



IPO Note

Ashapura Logistics Limited

Recommendation: **APPLY**

- **Company Background** - Ashapura Logistics Limited, formerly Ashapura Forwarders Private Limited, was established in Ahmedabad, Gujarat on April 2, 2002, and have their registered office in Ahmedabad, Gujrat.
- **Business Activities:** The company is an integrated logistics company offering a comprehensive range of services: cargo handling and freight forwarding, transportation (including project logistics and 3PL), warehousing and distribution, and other services (previously including coastal movement).
- **Revenue Streams:** In the fiscal year ending March 31, 2024, transportation accounted for the largest share of revenue at 53.41%.
- **Customer Base:** Ashapura Logistics serves a diverse clientele across various industries, including automobile, west paper, textile, and steel. Notable customers include Ford India Private Limited, Piramal Glass Private Limited, TT Steel Services Private Limited, and JK Paper Limited.
- The company had 219 permanent employees as of June 30, 2024.

Objects of the Issue -

- The company's funding capital expenditure requirement is for the purchase of trucks (" Vehicles") and ancillary equipment ("Equipment").
- Construction of warehouses at the facilities located at Mundra, Gujarat
- Funding the incremental working capital requirement of the company
- General Corporate Purposes.

Promoters Name -

Sujith Chandrasekhar Kurup and Chitra Sujith Kurup

Rationale for recommendation -

- ✓ Improving profitability margins.
- ✓ Investment towards growth of the company
- ✓ Growing Industry
- ✓ Good customer base
- ✓ Subsidiaries operating in similar sector

IPO Details

| | |
|-----------------------|---------------------------|
| Opening Date | July 30, 2024 |
| Closing Date | August 1, 2024 |
| Allotment Date | August 2, 2024 |
| Listing Date | August 6, 2024 |
| Stock Exchange | NSE SME |
| Lot Size | 1,000 Shares |
| Issue Price Per Share | ₹136 to ₹144 |
| Issue Size | 52.66 Cr. |
| Fresh Issue | 52.66 Cr. |
| Offer for Sale | - |
| Application Amt | ₹ 1,44,000 (1,000 shares) |

KPIs

(Amt in Lakhs.)

| KPI's | FY 22 | FY 23 | FY 24 |
|------------|-----------|-----------|-----------|
| Revenue | 22,696.53 | 22,181.65 | 19,900.91 |
| EBITDA | 2,116.60 | 2,231.29 | 2,644.69 |
| Net Profit | 788.25 | 946.98 | 1,235.44 |
| RoCE | 30.87% | 28.55% | 26.12% |
| ROE | 20.24% | 19.57% | 18.79% |
| P/E | 17.63 | 14.59 | 11.16 |

Promoter Share Holding Pattern

| Pre-Issue | Post Issue |
|-----------|------------|
| 92.45% | 67.51% |

Valuation Parameters

| Particulars | Pre-Issue | Post Issue |
|-----------------|-----------|------------|
| EPS | 12.90 | 9.11 |
| BVPS | 66.41 | 87.03 |
| P/E | 11.16 | 15.80 |
| P/BV | 2.17 | 1.65 |
| Mkt Cap (In Cr) | 142.55 | 195.21 |

Lead Managers -

Beeline Capital Advisors Pvt. Ltd.

Registrar -

Kfin Technologies Ltd

Business Overview -

Company Overview

Business Model Structure: Ashapura Logistics has adopted a decentralized business unit (BU) structure for efficient management and operational control. This approach likely contributes to better performance monitoring and overall organizational effectiveness.

Service Certifications: The company's commitment to quality is evident through its ISO 9001:2015 certification and various Certificates of Excellence from Container Corporation of India (CONCOR).

Subsidiaries:

Jai Ambe Transmovers Private Limited:

Focuses on transportation services and owns 181 commercial trucks as of March 31, 2024.

Ashapura Warehousing Private Limited:

Specializes in warehousing and distribution services and manages 5 out of the 7 warehouses operated by the Ashapura group.

Amanzi International Private Limited:

Provides integrated logistics solutions

| Service Category | Description | Key Features |
|-------------------------------------|---|--|
| Cargo Handling & Freight Forwarding | Acts as a Customs House Agent (CHA), handling customs clearance, documentation, port handling, loading/unloading, weighing, packing/de-stuffing, and transportation to/from ports. | End-to-end cargo management, technology-based tracking, and expertise in handling various types of cargo, including ODC and open cargo. |
| Transportation | Provides both term contract and spot transportation services, including project logistics (transporting specialized goods) and third-party logistics (3PL) services, encompassing e-commerce fulfilment and last-mile delivery. | Large fleet of owned and leased commercial trucks, expertise in handling heavy lift cargo, and a network of trusted fleet partners for scalable solutions. |
| Warehousing & Distribution | Offers comprehensive warehousing services, including storage, inventory management, kitting, bundling, inspection, repackaging, custom packaging, and reverse logistics. Distribution services include exclusive LCVs, last-mile delivery, and specialized handling of healthcare products. | Seven warehouses across India with 2.84 lakh sq. ft. storage capacity, value-added services, and tailored solutions for diverse customer needs. |
| Other Services | Previously offered coastal movement services but discontinued as of April 2023 due to losses and sustainability concerns. | N/A |

| Asset Class | Description | Key Features |
|-------------------|---|---|
| Commercial Trucks | Owned and leased fleet of container trucks and other commercial vehicles. | 250 trucks as of March 31, 2024, mix of owned and hired vehicles for project logistics, plan to procure 30 more trucks. |
| Containers | Owned containers for cargo handling. | 60 containers of 40 TEUs. |
| Warehouses | Network of owned and leased warehouses for storage and distribution. | 7 warehouses across India with 2.84 lakh sq. ft. storage capacity, strategic locations, and modern facilities. |
| Software | Proprietary software for cargo handling and transportation tracking. | IMPEX software for real-time tracking, operational efficiency, and enhanced customer experience. |

While the company showcases a diversified portfolio of services and a pan-India presence, the cessation of its coastal movement services in April 2023 due to losses raises concerns about the viability of certain business segments. The heavy reliance on the transportation segment as well as concentrated operation in Gujarat (76.22%min FY 24) for revenue also indicates a need for balanced growth across all verticals as well as diversification of revenue streams.

Competition -

- **Macroeconomic Influences:** Fluctuations in fuel prices, regulatory changes, and economic cycles impact profitability.

Porter's Five Forces:

- **Rivalry:** Intense competition from organized and unorganized players, with price as a key factor.
- **Threat of New Entrants:** Low barriers to entry, especially in the fragmented road transport sector.
- **Threat of Substitutes:** Limited substitutes for essential logistics services.
- **Supplier Power:** Moderate, with some dependence on vehicle manufacturers and fuel suppliers.
- **Buyer Power:** High due to the fragmented customer base and price sensitivity.

Life Cycle and Business Cycle:

The industry is in a mature growth phase, with demand linked to economic activity.

Experience Curve: Established players like S J Logistics and Tiger Logistics benefit from economies of scale and operational efficiencies.

Business Strategies -

Profitably Fast-Track Growth in Integrated Logistic Business

The company leverages customer relationships and multimodal capabilities for cost-efficient transportation. Key growth pillars include business development, increased revenues from customers, government policies for rail business, expanding W&D and project logistics, and enhancing service offerings.

Further Strengthening the Businesses

The company focuses on high-growth potential businesses like Cargo handling, Transportation, and W&D. It aims to scale up cargo handling, increase the transportation fleet, and expand warehousing. This strategy improves margins and returns with innovative, cost-effective solutions.

Maintaining Edge Over Competitors

The company enhances execution capabilities with top equipment, skilled labour, and quality materials.

Expanding Geographical Footprint

The company plans to grow beyond Gujarat, initially targeting core competence areas, reducing reliance on Gujarat, and capitalizing on nationwide growth trends.

Risk Factors -

The company and its subsidiaries face ongoing legal proceedings totalling Rs. 1,032.47 lakhs, primarily involving tax and civil litigation. These could adversely impact the company's reputation and financial performance.

In FY24, 76.22% of Ashapura Logistics' revenue (₹15,167.98 lakhs) was generated in Gujarat, posing a risk to business continuity if adverse conditions occur in this region.

Top 5 customers accounted for 30% of the company's revenue in FY 24. Loss of any of them would possibly affect the business.

Company derives most of its revenue from two business verticals namely Cargo Handling and Transportation forming 41% and 54% of total revenue respectively in FY 24. Lack of Diversification of revenue streams might affect business adversely.

PEER ANALYSIS

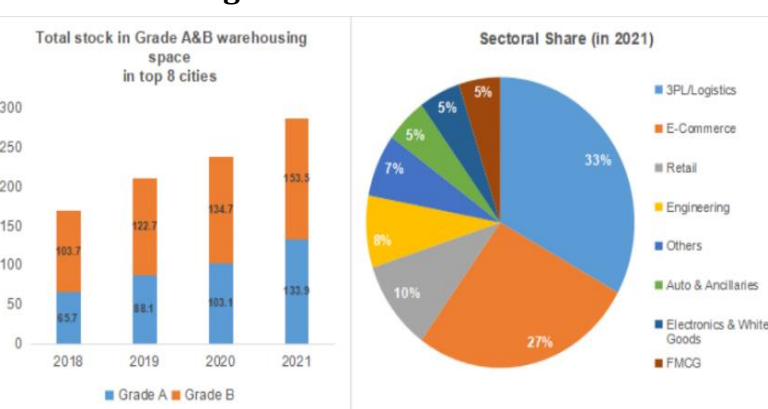
| Particulars | Ashapura Logistics Limited | | | S J Logistics (India) Limited | | |
|---------------|----------------------------|--------|--------|-------------------------------|--------|--------|
| | FY 22 | FY 23 | FY 24 | FY 22 | FY 23 | FY 24 |
| NP Margin | 3.5% | 4.27% | 6.21% | 1.79% | 5.65% | 8.27% |
| EBITDA Margin | 9.33% | 10.06% | 13.29% | 2.43% | 9.46% | 11.68% |
| RoCE | 30.87% | 28.55% | 26.12% | 5.64% | 21.21% | 26.11% |
| ROE | 20.24% | 19.57% | 18.91% | 12.24% | 24.30% | 20.18% |
| EPS (INR) | 8.17 | 9.87 | 12.90 | 2.83 | 9.56 | 20.03 |
| P/E | 17.63 | 14.59 | 11.16 | 17.63 | - | 13.74 |

Indian Overview -

1. Freight Forwarding

- **Overview:** Freight forwarding involves managing the movement of goods from origin to destination, including customs clearance, documentation, and transportation.
- **Growth Drivers:**
 - Rising international trade and e-commerce activity.
 - Increasing demand for specialized services like ODC cargo handling.
 - Growing complexity of regulatory compliance.
- **CAGR Growth:** Estimated at 9.46% during 2024-2030.
- **Government Initiatives:**
 - Implementation of the National Logistics Policy (NLP) to streamline processes and reduce costs.
 - PM Gati Shakti scheme aims to improve multimodal connectivity and logistics efficiency.
- **Notable Aspects:**
 - Adoption of technology-driven solutions like transportation management systems (TMS) is improving efficiency and visibility.
 - Consolidation of smaller players through mergers and acquisitions.
 - Growing focus on sustainable practices.

2. Warehousing



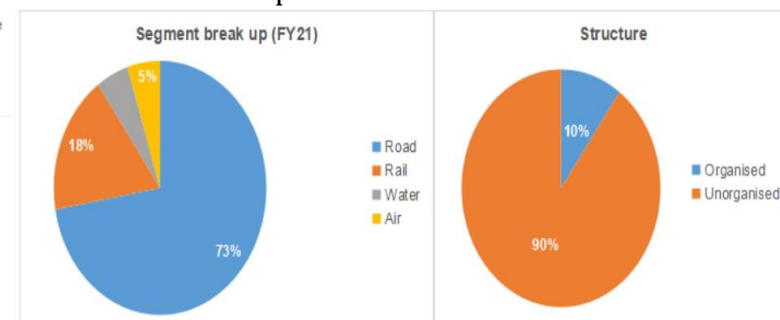
- **Overview:** Warehousing involves the storage, management, and distribution of goods.
- **Growth Drivers:**
 - Expansion of e-commerce and retail sectors.
 - Growing demand for temperature-controlled warehousing for pharmaceuticals and food products.
 - Increasing adoption of automation and robotics in warehouse operations.
- **CAGR Growth:** Estimated at 15.64% from 2022 to 2027.
- **Government Initiatives:**
 - Focus on developing exclusive warehousing zones through public-private partnerships.
 - Promotion of modern warehouse facilities with advanced technology.

Notable Aspects:

- Rise of Grade A warehouses with state-of-the-art infrastructure and amenities.
- Emergence of new-age tech logistics startups offering innovative solutions.
- Increasing demand for value-added services like kitting, bundling, and custom packaging.

3. Logistics Services

- **Overview:** Logistics services encompass a wide range of activities, including transportation, warehousing, freight forwarding, customs brokerage, and value-added services.
- **Growth Drivers:**
 - Growth of manufacturing and retail sectors.
 - Government's emphasis on infrastructure development and ease of doing business.
 - Increasing adoption of technology-enabled solutions for supply chain optimization.
- **CAGR Growth:** Estimated at 10-12% annually.
- **Government Initiatives:**
 - National Logistics Policy (NLP) aims to reduce logistics costs and improve efficiency.
 - Focus on developing multimodal logistics parks and integrated transport hubs.
- **Notable Aspects:**
 - Growing demand for end-to-end logistics solutions, especially from e-commerce and D2C brands.
 - Increasing use of data analytics and AI for predictive planning and optimization.
 - Emphasis on sustainable logistics practices to reduce environmental impact.



In addition to the above, it's important to note that the logistics sector is significantly impacted by macroeconomic factors, such as fuel prices, exchange rates, and government regulations. Companies operating in this sector need to be agile and adaptable to navigate these challenges and capitalize on the opportunities presented by India's rapidly growing economy.

Key Management –



| | |
|---|--|
| Key Management Persons Name - | Sujith Chandrasekhar Kurup |
| Age | 52 |
| Designation and No. of years of experience | Promoter, Chairman and Managing Director, 25+ years of experience |
| Qualification | Degree of Polytechnics from S.A. Rajas Polytechnic |
| Roles and Responsibility | - |
| Interest in other entities: | Jai Ambe Transmovers Private Limited Ashapura Warehousing Private Limited Ameya Container Freight Station Private Limited Amanzi International Private Limited |

| | |
|---|--|
| Key Management Persons Name - | Chitra Sujith Kurup |
| Age | 46 |
| Designation and No. of years of experience | Promoter and Whole time Director, 18+ years of experience |
| Qualification | Bachelor of Education in Natural Science from University of Kerala |
| Roles and Responsibility | - |
| Interest in other entities: | Amanzi International Private Limited Jai Ambe Transmovers Private Limited Ashapura Warehousing Private Limited |

| | |
|---|--|
| Key Management Persons Name - | Thomaskutty Varghese |
| Age | 51 |
| Designation and No. of years of experience | Non-Executive Independent Director, 19+ years of experience |
| Qualification | Master of Science in Oceanography from Cochin University of Science and Technology and Doctorate in Philosophy |
| Experience | Elected as a member of The Institute of Marine Engineering, Science, and Technology as a Chartered Marine Scientist. |

| | |
|---|--|
| Key Management Persons Name - | Umakant Kashinath Bijapur |
| Age | 68 |
| Designation and No. of years of experience | Non-Executive Independent Director, 34 years of experience |
| Qualification | Master's in science (Agriculture) from University of Agricultural Sciences as well as Diploma in Management from All India Management Association, New Delhi |
| Roles and Responsibility | - |
| Interest in other entities: | Bank of Baroda |

| | |
|---|---|
| Key Management Persons Name - | Satyacharan Tiwari |
| Age | 62 |
| Designation and No. of years of experience | Non-Executive Independent Director, 28+ years of experience |
| Qualification | Bachelors in mechanical engineering from the Maharaja Sayajirao University of Baroda. |
| Roles and Responsibility | - |
| Experience | Ministry of Finance including experience as Commissioner of Income Tax |

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

| Particulars | FY 22 | FY 23 | FY 24 |
|-----------------------------------|------------------|------------------|------------------|
| Revenue from Operations | 22,696.53 | 22,181.65 | 19,900.91 |
| Other Income | 17.31 | 78.66 | 33.66 |
| Total Income | 22,713.84 | 22,260.31 | 19,934.57 |
| Expenses | | | |
| Direct Expense | 19,298.46 | 18,285.89 | 15,375.44 |
| Employee Benefit Expenses | 875.1 | 1,057.74 | 1,123.40 |
| Finance Cost | 544.93 | 368.97 | 354.93 |
| Depreciation and Amortisation | 565.1 | 679.18 | 660.94 |
| Other expenses | 406.37 | 606.73 | 757.38 |
| Total Expenses | 21,689.96 | 20,998.51 | 18,272.09 |
| EBITDA | 2,116.60 | 2,231.29 | 2,644.69 |
| EBITDA Margin | 9.33% | 10.06% | 13.29% |
| Profit/(Loss) before tax | 1,023.88 | 1,261.80 | 1,662.48 |
| Tax Expense | | | |
| Current tax | 195.22 | 336.32 | 458.58 |
| Deferred Tax Expenses/(credit) | 40.41 | -21.5 | -31.54 |
| Total Tax | 235.63 | 314.82 | 427.04 |
| Profit/(Loss) for the year | 788.25 | 946.98 | 1,235.44 |
| Net Profit Margin | 3.47% | 4.27% | 6.21% |

Statement of Equity, Assets and Liabilities Amt in Lakhs.

| Particulars | FY 22 | FY 23 | FY 24 |
|--|------------------|------------------|------------------|
| EQUITY AND LIABILITIES | | | |
| 1. Shareholders' funds | | | |
| Share Capital | 36.8 | 36.8 | 989.91 |
| Reserves and surplus | 3,815.32 | 4,759.80 | 5,542.40 |
| Non-Controlling Interest | 42.77 | 43.3 | 42.15 |
| Total Equity | 3,894.89 | 4,839.90 | 6,574.46 |
| 3. Non-current liabilities | | | |
| Long-term borrowings | 908.8 | 358.95 | 830.06 |
| Deferred tax liabilities (Net) | 84.61 | 63.11 | 31.58 |
| Other long-term liabilities | 84.67 | 116.07 | 75.08 |
| Long-term Provisions | 53.48 | 58.76 | 82.27 |
| Total non-current liabilities | 1,131.56 | 596.89 | 1,018.99 |
| 4. Current liabilities | | | |
| Short -term borrowings | 3,374.79 | 3,151.99 | 3,316.99 |
| Trade Payables | | | |
| Total outstanding dues of micro enterprises & small enterprises | 101.09 | 482.02 | 245.22 |
| Total outstanding dues of creditors other than micro enterprises & small enterprises | 2,259.16 | 513.47 | 840.49 |
| Other Current Liabilities | 765.47 | 851.4 | 575.45 |
| Short term provisions | 41.81 | 25.99 | 73.31 |
| Total Current liabilities | 6,542.32 | 5,024.87 | 5,051.46 |
| Total Liabilities | 7,673.88 | 5,621.76 | 6,070.45 |
| Total Equity and Liabilities | 11,568.77 | 10,461.66 | 12,644.91 |
| ASSETS | | | |
| 1. Non-current assets | | | |

Recommendation: **APPLY**

| Property, Plant & Equipment | | | |
|-------------------------------------|------------------|------------------|------------------|
| Tangible assets | 3,178.26 | 2,831.41 | 3139.88 |
| Intangible assets | 63.45 | 60.82 | 48.06 |
| Intangible assets under development | | | 21.2 |
| Non-current investments | 14.42 | 12.45 | 0.07 |
| Other non-current assets | 298.35 | 384.43 | 377.08 |
| Total Non-current assets | 3,554.48 | 3,289.11 | 3,586.29 |
| 2. Current assets | | | |
| Trade Receivables | 6,549.00 | 5,615.67 | 7,164.61 |
| Cash & Cash equivalents | 97.21 | 152.85 | 565.85 |
| Short-term loans and advances | 135.58 | 137.2 | 234.3 |
| Other Current Assets | 1,232.50 | 1,266.83 | 1,093.86 |
| Total Current assets | 8,014.29 | 7,172.55 | 9,058.62 |
| Total Assets | 11,568.77 | 10,461.66 | 12,644.91 |

| Cash Flow Statement | | | Amt in Lakhs. |
|---|-----------|-----------|---------------|
| Particulars | FY 22 | FY 23 | FY 24 |
| Net Cash Flow from Operating Activities | 2,115.42 | 1,557.40 | 599.09 |
| Net Cash Flow from Investing Activities | -668.56 | -405.73 | -957.17 |
| Net Cash Flow from Financing Activities | -1,473.90 | -1,096.02 | 771.04 |

Key Ratios

| Particulars | FY 22 | FY 23 | FY 24 |
|------------------------------------|--------|--------|--------|
| <u>Per Share Data</u> | | | |
| Diluted EPS | 8.17 | 9.87 | 12.9 |
| BV per share | 39.35 | 48.89 | 66.41 |
| <u>Operating Ratios</u> | | | |
| EBITDA Margins | 9.33% | 10.06% | 13.29% |
| PAT Margins | 3.47% | 4.25% | 6.20% |
| Debtor days | 105.32 | 92.41 | 131.41 |
| <u>Return Ratios</u> | | | |
| RoCE | 30.87% | 28.55% | 26.12% |
| RoE | 20.24% | 19.57% | 18.79% |
| <u>Valuation Ratios (x)</u> | | | |
| EV/EBITDA | 3.82 | 3.67 | 3.84 |
| Market Cap / Sales | 0.86 | 0.88 | 0.98 |
| P/E | 17.63 | 14.59 | 11.16 |
| Price to Book Value | 3.66 | 2.95 | 2.17 |
| <u>Solvency Ratios</u> | | | |
| Debt / Equity | 1.10 | 0.73 | 0.63 |
| Current Ratio | 1.22 | 1.43 | 1.79 |
| Quick Ratio | 1.22 | 1.43 | 1.79 |
| Asset Turnover | 1.96 | 2.12 | 1.57 |
| Interest Coverage Ratio | 2.85 | 4.21 | 5.59 |

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Beeline Capital Advisors Private Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Beeline Capital Advisors Private Limited –

| Sr. No. | Company Name | Issue Size in Cr. | Issue Price/Share (In INR) | Listing Date | CMP* (INR) |
|---------|-------------------------------|-------------------|----------------------------|----------------|------------|
| 1. | Sati Poly Plast Limited | 17.36 | 130.00 | July 22, 2024 | 228.80 |
| 2. | Dindigul Farm Product Limited | 34.83 | 54.00 | June 27, 2024 | 107.70 |
| 3. | United Cotfab Limited | 36.29 | 70.00 | June 24, 2024 | 69.99 |
| 4. | Beacon Trusteeship Limited | 32.52 | 60.00 | June 04, 2024 | 115.00 |
| 5. | Rulka Electricals Limited | 26.40 | 235.00 | May 24, 2024 | 515.00 |
| 6. | Piotex Industries Limited | 14.47 | 94.00 | May 17, 2024 | 79.00 |
| 7. | Winsol Engineers Limited | 23.36 | 75.00 | May 14, 2024 | 380.00 |
| 8. | Emmforce Autotech Limited | 53.90 | 98.00 | April 30, 2024 | 166.10 |
| 9. | Greenhitech Ventures Limited | 6.30 | 50.00 | April 22, 2024 | 142.40 |
| 10. | TAC Infosec Limited | 29.99 | 106.00 | April 05, 2024 | 513.05 |

The company has handled 43 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 30th July 2024.

As per the offer document, from the above-mentioned mandates all have opened at premium on the listing day.

Recommendation -

The company has been in the industry since 2002 and has a good amount of experience in the industry with an experienced management.

Revenue: Volatility in growth with revenue declining slightly in FY 24 (199 Cr.) from FY 22(226 Cr.)

Profitability: Improving margins, with EBITDA margin increasing from 9.33% in FY22 to 13.29% in FY24 and Net profit margin grew from 3.5% in FY22 to 6.21% in FY24.

Peer Analysis: Ashapura Logistics, despite consistent profitability (FY24 net profit margin: 6.21%, EBITDA margin: 13.29%, ROCE: 26.12%, EPS: 12.90), lags behind SJ Logistics in growth and valuation. SJ Logistics boasts superior FY24 figures (net profit margin: 8.27%, ROCE: 26.11%, EPS:20.03) and a significantly larger market cap (₹800 Cr vs. ₹142 Cr), indicating stronger growth potential and market presence.

The increasing trend in debtor days, lack of diversification in revenue streams also raises concerns about company's ability to effectively manage its cash flows and collect payments from customers in a timely manner.

Company aims to utilize the funds raised from its public offering to fuel growth through Capital Expenditure (Procurement of trucks and ancillary equipment) and Infrastructure Development.

The P/E on a post-IPO is around 15.80 times which makes it fairly priced by looking at the performance of the company and sector.

For the above stated reasons, knowledgeable investors **MAY APPLY** to this IPO.

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