

# Fundamental Research Report

## Maheshwari Logistics Ltd

Date : 10-06-2020



### BUY

CMP	: Rs.177.90
Target	: Rs.250.00
Stop Loss	: Rs.125.00
NSE Symbol	: MAHESHWARI
Market Cap	: Rs.240.77 Cr.
52 WEEK High /	: Rs.340.00 /
Low	Rs.127.00
Stock PE	: Rs.13.11
Dividend Yield	: 0.74%
Recommendation	: BUY
Book Value	: Rs.85.19
Face Value	: Rs.10.00
ROCE	: 16.58%
ROE	: 13.01%
Sales Growth (3Yrs)	: 19.86%
PAT Growth(5Yrs)	: 22.7% CAGR

### COMPANY BACKGROUND:

Incorporated in 2006, Maheshwari Logistics Limited (MLL), offers a diversified business model, promoted by Maheshwari and Kabra Family. MLL is engaged in Logistics Service including providing procurement of Coal, Pet Coke, Lignite & Waste Paper and also engaged in Manufacturing of Kraft Paper.

MLL has their own Fleet of 100+ Vehicles including Trailers, Trucks, Tempo, Loaders, Forklifts. Business Operations are managed from their Head Office and Registered office at Vapi (Gujarat), and a network of 25 Offices spread over 6 States.

MLL Got listed on NSE-Emerge (SME Platform) on 16th January 2017 and migrated to NSE Main Board on 15th April 2019.

### Key Business Highlights

- 30 Lakh Tonnes of Logistics Handling
- 6.6 lakh Tonnes of Coal Handling
- Own Fleet of 100+ Trucks & Trailers
- 5000+ 3rd Party Trucks available for Logistics Handling
- 90,000 MT Capacity of Kraft Paper Plant at Ambethi, Valsad
- 76,000 MT Kraft Paper Produced
- 25 Operating Offices
- Revenue –Rs. 584 Crores for 9M FY20 (Rs. 1,037 Crores in FY19)
- EBITDA – Rs. 42.36 Crores for 9M FY20 (Rs. 46.5 Crores in FY19)

- PAT – Rs. 15 Crores for 9M FY20 (Rs. 14.8 Crores in FY19)
- Revenue Growth – 18.1% CAGR 5 Years
- PAT Growth – 22.7% CAGR 5 Years

### BUSINESS VERTICALS

#### Logistics Services:

MLL offers full truck load services to medium and large enterprises, who need bulk cargo transportation. They service clients based in the states of Gujarat, Rajasthan, Maharashtra and Madhya Pradesh. Because of their foothold in these states they are among the largest organized player in western India





A combination of owned fleet and third-party fleet is their strength and hence the first choice by large corporate like Ultratech Cement, JK Cement and Ambuja Cement. They have an owned fleet of 100+ Trucks and associated with 3rd party truck owners and have 5,000+ trucks available at their disposal.

Majority of their clients are from Cement, Paper, Textiles and Fertilisers, and they handled 30 Lakh tonnes of cargo in FY19. Other than having almost all the cement manufacturers in Gujarat & Rajasthan as their customer, they have over 400 SME Clients. Ancillary to logistics business, they offer value addition for SME customers for whom they supply and manage complete logistics for imported coal by procurement through imports or high seas purchases. They also have a screening plant for sizing of imported coal. They handled 6.6 Lakh tonnes of coal supply in FY19

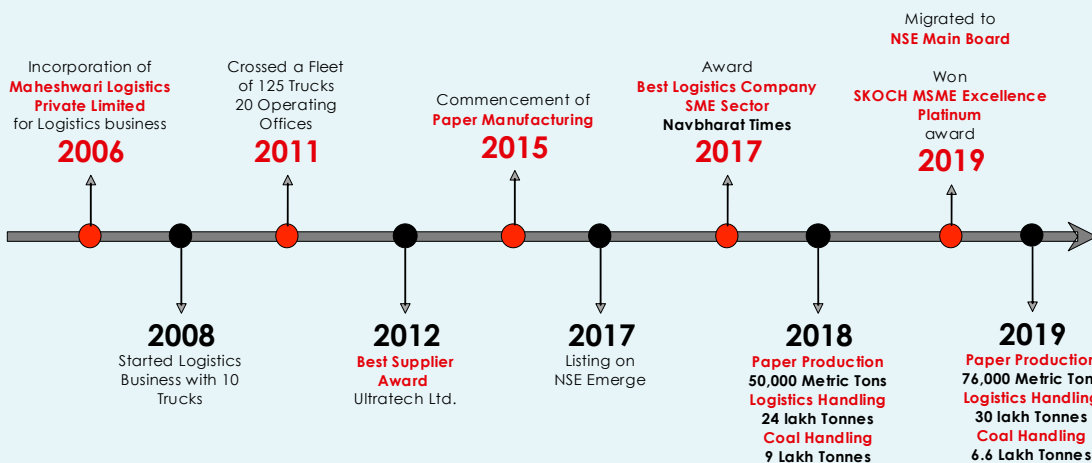
### Paper Manufacturing:

MLL ventured into manufacturing of Kraft Paper in 2015 through a strategic take-over of Daman Ganga Paper's existing plant at Ambheti and started manufacturing 100% recycle Kraft Paper, which is used mainly in Packaging Industry. They initially had manufacturing capacity of 72,000 MT per annum, which was increased to 90,000 MT per annum through Plan upgradation. In the financial year ending March 31, 2019 they produced 76,000 MT of Kraft Paper.

They have also set-up 8 centers for waste paper collection at Mumbai, Nashik and Surat, which is helping in consistent supply of raw material and at lower cost. They have also setup a 4.5 MW Power Plant with Back Pressure Turbine, which would help produce steam for paper manufacturing as well as power generation and would lower power costs

### HISTORY

*5 Decade old family business transformed into mini conglomerate*





## NETWORK OF OFFICES

### Logistics Service:

- 7 Operating Offices in Gujarat (Hajira & Magdalla at Surat, Ahemdabad, Morbi, Jamnagar, Gandhidham, Dahej at Bharuch)
- 9 Operating Offices in Rajasthan (Udaipur, Nimbahera & Shambhupura at Chittorgadh, Borunda at Jodhpur, Gotan at Nagaur, Nimbol & Rabariavas at Pali, Kotputli at Jaipur, Barmer)
- 2 Operating Offices in Karnataka (Manglore and Lokapur at Bagalkot)
- 1 Operating Office in Maharashtra (Nagpur)
- 1 Operating Office in Madhya Pradesh (Nayagaon at Neemuch)

### Waste Paper Collection Centers:

- 5 Collection Centers in Maharashtra (Bhiwandi & Ghodbander at Thane, Vasai, Silphata & Tarapur MIDC at Palghar)
- 2 Collection Centers in Gujarat (Pandesarra at Surat, Bhuj at Kutch)
- 1 Collection Center in Uttar Pradesh (Kanpur)

### Kraft Paper Manufacturing:

- Ambethi GIDC Taluka Kaprada District Valsad

### Coal Screening Unit:

- GIDC Vapi, District Valsad

## KEY MANAGEMENT



**Vinay Maheshwari**  
Chairman  
Bachelor of Commerce from Kanpur University and over 20 years of experience in the business of coal



**Neeraj Maheshwari**  
Chief Executive Officer  
Bachelor of Commerce from Kanpur University and over 25 years of experience in business



**Varun Kabra**  
Managing Director  
MBA from University of Technology, Sydney and over 10 years of experience in the business of logistics



**Pradeep Dad**  
Chief Financial Officer  
Chartered Accountant by education and appointed as CFO since 2016, looking after accounting, finance & tax



**Amit Maheshwari**  
Director  
Bachelor of Commerce from Kanpur University and over 20 years of experience in business of paper



**Paresh Raiyani**  
Company Secretary  
Qualified Company Secretary and BBA by education and looks after Secretarial and compliance matters



**Vipul Vashi**  
Director  
Mechanical Engineer by education and over 16 years of experience in Kraft Paper Industry





## INDEPENDENT DIRECTORS

**MR. MUKESH AGRAWAL**, aged 50 years is an Independent Director on the Board. He is Qualified Chartered Accountant and having 21 years of rich experience headed multiple positions in renowned business groups in Finance, Accounts and Taxation Domain including submission of quarterly results to Stock exchange, implemented Six Sigma for the Company, implemented the functional effectiveness programs cost optimization programs etc.

**MR. GIRIRAJ LADDHA**, aged 52 years is an Independent Director on the Board. He is a Chartered Accountant by profession having relevant expertise in the field of Accounting and Finance and has also been empanelled as reviewer with the Peer Review Board. He is the Chairman of Audit Committee and Stakeholder Relationship Committee of the Company.

**MR. AJAY SHAH**, aged 53 Years is an Independent Director on the Board. He is a Law graduate and having 25 years of varied and rich exposure on various taxation and Finance matters related to Industries & Trade. He has played key role as an advisor and as a position holder in the various Associations, Committees, Colleges, Chamber of Commerce, and Companies. He is the Chairman of Nomination and Remuneration Committee and Member of Corporate Social Responsibility Committee of the Company.

**MR. HEMANT PANT**, aged 43 years is an Independent Director on the Board. He is a Commerce graduate and having more than 25 years of varied and rich exposure in Sales Tax, Income Tax, Service Tax, Industrial and Financial Advisory Services. etc., and He is a Leading Tax Practitioner in Vapi and running a firm named M/s. H. K. Pant & Associates and other advisory firm/Companies. He is also associated with numerous 'non-profit' organizations in and around Vapi.

**MR. AMBALAL PANCHAL**, is an Independent Director on the Board. He is retired IAS Officer and B.E (Technical) by qualification. He has vast experience in the field of Administration, Financial Viability and Assessment of asset. He also has Managerial experience in setting up green field Power Project including Financial arrangement. He has more than 30 years' experience in the field of Industries, Administration and Rural Development etc. He also has more than 15 years of experience in dealing with the Incentive to Industries from drafting to implementation of Policy. He was also associated with Bhavnagar Energy Co. Ltd. Additional Secretary to Government of Gujarat in Energy and Petrochemical Department, worked as Collector Bhavnagar district, Director of Employment and Training Gandhinagar, District Development Officer Vadodara, etc. He currently also holding a position of Independent Director in M/s. Pahal Financial Services Pvt. Ltd and also associated with Government of Gujarat.

**MR. RAMNARESH KABRA**, is an Independent Director of the Company. He is a Commerce graduate from Rajasthan University and having more than 35 years of varied and rich exposure in the field of Human Resource, administration and management.





## INVESTMENT RATIONALE

- Among the largest organized logistics service provider for Cement Manufacturers in Gujarat & Rajasthan. Catering to almost all large cement manufacturers in these states including Ultratech Cement, Ambuja Cement, JK Cement etc.
- Large fleet of owned vehicles (100+), along with association of 5000+ vehicles with 3rd party vendors and fleet owners
- Diversified into Kraft Paper Manufacturing with 100% recycling of waste paper and has own centers for waste paper collection. Plastic ban would benefit Kraft Paper manufacturers the most as an alternate for packaging
- Experienced & young management team and dedicated employee base spread across network of 25 offices in 6 states
- Strong financial performance and robust balance sheet

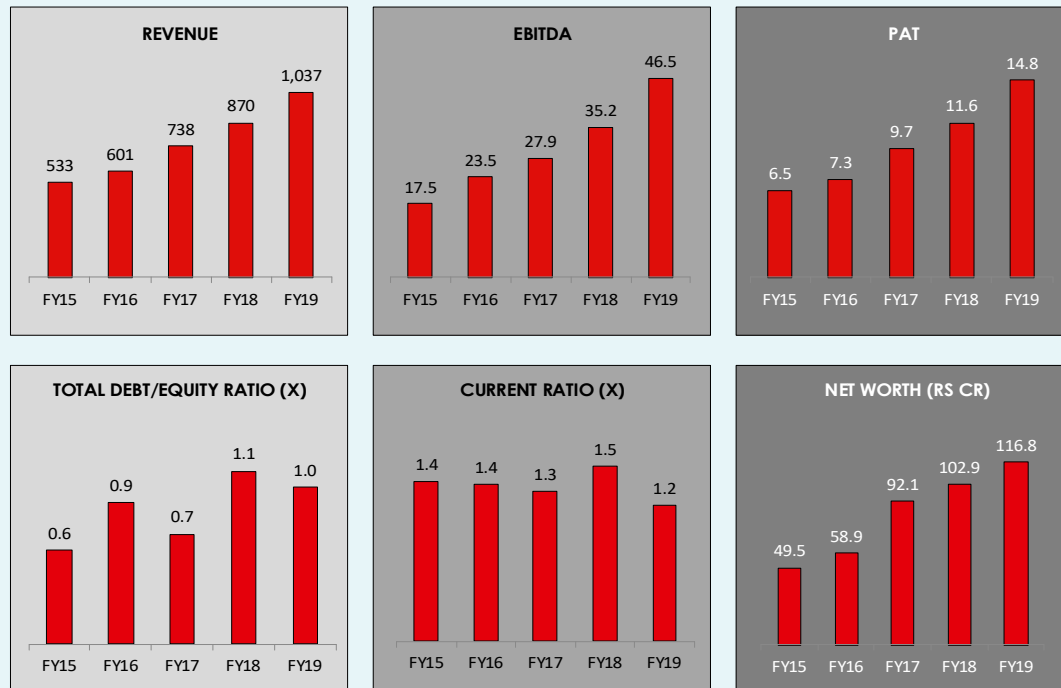
## VALUATION

At CMP of INR 177.90, stock trades at 14.25x trailing EPS. The stock is available at a significant discount to the industry PE of 20x. We recommend a compelling BUY for this stock.

Maheshwari Logistics has a management team which is extremely competent, high quality customers and continuous addition of new clients, low debt, diversification in 3 business verticals, healthy ROCE and ROE. Thus, we believe, Maheshwari Logistics is one of the best picks in Indian Logistics space and is definitely a portfolio stock which an investor should invest in. We recommend a strong BUY with a Target Price of Rs. 250 (valuing at 16.1x its FY21E EPS).



## FINANCIALS



Particular (Rs. Crore)	FY15	FY16	FY17	FY18	FY19	9MFY20
<b>Revenue from Operations</b>	<b>533.2</b>	<b>600.8</b>	<b>738.0</b>	<b>870.1</b>	<b>1,037.2</b>	<b>584.11</b>
Raw Material Costs	328.7	345.8	437.3	598.6	560.9	122.73
Operating Expenses	164.7	212.4	251.3	210.1	395.9	-
Employee Cost	6.1	7.4	10.9	12.9	13.9	12.49
Other Expenses	16.1	11.8	10.6	13.3	20.0	10.66
Total Expenditure	515.7	577.3	710.1	834.9	990.7	543.25
<b>EBITDA</b>	<b>17.6</b>	<b>23.5</b>	<b>27.9</b>	<b>35.2</b>	<b>46.5</b>	<b>42.36</b>
EBITDA Margin (%)	3.2%	3.91%	3.78%	4.05%	4.48%	7.25%
Other Income	1.7	4.7	2.1	3.5	3.0	1.51
Depreciation	2.5	2.4	4.9	7.4	8.0	8.19
<b>EBIT</b>	<b>16.7</b>	<b>25.8</b>	<b>25.1</b>	<b>31.3</b>	<b>41.4</b>	<b>34.18</b>
Interest	7.2	10.7	9.4	13.4	18.3	14.22
<b>PBT</b>	<b>9.5</b>	<b>15.1</b>	<b>15.7</b>	<b>17.9</b>	<b>23.1</b>	<b>19.96</b>
Exceptional Income / Expenses		-4.5				-
Tax Expenses	3.0	3.2	6.3	6.2	8.3	4.96
<b>Profit After Tax</b>	<b>6.5</b>	<b>7.3</b>	<b>9.7</b>	<b>11.6</b>	<b>14.8</b>	<b>15</b>
Pat margin (%)	1.22%	1.23%	1.28%	1.34%	1.42%	2.57%





## FINANCIALS

Particular (Rs. Crore)	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19
<b>EQUITY AND LIABILITIES</b>					
Share Capital	5.2	5.4	14.8	14.8	14.8
Total Reserves	44.3	53.5	77.3	88.1	102.0
Shareholder's Funds	49.5	58.9	92.1	102.9	116.8
Long-Term Borrowings	3.7	14.1	15.8	58.3	72.9
Deferred Tax Assets / Liabilities	-0.2	-0.2	0.7	2.3	4.6
Long Term Trade Payables	6.0	8.0	8.3	8.3	0.0
Long Term Provisions			0.2	0.0	0.0
Total Non-Current Liabilities	9.5	21.9	24.9	68.9	77.5
Current Liabilities					
Trade Payables	75.1	92.9	157.6	85.4	89.0
Other Current Liabilities	6.7	3.0	13.8	27.1	40.6
Short Term Borrowings	25.0	36.5	50.4	54.6	49.1
Short Term Provisions	1.5	4.4	3.1	1.1	1.4
Total Current Liabilities	108.2	136.7	224.9	168.3	180.1
<b>Total Liabilities</b>	<b>167.2</b>	<b>217.5</b>	<b>342.0</b>	<b>340.0</b>	<b>374.4</b>
<b>ASSETS</b>					
Non-Current Assets					
Property Plant & Equipment	11.7	17.1	32.8	63.8	72.1
Capital Work in Progress	0.1	1.9	0.5	5.0	38.0
Non-Current Investments					2.7
Long Term Loans & Advances	4.3	10.6	14.0	14.3	29.8
Other Non Current Assets	0.0	0.0	0.0	0.0	16.8
Total Non-Current Assets	16.1	29.6	47.3	83.1	159.4
Inventories	5.5	13.4	34.9	59.4	48.0
Sundry Debtors	131.7	138.0	220.6	161.5	124.3
Cash and Bank	8.9	14.2	6.5	12.8	15.0
Other Current Assets	1.5	3.1	2.3	3.1	1.8
Short Term Loans and Advances	3.4	19.2	30.5	20.2	25.9
Total Current Assets	151.1	187.9	294.7	256.9	215.0
<b>Total Assets</b>	<b>167.2</b>	<b>217.5</b>	<b>342.0</b>	<b>340.0</b>	<b>374.4</b>

Ratios	FY15	FY16	FY17	FY18	FY19
<b>Interest Coverage Ratio</b>	<b>2.31</b>	<b>2.40</b>	<b>2.67</b>	<b>2.33</b>	<b>2.26</b>
<b>Return on Equity</b>	<b>13.06%</b>	<b>12.41%</b>	<b>10.55%</b>	<b>11.32%</b>	<b>12.66%</b>
<b>Return on Assets</b>	<b>3.87%</b>	<b>3.36%</b>	<b>2.84%</b>	<b>3.43%</b>	<b>3.95%</b>
<b>ROCE</b>	<b>28.37%</b>	<b>31.86%</b>	<b>21.47%</b>	<b>18.22%</b>	<b>21.31%</b>
<b>Debt to Equity</b>	<b>0.58</b>	<b>0.86</b>	<b>0.72</b>	<b>1.10</b>	<b>1.04</b>
<b>Net Debt to Equity</b>	<b>0.40</b>	<b>0.62</b>	<b>0.65</b>	<b>0.97</b>	<b>0.92</b>
<b>Asset Turnover</b>	<b>3.19</b>	<b>2.76</b>	<b>2.16</b>	<b>2.56</b>	<b>2.78</b>
<b>Fixed Assets Turnover</b>	<b>45.46</b>	<b>35.08</b>	<b>22.48</b>	<b>13.65</b>	<b>14.42</b>
<b>Inventory Days</b>	<b>4</b>	<b>8</b>	<b>17</b>	<b>25</b>	<b>17</b>
<b>Receivable Days</b>	<b>90</b>	<b>84</b>	<b>109</b>	<b>68</b>	<b>44</b>
<b>Creditors Days</b>	<b>51</b>	<b>56</b>	<b>78</b>	<b>36</b>	<b>31</b>
<b>Working Capital Days</b>	<b>42</b>	<b>36</b>	<b>48</b>	<b>57</b>	<b>29</b>





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