



IPO Report

12th Sept '24

Snapshot

Company is the largest private, multi-modal, rail focused, 4PL asset-light logistics company in India in terms of container volumes handled/operated by private players in Fiscal 2023. Company's domestic and EXIM market share, based upon container volumes handled, was 6% and 2%, respectively, in Fiscal 2023. Company have several years of experience in road, rail and sea / river multi-modal movement for domestic as well as EXIM cargo in and out of India. Company operate on a scalable, asset-light business model which enables it to provide differentiated 3PL and 4PL solutions. Company endeavour to address complexities (in terms of scale of operations and logistics requirements) by creating customised, one-stop/single-window, end-to-end and integrated logistics solutions for its customers, which involve a variety of value-added services across the supply chain.

VALUATION

Company is bringing the issue at price band of Rs 163-172 per share at p/e multiple of 22x on post issue FY24 PAT basis. Company has experience in delivering customised, end-to-end services and executing complex and customised projects. Company has strong customer relationships with a diverse customer base & is strategically positioned to capitalise on a fast-growing logistics market in India. Company with its scaled, asset-light business model with successful track record of delivering growth and profitability and experience of its Promoters is looking decent avenue to deploy the funds in. Hence, looking after all above we recommend "Subscribe" on issue.

Price Band (Rs./Share)	163-172
Opening date of the issue	13th Sept '2024
Closing Date of the issue	18th Sept '2024
No of shares pre issue	7,86,99,400 Eq Shares
Issue Size	Rs 488-493 Cr
Fresh issue	Rs 400 Cr
Offer For Sale	54,00,000 Equity Shares
Face Value (Rs/ share)	Rs 5/share
Bid Lot	66

BIDDING DETAILS

QIBs (Including Anchor)	50% of the offer (Approx 1,43,27,906 Eq Shares)
Non-Institutional	15% of the offer (Approx 42,98,372 Eq Shares)
Retail	35% of the offer (Approx 1,00,29,535 Eq Shares)
Lead managers	JM Financial, Kotak Mahindra Capital
Registrar to the issue	Link Intime India Pvt. Ltd

WHAT WE LIKE

Strong customer relationships with a diverse customer base

As of March 31, 2024, company served a diverse base of 1,647 customers. Company's integrated, solution-oriented and customised services allow it to cater to its customers' logistics requirements resulting in company's ability to maintain long-standing relationships with industry leaders across varied sectors such as metals and mining, FMCG, pharmaceuticals, chemicals, oil and gas, utilities and others (which includes building material, textile, power, electrical equipment and retail).

Strategically positioned to capitalise on a fast-growing logistics market in India

Company was the largest private, multi-modal, rail focused 4PL asset-light logistics company in India in terms of container volumes handled/operated by private players in Fiscal 2023. Company provide integrated, customised, endto-end services across the logistics value chain to its customers. Such customised services have inherent entry barriers.

Scaled, asset-light business model with successful track record of delivering growth and profitability and experience of company's Promoters and Company

Company is well positioned to take advantage of the growth opportunities given its scale of operations. Company's domestic and EXIM market share, based upon container volume handled, was 6% and 2%, respectively, in Fiscal 2023 making company one of the largest private, multimodal, rail focused, 4PL asset-light logistics players in India in terms of container volumes handled/operated by private players in Fiscal 2023. Company's asset-light model, deep understanding of customers' requirements, several years of experience of Company and its Promoters, execution capabilities and company's relationships with third-party service providers and vendors, has contributed to an increase at a CAGR of 6.00% in container volume handled by company through rail transportation, from 179,287 TEUs in Fiscal 2021 to 193,137 TEUs in Fiscal 2023.



COMPANY BACKGROUND

Company's Promoter, Rajendra Sethia, established his logistics business as a rail-focused logistics business in 1972, which was later acquired by Company in 2013. Over the last 50 years, the business has continued to evolve to provide end-to-end, customised, multi-modal logistics solutions across the supply chain integrating road, railway, water and air logistics along with a customised suite of value-added services.

These long-standing relationships have also contributed to the growth of company's revenues from its existing customers and the expansion of its customer base. In Fiscal 2024, 80% of company's revenues originated from customers who had been transacting with company for over three years and company's customer retention rate for its top 10 customers was 100%. Company continue to evolve its business with progressing needs of its customers, some of whom are industry leaders in their respective sectors. This enables company to grow its business organically alongside its customers. Ther several years of experience of Company and its Promoters, along with its commitment to customer centric service, company's efficiency and on-time delivery has resulted in many of company's customers considering it as their partner of choice. For almost all of company's customers, company provide customised 'one-stop/single-window, end-to-end' 3PL and 4PL logistics solutions meeting their unique requirements, which lets them choose from company's suite of customised valueadded solutions such as inventory planning, warehouse planning and management, cargo and material handling and packaging, customs house clearance, pre-shipment inspection and containerization. For instance, in Fiscal 2022, company catered to the integrated multi-modal logistics requirements of an Indian mining and resources group involving rail movement for all circuits, acting as customs house agent at ports such as Vizag, Andhra Pradesh, Kolkata, West Bengal, Haldia, West Bengal, Paradip, Odisha and JNPT, Maharashtra, as well as finished goods handling at their plant, including material handover, container stuffing and rake loading. Company have been associated with this Indian mining and resources group as a business partner since 2008. Over the years, its quality of service and end-to-end solution implementation capabilities have been recognised by its customers such as Tata Steel, Hindalco and BALCO. In particular, company was recognised for outstanding contribution under the category of "Support for New Trials" by Tata Steel and company received the monthly 'CEO award' for the 'Best Business Partner' in 2021 from BALCO and an appreciation award for outstanding services and timeliness from Hindalco in Belagavi, Karnataka in 2022. Company received the "Most Valued PartnerTransportation" award for Fiscal 2022 from JCAPCPL (a joint venture between Tata Steel and Nippon Steel Corporation).

Company's technological capabilities play a key role in helping company effectively manage its operations, maintaining operational and fiscal controls, and supporting company's efforts to enhance client service levels and deliver shipments on time. According to the 1Lattice Report, company have been at the forefront of integrating modern technology into its services. Company's long-standing relationships with company's third-party service providers who provide company with some of the assets necessary for company's operations, i.e., vehicles, warehouses, railway flat, rakes and wagons, give company control over its capacity and fleet, and the scheduling, routing, storing, and delivery of goods managed by company. Company is one of the largest platinum and the largest associate partner of an Indian rail container logistics provider in terms of railway TEUs, in Fiscal 2023, according to the 1Lattice Report. Approximately 6% of the domestic railway TEUs and approximately 4% of the export-import market railway TEUs of this Indian rail container logistics provider business was handled by company in Fiscal 2024 making company the only associate partner of this Indian rail container logistics provider which provides substantial volume (4% in Fiscal 2024) of EXIM business to them, according to the 1Lattice Report. Company's experienced management team has project execution and development skills, which enable company to execute projects efficiently. Further, company's understanding of customers' supply chain, regional market dynamics for multi-modal transportation, long-standing relationships with company's customers and its connection with the Indian Railways enables company to deliver cost and time effective solutions for its customers. Over the next few years, company intend to enhance its scope of engagement with existing customers by strengthening coimpany's existing service offerings, adding new offerings, servicing newer geographies, providing additional valueadded services and offering time and cost saving solutions to them. Furthermore, company intend to continue to grow its share of its customers' spend on logistics by expanding the levels of company's engagement with them across multiple plants, locations and geographies and the sectors that company's customers operate in. Company plan to leverage its performance, customer referrals and company's expertise in core segments to add affiliates and business partners of its existing customers, or their new manufacturing facilities, locations and geographies, as well as to acquire new customers in sectors company do not currently service.

Company aim to increase its operating margins by creating operational efficiencies and, to this end, company will focus on providing its customers with value-added services at various stages in the logistics value chain. Further, company plan to improve its overall asset utilisation through economies of scale and increasing the level of integration across its logistics networks, enabling company to cross-sell its other services and capabilities, while positioning company's modularised solutions and services before company's customers to reduce their dependencies on third-party service providers. This will further enhance its customers' experience and allow company to expand more rapidly and cost-efficiently. While company intend to continue to operate through an asset-light business model, company will continue to expand its operational capabilities and expand company's network infrastructure and capacity to the extent it assists company in improving quality metrics and overall performance as well as allowing company to offer a variety of flexible, scalable solutions and services in response to its customers' complex requirements (in terms of scale of operations and logistics requirements). Hence, company intend to utilise a portion of this Offer for funding its purchase of commercial vehicles, 40-foot specialised containers and 20-foot normal shipping containers and reach stackers, which may lead to improved performance, reliability and safety



INVESTMENT RATIONALE

<p><i>Comprehensive and integrated multi-modal, end-to-end logistics solutions</i></p>	<p>Company’s operations are B2B focused and provide integrated and seamless connectivity for movement of goods from one mode of transport to another thereby facilitating the last mile connectivity to its customers’ distribution centres and enabling regular and assured deliveries with reduced transit time and lower costs. The increasing scale and complexity of business operations of its customers, including higher inventory levels, wider range of supplier relationships and desire for faster lead times has driven the demand for tailored, costeffective and customised logistics services. Company’s presence across the entire spectrum of the logistics value chain enables it to combine its rail, road, river transportation, air and ocean freight services, irrespective of its size and scale. Company often combine these offerings with an array of value-added services such as storage and warehousing, custom house agency, labelling, product packaging, cargo handling, customs clearance, stevedoring, palletizing, fumigation, pre-shipment inspection and containerization at various stages in the logistics value chain in order to design and implement ‘one-stop/single-window, end-to-end’ solutions which, address its customers’ pain-points and logistics problems. This is a key differentiator for company’s business.</p>
<p><i>Promoters’ experience and track record</i></p>	<p>Company’s Promoter and Chairman and Managing Director, Rajendra Sethia, has over 50 years’ experience in the logistics solutions industry having established his logistics business in 1972 as a sole proprietorship under the name of “Western Carriers” which was acquired by company in 2013. He plays a vital role in providing strategic guidance and direction to company. Company’s Promoter, Whole-time Director and CEO, Kanishka Sethia, who has been serving as the National Chairman of Supply Chain & Logistics for the Indian Chamber of Commerce (ICC) since 2018, has approximately 20 years’ experience in the logistics industry. Further, both its Promoters are customs broker license holders, which enables them to guide Company in management of entire EXIM cycle.</p>
<p><i>Track record of growth and profitability</i></p>	<p>Company have demonstrated a successful track record of growth in revenue, EBITDA and profit for the year, with revenue from operations increasing to ₹16,857.69 million in Fiscal 2024 from ₹14,708.75 million in Fiscal 2022, representing a CAGR of 4.65%, EBITDA increasing to ₹1,518.24 million in Fiscal 2024 from ₹ 1,088. 87 million in Fiscal 2022, representing a CAGR of 11.72%, and profit for the year increasing to ₹ 803.47 million in Fiscal 2024 from ₹ 611.29 million in Fiscal 2022, representing a CAGR of 9.54%. Company’s EBITDA Margin was 9.01%, 7.74% and 7.40% in Fiscals 2024, 2023 and 2022, respectively. Company’s RoE and RoCE remained broadly consistent in Fiscal 2024 compared with Fiscal 2022. Company’s RoE was 22.41%, 24.84% and 26.92% in Fiscals 2024, 2023 and 2022, respectively. Company’s RoCE was 29.23%, 29.71% and 33.40% in Fiscals 2024, 2023 and 2022, respectively. In Fiscal 2022, its RoE and RoCE was among the highest and in Fiscal 2024 its RoCE was among the highest in the speciality logistics industry, according to the 1Lattice Report.</p>



OBJECTS OF OFFER

The Offer comprises the Fresh Issue and the Offer for Sale.

Offer for Sale

The Promoter Selling Shareholder will be entitled to the proceeds of the Offer for Sale after deducting its proportion of the Offer related expenses and relevant taxes thereon.

Objects of the Fresh Issue

The net proceeds of the Fresh Issue, i.e., gross proceeds of the Fresh Issue less the Offer expenses apportioned to Company (“Net Proceeds”) are proposed to be utilised in the following manner:

1. Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by Company;
2. Funding of capital expenditure requirements of Company towards purchase of: (i) commercial vehicles; (ii) 40 feet specialised containers and 20 feet normal shipping containers; and (iii) reach stackers; and
3. General corporate purposes.

RISKS

Company depend on a limited number of key customers for a majority of its revenues, which exposes company to a high risk of customer concentration. Particularly, company depend significantly on customers in the metals and FMCG industries and are highly dependent on the performance of these industries. A decrease in the revenues company derive from them could materially and adversely affect company’s business, results of operations, cash flows and financial condition.

Source:RHP

INDUSTRY OVERVIEW

ASSESSMENT OF CONTAINER RAIL MULTIMODAL MARKET

Introduction The concept of multimodal logistics came into existence with the rise in international trade and globalization. Multimodal logistics refers to a transport system operated by one carrier with more than one mode of transport under the control or ownership of one operator. The logistics industry across the globe is realizing the importance of an integrated transport system. A planned and coordinated multimodal transport minimises the loss of time and risk of loss, pilferage, and damage to cargo at transshipment points. It reduces the burden of issuing multiple documentation and helps to reduce the cost of exports.

Growth drivers of multimodal market

Out of this, the multimodal (railroad) market is around ₹1,714 billion in Fiscal 2024 which is expected to grow to ₹4,667 billion by Fiscal 2029 growing at a CAGR of 22% in that period. The share of multimodal (railroad) market is approximately 10% of the total transportation market in Fiscal 2024 which is expected to grow close to twice the size to 15% by Fiscal 2029.

PM Gati Shakti: The Gati Shakti National Master Plan also known as National Master-Plan for multimodal connectivity was launched in October 2021 and is a ₹100 lakh crore project with a target of building a holistic infrastructure in India. It aims to digitally unify 16 different ministries driven by seven modes of road, rail, airports, ports, mass transport, waterways and logistics infrastructure. After unification, data exchange on Unified Logistics Interface Platform (“ULIP”) will ensure efficient movement of goods, reduce cost and time. In the future, 100 cargo terminals equipped with multimodal facilities will be developed under this plan.

The National Logistics Policy 2022: Launched in 2022, the policy aims at developing the entire logistics ecosystem, with two major visions: (i) lowering the logistics cost, improving India’s ranking in the logistics performance index; and (ii) creating multimodal logistics which will help in enhanced multimodal infrastructure. It also aims to enhance logistics sector competitiveness through a unified policy environment and an integrated institutional mechanism.

Market assessment of rail logistics India has the fourth-largest rail network in the world after USA, Russia, and China. As of Fiscal 2024, the total route was 68,584 km, of which more than 41% was double/multiple tracks. According to Ministry of Railways, Indian Railways total loading was 1.6 billion metric tonne which was 5.2% higher than last year’s loading of 1.5 billion metric tonne. **Government initiatives driving the growth of rail logistics** The DFC will be a game changer contributing to building efficient freight transportation system DFC will play a key role in boosting the proportion of Indian Railways in the modal mix and bringing down the high logistics cost in India. The EDFC (1,337 route km) and WDFC (1,506 route km) are being built, to cover a total length of 2,843 route km (excluding the Sonnagar-Dankuni segment 538 km). The WDFC will originate from Dadri in Uttar Pradesh and terminate at Jawaharlal Nehru Port Trust in Mumbai, travelling through states of Uttar Pradesh, Haryana, Rajasthan, Gujarat, and Maharashtra. The EDFC commencing from Sahnewal near Ludhiana (Punjab) will transverse through the states of Punjab, Haryana, Uttar Pradesh, Bihar and Jharkhand to terminate at Dankuni in West Bengal.



Consolidated Financials

(Rs in Mn)

Financials	FY22	FY23	FY24
Total Revenue (A)	14708.75	16330.63	16857.69
Total Expenditure (B)	13669.09	15114.05	15397.08
EBIDTA	1039.66	1216.58	1460.61
EBIDTA Margin	7.07	7.45	8.66
Other Income	49.14	47.77	56.41
Depreciation	116.00	152.65	212.41
EBIT	972.80	1111.70	1304.61
Interest	139.20	151.16	221.78
PBT	833.60	960.54	1082.83
Share of profit in Asso	0.00	0.00	0.00
PBIT	833.60	960.54	1082.83
Exceptional	0.00	0.00	0.00
PBT	833.60	960.54	1082.83
Tax	222.38	245.03	280.58
PAT	611.22	715.51	802.25
NPM	4.16	4.38	4.76
ROE%	23.73	22.46	20.17
EPS	7.77	9.09	10.21
Eq Cap	393.50	393.50	393.50
Net Worth	2,575.82	3,186.07	3,983.62

(Source: RHP)

Peer Comparison

Company Name	P/E	Revenue from operations (Rs in Lakhs)	EPS	NAV	ROE %
Western Carriers		61109.45	21.59	45.29	28.88
Peers					
Container Corporation of India Limited	101.53	185482.86	5.80	40.67	14.23
Mahindra Logistics Limited	45.50	52414.43	24.06	175.74	13.26
TCI Express Limited	42.89	38267.80	44.91	179.74	24.99

(Source: RHP)



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