

IPO Details

Opening Date	July 28, 2023
Closing Date	Aug 01, 2023
Stock Exchange	NSE SME
Lot Size	1200 Shares
Issue Price	₹103 per share
Issue Size	Aggregating up to 36.46 Cr.
Issue Type	Fixed Price Issue IPO
Fresh Issue	Aggregating up to 36.46 Cr.
Offer for Sale	-
Application Amount	₹ 1,23,600

IPO Objective

Working capital requirements.
Investment in subsidiary companies.
Part repayment of debt
General corporate purposes
Issue Expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	97,69,525	100.00%
Public	225	Negligible

Promoter of the Company

1	Mr. Nipun Anand
2	Mr. Vishal Sharma

Competitive Strengths

1	Scalable Business Model
2	Long standing Customer Relationships
3	Experienced Promoter
4	Efficient team and market leadership
5	Handling of specialised cargo

Company Background

- Company was incorporated in the year 2014 and has its registered office in New Delhi.
- The company provides logistics solutions in the Air Cargo Industry.
- The Company have been operating as General Sales and Service Agent ("GSSA") and sales partner for airline in the region.
- The business verticals are primarily divided into two segments: Cargo Carrier Services and Passenger Carrier Services.
- As on January 31, 2023, Company has 37 employees on payroll.

Market Capitalization

	(In Cr.)	
	Pre-Issue	Post-Issue
	₹ 101	₹ 137

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-21	Mar-22	Jan-23
Total Assets	1,893.07	3,194.82	4,969.26
Net Assets	603.09	1,277.22	2,115.61
Total Borrowings	171.41	194.32	1,243.92
Total Revenue	6,094.93	12,127.77	9,505.38
Profit After Tax	169.61	524.30	826.65

Tentative Timeline

Opening Date	July 28, 2023
Closing Date	Aug 01, 2023
Basis of Allotment	Aug 04, 2023
Initiation of Refunds	Aug 07, 2023
Credit of Shares to Demat	Aug 08, 2023
Listing Date	Aug 09, 2023

Company Background and Analysis

Company was incorporated in the year 2014 and has vast experience in the industry with its registered office in New Delhi. The Company is engaged in the business of providing logistics solutions in the Air Cargo Industry. The company has been operating as General Sales and Service Agent (“GSSA”) and sales partner for airline in the region. The Company is headquartered in Delhi and has presence in major locations such as Delhi and Mumbai. The international logistics operations of the company are supported by a network of service partners and vendors with whom the company enters into agreements that enables to service client requirements across India and abroad. The company operates by realizing the client’s requirements with regards to their shipments further the company spend considerable time with clients individually to understand their specific requirements. The company’s approach is to bring economical solutions to the client’s freighting needs through - excessive aircraft, load and destination compatibility analysis to suit ever changing needs of various industries such as fashion, pharmaceuticals, automotive and industrials. The company provide services to the clients across countries namely India, China, Middle East, Sri Lanka, Singapore and Malaysia.

The company has two business verticals –

- i) Cargo Carrier Services
- ii) Passenger Carrier Services

Cargo Carrier Services – The company operates by transferring, and shipment of goods by arrangement with the represented / contracted airlines for the transportation of cargo through air. The company represents various airlines such as Air Europa Express (Latin America), Copa Airlines (Latin America), MIAT Mongolian (Mongolia), Bringer Airlines (Latin America), Paragon Hong Kong Express (Asia), Fits Aviation Pvt Ltd (Latin America/ Africa), Azerbaijan (Azerbaijan), Indigo (Dubai / Middle East), Mercury Air Cargo (Latin America).

Passenger Carrier Services – The company work with Airlines and provide them with the support for the transportation of passengers through Airways from one country to another. The company create a smooth cross-cultural experience for passengers as well as airlines. As a pilot project the company has started working with Azerbaijan Airlines. Before the company started working with Azerbaijan there were no direct flights to Azerbaijan from India.

The company’s business model –

- i) **Mark-up Model** - In this model, company charge over and above the cost and charges its margin upfront from their customers. This mark-up model is decided based on competition in the market and the sales price is derived from the daily market rates. The company have buying rates from respective airlines, after adding the margins depending on the Market situation, the company offer different rates to customers according to their potential and basic commitment.
- ii) **Commissionable Model** - In this model, company agrees according to the pre-decided rate with the company, and commission is being provided according to the targets achieved by the company and the price remains the same irrespective of the period unless there are exceptional circumstances, and the company does not have any clients on the commissionable model right now.

The company's mode of distribution -

- i) Offline Distribution - Airlines which are not bringing their own Aircrafts to India and connect through some other airlines (Vistara, Air India, Indigo etc) out of India falls under offline distribution example - COPA, Air Europa etc.
- ii) Online Distribution - Airlines which are operating directly from India falls under online distribution. For example- Azerbaijan Airlines which operates direct flight between Delhi and Baku.

Revenue-break up for Fiscal year ended 31st March 21, 31st March 22, and 31st Jan 23 are given below-

(Amount in lakhs)

Particulars	Fiscal Year ended March 31st				January 31st	
	2021		2022		2023	
	Amount	% revenue	Amount	% revenue	Amount	% revenue
i) Types of Services						
Air Freight Services	6,058.87	100.00	12,109.40	100.00	8,732.95	91.97
Air Passenger Services	-	-	-	-	762.36	8.03
Total revenue from contracts with customers	6,058.87	100.00	12,109.40	100.00	9,495.31	100.00
ii) Geographical information						
Air freighted services						
Within India	5,432.74	89.67	10,963.94	90.54	7,981.33	84.06
Outside India	626.12	10.33	1,145.46	9.46	751.61	7.92
Air Passenger Services						
Within India	-	-	-	-	599.04	6.31
Outside India	-	-	-	-	163.32	1.72
Total revenue from contracts with customers	6,058.86	100.00	12,109.40	100.00	9,495.30	100.00

To conclude, the company provides logistical solutions for the air cargo industry and operates only from New Delhi as of right now in India. The company provides cargo carrier and passenger carrier services to their clients. Majority of the revenue generated for the company is through within India and cargo carrier services having major contribution towards the revenue generation for the company for all the two fiscal years ended and Jan 2023.

Business Strategies

1. Cost Effectiveness

Apart from expanding business and revenues the company strive to focus on reducing the costs without losing on quality of service. Measuring and evaluating costs at each stage and mapping it with scientific standards is the core strategy to control costs.

2. Leveraging our knowledge and relationships.

The company does business with customers at centre of the approach and always strives to maintain healthy relationship. Leveraging the knowledge and relationships with stakeholders to cross sell and upsell the services.

3. Attract and retain good talent.

The company focus on building a high-quality talent pool as the company continues to expand the bouquet of service offering. They have recruit people from diverse background and strive to retain them through the retention initiatives.

4. Business collaboration opportunities

The company is keen to explore collaboration opportunities to gain access to new clients, airlines, geographies and/or technological capabilities to augment the offerings and establish synergies.

Competitive Scenario and Peer Mapping

Competition

The industry in which the company operates is highly fragmented with many small and medium-sized companies. The global logistics industry is also highly competitive with various domestic and international players in play. The company competes with other service provider / IATA agents based on price and reliability. The customers have the bargain power and the industry in which the company operates generally has less barrier to entry.

Peer Analysis

As per the offer document the company does not have any listed peers.

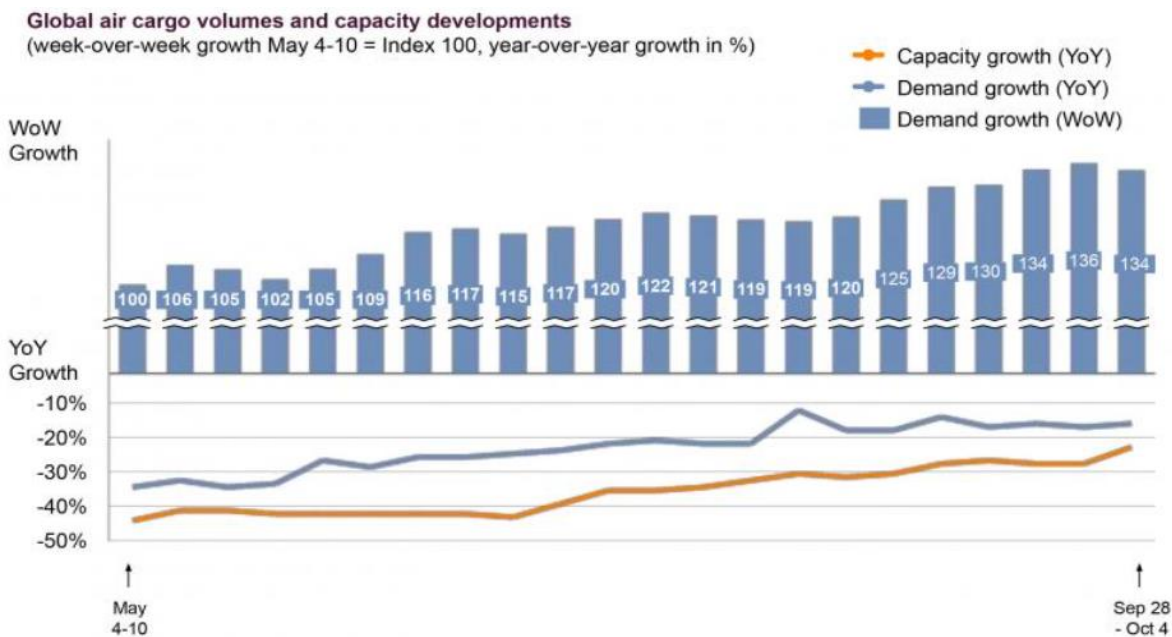
Industry Overview

Exhibit 1: Indian Logistics Market



(Source: researchandmarkets.com)

Exhibit 2: Global air cargo volumes and capacity developments.



(Source: aviationbusinessnews.com)

Indian Logistics Industry

India is world's fifth largest economy by nominal GDP and is one of the fastest-growing economies globally. Efficient logistics is the bed rock for a growing economy like India. The reduction in logistics cost could be a key enabler in enhancing the competitiveness of all sectors of the economy.

Improvement in Logistics is the cornerstone of the Government's push towards achieving Aatma Nirbhar Bharat. Various initiatives are being taken by the Central and State/UT governments to improve logistics ecosystem across the country. Infrastructure development initiatives like Sagarmala, Bharatmala, Dedicated Freight Corridors (DFCs) amongst others are under different stages of implementation. Besides, regulatory and process related reforms like paperless EXIM trade process through E-Sanchit, faceless assessment through Turant Customs and introduction of mandatory electronic toll collection system (FASTag) have contributed to increasing the efficiency of the logistics sector.

The Indian logistics industry is growing, due to a flourishing e-commerce market and technological advancement. The logistics sector in India is predicted to account for 14.4% of the GDP. The industry has progressed from a transportation and storage-focused activity to a specialised function that now encompasses end-to-end product planning and management, value-added services for last-mile delivery, predictive planning, and analytics, among other things. One of the key drivers of this expansion is projected to be the rise of India's logistics industry, which employs 22 million people and serves as the backbone for various businesses. The logistics sector in India was valued at US\$ 250 billion in 2021, with the market predicted to increase to an astounding US\$ 380 billion by 2025, at a healthy 10%-12% year-on-year growth rate. Moreover, the government is planning to reduce the logistics and supply chain cost in India from 13-14% to 10% of the GDP as per industry standards.

The industry is crucial for the efficient movement of products and services across the nation and in the global markets. The logistics business is highly fragmented and has over 1,000 active participants, including major local players, worldwide industry leaders, the express division of the government postal service, and rising start-ups that focus on e-commerce delivery. The industry includes transportation, warehousing, and value-added services like packaging, labelling, and inventory management. With the advent of technology-driven solutions such as transportation management systems (TMS) and warehouse management systems, India's logistics industry has witnessed tremendous development in recent years (WMS). These solutions have assisted logistics firms in increasing operational efficiency, lowering costs, and improving customer service.

Air Cargo Overview

India's Air Freight Market is estimated to be USD 13.08 Bn in 2023 and is expected to reach USD 17.22 Bn by 2028, growing at a CAGR of 5.65%

According to the Trade and Transport Group's recently published report 'India Air Cargo Outlook 2023,' India generated 2.2 million tonnes of traffic in 2018, with a projected increase to 2.5 million tonnes in 2023. In terms of relative size, our air cargo traffic was one fifth the size of China's and one-tenth the size of the US air cargo market, with roughly 30% of traffic generated domestically and the remainder internationally. With economic and trade growth expected to outperform in the near term, there are opportunities for growth, driven by intermediate and manufactured goods imports and exports, as well as e-commerce traffic.

India could benefit from a shift away from China by the United States and Europe, but this is dependent on how manufacturing capacity develops, particularly in the consumer goods and high-tech sectors.

Road Ahead

The initiatives taken by the government will lead to the progress of the logistics sector. The integration in the form of a multi modal network of transport and warehousing will lead to increased efficiency in the transportation and storage of goods throughout the country. By focusing on the digital aspect, the government's aim is to upgrade the existing system that will lead to faster, better communication with fewer errors that will benefit the sector significantly. The plan has a strong monitor system with periodic audits in order to check the implementation of policies and application of required corrective measures. With the initiatives, India intends to raise its ranking in the Logistics Performance Index to 25 and cut bring down the logistics cost from 13% to 8% of GDP, leading to a reduction of approximately 40%, within the next five years. These goals were set by the National Logistics Policy. This would guarantee the logistics industry acts as a growth engine and a major factor in upgrading India to a US\$ 5 trillion economy.

(Source: Prospectus)

Key Managerial Personnel

Nipun Anand, aged 30, is one of the Promoters, Chairman, and the Whole Time Director of the Company. He holds a bachelor's degree in arts and business Administration. He has experience of 9 years in the like Logistics-Airlines (Air Cargo), Construction, Real Estate Planning & Development. He is entrusted with the responsibilities to build out a robust sales and business development strategy for the Company.

Vishal Sharma, aged 51, is one of the Promoters, Managing Director and the Whole Time Director of Company. He has completed his bachelor's degree in commerce. He has overall experience of more than 25 years in the industry.

Urmil Anand, aged 67, is the Executive Director of Company. She has passed Higher Secondary Examination. She has experience of more than ten years in Commercial and Residential Construction industry.

Rajesh Hadda, aged 47, is the Non-Executive and Independent Director of Company. He is a member of the Institute of Company Secretaries of India and holds a bachelor's degree in commerce and law. He has 10 years of experience as a practicing Company Secretary and more than 6 years of experience as an advocate.

Ravi Sharma, aged 38, is the Non-Executive Director of Company. He is a member of the Institute of Company Secretaries of India and holds a bachelor's degree in commerce and law. He has 11 years of experience as practicing company secretary and has worked in secretarial audit and pre-merger due diligence.

Reena Aggarwal, aged 37, is the Non-Executive and Independent Director of Company. She is a member of the Institute of Chartered Accountant of India and holds a bachelor's degree in commerce. She has over 11 years of experience as a Chartered Accountant.

To conclude, the company has 2 promoters. Only one of the promoters has experience and knowledge in the industry in which the company operates in. The promoters and management have vast knowledge and experience in the overall business which helps in the growth of the business.

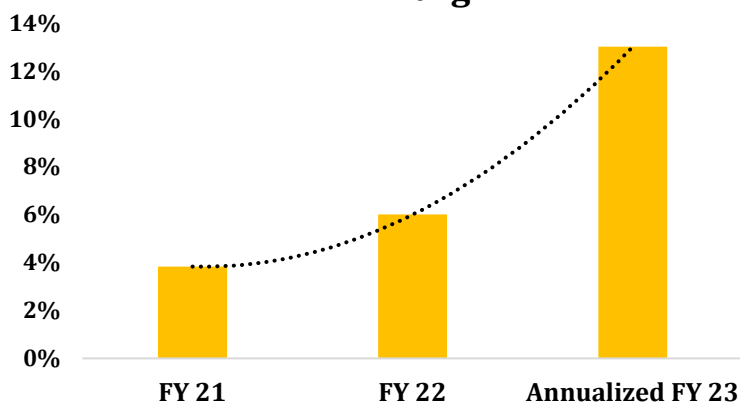
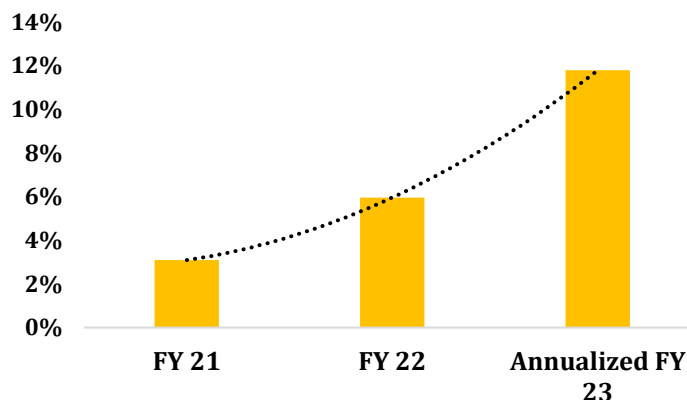
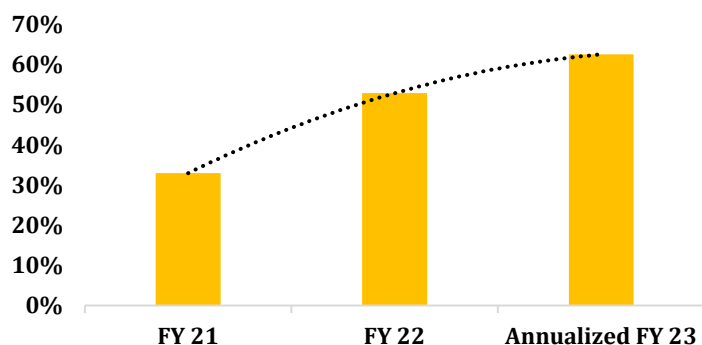
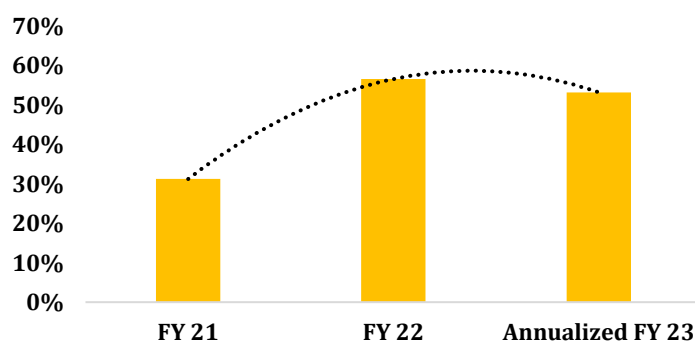
Financial Snapshot

Profit and Loss Statement		(In Lacs)		
Particulars	FY 21	FY 22	Jan-23	
Revenue from Operations	6,058.87	12,109.40	9,495.31	
Other Income	36.06	18.37	10.07	
Total Income	6,094.93	12,127.77	9,505.38	
Expenses				
Cost of Services rendered	5,162.76	10,461.99	7,534.92	
Employee benefits expense	288.99	247.21	276.75	
Finance costs	21.86	8.46	62.51	
Depreciation and Amortization expense	18.07	25.10	62.86	
Other expenses	374.61	673.18	448.62	
Total Expenses	5,866.29	11,415.94	8,385.66	
Earnings Before Interest, Taxes, Depreciation & Amortization	232.51	727.02	1,235.02	
EBITDA Margin	4%	6%	13%	
Profit/(Loss) before exceptional items and tax	228.64	711.83	1,119.72	
Less: Exceptional Items	-	-	-	
Profit/(Loss) before tax	228.64	711.83	1,119.72	
Tax Expense	-	-	-	
Income tax of earlier years	-	-	-	
Current Tax	60.73	193.55	301.67	
Deferred tax	-1.70	-6.01	-8.60	
Adjustment of tax related to earlier years	-	-	-	
Total Tax Expense	59.03	187.54	293.07	
Profit (Loss) for the period from continuing operations (Before profit from Associates)	169.61	524.29	826.65	
Share of profit in associates	18.71	198.15	11.75	
Profit/(Loss) for the year	188.32	722.44	838.40	
Net Profit Margin	3%	6%	9%	

Balance Sheet		(In Lacs)		
Particulars	FY 21	FY 22	Jan-23	
ASSETS				
Non-Current Assets				
Property, Plant and Equipment				
Tangible assets	69.12	48.75	75.37	
Capital Work in Progress	-	-	-	
Intangible Assets	0.55	0.20	720.20	
Non-Current Investments	34.57	232.72	244.48	
Deferred Tax Assets (Net)	7.11	13.13	21.73	
Long Term Loans & Advances	18.45	11.83	975.07	
Non-Current Tax Assets	157.61	187.99	34.81	
Other Non-current Assets	176.73	-	-	
Total Non-Current assets	464.14	494.62	2,071.66	
Current Assets				
Inventories	-	-	-	
i) Trade Receivables	931.29	1,286.55	984.73	
ii) Cash and Cash Equivalents	415.44	1,126.49	911.42	
Short term loans & advances	69.92	266.58	1,000.79	
Other Current assets	12.27	20.58	0.66	

Total Current assets	1,428.92	2,700.20	2,897.60
Total Assets	1,893.06	3,194.82	4,969.26
EQUITY AND LIABILITIES			
Equity			
Equity Share Capital	60.00	195.40	195.40
Reserves & Surplus	543.09	1,081.82	1,920.21
Total Equity	603.09	1,277.22	2,115.61
Liabilities			
Non-current liabilities			
Long Term Borrowings	35.14	26.65	19.62
Other Non-Current Liabilities	-	9.50	12.95
Provisions	13.01	15.06	19.51
Deferred tax liabilities (Net)	-	-	-
Total Non-current liabilities	48.15	51.21	52.08
Current liabilities			
(i) Short Term Borrowings	136.27	167.67	1,224.30
(iii) Trade Payables	-	-	13.73
Total outstanding dues of micro and small	-	-	1,410.97
Total outstanding dues of other creditors	1,021.80	1,611.34	152.00
Other current liabilities	80.53	83.68	0.57
Short Term Provisions	3.23	3.70	
Total Current liabilities	1,241.83	1,866.39	2,801.57
Total Liabilities	1,289.98	1,917.60	2,853.65
Total Equity and Liabilities	1,893.07	3,194.82	4,969.26

Ratio Sheet			
Particulars	FY 21	FY 22	Jan-23
<u>Per Share Data</u>			
Diluted EPS	2.26	6.97	8.46
BV per share	4.53	9.60	15.90
<u>Operating Ratios (%)</u>			
EBITDA Margins	4%	6%	13%
PAT Margins	3%	6%	9%
Inventory days	-	-	-
Debtor days	25.03	33.95	29.37
Creditor days	-	-	-
<u>Return Ratios (%)</u>			
RoCE	33%	53%	54%
RoE	31%	57%	40%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	2.98	1.63	1.91
Market Cap / Sales	2.26	1.13	1.44
P/E	45.58	14.78	12.17
Price to Book Value	22.73	10.73	6.48
<u>Solvency Ratios</u>			
Debt / Equity	0.28	0.15	0.59
Current Ratio	1.15	1.45	1.03
Quick Ratio	1.15	1.45	1.03
Asset Turnover	3.20	3.79	1.91
Interest Coverage Ratio	9.81	82.97	18.75

Financial Charts
EBITDA Margin

Net Profit Margin

Return On Capital Employed

Return on Equity

Key Risk Factors

1. The company is dependent on few numbers of customers and airlines. Loss of any of these customers and airlines will significantly affect the revenues and profitability. The top 10 customers contribute to 41.59% of the revenue from operations for the period ended January 31, 2023, and the top 10 airlines contribute to 91.10% of the purchases for the period ended January 31, 2023.
2. The company is primarily dependent upon a continuing relationship with IATA Agents for sales of the services. Any reduction or interruption in the business of these IATA Agents, or a substantial decrease in orders placed by these IATA Agents may have an adverse impact on the revenues and operations of the Company.
3. The company has CARO Qualifications/Remarks in Annual Report for FY 2022. The remark pertains to a demand of Rs 2,26,56,465 under section 156 of the Income Tax Act, 1961. The company has already deposited a sum of Rs. 45.32 lakhs on February 11, 2020, as 20% of the tax amount, as per appeal procedure, so that demand can be kept in abeyance till the disposal of appeal.
4. There are certain outstanding legal proceedings pending against the Company and Directors amounting to Rs. 236.22 lacs for Tax Proceedings. Any adverse outcome in any of these proceedings may adversely affect the profitability and reputation and may have an adverse effect on the results of operations and financial condition.
5. The company has certain contingent liabilities amounting to Rs. 356.88 lacs and USD 1.70, which if materialized may affect the financial condition and results of operations.

6. The company have had negative cash flows from operation in the FY -21 and for the period ended Jan 31st, 2023. and it is possible that they may experience negative cash flows in the future.

Track Record of Lead Manager

The lead managers to the issue are Expert Global Consultants Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Managers in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Sonalis Consumer Products Limited	2.83	30.00	June 19, 2023	66.8
2.	Dollex Agrotech Limited	24.39	35.00	December 28, 2022	42.7
3.	Rite Zone Chemcon India Limited	8.96	75.00	November 11, 2022	69.00

*CMP is taken as on 26th July 2023

The Lead Manager associated with the offer have handled 3 mandates in the last three fiscals, out of which 1 issue opened at discount and the remaining all opened at premiums on the listing date.

Recommendation

The company has been into the industry since a very long time. The company has seen a sudden surge in the bottom line of its financials for FY-22 and with no information provided regarding the FY-23 audited it is difficult to conclude regarding the sustainability of the revenues and the profitability margins for the future.

The management outlook of the company is not satisfactory with only one promoter/director having knowledge and experience in the industry in which the company operates in.

The PE on an annualised and Post IPO basis is around 15.16 times.

The company operates in a very highly fragmented industry and faces high competition. With all the litigations mentioned in the risk factor of this report the company outlook is not on a good side and with the company having negative cashflows from operating activities places them in a not so favourable place making it a risky buy. Thus, **Risk Averse Investors should wait, and Risk Seekers should apply.**

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