



IPO Note

Brace Port Logistics Limited

Recommendation: **AVOID**

- The company has their registered office in Mahipalpur, New Delhi.
- **Business Activities:** This service-based logistics company primarily focuses on ocean cargo logistics, catering to various sectors. It also offers air freight, warehousing, special cargo handling, and customs clearance services.
- **Customer Base:** The company is a subsidiary of Skyways Air Services Private Limited, the flagship company of the Skyways Group, and leverages the group's extensive global network and presence in multiple countries.
- **Revenue Streams:** In 2024, the Americas lead revenue, followed by Europe and a growing Asia presence. Domestic services (50.65%) slightly outweigh exports (49.35%) in FY 2024.
- The company had 25 permanent employees as of July 18, 2024.

Objects of the Issue -

- Funding the working capital requirement of the company
- General Corporate Purposes.

Promoters Name -

Skyways Air Services Private Limited., Yash Pal Sharma, Tarun Sharma, Sachin Arora and Rishi Trehan

Rationale for recommendation -

- ✓ Volatile profits and declining return ratios.
- ✓ High reliance on top customers and overseas agents
- ✓ Growing at a CAGR of 1%.
- ✓ Slightly over valued post-IPO PE.
- ✓ Company should be looking at short-term borrowings for working capital requirement instead.
- ✓ Increased debtor days (from 0.62 months in FY23 to 3.77 months in FY24) and potential impact on cash flow.

IPO Details

Opening Date	August 19, 2024
Closing Date	August 21, 2024
Allotment Date	August 19, 2024
Listing Date	August 26, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹76.00 to ₹80.00
Issue Size	24.41 Cr.
Fresh Issue	24.41 Cr.
Offer for Sale	-
Application Amt	₹ 1,28,000 (1,600 shares)

KPIs

(Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24
Revenue	5,413.79	7,045.35	5,500.43
EBITDA	467.74	793.72	641.19
Net Profit	322.39	618.09	489.13
RoCE	101.72%	83.65%	44.87%
ROE	76.77%	69.60%	35.52%
P/E	20.46	10.68	13.49

Promoter Share Holding Pattern

Pre-Issue	Post Issue
96.04%	70.11%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	5.93	4.33
BVPS	16.69	12.19
P/E	13.49	18.48
P/BV	4.79	6.56
Mkt Cap (In Cr)	66.00	90.41

Lead Managers -

Holani Consultants Pvt. Ltd.

Registrar -

Link Intime India Pvt. Ltd.

Business Overview -

Service Portfolio :

- **Ocean Cargo:** Efficient, cost-effective ocean freight solutions with global reach.
- **Air Cargo:** Fast, reliable air freight for time-sensitive shipments with real-time tracking.
- **Warehousing:** Secure storage, inventory management, and order fulfillment services.
- **Special Movements:** Expertise in handling unique logistical challenges and cross-border transportation.

Unique Attributes:

- They leverage a unified technology system for optimized and customized supply chain solutions.

	2021-22			
Continents	Air Freight	Air Freight (% of total revenue)	Ocean Freight	Ocean Freight (% of total revenue)
Europe	78.38	1.45%	1008.11	18.62%
The Americas	81.17	1.50%	2445.82	45.18%
Africa	4.21	0.08%	314.44	5.81%
Asia	451.35	8.34%	959.05	17.71%
Oceania	2.42	0.04%	68.83	1.27%
Total	617.54	11.40%	4796.26	88.59%

	2023-2024				2022-2023				
Continents	Air Freight	Air Freight (% of total revenue)	Ocean Freight	Ocean Freight (% of total revenue)	Air Freight	Air Freight (% of total revenue)	Air Freight (% of total revenue)	Ocean Freight	Ocean Freight (% of total revenue)
Europe	789.19	14.35%	1008.11	18.33%	66.1	0.94%	0.94%	1294.76	18.37%
The Americas	1288.34	23.42%	665.1	12.09%	269.88	3.84%	3.84%	2426.22	34.49%
Africa	10.38	0.19%	126.82	2.31%	3.66	0.05%	0.05%	145.02	2.06%
Asia	779.64	14.17%	651.17	11.84%	82.82	1.18%	1.18%	2690.14	38.13%
Oceania	20.7	0.38%	160.98	2.93%	13.55	0.19%	0.19%	53.21	0.76%
Total	2888.24	52.51%	2612.19	47.49%	436.01	6.19%	6.19%	6609.35	93.80%

Business Strategies -

Expanding Global Presence:

The company plans to expand into new and existing markets, increasing global office locations to meet growing demand. This will reduce reliance on third-party agents, boosting profit margins. Maintaining high quality, timely delivery, and competitive pricing will be crucial for success.

Focus on Quality:

Maintaining high-quality service standards will ensure repeat orders and long-term customer relationships, enhancing brand value and supporting business growth.

Onboarding Competent Talent:

Recruiting skilled personnel will be vital for effective networking and accessing new markets, expanding the customer base and improving efficiency.

Capitalizing on India's Logistics Market Growth:

The company aims to capitalize on the growing third-party logistics market in India. Utilizing its experience and operational scale, it plans to enhance its pan-India operations and capture emerging opportunities.

Risk Factors -

Revenue heavily reliant on top clients: 48.31% from top 10 in FY24, with largest contributing 15.72%. Customer concentration poses a risk to business stability.

Company is subject to risk related to foreign exchange rate and Interest rate fluctuations.

Revenues depend heavily on overseas agents' performance: disruptions in agent relationships or service quality could significantly impact business profitability.

Pending litigations against the company, its promoters, directors, and group companies could result in liabilities/penalties, potentially impacting business operations and financial health. The aggregate quantifiable amount involved in these litigations is Rs. 341.22 lakhs.

Competition -

Competition Analysis

The logistics industry is highly competitive, with numerous large players vying for market share.

Key competitive factors include technological advancement, service quality, pricing, and timely delivery. Established players leverage their technical expertise, capital, and experience to maintain a competitive edge.

Porter's Five Forces Analysis

- **Threat of New Entrants:** Moderate due to significant capital requirements and established networks of existing players. However, the B2B express segment is seeing increased competition due to growth prospects.
- **Bargaining Power of Buyers:** High as customers seek cost-effective solutions and can easily switch between providers. Price sensitivity is a significant factor.
- **Bargaining Power of Suppliers:** Moderate, as the company relies on strong relationships with airlines, shipping companies, and other vendors to secure favorable terms.
- **Threat of Substitute Products or Services:** Low, as logistics services are essential for most businesses.
- **Rivalry Among Existing Competitors:** High due to the presence of many large and established players. Competition is based on price, quality, and technological capabilities.

Industry Life Cycle and Business Cycle

- **Industry Life Cycle:** The logistics industry is in the mature stage, characterized by stable growth and consolidation.
- **Business Cycle:** The industry is sensitive to economic fluctuations, with demand for logistics services closely tied to overall economic activity.

Experience Curve

Larger players with greater experience and volume tend to have lower costs and can offer more competitive pricing.

Social Influences

- Increasing consumer expectations for faster and more transparent delivery impact the industry.
- Environmental concerns drive demand for sustainable logistics practices.

Macroeconomic Influences

- Global economic conditions, trade policies, and geopolitical events can significantly impact the industry.
- Fluctuations in fuel prices and currency exchange rates affect operating costs.

PEER ANALYSIS

Particulars	Brace Port Logistics Limited			Tiger Logistics (India) Limited			AVG Logistics Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	6.0%	8.77%	8.89%	5.45%	5.28%	5.30%	1.94%	1.94%	6.32%
EBITDA Margin	8.64%	11.27%	11.66%	6.43%	7.53%	7.74%	9.68%	18.23%	21.56%
RoCE	101.72%	83.65%	44.87%	50.44%	32.24%	15.72%	7.84%	15.94%	21.06%
ROE	76.77%	69.60%	35.52%	45.18%	23.79%	11.68%	1.20%	9.29%	15.97%
EPS (INR)	3.91	7.49	5.93	3.18	2.20	12.27	0.83	7.08	26.66
P/E	20.46	10.68	13.49	20.46	16.51	3.75	102.41	23.86	21.76

Industry Overview – Global Market

- The logistics industry is a crucial part of the global economy, valued at over 8.4 trillion euros in 2021, with significant growth projected.
- The Asia-Pacific region, where the company has a presence, is the largest logistics market globally.
- The COVID-19 pandemic caused disruptions, but the industry has largely recovered.
- The global e-commerce logistics market is experiencing significant growth, driven by increased online sales and cross-border trade.

Recent Developments & Investments:

- **FDI Inflows:** US\$ 8.15 billion between April 2000 and March 2023.
- **Refining Capacity:** Expected to double to 450-500 million tonnes by 2030.
- **Regulatory Reforms:** PNGRB implemented a Unified Tariff for natural gas pipelines in March 2023.

Indian Logistics Market

- The Indian express industry, though small globally, is rapidly expanding, offering significant growth opportunities.
- The industry is fragmented with numerous players, but organized players dominate the market.
- Key end-use sectors include automotive, pharmaceuticals, consumer durables, textiles, and e-commerce, aligning with the company's diverse customer base.
- The B2B express segment faces increasing competition, impacting margins and driving cost optimization efforts.

Growth Drivers and Future Potential

- Strong economic growth in India will fuel demand for logistics services.
- The rise of e-commerce and evolving consumer behavior will further drive growth.
- Value-added services and technological innovations are becoming key differentiators.
- The "Make in India" initiative and infrastructure development projects will support industry expansion.

Challenges

- Increasing competition in the B2B express segment is putting pressure on margins.
- The industry faces challenges related to infrastructure, skilled manpower, and last-mile connectivity.

Outlook

- The Indian express industry is poised for continued growth, with a projected CAGR of over 15% in the next decade.
- Consolidation, technological advancements, and integrated service offerings are expected to shape the industry's future.
- The company, with its focus on technology, quality, and customer relationships, is well-positioned to capitalize on these opportunities and navigate the competitive landscape.

Key Management –

Key Management Persons Name	Yash Pal Sharma
Age	49
Designation and No. of years of experience	Promoter, Chairman and Non-executive Director, 28+ years of experience
Qualification	Bachelor of Commerce from the University of Delhi
Roles and Responsibility	Providing guidance
Experience:	1. Current President of Air Cargo Forum India (ACFI) for the current term 2022-2024 and former President of Air Cargo Club of Delhi (ACCD).

Key Management Persons Name	Tarun Sharma
Age	40
Designation and No. of years of experience	Non-Executive Director, 16+ years of experience
Qualification	Bachelors in arts in Business Studies from Leeds Metropolitan University, United Kingdom
Roles and Responsibility	With over a decade's experience in entrepreneurship, he excels in production, logistics, and strategic planning and acts as a guiding force for the company
Experience:	Headed Skyways Group (Family business) and member of the Managing Committee of the premier ocean freight association of India – Association of Multimodal transporters operators of India (AMTOI).

Key Management Persons Name	Sachin Arora
Age	44
Designation and No. of years of experience	Promoter and Managing Director, 22+ years of experience
Qualification	Bachelor's degree in arts from University of Delhi
Roles and Responsibility	Business Development Strategy
Previous Experience	Webtron Infosoft, Vision Technologies Inc., Highland House Pvt Ltd, Blue Moon Express Pvt Ltd, Allcargo Global Logistics Ltd, HTL Logistics India Pvt. Ltd., Golden Coast Global (India) Pvt Ltd.

Key Management Persons Name	Rishi Trehan
Age	45
Designation and No. of years of experience	Promoter and Whole Time Director, 9+ years of experience
Qualification	Bachelor's degree in Commerce from University of Delhi
Roles and Responsibility	General business and administration functions
Previous Experience:	Geodis Overseas (I) Pvt. Ltd., Falcon Maritime (I) Pvt. Ltd., Atlas Shipping Services Pvt. Ltd

The company has appointed five directors in 2023. CS Himanshu Chhabra and Rohit Sehgal serve as non-executive directors, contributing a combined 44 years of experience. Chhabra holds a commerce degree and is a company secretary, while Sehgal brings 26 years in freight forwarding.

The board is strengthened by three independent directors: CA Deepak Sonthaliya, Gunjan Kayastha Agarwal, and Megha Aggarwal. Sonthaliya, a chartered accountant with a master's in business administration, offers 12 years of finance expertise. Agarwal, a lawyer specializing in intellectual property rights, brings a legal perspective. Aggarwal, an insolvency professional and company secretary, contributes 10 years of experience in corporate law and compliance.

FINANCIAL SNAPSHOT

Statement of Profit and Loss Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	5,413.79	7,045.35	5,500.43
Other Income	5.78	48.31	24.16
Total Income	5419.57	7093.66	5524.59
Expenses			
Cost of Service Consumed	4,840.99	5,998.94	4,595.83
Employee Benefit Expenses	78.17	131.4	120.88
Finance Cost	1.87	0.4	4.66
Depreciation and Amortisation	2.36	6.54	37.29
Other expenses	64.61	121.29	104.81
Total Expenses	4,988.00	6,258.57	4,863.47
EBITDA	467.74	793.72	641.19
EBITDA Margin	8.64%	11.27%	11.66%
Profit/(Loss) before tax	431.57	835.09	661.12
Tax Expense			
Current tax	110.00	215.80	177.66
Deferred Tax Expenses/(credit)	-0.82	1.2	-5.67
Total Tax	109.18	217.00	171.99
Profit/(Loss) for the year	322.39	618.09	489.13
Net Profit Margin	5.95%	8.77%	8.89%

Statement of Equity, Assets and Liabilities Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	75.00	75.00	825.00
Reserves and Surplus	344.96	813.05	552.18
Total Equity	419.96	888.05	1,377.18
3. Non-current liabilities			
Long-term borrowings	-	48.97	37.94
Long term Provisions	3.2	3.99	8.76
Total non-current liabilities	3.20	52.96	46.70
4. Current liabilities			
Short -term borrowings	-	10.13	11.03
Trade Payables			
Total outstanding dues of micro enterprises & small enterprises	-	-	89.92
Total outstanding dues of creditors other than micro enterprises & small enterprises	628.54	134.67	1194.15
Other Current Liabilities	17.37	12.41	44.77
Short term provisions	110.07	212.56	19.54
Total Current liabilities	755.98	369.77	1,359.41
Total Liabilities	759.18	422.73	1,406.11
Total Equity and Liabilities	1,179.14	1,310.78	2,783.29
ASSETS			
1. Non-current assets			

Recommendation: **AVOID**

Property, Plant & Equipment	6.39	111.41	95.58
Intangible Assets	-	-	67.93
Deferred Tax Assets (Net)	1.23	0.03	5.7
Other Non-Current Assets	0.81	0.9	-
Non-current Investments	142.63	155.6	75.54
Total non-current assets	151.06	267.94	244.75
2. Current assets			
Trade Receivables	657.25	362.05	1,729.59
Cash & Cash equivalents	262.57	418.31	187.87
Short-term loans and advances	0.1	7.05	13.52
Other Current Assets	108.16	255.43	607.56
Total Current assets	1,028.08	1,042.84	2,538.54
Total Assets	1,179.14	1,310.78	2,783.29

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	352.72	369.6	52.25
Net Cash Flow from Investing Activities	61.28	115.61	261.42
Net Cash Flow from Financing Activities	66.64	98.25	21.26

Key Ratios

Particulars	FY 22	FY 23	FY 24
<u>Per Share Data</u>			
Diluted EPS	3.91	7.49	5.93
BV per share	5.09	10.76	16.69
<u>Operating Ratios</u>			
EBITDA Margins	8.64%	11.27%	11.66%
PAT Margins	5.95%	8.71%	8.85%
Debtor days	44.31	18.76	114.77
Creditor Days	47.39	8.19	101.98
<u>Return Ratios</u>			
RoCE	109.98%	83.65%	42.41%
RoE	76.77%	69.60%	35.52%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	0.34	0.67	1.93
Market Cap / Sales	1.67	1.28	1.64
P/E	20.46	10.68	13.49
Price to Book Value	15.72	7.43	4.79
<u>Solvency Ratios</u>			
Debt / Equity	0.00	0.07	0.04
Current Ratio	1.36	2.82	1.87
Quick Ratio	1.36	2.82	1.87
Asset Turnover	4.59	5.37	1.98
Interest Coverage Ratio	6.66	6.49	6.10

Decrease in Revenue: The primary reason for the decline in profitability and cash flow in FY24 is the **21.93% decrease** in revenue from services, falling from Rs. 70 Cr. in FY23 to Rs. 55 Cr. in FY24. This was attributed to a **significant drop in container and shipping freight costs**, even though the company handled more shipments. (**increased from 1,211 shipments** in FY 2022-23 to **1,769 consignments** in FY 2023-24).

Working Capital Management:

- **Trade Receivables:** The company's decision to offer a 2-month credit period to customers, coupled with its end-to-end logistics model and upfront cost inclusion, results in a high trade receivable holding period of 3.75 months. This ties up a significant portion of working capital. The value of trade receivables increased significantly from Rs. 362.05 lakhs in FY23 to Rs. 1,729.59 lakhs in FY24.
- **Trade Payables:** The company plans to reduce its trade payables holding period to 0.53 months through an early payment strategy. While this may improve relationships with suppliers and secure priority bookings, it could also strain short-term cash flow.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Holani Consultants 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 –

Holani Consultants Private Limited–

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Rajputana Industries Limited	23.88	38.00	August 06, 2024	98.85
2.	Signoria Creation Limited	9.28	65.00	March 19, 2024	135.60
3.	Purv Flexipack Limited	40.21	71.00	March 05, 2024	166.00
4.	Motisons Jewellers Limited	151.09	55.00	December 26, 2023	178.65
5.	Goyal Salt Limited	18.62	38.00	October 11, 2023	177.00
6.	Infollion Research Services Limited	21.45	82.00	June 08, 2023	268.95
7.	Shera Energy Limited	35.20	57.00	February 17, 2023	173.50
8.	Insolation Energy Limited	22.16	38.00	October 10, 2022	3,205.35
9.	Cool Caps Industries Limited	11.63	38.00	March 24, 2022	338.00

The company has handled 9 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of 18th August 2024.

As per the offer document, from the above-mentioned mandates only one mandate has opened at a discount and rest all have opened at premium on the listing day.

Recommendation: **AVOID****Recommendation -**

The Company's management overview is good with members containing expertise in various relevant fields. The company is operating in a growing industry.

Braceport's financial health presents a mixed picture. While the company demonstrated strong profitability and efficiency in FY23, there was a notable decline in revenue in FY24. The company's balance sheet remains healthy with low debt levels and a growing equity base as well as steadily growing PAT, EBITDA and Net Profit Margins but we can see a steady decline in the Return ratios.

Additionally, the expense ratio improved from approximately 92% in FY22 to 88% in FY24, showcasing better cost management. However, the cash flow statement reveals a concerning drop in operating cash flow.

• Projected Working Capital Requirement:

- The company's projected working capital requirement for FY25 and FY26 appears reasonable given its anticipated business expansion and the nature of its operations. However, the significant increase in working capital gap from Rs. 11.79 Cr. in FY24 to Rs. 32.85 Cr. in FY25 warrants careful attention. The company plans to fund this primarily through IPO proceeds and internal accruals.

Peer Performance:

Braceport consistently outperforms its peers in terms of profitability and efficiency ratios, indicating a stronger financial position and better operational performance.

The P/E on a post-IPO is around 18.48 times which makes it slightly over-priced by looking at the performance of the company and sector.

For the above stated reasons, we would recommend to **AVOID** this IPO for the time being. Investors are advised to wait and watch.

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