



3R MATRIX

	+	=	-
Right Sector (RS)	✓		
Right Quality (RQ)	✓		
Right Valuation (RV)		✓	

+ Positive = Neutral - Negative

What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV		↔	

Company details

Market cap:	Rs. 24,707 cr
52-week high/low:	Rs. 3,923/2,515
NSE volume: (No of shares)	0.7 lakh
BSE code:	520111
NSE code:	RATNAMANI
Free float: (No of shares)	2.82 cr

Shareholding (%)

Promoters	59.8
FII	12.6
DII	16.6
Others	11.0

Price chart



Price performance

(%)	1m	3m	6m	12m
Absolute	(3.1)	11.8	13.2	32.1
Relative to Sensex	(1.2)	3.4	3.9	11.1

Sharekhan Research, Bloomberg

Ratnamani Metals & Tubes Ltd

Subdued Q1 with lower margins

Capital Goods

Sharekhan code: RATNAMANI

Reco/View: Hold



CMP: Rs. 3,525

Price Target: Rs. 3,832



Upgrade



Maintain



Downgrade

Summary

- Q1 PAT of Rs. 106 crore (down 22%/45% y-o-y/q-o-q) was 25% below our estimate due to lower realizations as an impact of passing on the falling raw material prices.
- OPM was dropped by 370 bps and was affected by the lower execution of export SS orders, which are scheduled to be executed in the coming quarters.
- Order book was up by 16% q-o-q to Rs. 2,940 crore.
- Strong balance sheet and dominant domestic position in the steel tubes & pipes segment makes it well-placed to capture medium to long-term growth opportunities from oil & gas and the water supply segment. We downgrade to Hold due to limited upside on the rich valuations with a revised PT of Rs. 3,832. Stock trades at 42x FY26 EPS and 21x FY26 EV/EBITDA.

Though there was a volume growth of 10%; the revenues remained flat to Rs 1184 crore as an impact of passing on falling steel prices and postponement of a few SS export orders. The orders are expected to be executed in the coming quarter. Order booking has been sluggish for the last few quarters but has revived and is 16% up y-o-y to Rs 2900 crore. OPM of 13.9% (down 370 bps y-o-y; down 257 bps q-o-q) was 216 bps below our estimate of 16% due to execution of low margin SS pipes. Consequently, the operating profit/PAT is Rs. 164 crore/Rs. 106 crore, down 21%/22% y-o-y.

Key positives

- Volume growth of 10% y-o-y but was down 20% q-o-q.

Key negatives

- Postponement of a few SS export orders led to flat revenue growth.
- Operating margins declined by 370 bps at 13.9%.

Revision in estimates – We have fine-tuned our FY24-26 earnings and rolled out FY27 estimates.

Our Call

Valuation - Downgrade to Hold with a revised PT of Rs. 3,832: RMTL is well-positioned to benefit from a potential rise in order intake, especially from high-margin SS pipes, and is also exploring Europe and the US. We downgrade to Hold due to limited upside on the rich valuations with a revised PT of Rs. 3,832. The stock trades at 42x FY26EPS and 21x FY26 EV/EBITDA.

Key Risks

- Soft demand or delay in plant commissioning might affect revenue growth.
- Inability to undertake adequate and timely price hikes to mitigate the volatility in input costs might affect margins.

Valuation (consolidated)

Rs cr

Particulars	FY23	FY24	FY25E	FY26E	FY27E
Revenue	4,474	5,059	5,538	6,339	7,258
OPM (%)	17.3	17.7	16.8	17.8	17.6
Adjusted PAT	512	626	588	720	839
% YoY growth	58.8	22.1	(6.0)	22.4	16.6
EPS (Rs.)	73.1	89.3	83.9	102.7	119.7
PER (x)	47.9	39.2	41.7	34.1	29.2
P/BV (x)	9.4	7.8	6.8	5.8	5.0
EV/EBITDA (x)	31.7	27.2	25.5	20.7	18.0
RoNW (%)	21.1	21.8	17.4	18.4	18.5
RoCE (%)	26.0	26.3	22.2	23.6	23.3

Source: Company; Sharekhan estimates

Key Highlights of Q1FY25:

Weak Q1FY25 consolidated revenue was flat for Rs. 1,184 crore, which was in-line with our estimate of Rs. 1,155 crore. The volumes were up by 10%, compensated by lower realizations, which were an impact of declining commodity prices. The miss in margins could be attributed to the the execution of low-margin orders and exceptionally high margin for the previous quarter. Order execution, especially in the SS pipe segment, especially in SS pipe segment, was sluggish in 1QFY25, but order booking rebounded after two quarters of election, led weakness to Rs 29.4bn, a 16% q-o-q increase.

Results (consolidated)

Particulars	Rs cr				
	Q1FY25	Q1FY24	YoY (%)	Q4FY24	QoQ (%)
Revenues	1183.7	1174.9	0.7	1495.7	-20.9
Operating expenses	1019.7	968.7	5.3	1250.0	-18.4
Operating profit	164.0	206.3	-20.5	245.7	-33.2
Depreciation	26.2	24.3	8.0	25.0	5.2
Other income	12.3	8.5	44.2	38.8	-68.4
Interest	9.7	9.9	-1.5	11.7	-17.2
PBT	140.4	180.6	-22.3	247.8	-43.4
Tax	34.4	45.3	-24.2	54.7	-37.2
PAT	106.0	135.3	-21.7	193.1	-45.1
EPS (Rs.)	15.1	19.3	-21.7	27.6	-45.1
Margins			BPS		BPS
OPM (%)	13.9	17.6	-370	16.4	-257
NPM (%)	9.0	11.5	-256	12.9	-396
Tax rate (%)	24.5	25.1	-61	22.1	242

Source: Company, Sharekhan Research

Outlook and Valuation

■ Sector Outlook – Long-term growth drivers remain intact

The global steel pipes & tubes market is expected to reach \$279 billion by 2027, with a 7.9% CAGR from 2019 to 2027. The Asia-Pacific region has the largest share of the global pipes market and is expected to clock a CAGR of 8.4% in the next four years. India is the third-largest manufacturer of steel pipes, with an estimated market size of Rs. 33,000 crores, which registered a steady 8.2% CAGR over the past 10 years. Although COVID-19 affected the progress of some infrastructure projects, we believe the return of normalcy in economic activities, the government's focus on increasing the participation of local firms in government projects by disallowing global tenders for up to Rs. 200 crore, government spending on infrastructure projects (Jal se Nal, expansion of the National Gas Grid and CGD pipelines, etc), and anti-dumping duties on imports of seamless CS pipes from China would drive overall demand for steel pipes going ahead.

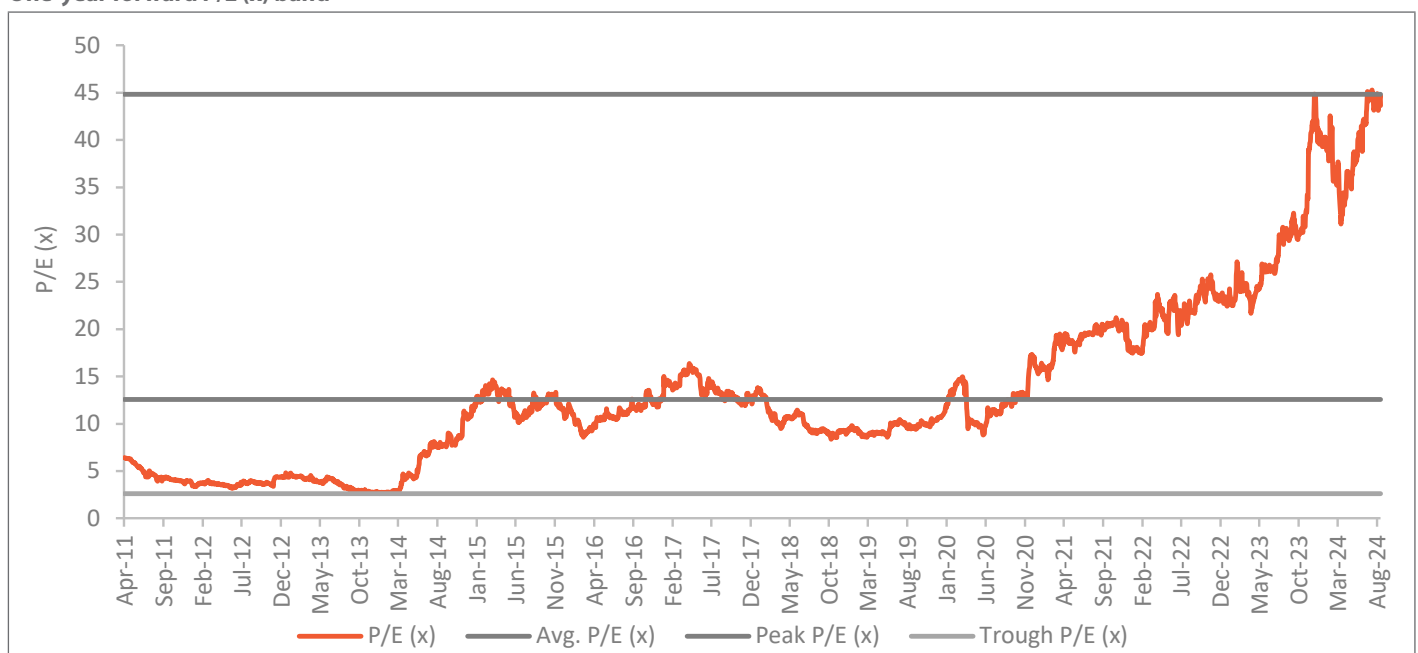
■ Company Outlook – Well-poised for growth

RMTL is the most prominent manufacturer of nickel alloy/stainless steel seamless and welded tubes/pipes and titanium welded tubes in India and is one of the leading manufacturers of carbon steel (CS) welded pipes. We believe that solid revenue growth would continue over FY2024E-FY2026E, led by a strong order book, higher order inflows, an anticipated increase in government's due to expanded capacities, and an anticipated increase in government spending on infrastructure schemes. RMTL's stainless steel pipes segment will strengthen its leadership position, led by products that would substitute for its expanded capacity and robust demand from refineries and power plants. The management has guided for standalone revenues of Rs. 4500-5,000 crore for FY24 and EBITDA margin of 16-18%.

■ Valuation – Downgrade to Hold with a revised PT of Rs. 3,832

RMTL is well-positioned to benefit from a potential rise in order intake, especially from high-margin SS pipes and is exploring Europe and the US. We downgrade to Hold due to limited upside on the rich valuations with a revised PT of Rs. 3,832. Stock trades at 42x FY26 EPS and 21x FY26 EV/EBITDA.

One-year forward P/E (x) band



Source: Sharekhan Research

About the company

Incorporated in 1983, RMTL is a critical player in piping solutions in India. The company is the largest manufacturer of nickel alloy/SS seamless and welded tubes/pipes and titanium welded tubes in India. RMTL is also one of India's leading manufacturers of CS welded pipes (ERW, L-SAW, and H-SAW) and SS/CS pipes with three-layer PE/PP coating. The company has two manufacturing plants located in Gujarat. It manufactures various withs and CS products and value-added products in each segment, having a capacity of 50,000 mtpa and 3,50,000 mtpa. RMTL caters to clients in refineries, petrochemicals, oil and gas, thermal power, nuclear power energy, fertilisers, water distribution, chemicals, and aerospace.

Investment theme

RMTL is expected to sustain a growth momentum path over FY2024E-FY2025E, given the robust demand outlook coupled with the expectation of healthy order intake. The company is expanding capacities in a calibrated manner through a mix of internal accruals and debt. RMTL is a net debt-free company with a stable margin profile and healthy return ratios.

Key Risks

- ♦ Softness in demand offtake or delay in commissioning of plant might impact revenue growth momentum.
- ♦ Inability to take adequate and timely price hikes to mitigate adverse volatility in input cost material might impact margin profile.

Additional Data

Key management personnel

Prakash Misrimal Sanghvi	Chairman and Managing Director
Jayantilal Mistrimal Sanghvi	Joint Managing Director
Shantilal Mishrimal Sanghvi	Executive Director
Vimal Katta	Chief Financial Officer
Anil Maloo	Company Secretary

Source: Bloomberg

Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Nalanda India Fund Ltd	5.57
2	Kotak Mahindra Asset Management Co	5.43
3	Nalanda India Equity Fund Ltd	2.97
4	L&T Mutual Fund Trustee Ltd/India	2.38
5	DSP Investment Managers Pvt Ltd	1.92
6	ICICI Prudential Asset Management	1.83
7	Vanguard Group Inc/The	1.57
8	SBI Funds Management Ltd	1.21
9	Invesco Asset Management India Pvt	1.09
10	HSBC Asset Management India Pvt Lt	0.71

Source: Bloomberg

Sharekhan Limited, its analyst or dependant(s) of the analyst might be holding or having a position in the companies mentioned in the article.

Understanding the Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Sharekhan Research

DISCLAIMER

This information/document has been prepared by Sharekhan Ltd. (SHAREKHAN) and is intended for use only by the person or entity to which it is addressed to. This Document may contain confidential and/or privileged material and is not for any type of circulation and any review, retransmission, or any other use is strictly prohibited. This information/ document is subject to changes without prior notice.

Recommendation in reports based on technical and derivatives analysis is based on studying charts of a stock's price movement, trading volume, outstanding positions, as opposed to focusing on a company's fundamentals and as such, may not match with a report on a company's fundamentals. However, this would only apply for information/document focused on technical and derivatives research and shall not apply to reports/documents/ information focused on fundamental research.

This information/document does not constitute an offer to sell or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. Though disseminated to all customers who are due to receive the same, not all customers may receive this report at the same time. SHAREKHAN will not treat recipients as customers by virtue of their receiving this information/report.

The information contained herein is obtained from publicly available data or other sources believed to be reliable and SHAREKHAN has not independently verified the accuracy and completeness of the said data and hence it should not be relied upon as such. While we would endeavour to update the information herein on reasonable basis, SHAREKHAN, its subsidiaries and associated companies, their directors and employees ("SHAREKHAN and affiliates") are under no obligation to update or keep the information current. Also, there may be regulatory, compliance, or other reasons that may prevent SHAREKHAN and affiliates from doing so. This document is prepared for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. Recipients of this report should also be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigations as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved) and should consult its own advisors to determine the merits and risks of such an investment. The investment discussed or views expressed may not be suitable for all investors. We do not undertake to advise you as to any change of our views. Affiliates of Sharekhan may have issued other recommendations/ reports that are inconsistent with and reach different conclusions from the information presented in this recommendations/report.

This information/recommendation/report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject SHAREKHAN and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

The analyst certifies that the analyst might have dealt or traded directly or indirectly in securities of the company and that all the views expressed in this document accurately reflect his or her personal views about the subject company or companies and its or their securities and do not necessarily reflect those of SHAREKHAN. The analyst and SHAREKHAN further certifies that either he or his relatives or Sharekhan associates might have direct or indirect financial interest or might have actual or beneficial ownership of 1% or more in the securities of the company at the end of the month immediately preceding the date of publication of the research report. The analyst and SHAREKHAN encourages independence in research report/ material preparation and strives to minimize conflict in preparation of research report. The analyst and SHAREKHAN does not have any material conflict of interest or has not served as officer, director or employee or engaged in market making activity of the company. The analyst and SHAREKHAN has not been a part of the team which has managed or co-managed the public offerings of the company, and no part of the analyst's compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this document. Sharekhan Ltd or its associates or analysts have not received any compensation for investment banking, merchant banking, brokerage services or any compensation or other benefits from the subject company or from third party in the past twelve months in connection with the research report.

Either SHAREKHAN or its affiliates or its directors or employees / representatives / clients or their relatives may have position(s), make market, act as principal or engage in transactions of purchase or sell of securities, from time to time or may be materially interested in any of the securities or related securities referred to in this report and they may have used the information set forth herein before publication. SHAREKHAN may from time to time solicit from, or perform investment banking, or other services for, any company mentioned herein. Without limiting any of the foregoing, in no event shall SHAREKHAN, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind.

Forward-looking statements (if any) are provided to allow potential investors the opportunity to understand management's beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment. These statements are not a guarantee of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements. Sharekhan/its affiliates undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader/investors are cautioned not to place undue reliance on forward-looking statements and use their independent judgement before taking any investment decision.

Investment in securities market are subject to market risks, read all the related documents carefully before investing. The securities quoted are for illustration only and are not recommendatory. Registration granted by SEBI, and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors.

Client should read the Risk Disclosure Document issued by SEBI & relevant exchanges and the T&C on www.sharekhan.com

Registration and Contact Details: Name of Research Analyst - Sharekhan Limited, Research Analyst Regn No.: INH000006183. (CIN): - U99999MH1995PLC087498.

Registered Office: The Ruby, 18th Floor, 29 Senapati Bapat Marg, Dadar (West), Mumbai – 400 028, Maharashtra, INDIA. Tel: 022-67502000.

Correspondence Office: Gigaplex IT Park, Unit No 1001, 10th floor, Building No.9, TTC Industrial Area, Digha, Airoli-West, Navi Mumbai – 400 708. Tel: 022 61169000 / 61150000, Fax No. 61169699.

Other registrations of Sharekhan Ltd.: SEBI Regn. Nos.: BSE / NSE / MSEI (CASH / F&O / CD) / MCX - Commodity: INZ000171337; DP: NSDL/CDSL-IN-DP-365-2018; PMS: INP000005786; Mutual Fund: ARN 20669. BSE – 748, NSE – 10733, MCX – 56125, MSEI – 1043.

Compliance Officer: Ms. Binkle R. Oza; Tel: 022-62263303; email id: complianceofficer@sharekhan.com

For any complaints/grievance, email us at igc@sharekhan.com or you may even call Customer Service desk on - 022-41523200/022 - 33054600