



IPO Note

Tejas Cargo India Limited

Recommendation: **AVOID!**



Company Background -

- **Incorporation:** Tejas Cargo India Limited was originally incorporated on Mar 26, 2021. The registered office is located at Faridabad, Haryana.
- **Business Activity:** The company offers supply chain transportation services by road under Full Truck Load ("FTL"). The services include shipment planning, route optimisation, fleet selection, documentation, tracking, communication and coordination and performance evaluation.
- **Human Resource:** The company has 284 permanent employees as on Sep 30, 2024.

Objects of the Issue -

- Purchase of additional trailers for the Company
- To meet working capital requirements
- Repayment and/or pre-payment, in full or part, of certain borrowings availed by the Company
- General Corporate Expenses

Promoters Name -

Chander Bindal and Manish Bindal

Rationale for recommendation -

- ✓ The PE ratio is 22.95 times post issue annualized basis makes it slightly aggressively priced.
- ✓ The company's top line saw a sudden jump in FY23.
- ✓ The company's bottom line saw a sudden increase in FY23.
- ✓ The company had negative cash flow from operations for FY22 and FY23.
- ✓ The overall financial performance has remained slightly unsustainable. (Refer Recommendation - Pg 9)
- ✓ The company has limited experience in the industry.

IPO Details

Opening Date	Feb 14, 2025
Closing Date	Feb 18, 2025
Allotment Date	Feb 19, 2025
Listing Date	Feb 24, 2025
Stock Exchange	NSE SME
Lot Size	800 Shares
Issue Price Per Share	₹160 to ₹168
Issue Size	105.84 Cr.
Fresh Issue	105.84 Cr.
Offer for Sale	-
Application Amt	₹ 1,34,400 (800 shares)

INDUSTRY - Third-Party Logistics

Avg. P/E ratio as per RHP - 19.48

	KPIs (In Lakhs)			
KPI's	FY 22	FY 23	FY 24	Sep-24
Revenue	20,929.24	38,178.52	41,932.61	25,260.73
EBITDA	799.99	3,023.38	6,576.70	4,307.77
Net Profit	315.54	985.85	1,322.21	874.50
RoCE	22.74%	25.48%	18.32%	13.28%*
ROE	99.68%	75.70%	23.85%	9.78%*
P/E	0.05	0.02	0.08	22.95*

*Annualized

Promoter Share Holding Pattern

Pre-Issue	Post-Issue
100.00%	73.63%

Valuation Parameters

Particulars	Pre-Issue	Post Issue*
EPS	2,206.83	7.32
BVPS	2,269.21	74.82
P/E	0.08	22.95
P/BV	0.07	2.25
Mkt Cap (In Cr)	295.56	401.40

*Annualized

Lead Managers -

New Berry Capitals Private Limited

Registrar -

KFin Technologies Limited

Business Overview -

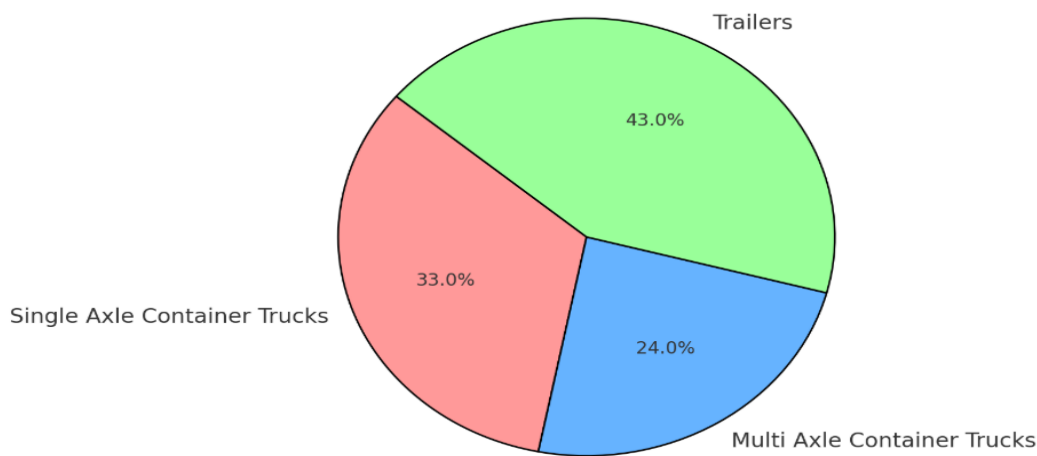
Tejas Cargo India Limited offer express supply chain transportation services by road under Full Truck Load (“FTL”), to a diverse range of companies who are inter alia engaged in the logistics, steel and cement, e-commerce, industrial & chemicals, FMCG and white goods sectors. The services include shipment planning, route optimisation, fleet selection, documentation, tracking, communication and coordination and performance evaluation.

The company has completed over 98,913 trips during Fiscal 2024 and 58,943 trips for the six months’ period ended September 30, 2024 on a pan India basis.

As on October 31, 2024, the fleet size is 1,131 vehicles which consists of 218 trailers and 913 container trucks, with dimensions ranging from 32 feet to 40 feet and tonnage capacity of up to 42 tonnes. Out of the total fleet, 292 vehicles are debt free consisting of 34 trailers and 258 container trucks.

As on October 31, 2024, the tonnage capacity of owned fleet are as follows:

Fleet Capacity Distribution



As on date, the company operates on a Pan-India basis through an established network of twenty-three branches having facility of placements, loading and unloading. They also have an in-house maintenance facility located at Gurugram, Haryana for an area admeasuring 3 acres which supports fleet's service and maintenance requirements.



Further they hold a valid PESO license for storage of 40 kilolitres of petroleum Class B in tanks in the licensed premises. Accordingly, they are operating a petrol dispensing station for captive use at leased property situated at Rewari, Haryana.

Revenue Bifurcation based on business model:

(Amt in Lakhs)

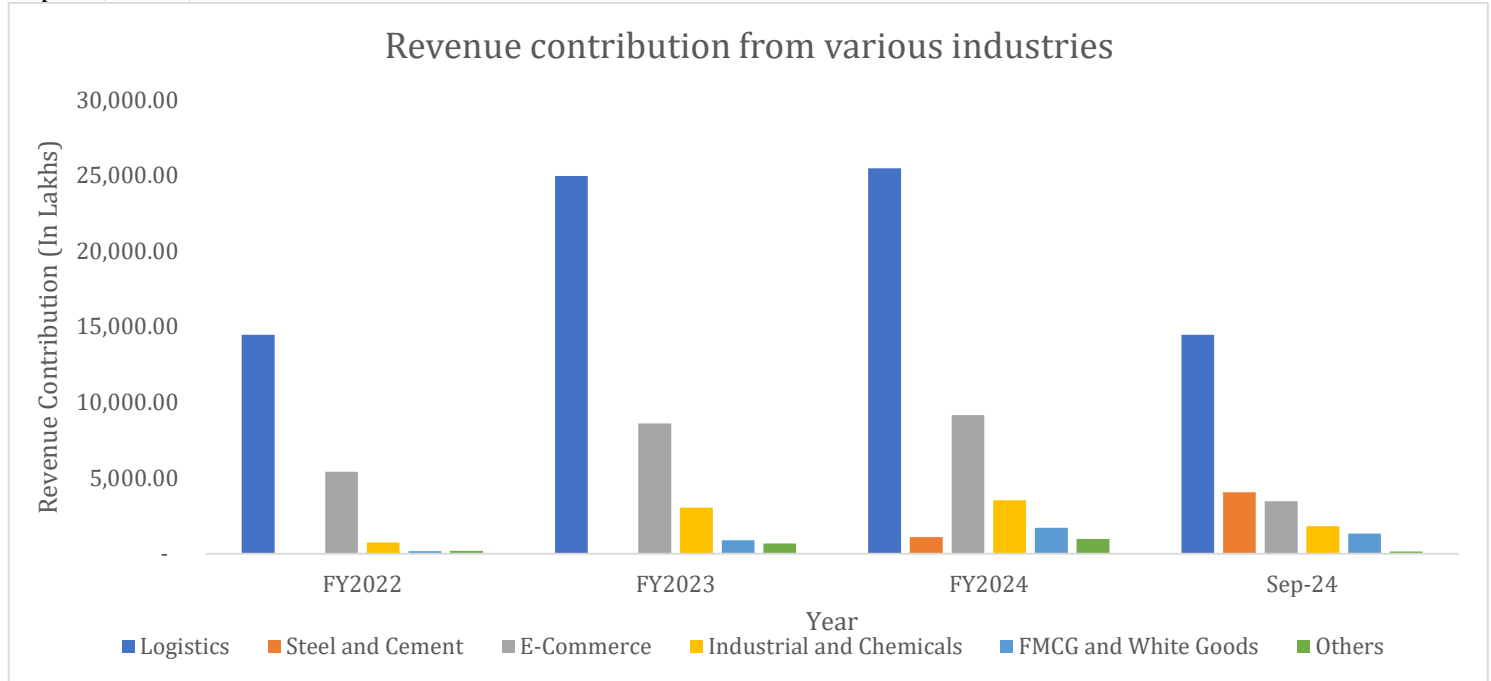
Particulars	FY 2022		FY 2023		FY 2024		Sep-2024	
	Amt	%	Amt	%	Amt	%	Amt	%
Own to clients*	18,839.87	74.58%	25,178.80	60.05%	9,486.69	24.85%	2,139.85	10.22%
Own to Market**	1,439.78	5.70%	1,968.07	4.69%	667.88	1.75%	64.14	0.31%
Market to Clients***	4,981.08	19.72%	14,785.74	35.26%	28,023.95	73.40%	18,725.26	89.47%
Total	25,260.73	100.00%	41,932.61	100.00%	38,178.52	100.00%	20,929.25	100.00%

*Revenue generated from goods transported from owned vehicles.

**Revenue generated from providing own vehicles to other transporter on hiring basis.

***Revenue generated from goods transported through hired vehicles from the open market

The below graph shows the revenue contribution from various industries for the six months' period ended Sep-24, FY24, FY23 and FY22:



Competition -

- 1. Market Competition:** The industry is competitive where the key factors of competition primarily comprise of service quality and price, availability, timely delivery of products, technology used etc.
- 2. Geographic Competition:** The company faces competition from small and large players in both organized and unorganized sector.
- 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.
- 6. Bargaining Power of Supplier:** The bargaining power is low with the suppliers.

Business Strategies -

- The company plan to transition to a “Hybrid Mode” where a portion of the fleet will be acquired on a long-term lease basis. Leasing part of the fleet will reduce the upfront capital expenditure required for purchasing new vehicles, thereby preserving liquidity and allowing to allocate resources more effectively to other growth areas.
- The company intends to optimise fleet composition by increasing the number of trailers.
- The company has recently submitted an application to Container Corporation of India ltd. to lease a train, marking expansion into rail logistics which will allow them to hire/ lease a train.
- The company has plans to venture into secondary logistics and warehousing segment as a strategic expansion to complement existing FTL operations.

Risk Factors -

The company has 4 cases against it regarding criminal matters.

The promoters/ directors have 5 cases against them for criminal matters.

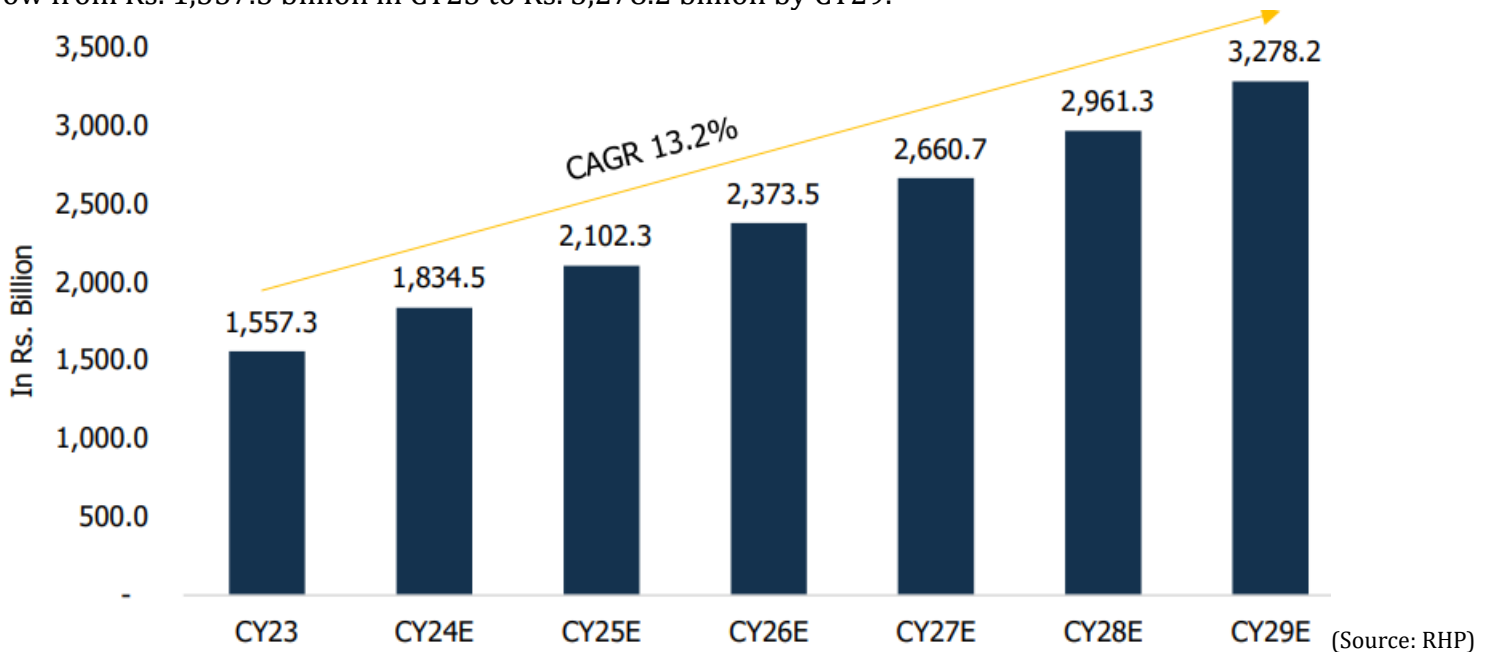
The company had negative cash flow from operations for FY22 and FY23.

INDUSTRY OVERVIEW -

Indian third-party logistics (3PL) industry –

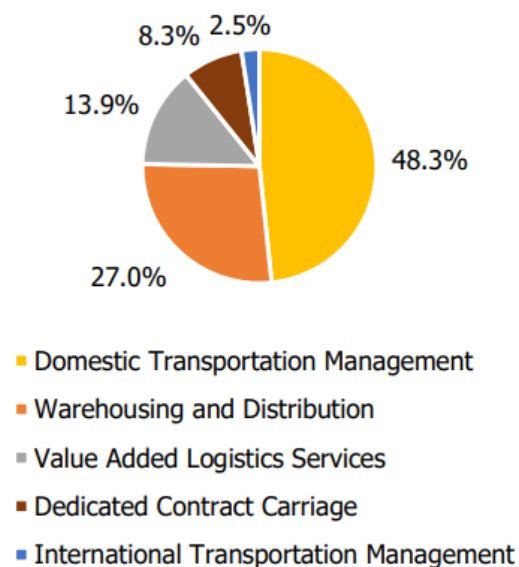
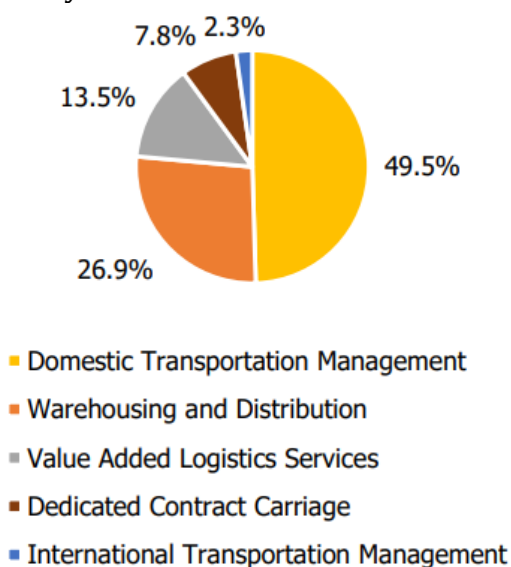
During the period CY19-23, market size of the industry grew by a CAGR of 19.5%, from Rs. 763.9 billion in CY19 to Rs. 1,557.3 billion in CY23. This growth in demand for third-party logistics (3PL) services in India can be attributed to various factors such as growth in manufacturing sector, rise in healthcare logistics on account of increasing health awareness and rising global sales of prescription drugs, rising rural demand, and economic expansion in Tier 2 and Tier 3 cities leading to a thriving market environment.

The industry market size is expected to grow at a CAGR of 13.2% from CY23-29. The market size is expected to grow from Rs. 1,557.3 billion in CY23 to Rs. 3,278.2 billion by CY29.



By type of service, India third party logistics market can be divided into Dedicated Contract Carriage, Domestic Transportation Management, International Transportation Management, Warehousing and Distribution, and Value Added Logistics Services. As of CY23, Domestic Transportation Management dominated the industry with a market share of 49.5%. This is followed by Warehousing and Distribution (26.9%), Value Added Logistics Services (13.5%), Dedicated Contract Carriage (7.8%), and International Transportation Management (2.3%).

By CY29, top two dominant segments in the market are still expected to be Domestic Transportation Management and Warehousing and Distribution with market share of 48.3% and 27% respectively. This is going to be followed by Value Added Logistics Services, Dedicated Contract Carriage, and International Transportation Management with marginally higher market shares, as compared to CY23, of 13.9%, 8.3%, and 2.5% respectively.



(Source: RHP)

Key Management -



Key Management Persons Name -	Chander Bindal
Age	42
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 15+ years of experience in logistics industry
Qualification	Bachelor of Commerce and Certificate of Business Professional Programmer
Other Directorships	Tejas Carriers Solutions Private Limited and MMC Carbon Private Limited

Key Management Persons Name -	Manish Bindal
Age	40
Designation and No. of years of experience	Promoter, Whole-Time Director and CEO, 15+ years of experience in logistics industry
Qualification	Bachelor of Commerce and Master of Business Administration
Other Directorships	Tejas Carriers Solutions Private Limited

- The overall management of the company is decent.
- The promoter and management have good experience in the industry.
- There is an evidence of dual chairmanship, which is not favourable.
- Archana Jain, Puja Daga, and Neha Jain are Non-Executive Independent Directors of the Company. They have an average experience of 15 years and have education qualification in their respective fields.
- Yogesh Jain (CFO), aged 30 years, is a qualified CA and has 4+ years of experience.
- Neelam (CS), aged 27 years, has 2+ years of experience.

FINANCIAL SNAPSHOT

Statement of Profit and Loss

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Revenue from Operations	20,929.24	38,178.52	41,932.61	25,260.73
Other Income	37.79	258.94	326.45	248.44
Total Income	20,967.03	38,437.46	42,259.06	25,509.17
Expenses				
Operating Expenses	19,794.02	34,149.17	34,030.94	19,876.11
Employee Benefit Expenses	212.35	570.38	705.87	621.45
Finance Cost	94.08	514.09	1,073.49	802.12
Depreciation and Amortization Expense	322.03	1,416.25	4,090.22	2,585.43
Other expenses	122.88	435.59	619.10	455.40
Total Expenses	20,545.36	37,085.48	40,519.62	24,340.51
EBITDA	799.99	3,023.38	6,576.70	4,307.77
EBITDA Margin	3.82%	7.92%	15.68%	17.05%
Profit/(Loss) before tax	421.67	1,351.98	1,739.44	1,168.66
Tax Expense				
Current tax	128.27	305.67	463.11	414.92
Excess/Short Provision for prior years	-	0.69	-25.77	-
Deferred Tax	-22.14	59.77	-20.11	-120.76
Total Tax	106.13	366.13	417.23	294.16
Profit/(Loss) for the year	315.54	985.85	1,322.21	874.50
Net Profit Margin	1.51%	2.58%	3.15%	3.46%

Statement of Assets and Liabilities

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
EQUITY AND LIABILITIES				
1. Shareholders' funds				
Share Capital	1.00	1.00	24.43	1,759.28
Reserves and surplus	315.54	1,301.39	5,520.27	4,659.91
Total Equity	316.54	1,302.39	5,544.70	6,419.19
NON-CURRENT LIABILITIES				
Long-term borrowings	1,785.32	4,066.54	8,010.59	9,904.92
Deferred Tax liability	-	37.62	17.51	-
Long-Term Provisions	-	900.99	-	-
Total Non-current liabilities	1,785.32	5,005.15	8,028.10	9,904.92
CURRENT LIABILITIES				
Short-term Borrowings	1,326.47	4,271.51	8,125.82	10,722.82
Trade Payables				
(i) Total outstanding dues of MSME	-	-	-	-
(ii) Total outstanding dues of creditors other than MSME	2,548.77	509.50	615.46	868.95
Other Current Liabilities	212.83	161.58	757.88	513.67
Short-term provisions	166.63	392.16	528.10	999.91
Total Current liabilities	4,254.70	5,334.75	10,027.26	13,105.35
Total Liabilities	6,040.02	10,339.90	18,055.36	23,010.27
Total Equity and Liabilities	6,356.56	11,642.29	23,600.06	29,429.46
ASSETS				
NON-CURRENT ASSETS				
Property, Plant and Equipment	1,711.04	5,284.74	12,355.84	13,622.36
Capital Work in Progress	-	-	-	2,469.14
Non-Current Investments	5.00	-	1,890.00	8.05

Particulars	FY 22	FY 23	FY 24	Sep-24
Deferred tax assets (net)	22.15	-	-	103.24
Other Non- current Assets	418.95	47.32	80.03	120.37
Total Non-Current assets	2,157.14	5,332.06	14,325.87	16,323.16
CURRENT ASSETS				
Current Investments	-	-	-	1,700.00
Inventories	19.27	10.08	95.48	147.28
Trade Receivables	3,543.10	4,030.70	6,981.92	8,616.67
Cash & Cash equivalents	39.55	353.59	841.15	807.37
Short term loans and advances	50.71	877.78	160.08	196.66
Other Current Assets	546.79	1,038.09	1,195.57	1,638.33
Total Current assets	4,199.42	6,310.24	9,274.20	13,106.31
Total Assets	6,356.56	11,642.30	23,600.07	29,429.47

Cash Flow Statement

Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24	Sep-24
Net Cash Flow from Operating Activities	-522.13	-727.27	4,814.94	2,456.49
Net Cash Flow from Investing Activities	-2,457.03	-4,571.84	-13,071.36	-6,179.48
Net Cash Flow from Financing Activities	3,018.71	5,613.16	8,743.97	3,689.22

Key Ratios

Per Share Data	FY 22	FY 23	FY 24	FY 25*	Valuation Ratios (x)	FY 22	FY 23	FY 24	FY 25*
Diluted EPS	3,155.41	9,858.53	2,206.83	7.32	EV/EBITDA	4.24	3.07	3.17	2.13
BV per share	3,165.40	13,023.90	2,269.21	74.82	Market Cap / Sales	0.0008	0.0004	0.01	0.79
Operating Ratios					P/E	0.05	0.02	0.08	22.95
EBITDA Margins	3.82%	7.92%	15.68%	17.05%	Price to Book Value	0.05	0.01	0.07	2.25
PAT Margins	1.51%	2.58%	3.15%	3.46%	Solvency Ratios				
Inventory days	0.34	0.10	0.83	0.58	Debt / Equity	9.83	6.40	2.91	1.05
Debtor days	61.96	38.64	60.94	55.99	Current Ratio	0.99	1.18	0.92	0.92
Creditor days	128.66	13.43	18.87	44.99	Quick Ratio	0.98	1.18	0.92	0.92
Return Ratios					Asset Turnover	3.29	3.28	1.78	2.14
RoCE	22.74%	25.48%	18.32%	13.28%	Interest Coverage Ratio	5.08	3.13	2.32	2.15
RoE	99.68%	75.70%	23.85%	9.78%	*Annualized				

INTERPRETATION –

- The top line has increased over the years. It increased by 82.42% in FY23. The increase cannot be justified as the company started generating revenue from Sep 2021. Then it increased by 9.83% in FY24 which was due to increase in number of placements.
- The net profit also increased over the years. It increased by 212.43% in FY23 and increased by 34.12% in FY24.
- The EBITDA margin and PAT margin also increased over the years. The sudden jump in EBITDA margin in FY24 was due to decrease in operating expense (decrease by 14%) in comparison to revenue generated.
- The DE ratio has remained high in FY22, FY23 and FY24.

PEER ANALYSIS –

Particulars	Tejas Cargo India Limited			RITCO Logistics Limited			AVG Logistics Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	1.51%	2.58%	3.15%	2.74%	3.24%	3.52%	0.23%	1.94%	6.32%
EBITDA Margin	3.82%	7.92%	15.68%	6.88%	7.33%	8.44%	9.68%	18.23%	21.78%
RoCE	22.74%	25.48%	18.32%	23.83%	29.80%	28.22%	7.84%	15.94%	21.39%
ROE	99.68%	75.70%	23.85%	13.13%	16.44%	18.03%	1.20%	9.29%	15.97%
EPS (INR)	3,155.41	9,858.53	2,206.83	6.65	9.97	13.48	0.83	7.08	25.11
P/E	0.05	0.02	0.08	18.74	15.20	17.60	102.41	23.86	23.22

- The company is not comparable to its peers due to limited operating experience.

LEAD MANAGER TRACK RECORD –

The lead manager to the issue is **New Berry Capitals Private Limited**. This is their first mandate.

Recommendation -

Tejas Cargo India Limited has been in the industry since 2021 and has limited experience in the industry.

The P/E on a post-IPO annualized basis is around 22.95 times which makes it slightly aggressively priced.

The company's management is decent and the promoters have decent experience in the industry.

The company's revenue saw a slight increase in FY23, which is not a major concern since it only began generating revenue in Sep 2021. The net profit also experienced a sharp rise in FY23 as the revenue increased significantly and the operating expenses also saw a slight decline relative to revenue. While the EBITDA margin saw a notable increase in FY24 due to a reduction in operating expenses relative to revenue. However, the company reported negative cash flow from operations in both FY22 and FY23. Overall, its financials appear somewhat unsustainable, and given its incorporation in 2021, there is limited historical data on its financial performance.

While the company has demonstrated rapid growth since its inception, its limited operating history and slightly unstable financial performance make it prudent to avoid this issue for now. Additionally, the industry remains highly competitive and fragmented.

Thus, investors can **AVOID** this IPO and check for further company updates.

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