

CMP: INR 605

Rating: BUY

Target Price: INR 1,231

Stock Info

BSE	533262
NSE	RAMKY
Bloomberg	RMKY:IN
Reuters	RAMK.NS
Sector	Infra
Face Value (INR)	10
Equity Capital (INR mn)	692
Mkt Cap (INR mn)	41,866
52w H/L (INR)	643 / 223
Avg Yearly Volume (in 000')	1,295

Shareholding Pattern %

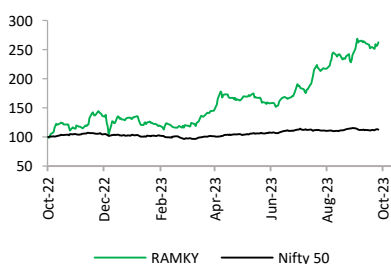
(As on Sep, 2023)

Promoters	69.81
DII	0.38
FII	0.60
Public & Others	29.23

Stock Performance (%) 3m 6m 12m

RAMKY	51.9	82	162.9
NIFTY	1.7	10.8	12.9

RAMKY vs NIFTY



Abhishek Jain

abhishek.jain@arihantcapital.com
022-422548871

Balasubramanian A

bala@arihantcapital.com
022-67114780

Ramky Infrastructure Ltd is engaged in construction, Infrastructure development, and management. In the EPC segment, the company operates in Water and wastewater projects, Roads & Bridges and buildings and Construction, etc. In the Developer segment, the company is taking government projects on a PPP basis and getting projects through competitive bidding. The company has a presence in over 20 states and is majorly concentrated in Andhra Pradesh and Telangana. The company's client base includes NHAI, NTPC, Karnataka Power Transmission, Bihar State Road Development, etc.

Investment Rationale

Strongest order book and execution shows business visibility: The order book stood at INR 94.98bn (5.6x of FY23 revenue) as of Q1FY24 showing business visibility over the medium to long term. Around INR 42bn (~44.2% of order book) is from Operations & Maintenance which is executed over 15-20 years. Around INR 52.98bn of the order book (~3.1x of FY23 revenue) is executable over the medium term and continuous order inflows show steady business visibility going forward. The order book break-up is Industrials (52.3%), Building (26.1%), Wastewater (16.6%), Roads and bridges (1.9%), Power (1.6%), and 1.4% from Irrigations. The company has a presence in over 20 states and the majority of orders book from Andhra Pradesh (~49%) and Telangana (33.6% and the remaining from others. **Based on current order book and upcoming order inflows with execution capability, We are estimating revenue of ~INR 36.5bn and EBITDA of INR ~9.31bn (~25.5% EBITDA Margin) by FY26E.**

Margin improvement backed by strong execution and cost optimization: The company has implemented cost reduction initiatives on other expenses which led to EBITDA margin improvement from ~14% (FY22) to ~20% in FY23. In Q1FY24, the EBITDA margin stood at ~28% which is the highest ever in the past 2 years. The company continues to focus on higher-margin projects and cost optimization going forward.

Construction business witnessed steady growth along with margin improvement: Construction business has grown at a CAGR of 5.5% to INR 14,740mn over the period of FY20-23 and EBIT margins substantially increased to 18.7% vs 9.8%/4.3%/1% in FY22/FY21/FY20 respectively. We believe construction margin would improve further to above 25% going forward.

Debt reduction leads to improvement in Balance Sheet: The company has reduced its short-term loans from INR 25.79bn (FY22) to INR 13.34bn (FY23) which is expected to reduce the finance cost going forward. The debt reduction led by a one-time settlement with financial lenders and promoters infused funds through the monetizing of assets. In Q1FY24, Interest cost stood at INR 400mn which is more than a 50% reduction over the past 2 years. The finance cost reduction would improve the bottom line going forward. The company has reduced dependence on working capital limits because the majority of orders are from in-house & group entities and rely on mobilization advances.

Outlook & Valuation: Ramky Infrastructure has a strong order book of INR 94.98bn (~5.6x of FY23 revenue) and regular order inflows show business visibility over the medium to long term. The margin improvement is expected from high-margin projects, cost optimization, and reduction in finance costs. The government has increased infra capital expenditure to 10 lakh cr (3.3% of GDP) in Budget 2023-24. The company is expected to benefit from infra-sector growth along with strong execution going forward. At CMP 605, we have a "BUY" rating with a target price of INR 1,231 based on 10x EV/EBITDA of FY26E EBITDA of INR 9.31bn, an upside of 103.5%.

Arihant Research Desk

Email: instresearch@arihantcapital.com

Tel. : 022-42254800

Head Office	Registered Office
#1011, Solitaire Corporate Park Building No. 10, 1 st Floor Andheri Ghatkopar Link Road Chakala, Andheri (E) Mumbai – 400093 Tel: (91-22) 42254800 Fax: (91-22) 42254880	Arihant House E-5 Ratlam Kothi Indore - 452003, (M.P.) Tel: (91-731) 3016100 Fax: (91-731) 3016199

Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

Research Analyst Registration No.	Contact	Website	Email Id
INH000002764	SMS: 'Arihant' to 56677	www.arihantcapital.com	instresearch@arihantcapital.com

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Arihant Capital Markets Ltd.
1011, Solitaire Corporate park, Building No. 10, 1st Floor,
Andheri Ghatkopar Link Road, Chakala, Andheri (E)
Tel. 022-42254800 Fax. 022-42254880