

Recommendation

Lancer Containers Lines Ltd.
BUY

 Current Market Price (CMP)
₹ 88.98

 Target Price
₹102

We recommend entry at ₹85-87 range. Our price target of ₹102 offers upside of approximately 20% from current levels

Rationale

- Lancer Containers Lines (LCL) shares have delivered whopping return to its shareholders in post-Covid stock market rebound. It is an investor friendly company giving periodic bonuses.
- The company has done exceeding well over the last few years with consolidated revenues growing at a CAGR of 33.3% and consolidated PAT growing at 60.9% during FY20-FY23. Both gross profit and PAT margins have strengthened significantly during the same period. LCL is efficiently using its funds with ROCE improving from 21.56% in FY20 to 29.64% in FY23. Current ratio is very comfortable at 5.89 showing strong liquidity position.
- The company's long term debt has increased significantly in FY23. It is in an expansion mode and plans to double its container capacity from the current 14,000+ to above 20,000 TEUs in this year. It plans to utilize \$30mn raised through FCCB. The strategy involves increasing container inventory gradually through addition of 200-300 containers per month based on incremental demand from freight forwarders. It has already been successful and LCL continues to focus on growing sustainably. In order to expand profitably the company is opening newer corridors and testing the market before deploying increased capacities.
- Despite tight markets LCL expects to gain market share through personalized service and better rates. The management expects the revenue to grow by 35% - 40% for FY24 over FY23, mainly on the account of increase in geographic footprint, new TEUs addition, addition of new customers and aggressive sales strategy. Expanding own containers will be margin accretive in the long term and provide competitive edge. EBITDA margin is expected to improve by 100bps from FY24 due to large operational efficiency and volume commitment with vessel operators to negotiate on slot charges which is the major component of operational cost.

Company Profile

- Lancer Container Lines Ltd is a logistics company engaged in providing coastal water transport services of intermodal containers by container ships. The group provides logistic services such as non-vessel-operating common carrier, freight forwarding, container trading and leasing and container yard. The organization provides the services on a global basis. The company operates only in one segment namely Non Vessel Owners Operating Carrier (NVOCC) providing services to Asia, Africa, Latam (Latin America), and CIS countries. It also offers shipping and shipping-related services like project & freight forwarding, container trading & leading services.

Negatives

- Debt-equity ratio jumped to 1.47 in FY23 from 0.34 in FY22.



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