Week High / Low	1390/830
Avg. Daily Volume	3,964
Face Value (₹)	2
BSE Sensex	38,144
Nifty	11,133
Reuters Code	RMT.BO
Bloomberg Code	RMT IN

Shareholding Pattern (%)

Promoters	60.1
MF / Banks / Indian FIs	11.5
FII / NRIs / OCBs	9.7
Indian Public / Others	18.8

Abs. (%)	3m	1yr	3yr
Sensex	(6.2)	4.7	32.3
RATNAMANI	33.3	50.8	78.2

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Disclosure of Interest Statement

Ratnamani Metals

1. Financial interest of research analyst or Angel or his Associate or his relative	No
2. Ownership of 1% or more of the stock by research analyst or Angel or associates or relatives	No
3. Served as an officer, director or employee of the company covered under Research	No
4. Broking relationship with company covered under Research	No

Ratings (Based on expected returns over 12 months investment period):

Buy (> 15%)

Accumulate (5% to 15%)
Reduce (-5% to -15%)

Neutral (-5 to 5%)
Sell (< -15)