INITIATING COVERAGE
RITCO LOGISTICS

OCTOBER 2024

MONARCH NETWORTH CAPITAL

ANALYSTS

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"MONARCH PEARLS"

Initiating Coverage

Ritco Logistics I BUY I Target Price: Rs 760 I Upside: 96%

From trucks to TrucksUp…

We initiate coverage on Ritco Logistics (Ritco) with a BUY rating and TP of Rs760 (96% upside). ***We believe that this under-discovered but unique business model,*** **is poised for accelerated growth on the back of new customer additions in its traditional FTL business, foray into promising multimodal logistics, and significant contributions from its** proprietary **tech platform named TrucksUp.** ***TrucksUp is poised to be an innovation in an otherwise laborious and challenging trucking industry, empowering truck operators. This tech-platform*** **is set to be a game changer for Ritco and industry as it gains scale over FY26-27E. In a sector characterized with large fleets and inefficient fleet management, Ritco is distinctively positioned with its asset-light model, timely fundraise, manageable Debt/Equity ratio (0.5x by FY27E) and long-standing relationships with marquee customers. With massive growth potential, levers for margin and ROE/ROCE expansion over FY25-27E, Ritco is poised for a re-rating.**

- **TrucksUp - Wheels on technology:** TrucksUp, an extension to Ritco's legacy of trucking business, is a digital loads marketplace platform designed to address industry challenges faced by small fleet owners around *under-utilization, reverse load, fleet monitoring, and cash management*. Value-added services such as GPS tracking, fuel cards, FASTag integration, insurance, old vehicle sales and purchases, and vehicle financing are being curated to ease the hassle in the trucking journey. *With stupendous 1.7 lakh downloads (till Aug'24) in a short span since introduction, we anticipate substantial growth in the number of downloads (nearly 8 lakh by FY27e),* active users, and subscribers. Ritco has established connections with on-ground business associates and truckers, *fostering valuable relationships that enhance its competitive positioning.*

- **Massive tailwinds in its legacy FTL business:** With nearly three decades of presence in its traditional contract logistic business, RITCO has been associated with marquee players like Reliance, ONGC, Gati, Haldi Petrochemicals, Waaree, Tata Steel, Jindal Steel, Ambuja Cement, Dalmia Bharat etc. ***These relationships are testimony to its service quality and timely execution.*** While its dependence on petrochemicals clientele historically has been higher (48% revenue share in FY24), Ritco is now focusing on promising steel, cement and the sunrise solar space whose combined revenue share is expected to improve from 30% in FY24 to 50% in FY27E. **Further,** ***the company's strategic intent to enter the superior margins and fast-growing multi-modal logistics sector in a meaningful manner presents robust growth prospects.***

- **Robust earnings visibility; poised for re-rating:** Ritco is an inflection point given its increased engagement with its existing relationship including new clientele. ***We anticipate that Ritco's revenue and earnings will grow at a faster rate (to industry and its own historically run rate) on account of a) acquisition of new customers in the FTL business, b) ramp up of multimodal logistics, and c) contributions from TrucksUp.*** With operationalization of TrucksUp, we believe that Ritco will derive significant synergies, as a substantial portion of its load will be routed through this platform, thereby enhancing scalability and margin expansion. *Excluding any impact from value added services, which at present are optionality, our estimates factor margin & ROE/ROCE expansion and very strong growth coming together for Ritco.*

- **Valuation view & Risks:** Our estimates factor Ritco to post consolidated revenue/ EBITDA/ PAT CAGR of 28%/38%/48% over FY24-27E. **Valued Ritco at 20x FY27 PE ratio (discount to larger peers) to arrive at a target price of Rs760. At CMP of Rs388, Ritco is largely undervalued at 10.2x FY27 PE ratio.** Key Risks: slowdown in end user demand, slowdown in scale up of TrucksUp.

Target Price	760	Key Data	
		Bloomberg Code	RITCO :IN
CMP*	388	Curr Shares O/S (mn)	28.3
		Diluted Shares O/S(mn)	28.3
Upside	96%	Mkt Cap (Rsbn/USDmn)	11/131.3
Price Performance (%)		52 Wk H / L (Rs)	394/189

	1M	6M	1Yr
RITCO	21.1	51.4	62.1
Nifty	-1.6	12.7	26.6

3M Average Vol.: 159578

Source: Bloomberg, ACE Equity, MNCL Research

Shareholding pattern (%)

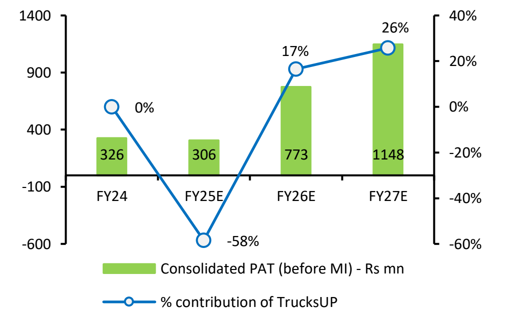
	Jul-24	Jun-24	Mar-24	Dec-23
Promoter	63.1	73.0	73.0	73.0
FIIs	0.4	0.4	0.0	0.0
DIIs	1.7	0.0	0.0	0.0
Others	34.8	26.6	27.0	27.0

Source: BSE

Why should you read this report?

- *Gain insights into how management plans to expand the legacy contracts division amidst favorable industry tailwinds.*
- *Understand the challenges in logistics industry*
- *Discover how TrucksUp will address industry challenges and outline its pathway for business scaling*

TrucksUp to contribute 26% of consolidated PAT by FY27E



Source: Company, MNCL Research Estimates

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We bring to you our maiden report under our flagship series, "MONARCH PEARLS." In this series, we spotlight high-conviction, under-researched, and less known ideas (invariably small-cap stocks), that we believe hold the potential to yield 2x returns over the next 2-3 years. These stocks have been meticulously filtered through our proprietary "AQCG" model, ensuring a rigorous analysis.

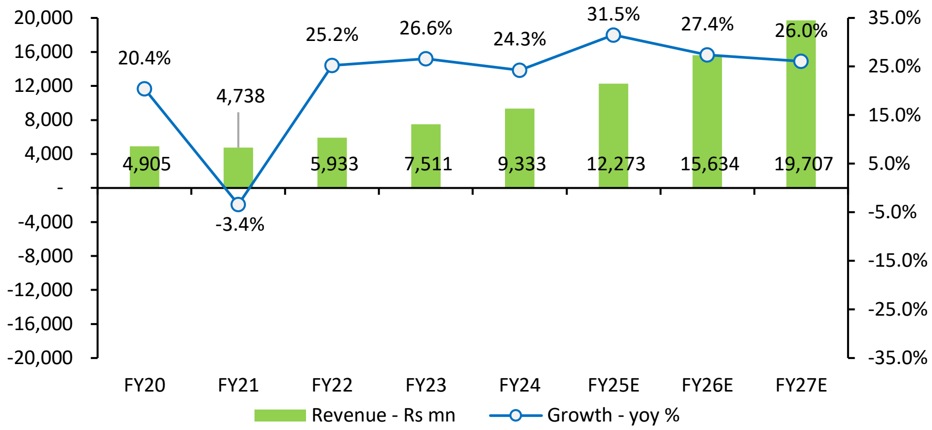
Y/E Mar (Rs mn)	Revenue	YoY (%)	EBITDA	EBITDA (%)	Adj PAT	YoY (%)	Adj EPS	RoE (%)	RoCE (%)	P/E (x)	EV/EBITDA (x)
FY22	5,933	25.2	408	6.9	163	169.1	6.7	14.1	9.6	6.5	6.2
FY23	7,511	26.6	523	7.0	244	50.0	10.0	17.9	11.2	16.1	11.4
FY24	9,333	24.3	751	8.0	330	35.1	13.5	19.9	12.2	16.9	10.8
FY25E	12,273	31.5	838	6.8	349	5.8	12.3	14.1	9.0	31.5	15.8
FY26E	15,634	27.4	1,446	9.2	742	112.8	26.2	21.1	15.5	14.8	9.2
FY27E	19,707	26.0	1,991	10.1	1,077	45.0	38.0	24.0	18.7	10.2	6.6

Source: Company, MNCL Research estimates, Consolidated Financials. PE ratio is based on average CMP during the specific period.

Index

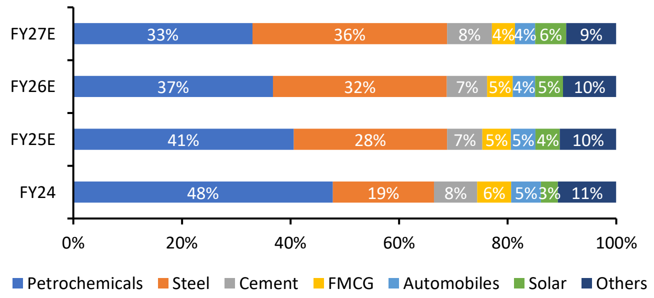
Investment Thesis in Charts

Exhibit 1: Consolidated revenues to witness an impressive 28% CAGR over FY24-27E



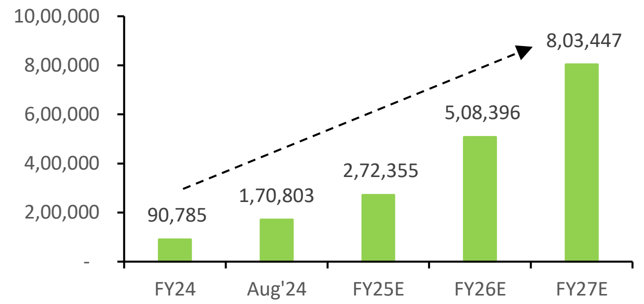
Source: Company, MNCL Research estimates

Exhibit 2: Standalone business to remain well diversified



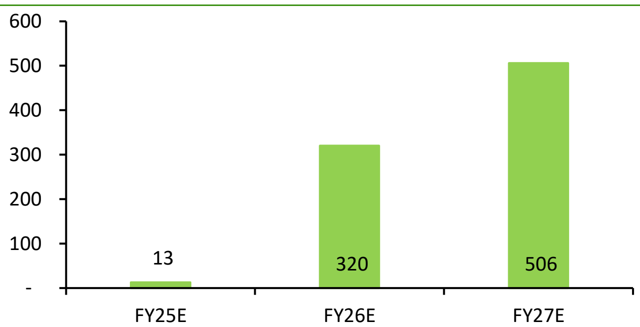
Source: Company, MNCL Research estimates

Exhibit 3: Expect surge in downloads of TrucksUp application



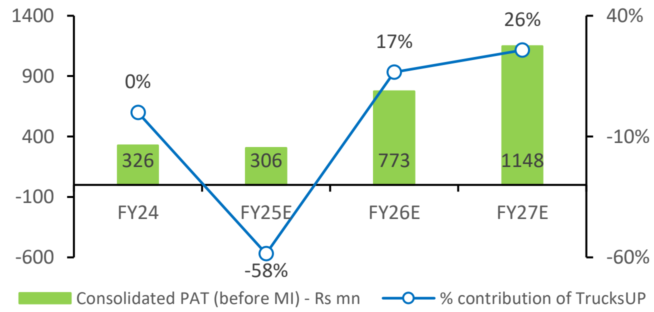
Source: Company, MNCL Research estimates

Exhibit 4: Subscription revenue to drive major growth at TrucksUp



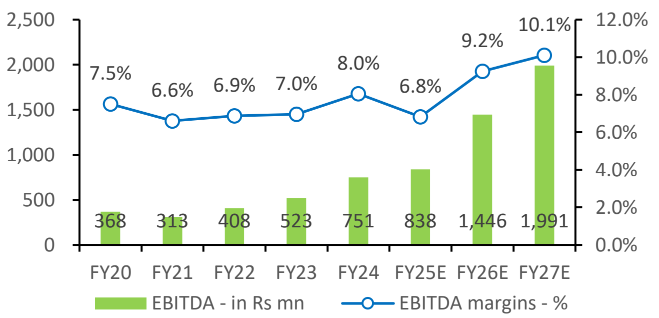
Source: Company, MNCL Research estimates

Exhibit 5: TrucksUp to contribute 26% of the consolidated PAT in FY27E



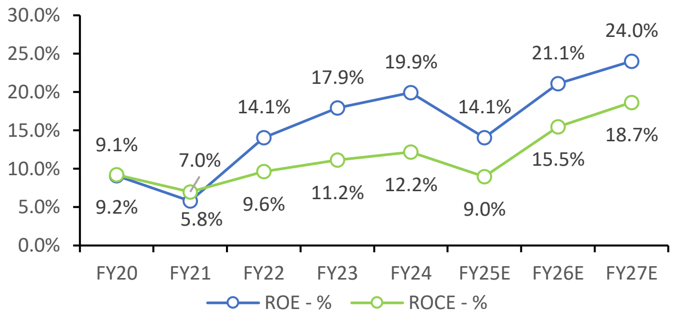
Source: Company, MNCL Research estimates

Exhibit 6: Expect consol. EBITDA to grow at a CAGR of 38% over FY24-27E aided by revenue growth and margin expansion



Source: Company, MNCL Research estimates

Exhibit 7: Asset light model and margin expansion to result in improvement of return ratios

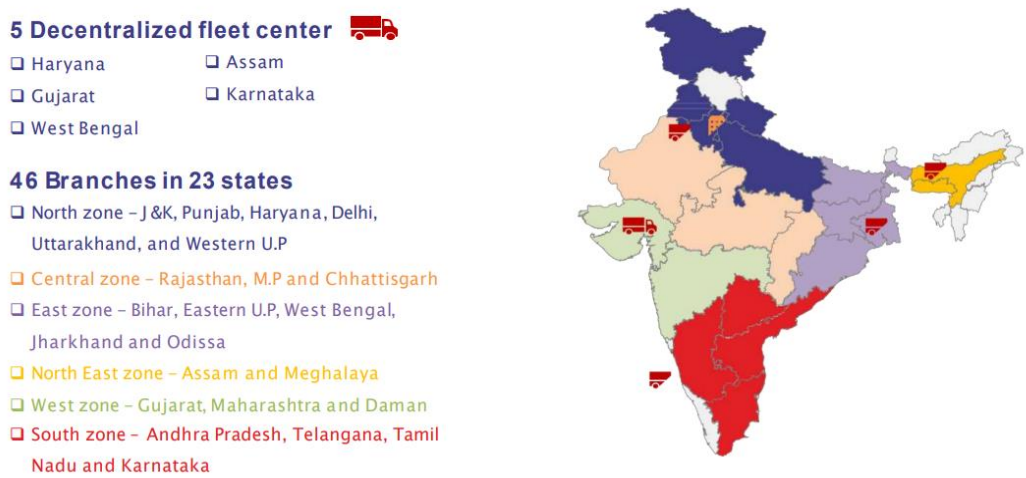


Source: Company, MNCL Research estimates

Ritco Logistics: Delivering Solutions

Ritco began its journey in 1996 as a provider of contract logistics, serving a limited number of businesses with a small team. It revenue was primarily in the nature of operating a mix of owned and hired vehicles. ***RITCO is now undergoing an evolution into an integrated tech-based supply chain solution provider.*** Initially focusing on contract logistics, Ritco made significant inroads with large petrochemical clients in its early years. Since then, the company has expanded its presence into various sectors, including automobile, FMCG, cement, solar, steel and more. The company is strategically positioned across various verticals, including Full Truck Load (FTL), fleet operations, B2B services, warehousing, and technology platforms, allowing it to compete effectively with industry leaders. Ritco has strong PAN India geographical footprint with 5 decentralized fleet centers and 46 branches in 23 states.

Exhibit 8: Extensive geographical footprint helping Ritco cater to logistics across the country



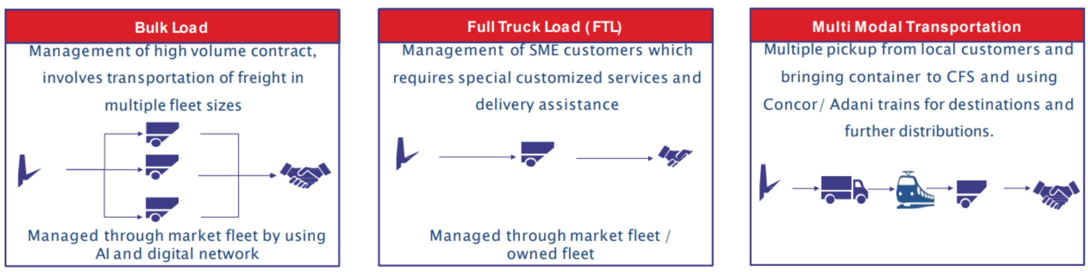
Source: Company, MNCL Research

Business Verticals:

Ritco operates through three business verticals namely:

- **Contract Logistics:** The contract logistics division provides customized solutions for B2B customer requirements. The contracts are subject to stringent pre-qualification criteria for servicing large government entities and blue-chip companies. The contracts are typically long-term, ranging from 2 to 3 years, with a historical renewal rate exceeding 90%. Ritco offers bulk load, full truck load and multi-modal transportation services (small portion currently) to its customers.

Exhibit 9: Bulk load and FTL currently contribute to majority of the revenues



Source: Company, MNCL Research

- **Fleet Management:** Ritco offers unutilized vehicle for short term rentals. Offerings include Customized Fleet Service and Fleet Rental Service. Under Customized Fleet Service, Ritco provides special and customized vehicles like Bulker/ Double Stacking etc. Under Fleet Rental Service, Ritco provides owned fleet on hire basis to retail customers specially during peak agricultural demand.

- **3PL Logistics:** 3PL includes Warehousing & Distribution and In-Plant logistics. Ritco has 4,50,000 square ft of warehouse space at 12 locations across the country. In 3PL, value added services are provided which include packing, kitting, sorting, labelling and inventory management etc. This service helps customers to streamline operations and reduce cost.

Legacy of marquee clientele

Exhibit 10: List of marquee clients acts as a testimony to Ritco's seamless logistic services

Source: Company, MNCL Research

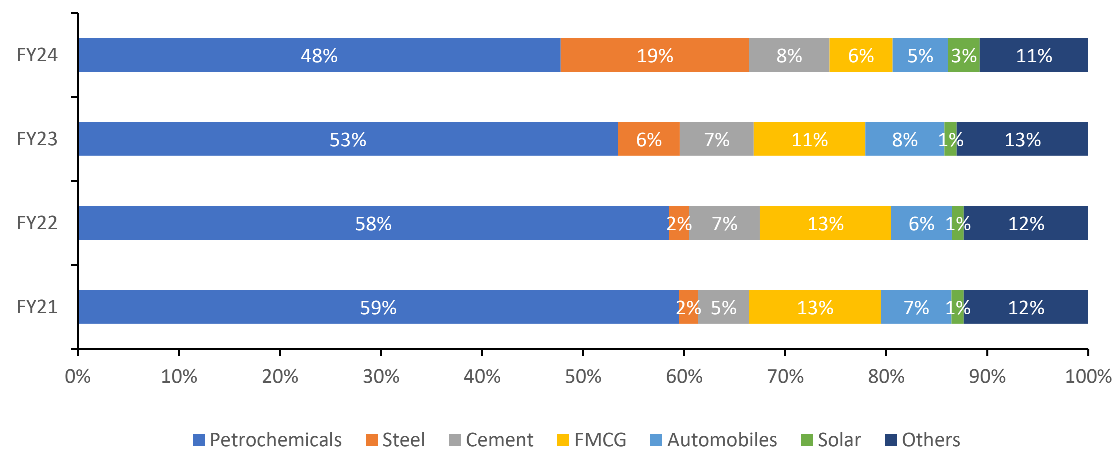
Diversified End User Industry

Ritco's journey began in 1996 and saw significant developments over the years.

- **From 1996 to 2005:** Successfully acquired major petrochemical clients, establishing a strong foundation.
- **Between 2006 and 2015:** Ritco expanded into the automobile and FMCG sectors, partnering with prominent companies such as MRF, JK Tyre, HUL, Godrej, and Emami.
- **Between 2016 to 2019:** Ritco entered the infrastructure, metals, minerals, and renewable energy markets, securing contracts with major players like the Jindal Group, Vedanta Group, and Tata Steel.

Ritco has effectively decreased its reliance on the petrochemical segment, reducing its revenue contribution from 59% in FY21 to 48% in FY24. This change is largely attributed to a renewed emphasis on expanding its operations in the steel sector which improved from 2% revenue contribution in FY21 to 19% in FY24.

Exhibit 11: Ritco's diversification strategy has reduced excessive dependence on petrochemicals



Source: Company, MNCL Research

Future Outlook: Strong Growth Potential

Infrastructure (Steel & cement)

With a renewed focus on infrastructure, we believe Ritco is well-positioned to benefit from the growing demand for infrastructure in India. Ritco is actively involved in transporting iron ore, limestone, MS steel, SS steel, pipes, and tubes, amongst other raw materials & finished goods**. Few of Ritco's marquee clients include Tata Steel, Jindal Steel & Power, ACC, Ambuja Cement and Dalmia Bharat Limited**. While the Indian government has ambitious goals of reaching steel production of 300mnt by 2030, we believe that there is a more realistic picture build for a ~7% CAGR for steel production growth upto 2030.

Exhibit 12: : Upcoming steel capacities going to drive strong demand

Company	Capacity Addition (mtpa)
Tata Steel	5.9
SAIL	1.4
JSW	7.3
JSPL	6.3
RINL	0.0
Arcelor Mittal	6.0
Total	**26.9**

Source: Company, MNCL Research

We project that the share of steel and cement in Ritco's operations will increase significantly, rising from 27% in FY24 to 44% by FY27E on account of demand tailwinds in the sector, addition of new customers and new plant locations amongst existing clients.

Petrochemicals

The demand for petrochemicals is influenced by a recovery across multiple end-use sectors, notably in automotive, infrastructure, and industrial applications. India is projected to increase its petrochemical capacity by ~10.2 MMTPA by the year 2031.

Exhibit 13: List of petrochemical projects to be commissioned by 2031 which may add incremental load for Ritco

Project Owner	Location	Project	Completion Year	Installed Capacity (MMTPA)
Kinfra	Kochi	Ambalamugal petrochemical park project	FY25	0.1
Reliance	Vadodara	Debottlenecking of petrochemical plant & expansion plant project	FY26	0.7
BCPL	Lepetkata	Petrochemical complex plant expansion project	FY27	0.1
HPL	Cuddalore	Cuddalore petrochemical complex project	FY27	1.8
HPL	Balasore	Balasore petrochemical complex project	FY28	4.0
Reliance	Hazira	Petrochemical complex debottlenecking and expansion plant project	FY28	0.5
IOCL	Panipat	Naptha cracker unit (Phase II) and HDPE manufacturing plant project	FY29	0.6
GAIL + HPCL	Kakinada	Kakinada SEZ cracker unit (greenfield petrochemical complex) project	FY31	1.5
Groupe Veritas (GV)	Dighi Port	Nanavali petrochemical complex project	FY31	0.6
IOCL	Paradip	Paradip petrochemical PCPIR project	FY31	0.3
			Total	**10.2**

Source: JNK India Prospectus, MNCL Research

Ritco is a pioneer in logistics for petrochemical sector with marquee clients like Reliance, Indian Oil, Haldia Petrochemicals, GAIL, ONGC and others. Going forward, we anticipate that the revenue contribution from petrochemicals for Ritco will reduce from 48% in FY24 to 33% by FY27E, as we expect a significant ramp up in revenues from the other sectors. However, our projections indicate that the petrochemical segment will still achieve a CAGR of 12% from FY24 to FY27E for Ritco Logistics, reflecting strong growth potential.

Other sectors

Other sectors for Ritco include Solar, FMCG, Automobiles, Tiles, Generator, Mining and chemicals. Of this, solar/ automobiles/ FMCG contributed 3%/ 5%/ 6% of revenues respectively in FY24. Key clients in each of these sectors include:

Exhibit 14: Marquee clients further add growth visibility

Sector	Select Key Clients
Automobiles	Apollo Tyres, MRF, JK Tyres, CEAT
Solar	Waaree, Jakson, Adani Solar
FMCG	ITC, Nestle

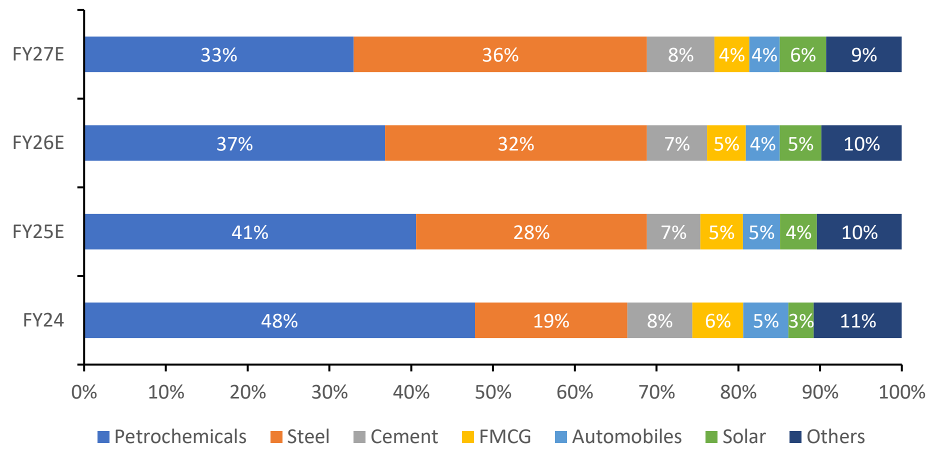
Source: Company, MNCL Research

Ritco supports its clients in the solar sector by facilitating the delivery of panels and trackers. **The management is optimistic about the prospects for solar sector, and we project that the contribution from the solar division will double from 3% in FY24 to 6% by FY27E. Mining and coal related logistics remains other very aggressively growing business for Ritco where they service marquee clients like Vedanta. This anticipated growth is attributed to favorable demand trends within the industry and new contracts with key clients.**

Steel concentration to rise; petrochemicals reliance to moderate

Due to the reasons outlined in the above sections, we anticipate that steel will constitute a significant portion of the revenue mix by FY27E, increasing from 19% of revenues in FY24 to 36% in FY27E. We anticipate that this transition will allow Ritco to reduce its dependence on petrochemicals, which comprised ~60% of revenues in FY21, down to 33% by FY27E.

Exhibit 15: The revenue split will be dominated by steel by FY27E



Source: Company, MNCL Research estimates

Multi-Modal: Exploring Opportunities

According to the 1Lattice Report, the multi-modal (rail-road) market in India was valued at ~ Rs1,714 billion in FY24. It is projected to grow to Rs4,667 billion by FY29, reflecting a CAGR of 22%. The Dedicated Freight Corridor (DFC) is set to be a crucial factor in creating an efficient freight transportation system. It will significantly enhance the role of Indian Railways within the multi-modal transport mix and help reduce the high logistics costs in India.

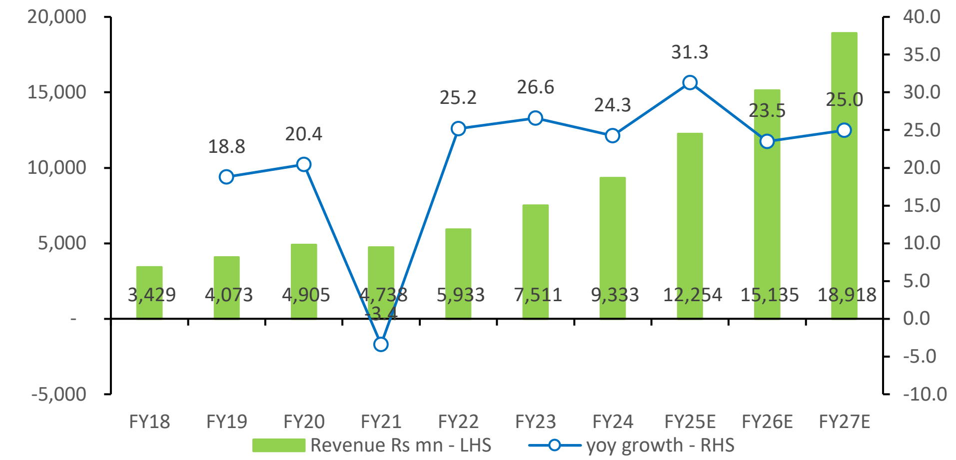
Ritco is actively exploring multi-modal opportunities. The company is in discussions to become a business associate with a leading logistics firm that offers rail services. Combining this with their warehousing and in-plant logistics capabilities would create a lucrative multi-modal opportunity for Ritco.

The management has outlined an ambitious target of multi-modal to constitute 30% of revenues by FY28E. Multi-model would unlock a higher total addressable market for Ritco while benefitting them to clock high margins. A quicker than expected breakthrough on the multi-modal front would represent an upside risk to our margin and revenue estimates.

Robust growth ahead: Standalone business to grow at CAGR of 27% over FY24-27E

Based on the factors outlined above, we anticipate that the standalone business will scale up to Rs18.9 billion by FY27E, reflecting a compound annual growth rate (CAGR) of 27% from FY24 to FY27E. This is on account of demand tailwinds in the end user industries, addition of new customers and increasing business with existing clients. **Further, we expect Ritco to transform into a multi-modal and tech driven logistics solution provider in the next 3years from a largely FTL business currently.**

Exhibit 16: Standalone business to grow at a CAGR 27% of over FY24-27E

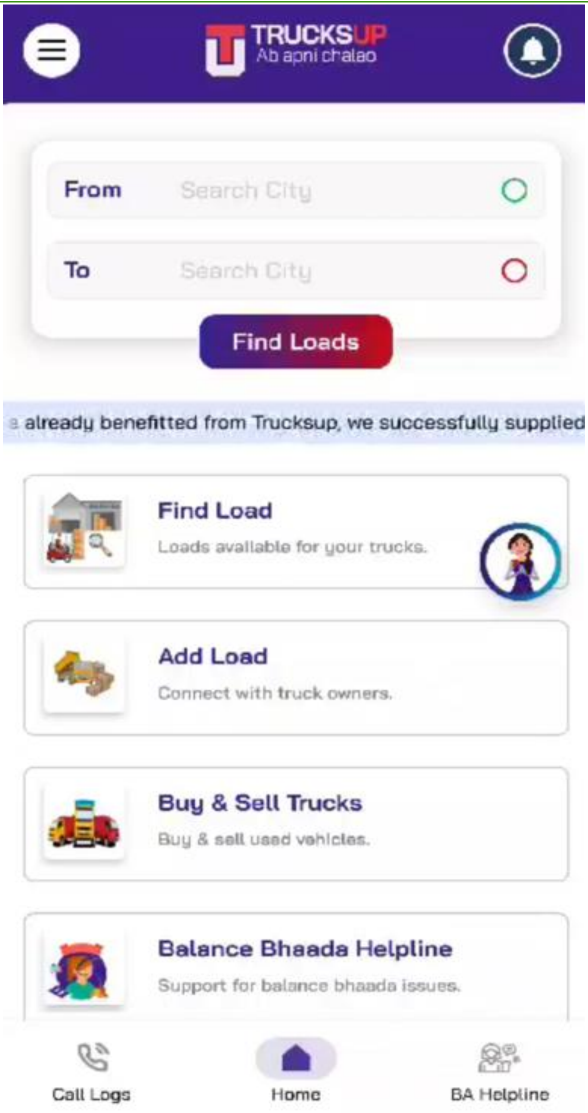


Source: Company, MNCL Research estimates

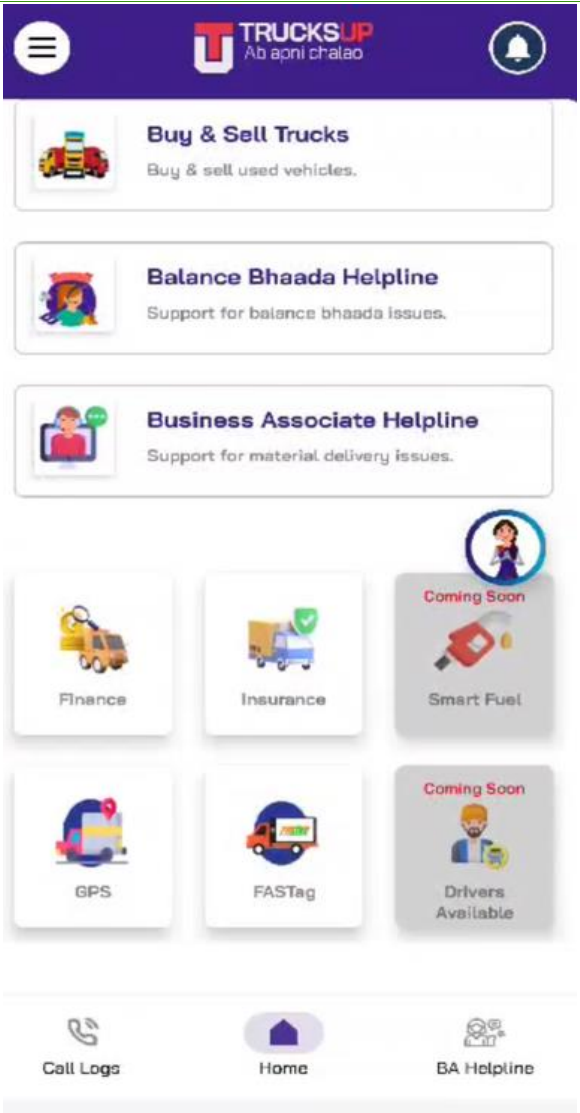
Trucks Up: Revolutionizing the trucking experience

Started in 2023, TrucksUp is a digital platform for truck operators and business associates for a seamless trucking experience wherein the truck operators can "find load" and the business associates can "add load" as per their requirements along with access to multiple value added services. With real-time updates and streamlined communication, TrucksUp connects truck operators and business associates to maximize efficiency and minimize downtime in the logistics process.

Exhibit 17: TrucksUp application Interface – easy to understand and to find/ add loads in least no of steps



Source: Company, MNCL Research



Source: Company, MNCL Research

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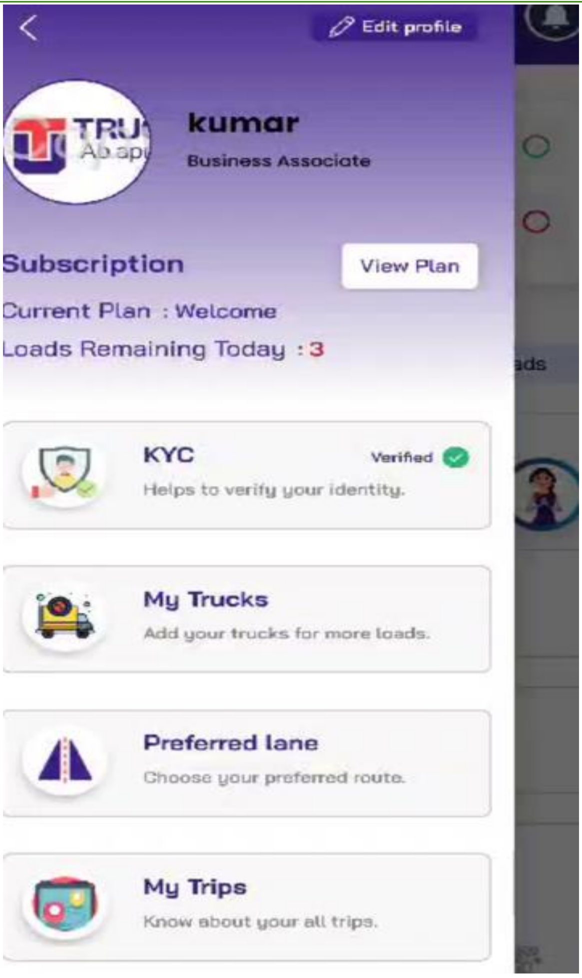


Source: Company, MNCL Research

Services included in the Trucks Up application:

- **Load Finder:** Instant access to lucrative freight options across the nation for truck operators. **The truck operators can also find reverse load, thereby increasing utilization while preventing loss of revenue opportunity – a USP for TrucksUp.**
- **Add Load:** Business associates can effortlessly add loads with access to Vahan Verified vehicles.
- **GPS:** Real-time tracking for precise fleet management and security.
- **Fastag:** Seamless toll payments for expedited transit.
- **Smart Fuel Program:** Optimization of fuel expenses with improved route planning, and additionally, truck operators enjoy discounts on fuel purchase.
- **Old Vehicle Financing:** Tailored financing solutions for pre-owned vehicle acquisitions.
- **Buy & Sell Old Vehicle:** Streamlined marketplace for pre-owned vehicles.
- **Insurance Support Service:** Dedicated insurance support, ensuring cargo and vehicles are protected.

Problem statements: Navigating industry challenges

The current logistics industry is facing challenging times in managing loads efficiently and sustaining a profitable business due to several hindrances like underutilized fleet, unavailability of truck drivers, asset heavy model leading to very stretched cost and balance sheet, fleet monitoring, cash handling risk, etc. **We believe that the technology provided by TrucksUp would provide a solution to all these major issues and parallelly be a blessing for the truck driver community who can maximize their deliverables and ensure a reverse journey load, all by directly connecting to the load provider at minimum cost.** Some of the challenges in logistics industry are as follows:

"Fragmentation: 75% of operators owning less than five trucks"

As of FY24, India has around 12.5 mn trucks and 3.5 mn truck operators. The trucking landscape in India is highly fragmented, with 75% of operators owning less than five trucks. This fragmentation is a prevalent trend globally, as evidenced by China, where 85% of trucks are owned by operators with less than five trucks. Similarly, in the United States, 80% of truck operators own less than six trucks. This fragmentation is driven by the diverse and challenging operational processes essential for maintaining efficiency and profitability in the industry. Trucks Up would serve as a digital platform that aggregates demand and supply of loads, bringing small operators and business associates under one application.

"Underutilization: an age old problem"

Traditionally, the matching of shippers and truckers occurred offline at remote transportation hubs, leading to inefficiencies and delays in the logistics process. The heavy reliance on intermediaries for shipment discovery creates substantial challenges in matching loads between shippers and truck operators. Consequently, trucks in India typically spend 24 to 48 hours searching for the next shipment, resulting in high levels of under-utilization. On average, trucks operate on the road for only 18 to 20 days a month, with the remaining time spent idling. Absence of reverse load options results in unutilized truck space and lost revenue opportunities. TrucksUp would streamline communication and facilitate real-time matching of supply with demand. Further, truck operators can book reverse load, thereby significantly reducing underutilization.

"The need for fleet monitoring"

Most truck operators manage their operations remotely, leading to a substantial lack of visibility into day-to-day truck activities. This results in ineffective oversight, particularly for fleet operators with multiple vehicles, who often remain unaware of their trucks status while on the road. Much of the delay is due to the inability to track extended idle periods at loading and unloading points, fueling stations, repair shops, checkpoints, and rest stops in real-time. TrucksUp provides truck operators and business associates with real time GPS tracking facility, thereby ensuring effective fleet monitoring.

"Mitigating cash handling risk"

The trucking industry predominantly relies on a cash basis for daily operations, such as fueling, paying driver wages, and vehicle maintenance. Drivers may inflate expenses to pocket the difference, resulting in increased operational costs. TrucksUp would minimize cash expenses by offering FASTag and fuel cards, thereby enhancing transparency in expense management.

Rivigo's Roadblocks: A Case Study

Rivigo rapidly ascended to unicorn status within just three to four years of its operations, backed by substantial funding. The company is best known for its innovative relay system, which allows for efficient trucking by utilizing multiple drivers who take turns at designated pit stops. This model enabled a single driver to cover extensive distances without fatigue, significantly enhancing delivery speeds.

Rivigo's asset-heavy model involved maintaining a fleet of trucks and establishing pit stops across its delivery network. While the relay system demonstrated success in the e-commerce sector, it faced challenges when applied to industrial segments. The complexities of managing a large fleet and operating pit stops resulted in significant cash burn for the company.

However, the onset of the COVID-19 pandemic had a significant impact on Rivigo's operations, intensifying the challenges linked to its asset-heavy business model. The resulting economic downturn led to an increased cash burn. Several key personnel also left the organization. Rivigo had to significantly reduce its owned fleet size. Ultimately, Rivigo's express B2B business was acquired by Mahindra Logistics in FY23.

Insights for Ritco Logistics

We believe that Ritco's adoption of an asset-light model positions it to better withstand the adversities associated with economic downturn. The company is targeting brokers for onboarding onto its platform, as management recognizes that brokers play a crucial role in the logistics ecosystem.

Market opportunity: Unlocking a massive pool

Exhibit 18: Loads and Value added services (VAS) provide a large revenue opportunity for new and existing players in the logistics industry

	PAYMENTS	TELEMATICS	LOADS	FINANCING
	Tolling Fuelling	GPS Advanced Telematics	Subscription *(US$ 3 -4 Bn)* Brokerage *(US$ 8-13 Bn)*	Used CV Financing
Monetization opportunity	Platform fee, Commission fees	Installation charges, Subscription fee	Subscription fee, Commission	Net Interest Margin
Fiscal 2024 Revenue pool	US$ 470 - 490 Mn	US$ 400-410 Mn	US$ 3-13 Bn	US$ 6.5-7 Bn
CAGR (Fiscal 2024-2028P)	16-18%	16-18%	8-9%	15-17%
Fiscal 2028P Revenue pool	US$ 850-910 Mn	US$ 740-790 Mn	US$ 5-20 Bn	US$ 12-13 Bn

Source(s): VAHAN, Desk research, Redseer estimates

Source: Blackbuck DRHP, MNCL Research

Loads marketplace:

Industry:

As of FY2024, the Indian road freight industry is valued at ~US$ 170-175bn, transporting 3.3 trillion ton-kilometers. New-age businesses leveraging digital infrastructure have the potential to establish a pan-India marketplace accessible to truck operators and shippers across diverse geographical regions. The penetration of digital freight platforms within the overall road transportation sector is currently less than 2%. However, the industry is expected to grow at a CAGR of 8-9% between FY24-28. At present, ~2.5mn digital loads are posted each year.

TrucksUp's Loads Marketplace: Crafted to empower truck owners

The application serves as a digital platform for truck owners and business associates:

- **Truck owners (Load Finder):** Instant access to lucrative freight options across the nation for truck operators. The truck operators can also find reverse load, thereby increasing utilization while preventing loss of revenue opportunity.
- **Business associates (Add Load):** Business associates can effortlessly add loads with access to Vahan Verified vehicles.

Key Features for truck owners:

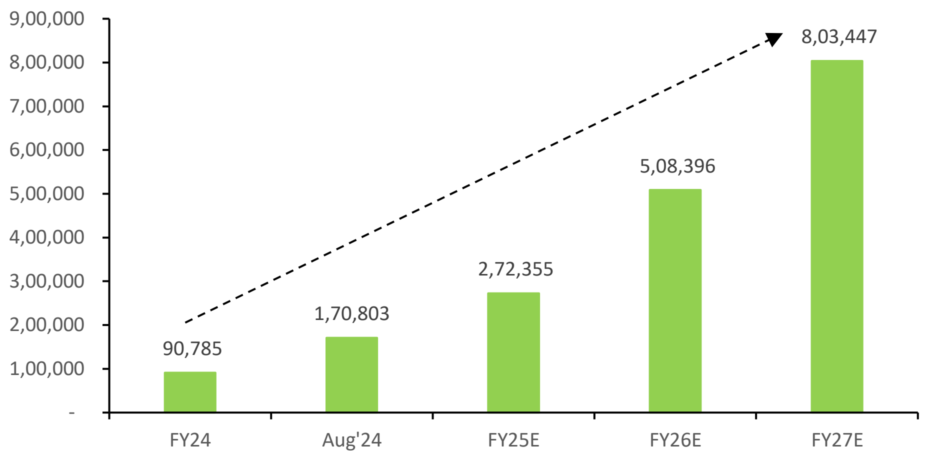
- **Filter loads:** The loads can be filtered based on capacity, route, type of the load, etc.
- **Verified Loads from Ritco:** These loads are directly uploaded to the app by Ritco Logistics, eliminating the need for brokers and their commissions. **Currently, nearly 50% of Ritco's load requirement is routed through the application, providing significant synergetic benefits.**
- **Reverse Load Booking:** To address the issue of underutilization, the app offers truck owners the ability to book return loads, optimizing their routes and earnings.
- **Recommended Loads:** The application proactively notifies truck owners about available loads and provides tailored recommendations based on their preferences.
- **Customer Support:** Truck owners have access to responsive customer support, ensuring swift resolutions to any issues.

Surge in application downloads: A trend expected to continue

The total number of downloads of TrucksUp application as of Aug'24 stands at 1,70,803 (including 1,40,281 truck owners & 30,522 business associates). We expect this number will rise to 803,447 by FY27 (implying a CAGR of 107% over FY24-27E), driven by enhanced marketing initiatives, increased digitization, and a growing user base seeking comprehensive services within a single platform.

The marketing strategy at TrucksUp involves engaging multiple industry-relevant influencers to enhance the application's reach and visibility.

Exhibit 19: Downloads upsurge to continue, courtesy marketing & multiple services under one roof



Source: Company, MNCL Research estimates

Faster than expected ramp up in downloads will convert into better than expected active users and subscribed users leading to upside risk in our estimates.

Monetizing Plan: Introduction of Subscription Plans

As a plan to monetize the offerings, Ritco has recently launched the following subscription plans for business associates namely:

Exhibit 20: Competent subscription plans for Business Associates

Plan	Number of loads per month	Charges per month (Rs)
Welcome	36*	0
Silver	100	299
Gold	200	499
Diamond	350	699

*Source: Company, MNCL Research. *Per day maximum 3 loads.*

We believe that the subscription plan will be a game changer for Ritco and the industry at large, positioning it as a primary revenue driver for TrucksUp. The truck owners are exposed to verified loads from Ritco and external loads entered by business associates on the application. **From the peer analysis perspective, we believe that the subscription rates are very much competent and would compel a quick addition to the subscriber base.**

At present, Ritco has not implemented any subscription fee plans for truck operators. However, management has suggested that the introduction of such subscription charges may be considered in the future which we have factored in our revenue estimates from FY25E.

Expect subscriptions business to scale up significantly by FY27E

The growth of active users and subscribers is a critical driver of our revenue expansion. Our forecasts are based on conservative assumptions that incorporate the following key metrics:

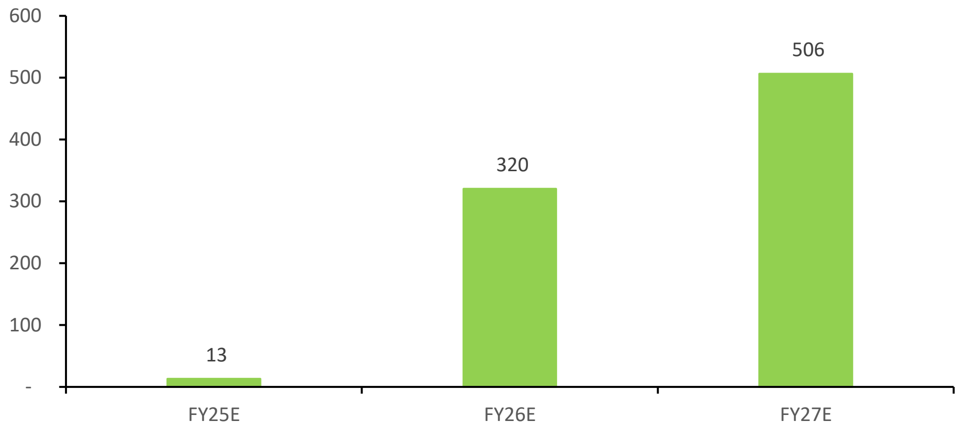
Exhibit 21: Expect active users & subscribers to scale up swiftly in the first 3 years

Particulars	Units	FY24	FY25E	FY26E	FY27E
Number of downloads	Nos	90,785	2,72,355	5,08,396	8,03,447
Number of active app users	Nos	NA	68,089	1,52,519	2,41,034
% of downloads	**%**		**25%**	**30%**	**30%**
Number of subscribers	Nos	NA	6,809	53,382	84,362
% of active app users	**%**		**10%**	**35%**	**35%**

Source: Company, MNCL Research estimates

Based on above assumptions, we expect subscription revenues to touch Rs506mn by FY27E.

Exhibit 22: Total subscriptions revenue (Rs mn) to grow significantly yoy



Source: Company, MNCL Research estimates

Upside risk: A quicker adaption of the app by users would lead to better than estimated figures for number of downloads, conversion to active users and subscribers thereby meaningfully increasing the revenue and PAT estimates from the loads business.

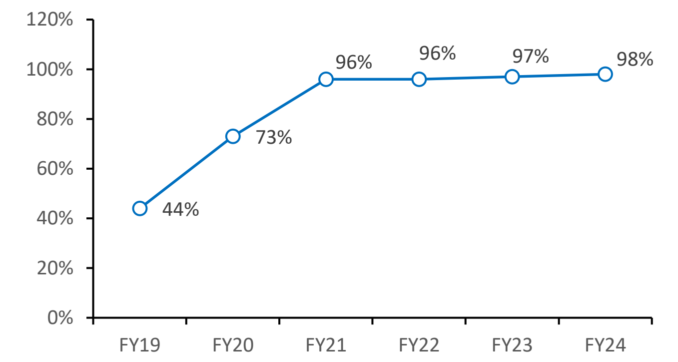
Tolling & Fueling:

Industry:

Toll and fuel payments represent a significant portion of expenses for truck operators. The current lack of transparency in these transactions, along with the reliance on cash, creates a pressing need for digital solutions to streamline payment management. The total payments revenue pool is estimated at US$ 470-490mn and is projected to grow to US$ 850-910mn by FY28, with a CAGR of 16-18%.

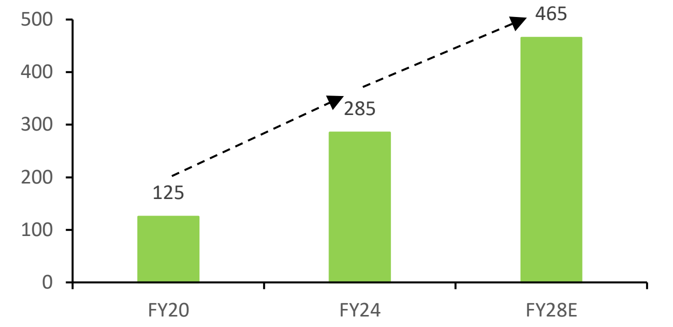
Tolling: The Government of India mandated the implementation of electronic toll collection through FASTag on December 1, 2019, for all national highways. As of Mar'24, market penetration for FASTag reached 98%. In FY24, the trucking segment accounted for over 75% of total toll collections in India, largely due to higher toll rates for trucks and their frequent usage of toll highways compared to passenger vehicles. Consequently, truck operators emerged as significant users of the toll system, averaging expenditures of Rs16,000 to Rs18,000 per month on tolls in FY24.

Exhibit 23: Fastag penetration in India



Source: Blackbuck DRHP, MNCL Research

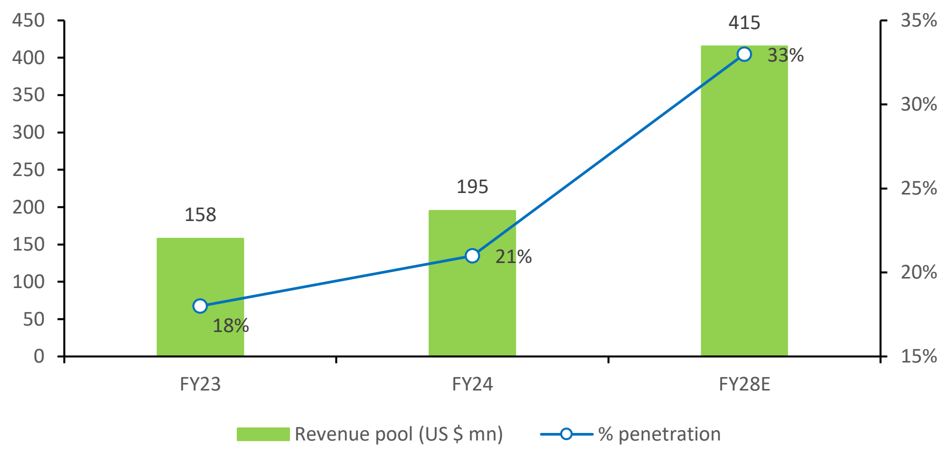
Exhibit 24: Revenue Pool from CV Tolling (US $ mn)



Source: Blackbuck DRHP, MNCL Research

Fueling: As of FY24, trucks account for 62-65% of the country's total diesel consumption, underscoring the significant role of commercial vehicles in overall fuel usage. This rise in consumption is directly associated with the increasing prevalence of commercial vehicles on the roads, as well as the upward trend in diesel prices. In FY24, fueling solutions are projected to generate a revenue pool of approximately US$ 190-200mn, with expectations of continued growth at a CAGR of 19-21% between FY24-28.

Exhibit 25: Revenue Pool from digital fuel cards (US $ mn)



Source: Blackbuck DRHP, MNCL Research

Ritco's first step to monetization of tolling and fueling services:

Tolling and fueling represent significant recurring expenses for truck owners, presenting a substantial opportunity for TrucksUp to enhance its service offerings. By supplying Fastags and digital/physical fuel cards through partnerships with banks and oil marketing companies (OMCs), TrucksUp can create a seamless experience for truck owners.

Revenue Model:

- **Commission and Discounts:** TrucksUp will earn a commission at toll stations and receive discounts on fuel card transactions at partnered OMCs.
- **Revenue Sharing:** A portion of the earned commission and discounts will be shared with truck owners, fostering a mutually beneficial relationship.

This approach not only strengthens TrucksUp's value proposition but also enhances the financial well-being of truck owners. Currently, there are no additional charges for utilizing these services. This model ensures a win-win scenario for both TrucksUp and truck owners, driving user engagement and loyalty.

A. Other value added services:

- **GPS:** Real-time tracking for precise fleet management and security. Fleet operations were supervised by truck operators themselves or through a few hired managers/supervisors, with complete manual and offline processes. GPS tracking would allow truck operators, business associates, and family members to access real-time information regarding the location of the truck. TrucksUp is planning to provide SIM based GPS tracking services, ensuring tracking is available for truck owners, business associates as well as for family members of truck drivers.
- **Old Vehicle Financing:** Tailored financing solutions for pre-owned vehicle acquisitions. TrucksUp is under discussion with several financing companies and is evaluating plans for monetizing the same.
- **Buy & Sell Old Vehicle:** Streamlined marketplace for pre-owned vehicles. The buying and selling of new trucks are facilitated by dealerships of major manufacturers, whereas the used vehicle market remains largely unorganized, consisting primarily of traditional networks of sellers and brokers. Ritco plans to facilitate the buying and selling of old trucks through its application, charging a commission/ fee that is currently under evaluation.
- **Insurance Support Service:** TrucksUp would provide dedicated insurance support, ensuring cargo and vehicles are protected.

Revenue projections for TrucksUp

Due to reasons stated in the section above, we expect TrucksUp's revenue to significantly scale up to Rs789mn revenue in FY27**.** At present, there are no separate charges for additional services like tolling, fuel, insurance, buy and sell vehicles (versus rival BlackBuck that has service wise different pricing plans). However, management may consider monetizing these services separately in the future. This will provide further upside to our revenue estimates.

The revenue from other value added services remains an optionality to our estimates.

Exhibit 26: Revenue projections shows a robust revenue growth at TrucksUp

Particulars - Rs mn	FY25E	FY26E	FY27E
Subscriptions	13	320	506
Fuel Card	7	158	250
Fastag	0	21	33
Total Revenue from Trucks Up	**20**	**499**	**789**

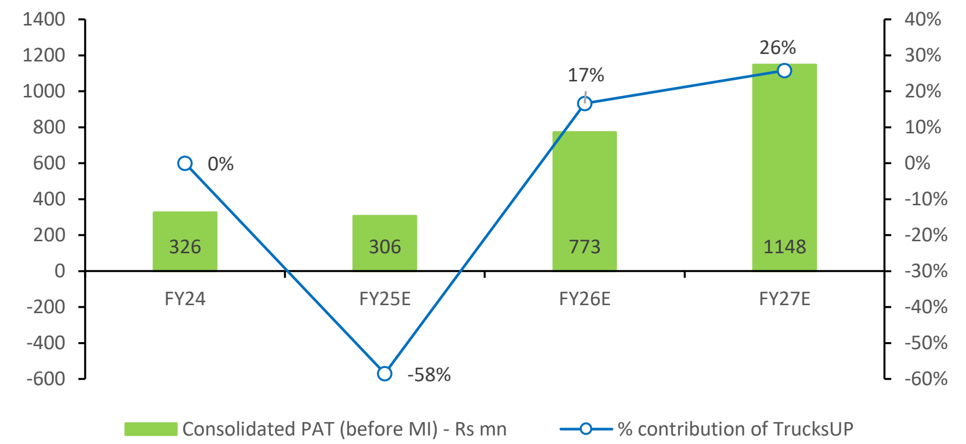
Source: Company, MNCL Research estimates

TrucksUp to contribute significantly to consolidated PAT by FY27E

The scale-up of TrucksUp is anticipated to enhance the margins of Ritco Logistics on a consolidated basis. As a synergistic business, TrucksUp enables Ritco to directly manage verified loads that were previously routed through brokers, thus eliminating commission costs. Additionally, the management has charted out an effective plan to control marketing expenses, ensuring strategic investment in growth initiatives.

While competitors like BlackBuck continue to operate at a loss, we project that TrucksUp will achieve profitability by the second year of operations, with an estimated profit after tax of Rs128mn in FY26E. **By FY27, we expect TrucksUp to contribute approximately 26% of Ritco's consolidated PAT, marking a significant shift from dependency on its legacy FTL business.**

Exhibit 27: TrucksUp to contribute 26% of the consolidated PAT in FY27E



Source: Company, MNCL Research estimates

TrucksUp vs Blackbuck: Competing with market leader

Blackbuck is a competitor of TrucksUp, with both companies offering digital applications that deliver comparable services in the logistics sector. Below is a brief comparison of the two platforms:

Exhibit 28: TrucksUp & BlackBuck – Who is better?

Parameter	BlackBuck	Trucks Up
Commencement Year	2015	2023
Services Offered	1. Loads marketplace (from year 2020) 2. Telematics (GPS & Fuel Sensor) 3. Fastag 4. Fueling 5. Vehicle Financing 6. Freight Brokerage	1. Loads marketplace 2. GPS tracking 3. Fastag 4. Smart fuel program 5. Old vehicle financing 6. Marketplace for pre owned vehicles 7. Insurance support services
Network	9.6 lakh truckers (transacting)	~1.4 lakh truckers (downloads)
Number of loads posted on app	21.2 lakh (FY24)	2.8 lakh (since commencement)
Consumer Segment	SMEs, Truck owners	SMEs, Truck owners
Revenue	Rs2.96bn	Subscription plan commenced from Oct'24
EBITDA	Rs(1.5)bn	NA
PAT	Rs(1.9)bn	NA
Number of languages supported	5	2

Source: Company, MNCL Research

Other competitors for TrucksUp include Wheelseye, Vahak, FleetX Loconav.

The TrucksUp Edge:

- **Ritco verified loads:** In TrucksUp, certain loads are uploaded directly by Ritco Logistics, removing the need for brokers and their commissions. **Almost 50% of Ritco's loads are currently routed through the app, offering significant synergies.**
- **Reverse load booking:** The app addresses underutilization by allowing truck owners to book return loads, maximizing both route efficiency and earnings.
- **Services:** Additionally, TrucksUp offers a marketplace for pre-owned vehicles and insurance support services, enhancing the overall value for users.
- **Recommended load:** TrucksUp actively alerts truck owners about available loads and provides tailored suggestions based on their preferences.
- **Pricing: I**n contrast to Blackbuck, which utilizes service-specific pricing, TrucksUp currently offers a subscription plan for business associates, while truck operators incur no charges. Future monetization of these services may be considered by TrucksUp.

Ritco Logistics commenced its journey in contract logistics in 1996, and we believe that this extensive experience positions the company favorably to understand the dynamics of the logistics industry.

This industry knowledge is expected to help the management frame strategic roadmap for TrucksUp. With over two decades of experience, Ritco's business associates are well-connected and have established a relationship of trust with the company. Rather than directly targeting B2B clients, management prioritizes the onboarding of business associates onto the TrucksUp platform, recognizing their irreplaceable connection with end customers. We view this approach as a significant competitive advantage for TrucksUp compared to its rivals.

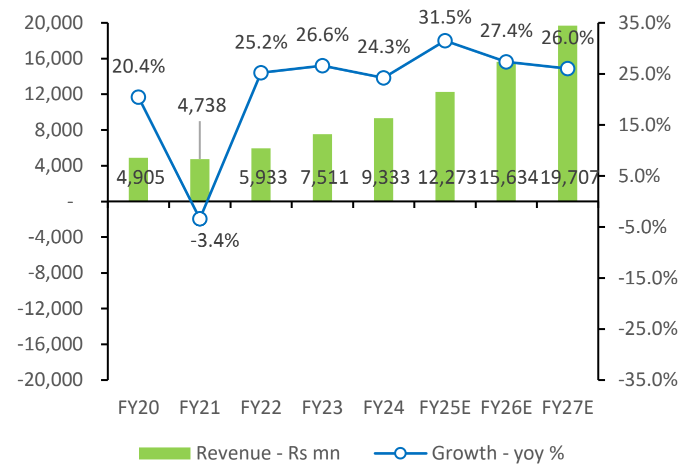
While the initial focus would be on scaling the loads business, we believe that value-added services will also play a crucial role in driving growth. Overall, we remain optimistic about the long-term prospects for TrucksUp.

Financial Analysis

A. Ritco to grow faster than base industry/ last 5 years growth: We expect Ritco's revenue and earnings to grow faster than its growth in the last business cycle and better than its underlying industry. The major reasons for the robust growth are:

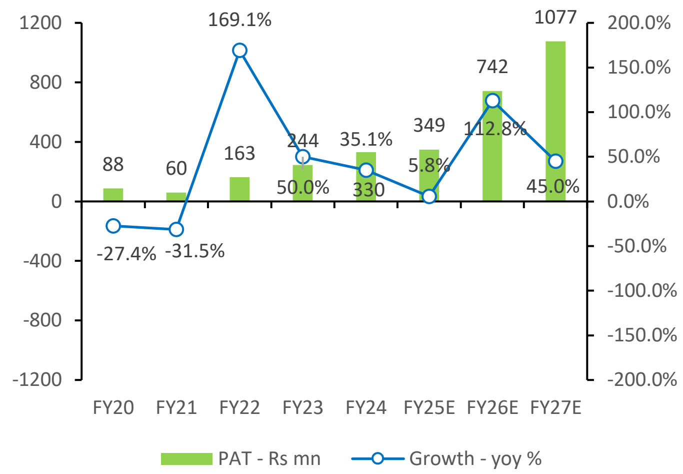
- Addition of new customers in the FTL business.
- Ramp up of multimodal logistics solution business.
- Contribution from TrucksUp driving both revenue and earnings growth.

Exhibit 29: Factoring 28% revenue CAGR over FY24-27E…



Source: Company, MNCL Research estimates

Exhibit 30: Transitioning into 48% PAT CAGR over FY24-27E

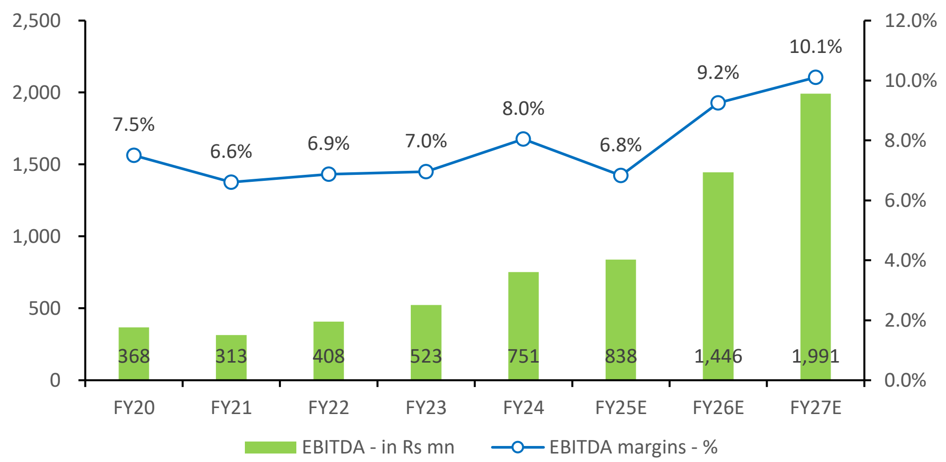


Source: Company, MNCL Research estimates

B. Several levers lined up for margin expansion: We expect Ritco's consol. EBITDA to grow faster than its revenue mainly due to ramp up of its high margin business i.e. TrucksUp business**.** This will lead to a robust 38% CAGR growth in EBITDA over FY24-FY27E and raise the margins by atleast 200bps. The decline in margins in FY25E is due to expenses exceeding the revenue generated in 6 months of operations post commencing the subscription model at TrucksUp. A quicker ramp of TrucksUp business and earlier than expected pickup in the multimodal business will lead to upside in our margin estimates.

Exhibit 31: We expect consol. EBITDA to grow at a CAGR of 38% over FY24-27E aided by strong revenue growth and margin expansion

Consol. margins in FY25E to be impacted due to forecasted negative EBITDA of TrucksUp.

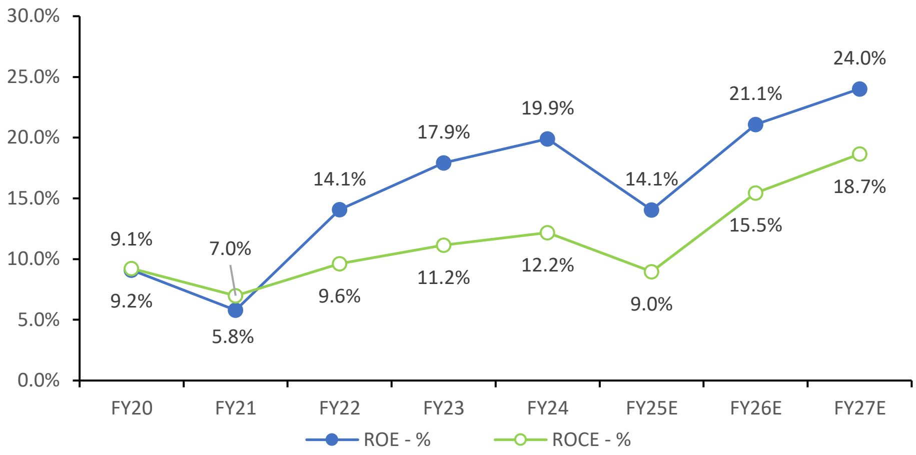


Source: Company, MNCL Research estimates

C. **Return ratios have huge scope of improvement due to asset light model:**

Ritco has massive scope of improving its return ratios as loads will be catered through TrucksUp where the company does not have to add vehicles. The application development and update cost will be much lesser compared to capex required to add fleet. This will drastically reduce the requirement of further debt. On the other side, margin expansion on the consol. business will help in increasing the return ratios. We expect ROE/ROCE to comfortably reach ~20% levels by FY27E with further scope of improvement.

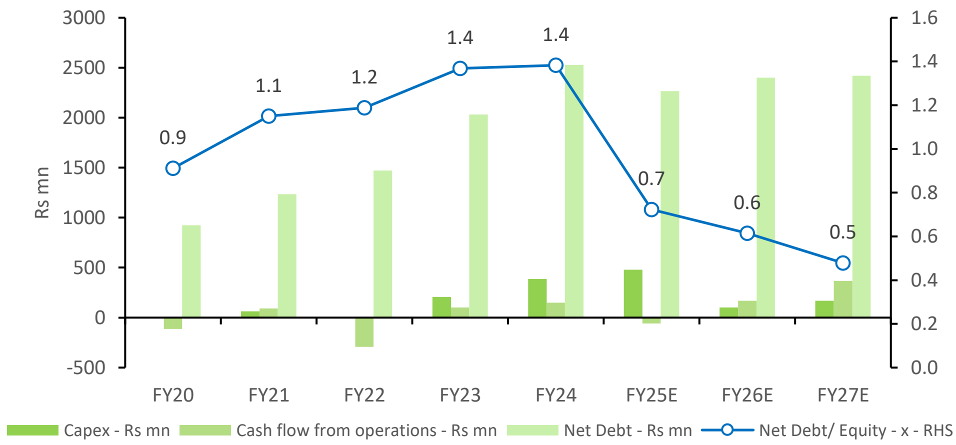
Exhibit 32: Asset light model and margin expansion to result in improvement of return ratios



Source: Company, MNCL Research estimates

D. **Net Debt/ Equity to reduce meaningfully:** The equity raise completed in 2QFY25 will certainly help to finance the capex and working capital requirement for FY25E. Starting next year, Ritco's cash flow from operations will be enough to finance the capex requirement. Meaningful debt repayment will only start with further scale up of the business. However, no further increase in debt levels would lead to shrinking net debt/equity ratio as shown in the exhibit below. This ratio shall reach comfortable levels of 0.5x with net debt/ ebitda at ~1.2x in FY27E.

Exhibit 33: No immediate debt repayment but net debt/equity to shrink by FY27E



Source: Company, MNCL Research estimates

Fund Raise – Bridge to scalability & maintaining asset light status

Ritco Logistics raised Rs1bn on 25th July 2024 through a preference capital to finance the working capital requirement (Rs600mn) and fund the development of the logistics aggregator platform application TrucksUp. Ritco has issued 3.85mn shares @ price of Rs260/sh.

The TrucksUp model will further drive an asset light model of operations thereby drastically reducing capex requirement to increase its fleet size.

We believe that Ritco's adoption of an asset-light model positions it to better withstand the adversities associated with economic downturn.

The working capital requirement (cash conversion cycle) will reduce marginally due to this model from 114 days in FY24 to 104 days in FY27E.

Valuation: Well placed for re-rating

Ritco has demonstrated resilience in navigating pandemic-related disruptions. Further, we believe Ritco is well-positioned for strong growth driven by sectoral tailwinds in the end user industries like steel, cement, petrochemicals and solar. We believe that Ritco is competently placed versus its peers which is demonstrated in the table below:

Exhibit 34: Comparison of services offered by competitors of Ritco Logistics

Services Offered	Ritco	Gati	VRL Logistics	CJ Darcl	AVG	Mahindra Logistics	Transport Corp
FTL	Yes	No	Yes	Yes	Yes	Yes	Yes
LTL	No	Yes	Yes	No	No	Yes	Yes
Warehousing	Yes	Yes	Captive	No	No	Yes	Yes
In Plant Logistics	Yes	Yes	No	Yes	No	Yes	Yes
Multi-Model	Yes	Yes	No	Yes	Yes	Yes	Yes
Distribution	Yes	Yes	Yes	No	No	Yes	Yes
Aggregator	Yes	No	No	No	No	No	No
Express	No	Yes	Yes	No	No	Yes	NA

Source: Company, MNCL Research Estimates

The launch of TrucksUp is poised to be a game changer for Ritco Logistics, as it aims to address several key challenges within the logistics industry. The management has clear vision that Ritco will not pursue opportunities in the B2C or express segments and has no immediate plans to increase its owned fleet beyond 500 trucks. Additionally, Ritco aims to decrease its reliance on hired trucks, which we anticipate that the majority of loads will be routed through TrucksUp. This strategy is expected to facilitate margin expansion. As mentioned in the section on TrucksUp, we anticipate a significant increase in downloads, active users, and subscriptions, as an increasing number of truckers join the TrucksUp platform for the loads marketplace and a variety of value-added services offered under one roof.

Exhibit 35: Ritco to achieve very superior financials but trades at deep discount to peers making a case for re-rating

Company	Mkt Cap (Rs mn)	CAGR (FY24-FY27)			EBITDA margins - %				ROE - %				PE Ratio			
		Revenue	EBITDA	PAT	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Ritco Logistics	10,356	28.3	38.4	48.3	8.0	6.8	9.2	10.1	19.9	14.1	21.1	24.0	16.9	29.7	13.9	9.6
Mahindra Logistics Ltd	35,928	14.0	29.8	NM	4.2	5.1	5.9	6.1	NM	7.2	19.3	22.9	NM	94.4	33.3	22.4
VRL Logistics Ltd	50,290	13.7	18.2	41.2	13.7	14.1	15.0	15.4	9.2	12.0	16.7	19.7	56.6	40.9	26.9	20.4
Container Corp Of India Ltd	5,36,666	19.5	16.8	32.3	24.3	22.6	23.1	22.7	10.7	11.9	13.7	20.2	43.6	36.5	28.1	26.1
Transport Corp of India Ltd	78,610	13.6	19.1	14.1	10.2	10.5	10.9	11.8	18.9	17.4	17.6	17.9	22.7	20.7	18.0	15.5
Allcargo Gati Ltd	15,378	NA	NA	NA	3.1	5.6	6.7	NA	2.3	3.2	5.2	NA	105.8	58.9	28.3	NA
Peer average		**15.2**	**21.0**	**21.9**	**11.1**	**11.6**	**12.3**	**14.0**	**10.3**	**10.3**	**14.5**	**20.2**	**57.2**	**50.3**	**26.9**	**21.1**

Source: Bloomberg, Ritco numbers are MNCL Research estimates, data as on 15th October 2024

In comparison to its peers, as illustrated in the table above, we find that Ritco is well-positioned to achieve superior growth in terms of revenue, EBITDA, and PAT. While the EBITDA margin would remain on lower side as compared to peers with levers for further scale up, but Ritco's return on equity is expected to be at par with them. Despite expectation of robust financials, industry tailwinds and operational triggers, Ritco is trading at a ~40-50% discount to peers. We expect this gap to narrow as the company delivers on the key points. Further, increased investor confidence on improved profitability including scale up at TrucksUp could result in valuation re-rating.

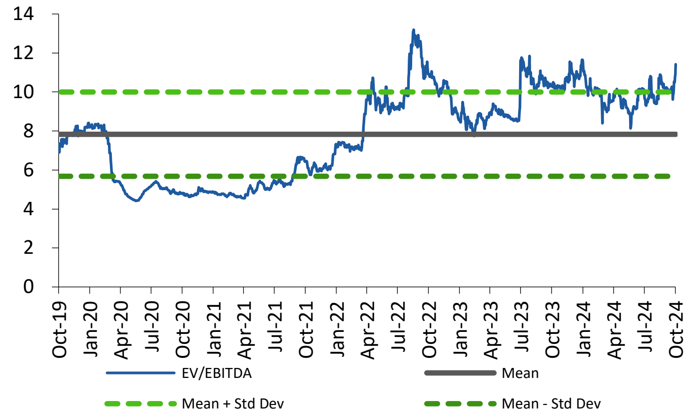
We have valued Ritco at 20x FY27 PE ratio (higher than its historical valuations but still at discount to large peers) to arrive at a target price of Rs760/share and initiate with a BUY rating. At CMP of Rs388, Ritco trades at 10.2x FY27 PE ratio.

Exhibit 36: Valuation

Valuation	FY27E
PER Valuation	
EPS - Rs/sh	38.0
Attributed PE Ratio - x	20
TP - Rs/sh	760
CMP	**388**
Upside	**96%**

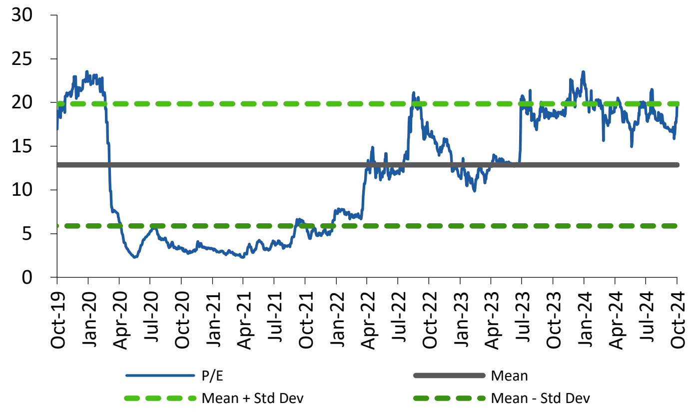
Source: Company, MNCL Research estimates

Exhibit 37: 1-year forward EV/EBITDA chart



Source: Company, Bloomberg, MNCL Research estimates

Exhibit 38: 1-year forward P/E chart



Source: Company, Bloomberg, MNCL Research estimates

Key risks to our thesis

- **Delay in monetization of value added services (VAS) at TrucksUp:** Any substantial delay or lackluster response in the monetization of the VAS like truck financing, insurance, buy & sell of trucks and majorly fueling and fastag can lead to downside risk to our estimates. However, we have only assumed revenues from fueling and fastag as of now minimizing the downside in our estimates.
- **Slower recovery in demand from new avenues for growth:** A weaker than expected growth in pickup of business from new customers or incremental loads of existing customers due to tepid end user industry demand or economic slowdown can meaningful lead to delay in realization of revenue estimates. Furthermore, the ramp up of the multimodal business has both upside and downside risk depending on its developments.
- **Failure to ramp up Trucksup revenues:** This can meaningfully lead to downside to our margin estimates as the expenses to market the application will remain substantial in the first few years. However, we have accounted for a realistic and peer benchmarked approach to the revenue scale up for TrucksUp thereby reducing downside risk to our estimates.

About The Company

Ritco Logistics

Ritco began its journey in 1996 as a provider of contract logistics, serving a limited number of businesses with a small team. Over the past 25 years, the company has expanded significantly, establishing a robust client base by delivering logistics services that meet global standards. Ritco is an integrated supply chain solution provider in India, specializing in land-based logistics, warehousing, and various value-added services.

The company's offerings include a comprehensive freight transportation service encompassing bulk loads, dedicated loads (to-and-fro) and full truck loads (FTL). Ritco utilizes both company-owned fleets and independent third-party operators, alongside ancillary services such as warehousing and additional value-added solutions.

Ritco focuses on technology-enabled logistics and distribution solutions tailored primarily for corporate clients. Asset-light approach, combined with necessary infrastructure, enhances Ritco's capability to meet diverse supply chain requirements for its customers. Ritco holds 76% in Logro Sourcing Private Limited. TrucksUp is a wholly owned subsidiary of Logro Sourcing Private Limited.

Exhibit 39: Timeline of significant events

Time Frame	Events
1996-2005	~ Started in 1996 with a focus on contract logistics ~ Incorporated Ritco Logistics in 2001 ~ Acquired large Petrochemical customers ~ 750+ Drivers, Brokers and Owners associated with Ritco ~ Servicing more than 150 locations across India
2006-2015	~ Started providing online ERP solution for operations, accounting, and finance in 2009 ~ Launched online tracking system in 2011 ~ Added 100 customized vehicles to fleet ~ Foray into Automobile and FMCG segment with blue chip customers including MRF, JK Tyre, HUL, Godrej and Emami etc
2016-2019	~ Foray into infrastructure (Cement), metals, minerals, green energies and solar energies with customers like Jindal group, Vedanta group and Tata steel ~ MOU with Ashok Leyland and JK Tyres for maintenance of Fleet and Tyre on outsourced model ~ Got listed on BSE in February 2019 and migrated to NSE also
2020 onwards	~ Launched TrucksUp to offer a variety of services using tech platform ~ Focus on innovation and use of tech ~ Shift towards high margin 3PL business

Source: Company, MNCL Research

TrucksUp

Started in 2023, TrucksUp is a digital platform for truck operators and business associates for a seamless trucking experience wherein the truck operators can “find load” and the business associates can “add load” as per their requirements. With real-time updates and streamlined communication, TrucksUp connects truck operators and business associates to maximize efficiency and minimize downtime in the logistics process***. TrucksUp operates independently from Ritco, led by CEO Virendra Yaduvanshi and Sarthak Elwadhi who is the co-founder.***

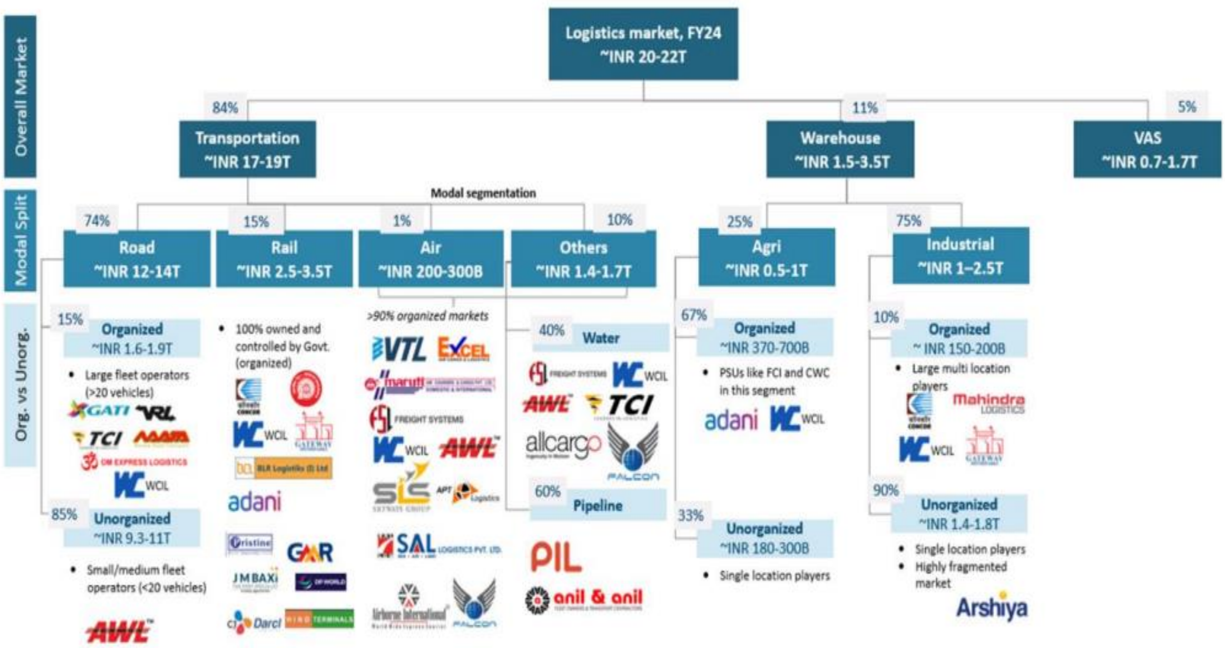
Services offered include:

- Load Finder
- Add Load
- GPS tracking:
- Fastag
- Smart Fuel Program
- Old Vehicle Financing:
- Buy & Sell Old Vehicle
- Insurance Support Service

Logistics Industry Overview

The logistics sector is predominantly driven by transportation, which accounts for approximately 84% of the overall market in value terms. This trend is expected to continue, largely due to the increasing demand from e-commerce and third-party logistics (3PL). Within the transportation segment, road transport holds the largest share, valued between Rs12-14 trillion. The Indian road transportation industry is characterized by low barriers to entry, resulting in a highly fragmented market dominated by over 1,000 unorganized players. It is estimated that around 75% of fleet owners operate fewer than five trucks, while 15% own between six and 20 trucks, and only about 10% possess more than 20 trucks. In contrast, rail transportation is entirely organized, being fully owned and managed by the Government of India. Additionally, air, coastal, and pipeline transportation are estimated to be around 90% organized, with major operators holding a significant share of the market.

Exhibit 40: Logistics Industry market size & segmentation



Source: Western Carriers Prospectus, MNCL Research

MONARCH NETWORTH CAPITAL

Financials (Consolidated)

Exhibit 41: Income Statement

Y/E March - Rs mn	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Revenues	**3,429**	**4,073**	**4,905**	**4,738**	**5,933**	**7,511**	**9,333**	**12,273**	**15,634**	**19,707**
Materials cost	3,050	3,515	4,384	4,269	5,288	6,707	8,194	10,771	13,289	16,610
% of revenues	**88.9**	**86.3**	**89.4**	**90.1**	**89.1**	**89.3**	**87.8**	**87.8**	**85.0**	**84.3**
Employee cost	33	42	56	60	72	144	234	341	448	553
% of revenues	**1.0**	**1.0**	**1.1**	**1.3**	**1.2**	**1.9**	**2.5**	**2.8**	**2.9**	**2.8**
Others	65	74	97	97	166	137	154	323	452	552
% of revenues	**1.9**	**1.8**	**2.0**	**2.0**	**2.8**	**1.8**	**1.6**	**2.6**	**2.9**	**2.8**
EBITDA	**281**	**442**	**368**	**313**	**408**	**523**	**751**	**838**	**1,446**	**1,991**
EBITDA margin (%)	**8.2**	**10.9**	**7.5**	**6.6**	**6.9**	**7.0**	**8.0**	**6.8**	**9.2**	**10.1**
Depreciation & Amortization	72	153	162	119	87	52	124	159	190	214
EBIT	**209**	**289**	**206**	**194**	**321**	**471**	**627**	**679**	**1,256**	**1,777**
Interest expenses	67	116	132	139	133	165	217	233	233	233
PBT from operations	**142**	**173**	**74**	**55**	**188**	**306**	**410**	**446**	**1,023**	**1,544**
Other income	10	15	39	26	34	29	38	35	29	17
Exceptional items	0	0	0	0	0	0	0	0	0	0
PBT	**152**	**188**	**113**	**81**	**222**	**335**	**448**	**481**	**1,052**	**1,562**
Taxes	52	67	24	21	59	92	122	175	279	414
Effective tax rate (%)	**34.3%**	**35.5%**	**21.7%**	**25.4%**	**26.7%**	**27.4%**	**27.1%**	**36.4%**	**26.5%**	**26.5%**
Reported PAT	**100**	**122**	**88**	**60**	**163**	**243**	**326**	**306**	**773**	**1,148**
Minority interest	**-**	**-**	**-**	**-**	**-**	**-1**	**-3**	**-43**	**31**	**71**
Adj. Consol. PAT	**100**	**122**	**88**	**60**	**163**	**244**	**330**	**349**	**742**	**1,077**

Exhibit 42: Key Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Growth Ratio (%)										
Revenue		*18.8*	*20.4*	*(3.4)*	*25.2*	*26.6*	*24.3*	*31.5*	*27.4*	*26.0*
EBITDA		*57.3*	*(16.7)*	*(14.9)*	*30.3*	*28.1*	*43.7*	*11.6*	*72.5*	*37.7*
Adjusted PAT		*21.5*	*(27.4)*	*(31.5)*	*169.1*	*50.0*	*35.1*	*5.8*	*112.8*	*45.0*
Margin Ratios (%)										
EBITDA	*8.2*	*10.9*	*7.5*	*6.6*	*6.9*	*7.0*	*8.0*	*6.8*	*9.2*	*10.1*
PBT from operations	*4.1*	*4.2*	*1.5*	*1.2*	*3.2*	*4.1*	*4.4*	*3.6*	*6.5*	*7.8*
Adjusted PAT	*2.9*	*3.0*	*1.8*	*1.3*	*2.7*	*3.3*	*3.5*	*2.8*	*4.7*	*5.5*
Return Ratios (%)										
ROE	*20.8*	*13.1*	*9.1*	*5.8*	*14.1*	*17.9*	*19.9*	*14.1*	*21.1*	*24.0*
ROCE	*10.5*	*10.4*	*9.2*	*7.0*	*9.6*	*11.2*	*12.2*	*9.0*	*15.5*	*18.7*
ROIC	*11.4*	*12.2*	*10.8*	*7.7*	*10.3*	*11.7*	*12.3*	*9.3*	*16.3*	*19.7*
Turnover Ratios (days)										
Gross block turnover ratio (x)	5.0	4.2	5.0	4.9	7.2	9.4	8.8	8.5	9.0	10.4
Debtors	100	103	110	132	123	118	115	110	106	106
Inventory	-	-	-	-	-	-	-	-	-	-
Creditors	10	3	1	2	2	2	2	2	2	2
Cash conversion cycle	90	100	109	130	121	116	114	108	104	104
Solvency Ratio (x)										
Net debt-equity	1.6	0.7	0.9	1.1	1.2	1.4	1.4	0.7	0.6	0.4
Debt-equity	1.8	1.0	1.2	1.3	1.4	1.4	1.4	0.8	0.7	0.5
Interest coverage ratio	3.1	2.5	1.6	1.4	2.4	2.9	2.9	2.9	5.4	7.6
Gross debt/EBITDA	3.2	2.2	3.4	4.4	4.2	3.9	3.4	3.1	1.8	1.3
Current Ratio	1.6	2.3	2.0	1.7	1.7	1.5	1.6	2.0	2.4	2.9
Per share Ratios (Rs)										
Adjusted EPS	5.1	5.0	3.6	2.5	6.7	10.0	13.5	12.3	26.2	38.0
BVPS	24.7	37.8	41.4	43.9	50.6	60.7	74.7	110.7	138.0	178.5
CEPS	8.8	11.2	10.2	7.3	10.2	12.1	18.5	17.9	32.9	45.6
DPS	-	-	-	-	-	-	-	-	-	-
Dividend payout %	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Valuation (x)*										
P/E (adjusted)	NM	14.4	17.2	6.5	6.5	16.1	16.9	31.5	14.8	10.2
P/BV	NM	1.9	1.5	0.4	0.9	2.7	3.1	3.5	2.8	2.2
EV/EBITDA	NM	5.5	6.6	5.2	6.2	11.4	10.8	15.8	9.2	6.6
Dividend yield	NM	0%	0%	0%	0%	0%	0%	0%	0%	0%

Source: Company, MNCL Research Estimates

Exhibit 43: Balance Sheet

Y/E March (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Sources of Funds										
Equity Share Capital	195	245	245	245	245	245	245	283	283	283
Reserves & surplus	287	680	768	830	995	1,241	1,570	2,881	3,623	4,700
Shareholders' fund	**481**	**925**	**1,013**	**1,075**	**1,239**	**1,486**	**1,815**	**3,164**	**3,907**	**4,983**
Money received against Share Warrant	**0**	**0**	**0**	**0**	**0**	**0**	**19**	**19**	**19**	**19**
Non controlling interest	0	0	0	0	0	-1	-4	-47	-17	54
Total Equity	**481**	**925**	**1,013**	**1,075**	**1,239**	**1,485**	**1,829**	**3,135**	**3,909**	**5,056**
Total Debt	888	959	1,251	1,366	1,724	2,060	2,588	2,588	2,588	2,588
Lease Liabilities (current + non current)	0	0	0	5	3	13	8	8	8	8
Def tax liab. (net)	7	14	6	3	2	9	23	23	23	23
Other non current liabilities	4	4	4	0	0	0	0	0	0	0
Total Liabilities	**1,380**	**1,902**	**2,275**	**2,449**	**2,968**	**3,566**	**4,448**	**5,754**	**6,527**	**7,675**
Gross Block	681	967	979	941	713	887	1,243	1,651	1,808	1,968
Less: Acc. Depreciation	256	404	562	614	500	521	616	777	968	1,181
Net Block	**425**	**562**	**416**	**328**	**213**	**366**	**627**	**874**	**840**	**786**
Capital WIP	0	0	8	8	0	0	0	72	16	26
ROU Assets - Net	0	0	0	5	3	13	8	8	8	8
Goodwill	0	0	0	0	0	0	0	0	0	0
Net Fixed Assets	**425**	**563**	**425**	**341**	**216**	**379**	**635**	**954**	**863**	**820**
Other non current assets	14	31	30	182	26	335	456	456	456	456
Inventories	0	0	0	0	0	0	0	0	0	0
Sundry debtors	939	1,146	1,482	1,710	2,002	2,424	2,951	3,693	4,561	5,701
Cash & Bank	111	268	318	119	251	28	54	323	332	402
Other current assets	60	83	171	146	533	479	438	438	438	438
Total Current Asset	**1,110**	**1,497**	**1,971**	**1,975**	**2,786**	**2,931**	**3,443**	**4,454**	**5,331**	**6,541**
Trade payables	79	29	17	26	34	40	34	59	73	91
Other current Liab.	71	143	90	4	10	31	38	38	38	38
Provisions	18	17	43	19	16	8	15	15	15	15
Net Current Assets	**941**	**1,308**	**1,820**	**1,927**	**2,726**	**2,852**	**3,357**	**4,342**	**5,206**	**6,398**
Total Assets	**1,380**	**1,902**	**2,275**	**2,449**	**2,968**	**3,566**	**4,448**	**5,754**	**6,527**	**7,675**

Source: Company, MNCL Research Estimates

Exhibit 44: Cash Flow

Y/E March (Rs mn)	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Operating profit bef working capital changes	285	405	387	327	430	538	757	838	1,446	1,991
Changes in working capital	(272)	(273)	(466)	(222)	(684)	(358)	(501)	(716)	(855)	(1,122)
Cash flow from operations	**(0)**	**60**	**(112)**	**93**	**(291)**	**102**	**148**	**(53)**	**313**	**456**
Net Capex	(316)	(290)	0	(61)	(6)	(207)	(387)	(480)	(100)	(170)
FCF	**(317)**	**(231)**	**(111)**	**31**	**(297)**	**(105)**	**(239)**	**(533)**	**213**	**286**
Cash flow from investments	**(348)**	**(403)**	**(17)**	**(17)**	**63**	**(186)**	**(356)**	**(445)**	**(71)**	**(153)**
Cash flow from financing	**365**	**394**	**165**	**(114)**	**222**	**167**	**329**	**767**	**(233)**	**(233)**
Net change in cash	**17**	**51**	**36**	**(39)**	**(5)**	**84**	**121**	**269**	**9**	**70**

Source: Company, MNCL Research Estimates

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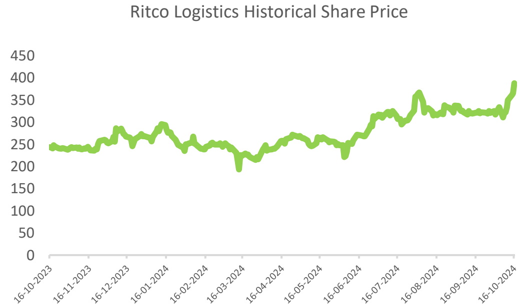

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