

EBITDA margin surprises positively...

Ratnamani Metal and Tubes (RMTL) reported an operationally healthy performance for Q4FY21 wherein robust EBITDA margins were the key highlight of the quarter. EBITDA margin for Q4FY21 was at 22.8% compared to 18.3% in Q3FY21 and 15.4% in Q4FY20, notably higher than our estimate of 15.7%. Overall, RMTL's performance was higher than our estimate on all fronts. For Q4FY21, RMTL reported a net income from operations of ₹ 696.1 crore (up 57% QoQ), higher than our estimate of ₹ 664 crore. Stainless sales volume was at 5792 tonnes (up 16% QoQ), higher than our estimate 5750 tonnes while carbon steel sales volume was at 63511 tonnes (up 93% QoQ), higher than our estimate of 47500 tonnes. EBITDA came in at ₹ 158.8 crore (up 96% QoQ, 64% YoY), higher than our estimate of ₹ 104 crore. Ensuing PAT for Q4FY21 was at ₹ 109.4 crore (up 82% QoQ, 62% YoY), higher than our estimate of ₹ 75 crore.

Aggregate order book increases sequentially...

RMTL's order book has improved QoQ. RMTL's order book as on May 1, 2021 was at ₹ 1498 crore (₹ 1359 crore as on January 1, 2021). Stainless steel (SS) order book was at ₹ 330 crore (₹ 347 crore as on January 1, 2021) while carbon steel (CS) orders were at ₹ 1168 crore (₹ 1012 crore as on January 1, 2021). In terms of domestic and exports mix, domestic orders were at ₹ 1357 crore while export orders were at ₹ 141 crore. Of the ₹ 1357 crore domestic order book, ₹ 251 crore is in the SS segment while balance ₹ 1106 crore is in the CS segment. Of the ₹ 141 crore export order book: ₹ 79 crore is in the SS segment while the balance ₹ 62 crore is in the CS segment.

For FY22E, EBITDA margins expected in ~16-18% range...

For FY22E, the management has given a topline guidance of ~₹ 3000 crore. Furthermore, management has guided that EBITDA margins for FY22E is likely to be in the range of ~16% and 18%.

Valuation & Outlook

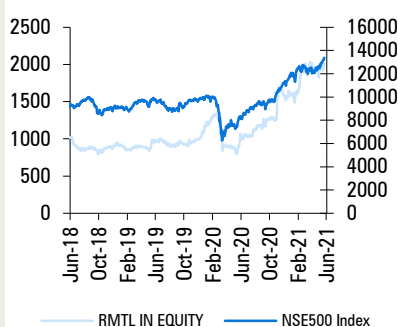
Ratnamani's Q4FY21 performance was aided by healthy EBITDA margins. Going forward, for FY22E and FY23E, we model EBITDA margin of 17.5% and 18.0%, respectively (FY21 EBITDA margins were at 17.4%). We value the stock at 25x FY23E EPS of ₹ 96 and arrive at a target price of ₹ 2400 (earlier ₹ 1900). We maintain our **BUY** recommendation on the stock.



Particulars

Particulars	
Market Capitalisation (₹ crore)	9,346
Total Debt (FY21) (₹ crore)	196
Cash & Cash Eq (FY21) (₹ crore)	690
EV (₹ crore)	8,852
52 week H/L (₹)	2141 / 890
Equity Capital (₹ crore)	9.3
Face Value	₹ 2

Price Performance



Key risks to our call

- Any notably slowdown in demand for steel pipes (both SS as well as CS)
- Higher than expected increase in operating costs

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Key Financial Summary

(₹ Crore)	FY18	FY19	FY20	FY21	FY22E	FY23E	CAGR FY21-23E
Net Sales	1,767	2,755	2,583	2,298	3,068	3,571	24.6%
EBITDA	266	407	424	400	537	643	26.8%
EBITDA Margin (%)	15.1	14.8	16.4	17.4	17.5	18.0	
PAT	152	253	307	276	356	449	27.5%
EPS (₹)	32.5	54.1	65.8	59.0	76.2	96.0	
EV/EBITDA (x)	35.4	22.3	21.8	22.1	16.1	13.0	
RoCE (%)	17.1	24.3	19.0	15.7	19.3	20.1	
RoE (%)	11.6	16.6	18.0	13.9	15.7	16.9	

Source: Company, ICICI Direct Research

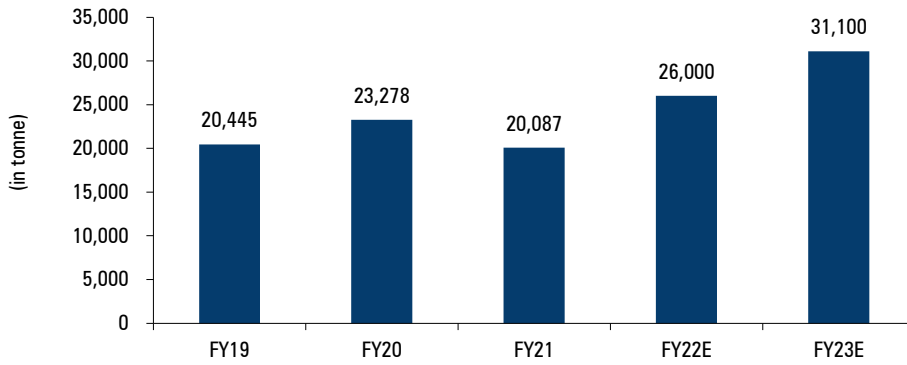
Exhibit 1: Variance Analysis

	Q4FY21	Q4FY21E	Q4FY20	YoY (%)	Q3FY21	QoQ (%)	Comments
Total Operating Income	696	664	630	10%	443	57%	Topline came in higher than our estimates
Other Income	9	14	13	-35%	12	-29%	
Total Operating Expenses	537	560	533	1%	361	49%	
EBITDA	159	104	97	64%	81	96%	EBITDA came in higher than our estimate
EBITDA Margin (%)	22.8	15.7	15.4	744 bps	18.1	469 bps	EBITDA margin came in higher than our estimate
Depreciation	15	14	15	3%	13	12%	
Interest	6	6	6	4%	6	-3%	
Exceptional Items	0	0	0	NA	0	NA	
PBT	147	98	90	63%	74	98%	
Tax Outgo	37	23	23	64%	14	166%	
PAT	109	75	67	62%	60	82%	PAT came in higher than our estimate
Key Metrics (Volume in tonne)							
Stainless Steel (SS)	5792	5750	6643	-13%	5015	15%	Stainless steel volume came in higher than our estimate
Carbon Steel (CS)	63511	47500	60663	5%	32968	93%	Carbon steel volume came in higher than our estimate

Source: Company, ICICI Direct Research

Financial story in charts

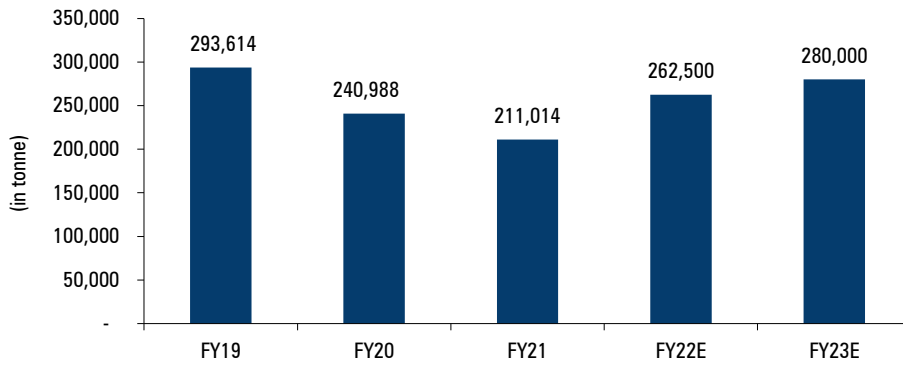
Exhibit 2: Trend in stainless steel volumes (in tonnes)



For the stainless steel segment, we model sales volume of 26000 tonnes for FY22E and 31100 tonnes for FY23E

Source: Company, ICICI Direct Research

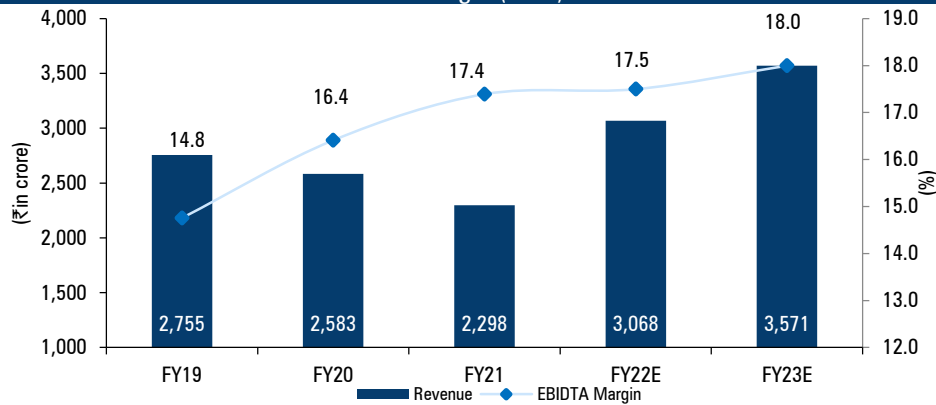
Exhibit 3: Trend in carbon steel volumes (in tonnes)



For the carbon steel segment, we model sales volume of 262500 tonnes for FY22E and 280000 tonnes for FY23E

Source: Company, ICICI Direct Research

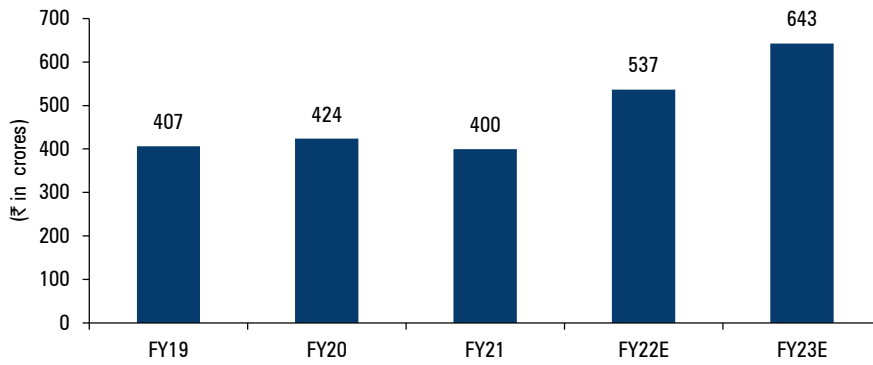
Exhibit 4: Trend in revenue & EBITDA margin (in %)



We model EBITDA margin of 17.5% for FY22E and 18% for FY23E

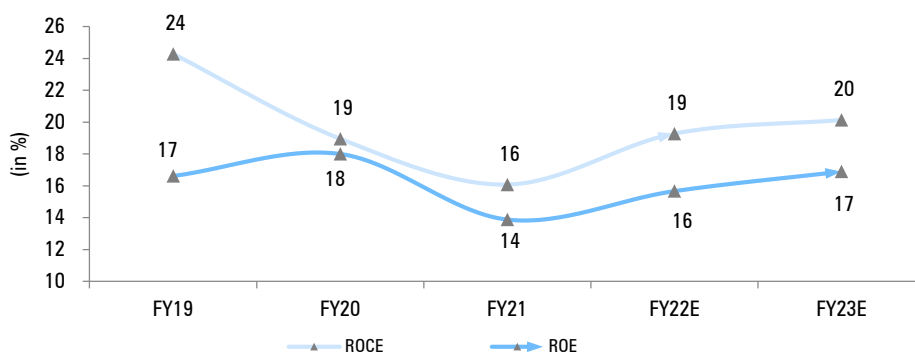
Source: Company, ICICI Direct Research

Exhibit 5: Trend in EBITDA (in crore)



Source: Company, ICICI Direct Research

Exhibit 6: Trend in RoE & RoCE (in %)



Source: Company, ICICI Direct Research

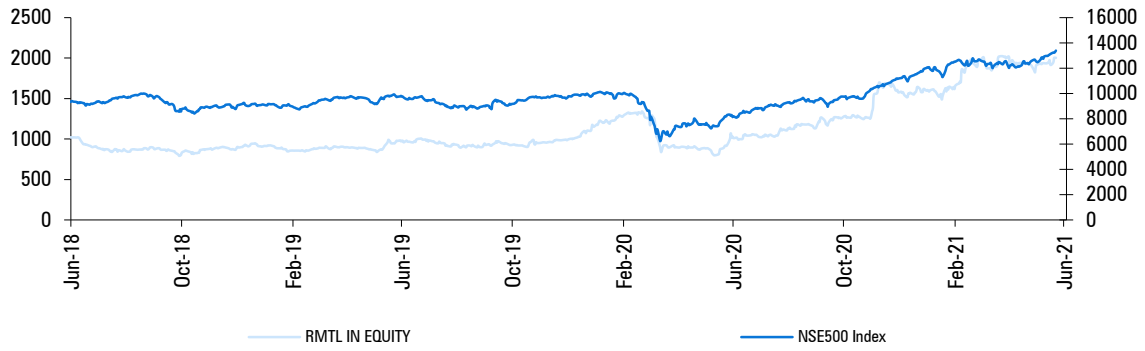
Exhibit 7: Valuation Matrix

	Sales (₹ crore)	Growth (%)	EPS (₹)	Growth (%)	PE (x)	P/BV (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY18	1,767	25	32	5	62	7	35	12	17
FY19	2,755	56	54	67	37	6	22	17	24
FY20	2,583	(6)	66	22	30	5	22	18	19
FY21	2,298	(11)	59	(10)	34	5	22	14	16
FY22E	3,068	34	76	29	26	4	16	16	19
FY23E	3,571	16	96	26	21	4	13	17	20

Source: ICICI Direct Research, Company



Exhibit 8: Recommendation History vs. Consensus



Source: Bloomberg, Company, ICICI Direct Research

Exhibit 9: Shareholding Pattern

(in %)	Sep-20	Dec-20	Mar-21
Promoter	60.2	60.2	60.2
Others	39.8	39.8	39.8
Total	100.0	100.0	100.0

Source: Company, ICICI Direct Research



Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Total Operating Income	2,583	2,298	3,068	3,571
Growth (%)	-6%	-11%	34%	16%
Total Operating Expenditure	2,159	1,898	2,531	2,928
EBITDA	424	400	537	643
Growth (%)	4%	-6%	34%	20%
Interest & Finance Cost	21	23	20	18
Depreciation	59	57	99	109
Other Income	62	43	58	84
PBT before Exceptional Items	406	363	476	599
Less: Exceptional Items	0	0	0	0
PBT	406	363	476	599
Total Tax	99	87	120	151
PAT	307	276	356	449
Growth (%)	22%	-10%	29%	26%
EPS	65.8	59.0	76.2	96.0

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Profit/(Loss) after taxation	307	276	356	449
Add: Depreciation & Amortization	59	57	99	109
Net (Inc) / dec in Current Assets	-255	361	-192	-182
Net Inc / (dec) in Current Liabilities	152	-148	123	87
CF from operating activities	263	545	387	463
(Inc)/dec in Investments	48	-482	-25	-289
(Inc)/dec in Fixed Assets	-311	-127	-100	-100
Others	0	0	0	0
CF from investing activities	-263	-609	-125	-389
Inc / (Dec) in Equity Capital	0	0	0	0
Inc / (Dec) in Loans	155	-24	-196	0
Dividend & Dividend Tax	-66	-65	-70	-70
Others	-57	33	6	8
CF from financing activities	32	-56	-261	-62
Net Cash flow	32	-119	1	12
Opening Cash	142	173	54	55
Closing Cash	173	54	55	67

Source: Company, ICICI Direct Research

Exhibit 12: Balance sheet				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Liabilities				
Equity Capital	9	9	9	9
Reserve and Surplus	1,699	1,977	2,263	2,642
Total Shareholders funds	1,708	1,986	2,273	2,651
Total Debt	220	196	0	0
Deferred Tax Liability	31	39	39	39
Other Non Current Liabilities	11	17	23	32
Source of Funds	1,970	2,239	2,335	2,721
Net Block	500	865	912	903
Capital WIP	371	76	30	30
Net Fixed Assets	871	941	942	933
Investments	155	637	662	951
Inventory	859	537	630	734
Cash	173	54	55	67
Debtors	370	403	504	587
Loans & Advances & Other CA	115	44	41	37
Total Current Assets	1,518	1,038	1,230	1,424
Creditors	264	243	336	391
Provisions & Other CL	310	134	163	195
Total Current Liabilities	574	376	499	586
Net Current Assets	943	661	731	837
Other Assets	0	0	0	0
Application of Funds	1,970	2,239	2,335	2,721

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
	₹ crore			
(Year-end March)	FY20	FY21	FY22E	FY23E
Per share data (₹)				
EPS	65.8	59.0	76.2	96.0
Cash EPS	78.3	71.2	97.4	119.4
BV	365.6	425.1	486.3	567.3
DPS	12	14	15	15
Cash Per Share	139.7	151.9	173.0	196.4
Operating Ratios (%)				
EBITDA margins	16.4	17.4	17.5	18.0
PBT margins	15.7	15.8	15.5	16.8
Net Profit margins	11.9	12.0	11.6	12.6
Inventory days	121	85	75	75
Debtor days	52	64	60	60
Creditor days	37	39	40	40
Return Ratios (%)				
RoE	18.0	13.9	15.7	16.9
RoCE	19.0	15.7	19.3	20.1
RoIC	20.8	16.1	19.7	20.6
Valuation Ratios (x)				
P/E	30.4	33.9	26.2	20.8
EV / EBITDA	21.8	22.1	16.1	13.0
EV / Revenues	3.6	3.9	2.8	2.3
Market Cap / Revenues	3.6	4.1	3.0	2.6
Price to Book Value	5.5	4.7	4.1	3.5
Solvency Ratios				
Debt / Equity	0.1	0.1	0.0	0.0
Debt/EBITDA	0.5	0.5	0.0	0.0
Current Ratio	2.3	2.6	2.4	2.3
Quick Ratio	0.8	1.2	1.1	1.1

Source: Company, ICICI Direct Research



Exhibit 14: ICICI Direct coverage universe (Metals and Mining)

	CMP	TP	Rating	M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			ROCE(%)			ROE(%)		
	(₹)	(₹)		(₹ Cr)	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E	FY21	FY22E	FY23E
Coal India	149	140	Hold	92904	20.3	21.0	22.7	6.5	6.3	5.9	3.7	4.1	4.3	39.6	35.6	33.0	33.6	30.3	28.2
Hindalco	400	475	Buy	89775	25.5	42.6	45.7	15.6	9.3	8.7	7.8	6.1	5.4	8.8	11.7	12.0	8.5	13.4	12.7
Hind Zinc	325	340	Hold	140332	18.7	23.6	27.2	15.0	12.0	10.4	9.2	7.0	5.8	27.3	30.4	30.1	25.1	27.5	26.9
JSW Steel	712	800	Buy	172082	32.9	76.0	70.2	20.6	8.9	9.7	10.7	6.5	6.7	13.8	21.4	17.6	17.0	28.3	20.8
NMDC	185	125	Hold	54319	17.1	11.9	3.7	6.6	9.5	8.2	4.7	5.6	5.0	21.4	13.2	14.0	16.7	10.9	11.9
Ratnamani	1980	2400	Buy	9159	59.0	76.2	96.0	33.9	26.2	20.8	22.1	16.1	13.0	15.7	19.3	20.1	13.9	15.7	16.9
Graphite Ind.	763	825	Buy	14949	3.0	55.0	84.0	224.0	12.6	8.2	NA	9.1	4.6	-5.4	19.0	25.2	1.3	19.3	23.4
Tata Steel	1122	1500	Buy	134858	77.1	189.3	152.9	14.8	6.0	7.5	7.2	4.2	4.5	13.1	23.2	18.4	12.4	23.6	15.7
Sail	122	130	Buy	50665	9.0	15.0	17.0	10.7	6.6	6.0	6.0	5.2	4.6	11.2	12.2	12.3	9.3	12.7	12.5
Jindal Stainless	94	125	Buy	4604	8.6	9.4	10.2	11.0	10.1	9.3	5.4	5.4	5.5	16.0	14.2	12.7	13.0	12.5	11.9
Jindal Stainless Hisar	177	244	Buy	4165	29.0	27.0	32.0	6.3	6.8	5.7	5.2	5.1	4.1	18.6	15.8	16.9	23.2	17.4	16.8
Vedanta	277	300	Hold	102353	33.0	37.9	41.0	8.4	7.4	6.8	5.3	4.0	3.5	17.3	22.5	23.6	19.7	19.9	18.9

Source: Company, ICICI Direct Research



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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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