

BUZZING

STOCK

# Ratnamani Metals & Tubes Ltd.

CMP – Rs.478

**Analyst**

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**Key Stock Data**

Sensex	13703
Nifty	3951
Sector	Steel - Large
Bloomberg	RMT@IN
Reuters	RMT.BO
No. of shares (m)	9
Market Cap (Rs m)	4,304.30
Market Cap (US\$ m)	100
52-week H/L	Rs.500/188

**Shareholding Pattern (%)**

Promoters	58.78
Mutual Funds	0.02
FII's	8.78
Corporate Bodies	2.77
Public & Others	29.65

**Company Background:**

Ratnamani Metals & Tubes Ltd., (RMTL) incorporated in 1985 is one of the leading manufacturers of Stainless Steel and Carbon Steel. The company has also undertaken job – work of drawing pipes. The company is a multi - product, multi – loactional providing the complete piping solutions to the diverse range of industries.

**Product Range:**

RMTL, mainly present in two segments i.e Carbon Steel (CS), Stainless Steel (SS). The company caters to niche markets of almost all the emerging sectors like Oil & Gas, Refineries, Petrochemicals, Power Plants and Water Distribution systems.

**Carbon Steel Tubes & Pipes (CSTP):**

The company has diversified its manufacturing operations of carbon steel into High frequency welded pipes (HFW) and Electric resistance welded pipes (ERP). It has an installed capacity of 1,50,000 MT. These products are manufactured in the range of the 6" NB to 16" NB. HFW is made from hot rolled flat steel strip. These products find the main application in Oil & Gas pipeline, water supply systems, heating structural systems. Carbon Steel is primarily used for continuous transportation of the products like drinking water, Oil & Gas. This offers more safety and is economical than other means of transportation.

**Stainless Steel Tube & Pipes (SSTP):**

The Company has three divisions to manufacture different types of Stainless Steel Pipes. These are Seamless Tubes and pipes, Welded Tubes & Pipes and Electric fusion welded Stainless Steel pipes. These products find main application in Oil & Gas exploration, Refineries & Petrochemicals, and Thermal and Nuclear Power Plants. Stainless Steel is a preferred metal in all the critical applications because of its superior metallurgical properties. SS Tubes and pipes are also used in every day application in home, hospitals, food processing and farming.

**SAW pipes:**

The company manufactures SAW (Submerged Arc Welded) pipes. These pipes are supplied as per the standards and the customer specification. These pipes are mainly used by the different sectors like Oil & Petrochemicals, structural, Industrial and Water and Sewage.

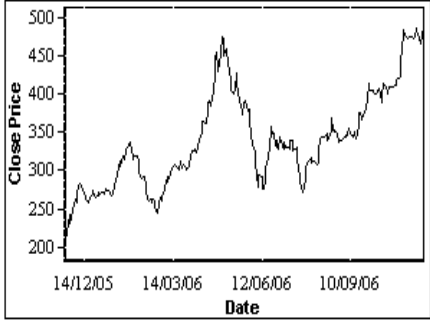
The company is on the expansion track of increasing capacities in both the segments. The expansion also includes setting up of one SAW pipe mill and is expected to complete by H2FY07.

The company caters to well diversified customer base. In domestic market RMTL is a regular supplier to Reliance Industries, HPCL, BPCL, GAIL, IOCL, Alfa Lavel, and NTPC and L&T. It has a strong export clientele base that comprises of about 40% of the total annual turnover. RMTL is mainly exporting its products to USA, Germany, Europe, France and Malaysia.

**Valuation:**

The company has reported good numbers for Q2FY07. Net sales at Rs.1,431m is up by 90% YoY. EBIDTA margins expanded by 300 bps YoY to 22.93% and its EBIDTA grew by 119% at Rs.328.20m. PAT at Rs. 168m is up by 140%. The stock is currently trading at 6.4x its Q2FY07 annualised EPS of Rs.74.5. Exports at Rs.808m are higher by 363% as compared to corresponding quarter of the previous year. Ratnamani has an order book of around Rs.3.78bn including export orders.

## Financial Snapshot

Ratnamani Metals & Tubes Ltd.						Rs.m	Ratios (%)			
	2Q FY07	2Q FY06	Chg. (%)	FY06	FY05	Chg. (%)		FY06	FY05	Chg.(%)
<b>Financial Year End: March</b>										
Net Sales	1431	754	90	3191	1809	77	Debt -Equity	1.2	0.7	69
Other Income	4	0	0	1	0	500	PBIDTM	18	14	27
Total Income	1435	754	90	3192	1809	77	PBDTM	16	12	27
Total Expenditure	1107	603	83	2558	1517	69	RoCE	39	33	19
PBIDT	328	150	119	634	292	117	RoNW	51	29	72
Interest	44	23	86	89	38	135				
PBDT	285	127	125	545	254	115				
Depreciation	33	21	61	74	44	70				
Tax	84	9	839	136	22	508				
Reported Profit After Tax	168	70	140	335	133	153				
Extra -ordinary Items	0	0	0	0	0	0				
Adj. Profit After Extra-ordinary item	168	70	140	335	133	153				
No. of shares (m)	9	9	-	9	9	-				
EPS (annualised.) (Rs.)	74.5	31.1	-	37.3	14.7	-				
P/E	6.4	15.4	-	12.8	32.5	-				

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