



SMC Ranking
 ★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Logistics
Total Issue (Shares) - Offer for sale	9784570
Total Issue (Shares) - Fresh Issue	0
Net Offer to the Public	9,784,570
Issue Size (Rs. Cr.)	645-650
Price Band (Rs.)	660-664
Offer Date	6-Dec-17
Close Date	8-Dec-17
Face Value	10
Lot Size	22 Share

Issue Composition	In shares
Total	40,056,238
QIB	4,892,285
NIB	1,467,686
Retail	3,424,600

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	57.35%	52.47%
QIB	34.18%	26.85%
NIB	7.19%	10.86%
Retail	1.28%	9.82%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

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

Book Running Lead Manager

- Edelweiss Financial Services Limited
- IDFC Bank Limited
- IIFL Holdings Limited
- CLSA India Private Limited
- Nomura Financial Advisory & Securities (India) Private Limited
- YES Securities (India) Limited

Name of the registrar Link Intime India Private Limited

About the Company

Incorporated in 2006, Future Supply Chain Solutions Ltd is one of the largest third-party logistics service providers in India. Its services include automated and IT-enabled warehousing, distribution and other logistics solutions. The company offers services in three key areas -- contract logistics (warehousing, distribution and other value-added services); express logistics (point-to-point, less-than truck-load, time-definite transportation services); and temperature-controlled logistics (cold-chain warehousing, transportation solutions and distribution of perishable products).

Strength

One of the largest service providers with an extensive network of facilities in a fast-growing third-party logistics market: Its extensive network of 46 distribution centres, including 4 temperature-controlled distribution centres, 14 hubs and 106 branches covering 11,235 pin codes across 29 states and 5 union territories creates a pan-India supply chain network. The locations of its facilities and delivery network enable the company to provide its customers with access to multiple destinations for booking and delivery of goods across India.

Comprehensive solution for supply chain requirements: Its supply chain provides a comprehensive solution for third-party logistics services through contract logistics, express logistics and temperature-controlled logistics. It also provides end-to-end customised logistics and supply chain solutions that it creates based on its customers' requirements.

Diverse customer base across many sectors: Its customer base spans many sectors, including retail, fashion and apparel, automotive and engineering, food and beverage, FMCG, e-commerce, healthcare, electronics and technology, home and furniture and ATMs. It has a diversified customer base in each of the sectors it serves, including Indian corporate groups and multinational companies apart from its Promoter and certain Group Companies such as Pepe Jeans India Limited, Bakers Circle (India) Private Limited, Clarks Future Footwear Private Limited, HPL Electric & Power Limited, PepCart Logistics Private Limited (Pepperfry), Surya Roshni Limited, TTK Prestige Limited, Bestseller Fashion India Private Limited, Best United India Comforts Private Limited (JACK & JONES), VERO MODA Retail Private Limited, ONLY Retail Private Limited, M/s Asandas & Sons (HyFun FOODS), Reckitt Benckiser (India) Private Limited, Amway India Enterprises Private Limited, Kellogg India Private Limited, Mondelez India Foods Private Limited and Wildcraft India Private Limited.

At the forefront in introducing new standards of technology and automation in the logistics industry in India: Its adoption of technology and automated processes differentiates the company within the supply-chain management industry in India. It has adopted various technologies and automation in its business, including (i) "Dynamic Put-to-Light" (ii) Warehouse Management System (iii) Transport Management System (IV) Vehicle Tracking System (v) a high-speed cross-belt sorter at its distribution centre in MIHAN, Nagpur, (vi) remote access to its delivery vehicles and (vii) a real-time data logging system that enables it to monitor temperature variations in its distribution centres and its reefer trucks used in its temperature-controlled logistics services.

Longstanding relationship with Future Entities: The Future Entities are its key customers and for whom it has devoted significant scale in its operations. The scale of its logistics services for the Future Entities enables the company to capture economies of scale and drives automation and standardisation of processes to optimise its service offerings, thereby further strengthening its relationship with these entities.

Experienced management team with logistics and retail sector-specific knowledge: The Company's management team formulates strategy, manages service areas, diversifies its business and sector mix, ensuring strong operating and technology platforms and expanding its customer relationships. Further, the management team enables it to conceptualise and develop new services, effectively market its services, and develop and maintain relationships with its customers and vendors.

Strategy

Capitalise on the growth of the third-party logistics industry in India: The Company intends to capitalise on growth opportunities in the Indian third-party logistics market, given its experience in adopting technology and automation to service its customers. It also intends to capitalise on the opportunities arising from the rollout of GST in India.

Target growth by identifying new customers, increasing its share of existing customers' third-party logistics spending and leveraging existing relationships: The Company has implemented sales and marketing strategies under each of its key service areas to ensure continuous flow of business. As its customers continue to grow and their supply chains increase in size and complexity, it intends to focus on expanding the range of services cater to new geographies in which they operate and expand its services into their new product lines.

Expand addressable market through customised and new service offerings: It recently set up an Integrated Food Distribution Centre ("IFDC") in Kolkata, which caters to multiple formats and categories for the food industry, including cold storage, in the same location. This new and customised offering enables higher throughputs, lower inventory, faster refills through lead-time reduction and transport cost optimisations for its customers, among other benefits. The company is also focusing on increasing its penetration in sectors, such as frozen foods, pharmaceuticals, quick-service restaurants, dairy and fruits and vegetables given its capability and experience across multiple sectors and its ability to service the temperature-control requirements of these sectors.

Invest further in infrastructure and expand its network: The company plans to continue to invest in enhancing its infrastructure to enable it to respond quickly to its customers' changing needs, thereby continually improving the competitiveness of its supply chain solutions. It intends to expand its temperature-controlled warehousing facilities initially into new locations focused around key metropolitan areas such as Kolkata, Delhi, Mumbai, Bengaluru and Chennai, followed by a second phase of expansion, focused on evolving consumption centres such as Indore, Mohali, Hyderabad and Cochin.

Explore inorganic growth opportunities: The company intends to pursue opportunities to acquire other logistics businesses in India (i) that allow it to enhance its scale and market position; (ii) that provide the company with a platform to extend its reach to new geographic markets within India; and (iii) that add new services complementary to its service offerings or that allow the company to enter strategic businesses to capture additional revenue opportunities from its existing customer base. The company recently has acquired a stake in Leanbox Logistics Solutions Private Limited ("**Leanbox**") pursuant to an Investment Agreement, dated July 21, 2017, which is intended to enable it to enhance its "last-mile" delivery platform with technology-based solutions. The technology platform of Leanbox supports an asset-light "last-mile" delivery platform through efficient order processing, vehicle planning and routing and productivity management.

Continue to improve operating efficiencies and implement technological and process enhancements: The Company strives to make its operations more cost-efficient and effective in order to improve its profitability and increase its earnings. This strategy will be driven by focusing on productivity improvement and profitability, by maximising the benefits of economies of scale of using technology and infrastructure. Its adopted technology and automation capabilities are designed to effectively manage its operations, maintain operational and fiscal controls and continue to enhance customer service levels.

Risk Factors

Tough Competition: The Company faces competition from a number of international and domestic third-party logistics companies, which may adversely affect its market position and business.

Heavily dependent on machinery and equipment for operations: The Company is heavily dependent on machinery and equipment for its operations. Any breakdown of its machinery or equipment will have a significant adverse effect on its business, reputation, financial results and growth prospects.

Business is highly dependent on technology and automation: The Company uses technology and automation processes throughout its logistics offerings to enable efficient and cost-effective operational management to better serve its customers' supply chain needs. Any disruptions or failure to update such technology or automation could have an adverse effect on its results and operations.

Experienced negative cash flows: The Company has experienced negative cash flows from operations in the recent past, including Rs.15.41 Cr for Fiscal 2016, primarily due to an increase in receivables during such period as well as an intercorporate deposit. Any negative cash flows in the future could adversely affect its results of operations and financial condition.

Peer comparison

Company name	Operating Sales	PAT	Mcap	EPS	P/E	P/BV	BV	FV	Price
Mahindra Logistics Ltd	2,666.59	46.07	3179.69	6.48	69.02	9.00	49.66	10	446.95
Future Supply Chain Solutions	714.83	66.66	2659.79	16.64	39.90	7.40	89.72	10	664.00

Future Supply Chain Solutions Ltd ratios post issue based on FY17

Valuation

At upper price band of Rs.664 EPS and P/E of annualised 2nd half FY2018 are Rs. 16.64 and 39.90 multiple respectively and at a lower price band of Rs. 660, P/E multiple is 39.66; at upper price band of Rs.664, book value and P/B of annualised 2nd half FY2018 are Rs.89.72 and 7.40 multiple respectively and at a lower price band of Rs. 660 P/B multiple is 7.36. No change in pre and post issue EPS and Book Value as the company is not making fresh issue of capital. Book Value has changed due to 6 month estimated profit during oct'17 to March'18.

Industry outlook

The Indian logistics market was estimated at approximately ₹9,100 billion (US\$ 140 billion) in Fiscal 2017. Indian logistics expenditure is approximately 6.0% of India's GDP (excluding inventory carrying cost), which is higher than that of the United States (approximately 5.5% of the United States' GDP), but lower than that of China (approximately 11.5% of China's GDP). The Indian logistics market has grown at approximately a 12% CAGR between Fiscals 2012 and 2017. The industry growth is expected to continue in line with the historical growth trajectory because of strong demand and supply-side drivers (Source: Industry estimates). Key factors contributing to the future growth include growth of the Indian economy, increasing urbanization, increasing consumerism due to higher per capita incomes, favorable regulatory changes, incentives from the government for infrastructure investment and higher levels of outsourcing of logistics activities.

Outlook

The company is one of the largest third-party logistics service operators offering automated and IT-enabled warehousing, distribution and other logistics solutions. However, the Company is heavily dependent on machinery and equipment for its operations. Any breakdown of its machinery or equipment will have a significant adverse effect on its business. Also, this issue is offer for sale and no amount would go to the company. On the valuation front, it looks expensive.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
Bid/Offer Opens Date	December 6, 2017
Bid/Offer Closing Date	December 8, 2017
Finalisation of Basis of Allotment with the Designated Stock Exchange	December 13, 2017
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	December 14, 2017
Credit of Equity Shares to depository accounts of Allottees	December 14, 2017
Commencement of trading of the Equity Shares on the Stock Exchanges	December 18, 2017

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Sep-17 (6 Months)	Period ended 31-Mar-17 (12 Months)	Period ended 31-Mar-16 (12 Months)
Total Operating Income	357.42	561.18	519.87
Total expenditure	301.23	486.90	449.94
Operating Profit	56.18	74.28	69.93
OPM%	15.72	13.24	13.45
Other Income	7.79	15.81	8.60
PBDIT	63.97	90.09	78.53
Depreciation	10.20	19.14	20.678
PBIT	53.77	70.95	57.85
Interest	4.33	12.76	13.261
PBT	49.44	58.19	44.59
Tax	16.11	12.44	15.17
Profit after tax	33.33	45.75	29.43

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-17	As on 31-Mar-17	As on 31-Mar-16
Non-current assets			
Property, Plant And Equipment	207.47	128.78	137.08
Capital Work In Progress	0.45	69.81	1.826
Intangible Assets	0.931	0.968	1.339
Financial Assets			
Investments	10	0	0.007
Other Financial Assets	22.726	22.725	25.092
Other Non-Current Assets	0	0	0.01
Income Tax Assets(Net)	0	0.859	8.946
Total Non- Current Asset	241.57	223.14	174.30
Current assets			
Current Investment	0.01	0.01	0.00
Trade Receivables	250.17	216.71	221.12
Cash and Cash Equivalent	63.81	46.68	1.48
Bank Balances other than Cash and Cash Equivalent	0.34	0.33	0.47
Other Financial Assets	5.36	6.07	78.91
Other Current Assets	14.43	16.57	7.42
Total current assets	334.13	286.36	309.40
Total Assets	575.70	509.50	483.70
Non-current liabilities			
Non-Current Borrowings	27.61	73.54	44.28
Other Non-Current Financial Liabilities	1.70	1.96	1.96
Provisions	3.03	2.65	1.91
Deferred Tax Liabilities (Net)	10.80	10.09	11.18
Total non-current liabilities	43.14	88.23	59.33
Current liabilities			
Borrowings	52.078	0	36.02
Trade Payables	106.284	97.787	108.26
Other Current Financial Liabilities	25.499	19.905	16.92
Other Current Liabilities	12.801	10.663	15.61
Provisions	9.847	0.108	0.335
Total current liabilities	206.51	128.46	177.13
Total	249.65	216.70	236.46
	326.05	292.81	247.24
Net worth represented by:			
Share capital	39.14	39.14	39.138
Reserves and surplus	286.92	253.67	208.10
Net Worth	326.05	292.81	247.24

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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