

Ratnamani Metals and Tubes (RATMET)

CMP: ₹ 1681

Target: ₹ 1967 (17%)

Target Period: 12 months

BUY

June 30, 2022

Turns ex-bonus today...

About the stock Ratnamani Metals & Tubes (RMTL) is a niche player with superior capabilities in the domestic industrial pipes and tube segment. RMTL manufactures a wide range of stainless steel and carbon steel pipes & tubes, which find application in key end user industries like oil & gas refineries, power, healthcare, etc.

- Ratnamani Metals and Tubes (RMTL) has an impressive capital allocation strategy and best in class operating margins and return ratios
- RMTL has healthy cash flow and strong balance-sheet. It is one of the few players in the steel pipe sector having net cash position on its balance-sheet

Turns ex-bonus on June 30, 2022

- The company made an announcement of bonus share on May 18, 2022. The ratio was one bonus share for every two equity shares held, i.e, 1:2. The record date for the same is July 1, 2022 while the ex-date for the same is June 30, 2022 (today). Consequently, Ratnamani Metals and Tubes (RMTL) share price has been adjusted to opening price of ₹ 1681/share from closing price of ₹ 2521/share yesterday. Accordingly, our target price has also been revised to ₹ 1967/share post this corporate action. We have valued Ratnamani Metals and Tubes at 25x FY24E EPS of ₹ 78.7. We maintain our **BUY** rating on the stock

Key triggers for future price performance:

- Order book as on May 1, 2022 was at ₹ 2223 crore (₹ 1912 crore as on February 1, 2022). As on May 1, 2022, stainless steel (SS) order book was at ₹ 650 crore (₹ 666 crore as on February 1, 2022) while carbon steel (CS) orders were at ₹ 1573 crore (₹ 1246 crore as on February 1, 2022)
- Over FY22-24E, we expect the topline to grow at a CAGR of 19% while EBITDA, PAT are expected to register CAGR of 26%, 31%, respectively



Particulars

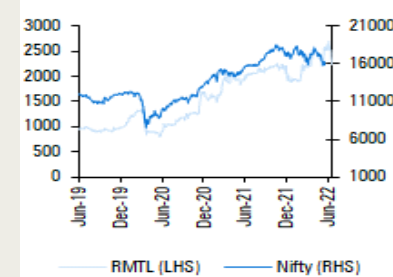
Particulars

Market Capitalisation (₹ crore)	11,840
Total Debt (FY22) (₹ crore)	148
Cash & Cash Eq (FY22) (₹ crore)	151
EV (₹ crore)	11,837
52 week H/L (₹)	2857 /1855
Equity Capital (₹ crore)	9.3
Face Value	₹ 2

Shareholding pattern

(in %)	Jun-21	Sep-21	Dec-21	Mar-22
Promoter	60.2	60.2	60.2	60.2
FIs	11.9	11.9	12.0	12.1
DIs	14.1	15.3	16.0	16.3
Public	13.9	12.7	11.8	11.5
Total	100.0	100.0	100.0	100.0

Price Chart



Key risks

- Any notable slowdown in demand of steel pipes (both Stainless Steel and Carbon Steel)
- Higher than expected increase in operating costs

Research Analyst

Dewang Sanghavi
dewang.sanghavi@icicisecurities.com

Key Financial Summary

(Year-end March)	FY19	FY20	FY21	FY22	CAGR (17-22) in %	FY23E	FY24E	CAGR (22-24E) in %
Total Operating Income (₹ crore)	2,755	2,583	2,298	3,139	17	3,717	4,411	19
EBITDA (₹ crore)	407	424	400	495	14	632	783	26
EBITDA Margin	14.8%	16.4%	17.4%	15.8%		17.0%	17.8%	
Net Profit (₹ crore)	253	307	276	322	17	428	551	31
EPS (₹)	36.1	43.9	39.4	46.0		61.1	78.7	
P/E (x)	46.4	38.2	42.6	36.4		27.4	21.3	
RoCE (%)	24.3	19.0	15.7	17.3		19.6	21.1	
RoE (%)	16.6	18.0	13.9	14.3		16.4	17.8	

Source: Company, ICICI Direct Research

RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



Pankaj Pandey

Head – Research

pankaj.pandey@icicisecurities.com

**ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruiti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com**

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