

Rajratan Global Wire Ltd

Holding On To the Wheels of High Growth

Rajratan Global Wire Ltd (Rajratan) is a tyre ancillary, manufacturing bead wire, a critical component used in the manufacture of tyres. Rajratan has well established and profitable operations based out of India and Thailand. It deals with nearly every tyre company in India as its customer. Considering the future growth visibility, we assign **ACCUMULATE** rating with target price of Rs1,233 per share.

Investment Rationale

- Rajratan is among the largest 'pure play' tyre bead wire manufacturers in Asia (excluding China) and the only bead wire manufacturer in Thailand. The total installed manufacturing capacity of 112,000 MTPA bead wire and black wire, positions it among the leading bead wire manufacturing companies in the world. It has the highest market share (~42%) of TBW in India and significant (~28%) market share in Thailand.
- TBW business is characterised by extended gestation periods as a result of time taken by tyre companies to approve products and processes. Rajratan enjoys approvals (first-time and repeat) from some of the largest and most prestigious tyre companies operating around the world, transforming one-off transactions into enduring relationships. They are together approved by over 30 tyre manufacturers across the globe as preferred suppliers.
- Rajratan has been able to increase its profitability as well as return on capital employed over FYs 2018-22, indicating capability of commanding superior price from its customers.
- Rajratan shall have significant operating leverage to cater to the growth in demand, post expansion from 112,000 MTPA to 192,000 MTPA capacity.

Key Risks

- Delay in completion of Chennai project would lead to decline in volume.
- Decline in gross margins due to competitive intensity.

Valuation

Rajratan is currently trading at P/E of 16.6x on FY25 basis. We have valued the stock based on P/E methodology. Since, the entire Chennai capacity is expected to be completed in FY25, we have assigned multiple of 18x (3-year forward) on FY25E PAT of Rs3,477mn to arrive at a target price of **Rs1,233** per share, which is potential upside of ~8.2% from current market price and recommend **"ACCUMULATE"** on the stock.



East India Securities Ltd
Excellent | Investment | Solutions

Rating: **Accumulate** Upside/(Downside): **8.2%**
CMP: **1,140** Target Price: **1,233**

Market Data

Bloomberg:	RGW:IN
52-week H/L (Rs):	1155 / 381
Mcap (Rs bn/USD bn):	57.8/0.73
Shares outstanding (mn):	50.77
Free float:	35.0%
Daily vol. (3mth Avg)	140 mn
Face Value (Rs):	2

Source: ACE Equity, EISEC Research

Shareholding pattern

	Jun-22	Mar-22	Dec-21	Sep-21
Promoter	65.0	65.0	65.0	65.0
FII	-	-	-	-
DII	8.0	8.0	8.6	8.7
Public/others	27.0	27.0	26.4	26.3

Source: Ace Equity

Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
BSE Small cap	5.3	10.1	10.5	6.4
Rajratan	10.0	54.1	137.0	177.6

*As on 5 September 2022 Source: Ace Equity, EISEC Research

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Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Fully DEPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY21	5,465	13.8%	921	16.9%	531	60.8%	10.5	27.1%	24.3%	108.9	63.4
FY22	8,929	63.4%	1,816	20.3%	1,243	134.0%	24.5	49.1%	39.5%	46.5	32.1
FY23E	10,766	20.6%	2,223	20.6%	1,384	11.3%	27.3	33.3%	27.7%	41.8	25.8
FY24E	14,172	31.6%	3,223	22.7%	2,105	52.1%	41.5	36.7%	25.8%	27.5	17.9
FY25E	18,922	33.5%	5,057	26.7%	3,477	65.2%	68.5	44.4%	29.1%	16.6	11.2

Source: Company, EISEC Research Estimates

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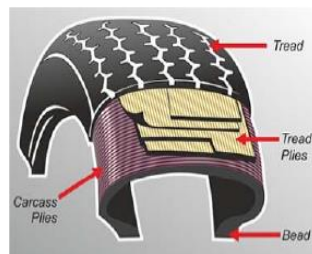
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Business

Products

- Rajratan specializes in automotive tyre bead wires (TBW) and high carbon steel wires, with TBW accounting for ~90% of capacity and revenue.
 - *Tyre Bead Wire:* TBW is a drawn steel wire, which is manufactured from steel wire rods with high carbon content. Its surface is coated with copper or bronze which ensures proper adhesion with the rubber compound. Its application is in all types of tyres (tube and tubeless). The main function of a TBW is to hold the tyre on the rim and to resist the action of the inflated pressure, which constantly tries to force it off. It produces a range of sizes of bead wire. TBW is the crucial link through which the vehicle load is transferred from rim to the tyre, which prevents vibration during driving. TBW maintains the safety, strength and durability of tyres. Tyres for automobiles, earth-moving equipment, aircraft, cycles, passenger vehicles, two-wheelers, three-wheelers, and truck bus radials have TBW that Rajratan manufactures and supplies.

Fig 1: Components of a Tyre



Source: Company, EISEC Research

- *High carbon steel wire:* These are drawn steel wires (popularly known as black wire) manufacturing from quality wire rods with high carbon contents. The product plays a vital role in the automobile, construction and engineering industries. It is used to create springs or high strength wires.
- TBW's application is in all types of tyres (i.e. traditional and radial, tube and tubeless) across the automobiles, off road vehicles and aircraft segment.
- The role of a tyre – Rajratan's principal downstream product – is becoming increasingly critical in the success of automobile brands, underscoring the use of quality resources (bead wire being one). Even as the cost of a bead wire in a tyre accounts for only 2-4% of the total cost of a tyre, but ranks very high in safety parameters and is a highly critical product for any tyre manufacturer.

Operations

India

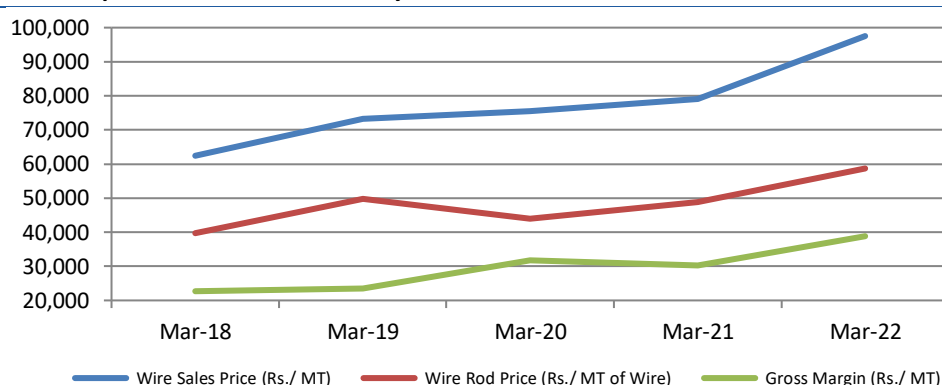
- Rajratan's India operations are located in Pithampur, near Indore in Madhya Pradesh and housed in the parent company, Rajratan Global Wire Ltd (RGWL).
- RGWL has the highest market share (~42%) of TBW in India with its manufacturing capacity being the largest in India.

Fig 2: Operating history of India operations:

India Operations	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Capacity (MTPA)	36,000	40,500	72,000	72,000	72,000
Capacity Utilisation (%)	91%	100%	54%	58%	77%

Source: Company, EISEC Research

- While RGWL completed its expansion in 2019, wire sale tonnage at RGWL grew at a CAGR of ~13.1% in the period 2018-22.
- In a business where the cost of raw material accounts for 60%-65% of the total cost of production and where costs can be passed on to downstream customers only once every quarter, RGWL has been able to increase the gross margin per MT at a CAGR of ~11.1% in the period 2018-22. This indicates improving capability of passing on increase in RM costs to its customers.

Fig 3: India Operations Gross Profitability


Source: Company, EISEC Research

- RGWL had to work closely with some of its longstanding raw material suppliers to keep its production lines running at all times. RGWL could obtain a larger share of the customer wallet by generating ~83% of its revenues from customers with whom they have been associated for 5 years or more.

Thailand

- Thailand is Asia's largest tyre manufacturing hub and is the source of ~40% of the world's raw rubber supply and the world's largest rubber exporter. Most of the major global tyre players such as Bridgestone, Michelin, Sumitomo, Yokohama, Goodyear, among others, have production facilities in Thailand.
- In 2006, Rajratan initiated construction of the plant in Ratchaburi, Thailand, in a subsidiary, Rajratan Thai Wire Co. Ltd (RTWCL). RTWCL commenced commercial production in June 2008.
- RTWCL is the sole manufacturer of TBW in Thailand and the facility is close to major ports and customers.
- RTWCL enjoys a ~28% market share of sale to tyre manufacturers in Thailand.

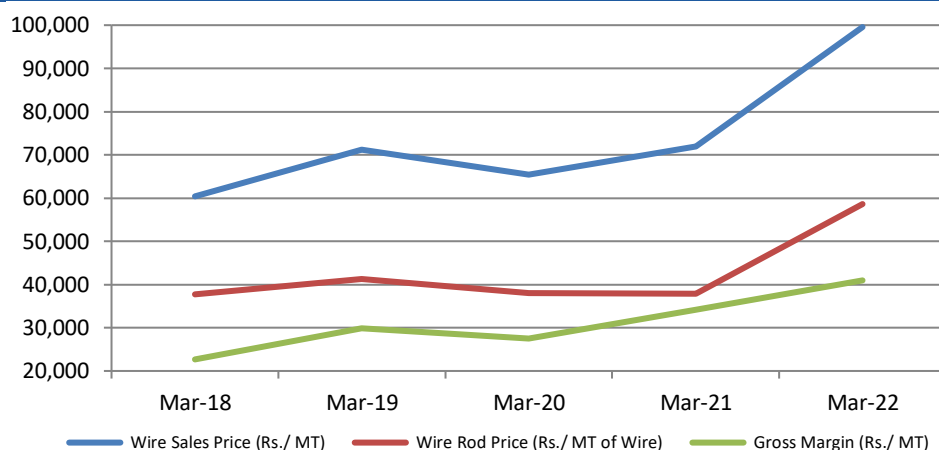
Fig 4: Operating history of Thailand operations:

Thailand Operations	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22
Capacity (MTPA)	27,000	34,800	34,800	34,800	40,000
Capacity Utilisation (%)	83%	74%	79%	84%	89%

Source: Company, EISEC Research

- The TBW business is characterised by extended gestation periods as a result of the time taken by prominent tyre companies to approve products and processes. RTWCL has had to painstakingly endure this period of obtaining approvals from some of the major tyre manufacturing companies in Thailand. In the initial period, RTWCL's capacity ramp up was aided by Rajratan's shift in a number of Indian customer orders to the Thailand plant.
- Wire sale tonnage at RTWCL grew at a CAGR of ~12.8% in the period 2018-22.
- RTWCL generated half of its revenues from Thailand and the rest from India, Sri Lanka, Malaysia, Indonesia, Philippines, Vietnam, Pakistan and a number of European countries.
- Over 2018-22, RTWCL has successfully managed to increase its gross margin per MT at a CAGR of ~10.7%.

Fig 5: Thailand Operations Gross Profitability



Source: Company, EISEC Research

- RTWCL is in the process of increasing its manufacturing capacity from 40,000 TPA to 60,000 TPA to meet the growing demand in Thailand market. The project is expected to begin commercial production by Q2FY23.
- This additional capacity will allow Rajratan to scale its operations in the domestic market, optimise costs and strengthen the overall bottom line of the Company.

Expansion

- Chennai is home to some of the largest automotive and tyre companies in India. It is one of the largest contributors to automobile sector and among the top 10 global auto hubs in the world. Similarly, some of the biggest tyre manufacturing companies of the world are also based in and around Chennai.
- Rajratan is setting up a 60,000 TPA greenfield unit for manufacturing tyre bead wire at Sipcot Industrial Park, near Chennai.
- It has started construction and civil work at the new greenfield plant. All approvals have been received from Government of Tamil Nadu as per targeted schedule.
- Trial production is likely to commence before end of FY 2022-23. The plant is expected to commence partial operations in Q2FY24 while full capacity installation is expected by FY25.
- The Chennai facility will unlock the next level of growth for Rajratan. It will further strengthen Rajratan's market leadership in India and its position as a leading player in bead wire globally.
- As the demand for tyre increases, the new facility will help Rajratan double its manufacturing capacity in India to meet the growing market demand. The state-of-the-

art plant is designed to avoid any possible bottlenecks in the production process and deliver improved material management efficiency.

- Compared to Pithampur and Ratchabhuri plant, only 40% employees would be needed at Chennai. The reduced employee cost per tonne is expected to be Rs.1,000/- (Source: Company).
- Proximity to sourcing from Karnataka and delivery to customers in Chennai will bring down freight cost per tonne to Rs.1,250/- (Source: Company).
- The greenfield plant in Chennai will not only help expand customer base, but also increase Rajratan's product offerings to existing customers. The new plant will largely be automated to enhance efficiencies and plant uptime.
- The proximity of the plant to the port will also improve Rajratan's exports from India and further improve synergies with the Ratchabhuri plant as well.

About Rajratan

Shareholding

The details of the shareholding as on 30th June 2022 are indicated in the following table:

Fig 6: Latest Shareholding

Particulars	% Holding
Promoter Group	65.0
Mutual Funds / UTI	8.0
Alternate Investment Funds	0.01
Public	27.0
Total Shareholding	100.00

Source: AceEquity, EISEC Research

Board of Directors

Fig 7: Details of Board of Directors

Name	Designation	Profile
Mr. Sunil Chordia	Chairman & Managing Director	<p>The promoter of Rajratan Global Wire Ltd, Mr. Sunil Chordia started his career at an early age and joined the family business of iron and steel trading. He is a science graduate and then did his MBA (Finance) in 1987. In the year 1990, the family decided to foray into manufacturing Prestressed Concrete Wires and Pre-stressed Concrete Strands. That is when Rajratan Wire was born with a manufacturing facility in Pithampur, Madhya Pradesh. He was entrusted with the daunting task of leading the new business. Having witnessed early success in the new venture, he decided, in 1995, to grow the business and diversify into making Bead Wire. With the vision of providing superior quality and customer service, he undertook various innovative measures to grow Rajratan where it is today. He participated in various cross-country collaborations to introduce best manufacturing practices at his own manufacturing facility. This resulted in the evolution of an indigenous technology into a world-class manufacturing setup with a skilled and informed workforce and products competing in international markets. His relentless approach to learning to stay ahead of the curve led to Rajratan's strong foundation and leadership position in India, and strong global presence. The Thailand facility, which the Chairman had envisioned, is now an important contributor to Rajratan's overall global business ambitions. To cater to the substantial tyre capacities based out of South India & to set up a right feeder capacity to global markets, particularly Europe and US - Mr. Sunil has chosen Chennai as the strategic location for Rajratan's third bead wire facility. He continues to hold various responsible positions in several industry and trade associations. Presently he is chairman of CII Western Region.</p>
Mr. Yashovardhan Chordia	Non-Executive Director	<p>Mr. Yashovardhan Chordia has inherited his father's business acumen. Driven by his flair for people management, he opted for a Bachelor's degree in Finance and Psychology in Foundation of Liberal and Management Education (FLAME), Pune where he was mentored by industry veterans. He subsequently joined a boutique management consulting firm that provides implementation services to mid-sized companies. During his two-year stint, he undertook an operational turnaround project for a major steel manufacturer. He joined Rajratan in 2013, shouldering the responsibility of leading the Thailand business, which was undergoing teething problems, it being a greenfield project. Five years down the line, the Thailand business has tripled its market share and production capacity, doubled its turnover and has become profitable under his able leadership. The plant efficiency also increased significantly. The Thai business has become a reliable supplier to various Japanese, Chinese, Thai and other global tyre companies. He is a part of Young Entrepreneurs Club in Thailand and EO – Indore. Mr. Yashovardhan Chordia continues to helm the Thailand facility and has been instrumental in enhancing capacity, improving quality of operations, and above all charting a clear roadmap for the business, so that the Thai facility can cater to more local and global customers. With his proven transformation experience and successfully handling global clients, Mr. Yashovardhan is actively driving the efforts on global outreach strategy for Rajratan.</p>

Name	Designation	Profile
Mr. Abhishek Dalmia	Non-Executive Director	<p>Mr. Abhishek Dalmia is the Chairman of the Renaissance Group and one of the most well-known value investors in India. Mr. Abhishek started early with the family's cement business and gained a solid understanding of building businesses. Post that he pivoted to investing and building out his family office which started with a hostile bid for Gesco Corporation, which was a well-known transaction at that point in time.</p> <p>Mr. Abhishek has, over the years, successfully invested, acquired and run multiple companies - few notable ones being Revathi Equipment, a blast hole drilling rig manufacturing company and Semac Consultants an EPC company specialising in designing and building industrial projects. He is long term value investor with deep knowledge of multiple asset classes. When he is not investing, Mr. Abhishek works towards the cause of education. He has also played a pivotal role in building out YPO, Delhi and has served on the Board of YPO, South Asia.</p>
Mr. Shiv Singh Mehta	Independent Director	<p>Mr. Shiv Singh Mehta holds a Bachelor's degree in Engineering in Electronics with distinction and also a Master's degree in Business Administration. He is the founder and Managing Director of the Kriti Group of Industries. The Group, with an annual turnover of Rs. 1,200 Crores, comprises Kriti Industries (I) Ltd and Kriti Nutrient Ltd. These companies manufacture an umbrella of products under the brand names of Kasta, Kriti, Koresil and Mixwell. The Kriti Group has a presence in over 17 states in India and is a recognised export house by the Government of India. Mr. Shiv continues to be actively involved with various associations. He was the President of Organisation of Plastic Processors of India (OPPI) and also chairman at Indore Management Association (IMA), Indore. He is a member of the Governing Board of Shri Sathya Sai Vidhya Vihar, Indore and Guna and the Executive committee of Soybean Oil Processors Association (SOPA). He held the position of president in All India Manufacturers' Organisation (AIMO), MP State Board and Jain International Trade Organisation (JITO), Indore. He has been conferred with various awards by Rotary International, Jaycee, Management Marshal and Arya Chanakya Udhyojak Shreshtha Puraskar by the MP government. He was also awarded the Chhavi Memorial Award for Excellence in Management</p>
Mr. Rajesh Mittal	Independent Director	<p>Mr. Rajesh Mittal is a qualified mechanical engineer and a cost accountant. He also did professional courses at Leeds University Business School, UK. Mr. Rajesh has 37 years of experience in the automotive industry. He started his career with Hindustan Motors in 1985 and moved on to Eicher Motors in 1992. He joined Volvo group in 2014. Amongst other modernisation projects at VECV, Mr. Rajesh led the VE powertrain, Cab BIW and paint plant projects. Currently, Mr. Rajesh shoulders the responsibility of President of Isuzu Engineering Business Centre, India and Deputy President of Isuzu Motors, India. He is part of the executive board in both the companies. Isuzu Motors has a footprint in more than 150 countries. Before joining Isuzu, M. Rajesh worked at UD Truck Corporation, Japan, as Senior Vice President – Logistics. Prior to this he assumed the role of Senior Vice President- Purchasing, at Volvo Group Truck Asia and Joint Ventures. He led cross-functional product cost programmes for the turnaround of group trucks business in Asia. Mr. Rajesh was also a part of the executive leadership team of Dong Feng commercial vehicles, a Volvo Group joint venture in China. He was the Senior Vice President for Manufacturing and Quality DFCV in Shiyen, China. During his two-year tenure, Mr. Rajesh made significant contributions to establish the joint venture. He also led the project of new Volvo technology 14 speed gear box plant at DFCV.</p>
Ms. Aparna Sharma	Independent Director	<p>Ms. Aparna Sharma holds a post graduate degree in Personnel Management and Industrial Relations (PM&IR) from the Tata Institute of Social Sciences (TISS), Mumbai and a Bachelors degree in Arts (History, Political Science and Economics) from Maharani Laxmibai College, Bhopal. With over 27 years of rich and diverse industry experience in Human Resources across Building Materials, Banking and Financial Services, Pharmaceuticals (including KPO), Biotechnology and Petrochemicals sectors, Ms. Aparna currently serves as a Board Mentor for various Corporate Boards. She is also a Strategic Advisor to several corporates in areas such as Strategic Leadership, Planning, Organisation Behaviour, Strategy for Board Room Effectiveness, Organisation Culture and Development, Leadership Relationships, Temperamental Traits and Derailment Factors within boards. She is an alumnus of the Institute of Directors (IOD) and is currently an Independent Director on the Boards of Baroda BNP Paribas Asset Management India Private Ltd., Hexagon Nutrition Ltd., & SMILE Microfinance Ltd. Ms. Aparna is the recipient of several awards including the Bharat Gaurav Puraskar by KTK Foundation, Women Leadership Award for BFSI (Banking, Financial Services and Insurance), Achiever of Excellence Award by Bombay Management Association (BMA) and Indian Society for Training and Development (ISTD, Mumbai), among others. She is also a celebrated author of two bestselling books – 'Reality Bytes-The Role of HR in</p>

Name	Designation	Profile
		Today's World', (English and Hindi) – Foreword by Dr. T.V. Rao and 'Between U & Me-Ordinary People, Extraordinary Lessons' - Foreword by Padma Bhushan Padma Shri Dr. Devi Shetty.
Mr. Sanjeev Sood	Independent Director	Mr. Sanjeev Sood has a rich and vast experience of around four decades in Manufacturing and P&L roles. He is a Director on the Boards of Birla Carbon (Thailand) Public Co. Ltd. and Birla Carbon India Pvt. Ltd, besides holding other Board positions in the Birla Group. Mr. Sanjeev provides leadership for Birla Carbon's manufacturing function in the Asia region and serves the role of Country Head (Group Affairs) for Aditya Birla Group in Thailand. He has been bestowed with the Lifetime Achievement Award for his contribution to tyre and carbon black industry. He is a member of the Governing Council of CMTI (Central Manufacturing and Technology Institute), an initiative by the Government of India. He is also the member of various trade bodies in Thailand such as AMCHAM, TCC, ITCC and IKCC in South Korea

Source: Company, EISEC Research

Key management personnel

Fig 8: Details of Management Personnel

Name	Designation
Mr. Sunil Chordia	Chairman & Managing Director, RGWL
Mr. Yashovardhan Chordia	Managing Director, RTWCL
Mr. Hitesh Jain	Chief Financial Officer, RGWL
Mr. Shubham Jain	Company Secretary & Compliance Officer, RGWL

Source: Company, EISEC Research

Peer Comparison

- As per Rajratan, it is singularly focused on the manufacturing of TBW, as opposed to most other players for whom this is just one product amongst many, validating its 'inch wide, mile deep' positioning.
- Tata Steel Ltd is the second largest manufacturer of steel wires in India with its wire brand Tata Wiron. It has a ~33% market share. Some of the other Indian wire players are Aarti Steels Ltd and Bedmutha Industries Ltd.
- Some of the international competitors of Rajratan are:
 1. Kiswire, Korea
 2. Bekaert, Belgium
 3. Shandong Daye, China
 4. Xingda, China
 5. Ningbo Xinglun, China
 6. Guizhou Wire Rope, China
 7. Shanghai Metal Corporation, China
 8. Heico Wire Group, USA
 9. Wireco Worldgroup, USA
- A comparison of Rajratan with some of its domestic peers is as follows:

Fig 9: Industry Comparison

Company Name	Net Sales (Rs mn)			EBITDA (Rs mn)			PAT (Rs mn)			EBITDA Margin %			PAT Margin %		
	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Rajratan Global Wire	4,929	4,802	5,465	524	680	921	267	330	531	10.63	14.16	16.85	5.42	6.88	9.72
Aarti Steels	19,176	14,921	18,056	2,169	1,537	2,622	1,186	812	1,244	11.31	10.27	14.37	6.19	5.41	6.90
Bedmutha Industries	4,912	3,608	3,884	286	265	2942	-705	-711	1,959	5.81	7.33	75.77	-14.36	-19.71	50.45

Source: AceEquity, EISEC Research

Company Name	CAGR FY17-21				ROE (%)			RoCE (%)			Dividend Payout		
	Mcap Rs mn	Revenue	EBITDA	PAT	FY19	FY20	FY21	FY19	FY20	FY21	FY19	FY20	FY21
Rajratan Global Wire	57,840	14.08	17.02	26.61	21.45	23.59	27.14	22.88	20.54	24.27	3.92	7.42	16.07
Aarti Steels	-	6.30	8.78	9.90	16.18	9.69	13.24	17.28	9.33	15.46	-	-	-
Bedmutha Industries	2,260	-	-	-	-	-	-	-1.12	-1.76	71.17	-	-	-

Source: AceEquity, EISEC Research

Why invest in Rajratan?

- Rajratan is among the largest 'pure play' tyre bead wire manufacturers in Asia (excluding China) and the only bead wire manufacturer in Thailand. The total installed manufacturing capacity of 112,000 MTPA bead wire and black wire, positions it among the leading bead wire manufacturing companies in the world.
- Rajratan's Pithampur (MP) manufacturing capacity is the largest in India. It has the highest market share (~42%) of TBW in India and significant (~28%) market share in Thailand.

Fig 10: Aggregate Production Capacity of Rajratan

Y/E March	FY18	FY19	FY20	FY21	FY22
Capacity (MTPA)	63,000	75,300	106,800	106,800	112,000

Source: Company, EISEC Research

- Tata Steel is the second largest manufacturer of steel wires in India with its wire brand Tata Wiron. Some of the other listed Indian wire players are Aarti Steels Ltd and Bedmutha Industries are also present in the TBW segment.
- Rajratan is a 'pure play' TBW manufacturer, as opposed to the above players for whom TBW is just one product amongst many.
- Although, TBW accounts for ~4% share of the final cost of a tyre it significantly affects the safety, strength and durability of tyres. Due to this, TBW business is characterised by extended gestation periods as a result of time taken by tyre companies to approve products and processes.
 - Rajratan enjoys approvals (first-time and repeat) from some of the largest and most prestigious tyre companies operating around the world. They are together approved by over 30 tyre manufacturers across the globe as preferred suppliers.
 - Rajratan generates ~83% of its revenues from customers with whom they have been associated for 5 years or more – depicting their stickiness.
 - Rajratan's customers trust it for its consistent quality benchmarks and timely delivery. Rajratan has stabilised its product quality, customer relations, service turnaround time and ability to address customised needs.

Fig 11: Marquee Customers



Source: Company, EISEC Research

- **Rajratan has been able to significantly increase its profitability as well as return on capital employed over FYs 2018-22, indicating capability of commanding superior price from its customers.**
 - Notwithstanding challenges, Rajratan has been able to improve its operating margins on the strength of its strong and continuous engagement with clients, efficient cost of production and focus on being a preferred supplier to customers.
 - Rajratan expects its margins to sustain, led by rising cost absorption per tonne of production at its plants, owing to growing capacity utilisation.
 - Over the years, Rajratan reinforced its cost competitiveness, graduating from a cost-taker's position to that of a responsible price-setter through the interplay of superior product quality and timely service.

Fig 12: Profitability & Return Parameters

Y/E March	FY18	FY19	FY20	FY21	FY22
Gross Profit (Rs./ MT)	22,689	26,026	29,957	31,870	39,659
EBITDA margin (%)	9.7%	10.4%	14.2%	16.9%	20.1%
Return on Capital Employed (%)	19.1%	22.9%	20.5%	24.3%	39.5%

Source: Company, EISEC Research

- **Rajratan shall have significant operating leverage to cater to the growth in demand, post expansion from 112,000 MTPA to 192,000 MTPA capacity.**
 - Rajratan is in the process of increasing its manufacturing capacity from 40,000 TPA to 60,000 TPA to meet the growing demand in Thailand market. The project is expected to begin commercial production by Q2FY23
 - Rajratan has started construction and civil work at the new greenfield plant at Sipcot Industrial Park, Tamil Nadu near Chennai for 60,000 TPA to target domestic as well as export markets. Trial production is likely to commence before end of FY 2022-23. The plant is expected to commence partial operations in Q2FY24 while full capacity installation is expected by FY25.

Fig 13: Targeted Production Capacity

Y/E March	FY22	FY23	FY24	FY25
TBW Production Capacity (MTPA)	112,000	132,000	162,000	192,000

Source: Company, EISEC Research

- Greenfield investments in the manufacture of bead wire could take an extended period to break even. The high capital cost per installed MT serves as a moat, restricting the number of new entrants.
- Our greenfield expansion will help our customers to de-risk their dependence on any single location. This will allow us to increase our wallet share from those customers.
- All approvals received from Govt of Tamil Nadu as per targeted schedule. 1st milestone of construction work completed as per schedule with 99% adherence to schedule. Foundation stone laid on 4th July 2022 by Hon'ble CM of Tamil Nadu.

Valuation

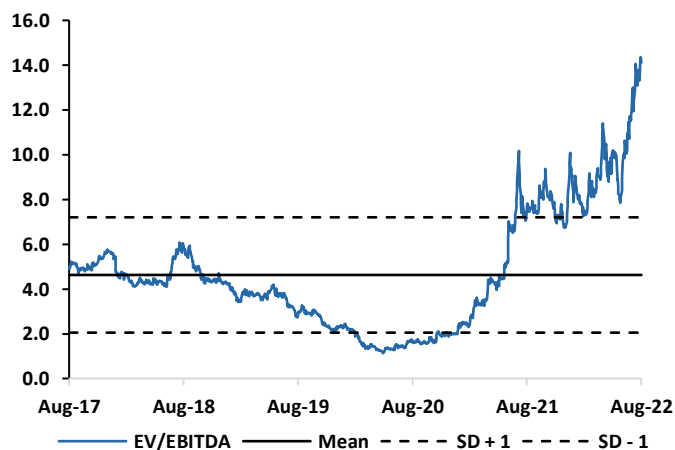
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Fig 14: 3 year forward P/E chart



Source: ACE Equity, Company, EIS Research

Fig 15: 3 year forward EV/EBITDA chart



Source: ACE Equity, Company, EIS Research

Financials Consolidated

Income Statement	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Revenues	5,465	8,929	10,766	14,172	18,922
% Growth	13.8%	63.4%	20.6%	31.6%	33.5%
Raw Materials	3,748	5,826	6,459	8,556	11,744
% of sales	68.6%	65.2%	60.0%	60.4%	62.1%
Personnel	281	327	445	628	702
% of sales	5.1%	3.7%	4.1%	4.4%	3.7%
Mfg. & Other Expenses	515	960	1,639	1,765	1,419
% of sales	9.4%	10.8%	15.2%	12.5%	7.5%
EBITDA	921	1,816	2,223	3,223	5,057
EBITDA Margin (%)	16.9%	20.3%	20.6%	22.7%	26.7%
Depreciation & Amortization	141	155	285	322	322
EBIT	780	1,661	1,938	2,901	4,735
Finance cost	134	154	107	88	88
PBT From Operations	646	1,506	1,831	2,812	4,646
Other Income	16	20	14	0	0
Share from Associates	0	0	0	0	0
PBT	663	1,526	1,845	2,812	4,646
Tax-Total	131	283	461	708	1,169
Reported PAT	531	1,243	1,384	2,105	3,477
Minority Interest	0	0	0	0	0
Adjusted PAT	531	1,243	1,384	2,105	3,477
PAT Margin	9.7%	13.9%	12.9%	14.8%	18.4%
% Growth	60.8%	134.0%	11.3%	52.1%	65.2%

Source: Company, EISEC Research Estimates

Key Ratios	FY21	FY22	FY23E	FY24E	FY25E
YE March					
Growth Ratios (%)					
Net Sales	13.8%	63.4%	20.6%	31.6%	33.5%
EBITDA	35.4%	97.1%	22.4%	45.0%	56.9%
Adjusted Net Profit	60.8%	134.0%	11.3%	52.1%	65.2%
Margin Ratio (%)					
EBITDA Margin	16.9%	20.3%	20.6%	22.7%	26.7%
PBT margins	12.1%	17.1%	17.1%	19.8%	24.6%
PAT Margin	9.7%	13.9%	12.9%	14.8%	18.4%
Return Ratios					
ROE	27.1%	49.1%	33.3%	36.7%	44.4%
ROCE	24.3%	39.5%	27.7%	25.8%	29.1%
ROIC	23.9%	39.4%	34.2%	39.0%	48.8%
Turnover Ratios (days)					
Gross Block Turnover (x)	1.9	2.7	2.5	2.4	2.4
Inventory	34	25	25	25	25
Debtors	78	30	30	30	30
Creditors	94	40	40	40	40
Cash Conversion Cycle	18	15	15	15	15
Solvency ratio (x)					
Debt-equity	0.3	0.2	0.3	0.5	0.5
Net Debt-Equity	0.3	0.1	(0.1)	(0.0)	(0.1)
Gross Debt/EBITDA	0.6	0.3	0.7	1.1	1.0
Current ratio	1.3	1.4	3.2	3.7	4.3
Interest Coverage Ratio	5.9	10.9	-	-	-
Per share (Rs.)					
Basic EPS (reported)	10.5	24.5	27.3	41.5	68.5
BV	43.8	66.4	97.5	128.6	180.0
CEPS	13.2	27.6	32.9	47.8	74.9
DPS	16.9	6.1	6.8	10.4	17.1
Dividend Payout (%)	32.2%	25.0%	25.0%	25.0%	25.0%
Valuation					
P/E	108.9	46.5	41.8	27.5	16.6
P/BV	26.0	17.2	11.7	8.9	6.3
EV/EBITDA	63.4	32.1	25.8	17.9	11.2
Dividend Yield (%)	0.3%	0.5%	0.6%	0.9%	1.5%

Source: Company, EISEC Research Estimates

Balance Sheet	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Capital	102	102	102	102	102
Reserves & Surplus	2,122	3,266	4,848	6,427	9,034
Shareholders' Funds	2,223	3,367	4,950	6,528	9,136
Minority Interest	0	0	0	0	0
Total Loan Funds	592	538	1,538	3,588	4,888
Deferred tax liabilities	106	97	97	97	97
Total Liabilities	2,921	4,002	6,584	10,213	14,120
Gross Block	2,900	3,442	4,145	5,745	8,495
Accumulated Dep.	522	677	962	1,284	1,607
Net Block	2,378	2,765	3,184	4,461	6,889
Capital WIP	89	303	600	1,250	0
Net Fixed Assets	2,467	3,068	3,784	5,711	6,889
Investments	0	0	0	0	0
Other non current assets	0	0	0	0	0
Total Non Current Assets	2,467	3,068	3,784	5,711	6,889
Inventories	510	819	737	971	1,296
Current Investments	0	0	0	0	0
Sundry Debtors	1,166	1,810	885	1,165	1,555
Cash & Bank Balances	27	36	2,036	3,619	6,186
Other current Assets	179	393	393	393	393
Total Current Assets	1,882	3,058	4,051	6,148	9,430
Sundry Creditors	1,410	2,065	1,180	1,553	2,074
Provisions	18	59	71	93	124
Total Current Liabilities	1,428	2,124	1,251	1,646	2,198
Net Current Assets	454	934	2,801	4,502	7,232
Total Assets	2,921	4,002	6,584	10,213	14,120

Source: Company, EISEC Research Estimates

Cash Flow	FY21	FY22	FY23E	FY24E	FY25E
YE March (Rs mn)					
Operating profit before WC changes	148	859	2,028	2,280	3,560
Changes in working capital	330	362	(133)	118	164
Cash flow from operations	479	1,221	1,895	2,398	3,724
Capex	301	1,020	1,000	2,250	1,500
Adj. FCF	177	201	895	148	2,224
Cash flow from investments	(265)	(931)	(986)	(2,250)	(1,500)
Cash flow from financing	(188)	(281)	1,091	1,436	343
Net change in cash	26	9	2,000	1,583	2,566

Source: Company, EISEC Research Estimates

Capacity & Cap. Utilisation	FY21	FY22	FY23E	FY24E	FY25E
Capacity (MTPA)					
- India	72,000	72,000	72,000	132,000	132,000
- Thailand	34,800	40,000	60,000	60,000	60,000
Capacity Utilisation (%)					
- India	58.4%	76.1%	90.7%	72.2%	89.4%
- Thailand	83.5%	94.3%	80.4%	90.8%	98.3%

Source: Company, EISEC Research Estimates

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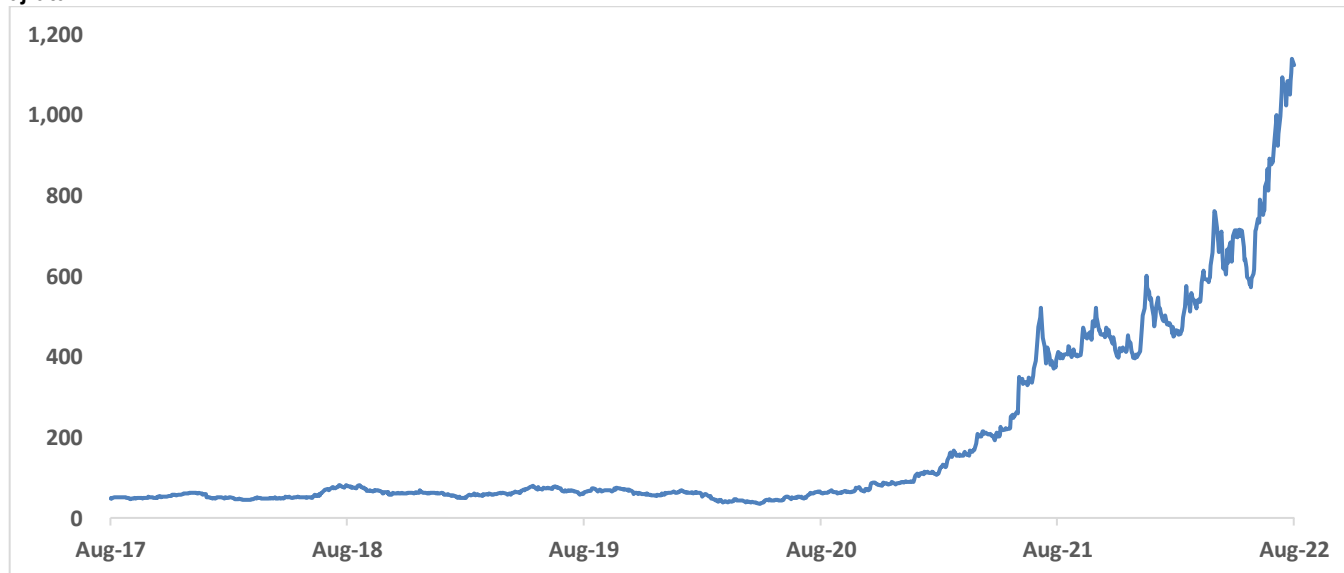
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Rajratan



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