

Rama Steel Tubes Ltd.

₹93

We stand ahead in Quality...!!! Accumulate

Jan 04, 2019

Company Background

Rama Steel Tubes Ltd, with four decades of experience in the Indian steel tube and pipe market, has established strong brand equity, established in 1974 by Sh.HL Bansal. It is one of the leading manufacturers of Steel Pipes & Tubes, G.I. Pipes in India. The product portfolio spans across pipes and tubes including galvanized tubes, ERW black steel pipes & tubes, scaffolding pipes & tubes, structural steel products and hollow sections. The Company's G.I. Pipes range from 15 mm to 150 mm NB in light, medium and heavy sizes. Its product range effectively caters to the ever growing needs of different sectors including automobiles, infrastructure, real estate and furniture. Company has four plants-two in Uttar Pradesh, one in Maharashtra and the latest one in Andhra Pradesh. The Company's new plant in Andhra Pradesh was established to strengthen its position in the Southern markets of India which growing rapidly and seeing high demand. With this plant, it has effectively spread its manufacturing footprint across three regions in India—North, South and West. Company has a strong presence in international geographies like the United Kingdom, UAE, Ethiopia, Kenya, Uganda, Ghana, Kuwait, Germany, US, South Africa, Zambia and Malta etc. It derives approximately 12.5% of revenue from exports.

Key Highlights

- ➔ Company Sales volume improved by 34.45% to 83,977.32 MT, Sales value improved by 34.46% to ₹ 3,821.89 million for FY18. PAT also improved by 35.61% to ₹ 127.35 million. It has two subsidiaries, one in India and another one in Dubai (RST International Trading FZE). The Dubai subsidiary recorded 37% growth in sales to reach ₹ 350 million.
- ➔ During the Q4FY18 Company has started its commercial production with an added capacity of 36,000 MTPA at the Lepakshi Tubes Pvt Ltd (wholly owned subsidiary), facility in South India, the added capacity will boost the sales volume in the current year.
- ➔ Investment in Subsidiaries, Associates & Joint Ventures for FY18 was ₹ 78.78 million and for FY17 was ₹ 31.04 million. The FY18 investment was more than the double of the previous year.

Key Financials

Year Ended 31 st	Mar 16	Mar 17	Mar 18
Revenue (INR mn)	2,405.9	2,631.0	3,440.9
Rev. growth (%)	15.18	9.36	30.78
EBITDA (INR mn)	167.0	223.1	245.1
Net profit (INR mn)	50.9	80.8	105.9
Shares outstanding (mn)	16.9	16.0	16.8
EPS (INR)	3.4	5.0	6.3
EPS growth (%)	(25.87)	47.80	25.20
P/E (x)	26.61	25.96	27.97
RONW (%)	22.88	21.58	17.02
ROCE (%)	17.50	20.74	19.49

Nishant Chopra

nishantc@indiratrade.com

Info Codes

Reuters	: RAMA.BO
Bloomberg	: RASTL.IN
NSE	: RAMASTEEL
BSE	: 539309

Market Data

52 Wk Range (₹)	: 71/290
Shares in Issue (mn)	: 16.8
Market. Cap (bn)	: 1.57
BSE 2 Wk Avg Vol	: 8152

Share Holding Pattern (%)

Public & Others	: 34.06
Promoters	: 60.28
Corporate Holding	: 05.08
Foreign Institution	: 00.58

Investment Theme

Rama Steel in its JV-Pir Panchal Construction Pvt Ltd, wherein Rama Steel has 25% stake. The JV has won orders worth ₹ 288.0 mn for supply and erection of transmission lines for rural electrification. The order has been awarded by Uttarakhand Power Corporation Ltd. & Himachal Pradesh Electricity Board. Orders will be executed in the next 24 months. RSTL has four manufacturing facilities. Two units at Sahibabad with a capacity of 60,000 MTPA, Khopoli (Maharashtra) with a current capacity of 72,000 MTPA. For the Khopoli plant, the company is planning to ramp-up capacity to 2,40,000 MTPA in next 2 years. The New plant in South India at Andhra Pradesh, is operated now, with an initial capacity of 36,000 tonnes. This would help the company further enhance volume growth in the growing high demand region of the country. Now the company has the total capacity at 1,68,000 MTPA.

Weaving dreams into Reality...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 16	Mar 17	% Chg	Mar 18	% Chg
Net Operating Income	2,154.6	2,348.7	9.0	3,343.3	42.3
Other Income	30.8	35.3	14.6	42.7	21.0
Change in Stocks	(49.7)	(7.6)	(84.7)	0.7	(109.2)
Fuel Charges	1,824.6	2,000.7	9.7	2,993.1	49.6
Employee Exp.	29.3	31.8	8.5	41.8	31.4
Indirect Taxes	220.5	247.0	12.0	54.9	(77.8)
Other Exp.	(105.9)	(126.1)	19.1	51.9	(141.2)
Operating Exp.	1,968.5	2,153.4	9.4	3,141.7	45.9
Operating Profit	167.2	223.0	33.4	245.0	9.9
Total Interest	61.6	76.6	24.4	60.1	(21.5)
Gross Profit	105.6	146.4	38.6	184.9	26.3
Net Dep.	28.5	29.0	1.8	21.3	(26.6)
Total Taxation	26.2	36.6	39.7	57.7	57.7
Net Profit/Loss	50.9	80.8	58.7	105.9	31.1

4 Years Balance Sheet

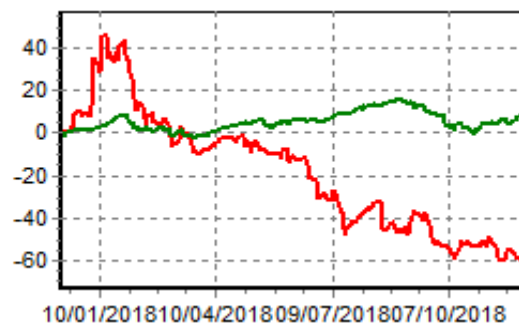
(₹ mn)

Balance Sheet as on 31 st	Mar 15	Mar 16	Mar 17	Mar 18
SOURCES OF FUNDS	754.4	828.7	1,042.0	1,255.0
Equity Share capital	24.9	84.7	80.2	84.0
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	45.8	22.6
Reserves & Surplus	182.0	173.3	375.1	636.7
Secured Loans	519.3	508.7	498.5	492.5
Unsecured Loans	28.2	62.0	42.4	19.2
USES OF FUNDS	754.4	828.7	1,042.0	1,255.0
Gross Block	278.0	326.3	255.3	335.8
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	159.9	161.3	29.0	47.4
Net Block	118.1	165.0	226.3	288.4
Capital Work in Progress	63.8	11.7	0.0	0.0
Investments	127.4	130.6	31.1	78.8
Current Assets	641.2	709.3	982.8	924.8
Less : Current Liabilities	204.8	205.4	231.0	88.1
Total Net Current Assets	436.4	503.9	751.8	836.7
Misc. Expenses not writtenoff	8.7	17.5	32.8	51.1
NOTE				
Book Value of Unquoted Investments	126.0	129.2	31.1	78.8
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	502.3	348.9	323.5	307.1
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 17	Mar 18	Jun 18	Sep 18
Net Sales	853.5	938.6	1,017.6	913.6
Cost Of Sales	818.0	890.0	980.9	889.1
Operating Profit	35.5	48.6	36.7	24.5
Other Income	8.0	15.5	12.6	12.7
Adjusted PBDIT	43.5	64.1	49.3	37.2
Financial Expenses	14.4	14.5	19.6	14.5
Depreciation	8.5	(4.6)	5.4	5.5
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	20.6	54.4	24.3	17.2
Tax Charges	8.8	21.2	4.8	4.3
Reported Profit	11.8	33.2	19.5	12.9
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	11.8	33.2	19.5	12.9

52 Week Index Relative Percentage Appreciation

Rama Steel vs SENSEX
Risks Associated

- Company's growth can be impacted by the economic slowdown as it impacts all steel end user segments like oil and gas, construction, capital goods, consumer durables, automobiles etc. Unfavorable events like high inflation, macro-economic slowdown, etc. may create risk to revenue flow.
- There is overcapacity and oversupply of steel in the global markets, high level of imports and cheaper rate may impact domestic producers.

Scope of Growth

- As the management focuses on the value added products like Pre Galvanised Tubes along with a strategic plan of increasing the capacity, number of dealers, distributors network will not only improve top line but will also aid improve overall margins.
- Company has executed the entire project with the cost of ₹ 37.5 mn. RSTL has mounted 2400 solar panels on the factory land at its Khopoli facility, Maharashtra an area equivalent to 3.75 acres. Apart from this solar plant, it wants to set up two more solar power plants at its Uttar Pradesh and Andhra Pradesh plants. This initiation will help to reduce the power cost and improve production process.
- The newly set up subsidiary, Lepakshi Tubes Pvt Ltd. started production with an added capacity of 36,000 MTPA in Andhra Pradesh. Production was started during the Q4FY18.
- Indian Government focus on infrastructure expansion in all areas including roads, ports, airports, metro rails, solar power plants etc. are help to boost the demand for the steel.
- The government of India's Smart Cities Mission to construct 100 smart cities by 2020 and Housing for All scheme which aims to make India slum free by building a home for every Indian by 2022.

Rama Steel

In a Nutshell

Rama Group is one of the leading manufactures of Steel Pipes & Tubes and Rigid PVC & G.I. Pipes in India. Established in 1974 by Sh HL Bansal, Rama is one of the most trusted and established name in the Steel Tube and pipe market in India. It has manufacturing presence with four plants-two in Uttar Pradesh, one in Maharashtra and the latest one in Andhra Pradesh. Sahibabad two plants with 60,000 MTPA, Khopoli plant with 72,000 MTPA and Anantpur with 36,000 MTPA production capacity. Company has a global presence in the countries like the United Kingdom, UAE, Sri Lanka, Ethiopia, Kenya, Uganda, Ghana, Kuwait, Republic of Congo, Yemen, Guyana, Germany, USA, South Africa, Zambia and Malta are its prime markets. Rama has a strong distribution network of 300+ dealers across India and a market network in 200+ cities. Rama Steel also has a strong presence overseas with an international office in UAE through its subsidiary RST International Trading FZE which contributed around 12.5% to the company's revenue. During the FY18, Company had encouraging numbers with 34.4% growth in consolidated revenue from operations to ₹ 3,821.9 million. During the year, company added a variety of value added products to its product portfolio. Improved capacity utilization and effective cost management led to higher profit generation. PAT for FY18 came at 127.3 million reflecting 35% increase over the previous year. In FY18, capacity utilization stood at 60% with 79,175.93 MT production as compared to 61,108.44 MT in the previous year. After the success of the 750 KW solar power plant in Khopoli Unit, the company is looking to set up a solar power plant of 1 MW each at Andhra Pradesh & Uttar Pradesh to further improve its power costs. It will reduce the costs.

Indira Group Offices

Registered Office : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224202 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Administrative Office : 204-205 “Amardarshan” 28/2 Old Palasia, Indore (MP) 452018

Tel : 0731-4097170 **Fax** : 0731-4215999 **Email** : customercare@indiratrade.com

Institutional Dealing Unit : 5, Indira House, 3rd Floor, Topiwala Lane, Lamington Road, Mumbai – 400007

Tel : 022-66224209 **Fax** : 022-66224201 **Email** : ie@indiratrade.com

Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

Disclaimer

This document has been prepared by Indira Group of Companies (Indira). Indira and its associate companies are a full fledged retail and institutional broking group. Our research analysts and sales persons provide important input into our investment broking activities. This document does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. The information contained herein is from publicly available data or other sources believed to be reliable, but we do not represent that it is accurate or complete and it should not be relied on as such. Indira or any of its affiliates shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for an investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation 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 his own advisors to determine the merits and risks of such investment. The investment discussed or views expressed may not be suitable for all investors. We and our affiliates, officers, directors, and employees may: (a) from time to time, have long or short positions in, and buy or sell the securities thereof, of company (ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or have other potential conflict of interest with respect to any recommendation and related information and opinions. This information is strictly confidential and is being furnished to you solely for your information. This information should not be reproduced or redistributed or passed on directly or indirectly in any form to any other person or published, copied, in whole or in part, for any purpose. This 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 Indira and affiliates to any registration or licensing requirements within such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law, and persons in whose possession this document comes, should inform themselves about and observe, any such restrictions. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. Indira reserves the right to make modifications and alterations to this statement as may be required from time to time. However, Indira is under no obligation to update or keep the information current. Nevertheless, Indira is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Neither Indira nor any of its affiliates, directors, employees, agents or representatives shall be liable for any damages whether direct, indirect, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information. The analyst for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report. The Analyst does not have any holding in this stock.

