

# Container Corporation of India

13 November 2022

Reuters: CCRI.NS; Bloomberg: CCRI IN

## Unclear LLF policy; DFC a key growth catalyst

In 2QFY23, Concor's performance was modest compared to 1QFY23 and below our estimates. Revenue was down marginally by 0.4% QoQ at Rs19,863mn due to lower realization in Exim segment (down by 15.1% QoQ). Concor carried larger handling cargo volume (first mile last mile connectivity), which is not lucrative from realization perspective compared to originating volume. The overall volume was up by 12.9% QoQ at 1.14mn TEUs. Blended realization was down by 1.3% QoQ at Rs23,165/TEUs. Despite a global slowdown and limited availability of the Shanghai port, Concor's Exim volume grew by 19.4% QoQ to 0.94mn TEUs, driven by higher carriage of handling cargo. The management stated that the shift from road to rail continues with the partial operationalization of the Western DFC route from Rewari until Palanpur, which has resulted in following benefits: (1) Faster travel time on rail v/s road (2) Assured timeline for freight transport (3) Lower cost in rail transport vs road. The benefits of partial Western DFC operationalization are expected to be evident over the next few years once the Western DFC and Eastern DFC corridors are fully commissioned. We maintain BUY on Concor with a target price (TP) of Rs923, valuing it at 22x on Sept'FY24E EPS. Our optimism on Concor stems from: (1) Higher volume on the back of partial operationalization of Western DFC, coupled with double-stack trains driving revenue growth (2) Various initiatives such as 3P logistics, bulk commodity transportation, higher terminal utilization etc are expected to diversify Concor's offerings, thereby increasing sales and profitability and (3) Comfortable balance sheet.

**Revenue declines by 0.4% QoQ but increases by 8.1% YoY to Rs19,863mn in 2QFY23**  
Revenue stood at Rs19,863mn, down by 0.4% QoQ because of a decline in average realization by 1.3% QoQ to Rs 23,165/sqft in 2QFY23. Exim realization declined by 15.1% QoQ to Rs14,076/sqft because Concor handled first mile last mile connectivity cargo, which is not lucrative from realization perspective compared to originating volume.

Concor achieved throughput of 1.14mn TEUs, an increase of 12.9% QoQ (Exim volume was up by 19.4% QoQ at 0.94mn TEUs; domestic volume was down by 9.3% QoQ at 0.21mn TEUs).

Revenue grew by 13.1% YoY in 2QFY23 compared to 2QFY20 level (pre-covid level).

## BUY

Sector: Logistics

CMP: Rs767

Target Price: Rs923

Upside: 20%

## NBIE

Institutional.research@nirmalbang.com  
+91-22-6273 8175

## Key Data

|                          |           |
|--------------------------|-----------|
| Current Shares O/S (mn)  | 609.3     |
| Mkt Cap (Rsbn/US\$bn)    | 468/6     |
| 52 Wk H / L (Rs)         | 829/554   |
| Daily Vol. (3M NSE Avg.) | 2,306,157 |

## Price Performance (%)

|             | 1 M | 6 M  | 1 Yr |
|-------------|-----|------|------|
| CONCOR      | 8.5 | 29.2 | 11.7 |
| Nifty Index | 6.8 | 16.3 | 1.4  |

Source: Bloomberg

| Y/E Mar (Rs mn)                               | 2QFY23       | 1QFY23       | QoQ (%)     | 2QFY22       | YoY (%)      | 2QFY23E      | Var (%)      | 2QFY20        | YoY (%)<br>Pre covid level |
|---|--------------|--------------|-------------|--------------|--------------|--------------|--------------|---------------|----------------------------|
| Net Sales                                     | 19,863       | 19,940       | -0.4%       | 18,372       | 8.1%         | 20,890       | -4.9%        | 17,556        | 13.1%                      |
| Rail freight expenses                         | -10,679      | -10,875      | -1.8%       | -9,838       | 8.6%         | -11,393      | -6.3%        | -9,397        | 13.6%                      |
| other operating expenses                      | -2,669       | -2,742       | -2.7%       | -2,701       | -1.2%        | -2,873       | -7.1%        | -2,319        | 15.1%                      |
| Employee benefit expenses                     | -930         | -1,043       | -10.8%      | -1,004       | -7.4%        | -1,063       | -12.5%       | -837          | 11.1%                      |
| Other Expenses                                | -530         | -493         | 7.5%        | -511         | 3.7%         | -507         | 4.4%         | -683          | -22.5%                     |
| <b>EBITDA</b>                                 | <b>5,056</b> | <b>4,788</b> | <b>5.6%</b> | <b>4,319</b> | <b>17.1%</b> | <b>5,053</b> | <b>0.0%</b>  | <b>4,320</b>  | <b>17.0%</b>               |
| <b>EBITDAM (%)</b>                            | <b>25.5%</b> | <b>24.0%</b> | <b>1.4%</b> | <b>23.5%</b> | <b>1.9%</b>  | <b>24.2%</b> | <b>1.3%</b>  | <b>24.6%</b>  | <b>0.9%</b>                |
| Depreciation and amortization                 | (1,386)      | (1,373)      | 0.9%        | -1,440       | -3.8%        | (1,373)      | 0.9%         | -1,354        | 2.3%                       |
| <b>EBIT</b>                                   | <b>3,670</b> | <b>3,415</b> | <b>7.5%</b> | <b>2,879</b> | <b>27.5%</b> | <b>3,680</b> | <b>-0.3%</b> | <b>2,966</b>  | <b>23.7%</b>               |
| <b>EBITM (%)</b>                              | <b>18.5%</b> | <b>17.1%</b> | <b>1.4%</b> | <b>15.7%</b> | <b>2.8%</b>  | <b>17.6%</b> | <b>0.9%</b>  | <b>16.9%</b>  | <b>1.6%</b>                |
| Other income                                  | 446          | 685          | -34.9%      | 630.8        | -29.3%       | 698.8        | -36.2%       | 448           | -0.5%                      |
| Interest expenses                             | -159         | -155         | 2.9%        | -156.1       | 2.1%         | -155.0       | 2.8%         | -108          | 47.3%                      |
| Extraordinary expenses                        |              | 0            | -           | 0            | -            | -            | -            | -8,611        | -                          |
| <b>Profit before tax</b>                      | <b>3,957</b> | <b>3,945</b> | <b>0.3%</b> | <b>3,354</b> | <b>18.0%</b> | <b>4,224</b> | <b>-6.3%</b> | <b>-5,304</b> | <b>-174.6%</b>             |
| Tax expense                                   | -998.10      | -1,005       | -0.6%       | -870.9       | 14.6%        | (1,071)      | -6.8%        | 1,860         | -153.7%                    |
| Effective tax rate (%)                        | 25%          | 25%          | -           | 26%          | -            | 25.3%        | -            | -275%         | -                          |
| <b>PAT</b>                                    | <b>2,959</b> | <b>2,940</b> | <b>0.6%</b> | <b>2,483</b> | <b>19.2%</b> | <b>3153</b>  | <b>-6.2%</b> | <b>-3,444</b> | <b>-185.9%</b>             |
| Add: Share of Profit/(losses) from associates | 79           | 28           | 183.6%      | 49.2         | 61.4%        | 28.0         | 183.6%       | 117           | -32.0%                     |
| Minority interest                             | -3           | 3            | -232.0%     | 5.1          | -164.7%      | 2.5          | -232.0%      | 8.0           | -141.3%                    |
| <b>Adj. net profit</b>                        | <b>3,035</b> | <b>2,971</b> | <b>2.2%</b> | <b>2,537</b> | <b>19.6%</b> | <b>3184</b>  | <b>-4.7%</b> | <b>-3,320</b> | <b>-191.4%</b>             |
| <b>NPM (%)</b>                                | <b>15.3%</b> | <b>14.9%</b> | <b>0.4%</b> | <b>13.8%</b> | <b>1.5%</b>  | <b>15.2%</b> | <b>0.0%</b>  | <b>-18.9%</b> | <b>34.2%</b>               |

Source: Company, Nirmal Bang Institutional Equities Research

Please refer to the disclaimer towards the end of the document.

**EBITDA margin expands by ~140bps QoQ and 190bps YoY to 25.5% in 2QFY23:** EBITDA margin expanded by ~140bps QoQ and 190bps YoY to 25.5% in 2QFY23. The QoQ increase in EBITDA margin was mainly led by: (1) Decline in rail freight charges as the company successfully passed on the entire withdrawal of discount on haulage charges to its customers and (2) Decline in employee cost by 10.8% QoQ.

**Adjusted PAT increases by 2.2% QoQ and 19.6% YoY to Rs3.1bn in 2QFY23:** The increase in adjusted PAT by 2.2% QoQ was due to: (1) EBITDA margin expanding by 140bps QoQ and (2) Decline in tax expenses by 0.6% QoQ.

## Highlights from Management Conference Call

**Unclear LLF policy:** The Ministry of Railways has published the Master Circular on Railway Land policy. It states following: (a) Competitive bidding for new terminals with lower rate (i.e. fixed rate 1.5% + traffic access charges) (b) existing users retaining the right to operate as per higher earlier lease rate i.e. 6% (c) Extension of lease period up to 35 years. The lack of clarity on the basis of competitive bidding and calculation of traffic access charges will delay Concor's decision to participate in the bidding process. We await more clarity on compressive policy and details from the Union Railway Minister. The lumpsum one-time payment of Rs60-70bn is still under evaluation by the Railways. The company has paid ~Rs1,900mn towards land license fees (LLF) in 1HFY23, which is based on 6% market value of the land. The management has guided for LLF payment of Rs3,900mn for FY23.

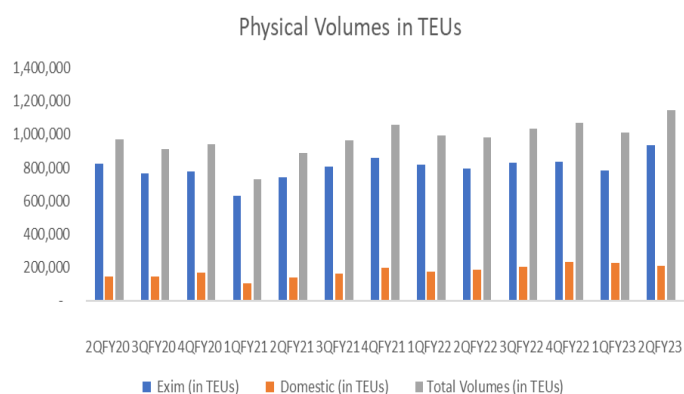
**Concor introduces volume-based rebate on rail freight to reduce empty running container cost:** Concor has introduced volume-based rebate on rail freight for clients who will reposition empty containers from various gateway ports to various hinterland terminals. This helped the company to reduce empty running cost in Exim segment from Rs400mn in 1QFY23 to Rs127mn in 2QFY23.

**Continuous focus on higher lead distance to drive domestic segment realization:** Concor remains focused on higher lead distance (EXIM: 675km and Domestic: 1,344km in 1HFY23), which drove domestic segment realizations higher.

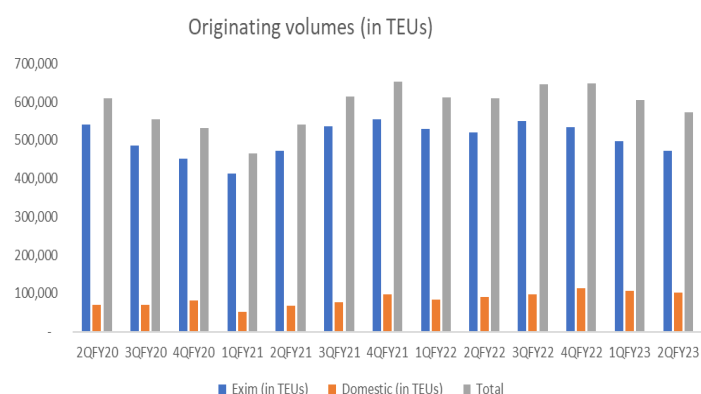
**Capex is to meet growing domestic freight demand:** The management has stated that it will incur a capex of ~Rs80bn over the next four years in developing infrastructure, purchasing containers and investing in electrical equipment. The capex will be funded through internal accruals.

**Other highlights:** (1) Concor's port-wise market share in 2QFY23 stood at: 36.4% from Mundra; 11.2% from Pipavav; 36% from JNPT; 5% from Chennai; 4.3% from Vizag; 1.6% from Tuticorin and 2.3% from Cochin. (2) The management has guided for volume growth 30% in the domestic segment. Also, it indicated change in product mix from the present EXIM:DOMESTIC - 70:30 to EXIM:DOMESTIC – 60:40 in the next two years.

**Maintain BUY with a TP of Rs923:** We maintain BUY on Concor with a TP of Rs923, implying an upside of 20% from CMP based on P/E of 22x on Sept'FY24E EPS.

**Exhibit 1: Physical Volume (in TEUs)**


Source: Company, Nirmal Bang Institutional Equities

**Exhibit 2: Originating Volume (in TEUs)**


Source: Company, Nirmal Bang Institutional Equities

**Exhibit 3: Segment-wise revenue:**

| Segment Revenues (Rs mn) | 2QFY23        | 1QFY23        | QoQ (%)     | 2QFY22        | YoY(%)     | 2QFY20        | YoY(%)      | 2QFY23E       | Var(%)       |
|--------------------------|---------------|---------------|-------------|---------------|------------|---------------|-------------|---------------|--------------|
| EXIM                     | 13,189        | 13,009        | 1.4         | 12,929        | 2.0        | 13,579        | -2.9        | 13,467        | -2.1%        |
| Domestic                 | 6,675         | 6,931         | -3.7        | 5,443         | 22.6       | 3,977         | 67.8        | 7,423         | -10.1%       |
| Un-allocable             |               | -             | -           | -             |            | -             | -           | -             | -            |
| <b>Total</b>             | <b>19,863</b> | <b>19,940</b> | <b>-0.4</b> | <b>18,372</b> | <b>8.1</b> | <b>17,556</b> | <b>13.1</b> | <b>20,890</b> | <b>-4.9%</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 4: Segment-wise TEUs handled:**

| Segment Throughput (TEUs) | 2QFY23           | 1QFY23           | QoQ (%)      | 2QFY22          | YoY(%)       | 2QFY20          | YoY(%)       | 2QFY23E          | Var(%)       |
|---------------------------|------------------|------------------|--------------|-----------------|--------------|-----------------|--------------|------------------|--------------|
| EXIM                      | 9,36,950         | 7,84,857         | 19.4%        | 7,92,425        | 18.2%        | 8,26,013        | 13.4%        | 7,88,781         | 18.8%        |
| Domestic                  | 2,06,945         | 2,28,191         | -9.3%        | 1,88,332        | 9.9%         | 1,43,145        | 44.6%        | 2,39,601         | -13.6%       |
| <b>Total</b>              | <b>1,143,895</b> | <b>1,013,048</b> | <b>12.9%</b> | <b>9,80,757</b> | <b>16.6%</b> | <b>9,69,158</b> | <b>18.0%</b> | <b>1,028,382</b> | <b>11.2%</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 5: Segment-wise originating volume:**

| Segment Throughput (TEUs) | 2QFY23          | 1QFY23          | QoQ (%)     | 2QFY22         | YoY(%)      | 2QFY20          | YoY(%)      | 2QFY23E         | Var(%)      |
|---------------------------|-----------------|-----------------|-------------|----------------|-------------|-----------------|-------------|-----------------|-------------|
| EXIM                      | 4,71,256        | 4,97,222        | -5.2        | 5,18,916       | -9.2        | 5,41,375        | -13.0       | 5,07,166        | -7.1        |
| Domestic                  | 1,01,122        | 1,06,271        | -4.8        | 90,350         | 11.9        | 68,848          | 46.9        | 1,07,334        | -5.8        |
| <b>Total</b>              | <b>5,72,378</b> | <b>6,03,493</b> | <b>-5.2</b> | <b>609,266</b> | <b>-6.1</b> | <b>6,10,223</b> | <b>-6.2</b> | <b>6,14,500</b> | <b>-6.9</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 6: Segment-wise realization:**

| Segment Realization (Rs/TEU) | 2QFY23        | 1QFY23        | QoQ          | 2QFY22        | YoY         |
|------------------------------|---------------|---------------|--------------|---------------|-------------|
| EXIM                         | 14,076        | 16,576        | -15.1%       | 16,316        | -13.7%      |
| Domestic                     | 32,254        | 30,373        | 6.2%         | 28,902        | 11.6%       |
| <b>average Realization</b>   | <b>23,165</b> | <b>23,474</b> | <b>-1.3%</b> | <b>22,609</b> | <b>2.5%</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 7: Port-wise rail coefficient and market share:**

| Particulars | 2QFY23 Market share (%) | 2QFY23 Rail coefficient (%) |
|-------------|-------------------------|-----------------------------|
| JNPT        | 36.0%                   | 18.2%                       |
| Mundra      | 36.4%                   | 26.0%                       |
| Pipavav     | 11.2%                   | 70.0%                       |

Source: Company, Nirmal Bang Institutional Equities

**Exhibit 8: 1-Year Forward P/E**



Source: Company, Nirmal Bang Institutional Equities

## Consolidated Financial statement

**Exhibit 9: Income statement**

| Y/E March (Rsmn)                                 | FY21          | FY22          | FY23E         | FY24E          | FY25E          |
|--|---------------|---------------|---------------|----------------|----------------|
| <b>Net sales</b>                                 | <b>64,271</b> | <b>76,527</b> | <b>93,398</b> | <b>113,759</b> | <b>138,558</b> |
| Growth YoY (%)                                   | -1.7          | 19.1          | 22.0          | 21.8           | 21.8           |
| Terminal & other service chg                     | 46,745        | 52,521        | 55,995        | 68,325         | 83,564         |
| Employee Benefit Expenses                        | 4,287         | 4,192         | 4,283         | 4,456          | 4,636          |
| Other expenses                                   | 2,769         | 2,343         | 2,805         | 3,417          | 4,162          |
| <b>EBITDA</b>                                    | <b>10,470</b> | <b>17,473</b> | <b>30,315</b> | <b>37,561</b>  | <b>46,196</b>  |
| <b>EBITDA growth (%)</b>                         | <b>(38.2)</b> | <b>66.9</b>   | <b>73.5</b>   | <b>23.9</b>    | <b>23.0</b>    |
| <b>EBITDA margin (%)</b>                         | <b>16.3</b>   | <b>22.8</b>   | <b>32.5</b>   | <b>33.0</b>    | <b>33.3</b>    |
| Depreciation                                     | 5,534         | 5,614         | 8,017         | 9,953          | 11,888         |
| <b>EBIT</b>                                      | <b>4,936</b>  | <b>11,859</b> | <b>22,298</b> | <b>27,609</b>  | <b>34,308</b>  |
| <b>EBIT (%)</b>                                  | <b>7.7</b>    | <b>15.5</b>   | <b>23.9</b>   | <b>24.3</b>    | <b>24.8</b>    |
| Interest expense                                 | 429           | 624           | 414           | 432            | 452            |
| Other income                                     | 2,704         | 2,471         | 2,981         | 3,130          | 3,287          |
| Others   | (787)         | -             | -             | -              | -              |
| <b>Earnings before tax</b>                       | <b>6,425</b>  | <b>13,706</b> | <b>24,865</b> | <b>30,307</b>  | <b>37,143</b>  |
| Tax- total                                       | 1,730         | 3,422         | 6,345         | 7,719          | 9,445          |
| Rate of tax (%)                                  | 26.9          | 25.0          | 25.5          | 25.5           | 25.4           |
| <b>Net profit</b>                                | <b>4,695</b>  | <b>10,284</b> | <b>18,520</b> | <b>22,587</b>  | <b>27,699</b>  |
| Share of Profit / (Loss) of joint ventures (net) | 313           | 239           | 345           | 362            | 381            |
| Minority Interest                                | 45            | 29            | 48            | 50             | 52             |
| <b>Adjusted Net Profit</b>                       | <b>5,054</b>  | <b>10,551</b> | <b>18,912</b> | <b>23,000</b>  | <b>28,132</b>  |
| % growth   | 24.9          | 108.8         | 79.2          | 21.6           | 22.3           |
| EPS (FD)   | 8.29          | 17.32         | 31.04         | 37.75          | 46.17          |
| % growth   | 24.9          | 108.8         | 79.2          | 21.6           | 22.3           |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 11: Cash flow**

| Y/E March (Rsmn)                       | FY21           | FY22            | FY23E           | FY24E           | FY25E           |
|--|----------------|-----------------|-----------------|-----------------|-----------------|
| <b>Profit after tax</b>                | <b>5,054</b>   | <b>10,551</b>   | <b>18,912</b>   | <b>23,000</b>   | <b>28,132</b>   |
| Depreciation                           | 5,534          | 5,614           | 8,017           | 9,953           | 11,888          |
| Finance costs                          | 429            | 624             | 414             | 432             | 452             |
| Other income                           | (2,704)        | (2,471)         | (2,981)         | (3,130)         | (3,287)         |
| Others                                 | 1,730          | 3,422           | 6,345           | 7,719           | 9,445           |
| Working capital changes                | 2,270          | (1,237)         | 26,096          | 591             | 645             |
| <b>Operating cash flow</b>             | <b>12,312</b>  | <b>16,504</b>   | <b>56,804</b>   | <b>38,565</b>   | <b>47,274</b>   |
| Capital expenditure                    | (7,782)        | (8,500)         | (20,200)        | (20,200)        | (20,200)        |
| Cash Flow from Investments             | (319)          | (76)            | (1,290)         | (734)           | (771)           |
| Other income                           | 2,704          | 2,471           | 2,981           | 3,130           | 3,287           |
| <b>Net cash after capex</b>            | <b>6,916</b>   | <b>10,399</b>   | <b>38,295</b>   | <b>20,761</b>   | <b>29,590</b>   |
| Issue/(buyback of equity)              | -              | -               | -               | -               | -               |
| Proceeds/repayment of borrowings       | (82)           | 0               | -               | -               | -               |
| Finance costs                          | (429)          | (624)           | (414)           | (432)           | (452)           |
| Others                                 | (2,668)        | (31,377)        | (14,342)        | (19,657)        | (23,874)        |
| <b>Cash flow from financing</b>        | <b>(3,179)</b> | <b>(32,000)</b> | <b>(14,756)</b> | <b>(20,090)</b> | <b>(24,325)</b> |
| <b>Total cash generation</b>           | <b>3,737</b>   | <b>(21,601)</b> | <b>23,540</b>   | <b>671</b>      | <b>5,265</b>    |
| Opening cash balance                   | 21,388         | 25,428          | 3,827           | 27,366          | 28,038          |
| <b>Closing cash &amp; bank balance</b> | <b>25,125</b>  | <b>3,827</b>    | <b>27,366</b>   | <b>28,038</b>   | <b>33,302</b>   |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 10: Balance sheet**

| Y/E March (Rsmn)                 | FY21           | FY22           | FY23E          | FY24E          | FY25E          |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Equity Share capital             | 3,046          | 3,046          | 3,046          | 3,046          | 3,046          |
| Reserves and surplus             | 98,825         | 104,509        | 117,503        | 129,102        | 143,370        |
| <b>Net worth</b>                 | <b>101,871</b> | <b>107,555</b> | <b>120,549</b> | <b>132,149</b> | <b>146,417</b> |
| Minority Interest                | 1,040          | 1,011          | 1,011          | 1,011          | 1,011          |
| Loans                            | 618            | 618            | 618            | 618            | 618            |
| Other Financial Liabilities:     | 5,863          | 6,732          | 6,464          | 6,787          | 7,126          |
| Provisions                       | 1,376          | 867            | 1,375          | 1,431          | 1,488          |
| Other non-current liability      | 39             | 32             | 43             | 45             | 47             |
| <b>Total capital employed</b>    | <b>110,806</b> | <b>116,815</b> | <b>130,060</b> | <b>142,040</b> | <b>156,708</b> |
| Property, plant and equipment    | 65,852         | 64,674         | 80,184         | 90,431         | 98,743         |
| Non Current Investments          | 12,111         | 12,070         | 13,352         | 14,020         | 14,721         |
| Loans                            | 782            | 469            | 862            | 905            | 950            |
| Other non-current assets         | 13,187         | 15,931         | 14,538         | 15,265         | 16,029         |
| <b>Total non-current assets</b>  | <b>91,932</b>  | <b>93,145</b>  | <b>108,937</b> | <b>120,622</b> | <b>130,443</b> |
| Trade payables                   | 2,693          | 4,223          | 3,181          | 3,840          | 4,654          |
| Other current liabilities        | 10,278         | 8,133          | 11,332         | 11,898         | 12,493         |
| Provisions (current)             | 324            | 714            | 358            | 375            | 394            |
| <b>Total current liabilities</b> | <b>13,295</b>  | <b>13,070</b>  | <b>14,870</b>  | <b>16,114</b>  | <b>17,541</b>  |
| Inventories                      | 240            | 307            | 283            | 342            | 414            |
| Trade receivables                | 1,608          | 1,817          | 2,337          | 2,846          | 3,467          |
| Cash and bank balance            | 25,125         | 3,827          | 27,366         | 28,038         | 33,302         |
| Loans and advances               | 159            | 116            | 175            | 183            | 193            |
| Other current assets             | 5,038          | 30,674         | 5,832          | 6,124          | 6,430          |
| <b>Total current assets</b>      | <b>32,170</b>  | <b>36,741</b>  | <b>35,993</b>  | <b>37,533</b>  | <b>43,806</b>  |
| <b>Net current assets</b>        | <b>18,875</b>  | <b>23,671</b>  | <b>21,123</b>  | <b>21,419</b>  | <b>26,265</b>  |
| <b>Total capital employed</b>    | <b>110,806</b> | <b>116,815</b> | <b>130,060</b> | <b>142,040</b> | <b>156,708</b> |

Source: Company, Nirmal Bang Institutional Equities Research

**Exhibit 12: Key ratios**

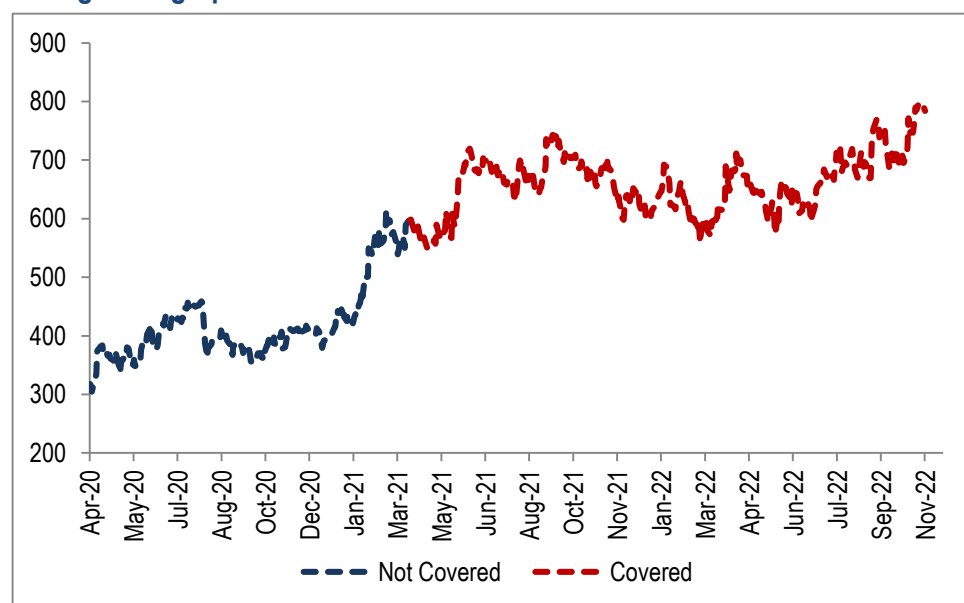
| Y/E March                                     | FY21 | FY22 | FY23E | FY24E | FY25E |
|---|------|------|-------|-------|-------|
| <b>Profitability and return ratios</b>        |      |      |       |       |       |
| EBITDA margin (%)                             | 16.3 | 22.8 | 32.5  | 33.0  | 33.3  |
| EBIT margin (%)                               | 7.7  | 15.5 | 23.9  | 24.3  | 24.8  |
| Net profit margin (%)                         | 7.3  | 13.4 | 19.8  | 19.9  | 20.0  |
| RoE (%)                                       | 5.0  | 9.8  | 15.7  | 17.4  | 19.2  |
| RoCE (%)                                      | 4.8  | 11.0 | 18.4  | 20.8  | 23.3  |
| <b>Working capital &amp; liquidity ratios</b> |      |      |       |       |       |
| Receivable (days)                             | 9.1  | 9.1  | 9.1   | 9.1   | 9.1   |
| Inventory (days)                              | 1.7  | 1.7  | 1.7   | 1.7   | 1.7   |
| Payable (days)                                | 19.3 | 19.3 | 19.3  | 19.3  | 19.3  |
| Current ratio (x)                             | 2.4  | 2.8  | 2.4   | 2.3   | 2.5   |
| <b>Valuation ratios</b>                       |      |      |       |       |       |
| EV/sales (x)                                  | 7.3  | 6.1  | 5.0   | 4.1   | 3.4   |
| EV/EBITDA (x)                                 | 44.6 | 26.7 | 15.4  | 12.4  | 10.1  |
| P/E (x)                                       | 92.5 | 44.3 | 24.7  | 20.3  | 16.6  |
| P/BV (x)                                      | 4.6  | 4.3  | 3.9   | 3.5   | 3.2   |

Source: Company, Nirmal Bang Institutional Equities Research

## Rating track

| Date              | Rating | Market price (Rs) | Target price (Rs) |
|-------------------|--------|-------------------|-------------------|
| 30 July 2022      | Buy    | 644               | 853               |
| 31 March 2021     | Buy    | 598               | 703               |
| 25 May 2021       | Buy    | 634               | 742               |
| 27 May 2021       | Buy    | 666               | 853               |
| 1 August 2021     | Buy    | 644               | 853               |
| 20 September 2021 | Buy    | 733               | 1,108             |
| 06 October 2021   | Buy    | 708               | 1,108             |
| 24 October 2021   | Buy    | 680               | 1,108             |
| 23 January 2022   | Buy    | 623               | 1,108             |
| 07 April 2022     | Buy    | 711               | 906               |
| 27 May 2022       | Buy    | 643               | 830               |
| 07 August 2022    | Buy    | 685               | 830               |
| 19 September 2022 | Buy    | 768               | 923               |
| 13 November 2022  | Buy    | 767               | 923               |

## Rating track graph



**DISCLOSURES**

This Report is published by Nirmal Bang Equities Private Limited (hereinafter referred to as “NBEPL”) for private circulation. NBEPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001436. NBEPL is also a registered Stock Broker with National Stock Exchange of India Limited and BSE Limited in cash and derivatives segments.

NBEPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBEPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBEPL, its associates or analyst or his relatives do not hold any financial interest in the subject company. NBEPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBEPL or its associates or Analyst or his relatives do not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBEPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBEPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company and NBEPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** I, NBIE, the author of this report, hereby certify that the views expressed in this research report accurately reflects my personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst is principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.



## Disclaimer

### Stock Ratings Absolute Returns

BUY > 15%

ACCUMULATE -5% to 15%

SELL < -5%

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBEPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBEPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBEPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBEPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBEPL or any of its affiliates 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 report. NBEPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBEPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBEPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.

Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBEPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBEPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBEPL.

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com)

**Access all our reports on Bloomberg, Thomson Reuters and Factset.**

| Team Details:  |                  |                               |   |
|----------------|------------------|-------------------------------|---|
| Name           |                  | Email Id                      | Direct Line                             |
| Rahul Arora    | CEO              | rahul.arora@nirmalbang.com    | -                                       |
| Girish Pai     | Head of Research | girish.pai@nirmalbang.com     | +91 22 6273 8017 / 18                   |
| Dealing        |                  |                               |   |
| Ravi Jagtiani  | Dealing Desk     | ravi.jagtiani@nirmalbang.com  | +91 22 6273 8230, +91 22 6636 8833      |
| Michael Pillai | Dealing Desk     | michael.pillai@nirmalbang.com | +91 22 6273 8102/8103, +91 22 6636 8830 |

## Nirmal Bang Equities Pvt. Ltd.

### Correspondence Address

B-2, 301/302, Marathon Innova,  
 Nr. Peninsula Corporate Park,  
 Lower Parel (W), Mumbai-400013.  
 Board No. : 91 22 6273 8000/1; Fax. : 022 6273 8010