

Future Supply Chain Solutions Ltd : Good Issue

IPO Note : Largest organized third-party logistics service operator : Ranking***



Issue details

| | |
|------------------|----------------|
| Price band (Rs) | Rs.660-664 |
| IPO Opening Date | 06/12/17 |
| IPO Closing Date | 08/12/17 |
| Issue Size | Rs. 649.70 Cr. |

Recommendation

Total revenue grew at a CAGR of **20.08%** from Rs.333.20 Cr for the FY 2014 to Rs.576.99 Cr for FY 2017. Net Profit grew at a CAGR of **121.15%** from Rs.4.23 crore in FY14 to Rs.45.75 crore in FY17. For first half of the current fiscal it has posted net profit of Rs. 33.33 cr. on a turnover of Rs. 365.20 cr. Company has reported an average EPS of Rs. 9.13 and average RoNW of 13.7% for last three fiscals. Issue is priced at a P/BV of 7.97 on the basis of NAV as on 30.09.17. **If we annualize latest earnings and attribute on post issue equity then asking price is at a P/E of around 40 against listed peer Mahindra Logistics trading at a P/E of around 67.** It has total debt of Rs.81.71 crore and debt to equity ratio stood at 0.28 times.

Highlights

- Future Supply Chain Solutions Ltd. (FSC) is one of India's largest organized third-party logistics service operators
- Company's service offerings, warehousing infrastructure, pan-India distribution network, "hub-and-spoke" transportation model and automated technology systems support its competitive market position.
- FSC provides services in three areas i.e. 1. Contract Logistics: warehousing, distribution and other value-added services; 2. Express Logistics: point-to-point, less-than truck-load, time-definite transportation services; and 3. Temperature-Controlled Logistics: cold-chain warehousing, transportation solutions and distribution of perishable products.
- FSC's customers operate in various sectors across India, including retail, fashion and apparel, automotive and engineering, food and beverage, fast moving consumer goods ("FMCG"), e-commerce, healthcare, electronics and technology, home and furniture and ATMs.
- It currently operates with 14 hubs, 106 branches and dedicated containerized fleet of 526 vehicles.

Company Introduction

Incorporated in 2006, Future Supply Chain Solutions Ltd is one of the largest third-party logistics service provider in India. Their services includes automated and IT-enabled warehousing, distribution and other logistics solutions.

They offers contract logistics such as warehousing and distribution services as well as other value-added services including kitting and bundling, unit cartonisation and packaging solutions, express logistics such as point-to-point, less-than truck-load and time-definite transportation services; and temperature-controlled logistics comprising cold-chain warehousing, transportation solutions, and long-haul distribution services for perishable products.

They serves customers in various sectors which includes retail,



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Financial Summary (Rs. In Crore)

| Particulars | Six Month Ended Sept. 2017 | FY2017 | FY 2016 | FY2015 |
|--------------|----------------------------|--------|---------|--------|
| Total Income | 365.2 | 576.99 | 528.47 | 410.72 |
| Net Profit | 33.33 | 45.75 | 29.42 | 24.65 |
| EPS (Rs) | 8.32* | 11.42 | 7.34 | 6.15 |

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

| | |
|-----------|-------|
| WEAK | * |
| AVERAGE | ** |
| GOOD | *** |
| VERY GOOD | **** |
| EXCELLENT | ***** |

fashion and apparel, automotive and engineering, food and beverage, fast-moving consumer goods, e-commerce, healthcare, electronics and technology, home and furniture and ATMs.

Company Promoters:

Future Enterprises Limited (FEL) is the promoter of the Company. .

The object of the issue

The objects of the Offer for the Company are to:

1. Achieve the benefit of listing the Equity Shares on the Stock Exchanges;
2. Sale of Equity Shares by the Selling Shareholders;
3. Enhance its stability and brand image and provide liquidity to its existing shareholders.

IPO Issue Proceed

FSC is coming out with a maiden secondary IPO by way of offer for sale from existing stakeholders for providing partial exit as well as listing gains. It is offering 97.85 Lakh equity shares of Rs. 10 each via book building route with a price band of Rs. 660-664 to mobilize Rs. 645.78 – Rs. 649.70 crore (based on lower and upper price bands). Issue opens for subscription on 06.12.17 and will close on 08.12.17. Minimum application is to be made for 22 shares and in multiples thereon, thereafter. Post allotment shares will be listed on BSE and NSE. Offer constitutes 24.43% of the post issue paid up capital of the company. Being OFS, its post issue paid up capital remains same at Rs. 40.06 crore. Cost of acquisition of shares by promoters is Rs.23.49 per share and by PE firm Griffin is Rs. 323.02 per share.

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