

Rajratan Global Wire Ltd

Holding on to the wheels of growth despite a speed bump

Rajratan Global Wire (Rajratan) had a turbulent quarter in Q4FY24

Revenue at Rs.2,396 mn - increased by 9.2% yoy/ 3.0% qoq

EBITDA at Rs.344 mn - increased by 1.8% yoy/ 0.5% qoq

EBITDA margin at 14.4% - down by 104 bps yoy/ 35 bps qoq

PAT at Rs.202 mn - declined by 0.2% yoy but increased by 2.8% qoq

Moderate operational performance:

- India volume at 15,718 MT was lower by 6.0% yoy/ but higher by 2.0% qoq. Realization at ~Rs.88,764/ MT was down by 7.9% yoy/ 0.7% qoq. The capacity utilization levels in Q4 stood at ~87%.
- Thailand volume at 13,193 MT was up 109.4% yoy/ 25.6% qoq. Realization at ~Rs.75,836/ MT was down 18.0% YoY & 2.0% qoq. The capacity utilization levels in Q4 improved to ~88%. Volumes improved on account of improved demand from tyre companies.
- Gross margin per MT was lower by 16.2% yoy/ 4.4% qoq at Rs.28,020/ MT.
- EBITDA margin was 14.4% down by 104 bps yoy/ 35 bps qoq, primarily on account of lower gross margins.

Future Outlook

Rajratan is going through a transformational phase in the industry with aggressive supplies by competitors from China on account of lower demand in China, coupled with the ensuing geopolitical situation in Europe and Middle East. Chennai expansion is on stream and is expected to start commercial operations in Q1 FY25. Focus will be on volume growth with a willingness to sacrifice profitability margins depending on the customer and business conditions.

Key Risks

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

Valuation

Rajratan is currently trading at P/E of 20.1x on FY26 basis. We have valued the stock based on P/E methodology. Since, the entire Chennai capacity is expected to commence commercial production in Q1FY25, we have assigned multiple of 20x (2-year forward) on FY26E PAT of Rs1,598mn to arrive at a target price of **Rs630** per share, which is potential upside of ~0.1% from current market price and recommend **"HOLD"** on the stock.



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INDIA

Rating: **Hold** Upside/(Downside): **0.1%**
CMP: **628.95** Target Price: **630**

| Market Data

Bloomberg:	RGW:IN
52-week H/L (Rs):	880 / 578
Mcap (Rs bn/USD bn):	31.9/0.39
Shares outstanding (mn):	50.77
Free float:	34.9%
Daily vol. (3mth Avg)	75.4 mn
Face Value (Rs):	2

Source: ACE Equity, EISEC Research

| Shareholding pattern

	Mar-24	Dec-23	Sep-23	Jun-23
Promoter	65.1	65.1	65.1	65.1
FIIIs	0.9	0.7	0.6	0.7
DIIIs	8.0	8.7	8.4	8.3
Public/others	26.0	25.5	25.8	26.0

Source: Ace Equity

| Price Performance (%)*

YE Mar (R)	1M	3M	6M	12M
BSE Small cap	9.7	5.6	28.3	63.7
Rajratan	5.2	-7.6	-14.9	-18.6

*As on 26 April 2024 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)
FY22	8,929	63.4%	1,816	20.3%	1,243	134.0%	24.5	48.7%	35.1%	25.7	18.4
FY23	8,954	0.3%	1,620	18.1%	1,001	-19.5%	19.7	25.7%	20.4%	31.9	20.8
FY24	8,905	-0.5%	1,277	14.3%	718	-28.3%	14.1	15.4%	12.2%	44.5	27.2
FY25E	12,345	38.6%	1,840	14.9%	914	27.3%	18.0	17.3%	14.2%	34.9	18.4
FY26E	16,861	36.6%	2,873	17.0%	1,598	74.8%	31.5	46.9%	39.3%	20.0	11.5

Source: Company, EISEC Research Estimates

Conference Call Highlights

- In India, there was a flood of Chinese TBW, which was stemmed midway in Q4 by government protection measures. Competition from Tata Steel's expanded capacities, resulted in decline in domestic market share to ~37%.
- In Thailand, volumes improved despite lower margins. Market share at ~37%.
- EBITDA margin decreased overall, due to an increase in the input costs, especially wire rods, as well as due to lower sales realisation per tonne.
- Chennai expansion update:
 - Trial production at the Chennai plant scheduled in Q4FY24 was delayed due to delay in power connection by TNEB.
 - Commercial production is likely to commence in Q1FY25.
 - FY25 Capacity Utilisation: ~25%
- Strategic focus on volume growth with a willingness to sacrifice profitability margins depending on the customer and business conditions.
- Incorporated a subsidiary (sales, marketing & warehousing) in USA and sales and marketing offices in Europe to focus on its export business.

Quarterly financials, operating metrics and key performance indicators

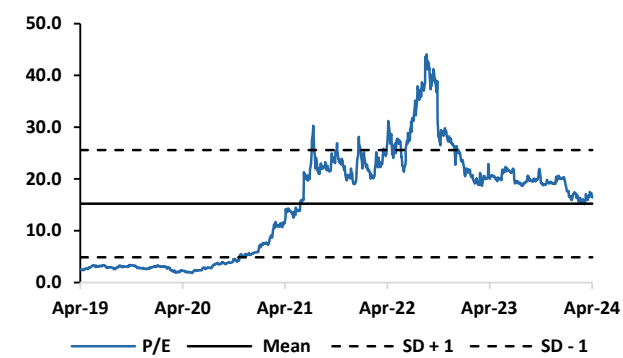
Quarterly Financials

Y/E March (Rs mn)	Q1FY23	Q2FY23	Q3FY23	Q4FY23	Q1FY24	Q2FY24	Q3FY24	Q4FY24
Net Sales	2,514	2,246	2,000	2,194	2,039	2,143	2,327	2,396
Raw Materials	1,493	1,399	1,191	1,425	1,329	1,383	1,516	1,586
Employee Costs	92	92	93	87	101	95	100	90
Other Expenditure	402	378	338	345	358	326	368	377
EBITDA	527	377	378	338	251	339	342	344
Depreciation	43	43	46	49	42	44	46	46
Interest	41	43	45	40	53	48	50	44
Other Income	14	20	-9	8	13	12	-1	10
PBT	457	311	278	258	170	259	245	264
Tax	112	78	58	55	45	65	48	62
Tax rate (%)	24.4%	25.0%	20.7%	21.4%	26.7%	24.9%	19.6%	23.4%
PAT	345	233	220	203	124	195	197	202
YoY Growth (%)								
Revenue	37.9%	-6.9%	-9.9%	-11.4%	-18.9%	-4.6%	16.4%	9.2%
EBITDA	46.4%	-25.7%	-20.2%	-28.9%	-52.3%	-10.0%	-9.3%	1.8%
Adj. PAT	57.6%	-28.5%	-32.9%	-45.2%	-64.0%	-16.4%	-10.5%	-0.2%
QoQ Growth (%)								
Revenue	1.6%	-10.7%	-11.0%	9.7%	-7.1%	5.1%	8.6%	3.0%
EBITDA	10.9%	-28.5%	0.2%	-10.5%	-25.7%	35.0%	0.9%	0.5%
Adj. PAT	-6.7%	-32.5%	-5.6%	-7.8%	-38.7%	56.7%	1.0%	2.8%
Margin (%)								
EBITDA	21.0%	16.8%	18.9%	15.4%	12.3%	15.8%	14.7%	14.4%
PAT	13.7%	10.4%	11.0%	9.2%	6.1%	9.1%	8.5%	8.4%

Source: Company, EISEC Research

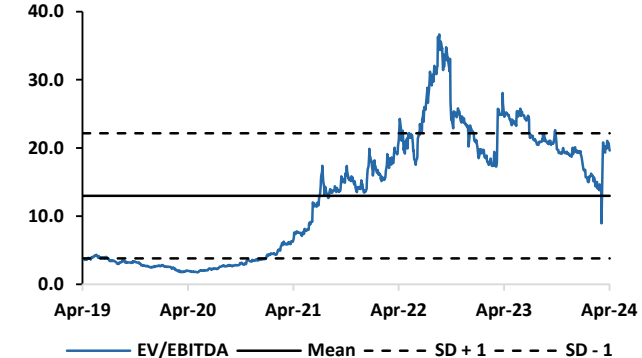
Valuation

Fig 1: 2-year forward P/E chart



Source: ACE Equity, Company, EIS Research

Fig 2: 2-year forward EV/EBITDA chart



Source: ACE Equity, Company, EIS Research

Financials Consolidated

Income Statement	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Revenues	8,929	8,954	8,905	12,345	16,861
% Growth	63.4%	0.3%	-0.5%	38.6%	36.6%
Raw Materials	5,826	5,508	5,814	8,049	10,658
% of sales	65.2%	61.5%	65.3%	65.2%	63.2%
Personnel	327	364	385	511	674
% of sales	3.7%	4.1%	4.3%	4.1%	4.0%
Mfg. & Other Expenses	960	1,462	1,429	1,944	2,656
% of sales	10.8%	16.3%	16.0%	15.8%	15.8%
EBITDA	1,816	1,620	1,277	1,840	2,873
EBITDA Margin (%)	20.3%	18.1%	14.3%	14.9%	17.0%
Depreciation & Amortization	155	181	177	500	623
EBIT	1,661	1,439	1,100	1,341	2,249
Finance cost	154	168	196	159	154
PBT From Operations	1,506	1,270	904	1,181	2,096
Other Income	20	33	34	40	40
Share from Associates	0	0	0	0	0
PBT	1,526	1,304	938	1,221	2,136
Tax-Total	283	302	220	307	538
Reported PAT	1,243	1,001	718	914	1,598
Minority Interest	0	0	0	0	0
Adjusted PAT	1,243	1,001	718	914	1,598
PAT Margin	13.9%	11.2%	8.1%	7.4%	9.5%
% Growth	134.0%	-19.5%	-28.3%	27.3%	74.8%

Source: Company, EISEC Research Estimates

Key Ratios	FY22	FY23	FY24	FY25E	FY26E
YE March					
Growth Ratios (%)					
Net Sales	63.4%	0.3%	-0.5%	38.6%	36.6%
EBITDA	97.1%	-10.8%	-21.2%	44.2%	56.1%
Adjusted Net Profit	134.0%	-19.5%	-28.3%	27.3%	74.8%
Margin Ratio (%)					
EBITDA Margin	20.3%	18.1%	14.3%	14.9%	17.0%
PBT margins	17.1%	14.6%	10.5%	9.9%	12.7%
PAT Margin	13.9%	11.2%	8.1%	7.4%	9.5%
Return Ratios					
ROE	48.7%	25.7%	15.4%	17.3%	46.9%
ROCE	35.1%	20.4%	13.2%	14.2%	39.3%
ROIC	35.2%	20.1%	12.8%	14.0%	43.0%
Turnover Ratios (days)					
Gross Block Turnover (x)	2.6	1.9	1.5	1.8	4.4
Inventory	33	35	35	35	35
Debtors	74	56	75	65	65
Creditors	52	47	75	60	60
Cash Conversion Cycle	55	44	35	40	40
Solvency ratio (x)					
Debt-equity	0.4	0.4	0.4	0.3	0.3
Net Debt-Equity	0.4	0.4	0.4	0.3	0.1
Gross Debt/EBITDA	0.8	1.1	1.5	1.0	0.6
Current ratio	2.4	2.3	2.1	2.3	2.5
Interest Coverage Ratio	10.9	-	-	-	-
Per share (Rs.)					
Basic EPS (reported)	24.5	19.7	14.1	18.0	31.5
BV	67.2	86.5	97.0	110.5	134.1
CEPS	27.5	23.3	17.6	27.8	43.8
DPS	6.1	4.9	3.5	4.5	7.9
Dividend Payout (%)	25.0%	25.0%	25.0%	25.0%	25.0%
Valuation					
P/E	25.7	31.9	44.5	34.9	20.0
P/BV	9.4	7.3	6.5	5.7	4.7
EV/EBITDA	18.3	20.8	26.5	18.3	11.4
Dividend Yield (%)	1.0%	0.8%	0.6%	0.7%	1.3%

Source: Company, EISEC Research Estimates

Balance Sheet	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Capital	102	102	102	102	102
Reserves & Surplus	3,308	4,292	4,825	5,510	6,709
Shareholders' Funds	3,410	4,394	4,926	5,612	6,810
Minority Interest	0	0	0	0	0
Total Loan Funds	1,367	1,713	1,907	1,841	1,776
Deferred tax liabilities	97	118	128	128	128
Total Liabilities	4,873	6,224	6,961	7,581	8,714
Gross Block	3,488	4,109	4,673	7,082	7,582
Accumulated Dep.	677	858	1,035	1,535	2,158
Net Block	2,811	3,251	3,638	5,547	5,424
Capital WIP	298	1,402	1,908	0	0
Net Fixed Assets	3,109	4,652	5,547	5,547	5,424
Investments	0	0	0	0	0
Other non current assets	0	0	0	0	0
Total Non Current Assets	3,109	4,652	5,547	5,547	5,424
Inventories	819	862	721	1,188	1,623
Current Investments	0	0	0	0	0
Sundry Debtors	1,810	1,363	1,545	1,880	2,567
Cash & Bank Balances	84	31	31	156	878
Other current Assets	345	487	415	415	415
Total Current Assets	3,058	2,743	2,711	3,639	5,483
Sundry Creditors	1,283	1,152	1,286	1,588	2,169
Provisions	11	19	12	16	23
Total Current Liabilities	1,294	1,171	1,297	1,605	2,192
Net Current Assets	1,764	1,572	1,414	2,034	3,291
Total Assets	4,873	6,224	6,961	7,581	8,714

Source: Company, EISEC Research Estimates

Cash Flow	FY22	FY23	FY24	FY25E	FY26E
YE March (Rs mn)					
Operating profit before WC changes	1,013	1,896	1,064	543	1,264
Changes in working capital	281	-304	-8	495	535
Cash flow from operations	1,294	1,592	1,056	1,038	1,800
Capex	873	1,656	1,198	500	500
Adj. FCF	421	-64	-142	538	1,300
Cash flow from investments	-959	-1,668	-958	-460	-460
Cash flow from financing	-278	98	-97	-453	-618
Net change in cash	57	23	0	125	721

Source: Company, EISEC Research Estimates

Capacity & Cap. Utilisation	FY22	FY23	FY24	FY25E	FY26E
Capacity (MTPA)					
- India	72,000	72,000	72,000	1,32,000	1,32,000
- Thailand	40,000	60,000	60,000	60,000	60,000
Capacity Utilisation (%)					
- India	76.1%	83.1%	85.2%	66.1%	83.3%
- Thailand	94.3%	59.0%	70.4%	90.8%	95.0%
Gross Profit per MT	39,435	38,587	29,983	30,232	31,207

Source: Company, EISEC Research Estimates

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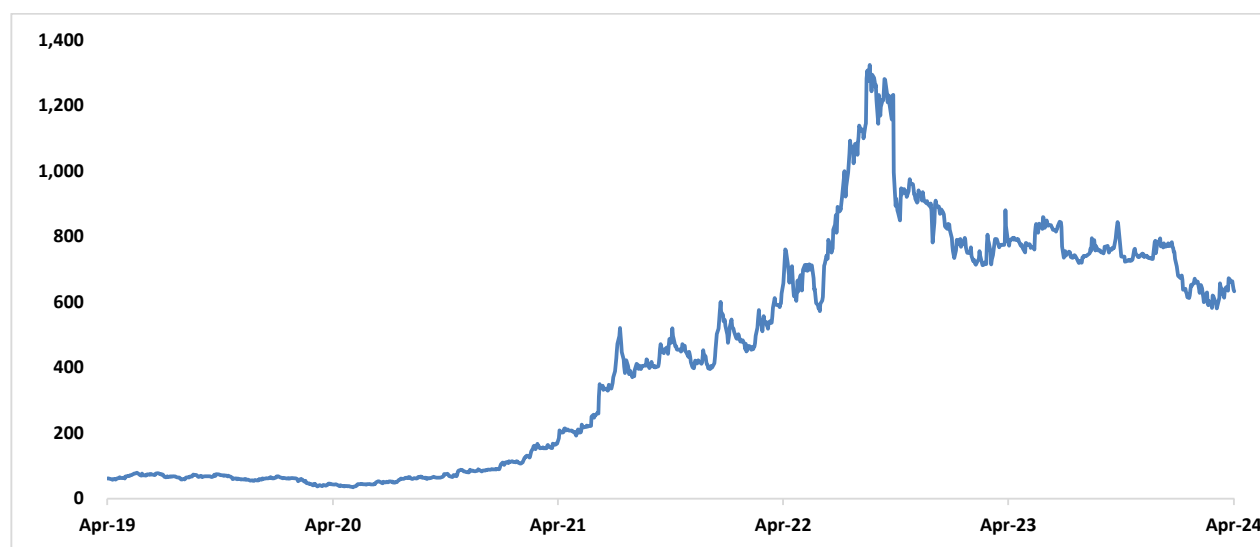
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Rajratan Global



Source: ACE Equity, EISEC Research

Analyst holding in stock: **YES**

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