India Midcaps

INITIATING COVERAGE

FUTURE SUPPLY CHAIN SOLUTIONS

The right connect

India Equity Research| Logistics

We anticipate a demand boom for third party logistics (3PL) services as manufacturers sharpen focus on core competencies and outsource complex supply chain needs. Future Supply Chain Solutions (FSC) is geared to capitalise on this led by: i) customer stickiness due to focus on contract logistics business (70% of revenue); ii) fast expanding anchor client—Future Group; iii) diverse clientele in rapidly-growing consumer-facing businesses; and iv) moderate competitive intensity—given huge growth pie, we expect 3PL players to emerge as segment specialists. Hence, we estimate FSC to clock 36% CAGR in both revenue and PAT over FY18-20 (almost 2x industry) with strong RoE and RoCE of 21% and 36%, respectively, in FY20. Moreover, an asset-light model ensures strong free cash flow—surplus cash at 26% of net worth in FY20. Initiate with 'BUY'.

Demand boom for 3PL services; FSC geared to capture opportunity

We expect GST to trigger major shift in business from unorganised/regional players to organised/national logistics players. Rising scale and complexities will compel manufacturers to outsource their supply chain needs. Managing this scale with latest technology will require specific domain expertise. FSC is equipped to handle logistical complexities bolstered by its investments in technology. Moreover, primary focus on contract logistics (~70% of revenue) ensures customer stickiness.

Rapidly expanding anchor client; diverse customer base

FSC's anchor client—Future Group (62% revenue share in FY17)—is estimated to post ~25% revenue CAGR over FY18-20, imparting growth visibility. As the Group centralises its logistics spend, we anticipate significant jump in FSC's share of business (one-third currently). Similarly, a diversified non-anchor clientele in consumer-facing segments lends it the first-mover advantage as they will be early adopters of 3PL services

Outlook and valuations: Ready to soar; initiate with 'BUY'

We estimate FSC to post ~36% CAGR in revenue as well as EPS over FY18-20 with RoE of 21% (up 240bps) driven by robust growth of anchor client and non-anchor clients rapidly shifting to 3PL services. Hence, we initiate with **'BUY'** and target price of INR862 (26x FY20E EPS, at ~30% premium to sector), given its almost 2x industry growth, healthy RoE and cash generation. The stock is currently trading at 20.2x FY20E PER.

Financials

Year to March	FY17	FY18E	FY19E	FY20E
Revenues (INR mn)	5,612	7,519	10,171	13,820
EBITDA (INR mn)	743	1,213	1,575	2,150
Adjusted Profit (INR mn)	458	699	989	1,300
No. of Shares outstanding (mn)	39	39	39	39
Adjusted Diluted EPS (INR)	11.7	17.9	25.3	33.2
Diluted P/E (x)	57.4	37.6	26.6	20.2
EV/EBITDA (x)	35.2	20.8	16.0	11.4
ROAE (%)	16.9	18.6	19.5	21.0

EDELWEISS RATINGS

Absolute Rating	**BUY**
Investment Characteristics	Growth

MARKET DATA *(R: FUTEF.BO, B: FSCSL IN)*

CMP	: INR 671
Target Price	: INR 862
52-week range (INR)	: 750 / 639
Share in issue (mn)	: 40.1
M cap (INR bn/USD mn)	: 27 / 411
Avg. Daily Vol.BSE/NSE('000)	: 167.3

SHARE HOLDING PATTERN (%)

	Current	Q3FY18	Q2FY18
Promoters *	52.5	NA	NA
MF's, FI's & BK's	16.2	NA	NA
FII's	5.0	NA	NA
Others	26.3	NA	NA

** Promoters pledged shares (% of share in issue) : NIL*

PRICE PERFORMANCE (%)

	Sensex	Stock	Stock over Sensex
1 month	0.7	2.4	1.7
3 months	(2.1)	(3.3)	(1.2)
12 months	15.7	NA	NA

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Executive Summary

Changing industry dynamics: Advantage 3PL players

GST is expected to lead to a paradigm shift in the domestic logistics sector. With its implementation, efficiency, scale and centralisation, rather than tax benefits, will gain prominence. Rising scale & complexities and focus on core competencies will lead to manufacturers outsourcing their supply chain needs. Managing this scale with latest technology will require specific domain expertise. This will compel the logistics industry to upgrade to / scale up from providing plain vanilla services (movement of goods, simple warehousing, etc) to complex supply chain management. As a result, demand is envisaged to shift in favour of 3PL service providers from unorganised/regional players (current share 85%).

Differentiated business model, niche skills ensure customer stickiness

FSC has a differentiated business model—focuses on contract logistics (~70% of revenue) rather than movement of goods (~65% of industry revenue). The company provides end-to-end services from warehouse/distribution centre to the end consumer. This ensures customer stickiness as contracts generally span three-five years. Moreover, FSC has developed expertise in handling consumption-driven products led by its capability to sort and redistribute goods as per customer requirements to different locations in various combinations simultaneously.

Deepening penetration in rapidly expanding anchor client

FSC's anchor client—Future Group—is estimated to post ~25% revenue CAGR over FY18-20 (Bloomberg estimate). This imparts growth visibility to FSC. As the Group consolidates and centralises its logistics spending, we anticipate significant jump in FSC's share of business (one third currently) as well. Moreover, the Group's inorganic initiatives—acquired Nilgiris, Bharti Retail, Heritage Retail, Hypercity— and focus on foods business are additional growth levers for FSC.

Diversified clientele in fast-growing segments

Beyond the anchor client, FSC has a diverse customer (top 10 account for ~15% revenue) and industry base—retail, fashion & apparel, auto, FMCG, e-commerce, among others. A widespread customer base helps the company cross-apply learnings across different segments and improve its services. Moreover, its customer segments are expected to grow at a rapid pace and be early adopters of 3PL services, giving FSC the first-mover advantage.

Robust new contract pipeline

FMCG, fashion, consumer durables and electronics sectors are expected to rapidly embrace 3PL services on account of GST implementation. This is already reflected in ramp up in FSC's potential contract pipeline—as at Q3FY18 end, INR6.1bn at various stages of discussion. Of this, contract logistics accounts for INR3.1bn (76% of 9mFY18 revenue), express logistics INR1.2bn (100%) and balance temperature-controlled logistics (78%). The company anticipates healthy conversion from the pipeline.

Strong focus on technology and automation

FSC has stayed ahead of the curve by adoption of technology and automation in its logistics operations. The company leverages technology to manage logistical complexities associated with consumption-driven products. Cases in point are implementation of the advanced put-to-light technology at its warehouse in 2012 and the recently introduced high speed cross-belt sorter system at its distribution centre at the Multi-model International Cargo Hub and Airport at Nagpur (MIHAN) in Maharashtra.

Moderate competitive intensity

FSC earns ~70% revenue from contract logistics, which is a relatively less compeitive space compared to goods transportation. And, given the expanding opportunity pie, we expect the competitive intensity to remain moderate as 3PL players are likely to develop sector-specific skill sets leveraging on their anchor clients. Cases in point are TVS Logistics, which largely focuses on auto segment, Mahindra Logistics primarily focuses on auto & Engineering, among others.

Contract logistics to spur 36% revenue CAGR over FY18-20E

According to our estimate, FSC's contract logistics segment will post ~40% revenue CAGR and contribute ~78.5% (70% in FY17) to the company's total revenue in FY20. Driven by this, we estimate FSC to clock 36% revenue as well as PAT CAGR over FY18-20. Our EBITDA growth (33%) estimate is lower than revenue growth as we factor in the company's growing focus on the lower-margin foods business. Also, rapid expansion in the foods space will lead to up fronting of operational costs till capacity is optimally utilised. Hence, EBITDA margin is estimated to decline 50bps to 15.6% over FY18-20.

Outlook and valuation: Ready to soar; initiate with 'BUY

FSC's unique business model, robust growth outlook for anchor client and diversified customer base place it in a sweet spot to capitalise on the J-curve demand anticipated in the logistics industry. Competitive intensity in the contract logistics space is lower and customers are sticky, imparting adequate revenue visibility once FSC penetrates a customer. Our 36% EPS CAGR estimate over FY18-20 has an upside risk from faster-than-expected transition by industry to 3PL services as well as surprise on FSC's execution capabilities. The asset-light business model is estimated to lead to robust free cash flow generation (5.8% of sales)— surplus cash estimated at ~26% of networth by FY20. We expect FSC to report 21% and 36% ROE and RoCE respectively in FY20 (supressed by strong free cash generation). Given the superior earnings growth as well as asset-light business model, we prefer to value the company at FY20E PER of 26x (~30% premium to sector average) with TP of INR862.

Key risks to our rationale

Over the past three years, the share of revenue from anchor customer (Future Group) has been rising. We expect this trend to sustain in the near future (before it starts tapering) given the latter's aggressive growth plans and opportunity for FSC to increase penetration. Hence, any slowdown in Future Group's plans is likely to impact FSC's growth. Historically, FSC has had higher receivable days (163 in FY15). While the company has made efforts to prune the same to ~100 days in 9mFY18, we expect the improvement in working capital cycle to sustain going forward (albeit, at a slower pace). Any change in working capital cycle can affect the company's free cash flow generation.

Summary Charts

Table 1: Contract logistics spends in auto, FMCG and retail (key segments for FSC) are expected to grow at a rapid pace

Industry	User Industry market FY17 (INRbn)	% Logistics spend	% contract of logistics spend	FY 17 contract market (INRbn)	Penetration of contract logistics- share (%)	FY 22 contract market (INRbn)	FY17-22 CAGR (%)
Auto	5,820	5.0	27.0	72.0	15.0	153.0	16.0
FMCG	4,420	8.0	3.0	11.0	45.0	31.0	23.0
Organized retail	1500	4.0	12.0	8.0	38.0	20.0	20.0
CD	880	5.0	15.0	7.0	45.0	14.0	16.0
Telecom	850	3.0	18.0	6.0	40.0	12.0	16.0
Apparel	3000	1.0	15.0	4.0	45.0	8.0	16.0
IT and Mobile	1,340	2.0	11.0	3.0	35.0	6.0	17.0
Total	**17,800**	**5.0**	**13.0**	**110.0**	**25.0**	**244.0**	**17.0**

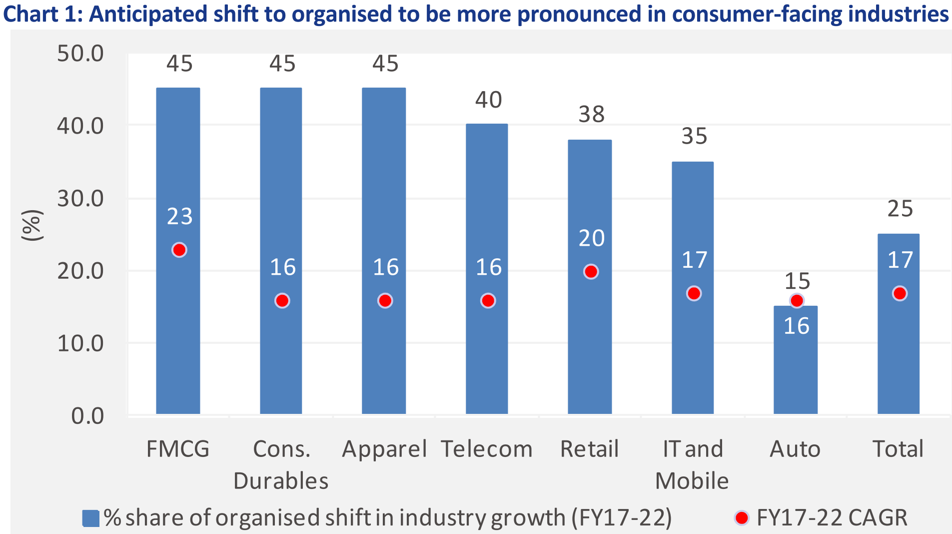
Source: Company RHP

Table 2: Unorganised share in logistics high at ~85%

Segment	Industry demand	Share of Organised
Warehousing	* 500mn sq.ft of Grade A/B warehouses	* Share of Grade A/B is only 28% (145mn sq.ft)
Transportation	6.5mn CVs (LCVs, ICVs, MAVs, TTs)	* Only 5% fleet operated by large fleet owners * 80% fleet is owned by single truck operators
Cold Chain	Demand from processed food industry is ~700,000 pallets	* Only 36% pallets (~250,000) are of desired quality

Source: Company RHP

Chart 1: Anticipated shift to organised to be more pronounced in consumer-facing industries



Source: Company RHP

Chart 2: We expect FSC's contract logistics segment to be a major beneficiary...

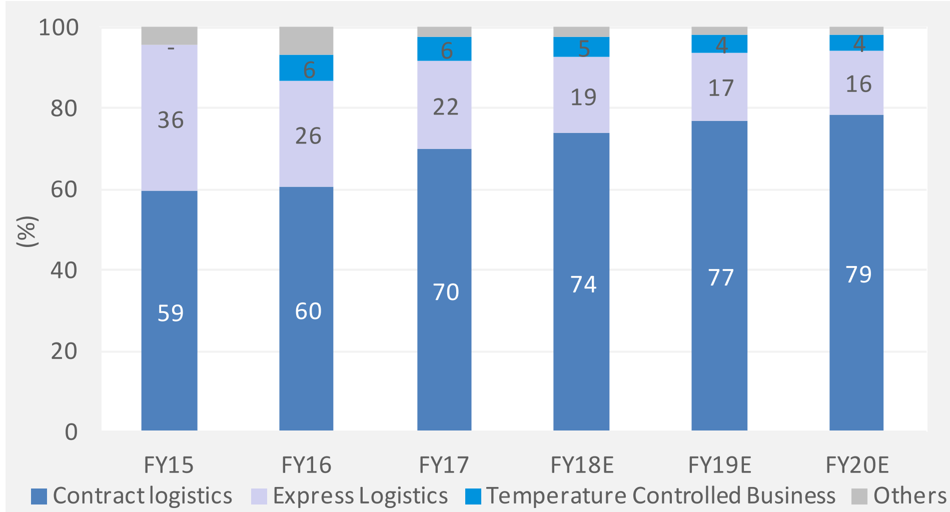


Chart 3: ...primarily driven by revenues from anchor client - Future Group (62% in FY17)

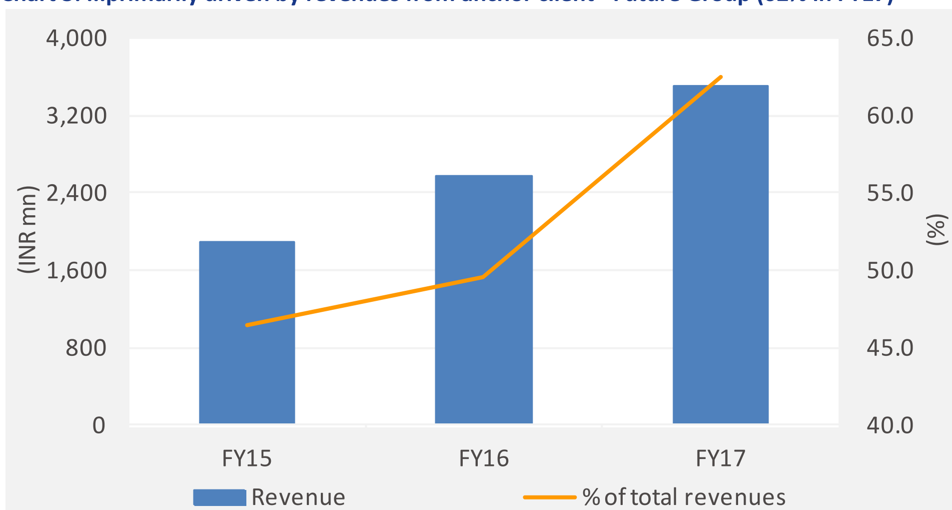
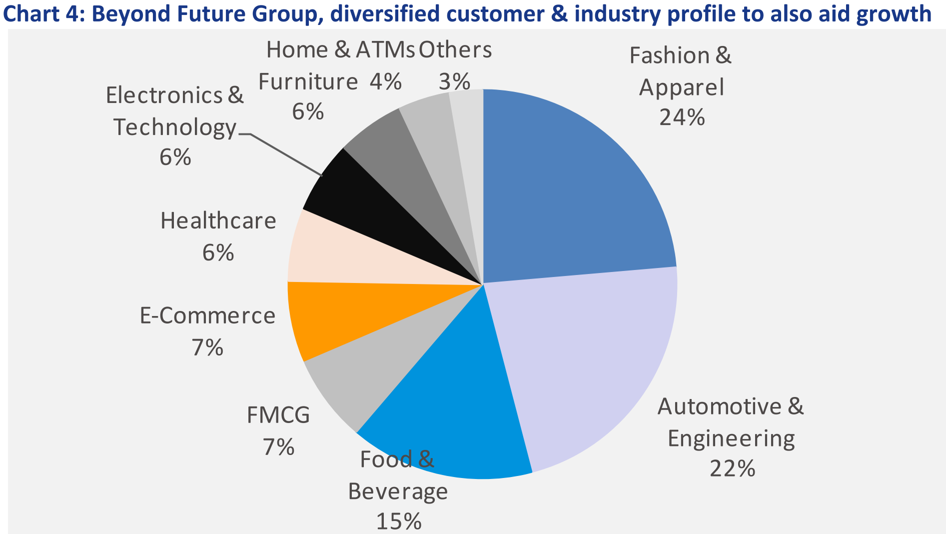


Chart 4: Beyond Future Group, diversified customer & industry profile to also aid growth



Source: Company, Edelweiss research

Investment Rationale

Changing industry dynamics favour organised 3PL players

The domestic logistics space is set for a paradigm shift. And, we perceive GST as one of the primary enablers engineering this transformation as efficiency, scale and centralisation determine logistics spending decisions rather than mere tax considerations.

We envisage this to lead to major shift in market share from unorganised/regional players (currently constitute ~85%; especially in warehousing, transportation, cold chain) to organised/national players equipped to offer complete supply chain solutions. Hence, we estimate sharp jump in opportunity pie for third party logistics supply providers (3PL). Average penetration of contract logistics in FY17 was pegged at mere ~13% (for addressable segments) due to multiple factors.

Table 3: Share of unorganised players in industry is high at ~85%

Segment	Industry demand	Share of Organised
Warehousing	* 500mn sq.ft of Grade A/B warehouses	* Share of Grade A/B is only 28% (145mn sq.ft)
Transportation	6.5mn CVs (LCVs, ICVs, MAVs, TTs)	* Only 5% fleet operated by large fleet owners * 80% fleet is owned by single truck operators
Cold Chain	Demand from processed food industry is ~700,000 pallets	* Only 36% pallets (~250,000) are of desired quality

Source: Company RHP

A few key enablers that are envisaged to drive the shift are:

- **Efficiency to gain center stage:** GST will result in creation of hub and spokes for users, triggering demand for large logistics parks. Existing large logistics parks and new parks will evolve as key hubs. The hub's location will be determined by logistics efficiency rather than regulatory/tax considerations. Moreover, as customers gain scale, demand for players with capability to cater to their large-scale requirements will jump, boosting adoption of organised 3PL. Higher scale of operations also provides 3PL players the benefit of economies of scale.

- **Burgeoning demand for value-added services**: With the evolution of large logistics parks, needs of users will also evolve. We envisage the domestic logistics scenario to graduate primarily from mere movement of goods to a complete service module. Thus, logistic companies will have to scale up their operations to offer services beyond basic cargo movement, storage and handling.

- **Increased scale of logistics service providers:** Over the past few years, organised 3PL companies have enhanced size/ scale of their infrastructure / operations. For instance, size of logistics parks has increased from ~18 acres to ~37 acres, warehouse sizes have catapulted from ~25,000sq ft to ~75,000sq ft and port terminal capacities have jumped from ~1mn TEUs to ~4mn TEUs. Also, size of temperature controlled warehouses has nearly tripled from ~35,000sq ft to ~100,000sq ft. Large express LSP have also expanded their reach from ~300 to ~600 branches. Hence, organised 3PL players have already been gearing up for expected change in logistics space.

With burgeoning size and sophistication, clients will shift to centralised supply-chain decision making. This will require high level of service quality and timely services at competitive prices along with a comprehensive pan-India presence, favouring organised players. We also highlight that contract logistics spends are currently very limited in FMCG, retail and auto sectors. It is expected that these three sectors will clock 23%, 20% and 16% CAGR, respectively, over FY17–22

Table 4: Contract logistics spends in Auto, FMCG and Retail (key segments for FSC) are expected to grow at a rapid pace

Industry	User Industry market FY17 (INRbn)	% Logistics spend	% contract of logistics spend	FY 17 contract market (INRbn)	Penetration of contract logistics- share (%)	FY 22 contract market (INRbn)	FY17-22 CAGR (%)
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FMCG	4,420	8.0	3.0	11.0	45.0	31.0	23.0
Organized retail	1500	4.0	12.0	8.0	38.0	20.0	20.0
CD	880	5.0	15.0	7.0	45.0	14.0	16.0
Telecom	850	3.0	18.0	6.0	40.0	12.0	16.0
Apparel	3000	1.0	15.0	4.0	45.0	8.0	16.0
IT and Mobile	1,340	2.0	11.0	3.0	35.0	6.0	17.0
Total	**17,800**	**5.0**	**13.0**	**110.0**	**25.0**	**244.0**	**17.0**

Source: Company RHP

Table 5: Organized cold chain logistics– Logistic spends in key consumer segments to also grow at a faster clip

Industry	User Industry market FY17 (INRbn)	% Cold Chain spend	% spend on organized LSP	FY 17 Cold chain market (INRbn)	Organized Cold chain penetration share (%)	FY 22 Cold chain market (INRbn)	FY17-FY22 CAGR (%)
QSR & Café	115	4.0	71.0	3.3	15.0	6.7	15.0
Confectionery	118	4.0	55.0	2.9	7.0	7.7	22.0
Dairy	112	8.0	27.0	2.3	10.0	7.7	28.0
Pharma	890	1.0	30.0	1.8	35.0	4.0	17.0
Frozen Foods	22	5.0	70.0	0.7	7.0	1.8	20.0
Meat	310	1.0	39.0	0.6	40.0	1.2	13.0
Seafood	340	1.0	17.0	0.5	25.0	1.7	27.0
Organized retail(1)	85	1.0	52.0	0.1	44.0	0.2	12.0
Others(2)	220	3.0	40.0	1.2	25.0	5.1	33.0
Total	**2,210**	**2.0**	**40.0**	**13.5**	**20.0**	**36.1**	**22.0**

Source: Company RHP

Contract logistics focus ensures customer loyalty, lower competition

FSC's key focus (~70% revenue) is on contract logistics (warehousing, value-added services) rather than plain vanilla goods movement, which is the case with most other logistics companies. This ensures customer stickiness as contracts generally span three-five years. Similarly, the company has developed skill sets in managing items of personal consumption, which involves redistributing different goods in various combinations to diverse locations simultaneously. Its key focus is to manage the entire distribution chain from warehouse till customer.

Given the expanding opportunity pie, we expect the competitive intensity to remain moderate as 3PL players are likely to develop sector-specific skill sets leveraging on their anchor clients. Cases in point are TVS Logistics, which largely foucses on auto segment, Mahindra Logistics primarily focuses on auto & Engineering, among others.

Table 6: FSC's focus in on contract logistics rather than basic goods movement

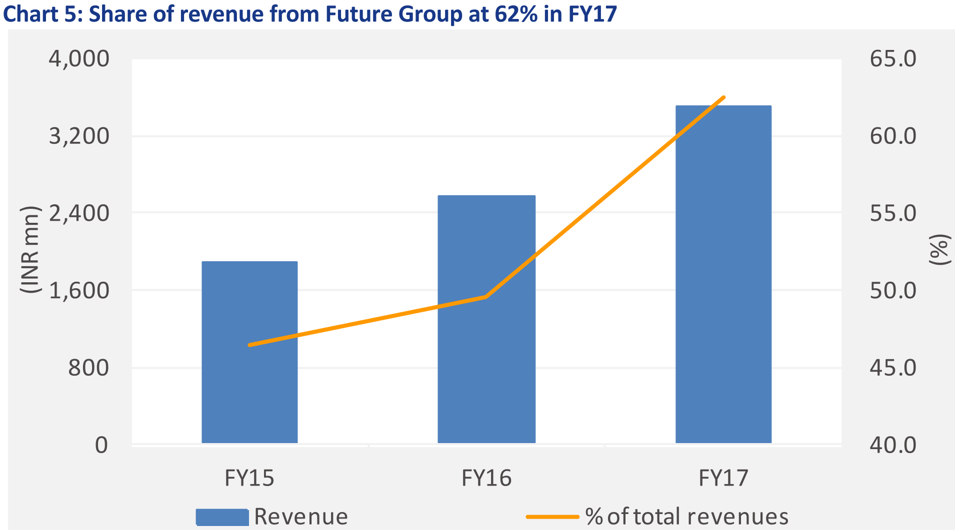
Revenue mix (%)	MTO	Road	Rail	Express	Contract Logistics	CFS	Cold Chain	Others	Total
	Transportation				Supply Chain Management			Others	
TCI		50			41		8	1	100
Allcargo	84					8		8	100
Bluedart				90				10	100
Gati				80			3	17	100
Gateway			57			29	14	0	100
Concor		3.2	76			6		15	100
FSC				22	70		6	2	100

Source: Company, Edelweiss research

Deepening penetration in fast-growing anchor client

The Future Group is currently FSC's anchor client and (according to management) the latter accounts for one-third of Future Group's logistics spending. The Future Group is estimated to post ~25% revenue CAGR over FY18-20, which, in turn, imparts robust growth visibility to FSC. As the Group consolidates and centralises its logistic spending, we anticipate significant jump in FSC's share of business as well.

Chart 5: Share of revenue from Future Group at 62% in FY17



Source: Company, Edelweiss research

Future Group's inorganic initiatives: Additional growth lever

Moreover, the Future Group's inorganic initiatives provide FSC additional opportunities to make further inroads in the anchor client. A few of Future Group's buys are: a) in FY15, it acquired Nilgiris (~140 stores at the time of acquisition); b) in FY16, it acquired Bharti Retail (~200 stores in 144 cities at the time of acquisition); c) in FY17, it acquired the retail, agriculture & bakery businesses of Heritage Foods (124 stores); and d) in FY18, it acquired Hypercity (17 stores in large metros) from Shopper Stops.

Similarly, Future group has aggressive plans to expand its presence in foods business. FSC is developing its capabilities on the foods business by setting up integrated food distribution centres (IFDCs). It has opened five integrated food distribution centres (IFDC) in Kolkata, Hyderabad, Kulana, Lucknow and Bengaluru. FSC currently meets very limited logistic requirement of the Future Group in the foods category. Our back-of-the-envelope calculations indicate that the foods business constitutes ~40-50% of FRL's revenue, wherein FSC has limited presence, entailing huge opportunity pie for the latter.

Table 7: Future Group's inorganic initiatives to bolster FSC's growth

Name of entity acquired	Acquired by	Acquired in	FY17	
			Sales (INR mn)	Store count
Nilgiris	Future Consumer	Nov/14	1,999	180
Easyday	Future Retail	May/15	22,050	538
Heritage	Future Retail	Nov/16	6,300	124
Hypercity	Future Retail	Oct/17	11,794	17
Vulcan	Future Supply Chain	Feb/18	1,336	-

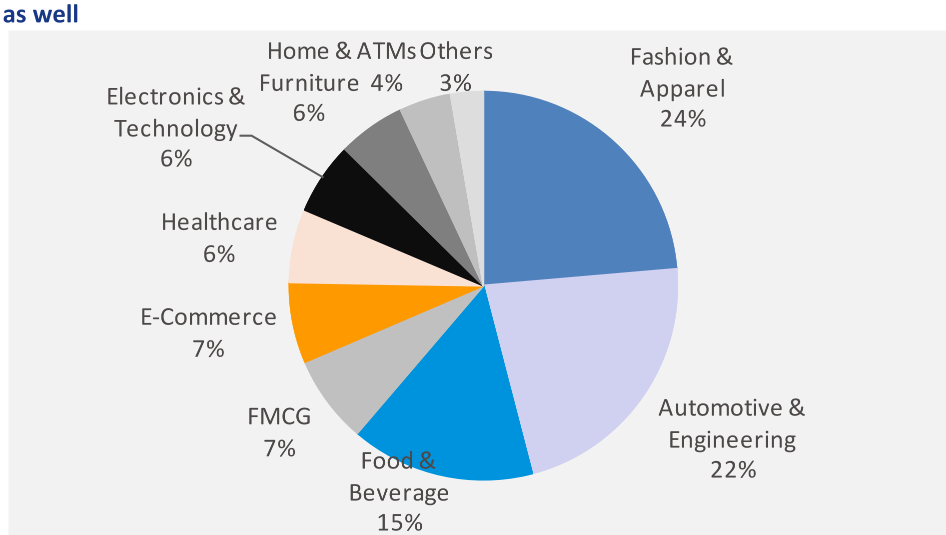
Source: Company, Edelweiss research

Diversified customer base in fast-growing segments

Beyond the anchor client, FSC has a diversified customer and industry profile. Top-10 clients account for ~15% of the company's revenue. It serves customers across a range of consumer facing sectors—retail, fashion & apparel, auto, FMCG, e-commerce. Its clientele includes marquee brands in India such as Pepe Jeans, Clarks Future Footwear, Pepperfry, TTK Prestige, Vero Moda, Reckitt Benckiser, Kellogg India, Mondelez India, Wildcraft India, among others.

We believe, a widespread customer base will help FSC cross-apply learnings across different segments and improve solutions provided to customers.

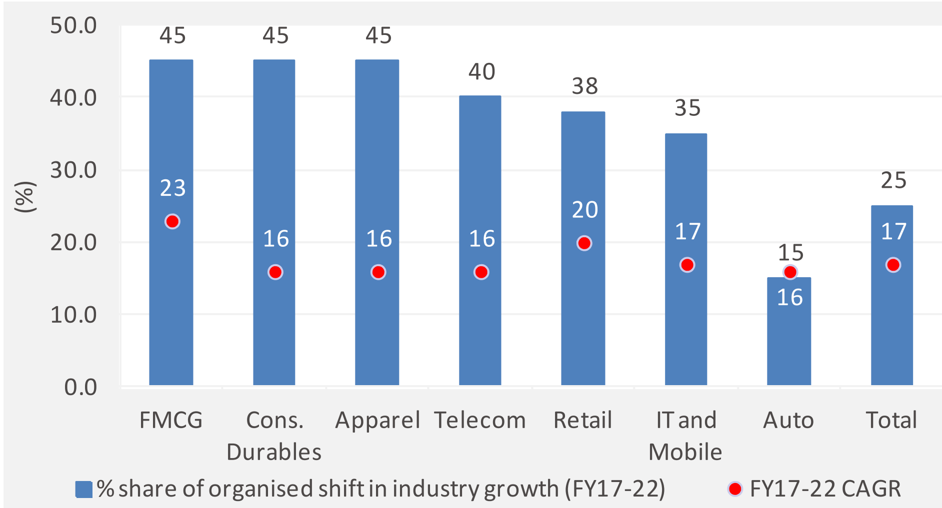
Chart 6: Beyond Future Group, diversified customer & industry profile to aid growth as well



Source: Company, Edelweiss research

Another point in favour of FSC is that not only are its customer segments expected to be fastest growing, but also they are anticipated to transition to organised 3PL services at a rapid pace as they sharpen focus on core operations of branding and customer experience. A wide spread customer profile, thus, lends FSC the first-mover advantage as and when the customer starts shifting to 3PL.

Chart 7: Expected shift to 3PL d to be more pronounced in consumer facing industries



Source: Company RHP

Strong focus on technology and automation: Distinct advantage

One of the key aspects of FSC's warehousing business is its focus on consumption-driven products. Even in automobiles, it manages the spare parts distribution from a central location to dealers at diverse locations. This requires a specific skill set of sorting the required items in different combinations and their distribution to customers. For efficient management of sorting and distribution, an effective technology backbone is critical.

FSC has adopted technology and automation throughout its logistics operations and customised them to suit its operational requirements based on its experience and understanding of customers' requirements.

Some of its key technology and automation processes are summarised as follows:

- **Warehouse management system**: This provides customers with an inventory management tool that can be integrated directly with a customer's enterprise resource planning system. This offers visibility of inventory in the distribution center.
- **Dynamic put-to-light (PTL) sorting system**: PTL is a light-directed sorting system, which enhances sorting speed and inventory throughput. It enables sorting of inventory in once batch picking from the distribution center till delivery is completed. Using this system: (i) sorting speed has improved by almost 40% from manual sorting; (ii) ordinary processing capacity of distribution centers has expanded; and (iii) when coupled with weight check and print & apply systems, it ensures accuracy of packing and labeling.
- **High-speed cross-belt sorter system**: This sorting system in FSC's MIHAN facility provides an advanced technology that can sort at a rate of ~2,000 cases per hour. This enables it to increase handling capacity at the MIHAN facility without having to increase facility space.
- **Transport management system (TMS)**: FSC's TMS provides customers with 24x7 direct visibility of the distribution chain through an online portal. It provides updates from pick up, in-transit status, delivery, electronic proof of delivery and electronic billing. TMS further enables customisation of shipment options.
- **Vehicle tracking system**: GPS-enabled vehicles facilitate real-time tracking of goods.

- **Mobility platform**: This is a portal for customers to access TMS. The mobility platform connects features of VTS with TMS to provide customers real-time tracking.

  Moreover, FSC has the capability to integrate customers' technologies with its own systems in order to provide them tracking mechanism. It includes integration of the following:

- **Vendor Relationship Management Portal (VRMP):** VRMP provides customers with a portal that provides visibility into their inventory supply processes from the purchase order stage, to payment tracking and advanced shipment notifications from the supplier.

- **Auto Replenishment System (ARS):** FSC has the capability to integrate with its customers' ARS, which provides FSC with inventory management that ensures generation and availability of inventory levels without manual intervention.

Expanding services with eye on cornering higher wallet share

FSC also aims to expand its range of services either on its own or via acquisitions. It is focusing on entering new geographies in which clients operate and expand its services into new product lines of customers. As FSC's logistics services can typically be integrated with customers' supply chains, this should enable it to cross-sell other services and capabilities it has to offer.

As a part of expanding its services, FSC is aggressively ramping up its cold chain and food distribution capabilities. For instance, as on December 2017, it has opened five integrated food distribution centres (IFDC) in Kolkata, Hyderabad, Kulana, Lucknow and Bengaluru.
Similarly, in February 2018, it acquired the capability of last mile connectivity with the acquisition of Vulcan Express. The key rational of acquisition was to acquire capabilities for providing end-to-end services to customers.

Robust new contract pipeline

The GST-led anticipated spurt in demand for 3PL services from various sectors has led to ramp up of FSC's potential order pipeline. As of Q3FY18 end, the company had an order pipeline worth INR6.1bn at various stages of discussion. Of this, contract logistics was worth INR3.1bn, express logistics INR1.2bn and balance from temperature-controlled logistics. FSC expects healthy conversion from the pipeline.

Valuation

FSC is well placed to capitalise on the anticipated demand boom for 3PL services. Its asset-light business model, which focuses on contract logistics and warehouse-to-customer segment, acts a key differentiator. Also, stickiness of customers (three-five years' pacts in contract logistics) and exposure to fast-growing consumer-facing businesses should reduce volatility versus peers.

Moreover, robust growth visibility for anchor customer—Future Group—as well as opportunity to deepen penetration in it provides cushion to earnings. We are also enthused by the company's focus on expanding its capabilities (cold chain, food distribution and last mile) in order to capture a broader spectrum of the warehousing opportunity.

We expect FSC to clock consistent and above industry growth over the next decade as and when the domestic logistics sector transforms from current brick-and-mortar services to an integrated and complex supply chain management.

We estimate FSC to post 36% revenue as well as EPS CAGR over FY18-20, way higher than the peer set. We expect RoE to jump to 21.0% (from 18.6% in FY18) with surplus cash at ~26% of net worth in FY20. We peg FCF at ~5.8% of sales in FY20.

Hence, we value the company at FY20E PER of 26x, at 30% premium to sector average, to factor in the above-industry growth and healthy RoE & free cash flow. We initiate coverage with **'BUY'** recommendation and TP of INR862.

We highlight that a reverse DCF analysis of our target price assuming WACC of 11.9% (Risk free rate of 7.25%, equity risk premium of 5.25% and beta of 0.9x - in line with sector average) and terminal growth of 7% implies revenue growth decelerating to 26% in FY25 (from 36% in FY20) and EBITDA margins remaining largely flat (exit EBITDA margin of 15.8% in FY25). We also assume capex of INR2.6bn over FY20-25 versus INR1.4bn over FY18-20.

Table 8: FSC's growth expected to outperform industry by a large margin.

		Revenues (INR Mn)				EBITDA (INR Mn)				PAT (INR Mn)			
Company	Market Cap (INRbn)	FY18E	FY19E	FY20E	% CAGR FY18-20E	FY18E	FY19E	FY20E	% CAGR FY18-20E	FY18E	FY19E	FY20E	% CAGR FY18-20E
Container Corporation of India	316.2	67,180	77,037	88,521	14.8	14,578	17,879	20,859	19.6	10,922	12,721	14,694	16.0
Gateway Distriparks	19.4	3,977	4,524	4,895	10.9	2,201	1,719	1,866	-7.9	735	1,087	1,364	36.2
Transport Corporation of India	21.4	22,424	25,791	28,125	12.0	2,009	2,391	2,815	18.4	1,072	1,324	1,634	23.5
TCI Express	19.2	8,715	10,319	12,062	17.6	872	1,120	1,404	26.9	558	668	860	24.1
Bluedart	89.5	28,115	30,926	35,177	11.9	3,665	4,242	5,001	16.8	1,523	2,034	2,539	29.1
Gati	10.8	17,498	19,594	22,751	14.0	949	1,213	1,572	28.7	528	363	458	-6.9
Allcargo logistics	37.5	59,994	66,651	74,750	11.6	4,126	4,907	5,576	16.3	2,095	2,610	3,113	21.9
Navkar Corp	26.4	4,309	6,164	7,775	34.3	1,624	2,240	2,964	35.1	996	1,513	2,145	46.8
VRL Logistics	35.1	19,323	21,906	25,213	14.2	2,496	3,019	3,912	25.2	1,007	1,359	1,742	31.5
M&M Logistics	35.0	33,916	40,231	48,592	19.7	1,194	1,755	2,365	40.7	727	1,027	1,416	39.6
Future Supply Chain	27.6	7,519	10,171	13,820	35.6	1,213	1,575	2,150	33.1	699	989	1,300	36.4
Average		**272,970**	**313,314**	**361,681**	**15.1**	**34,926**	**42,060**	**50,483**	**20.2**	**20,862**	**25,695**	**31,263**	**22.4**

Source: Bloomberg, Edelweiss research

Table 9: However, valuations are close to industry average levels.

	P/E			EV/EBITDA			P/B			RoE (%)		
Company	**FY18E**	**FY19E**	**FY20E**	**FY18E**	**FY19E**	**FY20E**	**FY18E**	**FY19E**	**FY20E**	**FY18E**	**FY19E**	**FY20E**
Container Corporation of India	29.8	25.8	20.6	20.9	17.8	15.3	3.4	3.0	2.8	12.0	12.6	13.4
Gateway Distriparks	26.3	16.9	13.8	10.3	11.1	9.6	1.8	1.7	1.7	8.1	10.6	12.5
Transport Corporation of India	20.1	15.7	13.0	12.5	10.3	8.9	3.0	2.6	2.2	15.5	17.5	18.3
TCI Express	34.5	28.5	22.3	22.6	17.9	14.0	9.2	7.2	5.7	28.7	27.2	27.8
Bluedart	60.1	45.2	35.7	26.5	22.2	18.6	16.4	14.4	12.5	28.3	32.2	33.6
Gati	20.4	29.4	23.8	15.3	12.0	9.2	1.7	1.6	1.5	8.8	5.6	6.6
Allcargo logistics	16.2	13.5	11.6	9.5	8.0	7.2	1.9	1.8	1.6	11.2	12.6	13.6
Navkar Corp	26.3	17.1	13.0	18.7	13.5	10.2	1.6	1.4	1.3	6.4	8.8	10.5
VRL Logistics	28.1	21.6	17.0	14.0	11.1	8.9	5.9	5.2	4.5	17.8	21.0	23.4
Mahindra Logistics	50.3	35.5	25.8	29.2	20.7	15.6	8.3	6.7	5.3	17.9	20.9	23.0
Future Supply Chain	40.3	29.1	21.7	21.4	16.5	11.7	5.9	4.9	4.0	18.2	18.8	20.7
Average	**32.0**	**25.3**	**19.9**	**18.3**	**14.7**	**11.8**	**5.4**	**4.6**	**3.9**	**15.7**	**17.1**	**18.5**

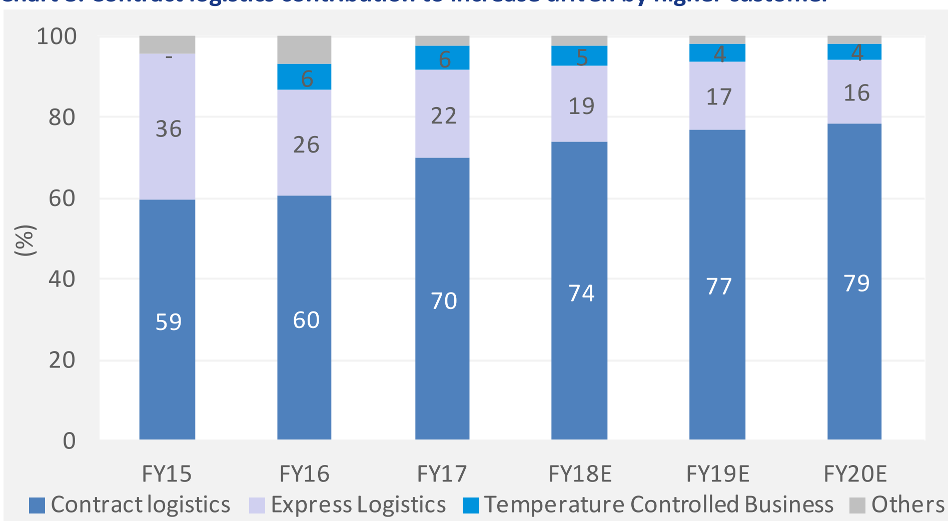
Source: Bloomberg, Edelweiss research

Financial Outlook

Contract logistics to spur 36% revenue CAGR over FY18-20E

Over FY15-17, FSC's revenue clocked 17% CAGR driven by robust spurt in revenue from Future Group entities (36% CAGR over FY15-17). Over FY18-20, we estimate 36% revenue CAGR driven by contract logistics and cold chain businesses. We expect contract logistics to post ~40% CAGR and contribute ~78.5% to total revenue (70% in FY17). This surge will be driven by penetration in existing clients as well as new clients. FSC is adding to its existing warehousing space in order to be prepared for the surge. Currently, its warehousing space stands at ~4.36mn sq ft (added 0.36mn sq ft in 9mFY18). It has already inked contracts for additional 1.6mn sq ft for six new warehouses. We expect the foods business to be a key driver of growth, given the recent focus of anchor client on foods business and willingness of FSC to support its anchor client. Two integrated food distribution centres (IFDC) in Kolkata and Hyderabad are fully operational now. It has also opened three more IFDCs in Kulana, Lucknow and Bengaluru.

Chart 8: Contract logistics contribution to increase driven by higher customer



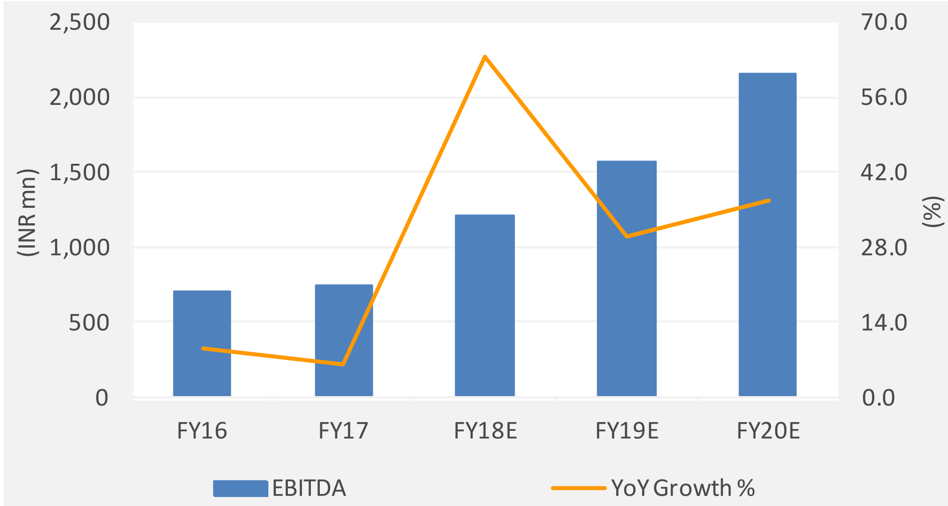
Source: Company, Edelweiss research

EBIDTA to clock 33% CAGR during FY18-20E

We are forecasting EBITDA growth to be lower than revenue growth to factor in FSC's higher focus on the foods business, which we believe is a lower margin business compared to existing business. Also, given that the company is expanding rapidly in the foods space, we expect up fronting of operational costs till capacity is optimally utilised. Hence, we estimate margin to decline 50bps to 15.6% over FY18-20.

We do not rule out upside risks to our EBITDA estimate driven by efficiency gains across businesses.

Chart 9: EBITDA estimate to post 33% CAGR over FY18-20

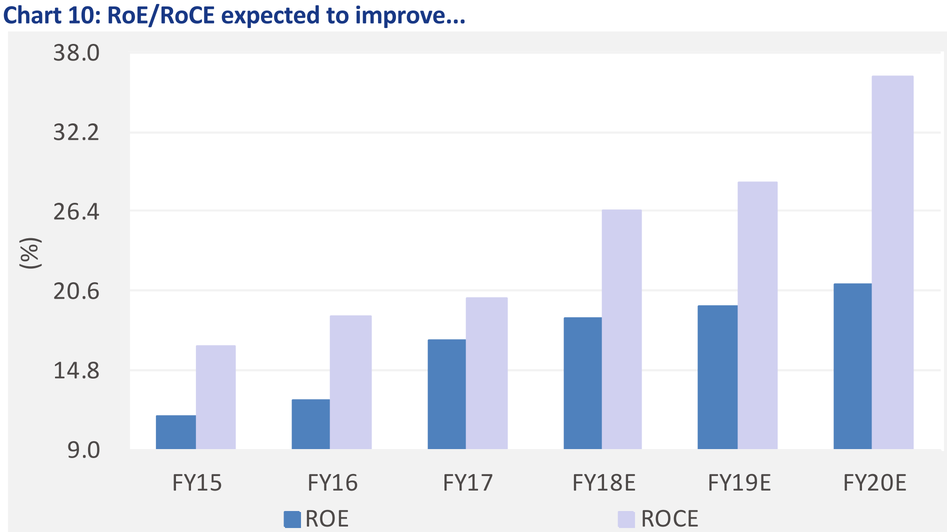


Source: Company, Edelweiss research

Improving working capital cycle to spur return ratios

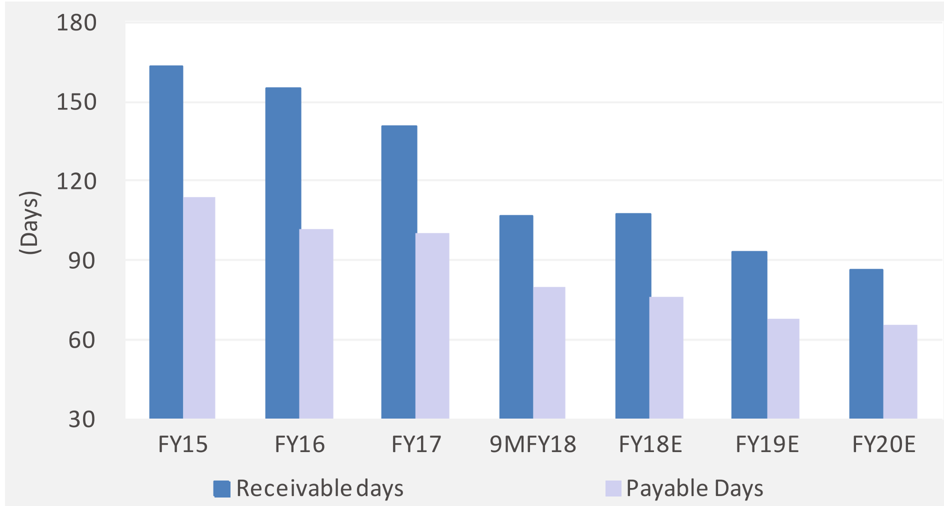
One of the key reasons for subdued RoE/RoCE despite an asset light business model has been extended working capital cycle driven by elevated receivable days. Management has indicated its commitment to prune receivable days and thereby reduce the working capital cycle. While management has already reduced the receivable days from 163 in FY15 to 108 in 9MFY18, we expect a further reduction to 86 days by FY20, thereby improving RoE/RoCE.

Chart 10: RoE/RoCE expected to improve...



Source: Company, Edelweiss research

Chart 11: ...driven by a reduction in receivable days.

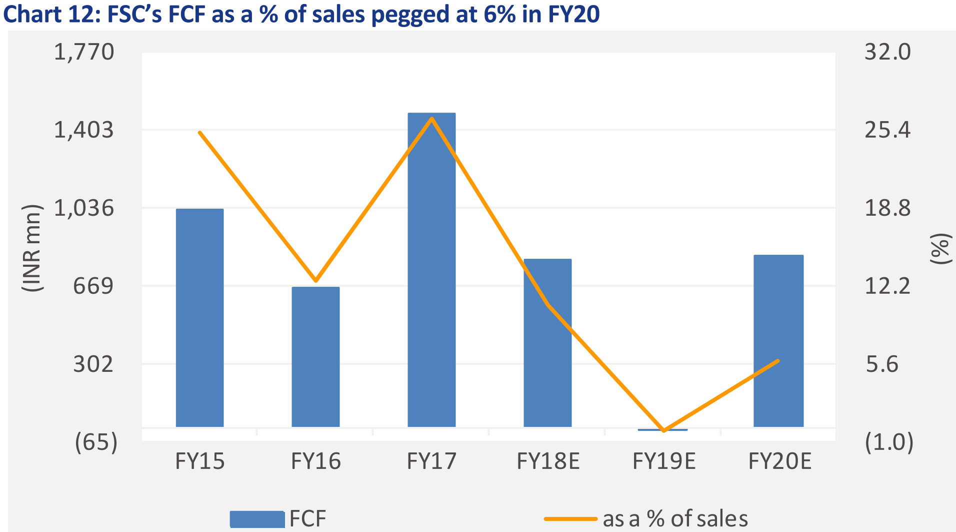


Source: Company, Edelweiss research

Upfronting capex in FY19, FCF pegged at 5.8% of sales in FY20

FSC business model is generally a strong FCF generating business as reflected from FY15-FY18E. FY19 to see a negative FCF as company is up fronting its capex, with rapid expansion of food distribution centres. We expect FSC to again start generating FCF in FY20. In FY20, surplus cash as % of net worth and capital employed is estimated at ~26%. Excluding cash, RoCE is estimated at 38% in FY20 versus 16.7% in FY17.

Chart 12: FSC's FCF as a % of sales pegged at 6% in FY20



Source: Company, Edelweiss research

Chart 13: Surplus cash expected to reach 26% of net worth in FY20E

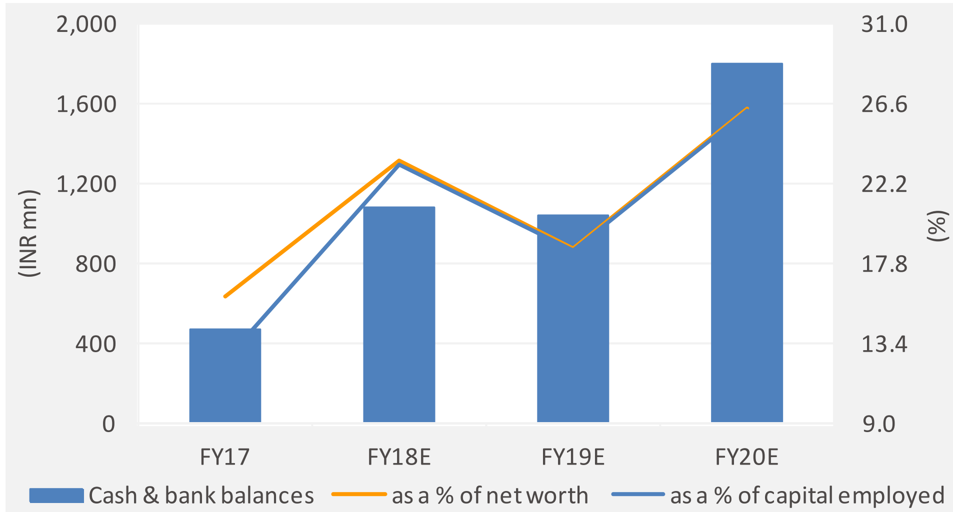


Chart 14: ROE and ex. Cash ROE trend

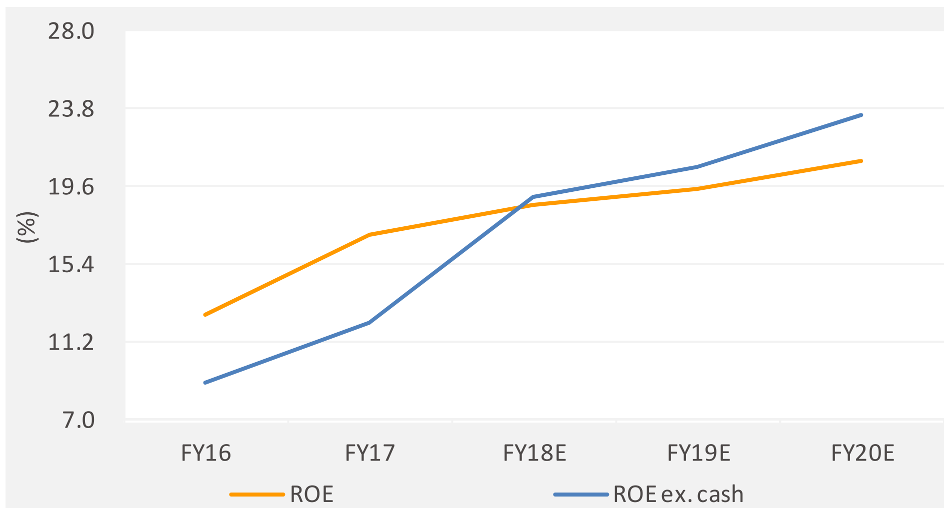
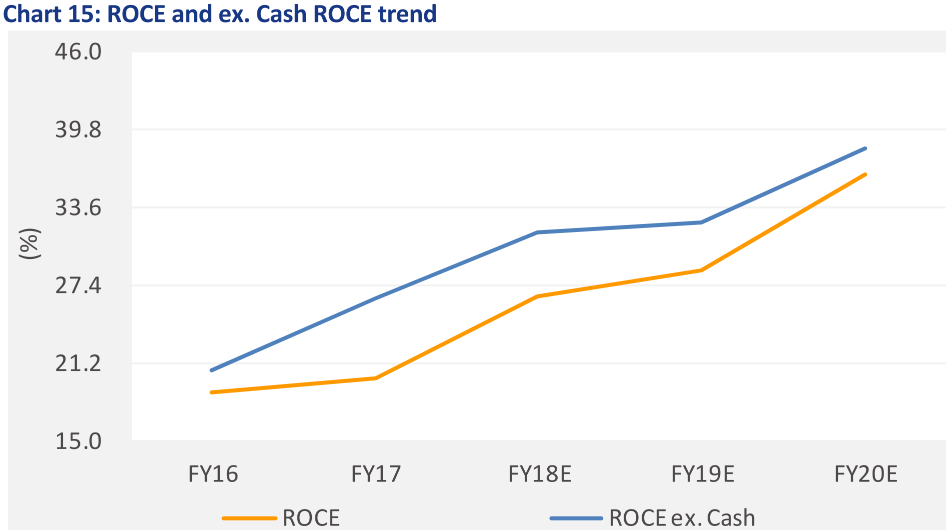


Chart 15: ROCE and ex. Cash ROCE trend



Source: Company, Edelweiss research

Key Risks

Customer concentration risk

Future Group entities are FSC's key customers and accounted for INR3,505mn (62.5%) of FY17 revenue. While the company is diversifying its customer base, it continues to remain dependent on these customers. Any adverse impact on these entities or sectors in which they operate can materially impact the company's business operations.

All facilities and most vehicles used for transportation are leased

All of FSC's warehousing and distribution facilities are located in leased premises or have been taken on a leave-and-licence basis. Many of the company's current leases or leave-and-licence agreements cannot be terminated without cause and are for terms ranging from 11 months to 15 years with lock-in periods typically between one and nine years.

Delays or defaults in payment by customers could affect cash flows

FSC extends credit to a few customers for long periods of time and there is uncertainty regarding the receipt of outstanding amounts. For FY17, the company's trade receivables stood at INR2,167mn, which comprised 38.6% of its revenue from operations.

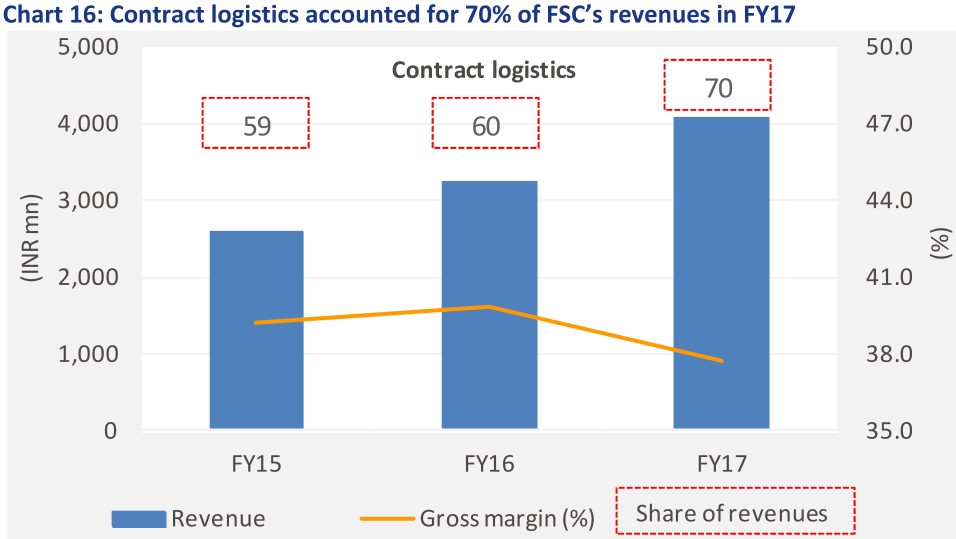
Company Description

FSC is promoted by Future Enterprises, which is promoted by Mr. Kishore Biyani. FSC is one of India's largest organised third-party supply chain and logistics service providers, offering warehousing, distribution and other logistics solutions to a wide range of customers. Its service offerings, warehousing structure, pan-India distribution network, hub-and-spoke transportation model and automated technology systems bolster its competitive market position. The company's customers operate in various sectors across India, including retail, fashion & apparel, automotive & engineering, food & beverage, FMCG, e-commerce, healthcare, electronics & technology, home & furniture and ATMs.

FSC provides solutions which enable customers leverage its distribution network to help them optimise the performance, cost & efficiency of their supply chains, shortening their lead-time to market. It also offers customers services in three key areas:

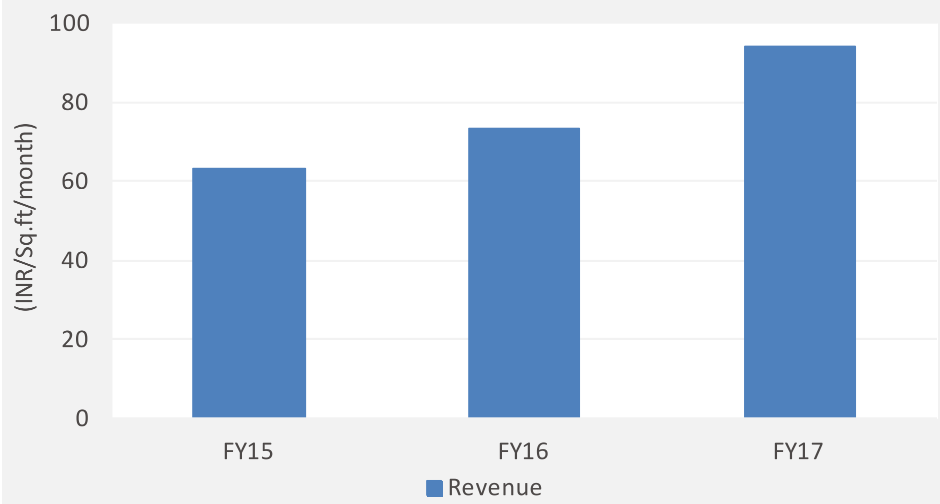
- **Contract logistics (~70% of revenue):** The core of contract logistics business involves offering technology-enabled distribution centres across India. FSC's distribution centres are generally multi-user, built-to-suit and scalable based on a customer's supply chain requirements and needs. It operates 48 distribution centres across India, covering ~36mn sq ft of warehouse area, including a distribution centre of a customer, covering ~0.29mn sq ft of warehouse space. FSC's revenue in contract logistics business was INR94/sq ft/ month, INR73/sq ft/month and INR63/ sq ft/ month for FY17, FY16 and FY15, respectively. FSC also provides certain value-added services via contract logistics business, including kitting & bundling, unit cartonisation & packaging solutions, reverse logistics and refinishing, etc.

Chart 16: Contract logistics accounted for 70% of FSC's revenues in FY17



Source: Company, Edelweiss research

Chart 17: Contract logistics realisation per sq ft have been on an uptrend



Source: Company, Edelweiss research

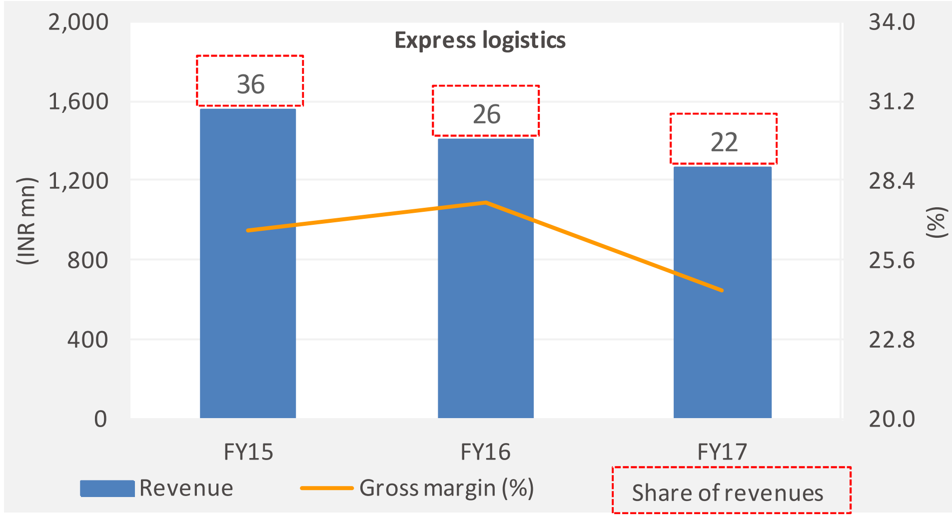
Table 10: Details of key distribution centres

	Kulana, Haryana	Burdwan, West Bengal	Bhiwandi, Maharashtra	Soukya, Bengaluru	Nagpur, Maharashtra
Size	304,614 sq. ft.	146,464 sq. ft.	208,080 sq. ft.	175,625 sq. ft.	370,000 sq. ft.
Storage Capacity	81,062 bins and 12,714 pallet position	85,344 bins and 2,000 pallet positions	37,520 bins and 16,730 pallet positions	83,412 bins and 2,128 pallet positions	
Technologies Used	WMS, SAP, TMS, VMS, Oracle and Uniware	WMS, SAP, TMS , VMS	WMS	WMS, SAP, TMS	
Other Key features	Built-to-suit with 12 meter height and ample parking	Built-to-suit with 8 meter height and ample parking	Multi-customer facility	Located within prime warehouse area with ample parking	First of its kind high-speed cross-belt sorter system
	Location near major highways and the main consumption hubs of northern India	Located on National Highway-2 and serves as main distribution location for East and Northeast sector		Located in between two major highways and easily accessible to the main consumption hubs of Southern India, including delivery turnaround time of 2-3 hours for stores in Bengaluru	Sorting capacity of approx. 2,000 case per hour without increase in physical storage space. Length of conveyor belt is 2.6km which can be extended to 8km

Source: Company, Edelweiss research

- **Express logistics:** FSC's express logistics business offers distribution services using hub-and-spoke distribution network and containerised fleet of technology-enabled trucks. The express logistics business clocked INR1,263mn, INR1,405mn and INR1,557mn revenue for FY17, FY16 and FY15, respectively, which comprised 21.7%, 26.2% and 35.8% of revenue from operations (without adjustments for intra-company transactions between key service areas).

Chart 18: Express logistics accounted for 22% of FSC's revenues in FY17



Source: Company, Edelweiss research

The distribution network of its express logistics business is based on hub-and-spoke model consisting of 14 hubs and 107 branches across India. FSC offers customers real time, online visibility of shipments from docket generation to point-of-delivery downloads to e-bills through the TMS software.

- **Temperature-controlled logistics:** FSC established its temperature-controlled logistics business in 2016 by entering into a long-term operating lease for assets of Brattle Foods. In FY17, FSC acquired reefer vehicles from Laxman Logistics through a slump sale.

  The company operates through four temperature-controlled warehousing facilities which can maintain perishable goods in the frozen to cool temperature range (-25 to +25 degrees Celsius).

  As of September 30, 2017, FSC's temperature-controlled business operated 9,616 pallets across India, which includes 327 leased pallets at third party distribution centres. It generated revenue of INR49,013/pallet/annum and INR45,394/pallet/annum for FY17 and FY16, respectively. As of December 31, 2017, the company owned 160 reefer trucks for use in its temperature-controlled logistics business.

Table 11: Contract logistics share continued to rise in 9mFY18.

INR mn	9MFY18	% share	FY17	% share	FY16	% share
Contract logistics services	4,106	71.3	4,069	69.8	3,241	60.4
Express logistics services	1,087	18.9	1,263	21.7	1,405	26.2
Temperature-controlled logistics services	230	4.0	364	6.2	344	6.4
Other operations	334	5.8	130	2.2	378	7.0
Subtotal of logistics services	**5,757**	**100.0**	**5,826**	**100.0**	**5,368**	**100.0**
Intracompany(1)	(231)		(214)	-	(169)	
Total	**5,526**		**5,612**	-	**5,199**	

Source: Company, Edelweiss research

(1) Intra-company refers to adjustments for transactions between key service areas.

Table 12: Gross margins are also higher in contract logistics

INR mn	9MFY18		FY17		FY16	
	Gross Profit	Margin	Gross Profit	Margin	Gross Profit	Margin
Contract logistics services	1,585	38.6	1,534	37.7	1,289	39.8
Express logistics services	283	26.0	309	24.5	387	27.6
Temperature-controlled logistics services	9	3.7	(10)	(2.7)	71	20.7
Other services	30		26		64	
Total	**1,906**	**34.5**	**1,859**	**33.1**	**1,811**	**34.8**

Source: Company, Edelweiss research

History

Table 13: Major events and milestones

Year	Particulars
2006	• Incorporated as a public limited company.
2009	• Implemented transport management system to improve visibility in and optimise transportation operations. • Implemented Infor WM 9 warehouse management system. • Subscribed to 5,000,000 compulsorily convertible debentures with face value of INR100 each by SKC1 (part of Fung Capital).
2011	• Acquired warehousing business of Transmart India Private Limited at Bhiwandi. • Logistics division implemented vehicle tracking system, a GPS enabled system, in all the dedicated fleet of vehicles. • Obtained ISO 9001: 2008 certification • Conversion of the 5,000,000 compulsorily convertible debentures with face value of INR100 each held by SKC1 to 3,683,241 equity shares and subscription to 6,492,080 equity shares by SKC1.
2012	• Introduced the Put-to-Light system which was the first of its kind for consumer industries (as per A&M report).
2013	• Registered Future Supply Chains as a trademark. • Launched one of the largest and most highly-automated distribution centres in India at MIHAN, Nagpur (as per A&M report).
2016	• Acquisition of 40.0% of shareholding of FSC by Griffin Partners from existing Shareholders • Commenced temperature controlled logistics services.
2017	• Set up a specialised integrated food distribution centre at Kolkata. • Commenced operations of the high speed cross-belt sorter system in July 2017. • Acquired 45.0% of equity shares of Leanbox. • Funds managed by Edelweiss acquired 4.9% from Griffin Partners.
2018	• Acquisition of 100% stake in Vulcan Express - an end-to-end logistics and supply chain solutions provider • Opened 3 more integrated food distribution centres in Kulana, Lucknow and Bengaluru

Source: Company, Edelweiss research

Management Overview

Table 14: Key management personnel

Name	Profile
Mr. Rakesh Biyani, (Chairman and a Non-Executive Director)	Mr. Biyani holds a bachelor's degree in Commerce from University of Bombay and has attended the Advanced Management Program from Harvard Business School. He has over 25 years of experience in retail, supply chain and logistics, and fashion industries. He has been a Director on FSC's board since July 13, 2007.
Mr. Mayur Toshniwal, (MD & CEO)	Mr. Toshniwal holds a post graduate diploma in management from the Indian Institute of Management (IIM), Ahmedabad, and a bachelor's degree in technology in mechanical engineering from the Indian Institute of Technology (IIT), Banaras Hindu University, Varanasi. He has around 25 years of experience in the industry for manufacturing paint, fast moving consumer goods and retail industries, including 5 years of experience as an entrepreneur. He was appointed as CEO on August 05, 2017
Mr. Samir Kedia, (CFO)	Mr. Kedia is a qualified Chartered Accountant. He has more than 16 years of experience primarily in commercial, financial, accounting affairs beside hands on corporate secreterial and compliance function. He has been part of the Future Group for more than 12 years, most recently associated with Future Consumer as Financial Controller. He has previously worked with H&R Johnson (India). He was appointed as CFO on March 01, 2018

Source: Company, Edelweiss research

Indian logistics industry: Overview

The domestic logistics market was pegged at INR9,100bn (USD140bn) in FY17. India's logistics expenditure is 6.0% of GDP (excluding inventory carrying cost)—higher than that of US (5.5% of GDP), but lower than China's (11.5% of GDP). However, after adjusting for share of manufacturing/agriculture in GDP and the country's geographical size, logistics in India is around 2x less efficient than China and US. If we include impact of inventory cost, the difference in efficiencies further widens as time of transport and cost of storage & handling in India is significantly higher than global benchmarks. Hence, there exists opportunity to optimise logistics spending in India.

Inefficient logistics is substantiated by LPI (logistics performance index), an indicator for logistics infrastructure and quality. LPI for various countries is represented in the table below. GDP per capita is significantly correlated to LPI of a country.

Table 15: LPI- India's logistics infrastructure and quality one of the lowest globally

Countries	2007		2016	
	Global rank	Score*	Global rank	Score*
Germany	3.0	4.1	1.0	4.2
Singapore	1.0	4.2	5.0	4.1
UK	9.0	4.0	8.0	4.1
USA	14.0	3.8	10.0	4.0
South Africa	24.0	3.5	20.0	3.8
China	30.0	3.3	27.0	3.7
India	39.0	3.1	35.0	3.4
Brazil	61.0	2.8	55.0	3.1
Russia	99.0	2.4	99.0	2.6

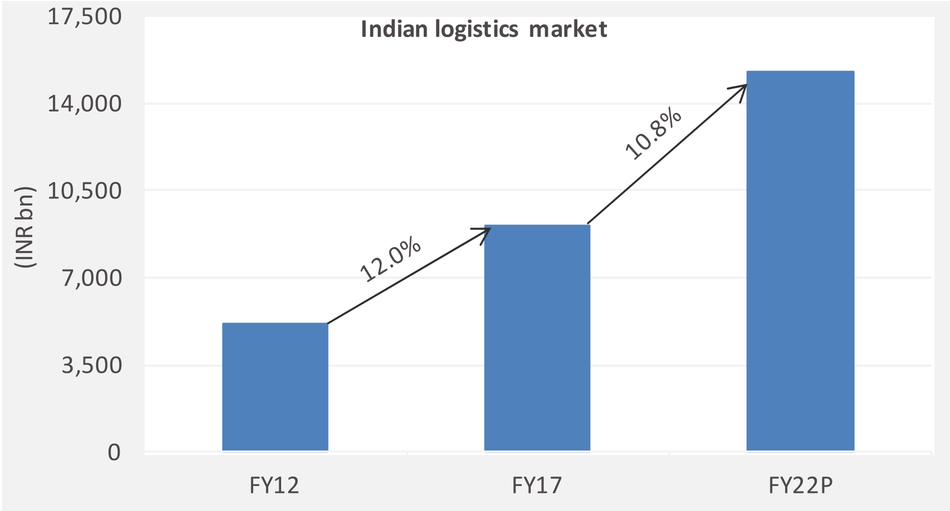
Source: Company RHP, Edelweiss research

*Note: * The index ranges from 1 to 5, with a higher score representing better performance. 150 and 160 countries were ranked on LPI in 2007 and 2016, respectively*

In context to India's growth story, China's high growth phase between 2004 and 2009 provides relevant benchmark. During the period, China's nominal GDP grew from USD2tn to USD5tn (21% CAGR). Its total retail sales grew at 17% annually over the period. It was also during this period that China became a global manufacturing hub. As a result, its logistics industry grew on account of high growth in end-user industries.

For India, logistics market, excluding rail, air and coastal, is estimated at ~INR7,500bn (USD115bn) and share of organised logistics market is pegged at ~12% at ~INR900bn (USD14bn). In developed markets like the US and Europe, share of organised logistics market is over 80%.

Chart 19: Indian logistics market expected to post 11% CAGR over FY17-22E



Source: Company RHP, Edelweiss research

The domestic logistics market has clocked ~12% CAGR between FY12 and FY17. This growth trajectory is expected to sustain on account of robust demand and supply-side drivers. Key factors that are envisaged to spur this spurt are growth of the Indian economy, increasing urbanisation, rising consumerism due to higher per capita incomes, favourable regulatory changes, incentives from the government for infrastructure investments and burgeoning outsourcing of logistics activities.

Logistics industry: Key segments

Road transport is the largest segment of the domestic logistics market, accounting for 65% of its total value estimated at INR5,900bn (USD91bn). This segment is highly fragmented with participants typically providing commoditised undifferentiated services. The top 10 road transportation service providers account for less than 2% of the segment. This segment is plagued by several inefficiencies such as poor turnaround times, low utilisation, poor road infrastructure, difficulty in generating reverse loads, among others. This segment has moderate level of asset intensity and provides moderate returns.

Rail transport accounts for 15% of the domestic logistics market estimated at INR1,350bn (USD21bn). This segment has traditionally had a high level of government control and only recently it has been opened for private service providers in select segments such as CTO, wagon leasing schemes, PFT and SFTO.

Indian warehousing industry is highly fragmented and is spread over a wide geographical area. A significant share of this segment is accounted for by farm/ factory storages, which are typically either captive facilities or owned by local, unorganised entities. Scope for private, organised service providers is primarily in the modern warehousing sub-segment, which accounts for only a fraction of the logistics market. Further, this segment requires moderate capital investments, providing moderate-to-high return ratios.

Various sub-segments in logistics differ in level of fragmentation, asset intensity and return profiles.

Table 16: Indian logistics industry – Key sub segments FY17

Industry**	Market Size (INRbn)	Growth (FY12-17)	Level of fragmentation	Asset Intensity	Quality of revenue		ROCE*	Drivers
					Customer stickiness	Premiumization of product		
Road transport	5,900	14%	High	Moderate	Low	Low	Moderate	**Adoption:** Dispersal in consumer demand expected to result in increased LTL cargo movement and need for consolidation **Regulations**: GST expected to increase utilization **Customer Preference**: Adoption of technology (i) Telematics to drive transparency (ii) Market place - trucking / cargo exchange (iii) Need for GPS tracking in LTL
Freight Forwarding / NVOCC	245	7%	Very high	Very low	Low	Low	Very high	**Adoption:** Development of trade relationships with east Asia has led to emergence of new FFs with focus on such trade lanes **Others:** Freight forwarders are building end to end capabilities to differentiate in a highly-fragmented market
Agri warehousing	235	13%	Moderate	Moderate	Low	Moderate	Moderate	**Regulations:** Government support for PPP projects to increase private sector participation **Adoption:** Increasing awareness on agri wastage
Express services	100#	14%	Moderate	Low	Moderate	Moderate	Very High	**Customer Preference:** Need for high speed movement of cargo, on time delivery and inventory visibility. Requires pro-active MIS and reporting **Adoption:** (i) reducing fuel costs (ATF/ diesel) (ii) emergence of new trade channels - e-tail (iii) growing dispersion in demand (non-metro/ non-tier-I locations)

#Part of overall road transport industry

Table 16: Indian logistics industry – Key sub segments FY17 (Contd...)

Industry**	Market Size (INRbn)	Growth (FY12-17)	Level of fragmentation	Asset Intensity	Quality of revenue: Customer stickiness	Quality of revenue: Premiumization of product	ROCE*	Drivers
Cold Chain (products and commodities)	200	15%	Moderate	High	High	High	Moderate	**Adoption:** (i) Increasing self-compliance with entry of MNCs (food, QSR) and increasing pharma exports (ii) organized play in end user industries (dairy products) (iii) increasing fruit imports **Customer Preference:** High involvement of LSPs, end to end supply chain requirement **Willingness to pay: 'Premiumization' in end user industries (chocolates, QSR, et) and increasing quality concerns** **Scale of operations (LSP):** Increased size by LSPs resulting in economies of scale
Container Logistics (CFS, ICDs, CTO)	340	15%	Low	Very high	Moderate	Moderate	High	**Scale of operations in end user industries** and need for service to increase organize play in cold chain **Adoption:** Increase in containerization levels
Port services	100	NA	Moderate	High	High	Moderate	Low	**Customer Preference:** Need for better quality of service is expected to increase share of private service providers **Adoption**: Increase in proportion of comprehensive contracts vs standalone tug boats contracts
Contract Logistics	110	17%	Moderate	Low	High	High	High	**Others**: Emergence of minor ports **Adoption:** Future adoption in low penetrated industries like CD and FMCG **Customer Preference:** Shift from conventional TPT / WH to in-plant support, VMI, packaging, sub assembly, end-to-end SCM
Project cargo (Road)	50	17%	Moderate	High	Low	Moderate	High	**Others:** Increasing customer awareness leading to per price contracts impacting overall margins. Industry exploring levers to improve productivity, expected to result in margin improvement **End user:** Increase in infrastructure investment (wind, solar, pipeline, urban transport, railways) **Regulations:** FDI norms in manufacturing and infrastructure industries - a potential upside

Table 16: Indian logistics industry – Key sub segments FY17 (Contd...)

Industry**	Market Size (INRbn)	Growth (FY12-17)	Level of fragmentation	Asset Intensity	Quality of revenue: Customer stickiness	Quality of revenue: Premiumization of product	ROCE*	Drivers
Coastal Shipping	43	14%	Moderate	Very high	Low	Moderate	Moderate	**Others:** Mobilization of capital is an entry barrier **Regulations:** (i) Coastal cargo incentive scheme launched by government (ii) Sagarmala project having focus on coastal movement
Custom bonded warehouses	47	10%	Very high	Moderate	Moderate	High	Moderate	**Adoption:** High adoption seen on specific trade lanes
E-commerce logistics	75	35%	Moderate	Low	Low	Moderate	High	**Regulations:** Lack of clarity in regulations limits VMI potential **Customer Preference:** Need for additional services to address delivery gap (such as CoD) and technology gap (complete track and trace, evolved WMS to know inventory levels) **Customer expansion:** Geographic and catalog expansion **Risks:** (i) Risks involved with unit economics of end user industry and resulting impact on LSPs
Air (carrier domestic)	12	4%	Low	High	Low	Moderate	Very low	(ii) Competition from potential captive capabilities built with increase in volumes **Market:** (i) Increase in movement of high value products (ii) Rising need for on-demand cargo
Tank Farms (road / rail/port) – Non-POL	138	11%	Low	High	Moderate	Moderate	Moderate	(iii) new trade channels such as e-commerce **Adoption:** (i) Clubbing tank farm products with MMLPs (ii) uptake of port linked processing units (iii) increasing imports of liquids
Total	**7,500**	-	-	-	-	-	-	**Regulations:** Capacity addition at Non-Major/ private ports
Total (including ports and rail)	**9,100**	-	-	-	-	-	-	-

Source: Company RHP

Note: ROCE: Very high - >25%; High – 20-25%; Moderate – 15-20%; Low – 10-15%; Very low: <10%

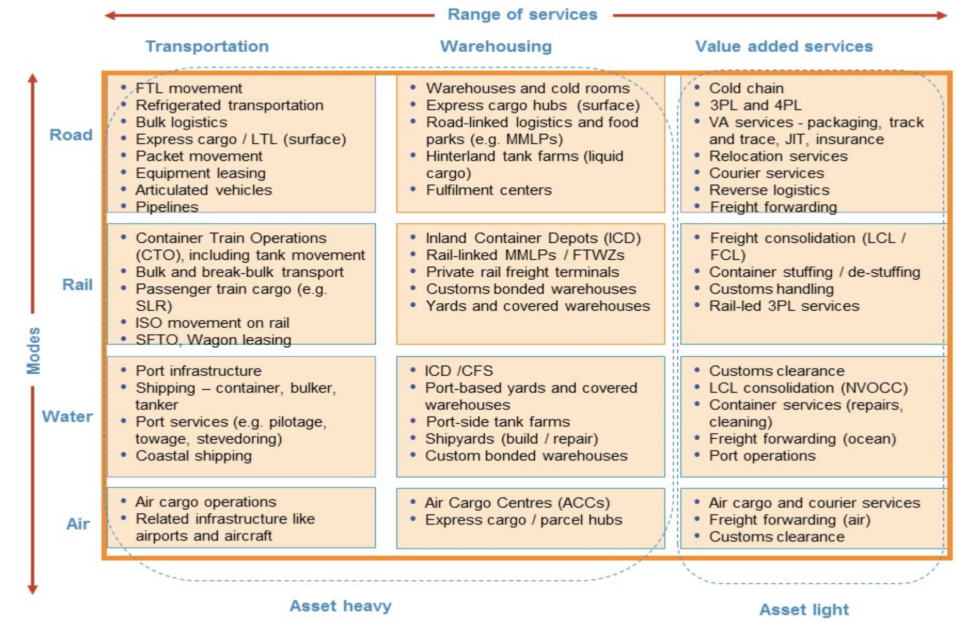
** For stable, steady-state business as per unit economics calculations*

*** Market for key consumer focused industries doesn't include Rail – INR 1,350 billion & Ports Infra- INR 290 billion*

Competitive positioning

LSPs can be segmented on the basis modes of operation and the range of services they provide. A company may operate across more than one mode and service line.

Fig. 1: FSC operates with an asset light business model



Source: Company RHP

LSPs primarily operate through two kinds of business models in providing services such as transportation, warehousing and other value-added services. Risk and return profiles of both the models are fundamentally different.

1. **Asset-heavy model:** Service providers own and maintain infrastructure including warehouses, fleet of vehicles, CFS, etc. Operating out of own infrastructure provides more control to LSPs. Margins and RoCE (15-20%) are similar to that of infrastructure providers. Performance of asset-heavy LSPs hinges on quality and availability of asset class and suitability of geography.

2. **Service-based model:** In the asset-light model, LSPs use infrastructure developed by others and customise it according to customer requirements to deliver logistics services. This model have the following key characteristics:

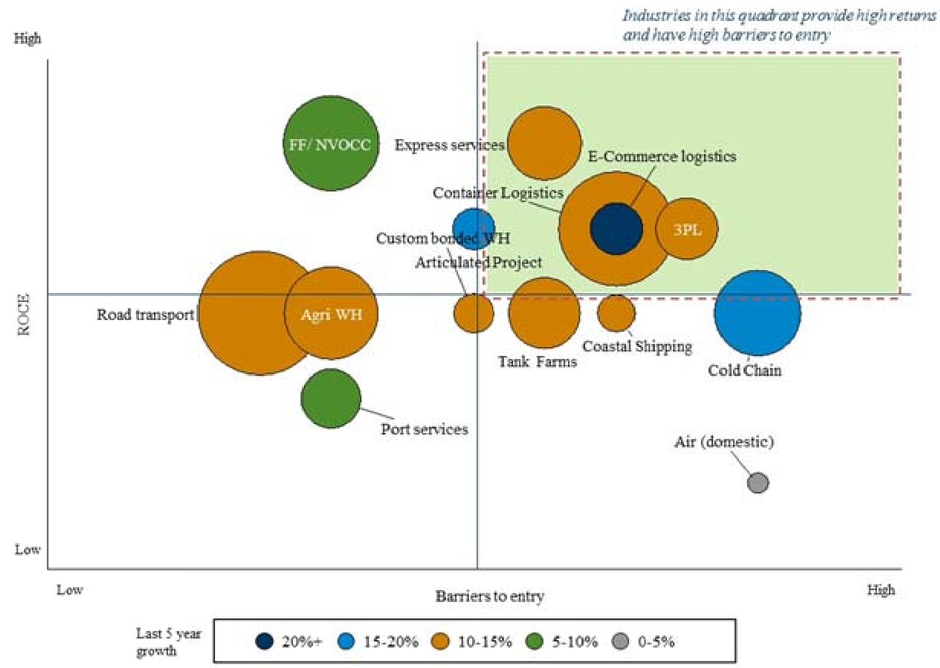
   - **High RoCE:** Contract LSPs typically operate with two-three anchor clients with differentiated service models and hence are able to sustain high RoCE (20-25%).

   - **Customers are sticky**: For large organised end-user customers, managing the entire supply chain is complex and needs investment & infrastructure. Customers typically enter into long-term contracts with LSPs as the switching costs are high.

   - **High entry barriers**: End-user industries have limited customers which are organised as well as operate on large scale. For organised customers, who are in long-term contracts with leading contract LSPs (small proportion of market), dislodging them with a breakthrough proposition is challenging for new entrants.

Asset-light service providers operate in contract logistics, trucking, e-commerce, express logistics and cold chain. Following is the snapshot of different segments in logistics and the opportunity size. The relative attractiveness of logistics segments can be assessed based on size of the market in the hands of organised private service providers, asset intensity and return potential (refer figure below).

Fig. 2: 3PL provide high returns and have high barriers to entry



Source: Company RHP

Note: Size of bubble represent relative size of opportunity for organised private participants

Contract logistics

Contract logistics is a niche services segment which requires differentiated capabilities and an in-depth understanding of a customer's supply chain. It typically requires low asset intensity or asset-light model and has favourable returns (20-25% RoCE). Having the capability to offer differentiated products becomes especially relevant for organised players where customers are sticky and tend to continue with long-term arrangements. Organised contract logistics market in Europe, estimated at USD82bn, forms 3.5% of the logistics market and 4.0% in the US compared to 1.2% in India.

Contract logistics providers offer in-bound and out-bound logistics services to various manufacturing and service companies. These service providers take responsibility of transportation, warehousing and other value-added activities such as packaging, kitting, sorting, labelling, reverse logistics, consolidation, etc. The key end-user industry segments for these services are auto, retail, pharma, FMCG & consumer durables, IT, telecom, e-commerce and e-tail.

The contract logistics market was estimated at INR110bn (USD1.7bn) in FY17. Contract logistics spend has grown at a faster clip than overall logistics industry at ~17% annually over FY12-17.

Table 17: Nature of contracts in contract logistics is typically long-term providing customer stickiness

Types of customers	Services provided	Average tenure	Pricing model
FMCG, Auto, CD, IT, Telecom & Mobile, Retail	Warehousing, VAS and Transportation	3-5 years	Pricing evolves from cost + management fee to cost per part (productivity linked) to revenue and profit sharing (strategic partnerships)

Source: Company RHP, Edelweiss research

These services are more complex and require process & technology integration between LSPs and customers. As a result of this symbiotic relationship, such contracts have higher longevity.

Key addressable segments

The contract logistics market is expected to grow to ~INR244bn (USD3.8bn) in FY22, nearly 2.2x FY17 market, at a CAGR of 17%. Key end-user segments and their addressable spend is as given below:

Table 18: Contract logistics spends in Auto, FMCG and Retail (key segments for FSC) are expected to grow at a rapid pace

Industry	User Industry market FY17 (INRbn)	% Logistics spend	% contract of logistics spend	FY 17 contract market (INRbn)	Penetration of contract logistics- share (%)	FY 22 contract market (INRbn)	FY17-22 CAGR (%)
Auto	5,820	5.0	27.0	72.0	15.0	153.0	16.0
FMCG	4,420	8.0	3.0	11.0	45.0	31.0	23.0
Organized retail	1500	4.0	12.0	8.0	38.0	20.0	20.0
CD	880	5.0	15.0	7.0	45.0	14.0	16.0
Telecom	850	3.0	18.0	6.0	40.0	12.0	16.0
Apparel	3000	1.0	15.0	4.0	45.0	8.0	16.0
IT and Mobile	1,340	2.0	11.0	3.0	35.0	6.0	17.0
Total	**17,800**	**5.0**	**13.0**	**110.0**	**25.0**	**244.0**	**17.0**

Source: Company RHP, Edelweiss research

Critical success factors

- **Availability of anchor clients:** Contract LSPs need to build network capacity of transportation and warehousing to service clients. Availability of two-three anchor clients is critical to ensure minimum utilisation and further deployment of resources.
- **Agility to customise processes and maintain discipline:** A contract LSP’s capability to design suitable processes and ensure consistency across locations, seasons and scale of operations is critical for winning and retaining business.
- **Experience across multiple industries:** Every end-user industry has different challenges and LSP which service a wide range of industries bring cross learnings and best practices from other industries.
- **Use of technology and automation:** Technology is a key differentiator to enhance service quality and improve efficiency of operations. Technology facilitates scalability of operations and allows for data-driven decision making & better measurement of KPIs and customers require technology to track cargo, indent requirements and manage inventory.
- **Innovation and value-engineering:** Customers across industries target to cut logistics cost as a proportion of revenue. As the industry shifts towards per part/ per unit pricing

model, contract LSP are required to innovate their practices, leverage economies of scale and develop higher efficiency in operations. These include decisions such as automation of warehouses, choice of vehicle type, tools provided to manpower, etc.

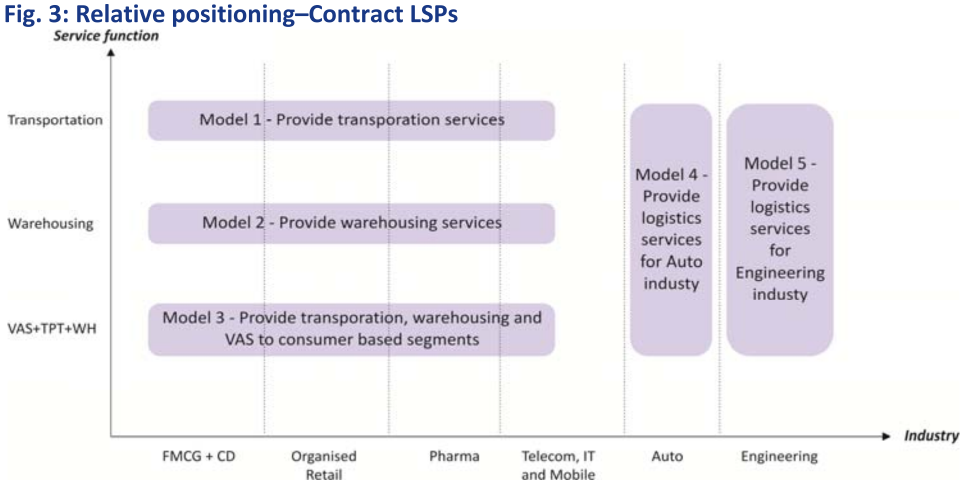
- **Increase in compliance standards:** Customers are increasingly becoming more aware and compliant to required standards to avoid contingency costs and protect reputation. These include decisions such as hiring of minimum standard warehouse infrastructure, utilising vehicles with right regulatory clearance, involving contract logistics service providers with right standards and practices. Hence, contract LSP need to demonstrate their capability to safeguard interests of customers.
- **Reliability & end-to-end supply chain management (SCM):** SCM and stock availability are critical for the retail business. Any lost sales could be detrimental to the business. Hence, reliability becomes especially important in servicing the B2C end-user industry. Even manufacturing companies increasingly seek logistics providers which can manage the entire supply chain error free, hassle free and efficiently under one roof.

Business models for contract LSP have evolved on customer needs. There are two typical kinds of business models which differentiate contract logistics operators:

- **Contract LSP focusing on factory gate services for manufacturing set ups:** 3PL providing transportation, warehousing and value-added services support for factories.
- **Contract LSPs focusing on outbound and distribution logistics for consumption-based user segments:** 3PL providing logistical support for finished products for outbound logistics & storage and distribution capability for distribution centers and hubs.

Contract LSP have evolved as vertical or horizontal specialist service providers catering to service functions such as transportation, warehousing etc. or end-user industries like auto, engineering, etc. Very few service providers have capabilities to offer transportation, warehousing and value-added services across end-user segments.

Fig. 3: Relative positioning–Contract LSPs



Source: Company RHP

While some contract LSP focus on single industry service such as auto, engineering etc., others focus on a wider range of end-user industries such as FMCG, apparel, IT & mobile, CD, etc. FSC is one of the largest contract logistics operators for consumer-based user segments.

Express logistics

Express logistics offers door-to-door delivery across domestic regions along with real-time shipment tracking facilities and serves the need of time sensitive logistics services for customers requiring transport of less than truck load cargo. It services customers for whom speed to market is crucial for converting sales across regions, meeting customer expectations and maintaining business competitiveness.

Globally, four companies dominate the express package business—FedEx & UPS based in US and DHL & TNT in Europe. These providers characterise an oligopolistic market with high entry barriers. Setting up express business requires high investment in building network and scale. Typically, four-five national operators control significant share in mature markets.

Key consumer industries of express logistics are auto components, banking & financial services, IT components, apparel, pharmaceuticals, telecom products, e-commerce, etc.

The domestic express logistics industry is estimated at INR100bn (USD1.5bn) in FY17 and has posted ~14% CAGR over FY12-17. Organised national players contribute 50% of express logistics spending.

Table 19: Contracts in express logistics are typically annual in tenure

Types of customers	Services provided	Average tenure	Pricing model
FMCG, Apparel, Auto, Pharma, Fruits and Vegetables	Long distance transportation	Annual	The contracts are typically priced per kg per or package basis

Source: Company RHP, Edelweiss research

Demand drivers and key trends

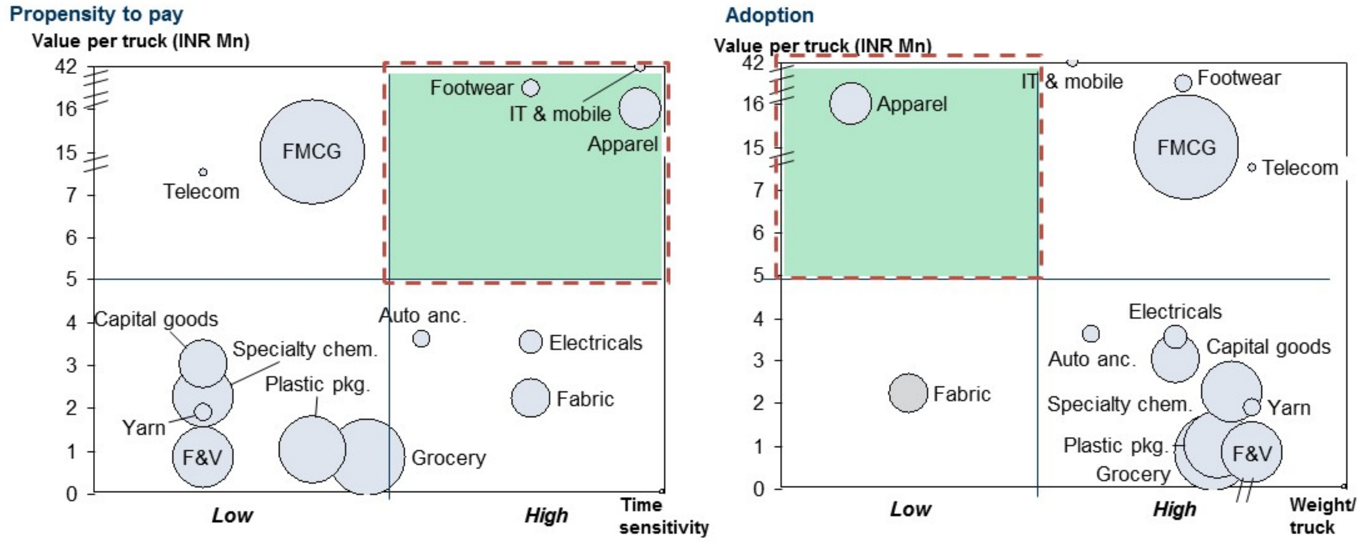
Express logistics services are expected to grow on account of spurt in underlying end-user industries and rising time sensitivity of deliveries. Following are the key trends in the space:

- **Need for reliable and consistent service**: Increasing complexity of business and higher operational inter-dependency require errors to be minimised.
- Increasing geographical dispersion of consumers and businesses will require development in network capability to service them.
- **Adoption by SMEs**: SMEs are expected to shift to national express LSP for better pricing, order fulfillment and supply chain efficiency.
- GST will result in companies dispatching more cargo directly to buyers as there will be no tax incentive of stock transfer for sellers.

Key addressable segments

The express logistics market is expected to post 15% CAGR till FY22 to INR200bn (USD3.1bn). End-user industries that run tightly managed operations and need time sensitive logistics account for key customer segments. Such customers also tend to provide higher realisation.

Fig. 4: Apparel and IT & mobile are attractive industries for express logistics



Source: Company RHP

As seen in the graph above, apparel and IT & mobile are attractive industries for express logistics and have high time sensitive logistics' need compared to capital goods, specialty chemicals, etc. Moreover, industries such as FMCG, apparel and footwear, etc., which have high adoption of express logistics services, have a propensity to pay higher for such services.

Critical success factors

While it is essential to have a large distribution network, addition of cities to the network adds complexity to the business and requires significant deployment of resources. It also creates inter-dependencies in the network which require high operational and management capability. Key critical success factors are:

- **Network presence**: A large network is essential in servicing customers with pan-India operations. A 16x16 network (top 16 clusters in India) contributes to ~45% of the express logistics market.
- **Utilisation of network**: Capability to source business is an essential precursor to delivering logistics services. If the network does not reach an optimum utilisation, it becomes unprofitable to operate (e.g., per truck margins are negative, etc). Hence, developing and managing relationships with business correspondents/end customers is critical; agents are typically deployed where possible.
- **Reliability of line haul**: Line haul, the intermediate long distance road travel, is required to operate in coordination with the feeder network. Any delay could disrupt the course of the business and may cause lag/ loss in sales.
- **Consistency of service levels and improvement in TAT**: The entire logistics chain is required to be process driven in a manner such that scope for errors and trials are minimised and service level standards are consistent. Providers are required to improve turnaround time to reduce carrying costs and improve throughput.
- **Vendor management**: Managing multiple vendors along the line haul and feeder network is a critical aspect in managing service quality and controlling costs. Service providers could use local agent network to manage vendor relationships.

Express logistics providers' market is led by national service providers, followed by regional service providers. While national service providers have better reach and pricing, regional service providers have deeper penetration in their focus regions. Local service providers are further limited in reach, but have high local connect and cater to SMEs. National service providers have high geographical coverage and multi-location facilities backed by strong IT capabilities. They offer VAS such as flexible billing, storage facilities, risk cover, free packaging, non-standard item shipment, multiple pick-ups per day. *FSC is one of the top 5 national operators in express logistics.*

Cold chain logistics

Cold chain is a temperature controlled supply chain offering refrigerated storage, transportation and distribution services along with associated value-added support activities. Demand for cold chain logistics is primarily driven by bulk agricultural commodities (predominantly potato storage), consumer segments such as frozen food, dairy, confectionery, high value fruits and vegetables, pharmaceuticals and B2B segments.

The cold chain logistics market is estimated at ~INR200bn (USD3.1bn), of which product and processed food based segments (addressable for FSC) cold chain spend was ~INR33bn (USD0.5bn) in FY17. Organised LSP constitute 40% of the addressable cold chain spending (~7% of total cold chain spend) estimated at ~INR13.5bn (USD0.2bn) in FY17. Organised cold chain logistics has grown at a higher pace than the overall logistics industry at ~25% annually over FY12-17.

Table 20: Contracts in cold chain logistics are short-term in nature

Types of customers	Services provided	Average tenure	Pricing model
QSR & Café, Confectionary, Dairy, Frozen foods, Pharma, Meat and Seafood	Warehousing, VAS and Transportation	1-3 years	Pricing is evolving from per unit space (pallet), route based to cost per part and revenue sharing

Source: Company RHP, Edelweiss research

Demand drivers and key trends

Cold chain LSP have been facing challenges including rising infrastructure requirements and energy dependence, increasing quality standards and regulations. Following are the key trends in the space:

- **Sharpening focus on product quality and sensitivity**: Sharpened focus on maintaining the temperature integrity of products across the value chain, particularly for premium products which have shorter shelf life in the market.
- Premiumisation in end-user industries such as chocolates, QSR etc., and increased quality concerns have improved the willingness of companies to pay.
- Temperature-controlled supply chains are increasingly becoming global on account of burgeoning food exports, resulting in higher requirement of compliance and quality standards.
- **Technology investments critical**: Cold chain operators need to continually upgrade technology to ensure efficiency, integrity, and safety, including back-end IT infrastructure and front-end devices to gather and report key shipment data in real time.

- **Sustainability initiatives**: Cold chain operators are looking for new ways to improve efficiency of energy requirements of perishable products, e.g., onboard fleet management systems.
- GST is expected to increase the penetration of organised service providers in this industry.

Key consumer segments

Organised cold chain market is estimated to grow to ~INR36bn in FY22, nearly 2.7x FY17 market, at 22% CAGR. Key end-user segments for cold chain and their addressable spend are as below:

Table 21: Organized cold chain logistics– Logistic spends in key consumer segments to grow rapidly

Industry	User Industry market FY17 (INRbn)	% Cold Chain spend	% spend on organized LSP	FY 17 Cold chain market (INRbn)	Organized Cold chain penetration share (%)	FY 22 Cold chain market (INRbn)	FY17-FY22 CAGR (%)
QSR & Café	115	4.0	71.0	3.3	15.0	6.7	15.0
Confectionery	118	4.0	55.0	2.9	7.0	7.7	22.0
Dairy	112	8.0	27.0	2.3	10.0	7.7	28.0
Pharma	890	1.0	30.0	1.8	35.0	4.0	17.0
Frozen Foods	22	5.0	70.0	0.7	7.0	1.8	20.0
Meat	310	1.0	39.0	0.6	40.0	1.2	13.0
Seafood	340	1.0	17.0	0.5	25.0	1.7	27.0
Organized retail (1)	85	1.0	52.0	0.1	44.0	0.2	12.0
Others (2)	220	3.0	40.0	1.2	25.0	5.1	33.0
Total	**2,210**	**2.0**	**40.0**	**13.5**	**20.0**	**36.1**	**22.0**

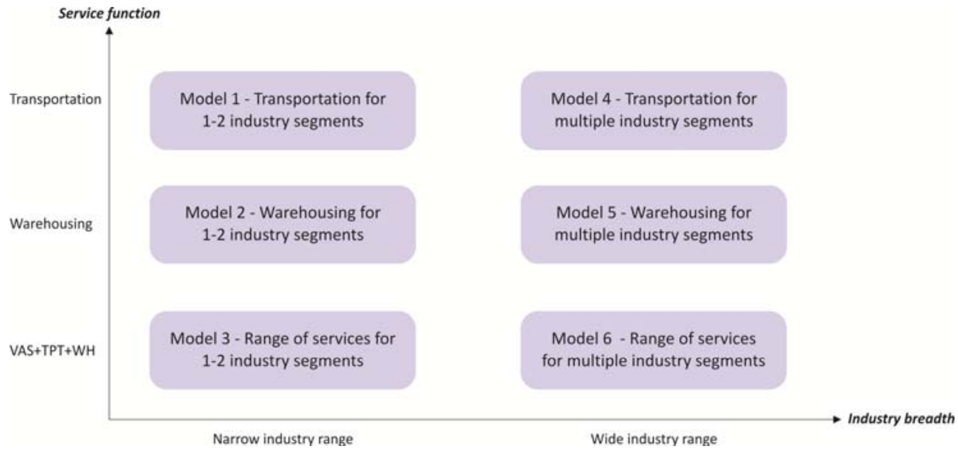
Source: Company RHP, Edelweiss research

Critical success factors

- **Presence at the right location**: Realisation could vary across locations and routes based on demand-supply in each micro market. Presence in key distribution centers is important for network development. Presence in under-supply locations could provide leverage for service providers.
- **Asset mix**: Realisation varies for the service mix of product categories—frozen, chilled, ambient, etc. Setting a single large chamber versus multiple smaller chambers could be a key strategic decision depending on demand seasonality.
- **Quality of assets**: End-user industries adhere to compliance requirements at par with global standards of warehousing and hence consistency and adherence to such standards becomes critical in delivery of services to clients.
- **Ability to provide VAS and integrated services** is sometimes essential to service certain industry segments (e.g., QSR requires integrated services). Moreover, it could increase realisations and ensure customer stickiness.

  Cold chain service providers could be classified on the basis their service function—providers which offer single function such as transportation or warehousing, or which offer a range of functions including value-added & integrated services. Providers can also be classified based on their industry focus— while some providers cater predominantly to one-two industry segments, others cater to multiple industries.

Fig. 5: Relative positioning–cold chain logistics service providers



Source: Company RHP, Edelweiss research

Financial Statements

Key assumptions

Year to March	FY17	FY18E	FY19E	FY20E
Macro Assumptions				
GDP (Y-o-Y %)	6.6	6.5	7.1	7.6
Inflation (Avg)	4.5	3.6	4.5	5.0
Repo rate (exit rate)	6.3	6.0	6.0	6.5
USD/INR (Avg)	67.1	64.5	66.0	66.0
Company Assumptions				
Revenue assumptions (% YoY)				
Contract Logistics	25.6	40.0	41.0	38.4
Express Logistics	(10.1)	15.5	19.8	26.5
Temperature Controlled Logistics	4.9	11.9	10.7	32.1
Cost assumptions (% YoY)				
Cost of logistic services	10.8	30.3	36.9	35.4
Other expenses	19.9	18.8	18.7	18.8
Financial assumptions (%)				
Avg depreciation rate (%)	12.7	11.5	11.0	8.8
Tax rate (%)	21.4	32.4	32.4	32.4
Divdend payout ratio (%)	-	-	-	-

B/S assumptions

Net borrowings (INR mn)	(154)	(1,080)	(1,039)	(1,796)
Capex (INR mn)	(593)	(10)	(865)	(568)
Debtors days	142	108	93	86
Payable days	100	76	68	66
Cash conversion cycle	42	31	25	20

Income statement (INR mn)

Year to March	FY17	FY18E	FY19E	FY20E
Income from operations	5,612	7,519	10,171	13,820
Cost of logistic service	3,753	4,890	6,696	9,067
Staff costs	565	749	967	1,319
S G & A expenses	551	667	934	1,284
Total operating expenses	4,869	6,306	8,596	11,670
EBITDA	743	1,213	1,575	2,150
Depreciation and amortisation	191	229	272	407
EBIT	551	984	1,303	1,743
Less: Interest Expense	128	80	0	0
Add: Other income	158	130	160	180
Profit before tax	582	1,034	1,463	1,923
Less: Provision for Tax	124	336	474	623
Reported Profit	458	699	989	1,300
Adjusted Profit	458	699	989	1,300
No. of Shares outstanding	39	39	39	39
Adjusted Basic EPS	11.69	17.85	25.27	33.21
No. of Diluted shares outstanding	39	39	39	39
Adjusted Diluted EPS	11.69	17.85	25.27	33.21
Adjusted Cash EPS	16.58	23.70	32.22	43.63

Common size metrics- as % of net revenues

Year to March	FY17	FY18E	FY19E	FY20E
Operating expenses	86.8	83.9	84.5	84.4
Cost of logistic service	66.9	65.0	65.8	65.6
Staff costs	10.1	10.0	9.5	9.5
S G & A expenses	9.8	8.9	9.2	9.3
Depreciation	3.4	3.0	2.7	2.9
Interest Expense	2.3	1.1	0.0	0.0
EBITDA margins	13.2	16.1	15.5	15.6
Net profit margins	8.2	9.3	9.7	9.4

Growth metrics (%)

Year to March	FY17	FY18E	FY19E	FY20E
Revenues	7.9	34.0	35.3	35.9
EBITDA	6.2	63.3	29.8	36.5
PBT	30.5	77.7	41.5	31.4
Adjusted Profit	55.5	52.7	41.6	31.4
EPS	55.5	52.7	41.6	31.4

Balance sheet (INR mn)

As on 31st March	FY17	FY18E	FY19E	FY20E
Share capital	391	391	391	391
Reserves & Surplus	2,537	4,212	5,173	6,424
Shareholders' funds	2,928	4,604	5,564	6,816
Long term borrowings	244	0	0	0
Short term borrowings	72	0	0	0
Total Borrowings	316	0	0	0
Long Term Liabilities & Provisions	537	46	46	46
Deferred tax liability (net)	101	101	101	101
Sources of funds	**3,882**	**4,751**	**5,711**	**6,963**
Net Block	1,524	1,967	2,631	2,872
Capital work in progress	698	89	59	32
Intangible assets	10	2	45	46
Total Fixed assets	2,231	2,059	2,735	2,950
Non current investments	0	350	350	350
Cash and cash equivalents	470	1,080	1,039	1,796
Sundry debtors	2,167	2,266	2,926	3,597
Other Current Assets	227	244	268	284
Total current assets (ex cash)	2,394	2,510	3,194	3,881
Trade payable	978	1,072	1,431	1,838
Other Curr. Liab. & ST Provisions	235	176	176	176
Total current lia.& provisions	1,213	1,248	1,607	2,015
Net current assets (ex cash)	1,181	1,262	1,587	1,866
Uses of funds	**3,882**	**4,751**	**5,711**	**6,963**
Book Value per share	74.8	117.6	142.2	174.1

Free cash flow

Year to March	FY17	FY18E	FY19E	FY20E
Reported Profit	458	699	989	1,300
Add: Depreciation	191	229	272	407
Interest (Net of Tax)	100	54	0	0
Others				
Less: Changes in WC	585	(128)	(408)	(334)
Operating cash flow	2,067	800	853	1,373
Less: Capex	(593)	(10)	(865)	(568)
Free cash flow	**1,474**	**790**	**(12)**	**806**

Cash flow metrics

Year to March	FY17	FY18E	FY19E	FY20E
Operating cash flow	2,067	800	853	1,373
Financing cash flow	(766)	170	(29)	(48)
Investing cash flow	(593)	(360)	(865)	(568)
Net cash flow	709	610	(41)	758
Capex	(593)	(10)	(865)	(568)

Profitability & liquidity ratios

Year to March	FY17	FY18E	FY19E	FY20E
Return on Average Equity (ROE) (%)	16.9	18.6	19.5	21.0
Pre-tax ROCE (%)	20.0	26.4	28.5	36.2
Debtors days	142	108	93	86
Payable days	100	76	68	66
Cash Conversion Cycle	42	31	25	20
Current Ratio	2.4	2.9	2.6	2.8
Gross Debt/EBITDA	42.5	0.0	0.0	0.0
Gross Debt/Equity	0.1	0.0	0.0	0.0
Adjusted Debt/Equity	0.1	0.0	0.0	0.0
Net Debt/Equity	(0.1)	(0.2)	(0.2)	(0.3)
Interest Coverage Ratio	**4.3**	**12.3**	**NA**	**NA**

Operating ratios

Year to March	FY17	FY18E	FY19E	FY20E
Total asset turnover	1.5	1.7	1.9	2.2
Net Fixed asset turnover	4.5	5.6	4.6	5.1
Equity turnover	1.5	1.7	1.9	2.2

Valuation parameters

Year to March	FY17	FY18E	FY19E	FY20E
Adjusted Diluted EPS (INR)	11.7	17.9	25.3	33.2
Y-o-Y growth (%)	*55.5*	*52.7*	*41.6*	*31.4*
Adjusted Cash EPS (INR)	16.6	23.7	32.2	43.6
Diluted Price to Earnings Ratio (P/E)	57.4	37.6	26.6	20.2
Price to Book Ratio (P/B) (x)	9.0	5.7	4.7	3.9
Enterprise Value / Sales (x)	4.7	3.4	2.5	1.8
Enterprise Value / EBITDA (x)	35.2	20.8	16.0	11.4

Additional Data

Directors Data

Rakesh Biyani	Chairman & Non-Executive Director	Janat Shah	Non-Executive Independent Director
Mayur Toshniwal	Managing Director & Executive Director	Bala Deshpande	Non-Executive Independent Director
Chandra Prakash Toshniwal	Non-Executive Director	Amar Sapra	Non-Executive Independent Director
Shyam Maheshwari	Non-Executive Director	Rahul Garg	Non-Executive Independent Director

Auditor - NGS & Co. LLP

**as per last annual report*

Holding – Top10

	Perc. Holding		Perc. Holding
L&T Mutual Fund	6.09	DSP Blackrock Investment Manager	0.60
HDFC Asset Management Co Ltd	3.19	Driehaus Capital Management Llc	0.56
IDFC Mutual Fund	1.53	Kotak Mahindra	0.43
Suhani Trd & Inv Con Pl	1.25	Edelweiss Asset Management	0.34
Reliance Capital Trustee Co Ltd	1.03	Van Eck Associates Corporation	0.26

**in last one year*

Bulk Deals

Data	Acquired / Seller	B/S	Qty Traded	Price
No Data Available				

**in last one year*

Insider Trades

Reporting Data	Acquired / Seller	B/S	Qty Traded
No Data Available			

**in last one year*

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Date: 2018.04.17 18:28:33 +05'30'

Coverage group(s) of stocks by primary analyst(s): Logistics

Future Supply Chain Solutions

Distribution of Ratings / Market Cap

Edelweiss Research Coverage Universe

	Buy	Hold	Reduce	Total
Rating Distribution*	161	67	11	240

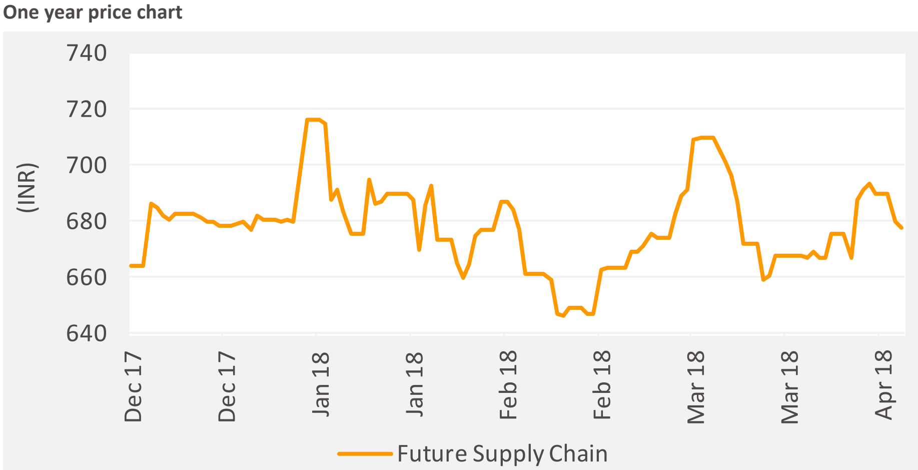
* 1stocks under review

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	156	62	11

Rating Interpretation

Rating	Expected to
Buy	appreciate more than 15% over a 12-month period
Hold	appreciate up to 15% over a 12-month period
Reduce	depreciate more than 5% over a 12-month period

One year price chart



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