

# Ratnaveer Precision Engineering

## Rs 131

Well hooked

Sensex: 74,248

Nifty: 25,514

### FINANCIALS SUMMARY

	SALES	OPM (%)	OP	OTHER INCOME	PBIOT	INTEREST	PBDT	DEPRECIATION	PBT	TAX	PAT	EPS (Rs)*
2103 (12)	359.66	5.5	19.93	4.39	24.32	12.05	12.27	2.67	9.59	4.13	5.46	1.1
2203 (12)	426.94	6.4	27.53	1.53	29.06	11.67	17.39	3.94	13.45	3.98	9.48	2.0
2303 (12)	479.75	9.5	45.62	1.40	47.02	12.29	34.73	4.02	30.71	5.67	25.04	5.1
2403 (12P)	673.56	10.0	67.61	3.10	70.71	13.61	57.10	5.62	51.48	13.39	38.09	7.8
2503 (12P)	841.95	10.2	85.88	3.57	89.45	14.97	74.47	6.18	68.29	17.76	50.53	10.4

\* EPS is on current equity of Rs 48.694 crore, Face value of Rs 10. EO: Extraordinary Items. EPS is calculated after excluding EO and relevant tax. Figures in Rs crore. (P): Projections

Source: Capitaline Databases

Ratnaveer Precision Engineering (RPEL) manufactures stainless steel products such as stainless steel washers, solar mounting hooks, finishing sheets and SS tubes & pipes products that find usage across various industries. RPEL is one of the largest exporters of SS washers in India and the one of the few to have backward integration in washers manufacturing process. RPEL was promoted by Vijay Ramanlal Sanghavi and the promoters and promoter family/group holds 55.48% stake as end of Dec 31, 2023.

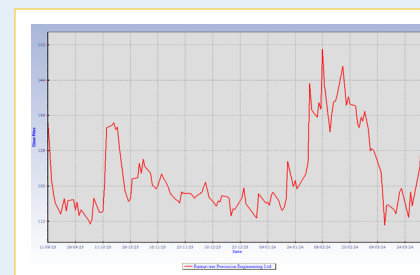
The company operates four manufacturing units, of which two (Unit-I and Unit-II) are located at GIDC, Savli, Vadodara, Gujarat, one (Unit-III) is located at Waghodia, Vadodara, Gujarat, and the other (Unit-IV) is located at GIDC, Vatva, Ahmedabad, Gujarat. Aggregate installed capacity of all the units at Vadodara and Ahmedabad was 26000 metric tonne per annum.

#### Wide product portfolio catering to multiple industries / applications

Stainless steel products manufactured by the company find application across various industries including automotive, solar power, wind energy, power plants, oil & gas, pharmaceuticals, sanitary & plumbing, instrumentation, electro mechanics, architecture, building & construction, electrical appliances, transportation, kitchen appliances, chimney liners, etc. Its products are used in both commercial and residential sector and are sold within India and overseas.

Stainless Steel (SS) sheet is a thin flat piece of stainless steel that has a wide range of applications. Depending on the grade of SS used, size, thickness and finish SS sheet finds application in sectors ranging from architecture, building & construction (ABC), automotive, railway & transport (ART), food industry, process industry, and aerospace, among others. The corrosion resistance attribute of the material, along with the ability to incorporate custom finishes has helped increase the usage of SS sheet. The Company's SS sheet product portfolio comprise of a wide range of finishing sheets i.e. Satin Surface SS sheets, Hairline SS Sheet, Scotch Bright SS sheet and Mirror Surface SS Sheet.

The company currently offers over 2500 SKUs of SS washers in different sizes and international standards to its customers including inner ring washers, spring washers, nord lock washers, retaining rings, internal tooth washers and external tooth washers



### STOCK DATA

BSE Code	:	543978
BSE Group	:	B
NSE Code	:	RATNAVEER
Bloomberg	:	RATNAVEE IN
Reuters	:	-
Par Value	:	Rs 10
52-week High/Low	:	Rs. 154 / 109
Sector	:	Steel

### SHAREHOLDING PATTERN\*

Category	% of equity
Foreign	: 4.23
Institutions	: 0.01
Govt Holding	: 0.00
Corporate Holding	: 2.81
Promoters	: 55.48
Public & Others	: 37.47
Totals	: 100

\* as on 31/12/2023. Source: Capitaline Databases

of different sizes and specifications. RPEL intend to extend its product portfolio by adding circlips in washer segment. Its product portfolio also includes diversified variety of stainless steel pipes in various specifications and sizes having wide applications in varied industries.

Solar roofing hooks are used for solid fastening of photovoltaic systems on pitched roofs and RPEL's product range includes vario hooks, fix roofing hooks and adaptors.

In FY23, of the total revenue about SS finishing sheets accounted 63.73%, SS Washers 17.53%, SS Solar Roofing Hooks 2.20%, SS Scrap metals 10.29%, SS Tubes & Pipes 6.25%.

RPEL sell its products both in the domestic as well as international markets. In the domestic market, they sell their products to the manufacturers as well as traders / stockiest and end customers while in the international market they supply their products through traders / stockiest in the international market. Further it has been exporting since incorporation and as on date, some of the countries including namely Germany, UK, Spain, Netherland, etc. Thus, diversified customer base profile signifies non-dependence on any single customer and thereby hedges its business operations from potential customer specific risk, sector specific risks, change in global markets and international relations etc.

Domestic revenues stood at Rs 387.539 crore in FY2023, which formed 80.79% of total revenue (80.39% in FY2022), while export revenue was Rs 92.191 crore, which formed 19.21% of total revenue (19.61% in FY2022).

RPEL is focused at consistently expanding its product portfolio by developing new designs. The company constantly engages with its customers through marketing via personal interactions with them. Having a wide range of products not only enables it to meet the trends and ever changing demands of its customers but also gives it an edge to efficiently compete with its competitors.

#### **Increasing mix of value-added products in overall revenue to boost profitability**

Stainless steel sheets (SS sheets) given its characteristics of superior corrosion resistance, ability to hold its form under extreme natural elements and flexibility into any shape required and availability of wide variety of finishes that meets aesthetic requirement has emerged as strong candidate in the ABC (Architecture, building & construction) segment finds usage as railings, load bearing, HVAC, plumbing applications and interior finishing material in elevators. Apart from this the SS sheet is widely used in commercial kitchen in workstations, storage cabinets, exterior material for refrigerators, cooking range, and equipments like ovens & frying stations. Other than ABC the other major end use segment is ART (automotive, railways & transportation) where SS sheet of varying finishes is used in the construction of metro/rail coaches as well as bus bodies.

SS Sheet market/industry is moving towards sheets with specialized finishes and this could introduce product differentiation and with it the prospect of a range of premium priced sheets. Moreover emergence of metro/rail coach manufacturing, as a key end use segment and its characterize of limited number of players/OEMs though restricts the pricing power of SS sheet suppliers, the large volume as well as product quality and varying finishes required by these metro/rail coach manufacturers gives edge to large players with wide product range and less competition from unorganized players.

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Stainless steel products manufactured by the company find application across various industries including automotive, solar power, wind energy, power plants, oil & gas, pharmaceuticals, sanitary & plumbing, instrumentation, electro mechanics, architecture, building & construction

Given the lower manufacturing capacity in US and European market (because of the large-scale migration of manufacturing from West to developing markets), the anti-dumping and adverse trade measures against SS sheet manufacturers with excess capacity such as China, South Korea and Japan have created a void and this gap has presented an opportunity for countries like India, who are now able to compete better in European and the US market. The domination of US and Europe in India's SS sheet export markets is a direct result of these developments.

The share of value-added products in the overall revenue has been improved on a y-o-y basis from 10% in FY22 to 18% in 1HFY24. Favourable product mix in favour of premium/value added products in SS finished sheets and others have facilitated improvement in margin to 10% in 9mFY24 from 5.5% in FY21.

#### **Synergistic business models focused on backward integration**

RPEL has developed a synergistic system of backward integration whereby it processes the scrap generated in manufacturing of their products for converting back into the raw material which is utilized again in manufacturing.

RPEL manufacture SS finishing sheets, SS washers and SS solar mounting hooks at its Unit I and SS pipes & tubes at its Unit II. Unit III and Unit IV are dedicated for the backward integration process. Unit III is the melting unit where the company melts steel scrap and turns it into steel ingots and Unit IV is the rolling unit where flat ingots are further processed to turn them into SS sheets which are the raw material for SS washers.

Thus, the raw material required is also being generated in-house, while the waste being produced in the manufacturing process is being completely utilized, ensuring economies of scale and minimal wastage.

Due to backward integration RPEL has a competitive edge over its competitors in terms of better pricing and raw material supplies.

RPEL embarked on augmenting product portfolio capacity and installation of 2MW of solar power plant for captive use at a capital outlay of Rs 45.94 crore which will be funded by 29% equity and 71% debt. The capex project is likely to be complete by July 24, and post this capex REPL will benefit due to lower power and fuel cost and enhanced product portfolio which will result in optimum operating efficiency.

#### **Strong Q3FY24 show**

For the quarter ended Dec 2023, the sales were up 80% to Rs 193.19 crore. With operating profit margin (OPM) expand by 60 bps to 9.2%, the operating profit margin was up 93% to Rs 17.69 crore. After accounting for higher other income, lower interest and higher depreciation, the PBT jumped up 183% to Rs 13.42 crore. The taxation was up 450% to Rs 4.16 crore and the PAT was up 133% to Rs 9.25 crore.

For the nine month ended Dec 2023, the sales were up 38% to Rs 453.34 crore. But with OPM expand by 40 bps to 10%, the operating profit was up 44% to Rs 45.49 crore. Eventually the PAT was up by 55% to Rs 25.44 crore.

#### **Outlook**

Stainless Steel consumption in India is largely from construction & infrastructure 12%, ART (Automobiles, railways and transport) 13%, Capital goods 30%, durables and house-hold utensils 44% and balance 1% from others.

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Favourable product mix in favour of premium/value added products in SS finished sheets and others have facilitated improvement in margin to 10% in 9mFY24 from 5.5% in FY21

The SS sheet market that stood is witnessing strong growth driven by pick up in construction and real estate activity, recovery in demand/production of buses bodies, metro/rail coaches in the country as well as capex upcycle in process industries. Similarly strong demand from key end use industries and exports augurs well for SS washers and sustained investment in renewable sector for SS hooks. Further RPEL has healthy order book of Rs.72.18 crore as on 14-dec-2023 to be executed over next four months, provides short term revenue visibility.

Focus on value added products with new products added to the portfolio, higher exports with increased penetration along with better operating leverage are expected to facilitate margin improvement in FY25 as well.

### Valuation

We expect the company to register a EPS of Rs 7.8 in FY24 and Rs 10.4 in FY25. At current market price of Rs 131, the scrip trades at about 13 times of its expected FY25 EPS.

Due to backward integration RPEL has a competitive edge over its competitors in terms of better pricing and raw material supplies

### RATNAVEER PRECISION ENGINEERING: RESULTS

PARTICULARS	2312 (03)	2212 (03)	VAR.(%)	2312 (09)	2212 (09)	VAR.(%)	2303 (12)	2203 (12)	Var.(%)
Sales	193.19	107.04	80	453.34	328.92	38	479.75	426.94	12
OPM (%)	9.2	8.6		10.0	9.6		9.5	6.4	
OP	17.69	9.16	93	45.49	31.62	44	45.62	27.53	66
Other inc.	0.99	0.21	373	2.38	0.79	199	1.40	1.53	-9
PBIDT	18.69	9.37	99	47.87	32.41	48	47.02	29.06	62
Interest	3.45	3.54	-3	10.11	9.35	8	12.29	11.67	5
PBDT	15.24	5.83	161	37.76	23.06	64	34.73	17.39	100
Dep.	1.83	1.10	66	4.25	2.96	44	4.02	3.94	2
PBT	13.42	4.73	183	33.51	20.10	67	30.71	13.45	128
Tax	4.16	0.76	450	8.07	3.68	119	5.67	3.98	43
PAT	9.25	3.98	133	25.44	16.43	55	25.04	9.48	164
EPS (Rs)*	#	#		#	#		5.1	2.0	

\* EPS is on current equity of Rs 48.694 crore, Face value of Rs 10.

# EPS is not annualised due to seasonality of business. Figures in Rs crore.

Source: Capitaline Databases