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RailTel Corp with strong project background promises growth

RAILTEL Corporation of India Limited (RailTel) is tapping the capital markets with its offer for sale of 8,71,53,369 equity shares in a price band of Rs 93-94. The issue opened on February 16, Tuesday and closes on February 18, Thursday.

The company is into three broad verticals namely: national long distance internet service provider, telecom infrastructure services and managed data centre and hosting. It also has a projects division which does activities in all these three areas plus more. The company had revenues of Rs 1,128 crore for March 20 and Rs 537 crore for the six months ended September 20. Its profits before tax were Rs 184 crore and 67 crore respectively.

The company reported an EPS of Rs 4.40 for the year ended March 2020 and the PE multiple is 21.14 to 21.36 times the earnings. The network for ISP has been created and this should

see the company increasing its revenues and its profit in this segment going forward. Secondly, being the telecom arm of the railways, it is executing a number of projects concerning railway safety and accident-free rail travel which on completion would increase profitability of the company significantly.

It has a right of way along the railway tracks and has laid fibre optic cable across 59,098 km against a total of 67,415 km. RailTel has connected railway stations on this route and has internet services and offers the same to passengers, the railways and companies who want connectivity.

EXPECT APPRECIATION



For telecom companies it has erected telecom towers alongside the railway tracks to host the repeater stations, so that their subscribers have a better experience. Further for last mile connectivity it uses the services of over 5,000 cable operators in towns and cities and offer ISP services. It also has dark fibre available which would increase the revenue potential going forward. These activities earn regular revenue

for the company and it is sweating the assets which have been created. There is virtually zero raw materials incrementally and insignificant maintenance as well.

Projects is a key area for RailTel. Under this segment it executes projects for the ministry of railways on a nomination basis and gets fixed margins. It also does so for other public sector enterprises and international projects involving railways. Recently it was awarded a pilot project for the modern train control system under which a key area would be to ensure that trains are run accident free. This would be a prestigious project for RailTel and post the pilot would be extended to cover the entire network.

RailTel is part of the Bharat Net project and is creating the network which would connect India with gram

panchayats. This covers the entire country and RailTel is doing part of this nationwide project. RailTel has already connected 56,611-gram panchayats and wi-fi is operational in 24,804-gram panchayats.

RailTel is looking to expand its activities to include high speed mobile communication corridors to cater to voice and data needs of ground to train communication and also train to train communication. This would be a big opportunity as there would be video on demand services offered by RailTel.

Being a railway company, RailTel has a distinct advantage over other service providers. It is this opportunity and the unique network along the railway tracks which ensures steady and profitable revenues for the company. An attractive offering with ample scope for appreciation.

(The author is the founder of Kejriwal Research and Investment Services, an advisory firm)

Market set to remain flat during the week on profit booking

Nifty likely to shuffle between 15.2k and 15.4k points

T BRAHMACHARY

INDIAN stock market ended on a flat note after a highly volatile session. Profit booking caused the sudden sell-off in the BFSI sectors resulting in halt for a marathon rally. Reliance and Metal sector limited the losses in the benchmark index. With an almost 100 point recovery from the day's low, the Nifty closed at 15,313.45 with just 1.25 points loss.

The Banknifty and FinNifty closed with half a percentage of loss. The Nifty IT index has 1.49 per cent. The market breadth was negative as 1,056 declines and 829 advances were recorded, whereas 348 stocks closed unchanged.

Dalal Street witnessed the profit booking after reaching another new high. After opening at a gap up, it fell sharply below the opening level and tested the previous day's low. A 200 point move on a high volatile note triggered a caution for the bulls. It formed a long-legged small body candle.

With today's volatility, it will challenge task to take positions on either side. Though it tested the previous day low, it did not close below the previous day low and did not give any bearish or reversal confirmation. Today's bar is also an outside bar, which is generally a reversal sign. The negative divergence in RSI on 75 min-



utes chart is clearly visible with today's fall.

After a massive move in the Banking and Financial services sectors, they retraced about half a percent-

NIFTY REVIEW

age. With increased volatility and negative market breadth, it is time to be cautious about the direction. Even for the next two days, 15,246 will act as a significant support for now.

Unless the Nifty closes below this level, we may not get the confirmations. On an hourly chart, the pull-back efforts failed to close above the

previous bar signalling the weakness. Even the last hour short-covering pullback also was unable to close above the previous bar. On the 75 minute chart, the MACD gave a sell signal. The positive momentum indicator +DMI was above the -DMI and ADX showed some strength in the index. For the three days this week, the Nifty may consolidate between 15,431 and 15,213 levels. This 200 point range will act as critical in the short term direction. We may experience high volatility in this range.

(The author is a financial journalist, technical analyst, trainer, family fund manager)

Experts put 'Buy' rating for Suven on increased chemical supplies

Risks: Currency fluctuations, delay in new orders from clients

ANALYSTS have upgraded Suven Pharmaceuticals to a 'Buy'. After assessing the performance of the company, they reported the following: FY21e/FY22e/FY23e profit after tax (PAT) at 3.7 per cent/3.5 per cent/4.4 per cent and expect earning per share (EPS) of Rs14.7/17.8/21.2. They set a higher purchase price target of Rs 594 (earlier it was Rs 375), according to an analytical report by Anand Rathi Equity Research group.

Strong 53.8 per cent/96.2 per cent sales/PAT growth in Q3 FY21 led to full recovery for Suven's 9M FY21, otherwise hit by the Covid pandemic. Its 50 per cent EBITDA margin expanded 568bps yoy due to more supplies for clinical stage molecules. Management has maintained its FY21 overall 15-20 per cent profit growth guidance.

A strong, 20.1 per cent, Compound annual growth rate (CAGR) over FY20-23 in sales, driven by more orders is expected. The company has initiated commercial supplies for two specialty-chemical products and one in the pharmaceutical division. The company has launched of 3-5 formulation products in the year.

In Q3 FY21, the contract development and manufacturing organ-

ization (CDMO) pharma division grew 175.2 per cent yoy to Rs 2.2 billion as on the re-initiation of supplies for molecules in clinical trials. Specialty CDMO sales fell 49.5 per cent to Rs 347million. Management is confident of initiating commercial supplies for one specialty chemical molecule each in Q1 FY22/FY23 and one in pharma in FY22. We expect 20.6 per cent/13.1 per cent sales CAGRs in its CDMO pharma/specialty chemicals divisions over FY20-23, the report added.

Q3 FY21 sales of formulations and other services were Rs 126 million and Rs 107 million respectively. The company has so far launched five ANDAs and plans one in Q4 FY21 and 3-4 products in FY22. We expect this category to grow 36.4 per cent over FY20-23.

At the current market price (CMP) of Rs 314, the stock trades at 35.1x, 29.1x and 24.4x for FY21e/FY22e/FY23e respectively.

(Source: Anand Rathi Equity Research)

STOCK TAKE