

**Revathi Equipment Limited**

COMPANY SNAPSHOT					
*CMP	Initiation Price	Target	Potential Upside	Recommendation	MCap (Rsbn)
Rs729	Rs291	Rs900	23%	BUY	2.24

\*as on 22nd June, 2021

**About the Company:**

Revathi Equipment Limited (REL) is in the business of manufacturing industrial equipment such as Blast Drill Holes, Jackless Drills, Water Well Drills, Exploratory Drills and Hydro-fracturing units for activities such as mining, construction, exploration etc. With the expertise of having manufactured and sold more than 1000 drilling rigs in over 4 decades, REL is the pioneer in blast hole drills and water well drills. It is a part of the Renaissance Group and was founded in 1977. The company also offers after sale service to its customers, in the form of Maintenance and Repair Contract (MARC). REL's manufacturing facility is located in Coimbatore, Tamil Nadu. Semac Consultants Private Limited as its subsidiary and Semac and Partners, LLC as its step down subsidiary.

**Results Declared:**

- The net revenues for the quarter grew by 30.0% to Rs602mn as compared to Rs463mn in the same quarter last year
- The EBITDA margin for the quarter under review stood at 0.017% as compared to 19.4% in the same quarter last year
- The company reported net loss of Rs14mn as against profit of Rs81mn in the same quarter last year
- EPS for the quarter stands at (Rs4.4) as compared to Rs26.4 in the corresponding period last year

**Financials:**

Result Update (Q4&FY21)								
Q4&FY21 Result (Rs mn)	Mar-21	Mar-20	y-o-y	Dec-20	q-o-q	FY21	FY20	y-o-y
Total Revenue	602	463	30.0%	227	165.3%	1322	1589	(16.8%)
EBITDA	0.1	90	(99.9%)	15	(99.3%)	58	186	(68.5%)
Other Income	18	22	(15.7%)	8	132.4%	58	63	(8.8%)
Interest	8	4	106.1%	7	23.2%	29	10	188.4%
Depreciation	6	8	(19.6%)	6	15.3%	23	24	(2.8%)
Profit From Associates	(2)	0	-	5	-	7	0	-
Tax	15	18	(16.8%)	8	91.5%	45	53	(15.5%)
Net Profit	(14)	81	(117.0%)	7	-	26	161	(83.8%)

**Outlook and Recommendations:**

The impact of the pandemic is clearly seen on the quarter results as well as the tepid close of the year. Although the revenue growth during the quarter was good, the higher expenses led to no operating margins which led to losses for Q4FY21. Among the different sectors that took the toll of the lockdowns and disruptions; realty sector, the key for the company was no exception. By the time the companies came back to capacity utilizations of the pre-covid level and get back to normalcy, there was a harder hit by the second wave with a fresh round of lockdowns. Segmentally, Engineering, construction and design segment registered a drop of 11.6% y-o-y and grew 113.2% q-o-q while manufacturing of equipment grew by 70.4% y-o-y and 204.8% q-o-q. Although the management had granted approval for delisting of shares, the proposal was not accepted by the shareholders. Overall, we feel that although the company has all its efficiencies in place, how things get back on track coupled with pick up in expansion plans is something that cannot be gauged in the current scenario. Our conviction on the business and the company is still intact. We recommend to book 20% of profits and revise our target to Rs900 over 12 months horizon.

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