

01 December 2022

Sanmit Infra – BUY

CMP : Rs.77.0
Target Price : Rs.94.0
Upside : 22%+
Stop Loss : Rs.64.0 (Closing basis)

Investment Thesis

Recently, the stock price of Sanmit Infra Ltd. (Sanmit Infra) corrected by ~10% from 52-week high of Rs.85.70 as the company reported lower than expected growth in recent quarters.

Sanmit Infra is engaged in the business of bio-medical and other waste management, infra & real estate development and trading in petroleum products. It is mainly into construction of residential & commercial projects in Mumbai and other cities in Maharashtra. It has so far constructed residential & commercial complexes in the western suburbs at Bandra West and Khar Linking Road area in Mumbai, and upcoming projects are located in Mahim, Karjat, and Navi Mumbai in Maharashtra. Sanmit Infra is also engage in distribution of petroleum products, such as lubricants, public distribution system kerosene, furnace oil, light diesel oil, base oil and bitumen. Sanmit Infra also provides biomedical waste disinfection system and microwave irradiation system for disinfection of biomedical waste and hospital waste.

Sanmit Infra is diversifying its geographical reach by establishing pan-India distribution channel for sales of biomedical waste disinfection system. At the time of covid pandemic, Sanmit Infra has to deal in microwave disinfection system for disinfection of biomedical waste/hospital waste and successfully installed this disinfection system as pilot project to various hospitals in Mumbai, Pune, Navi Mumbai and Pimpri Chinchwad in Maharashtra as well as various Railway hospitals. Sanmit Infra is recently entered into manufacturing of microwave disinfection system with ultra violet radiations dual technology which will destroy bacteria and virus present in the hospital waste/ biomedical waste. It has plans to appoint dealers/distributors in all major states to cater the sale of microwave disinfection system to government hospitals. We believe sales of microwave disinfection system will enhance revenue going ahead.

Financials

- During the past 5 years, revenue of Sanmit Infra grew at a CAGR of 8.9% while PAT grew at a CAGR of 100.4% in the same period.

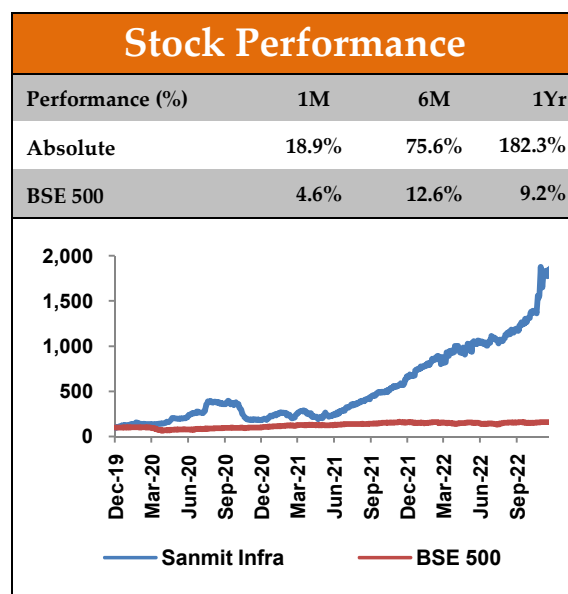
Standal. (Rs.Mn.)	FY20	FY21	FY22	FY23E	FY24E
Revenue	508	856	1,464	1,684	1,936
EBITDA	15	23	89	120	150
% growth	156.6	53.1	282.3	35.0	25.0
PAT	11	18	64	80	96
EPS (INR)	0.1	0.2	0.4	0.5	0.6
P/E (x)	701.3	467.8	189.9	151.9	126.6
RoE (%)	9.3%	13.2%	30.4%	32.1%	35.4%

- Sanmit Infra has reported de-growth of 9.4% in revenue in Q2FY23 to Rs.314mn as its bitumen business was impacted by extended monsoon this year as well as lower sales in real estate business.

Stock Data	
Market Cap (Rs. Mn)	12,225
Market Cap (\$ Mn)	150.3
Shares O/S (in Mn)	158.0
Avg. Volume (3 month)	134,000
52-Week Range (Rs.)	85.70 / 24.26

Shareholding Pattern	
Promoters	71.77%
FII's	0.00%
Institutions	0.00%
Others (incl. body corporate)	28.23%

Key Ratios	
Div Yield	0.1%
TTM PE	254.5x
ROE	30.4%
TTM EPS (Rs.)	0.31/-



- Sanmit Infra's EBITDA declined by 83.4% YoY in Q2FY23 to Rs.4.5mn mainly due to higher inventory in real estate business. As a result, EBITDA margin has also declined by 635bps YoY to 1.4% in Q2FY23.
- PAT of Sanmit Infra also declined by 48.1% YoY in Q2FY23 to Rs.10.1mn on account of lower operating margin.

Key Business Highlights

- Sanmit Infra is engaged in the business of Bio-medical and other waste management, infrastructure and real estate development and trading in petroleum products.
- Sanmit Infra is present in three segment, real estate (residential & commercial complexes), resale of HPCL's petroleum products and treatment of biomedical waste.
- Under the resale of petroleum products, Sanmit Infra is authorized dealer of HPCL for supply of lubricants, public distribution system (PDS) kerosene, furnace oil, light diesel oil and base oil.

Valuation

- Sanmit Infra has recently bagged an order worth Rs. 22.5mn for eco friendly less wood / green cremation system (GMS). It has also bagged order for bitumen business worth Rs.40.0mn every month from December to March 2023. Sanmit Infra expressed hopes of more order inflows from the Bitumen business, which has started in full flow after the monsoon season.
- Sanmit Infra entered into trading of Bitumen 3 years back to supply bitumen to register government road contractor. To expand bitumen business, Sanmit Infra has acquired around one acre land in the vicinity of JNPT Port where the importing of bitumen is done. It has planned to install bitumen decanting unit, so that it can directly purchase bitumen in drums and convert to bulk bitumen. In the same vicinity, Sanmit Infra also plan to start the bulk storage facility so that it can directly import the bulk bitumen from Gulf countries. The decanting unit and bulk storage facility are expected to help in buying at more competitive rate and help in improving margins.
- Sanmit Infra has shown interest in entering into affordable housing segment as affordable housing segment has huge opportunity in the years to come. As per property consultant Knight Frank India, around 3.5 Crs quality homes need to be developed in urban cities for those staying in substandard housing. Government initiatives for affordable housing and interest subsidies under PMAY also propel demand for affordable housing majorly in tier-II, tier-III & beyond geographies.
- With presence in bio-medical and other waste management, infra & real estate development and petroleum products, expanding geographical reach for sales of biomedical waste disinfection and microwave disinfection system to various hospitals, recent order of GMS and bitumen, land acquisition to install bitumen decanting unit and entering into affordable housing segment, we value Sanmit Infra at 155.0x FY24E EPS of Rs.0.61 to arrive at target price of Rs.94.00, an upside of ~22%.

Risk & Concern

- Any negative regulations announced by the central or state governments regarding real estate or affordable housing sector may affect growth of Sanmit Infra going ahead.
- Any lower growth in biomedical waste disinfection system and microwave irradiation system anticipated by Sanmit Infra may impact revenue growth of the company.
- For petroleum products distribution business, Sanmit Infra has only one client, HPCL. Any issue with HPCL may have adverse impact on future growth of the company.

Graphs & Charts

Figure 1: Net Sales Trend

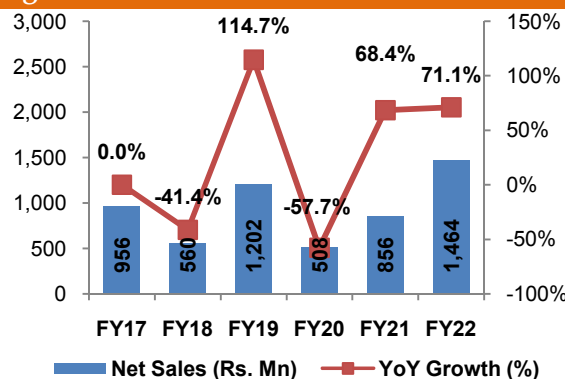


Figure 2: EBITDA & EBITDA Margin Trend

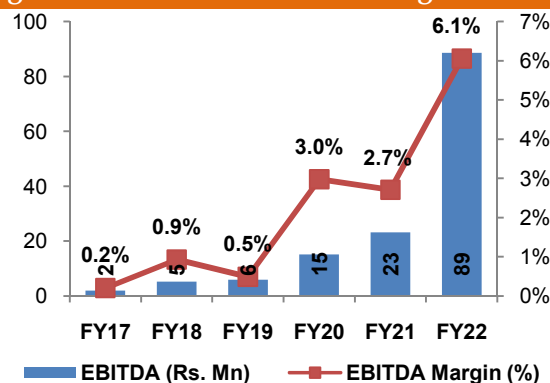


Figure 3: PAT Trend

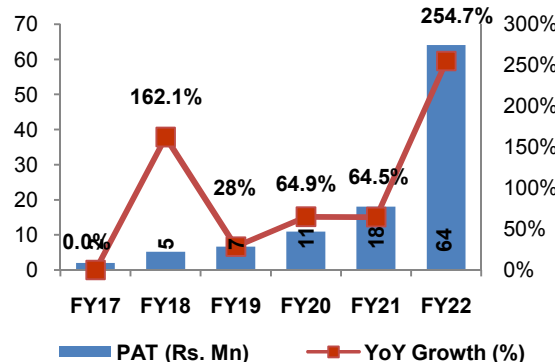
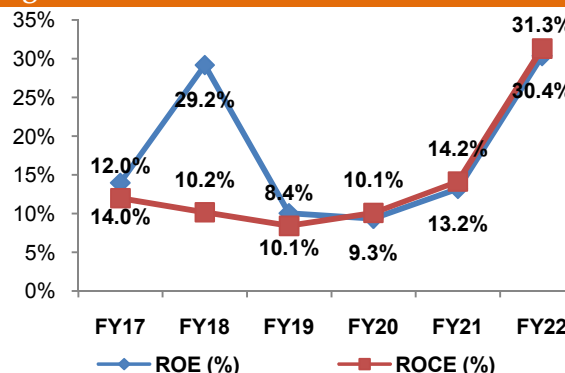


Figure 4: Return Ratio Trend



Name
Rajesh Sinha

Designation
Sr. Research Analyst

Disclosure: M/s. Bonanza Portfolio Ltd here by declares that views expressed in this report accurately reflect view point with subject to companies/securities. M/s. Bonanza Portfolio Ltd has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations. The Analysts engaged in preparation of this Report or his/her relative: - (a) do not have any financial interests in the subject company mentioned in this Report; (b) do not own 1% or more of the equity securities of the subject company mentioned in the report as of the last day of the month preceding the publication of the research report; (c) do not have any material conflict of interest at the time of publication of the Report. The Analysts engaged in preparation of this Report:- (a) have not received any compensation from the subject company in the past twelve months; (b) have not managed or co-managed public offering of securities for the subject company in the past twelve months; (c) have not received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (d) have not received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months; (e) has not received any compensation or other benefits from the subject company or third party in connection with the Report; (f) has not served as an officer, director or employee of the subject company; (g) is not engaged in market making activity for the subject company.

M/s. Bonanza Portfolio Ltd is a registered Research Analyst under the regulation of SEBI, the year 2014. The Regn No. INH100001666 and research analyst engaged in preparing reports is qualified as per the regulation's provision.

Disclaimer: This research report has been published by M/s. Bonanza portfolio Ltd and is meant solely for use by the recipient and is not for circulation. This document is for information purposes only and information / opinions / views are not meant to serve as a professional investment guide for the readers. Reasonable care has been taken to ensure that information given at the time believed to be fair and correct and opinions based thereupon are reasonable, due to the nature of research it cannot be warranted or represented that it is accurate or complete and it should not be relied upon as such. If this report is inadvertently send or has reached to any individual, same may be ignored and brought to the attention of the sender. Preparation of this research report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Past performance is not a guide for future performance. This Report has been prepared on the basis of publicly available information, internally developed data and other sources believed by Bonanza portfolio Ltd to be reliable. This report should not be taken as the only base for any market transaction; however this data is representation of one of the support document among other market risk criterion. The market participant can have an idea of risk involved to use this information as the only source for any market related activity. The distribution of this report in definite jurisdictions may be restricted by law, and persons in whose custody this report comes, should observe, any such restrictions. The revelation of interest statements integrated in this analysis are provided exclusively to improve & enhance the transparency and should not be treated as endorsement of the views expressed in the analysis. The price and value of the investments referred to in this report and the income from them may go down as well as up. Bonanza portfolio Ltd or its directors, employees, affiliates or representatives do not assume any responsibility for, or warrant the accuracy, completeness, adequacy and reliability of such information / opinions / views. While due care has been taken to ensure that the disclosures and opinions given are fair and reasonable, none of the directors, employees, affiliates or representatives of M/s. Bonanza portfolio Ltd shall be liable. Research report may differ between M/s. Bonanza portfolio Ltd RAs and other companies on account of differences in, personal judgment and difference in time horizons for which recommendations are made. Research entity has not been engaged in market making activity for the subject company. Research analyst has not served as an officer, director or employee of the subject company. Research analyst have not received any compensation/benefits from the Subject Company or third party in connection with the research report.

M/s. Bonanza Portfolio Ltd at Bonanza House, Plot No. M-2, Cama Industrial Estate, Walbhat Road, Goregaon (E), Mumbai – 400063
Web site: <https://www.bonanzaonline.com>

Research Analyst Regn No. INH100001666

SEBI Regn. No.: INZ000212137

BSE /NSE/MCX : | CASH | DERIVATIVE | CURRENCY DERIVATIVE | COMMODITY SEGMENT |

| CDSL: | 120 33500 | NSDL: | IN 301477 | | PMS: INP 000000985 | AMFI: ARN -0186