



IPO Note

Deccan Transcon Leasing Limited

Recommendation: **APPLY!**

Company Background -

- Deccan Transcon Leasing Limited was originally formed and incorporated as "Libenil Logistics Private Limited" on Feb 05, 2007. The registered office is located at Hyderabad, Telangana.
- The company provides solutions for freight & shipping services which include domestic logistic of tank containers, Tank fleet management solution, custom clearance and transportation, Non-Vessel Operating Common Carriers ("NVOCC") services.
- The company had 84 permanent employees as of July 31, 2024

Objects of the Issue -

- Funding capital expenditure requirements towards procurement of Tank Containers
- To meet Working Capital Requirements
- General Corporate Purposes

Promoters Name -

Jaidev Menon Parath, Karthika Menon, Miriyala Shekhar, Pranav Jaidev and Navaneeth Jaidev

Rationale for recommendation -

- ✓ The PE ratio is 20.76 times post-issue which makes it fairly priced.
- ✓ The top line, bottom line and profitability margins have increased and looks sustainable in the long run.
- ✓ They intend to procure more tank containers.
- ✓ The company has a vast experience in the industry.
- ✓ The management of the company is satisfactory.
- ✓ The logistics industry is expected to grow at CAGR of 10.3%

IPO Details

Opening Date	Sep 13, 2024
Closing Date	Sep 18, 2024
Allotment Date	Sep 19, 2024
Listing Date	Sep 23, 2024
Stock Exchange	NSE SME
Lot Size	1,200 Shares
Issue Price Per Share	₹102 to ₹108 per share
Issue Size	65.06 Cr.
Fresh Issue	59.66 Cr.
Offer for Sale	5.40 Cr.
Application Amt	₹ 1,29,600 (1,200 shares)

INDUSTRY - Logistics

P/E Average - 23.33

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	15,290.25	17,959.66	15,255.71
EBITDA	902.16	1,306.45	1,924.39
Net Profit	519.10	855.69	1,181.89
RoCE	35.49%	35.50%	34.17%
ROE	42.99%	42.19%	36.69%
P/E	35.06	21.30	15.72

Promoter Share Holding Pattern

Pre-Issue	Post Issue
87.17%	63.78%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	6.87	5.20
BVPS	18.73	40.43
P/E	15.72	20.76
P/BV	5.77	2.67
Mkt Cap (In Cr)	185.75	245.41

Lead Managers -

Unistone Capital Private Limited

Registrar -

Link Intime India Private Limited

Business Overview -

Deccan Transcon Leasing Limited provide end-to-end solutions for freight & shipping services which include domestic logistic of tank containers, Tank fleet management solution, custom clearance and transportation, Non-Vessel Operating Common Carriers (“NVOCC”) services. They are primarily engaged in providing tank containers on lease and logistic & supply chain solutions. As on May 31, 2024, their fleet size is more than 2500 tank containers and 750 TEUs of box containers which includes owned and leased out.

The company specializes in the transportation of bulk liquids and hazardous chemicals, primarily utilizing tank containers as a mode of transport. They cater the needs of various sectors which include chemical and petrochemical, shipping & logistics, manufacturing & trading, agriculture, food, construction etc. The majority of revenue they generate is from the chemical industry which accounted to 87.03% for FY2024.

Subsidiary and Associate Company -

- Deccan Shipping & Logistics SDN. BHD.** – They are engaged in the business of providing logistic & supply chain solutions for freight & shipping services which include domestic logistic of tank containers, Tank fleet management solution, custom clearance and transportation, Non-Vessel Operating Common Carriers (“NVOCC”) services. (55.14% shareholding)
- King Star Freight Private Limited (KSFPL)** – They are engaged in the business of shipping and logistics service providers as an agent for principal located in India and overseas. (47.5% shareholding)

Services:

- Leasing of Tank Containers** – They offer tank container leasing services, where clients can decide between the type of the tank offered, the purpose of the lease (domestic or international), the duration of the lease and various other terms and conditions based on their requirement.

Tank Container



Box Container



- Shipping & Freight Forwarding** – They offer shipping and freight forwarding services acting as an intermediary between the client and various transportation services. This includes logistics solutions in India and overseas with pure port-to-port logistics solutions and tailor-made solutions as well.
- Custom Clearance and Transportation** – Their tank services include customs clearance and transportation services through partners and associates.
- Non-Vessel Operating Common Carriers (NVOCC)** – They started this operation in 2023, with owned and leased fleet of Box containers. Under the NVOCC services, as arrangements with ship owners, charters, and shipping lines were already in place, this helped them procure on-board space on the vessel on commercially viable terms which are then sold to customers.

Revenue Bifurcation -

(Amt in Lakhs)

Particulars	FY 2022		FY 2023		FY 2024	
	Amt	%	Amt	%	Amt	%
Leasing	168.73	1.10	382.24	2.13	873.69	5.73
Freight and Shipping services	15,121.52	98.90	17,577.41	97.87	14,382.02	94.27
Total	15,290.25	100.00	17,959.65	100.00	15,255.71	100.00

Utilization of Net Proceeds -

The net proceeds of the issue will be utilized for Funding capital expenditure requirements towards procurement of Tank Containers (Rs. 2,774.76 lakhs), funding working capital requirements (Rs. 1,150.00 lakhs), and remaining for general corporate purposes.

Competition -

1. **Market Competition:** The logistics industry is highly competitive where the key factors of competition primarily comprise of service quality, reliability, price and the ability to understand evolving industry trends as well as the ability to anticipate, understand and address customer requirements.
2. **Geographic Competition:** The company faces competition in regional, national, and international players from large and small players.
3. **Barriers to entry:** Low barriers to entry.
4. **Threat of Substitutes:** High threat of substitutes.
5. **Bargaining Power of Buyers:** The bargaining power is high with the customers.

Business Strategies -

1. **Expanding Fleet Size:** The company intends to expand logistical operations by funding capital expenditure requirements to increase the size of the fleet by containers.
2. **Expand geographical reach:** The company intends to invest in enhancing presence into different geographies. As a part of their expansion strategy, they have entered into 42 agency agreement.
3. **Diversification of services:** The Company is exploring new service areas which includes, but is not limited to, specialized logistics solutions for different types of cargo (eg. Refrigerated containers for perishable goods, Break bulk, flat rack, Open Top containers for odd-sized cargo), Local Storage etc.

Risk Factors -

The company is largely dependent on customers from chemical and petrochemical industry which contributed to 94.27%, 97.87% and 98.90% for FY2024, 2023 and 2022 respectively.

The company has filed 3 cases regarding civil and criminal matters amounting to Rs. 250.86 lakhs and they have 5 outstanding cases against it for tax matters amounting to Rs. 211.18 lakhs.

The subsidiary/ group companies have 1 outstanding case against them for civil matters amounting to Rs. 21 lakhs.

The promoters/ directors have 1 outstanding case against them for tax matters amounting to Rs. 16.21 lakhs.

The company has contingent liabilities of Rs. 211.18 lakhs.

PEER ANALYSIS –

Particulars	Deccan Transcon Leasing Limited			Lancer Container Lines Limited			S J Logistics (India) Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.39%	4.76%	7.75%	4.50%	6.35%	9.02%	-	5.65%	8.27%
EBITDA Margin	5.90%	7.27%	12.61%	8.09%	11.61%	15.73%	-	9.46%	11.68%
RoCE	35.49%	35.50%	34.17%	40.70%	17.72%	16.40%	-	21.04%	26.17%
ROE	42.99%	42.19%	36.69%	39.54%	29.31%	14.58%	-	24.29%	20.18%
EPS (INR)	3.08	5.07	6.87	0.27	0.85	2.82	-	25.85	20.03
P/E	35.06	21.30	15.72	-	54.27	25.85	-	-	13.94

Interpretation –

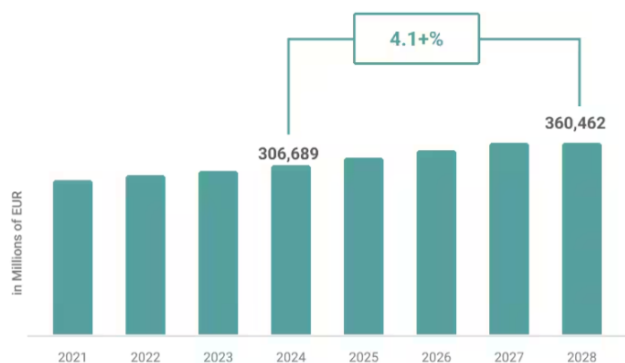
- The company has less market cap compared to its peers.
- The company’s net profit margin and EBITDA margin has seen a sudden increase in FY2024 and the peers have also seen a similar trend.
- The company’s RoCE and ROE for the company and the peers have seen a dip in FY2024.
- The debtor days for the company has been low compared to S J Logistics (India) and more than Lancer Container Lines.

INDUSTRY OVERVIEW -

Global Logistics Sector -

The global freight & logistics market is forecast to grow to \$18.69 billion by 2026 at a compound annual growth rate (CAGR) of 4.4%. Looking solely at logistics, the global logistics market is expected to reach \$6.55 trillion by 2027, growing at a CAGR of 4.7% between 2022 and 2027.

Global Logistics Market Growth



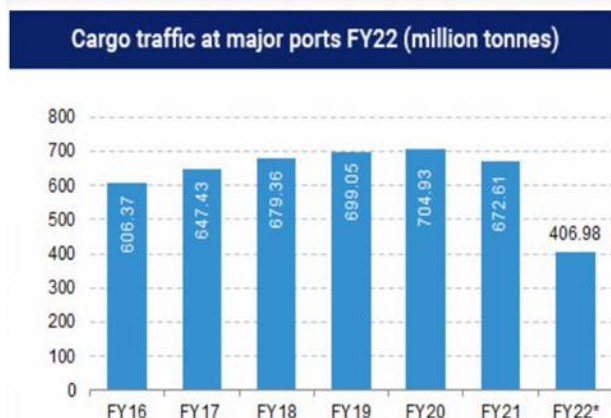
(Source: ups.com)

Several factors are driving the logistics market on a global scale. One of the most significant factors is the popularity of e-commerce, which continues to grow as the availability of high-speed network connectivity grows. More and more consumers want to shop online, and more home delivery options are available daily. This increases the demand for efficient logistics services.

Shipping Industry & Ports in India -

According to the Ministry of Shipping, around 95% of India's trading by volume and 70% by value is done through maritime transport. India has plans to invest US\$ 82 billion port projects by 2035.

In FY24, all key ports in India handled 817.97 million tonnes (MT) of cargo traffic, a 4.45% increase from 784.305 million tonnes in FY23. India's merchandise exports in FY23 were at US\$ 451 billion from US\$ 417 billion in the previous year.



(Source: RHP)

The capacity addition at ports is expected to grow at a CAGR of 5-6% till 2022, thereby adding 275 325 MT of capacity. As part of the Sagarmala project, more than 574 projects worth US\$ 82 billion (Rs. 6 lakh crore) have been planned for implementation between 2015 and 2035.

Key Management -

- The overall management of the company is satisfactory.
- The promoter and management have good experience in logistics industry.
- There is evidence of dual chairmanship, which is not favourable.



Key Management Persons Name - Age	Jaidev Menon Parath 67
Designation and No. of years of experience	Promoter, Chairman and Whole-Time Director, 45 years of overall experience and 25 years of experience in Shipping & Logistic Business
Qualification Responsibility	Bachelor's degree in engineering He looks after sourcing and procurement tank containers and setting up network of agents in over countries
Other Directorships	Deccan Shipping & Logistics SDN. BHD., Limited Liability Partnership and Deccan Transcon Shipping LLP

Key Management Persons Name - Age	Karthika Menon 59
Designation and No. of years of experience	Promoter and Whole-Time Director, 12+ years of experience in Human Resource management and international trade & relationship
Qualification Responsibility	Bachelor's in arts Heads the human resource department
Other Directorship	King Star Freight Private Limited, Deccan Shipping & Logistics SDN. BHD. and Deccan Mohsin Logistics LLP

Key Management Persons Name - Age	Miriyala Shekhar 47
Designation and No. of years of Experience	Promoter and Whole-Time Director, 20+ years of experience in setting up logistic business and marketing
Qualification Responsibility	Bachelor of Commerce Responsible for setting up logistic business for the company in far east and African region and also developing outbound market from southern part of India.
Previous Associations	Chakiat Shipping Services Pvt. Ltd as Assistant Manager - shipping division

Key Management Persons Name - Age	Karat Roger Vijayan Parameshwar 71
Designation and No. of years of experience	Independent Director, 40+ years of experience in Human resource management, export operations and setting up of operations in India
Qualification	Bachelor's degree in technology (Chemical Engineering)
Other Directorships	VVF (India) Limited

Key Management Persons Name - Age	Satyamurti Ramasundar 74
Designation and No. of years of experience	Independent Director, 35+ years of experience in Financial planning and analysis
Qualification	Bachelor of Commerce, Qualified CA, Post-graduation Diploma in management and Bachelor of Legislative law
Other Directorships	Blue River Capital India Advisory Services Private Limited and Altacura AI Absolute Return Fund LLP

Key Management Persons Name - Age	Venkata Naga Lavanya Kandala 40
Designation and No. of years of experience	Independent Director, 12+ years of experience in cost and management accounting
Qualification	Bachelor's degree in technology (Electronics & Communication Engineering) and Cost Accountant
Other Directorships	NCC Infrastructure Holdings Limited, Certiff Innovative Technologies Private Limited, IPcloud Global Technologies Private Limited etc.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations (Net of Taxes)	15,290.25	17,959.66	15,255.71
Other Income	29.15	102.11	108.06
Total Income	15,319.40	18,061.77	15,363.77
Expenses			
Operating Expenses	13,721.48	15,729.35	12,220.88
Employee Benefit Expenses	430.05	580.19	776.18
Finance Cost	133.81	186.32	307.40
Depreciation and Amortisation	119.93	136.36	184.43
Other expenses	264.13	487.08	462.58
Total Expenses	14,669.40	17,119.30	13,951.47
EBITDA	902.16	1,306.45	1,924.39
EBITDA Margin	5.90%	7.27%	12.61%
Share of Profit of associates	27.57	143.41	128.32
Profit/(Loss) before tax	677.57	1,085.88	1,540.62
Tax Expense			
Current tax	143.72	214.71	336.41
Deferred Tax	14.75	15.48	22.32
Total Tax	158.47	230.19	358.73
Profit/(Loss) for the year	519.10	855.69	1,181.89
Net Profit Margin	3.39%	4.76%	7.75%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	220.00	220.00	1,719.94
Reserves and surplus	987.59	1,808.26	1,501.37
Total Shareholder's Fund	1,207.59	2,028.26	3,221.31
2. Minority Interest	142.70	293.14	516.14
Total Equity	1,350.29	2,321.40	3,737.45
3. Non-current liabilities			
Long-term borrowings	756.28	855.78	1,184.54
Deferred Tax Liabilities (Net)	82.73	98.20	120.52
Long-term provisions	14.97	20.25	49.75
Total Non-current liabilities	853.98	974.23	1,354.81
4. Current liabilities			
Short-term borrowings	233.54	919.71	1,125.01
Trade Payables	1,270.34	828.61	937.02
Other Current Liabilities	177.41	255.93	262.46
Short-term provisions	39.08	107.84	304.83
Total Current liabilities	1,720.37	2,112.09	2,629.32
Total Liabilities	2,574.35	3,086.32	3,984.13
Total Equity and Liabilities	3,924.64	5,407.72	7,721.58
ASSETS			
1. Non-current assets			
Property, Plant & Equipment	1,426.11	1,830.54	2,253.78
Intangible Assets	8.03	5.30	2.92
Intangible Assets under development	-	13.20	94.01
Non-Current Investments	131.80	277.80	406.12
Long term loans and advances	142.21	163.75	40.49
Other Non-current assets	10.01	33.23	11.50

Particulars	FY 22	FY 23	FY 24
Total Non-Current assets	1,718.16	2,323.82	2,808.82
2. Current assets			
Current Investments	16.75	15.00	14.92
Trade Receivables	2,036.87	2,552.73	4,160.09
Cash & Cash equivalents	107.62	350.98	306.29
Short term loans and advances	20.76	30.60	218.97
Other Current Assets	24.48	134.57	212.48
Total Current assets	2,206.48	3,083.88	4,912.75
Total Assets	3,924.64	5,407.70	7,721.57

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	495.05	371.71	353.71
Net Cash Flow from Investing Activities	-320.37	-701.60	-813.96
Net Cash Flow from Financing Activities	-121.27	573.25	415.56

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	Valuation Ratios (x)	FY 22	FY 23	FY 24
Diluted EPS	3.08	5.07	6.87	EV/EBITDA	2.32	2.64	2.71
BV per share	7.02	11.79	18.73	Market Cap / Sales	1.61	1.37	1.61
Operating Ratios				P/E	35.06	21.30	15.72
EBITDA Margins	5.90%	7.27%	12.61%	Price to Book Value	15.38	9.16	5.77
PAT Margins	3.39%	4.76%	7.75%	Solvency Ratios			
Inventory days	-	-	-	Debt / Equity	0.82	0.88	0.72
Debtor days	48.62	51.88	99.53	Current Ratio	1.28	1.46	1.87
Creditor days	49	12	11	Quick Ratio	1.28	1.46	1.87
Return Ratios				Asset Turnover	3.90	3.32	1.98
RoCE	35.49%	35.50%	34.17%	Interest Coverage Ratio	5.85	6.28	5.66
RoE	42.99%	42.19%	36.69%				

INTERPRETATION –

- The top line has seen a sudden increase for FY2023 which was majorly due to increase in business operations after recovery of demand post pandemic and the Russia-Ukraine war. There is a dip in FY2024 even though the fleet volume increased, which was due to decrease in sea freight rates.
- The net profit had increase by 64.84% in FY 2023 and by 38.12% in FY2024. Even though the revenue from operations decreased for FY2024, the net profit saw an increase because the cost of operations reduced and their customer base and tank containers increased.
- The PAT margin and EBITDA margin have also seen sudden increase in FY 2024 for the reason mentioned above and it should not be a major concern.
- The RoCE and ROE saw a slight dip for FY 2024 as their share capital increased for FY 2024.
- The PE ratio has improved over the years.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Unistone Capital 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 –

Unistone Capital Private Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Saraswati Saree Depot Limited	160.01	160.00	Aug 20, 2024	167.20
2.	Manglam Infra and Engineering Limited	27.62	56.00	July 31, 2024	67.00
3.	Platinum Industries Limited	253.32	171.00	Mar 05, 2024	391.65
4.	Exicom Tele-Systems Limited	429.00	142.00	Mar 05, 2024	350.75
5.	BLS E-Services Limited	310.91	135.00	Feb 06, 2024	232.65
6.	Valiant Laboratories Limited	152.46	140.00	Oct 06, 2023	127.60
7.	Unihealth Consultancy Limited	56.55	132.00	Sep 21, 2023	152.35
8.	Ratnaveer Precision Engineering Limited	165.03	98.00	Sep 11, 2023	185.55
9.	Mono Pharmacare Limited	14.84	28.00	Sep 07, 2023	36.10
10.	Sangani Hospitals Limited	15.17	40.00	Aug 17, 2023	42.10

The company has handled 14 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 12th Sep 2024.

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

Recommendation -

Deccan Transcon Leasing Limited has been in the industry since 2007 and has vast experience in the industry. But the management overview of the company is satisfactory.

The P/E on a post-IPO basis is around 20.76 times which makes it fairly priced.

The company's top line has seen a sudden increase in FY2023 which was due to increase in business operations after recovery of demand post pandemic and the Russia-Ukraine war and a dip can be seen for FY2024 which was due to decrease in sea freight rates. This should not be a major concern as similar trend was seen among the peer companies. The bottom line and profitability margins have increased over the years and looks sustainable in the future.

The logistics industry is growing and expected to grow at CAGR of 10.3% by 2029.

The company is raising funds through IPO for procurement of tank containers which will help in improving the top line in future.

Thus, investors can **APPLY** to this IPO.

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