



Farsight

MORNING FARSIGHT

Monday, July 30, 2018

RAMKNSHNA FORGINGS

CMP:RS 650

TRGT:RS 750

TIME HORIZON: 1 YEAR

Ramknshta Forgings, India's second largest forging company AFTER Bharat Forge, with an installed capacity of about 1,60,000 MTPA across 5 plants in Jamshedpur and Kolkata and the only company in India to make both front axle and rear axle for Commercial Vehicles (CV), has posted strong set of earnings for O1FY19 with Net Revenue from Operations growing by over 59% YoY to Rs 411cr, EBITDA growing by over 73% YoY to Rs 87 cr (EBITDA margin 21.1%) and stupendous PAT growth of 205% YoY to Rs 27.7 cr against Rs 9.1 cr. It must be noted that Q4 is always the best quarter for CV Players and CV OEM serving ancillaries; hence YoY comparison is done to present robust performance of the company. Going ahead, company will benefit from rising share of business from market leader in the M&HCV segment, higher sourcing of components from cost competitive manufacturing hubs in Asia (including India) and from development of new product segments and customers. Management has categorically stated that company is targeting doubling of revenues over the next 3-4 years Richer product mix and economies of scale will drive EBITDA margins higher by 200-300bps, resulting in a margin in the range of 22-24% over the next three years. Further, the recent Government notification for enhancing the pay load of CV will further boost the demand for heavier components, as higher load would break Axles which creates opportunity for company to sell more springs in aftermarket. Also a truck's life cycle in infrastructure is shorter (four to five years) due to excessive and abusive use of trucks, which will result in higher demand. On conservatively estimated EPS of Rs 38 for FY19 and EBI T DA of Rs 360 cr. Stock is trading at PE of 17x and EV/EBI T DA of 6x, which are at discount to industry peers Bharat Forgings and MM Forgings. Share ruling at Rs 650 can move to Rs 750 in 1 year. Buy as an investor

DISCLAIMER: This is solely for information of clients of Farsight Securities Ltd. and does not construe to be an investment advice. It is also not intended as an offer or solicitation for the purchase and sale of any financial instruments. Any action taken by you on the basis of the information contained herein is your responsibility alone and Farsight Securities Ltd. its subsidiaries or its employees or associates will not be liable in any manner for the consequences of such action taken by you. We have exercised due diligence in checking the correctness and authenticity of the information contained in this recommendation, but Farsight Securities Ltd. or any of its subsidiaries or associates or employees 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 recommendation or any action taken on basis of this information. Technical analysis studies market psychology, price patterns and volume levels is used to forecast future price and market movements. Technical analysis is complementary to fundamental analysis and news sources. The recommendations issued herewith might be contrary to recommendations issued by Farsight Securities Ltd. in the company research undertaken as the recommendations stated in this report is derived purely from technical analysis. Farsight Securities Ltd. has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; Farsight Securities Ltd. makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. The opinions contained within the report are based upon publicly available information at the time of publication and are subject to change without notice. The information and any disclosures provided herein are in summary form and have been prepared for informational purposes. The recommendations and suggested price levels are intended purely for trading purposes. The recommendations are valid for the day of the report however trading trends and volumes might vary substantially on an intraday basis and the recommendations may be subject to change. The information and any disclosures provided herein may be considered confidential. Any use, distribution, modification, copying, forwarding or disclosure by any person is strictly prohibited. The information and any disclosures provided herein do not constitute a solicitation or offer to purchase or sell any security or other financial product or instrument. The current performance may be unaudited. Past performance does not guarantee future returns. There can be no assurance that investments will achieve any targeted rates of return, and there is no guarantee against the loss of your entire investment.

POTENTIAL CONFLICT OF INTEREST DISCLOSURE (as on date of report)

Disclosure of interest statement – • Analyst interest of the stock /Instrument(s) - No. • Firm interest of the stock / Instrument (s) - No.