

CMP: INR 1,485

Rating: BUY

Target Price: INR 2,336

Stock Info

| | |
|-----------------------------|-----------|
| BSE | 526807 |
| NSE | SEAMECLTD |
| Bloomberg | SEAM:IN |
| Reuters | SEAM.NS |
| Sector | Shipping |
| Face Value (INR) | 10 |
| Equity Capital (INR mn) | 254 |
| Mkt Cap (INR mn) | 37,764 |
| 52w H/L (INR) | 1,620/607 |
| Avg Yearly Volume (in 000') | 101.1 |

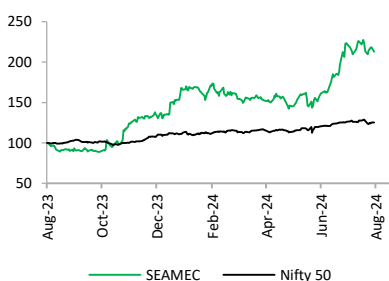
Shareholding Pattern %

(As on Jun, 2024)

| | |
|-----------------|-------|
| Promoters | 72.31 |
| DII | 5.01 |
| FII | 3.81 |
| Public & Others | 18.85 |

| Stock Performance (%) | 3m | 6m | 12m |
|-----------------------|------|------|-------|
| SEAMEC | 46.6 | 24.7 | 112.7 |
| NIFTY | 10.1 | 12.0 | 25.3 |

SEAMEC vs NIFTY



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SEAMEC reported numbers, Q1FY25 revenue stood at INR 2,150mn (+1.6% YoY/-9% QoQ); above our estimates of INR 1,991mn due to sale of Seamec Nidhi and lower deployment of Seamec Glorious, Seamec Princess and Seamec III due to monsoon. Gross Profit stood at INR 1,134mn (+40.1% YoY/-16.2% QoQ), In-line with our estimates of INR 1,135mn. Gross margins improved by 1450 bps YoY (-451 bps QoQ) to 52.8% vs 38.3% in Q1FY24. The margin improvement is mainly because of the operational cost decrease in terms of sales. The operating cost in terms of sales stood at 47.2% vs 61.7% in Q1FY24. EBITDA stood at INR 728mn (+51.6% YoY/-16.6% QoQ); slightly below our estimates of INR 796mn. EBITDA margin improved by 1116 bps YoY (-308 bps QoQ) to 33.9% vs 22.7% in Q1FY24. The margin improvement backed by improved charter rates of Swordfish and milestone achievements of Seamec Princess along with sale of loss making vessel "Seamec Nidhi". PAT stood at INR 500mn (+92.9% YoY/-5.3% QoQ); above our estimates of INR 408mn. PAT margin improved by 1100 bps YoY (+93 bps QoQ) to 23.2% vs 12.2% in Q1FY24. Adjusted PAT stood at INR 412mn (+59.2% YoY/-21.8% QoQ); In-line with our estimates of INR 408mn. Adjusted PAT margin improved by 694bps YoY (-313 bps QoQ) to 19.2% vs 12.2% in Q1FY24. Adjusted PAT excluded exceptional items of INR 87.2mn.

Key Highlights

business visibility backed by long-term contracts: SEAMEC owns and operates 5 Diving Support Vessels (DSV) for facilitating complex subsea operations. SEAMEC has long-term contracts of 3 to 5 years with clients for DSV which shows business visibility. Revenue growth is expected around 15%-20% CAGR going forward. The major Oil & Gas discovery happened in East Coast India. The more discoveries give an opportunity for SEAMEC.

NPP Nusantara (DSV) is expected to deploy from Oct-25 onwards: The management endeavors to consolidate vessel assets under SEAMEC over the next few years. As part of the Asset Consolidation, NPP Nusantara is expected to deploy from Oct-25 onwards. NPP Nusantara is a Diving Support Vessel (DSV) and it was built in 2011 and able to operate for another 10-12 years. NPP Nusantara deal value is around \$24mn and 5% has been paid as an advanced deposit. The company is confident in five years payback for Nusantara.

OSV would provide additional business visibility: The company has acquired the Offshore Support Vessel "Seamec Diamond" for \$7mn and deployed with ONGC from Aug-24 onwards. The deployment rate is \$8,750/day and a contract period of 3 years. The company has entered into an agreement to purchase the Offshore Support Vessel "Seamec Pearl (2nd OSV)" for \$7mn. The company is in talks with sellers for delivery of 2nd OSV. The company has already paid an advance deposit as per the international practice. OSV business is scalable and the company is able to increase the vessels based on industry requirements.

Margins are expected to improve due to effective deployment and cost rationalization: EBITDA margins stood at 33.9% in Q1FY25. EBITDA margins are expected to be 40%+ on a sustainable annual basis going forward. The company is strategically managing the operating and maintenance expenses which helps to improve the margins.

Outlook & Valuation: SEAMEC has witnessed strong bottom-line improvement due to cost optimization & rationalization. The company was sold "SEAMEC NIDHI" in Q4FY24 which is a loss making vessel which will reduce the expenses and improve the margins in coming quarters. NPP Nusantara is expected to deploy from Oct-25 onwards which will add additional revenue going forward. Nusantara payback period is expected around 5 years. SEAMEC Diamond (OSV) is successfully deployed with ONGC and the company is in talks with sellers for 2nd OSV delivery which will be deployed in coming quarters. The vessel asset consolidation is expected to happen from HAL offshore to SEAMEC in the next few years. The asset consolidation would bring additional revenue to SEAMEC and likely unlock the potential going forward. East Coast discoveries will provide additional opportunities for SEAMEC Ltd. In the base case scenario, we are estimating revenue to grow at a CAGR of 13% over the period of FY24-26E backed by long-term contracts, asset consolidation and OSV's. We are estimating EBITDA & PAT margins are expected to be 41.6% & 25.5% by FY26E, backed by cost rationalization and an increase in freight and charter rates. We maintain our "BUY" rating with a Target Price of INR 2,336 based on 25x of FY26E EPS of INR 93.4, an upside of 57.3%.

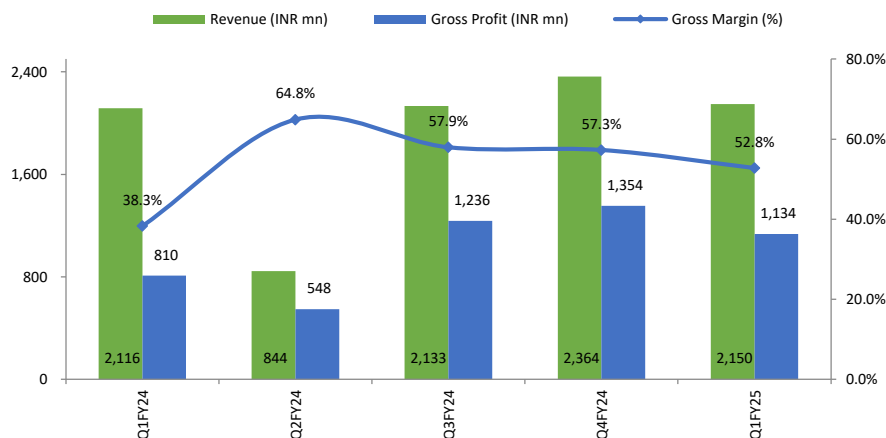
Q1FY25 Results

Income statement summary

| Particular (INR mn) | Q1FY24 | Q4FY24 | Q1FY25 | YoY (%) | QoQ (%) |
|------------------------------|--------------|--------------|--------------|------------------|-----------------|
| Revenue | 2,116 | 2,364 | 2,150 | 1.6% | -9.0% |
| Net Raw Materials | 1,306 | 1,010 | 1,016 | -22.3% | 0.6% |
| Gross Profit | 810 | 1,354 | 1,134 | 40.1% | -16.2% |
| Gross Margin (%) | 38.3% | 57.3% | 52.8% | 1450 bps | -451 bps |
| Employee Cost | 213 | 271 | 261 | 22.3% | -3.7% |
| Other Expenses | 116 | 210 | 146 | 25.5% | -30.6% |
| EBITDA | 480 | 873 | 728 | 51.6% | -16.6% |
| EBITDA Margin (%) | 22.7% | 36.9% | 33.9% | +1116 bps | -308 bps |
| Depreciation | 322 | 353 | 321 | | |
| Interest expense | 25 | 51 | 39 | | |
| Other income | 128.0 | 31.2 | 78.8 | | |
| Exceptional Items | - | - | 87 | | |
| Profit before tax | 261 | 501 | 534 | | |
| Taxes | 2 | (27) | 35 | | |
| PAT | 259 | 527 | 500 | 92.9% | -5.3% |
| PAT Margin (%) | 12.2% | 22.3% | 23.2% | +1100 bps | +93 bps |
| Other Comprehensive income | 5.3 | 3.5 | (6.1) | | |
| Net profit | 264 | 531 | 494 | 86.7% | -7.0% |
| Net profit Margin (%) | 12.5% | 22.5% | 23.0% | +1046 bps | +49 bps |
| EPS (INR) | 10.2 | 20.7 | 19.6 | | |

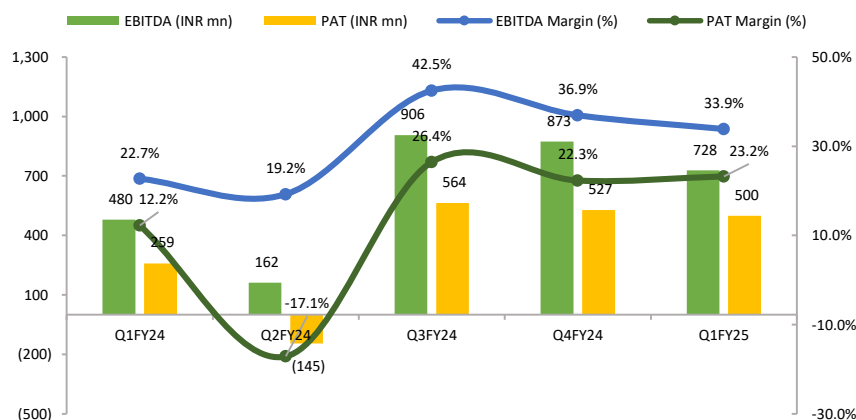
Source: Company Reports, Arianth Capital Research

Exhibit 1: Gross margins improved by 1450 bps YoY (-451 bps QoQ) to 52.8% in Q1FY25 due to lower operating expenses.



Source: Company Reports, Arianth Capital Research

Exhibit 2: EBITDA margin improved by 1116 bps YoY (-308 bps QoQ) to 33.9% in Q1FY25, however employee costs and other expenses remain elevated in-terms of sales.



Source: Company Reports, Arianth Capital Research

Q1FY25 Concall Highlights

Revenue

- The company is focused to grow 15%-20% CAGR over next few years.

NPP Nusantara

- NPP Nusantara is a Diving Support Vessel (DSV) and it was built in 2011 and able to operate for another 10-12 years.
- NPP Nusantara deal value is around \$24mn and 5% has been paid as an advanced deposit. The vessel is expected to be deployed on Oct-25. The company is confident in five years payback for Nusantara.

SEAMEC Vessels

- The company has 5 DSV, 1 Barge and 1 OSV on a standalone basis and 2 bulk carriers in the overseas subsidiaries.
- All the vessels are working in Indian water, except SEAMEC Swordfish. Swordfish is currently working with Saudi Aramco.
- The bulk carriers are operating around the world.
- The company is scouting for vessels and able to increase the fleet, when able to get appropriate vessels.

Vessel utilization

- Three vessels operated around 95% utilization in Q1FY25. SEAMEC III and Barge have operated 103 days due to the monsoon in Q1FY25.
- Swordfish has operated 80 days completing a contract with Zamil offshore for Saudi Aramco and currently is under dry-dock.

EPC

- SEAMEC III and SEAMEC Princess are doing EPC contracts. The renewals are expected in Q3FY25E and will be an opportunity for re-pricing.

OSV

- The company is in talks with sellers for delivery of 2nd OSV. The company has already paid an advance deposit as per the international practice.

SEAMEC NIDHI

- The revenue impact due to the sale of bulk-carrier (SEAMEC NIDHI). The company has received sale consideration of \$10.5mn and reported one time gain of INR 85.7mn in Q1FY25.
- SEAMEC NIDHI was a loss making vessel which was sold and the company can able to cut down the expenses and rationalize operations in coming quarters.

Fuel expenses

- The fuel expenses is around 8.3% of sales in FY24. Generally, the charter pays the fuel charges, when the vessel is chartered. However, the company will take account of fuel charges for executing on EPC. The company is executing EPC jobs with L&T.

Q1FY25 Concall Highlights**UK subsidiary**

- The UK subsidiary has been set up to expand business in Europe. The company has invested into purchase of a property which is under construction for forming a global office.
- The company is under consideration to liquidate some portions and maintain a smaller office and get the money back from the subsidiary. However, the company is actively engaging with global offshore fleets and looking for opportunities.

Seasonality

- The best quarter is Q4, followed by Q1, Q3 and Q2. Q2 is always weaker due to seasonality.
- The QoQ decline of revenue due to the start of monsoon season around 15th May.

Other highlights

- MMG Advisors is providing advisory services to SEAMEC. Its normal course of business and management fee is charged in earlier Technip also.
- The cash surplus is around INR 920mn.
- The company is in discussion with certain vendors for repricing of contract agreements.
- The government has focused on internal generation of energy demand and the company will help Indian energy companies in maintaining infra with fleets.
- Majority of revenue comes from ONGC.

Investment Rationale

Exhibit 3: The increase in realization and deployment days is expected to drive the revenue going forward. Out of 5 vessels, 3 vessels are used for long-term contracts (3-5 years), and 2 vessels are used for short-term contracts (less than 1 year). The realization is higher in short-term contracts. NPP Nusantara is expected to be added from Oct-25 onwards.

| Particular (INR mn) | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Old DSV | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Barge | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| New DSV | - | - | - | - | - | - | 1 |
| Total | 6 | 6 | 6 | 6 | 6 | 6 | 7 |
| Number of Vessels deployed | 6 | 6 | 6 | 6 | 6 | 6 | 7 |
| Total Number of days deployed | 1,737 | 921 | 1,257 | 1,289 | 1,584 | 1,516 | 1,610 |
| Deployment Rate (\$/day) | 28,805 | 33,188 | 30,725 | 38,599 | 49,912 | 54,050 | 61,687 |
| USD/INR | 73 | 75 | 76 | 80 | 83 | 84 | 85 |
| Revenue from Direct Deployment | 3,653 | 2,292 | 2,935 | 3,990 | 6,562 | 6,883 | 8,442 |
| OSV Vessel Revenue | - | - | - | - | - | 191 | 521 |
| Standalone revenue | 3,653 | 2,292 | 2,935 | 3,990 | 6,562 | 7,074 | 8,962 |
| Subsidiary revenue | 188 | 276 | 561 | 382 | 637 | 350 | 350 |
| Revenue from Operations | 3,841 | 2,568 | 3,496 | 4,372 | 7,199 | 7,424 | 9,312 |

Revenue from Direct Deployment (INR mn) - FY25E

| | Total Number of days deployed | | | | | | | | | | | |
|---------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| 8,883 | 1,400 | 1,430 | 1,460 | 1,490 | 1,520 | 1,550 | 1,580 | 1,610 | 1,640 | 1,670 | 1,700 | |
| 53,000 | 6,233 | 6,366 | 6,500 | 6,633 | 6,767 | 6,901 | 7,034 | 7,168 | 7,301 | 7,435 | 7,568 | |
| 53,300 | 6,268 | 6,402 | 6,537 | 6,671 | 6,805 | 6,940 | 7,074 | 7,208 | 7,343 | 7,477 | 7,611 | |
| 53,600 | 6,303 | 6,438 | 6,574 | 6,709 | 6,844 | 6,979 | 7,114 | 7,249 | 7,384 | 7,519 | 7,654 | |
| 53,900 | 6,339 | 6,474 | 6,610 | 6,746 | 6,882 | 7,018 | 7,154 | 7,289 | 7,425 | 7,561 | 7,697 | |
| 54,200 | 6,374 | 6,511 | 6,647 | 6,784 | 6,920 | 7,057 | 7,193 | 7,330 | 7,467 | 7,603 | 7,740 | |
| 54,500 | 6,409 | 6,547 | 6,684 | 6,821 | 6,959 | 7,096 | 7,233 | 7,371 | 7,508 | 7,645 | 7,783 | |
| 54,800 | 6,444 | 6,583 | 6,721 | 6,859 | 6,997 | 7,135 | 7,273 | 7,411 | 7,549 | 7,687 | 7,825 | |
| 55,100 | 6,480 | 6,619 | 6,757 | 6,896 | 7,035 | 7,174 | 7,313 | 7,452 | 7,591 | 7,729 | 7,868 | |
| 55,400 | 6,515 | 6,655 | 6,794 | 6,934 | 7,073 | 7,213 | 7,353 | 7,492 | 7,632 | 7,772 | 7,911 | |
| 55,700 | 6,550 | 6,691 | 6,831 | 6,971 | 7,112 | 7,252 | 7,393 | 7,533 | 7,673 | 7,814 | 7,954 | |
| 56,000 | 6,586 | 6,727 | 6,868 | 7,009 | 7,150 | 7,291 | 7,432 | 7,573 | 7,715 | 7,856 | 7,997 | |

Source: Company reports, Arihant Capital Research

Revenue from Direct Deployment (INR mn) - FY26E

| | Total Number of days deployed | | | | | | | | | | | |
|---------------|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| 8,442 | 1,500 | 1,530 | 1,560 | 1,590 | 1,620 | 1,650 | 1,680 | 1,710 | 1,740 | 1,770 | 1,800 | |
| 60,000 | 7,650 | 7,803 | 7,956 | 8,109 | 8,262 | 8,415 | 8,568 | 8,721 | 8,874 | 9,027 | 9,180 | |
| 60,300 | 7,688 | 7,842 | 7,996 | 8,150 | 8,303 | 8,457 | 8,611 | 8,765 | 8,918 | 9,072 | 9,226 | |
| 60,600 | 7,727 | 7,881 | 8,036 | 8,190 | 8,345 | 8,499 | 8,654 | 8,808 | 8,963 | 9,117 | 9,272 | |
| 60,900 | 7,765 | 7,920 | 8,075 | 8,231 | 8,386 | 8,541 | 8,697 | 8,852 | 9,007 | 9,162 | 9,318 | |
| 61,200 | 7,803 | 7,959 | 8,115 | 8,271 | 8,427 | 8,583 | 8,739 | 8,895 | 9,051 | 9,208 | 9,364 | |
| 61,500 | 7,841 | 7,998 | 8,155 | 8,312 | 8,469 | 8,625 | 8,782 | 8,939 | 9,096 | 9,253 | 9,410 | |
| 61,800 | 7,880 | 8,037 | 8,195 | 8,352 | 8,510 | 8,667 | 8,825 | 8,983 | 9,140 | 9,298 | 9,455 | |
| 62,100 | 7,918 | 8,076 | 8,234 | 8,393 | 8,551 | 8,710 | 8,868 | 9,026 | 9,185 | 9,343 | 9,501 | |
| 62,400 | 7,956 | 8,115 | 8,274 | 8,433 | 8,592 | 8,752 | 8,911 | 9,070 | 9,229 | 9,388 | 9,547 | |
| 62,700 | 7,994 | 8,154 | 8,314 | 8,474 | 8,634 | 8,794 | 8,954 | 9,113 | 9,273 | 9,433 | 9,593 | |
| 63,000 | 8,033 | 8,193 | 8,354 | 8,514 | 8,675 | 8,836 | 8,996 | 9,157 | 9,318 | 9,478 | 9,639 | |

Source: Company reports, Arihant Capital Research

 Bull Case

 Base Case

 Bear Case

Outlook & Valuation: SEAMEC has witnessed strong bottom-line improvement due to cost optimization & rationalization. The company was sold "SEAMEC NIDHI" in Q4FY24 which is a loss making vessel which will reduce the expenses and improve the margins in coming quarters. NPP Nusantara is expected to deploy from Oct-25 onwards which will add additional revenue going forward. Nusantara payback period is expected around 5 years. SEAMEC Diamond (OSV) is successfully deployed with ONGC and the company is in talks with sellers for 2nd OSV delivery which will be deployed in coming quarters. The vessel asset consolidation is expected to happen from HAL offshore to SEAMEC in the next few years. The asset consolidation would bring additional revenue to SEAMEC and likely unlock the potential going forward. East Coast discoveries will provide additional opportunities for SEAMEC Ltd. In the base case scenario, we are estimating revenue to grow at a CAGR of 13% over the period of FY24-26E backed by long-term contracts, asset consolidation and OSV's. We are estimating EBITDA & PAT margins are expected to be 41.6% & 25.5% by FY26E, backed by cost rationalization and an increase in freight and charter rates. We maintain our "BUY" rating with a Target Price of INR 2,336 based on 25x of FY26E EPS of INR 93.4, an upside of 57.3%.

Exhibit 4: Bull Case Scenario

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of Vessels deployed | 6 | 6 | 6 | 6 | 6 | 7 |
| Total Number of days deployed | 921 | 1,257 | 1,289 | 1,584 | 1,550 | 1,650 |
| Deployment Rate (\$/day) | 33,188 | 30,725 | 38,599 | 49,912 | 54,800 | 61,800 |
| USD/INR | 75 | 76 | 80 | 83 | 84 | 85 |
| Revenue from Direct Deployment | 2,292 | 2,935 | 3,990 | 6,562 | 7,135 | 8,667 |
| OSV Vessel Revenue | - | - | - | - | 191 | 521 |
| Standalone revenue | 2,292 | 2,935 | 3,990 | 6,562 | 7,326 | 9,188 |
| Subsidiary revenue | 276 | 561 | 382 | 637 | 350 | 350 |
| Revenue from Operations | 2,568 | 3,496 | 4,372 | 7,199 | 7,676 | 9,538 |
| EBITDA | 667 | 1,291 | 1,264 | 2,422 | 3,052 | 3,966 |
| EBITDA Margin (%) | 26.0% | 36.9% | 28.9% | 33.6% | 39.8% | 41.6% |
| PAT | 988 | 837 | 336 | 1,207 | 1,859 | 2,475 |
| PAT Margin (%) | 38.5% | 23.9% | 7.7% | 16.8% | 24.2% | 26.0% |
| EPS (INR) | 41.8 | 34.2 | 16.7 | 49.0 | 73.1 | 97.3 |

Valuation - P/E (FY26E)

EPS (INR) 97.3

P/E (x) 28.0

Target Price (INR) 2,725

CMP (INR) 1,485

Upside/Downside (%) 83.5%

Source: Company, Aриhant Capital Research

Exhibit 5: Base Case Scenario

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of Vessels deployed | 6 | 6 | 6 | 6 | 6 | 7 |
| Total Number of days deployed | 921 | 1,257 | 1,289 | 1,584 | 1,516 | 1,610 |
| Deployment Rate (\$/day) | 33,188 | 30,725 | 38,599 | 49,912 | 54,050 | 61,687 |
| USD/INR | 75 | 76 | 80 | 83 | 84 | 85 |
| Revenue from Direct Deployment | 2,292 | 2,935 | 3,990 | 6,562 | 6,883 | 8,442 |
| OSV Vessel Revenue | - | - | - | - | 191 | 521 |
| Standalone revenue | 2,292 | 2,935 | 3,990 | 6,562 | 7,074 | 8,962 |
| Subsidiary revenue | 276 | 561 | 382 | 637 | 350 | 350 |
| Revenue from Operations | 2,568 | 3,496 | 4,372 | 7,199 | 7,424 | 9,312 |
| EBITDA | 667 | 1,291 | 1,264 | 2,422 | 2,948 | 3,872 |
| EBITDA Margin (%) | 26.0% | 36.9% | 28.9% | 33.6% | 39.7% | 41.6% |
| PAT | 988 | 837 | 336 | 1,207 | 1,747 | 2,376 |
| PAT Margin (%) | 38.5% | 23.9% | 7.7% | 16.8% | 23.5% | 25.5% |
| EPS (INR) | 41.8 | 34.2 | 16.7 | 49.0 | 68.7 | 93.4 |

Valuation - P/E (FY26E)

EPS (INR) 93.4

P/E (x) 25.0

Target Price (INR) 2,336

CMP (INR) 1,485

Upside/Downside (%) 57.3%

Source: Company, Aриhant Capital Research

Outlook & Valuation

Exhibit 6: Bear Case Scenario

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Number of Vessels deployed | 6 | 6 | 6 | 6 | 6 | 7 |
| Total Number of days deployed | 921 | 1,257 | 1,289 | 1,584 | 1,460 | 1,560 |
| Deployment Rate (\$/day) | 33,188 | 30,725 | 38,599 | 49,912 | 53,300 | 60,600 |
| USD/INR | 75 | 76 | 80 | 83 | 84 | 85 |
| Revenue from Direct Deployment | 2,292 | 2,935 | 3,990 | 6,562 | 6,537 | 8,036 |
| OSV Vessel Revenue | - | - | - | - | 191 | 521 |
| Standalone revenue | 2,292 | 2,935 | 3,990 | 6,562 | 6,728 | 8,556 |
| Subsidiary revenue | 276 | 561 | 382 | 637 | 350 | 350 |
| Revenue from Operations | 2,568 | 3,496 | 4,372 | 7,199 | 7,078 | 8,906 |
| EBITDA | 667 | 1,291 | 1,264 | 2,422 | 2,809 | 3,703 |
| EBITDA Margin (%) | 26.0% | 36.9% | 28.9% | 33.6% | 39.7% | 41.6% |
| PAT | 988 | 837 | 336 | 1,207 | 1,599 | 2,197 |
| PAT Margin (%) | 38.5% | 23.9% | 7.7% | 16.8% | 22.6% | 24.7% |
| EPS (INR) | 41.8 | 34.2 | 16.7 | 49.0 | 62.9 | 86.4 |

Valuation - P/E (FY26E)

EPS (INR) 86.4

P/E (x) 22.0

Target Price (INR) 1,901

CMP (INR) 1,485

Upside/Downside (%) 28.0%

Source: Company, Aриhant Capital Research

Financial Statements

Income statement summary

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Revenue | 2,568 | 3,496 | 4,372 | 7,293 | 7,424 | 9,312 |
| Operating expenses | 1,284 | 1,334 | 2,046 | 3,346 | 3,148 | 3,902 |
| Gross Profit | 1,284 | 2,162 | 2,327 | 3,947 | 4,276 | 5,411 |
| Gross Margin (%) | 50.0% | 61.8% | 53.2% | 54.1% | 57.6% | 58.1% |
| Employee Cost | 532 | 601 | 761 | 919 | 898 | 1,117 |
| Other Expenses | 85 | 270 | 302 | 606 | 430 | 421 |
| EBITDA | 667 | 1,291 | 1,264 | 2,422 | 2,948 | 3,872 |
| EBITDA Margin (%) | 26.0% | 36.9% | 28.9% | 33.2% | 39.7% | 41.6% |
| Depreciation | (566) | (839) | (1,120) | (1,348) | (1,363) | (1,602) |
| Interest expense | (48) | (64) | (68) | (163) | (189) | (180) |
| Other income | 390 | 460 | 200 | 289 | 328 | 372 |
| Exceptional Items | 619 | - | - | - | 87 | - |
| Profit before tax | 1,062 | 848 | 276 | 1,200 | 1,811 | 2,462 |
| Taxes | (75) | (11) | 60 | 6 | (63) | (86) |
| PAT | 988 | 837 | 336 | 1,207 | 1,747 | 2,376 |
| PAT Margin (%) | 38.5% | 23.9% | 7.7% | 16.5% | 23.5% | 25.5% |
| Other Comprehensive income | 75 | 32 | 89 | 39 | - | - |
| Net profit | 1,063 | 869 | 425 | 1,246 | 1,747 | 2,376 |
| EPS (INR) | 41.8 | 34.2 | 16.7 | 49.0 | 68.7 | 93.4 |

Source: Company Reports, Arihant Capital Research

Balance sheet summary

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|----------------------------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Equity capital | 254 | 254 | 254 | 254 | 254 | 254 |
| Reserves | 6,367 | 7,230 | 7,649 | 8,860 | 10,571 | 12,897 |
| Net worth | 6,621 | 7,485 | 7,903 | 9,114 | 10,825 | 13,151 |
| Minority Interest | 23 | 27 | 12 | 10 | 10 | 10 |
| Provisions | 13 | 16 | 21 | 26 | 10 | 13 |
| Debt | 1,443 | 1,832 | 1,843 | 3,510 | 3,360 | 3,200 |
| Other non-current liabilities | 51 | 61 | 2 | - | 111 | 140 |
| Total Liabilities | 8,152 | 9,421 | 9,781 | 12,660 | 14,316 | 16,513 |
| Fixed assets | 2,908 | 4,106 | 5,848 | 7,018 | 7,360 | 8,272 |
| Capital Work In Progress | 0 | 19 | - | 6 | 14 | 17 |
| Other Intangible assets | 1 | 1 | 2 | 2 | 2 | 2 |
| Investments | 2,996 | 2,713 | 1,366 | 1,259 | 1,930 | 2,328 |
| Other non current assets | 50 | 68 | 289 | 363 | 408 | 559 |
| Net working capital | 615 | 474 | 661 | 2,232 | 967 | 1,084 |
| Inventories | 202 | 276 | 412 | 543 | 474 | 577 |
| Sundry debtors | 788 | 395 | 1,059 | 2,277 | 1,383 | 1,582 |
| Loans & Advances | - | - | - | - | - | - |
| Other current assets | 62 | 87 | 51 | 827 | 81 | 102 |
| Sundry creditors | (353) | (243) | (601) | (1,125) | (674) | (805) |
| Other current liabilities & Prov | (85) | (42) | (259) | (290) | (297) | (372) |
| Cash | 277 | 238 | 1,546 | 1,361 | 1,622 | 1,767 |
| Other Financial Assets | 1,305 | 1,803 | 70 | 263 | 1,856 | 2,328 |
| Total Assets | 8,152 | 9,421 | 9,781 | 12,660 | 14,316 | 16,513 |

Source: Company Reports, Arihant Capital Research

Du-Pont Analysis

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|------------------------|--------------|--------------|-------------|--------------|--------------|--------------|
| Tax burden (x) | 0.9 | 1.0 | 1.2 | 1.0 | 1.0 | 1.0 |
| Interest burden (x) | 10.5 | 1.9 | 1.9 | 1.1 | 1.1 | 1.1 |
| EBIT margin (x) | 0.0 | 0.1 | 0.0 | 0.1 | 0.2 | 0.2 |
| Asset turnover (x) | 0.6 | 0.7 | 0.6 | 0.7 | 0.6 | 0.8 |
| Financial leverage (x) | 0.7 | 0.7 | 0.9 | 1.3 | 1.2 | 1.0 |
| RoE (%) | 16.2% | 11.9% | 4.4% | 14.2% | 17.5% | 19.8% |

Source: Company Reports, Arihant Capital Research

Financial Statements

Cashflow summary

| Y/e 31 Mar (INR mn) | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------|--------------|--------------|----------------|----------------|--------------|--------------|
| Profit before tax | 1,062 | 848 | 276 | 1,200 | 1,811 | 2,462 |
| Depreciation | 566 | 839 | 1,120 | 1,348 | 1,363 | 1,602 |
| Tax paid | (75) | (11) | 60 | 6 | (63) | (86) |
| Working capital Δ | (396) | 141 | (188) | (1,571) | 1,264 | (117) |
| Operating cashflow | 1,158 | 1,817 | 1,268 | 828 | 4,375 | 3,862 |
| Capital expenditure | (982) | (2,056) | (2,842) | (2,523) | (1,714) | (2,517) |
| Free cash flow | 176 | (239) | (1,574) | (1,696) | 2,661 | 1,345 |
| Equity raised | 45 | 31 | 67 | 28 | - | - |
| Investments | (645) | 283 | 1,346 | 107 | (671) | (398) |
| Others | 137 | (515) | 1,512 | (268) | (1,638) | (623) |
| Debt financing/disposal | 254 | 389 | 11 | 1,666 | (150) | (160) |
| Other items | 28 | 12 | (55) | 4 | 95 | 31 |
| Net Δ in cash | (4) | (39) | 1,308 | (185) | 261 | 145 |
| Opening Cash Flow | 281 | 277 | 238 | 1,546 | 1,361 | 1,622 |
| Closing Cash Flow | 277 | 238 | 1,546 | 1,361 | 1,622 | 1,767 |

Source: Company Reports, Aриhant Capital Research

Ratio analysis

| Y/e 31 Mar | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|---------------------------------|--------|-------|--------|-------|-------|-------|
| Growth matrix (%) | | | | | | |
| Revenue growth | -33.1% | 36.1% | 25.1% | 66.8% | 1.8% | 25.4% |
| Op profit growth | -60.4% | 93.5% | -2.1% | 91.6% | 21.7% | 31.4% |
| Profitability ratios (%) | | | | | | |
| OPM | 26.0% | 36.9% | 28.9% | 33.2% | 39.7% | 41.6% |
| Net profit margin | 38.5% | 23.9% | 7.7% | 16.5% | 23.5% | 25.5% |
| RoCE | 6.1% | 10.3% | 4.4% | 12.2% | 13.8% | 16.7% |
| RoNW | 16.2% | 11.9% | 4.4% | 14.2% | 17.5% | 19.8% |
| RoA | 12.1% | 8.9% | 3.4% | 9.5% | 12.2% | 14.4% |
| Per share ratios (INR) | | | | | | |
| EPS | 41.8 | 34.2 | 16.7 | 49.0 | 68.7 | 93.4 |
| Dividend per share | - | - | - | 1.0 | 1.4 | 2.0 |
| Cash EPS | 61.1 | 65.9 | 57.3 | 100.4 | 122.3 | 156.4 |
| Book value per share | 260.4 | 294.4 | 310.8 | 358.4 | 425.7 | 517.2 |
| Valuation ratios (x) | | | | | | |
| P/E | 35.5 | 43.5 | 88.9 | 30.3 | 21.6 | 15.9 |
| P/CEPS | 24.3 | 22.5 | 25.9 | 14.8 | 12.1 | 9.5 |
| P/B | 5.7 | 5.0 | 4.8 | 4.1 | 3.5 | 2.9 |
| EV/EBITDA | 53.8 | 28.4 | 29.0 | 16.0 | 12.7 | 9.5 |
| Payout (%) | | | | | | |
| Dividend payout | 0.0% | 0.0% | 0.0% | 2.1% | 2.1% | 2.1% |
| Tax payout | 7.0% | 1.3% | -21.7% | -0.5% | 3.5% | 3.5% |
| Liquidity ratios | | | | | | |
| Debtor days | 167 | 62 | 61 | 83 | 90 | 58 |
| Inventory days | 54 | 65 | 61 | 52 | 59 | 49 |
| Creditor days | 178 | 49 | 50 | 65 | 73 | 50 |
| WC Days | 42 | 78 | 73 | 71 | 76 | 58 |
| Leverage ratios (x) | | | | | | |
| Interest coverage | 2.1 | 7.0 | 2.1 | 6.6 | 8.4 | 12.6 |
| Net debt / equity | 0.2 | 0.2 | 0.0 | 0.2 | 0.2 | 0.1 |
| Net debt / op. profit | 1.7 | 1.2 | 0.2 | 0.9 | 0.6 | 0.4 |

Source: Company Reports, Aриhant Capital Research

Story in Charts

Exhibit 7: Revenue growth is backed by realization, USD/INR depreciation and effective deployment of vessels.

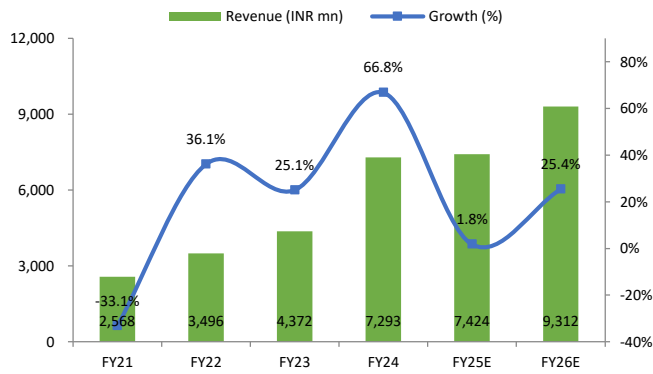


Exhibit 8: Gross margins are expected to improve going forward.

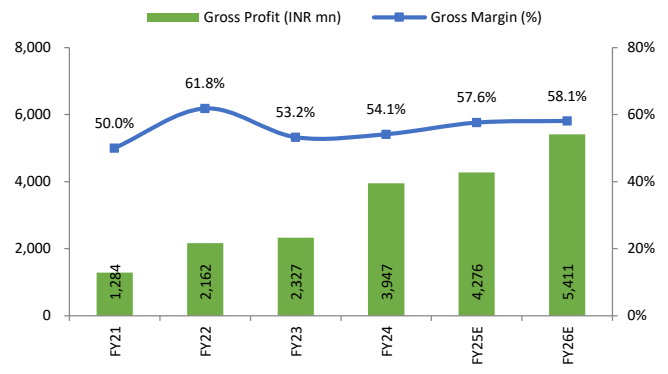


Exhibit 9: Growth in EBITDA & PAT levels

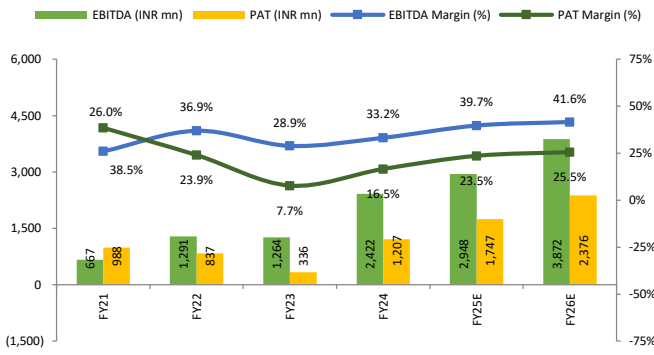


Exhibit 10: Return ratios to be improve

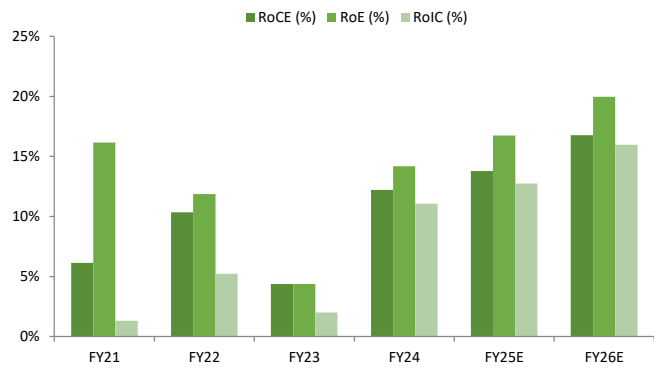


Exhibit 11: Working capital days to be improve.

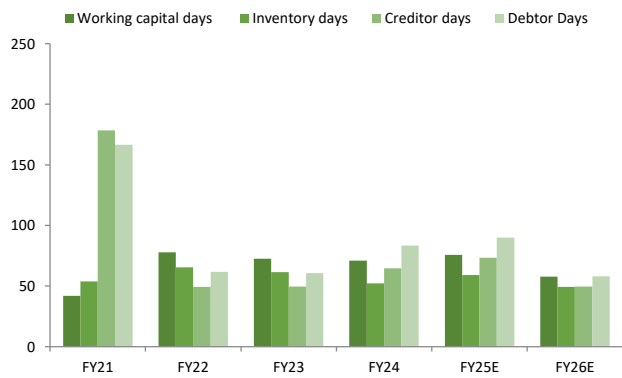
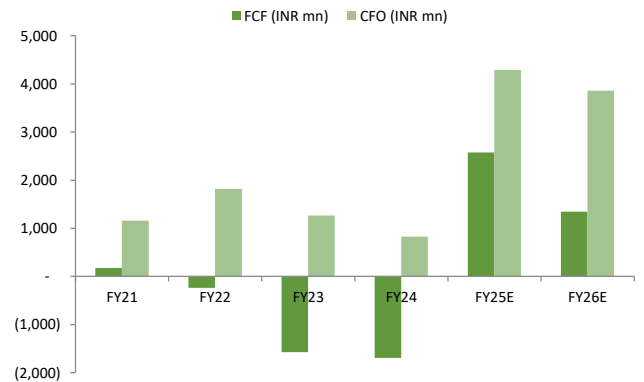


Exhibit 12: Cash flows to be improve.



Source: Company Reports, Arianth Capital Research

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| 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% |

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