

Sales
Note

Snowman Logistics Ltd (SLL)

22 November, 2017

BUY

CMP (₹)	Target (₹)
58	76
Potential upside	Absolute Rating
30%	BUY

Market Info (as on 21st November, 2017)

BSE Sensex	33,478.35
Nifty S&P	10,296.00

Stock Detail

BSE Group	B
BSE Code	538635
NSE Code	SNOWMAN
Bloomberg Code	SNLL IN
Market Cap (₹mn)	9507.3
Free Float (%)	59%
52wk Hi/Lo	67.65 / 46
Avg. Daily Volume (NSE)	513,929
Face Value / Div. per share (₹)	10.00 / 0.00
Shares Outstanding (mn)	167

Shareholding Pattern (%)

Promoters	Public
40.25	59.75

Financial Snapshot		(₹mn)			
Y/E March	FY16	FY17	FY18E	FY19E	
Net Sales	2,249	1,892	2,068	2,523	
EBITDA	486	364	444	590	
Net Profit	205	(49)	(36)	130	
EV/EBITDA	23.8	27.2	24.1	17.9	
ROE (%)	4.7%	(1.1)%	(0.8)%	3%	
EPS	1.2	(0.3)	(0.2)	0.8	

Share Price Performance



Rel. Perf.	1Mth	3 Mths	6Mths	1Yr
VOL (%)	11.67	18.17	-0.42	14.83
Sensex (%)	2.99	5.82	9.50	27.57

Source: Company data, Retail Research

Company Snapshot

Snowman Logistics Limited (SLL), founded in 1993, is the leading integrated temperature controlled logistics service provider operating across locations, servicing customers on a pan-India basis. They have set-up temperature controlled warehouses adjacent to cities with a large potential for sourcing and/or consumption of temperature sensitive products including the larger cities such as Mumbai, Chennai, Bengaluru and Kolkata. The company offers Premium based high quality storage, distribution and value added services. Gateway Distriparks Limited which is a leading integrated logistics facilitator in India is the company's promoter and the largest shareholder. Snowman's investor profile also includes Mitsubishi Corporation, Mitsubishi Logistics Corporation, International Finance Corporation and Norwest Venture Partners VII-A Mauritius. The Company's clientele comprises prominent brands from diverse industries like pharmaceuticals, meat & poultry, seafood, fruits & vegetables, ice cream, confectionery, dairy products, quick service restaurants, ready-to-eat, processed foods, and industrial products among others.

Investment Rationale

Market leader in the temperature controlled logistics Industry

SLL has a wide network of 33 temperature controlled warehouses in 15 cities, having a capacity of 103,600 pallets and 293 vehicles spread across 15 locations in India. It is expanding its geographical reach by opening warehouses at new locations. The Company crossed 1 lakh pallet capacity with the commencement of operations at the Cochin Warehouse, reconfirming its position as the market leader in the temperature controlled logistics Industry. SLL's capacities are mainly concentrated towards south and west to capitalize on low penetration in those regions. SLL has established long-lasting relationships with some marquee corporate clients, supported by a fleet of 293 refrigerator trucks (reefers). Constructions for new facilities are under way at Krishnapatnam (AP) which would increase the capacity further and place it at a better position with the Gateway Distriparks CFS to be able to offer a bundled solution to the export-import (Exim) trade, the facilities are expected to become operational by 2017-18. The company's capacity has grown at CAGR of 23.35% over the period of last 5 years.

Superior quality warehousing facility

The company's superior quality warehousing facility is the core strength of the company. Its warehousing solutions offer services across a spectrum of temperature - from ambient to chilled and frozen (i.e. +25°C to -20°C). The company uses state of the art temperature controlled warehouses which are internationally certified. The Company provides blast freezing facilities at temperature controlled warehouses in Kolkata, Visakhapatnam, Mumbai, Surat, Ahmedabad, Delhi, Chandigarh, Chennai, Bengaluru. The company uses Multi-facility use of environment-friendly refrigerant ie. Freon; Multi-chamber and multi-temperature warehouse to accommodate dairy products (cheese and butter), confectioneries (chocolates and other food items), meat and sea food. Rooms are designed to accommodate products at temperatures Celsius ranging from -25°C to +20°C; it has complete power backup with multiple generators and warehouses which are fully palletized with zero product damage.

Well diversified Product mix & Loyal Clients

Snowman provides solution for the end-product industries like seafood, Confectionaries, Dairy, Poultry, Ready to cook, Ice-creams, Niche segments & Others which helps the company to boost demand for cold storage. Snowman has client base who are from diverse industries such as Seafood, Dairy, Food processing, FMCG, Confectionaries, Pharmaceuticals (Key area of growth going forward). With well diversified products mix & loyal clients base the Company is running throughout the year with highest capacity utilization levels. SLL currently extends backend support to the reputed (Quick Service Restaurants) QSR brands viz. KFC,

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Subway, Domino's, Café Coffee Day. Recently it has partnered with IKEA, the Swedish home furnishings retailer to manage the backend of their in-store restaurants business, in India.

Customized services and pan India presence with growing industry demand

The company provides customized value added services such as kitting, labelling, sorting, stuffing and de-stuffing of containers, repacking and bulk breaking. Their services include door to door service, customized milk runs and part cargo consolidation. They also provide secondary transportation i.e. last mile distribution, supplying, amongst others, retail outlets, restaurants and the hotels. Each Reefer Vehicle is equipped with a data logger to ensure continuous monitoring of temperature and are global positioning system (GPS) enabled for real time tracking. The data logger and the GPS enable them to provide their customers with real-time information about the cargo even when in transit. The introduction of GST by the Government as well as the infrastructure status given by the government to the logistics sector will work in the Company's favour and boost the industry growth in the upcoming years. With increasing penetration of the company in Tier 2 & Tier 3 cities, we can see further increase in demand for refrigeration facilities in those areas.

Valuation

At CMP of ₹58, SLL is trading at 27x its FY17 EBITDA of ₹364 mn .With its unique business model, we can see significant margin improvement FY18 onwards. We expect stock to trade at 23x EV/EBITDA of its FY19E EBITDA of ₹590 mn. We assign a **BUY** rating on the stock with a price target of ₹76 in next 12 months which is more than 30% upside from its current levels.

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NOTES

Name	Designation	Email	Contact
Tanvi Shetty	Analyst - Fundamental Research	tanvi@geplcapital.com	91 (22) 6614 2693

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Reg./Corp. Office : D-21 Dhanraj Mahal, CSM Marg, Colaba, Mumbai 400 001 Contact No +91 22 66182400

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