

Initiating Coverage

20th March 2025



Tara Chand Infralogistic Solutions Ltd



SNM VALUE EDUCATOR RESEARCH
SERVICES LLP:
Emerging Titans

RA No: INH000019789



Tara Chand Infra Logistic Solutions Ltd | BUY

Building foundation for India's infrastructure journey

We initiate coverage on Tara Chand Infra Logistic Solutions Ltd, An established player in equipment rental space having 4 decades of experience with a BUY rating. Tara Chand has 3 business segments that are equipment rental, warehousing & logistics and Steel processing & distribution. The company is poised to grow due to factors such as: 1) India's focus on infrastructure development across the country 2) Capacity expansion in various industries such as steel, cement, oil & gas, etc. 3) Volume growth in steel due to expansion in Rashtriya Ispat Nigam Limited operations. Company has guided revenue growth of 25%, which will achieve according to our estimates.

Diversified in various sectors with capacity expansion phase

Tara Chand is present across sectors such as cement, steel, oil and gas, refineries and power sector. Recently they have ventured into solar and wind sectors. The company has been moving from being a subcontractor in public sector urban or rural infrastructure projects to a catering private player that is expanding their capacity. As a result, they have also managed to reduce their receivable days significantly.

Increase in monthly gross rental yield and EBITDA margins

The gross rental yield is calculated simply as rental income divided by market value of asset. The company has consistently increased the gross rental yield in the last 5-6 quarters from 2.5% to 3.05% in 9M FY25 and the EBITDA margins have increased from 35% in FY23 to 51% in FY24 due to strong benefit from operating leverage. Further improvement up to 55% margin is expected going ahead.

Foray into EPC business

Although Engineering, procurement and construction (EPC) is a low margin business, Management says they will be in a specialised EPC part where they can have higher margins due to criticality. If they are able to venture this new segment successfully with premium margins, this could be a significant driver for growth



Recommendation	BUY
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Allocation	3%
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CMP (at initiation)	₹59.5
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Market Cap (₹ Cr)	₹489 cr
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52 Week High/Low	₹104.78- ₹46.5
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NSE code	TARACHAND
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Shareholding pattern

Promoter	69.60%
FII+DII	0.55%
Others	29.84%

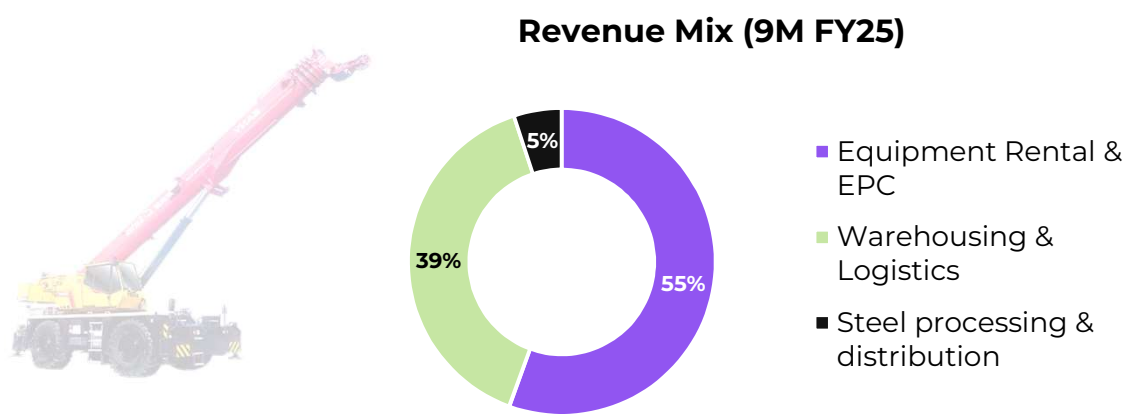
Financial Summary

(₹ Cr)	FY22	FY23	FY24
Revenues	128	141	172
EBITDA (%)	24%	27%	32%
PAT	2	9	16
ROCE (%)	5%	11%	16%



Company overview

Tara Chand Infralogistic Solutions Ltd serves India's infrastructural and industrial needs through Warehousing, Transportation, Equipment Rental, and Turnkey Infra-Project Execution. With 35+ years' experience, Tara Chand is a top Steel Warehousing & Transport entity, handling 10M+ tons of Steel annually.



Segment A: Equipment rental

In the equipment rental segment, Tara Chand serves India's infrastructure development and industrial capacity expansion needs through a vast fleet of cranes, piling rigs, aerial working platforms also known as man lifts and trailers. The largest crane in the Company's fleet is of 800 tons lifting capacity while there are 106 cranes in total with lifting capacities ranging from 50 metric tons up to 800 metric tons.

The company has a fleet of 362 Machines including Heavy Cranes (up to 800MT), Hydraulic Piling Rigs, Steel Processing, & Concrete Equipment. It has contributed significantly to High-Speed Bullet Train and Metro Line projects across cities like Ahmedabad, Delhi, Mumbai, and more.

The EBITDA margins from this segment has been increased from 35% in FY23 to 51% in FY24, while in the 9M FY25 margins have increased further to 53.8%. Similarly the monthly rental yields have been increased to 3.05% which is the highest amongst all the listed players in equipment rental industry.

Recently company has ventured into the EPC business, where they will do specialised job work with better margins. So far company has been very selective in choosing project and has not able to pick up this vertical in full fledged manner.



Sector wise revenue mix



■ Rural & Urban Infra ■ Metals & Minerals ■ Cement ■ Petrochemicals ■ Others

Company has been reducing their exposure from public sector urban or rural infrastructure projects where they work as a subcontractor and have high receivable days. Since now they are moving toward private sector capacity expansion projects in industries such as cement, steel, oil and gas, refineries and power sector, they are able to realise better rental yield and lower receivable days. Recently they have entered into solar & wind as well but as there are on ground execution challenges especially in wind sector, management is bit cautious to expand into renewable as they see better visibility in other sectors.

Warehousing and Logistics

Their second segment is warehousing and logistics solutions which is specifically for the steel sector. The warehousing activity is primarily executed for PSU companies like Steel Authority of India Limited and Rashtriya Ispat Nigam Limited, where the stockyards are either owned by the client or owned by Tara Chand. The Company has vast experience of more than 4 decades for steel handling projects where they are involved in handling of more than 10 million tons of steel per annum. They are the only private Company in the country to own 10 Rubber Tire Gantry (RTG) cranes, which are used for efficient handling of steel.

This is a tender based business where the contract tenure is 5 to 7 years hence the company has the visibility until 2027-202. The EBITDA margins in this segment is 15% and the revenues & margins are both dictated by the volumes (Quantity) handled by Tara Chand. This segment is directly related to how much steel SAIL & RINL produces during the contract.

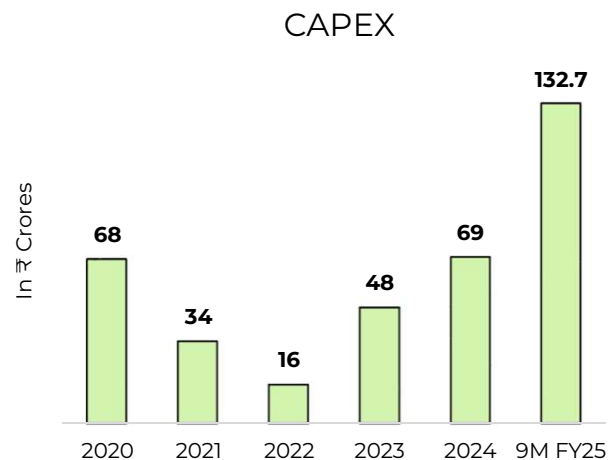
Steel processing & Distribution

This is a relatively small segment with lower margins. Here, the Company processes steel such as converting finished steel rebars into the required shapes and sizes using steel processing machines for its end user clients. They do this as a value added service with EBITDA margin of just 4-5%.



CAPEX

Earlier the company had planned for ₹100 Cr CAPEX for FY25 and ₹60 for H1FY26, but looking at the demand outlook Tara Chand has already completed a CAPEX of ₹132.7 crores, which is the highest ever in the Company's history and additional ₹60-90 Cr CAPEX will be done in FY26. With this completed CAPEX, the Company has now added 30 cranes, 5 aerial working platforms and 20 prime movers with trailers to its fleet. The total fleet size of the Company as of 9M FY25 stands at 362 machines against 307 machines in the same period last year.



The funding of this CAPEX is in the combination of debt plus internal accruals plus there is suppliers credit based which usually ranges from 2 years to 2-1/2 years. So basically Tara Chand pays an upfront 25-30% cost of the overall equipment at the time of purchase which is managed from the internal accruals. Balance is from suppliers credit, which converts into debt, or they can pay upfront to the supplier on completion of the credit period. The interesting point to note here is the credit period that they get from the supplier, it is an interest free credit period.

Competition



In equipment rental business, there are 10 organized players out of which only about 2 or 3 are listed, and the rest are big enough as private limited Company. According to management there is no cut throat competition amongst each other and they are very competitive in terms of costing.

Sanghvi movers is Asia's largest crane rental operator and 6th largest player in world. Despite being such a large player, Sanghvi has been facing major issue due to execution challenges in wind sector since majority revenue comes from wind sector.

In steel logistics business, because it is a tender-based system where they get a contract for five to seven years so there is no change on the competitive side for contracts that they have already won in the past. But on the new tendering that they are participating in, there is a similar line of competition as seen before.



Clients

Equipment rental



Warehousing and Logistics



स्टील अथॉरिटी ऑफ इण्डिया लिमिटेड
STEEL AUTHORITY OF INDIA LIMITED



Industry Outlook

1) Construction Equipment

The Indian Construction Equipment industry recorded a 26% increase in overall sales volume for the financial year 2023-24. Surpassing all projections, total equipment sales crossed 1.35 lakh units as against 1.07 lakh units in FY23 which was driven by the government's infrastructure-led growth agenda.

The overall global annual crane rental demand is estimated to be between \$45-55bn, growing at ~5% CAGR per annum, according to Fact.MR's research reports. The equipment rental industry is emerging as a vital component of the construction equipment sector in India. Renting and leasing construction equipment provide cost effective solutions for construction companies, allowing them to access a wide range of machinery without the high upfront costs associated with purchasing new equipment (Equipment Times). The rental market is poised for growth due to the increasing demand for flexibility in equipment usage and the financial advantages of renting over owning, especially in a market characterized by high equipment costs and fluctuating demand. A long-awaited private capex cycle starting up soon can further energize this infrastructure spending and thus drive demand for cranes in India.

2) Steel logistics & warehousing

The overall cost for India's Steel logistics including inbound and outbound logistics, represents 16 - 18% of total revenue of Steel players, significantly higher than best in-class standards which are at 10-12% globally. Recognizing few challenges, the Indian government has initiated several strategic projects aimed at bolstering logistics infrastructure. Additionally, the Ministry of Steel has taken proactive steps by engaging with industry stakeholders to gather insights and suggestions on how to enhance logistics operations.

Source: PricewaterhouseCoopers



A warehouse is an essential component of corporate infrastructure and one of the primary enablers in the global supply chain. The Indian warehousing market is predicted to reach ₹2872.10 billion (US\$ 34.50 billion), expanding at a CAGR of 15.64% from 2022 to 2027. With increased demand and supply throughout the years, the Indian warehousing industry is gaining traction. The key players are third-party logistics (third-party logistics) and e-commerce enterprises, which are growing into tier 2 and 3 cities and eventually increasing their proportion of secondary marketplaces.

Risks

Large working capital requirement: The operations of the company are working capital intensive driven by sizable debtors of 112 days due to large credit periods offered to its customers. There has been improvement in the overall working capital cycle of the company largely driven by the change in the end user industry mix.

Sizable capital requirements: The company's equipment rental business requires continuous sizable capex to be incurred, leading to high capital requirements for growth.

Dependency on end industry capex: The equipment rental business is sensitive to utilisation rates and its performance is closely linked with investments in end-user industries, such as wind energy, power, oil and gas, infrastructure and Industrials. While the company has diversified revenues from the end user industry any slowdown in the industries catered to may affect the company's deployment levels, revenue and operating margins.

Highly competitive: There is significant competition in low tonnage equipment from unorganised & organised while the competition in high tonnage is moderate. In future, if the competitive intensity increases then the company may lose some margins.



Financials

Profit & Loss Statement (In ₹Cr)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Sales	46	52	81	101	115	110	128	141	172
Expenses	37	41	66	80	79	76	98	103	116
Operating Profit	9	11	15	21	35	34	30	38	56
OPM %	19%	20%	19%	21%	31%	31%	24%	27%	32%
Other Income	1	1	2	1	0	0	6	4	3
Interest	3	3	4	5	8	9	10	8	7
Depreciation	5	4	6	10	17	22	23	22	29
Profit before tax	2	4	6	7	11	3	3	13	22
Tax %	33%	31%	28%	28%	24%	16%	26%	26%	26%
Net Profit	1	3	5	5	8	3	2	9	16
EPS in Rs	0.26	0.59	0.68	0.70	1.17	0.38	0.35	1.37	2.13

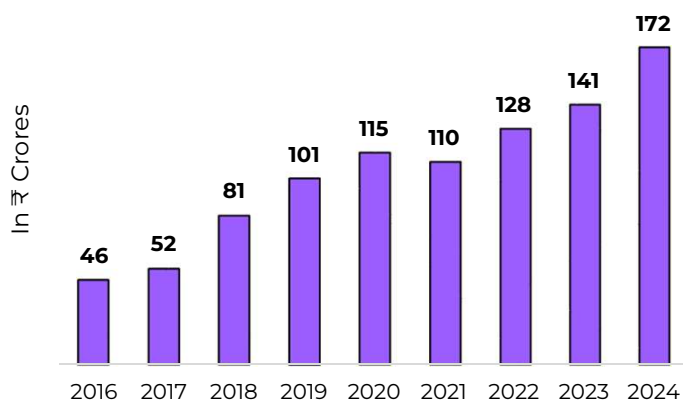
Balance Sheet (In ₹Cr)

	2016	2017	2018	2019	2020	2021	2022	2023	2024
Equity Capital	9	9	14	14	14	14	14	14	15
Reserves	3	6	27	32	39	41	44	58	80
Borrowings	30	41	55	51	86	105	94	87	85
Other Liabilities	4	10	21	39	58	59	52	68	77
Total Liabilities	46	66	117	136	196	219	203	227	257
Fixed Assets	28	39	64	85	131	139	124	144	180
CWIP	0	0	0	0	0	0	0	0	0
Investments	0	0	0	0	0	0	0	0	0
Other Assets	18	28	53	51	65	80	80	83	77
Total Assets	46	66	117	136	196	219	203	227	257

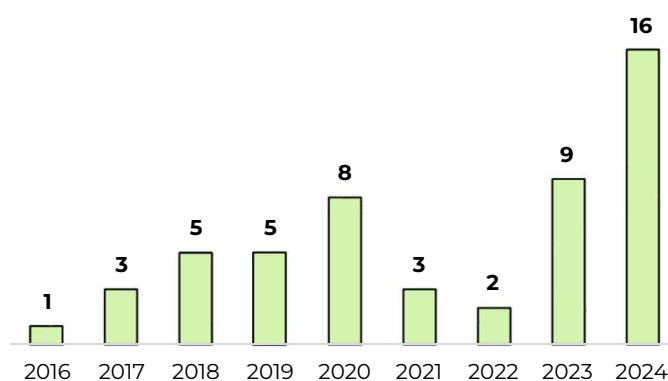


Financials

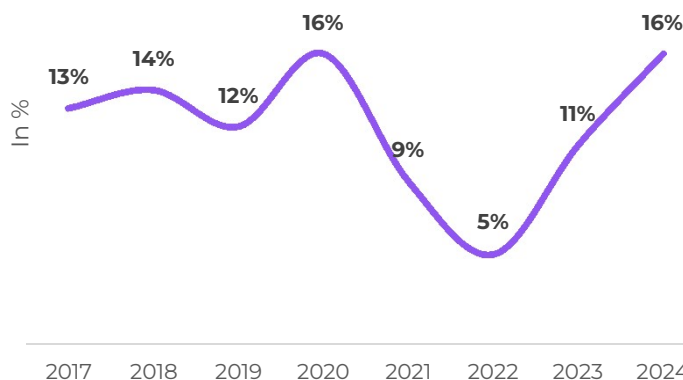
Revenues



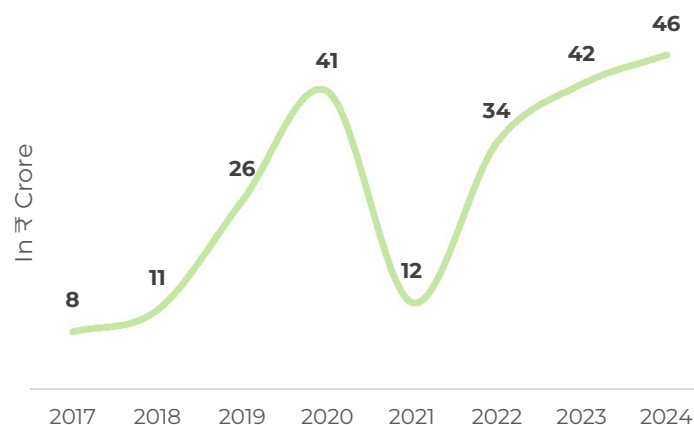
Net Income



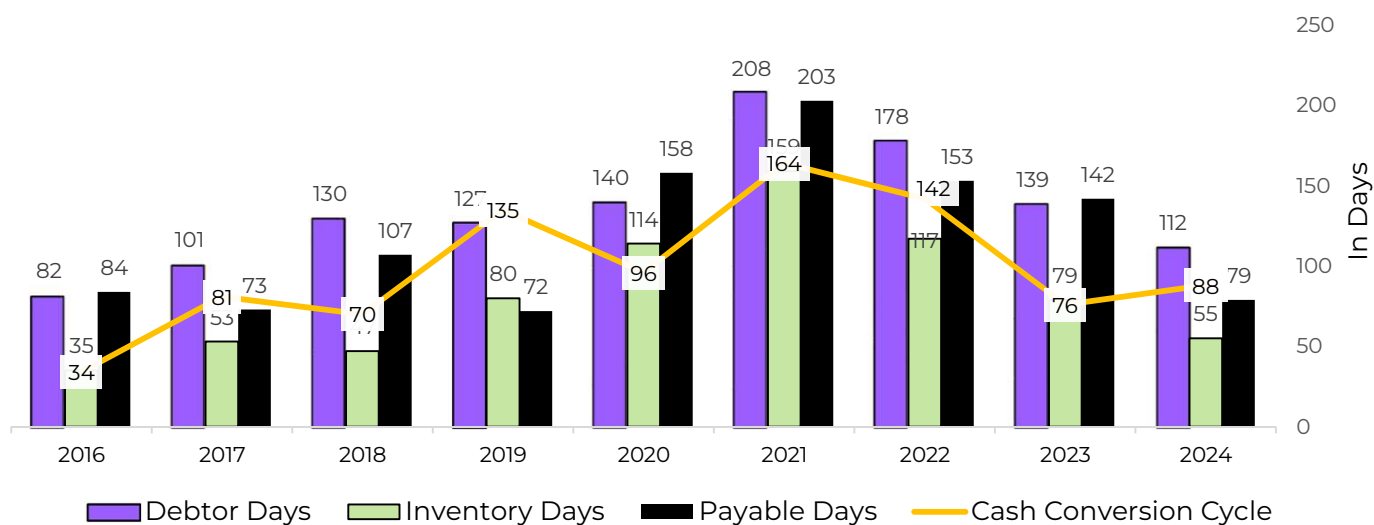
ROCE



CFO



Cash Conversion Cycle





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