Western Carriers (India) Ltd

IPO Meet Note

Price Band	Recommend
Rs. 163-172	SUBSCRIBE

The Issue	
Type of Issue	**Issue size Rs. Mn**
Fresh Issue	4000
Offer for Sale	929
Total	**4,929**
Post issue mkt cap (Rs. mn)*	**17,536**
Lot size	**87 shares**

***At Upper Price Band**

Issue Break-Up	
Reservation for	**% of Issue**
QIB	50%
NIB	15%
Retail	35%
Total	**100%**

Indicative Offer Timeline	Indicative Date
Bid/Offer Opening Date	Sept 13, 2024
Bid/Offer Closing Date	Sept 18, 2024
Finalization of the Basis of Allotment	Sept 19, 2024
Credit of shares	Sept 20, 2024
Initiation of refunds	Sept 20, 2024
Listing Date	Sept 23, 2024

Use of Proceeds	
Repayment of outstanding loans	**Rs 1,635 Mn**
Capex towards CVs & containers	**Rs 1,517 Mn**

Lead Bankers	
Manager	JM Financial Ltd.
	Kotak Mahindra Capital Company Ltd.
Registrar	Link Intime India Pvt. Ltd.

Saral Seth
VP—Institutional Equities
sarals@indsec.co.in
+91 22 61146139

Jainam Shah
Research Associate
jainams@indsec.co.in
+91 22 61146127

A Major 4PL player with assets light model; scope to improve margins

- Western Carriers Ltd is one of the largest private, multi-modal, rail focused, 4PL asset-light logistics company in India in terms of container volumes handled/operated by private players.
- The company provides multi-modal solutions, including 3PL/4PL services, courier, air, water freight, warehousing, project logistics, and road/rail transport. Their value-added services cover all stages of the supply chain—from production and packaging to export, arrival, customs clearance, and multimodal transport—ensuring efficient, customized logistics solutions for clients. The company holds a 6% market share in domestic volumes and a 2% market share in EXIM volumes.
- Overall for FY24 the company has handled volumes of ~2,12,500 TUEs, with EXIM volumes handled at 1,51,637 TUEs and domestic volumes handled at 60863 TUEs.
- The company operates on a scalable, asset-light business model, allowing them to provide multi-modal logistics solutions across road, rail, ocean/coastal/river, and air logistics, along with a customized suite of value-added services. They do not own any assets except those specifically designed or developed to meet customer needs that cannot be adequately fulfilled by third-party service providers.
- Company gives its services across various sectors such as Metal (53.3% contribution), fast moving consumer goods (19.46%), pharmaceuticals and chemicals (7.04%), engineering, oil and gas (4.76%) and retail (15.48%). Some of the notable clients are Tata Steel, Hindalco Ltd, BALCO, HUL, Coca cola India, Tata Consumer, Cipla Ltd, GHCL ltd, etc.
- The company has ~50 branches (leased) and 16 warehouses (leased) across 23 states. Additionally although the company maintain a asset light model, but to fulfill specific needs, that is needs that cannot be fulfilled by third party providers they do it through assets which the company owns. As Mar-24,the company has 471 Heavy CV's,15 Lights CV's and 590 shipping containers.

Valuation and Outlook: At the upper price band of Rs. 172,the IPO is valued at a Post issue P/Ex of 21.9x and EV/EBITDAx of 11.5x,i.e. at 44% and 43% discount respectively to its peers. Western Carriers is a major 4PL player which provides end to end supply solutions to its clients. The company operates its business on a asset light model wherein majority of its business is done through third party vendors, however it also own some assets to provide value added services to its clients. Overall the logistics market from FY19-FY24 has grown at CAGR of 11% and going forward it is expected to grow at CAGR of 10.3%,this will be led increase in infrastructure spending, boost in Exports and imports, favorable regulatory policies rapid growth in E-commerce space, etc. Company over period of FY22-24, has grown its Revenue/EBIDTA/PAT at a CAGR of 7%/19%/15%. **So therefore on attraction valuation and robust industry factors, we assign a SUBSCRIBE rating on the issue**. However, over the period from FY22 to FY24, the company's working capital days have seen a significant increase from 58 days to 96 days. Additionally, the company lags behind industry growth in terms of revenue, making these key risks to monitor.

Key financial summary

Financial summary (Rs. mn)	FY22	FY23	FY24
Revenue	14,709	16,331	16,858
Reported EBITDA	1,040	1,217	1,461
Reported EBITDA margin (%)	7.1%	7.4%	8.7%
PAT	661	716	803
PAT margin (%)	4.2%	4.4%	4.8%

Pre-issue and post-issue holding structure

* At upper price band

	No. of Shares	% of total equity capital	No. of shares	% of total equity capital
	Pre-IPO		Post-IPO	
Promoter	78,699,320	100.00%	73,299,320	71.89%
Public	80	0.00%	28,655,894	28.11%
Employee trust	-	0%	-	0%
Total	**78,699,400**	**100.00%**	**101,955,214**	**100.00%**

Selling shareholders	Promoter & Promoter group / Others	No. of shares
Rajendra Sethia	Promoter	5,400,000

Risks:

- **Customer Concentration:** Company depends on a limited number of key customers for majority of the revenue. As of FY24, top 5 and top 10 customers contributed ~57.1% and ~72% respectively
- **Sector concentration:** Company also caters its services to metals, FMCG, Pharma and chemicals, Oil & gas and utilities. Out of this the company derives significant sales from Metals(53.3%) and FMCG(19.5%).
- **Significant Increase in Working capital and Trade receivable days:** In FY24, trade receivables has increased by from 77 days in Mar-22 to 114 days in Mar-24,this significant rise in the payment cycle by several customers. Additionally the trade payables have declined by 19 days in Mar-22 to 18 days in Mar-24 as a result of the decrease in the credit period from their third party service providers and vendors. All this have led to working capital days increase from 58 days to 96 days.
- **Dependence on Third-Party Vendors:** Due to the company's asset-light business model, it heavily relies on third-party vendors for assets and facilities. As of FY24, payments made to vendors constituted 94% of cash operating expenses.

Source: RHP

KPI's

Particulars	Fiscal			Post Issue Fleet
	2022	2023	2024	
Commercial Vehicles	10	21	44	209
Reach Stackers	3	4	2	5
Shipping containers	150	268	119	719

Metric	Fiscal		
	2024	2023	2022
Throughput volume (TEU)	2,12,500	1,93,137	2,16,710
Of which:			
EXIM (TEU)	1,51,637	1,21,679	1,49,950
Domestic (TEU)	60,863	71,458	66,760

Source: RHP

Strengths

Experience in delivering customized, end-to-end services :

- The company is one of the few players in the Indian logistics industry capable of delivering cost-efficient, time-bound, and customized services. These include large container movement, logistics and long-haul deliveries, and vendor coordination across the supply chain, along with value-added services.
- Additionally, due to their end-to-end portfolio of logistics offerings and pan-India network, the company can provide tailored solutions based on their experience and deep understanding of their customers' needs and the nature of the goods being handled.

Multi-modal Logistics Solutions

- The company's multi-modal logistics solutions, which include road, rail, ocean/river/coastal, and air logistics services, help minimize time loss and reduce the risk of cargo loss, pilferage, and damage at trans-shipment points. These solutions also simplify documentation and procedures, reducing costs.
- Additionally, the company provides chartering services to overseas destinations, stevedoring services at Indian ports, and coastal cargo movement within India. They specialize in combining rail and road movements through an asset-light business model, where warehouses, rakes, equipment, and vehicles are operated through leases or spot market arrangements. This allows the company to operate in geographically dispersed locations, readily adjust operating volumes, optimize loads, and maintain flexibility in handling capacity variations.

Strong customer relationships with a diverse customer base

- As of March 2024, the company serves a diverse customer base of 1,647. Company integrated, customized services help meet logistics needs, fostering long-standing relationships with industry leaders across sectors like metals, FMCG, pharmaceuticals, chemicals, oil & gas, and utilities.
- In FY23, 80% of the revenues originated from customers who had been transacting with them for over three years and the customer retention rate for their top 10 customers was 100%.

Sector	Contribution to revenue from operations		
	Fiscal 2024	Fiscal 2023	Fiscal 2022
	As a % of total revenue	As a % of total revenue	As a % of total revenue
Metals	53.3%	50.0%	54.5%
FMCG	19.5%	21.7%	24.2%
Pharmaceuticals and Chemicals	7.0%	7.5%	5.2%
Oil and Gas	4.8%	6.1%	4.9%
Utilities and others	15.5%	14.7%	11.4%

Source: RHP

Strengths (Continued)

Asset light and scalable business model

- Company operate primarily an asset-light business model wherein they do not have ownership of their assets and they operate a majority of the infrastructure required for their operations through leases with their network partners, giving them control over the capacity, availability and fleet, and the scheduling, routing, storing, and delivery of goods or containers managed by them.
- Company only own assets which they have designed or developed to specifically meet their customers' needs that cannot be adequately met through arrangements with their third-party service providers or assets which are essential for running their supply chains efficiently.

Strategies

- **Growing relationships through their existing customers**

Company intends to enhance their scope of engagement with existing customers by strengthening their existing service offerings, adding new service offerings, servicing newer geographies, providing value-added services and offering time and cost saving solutions.

Company plans to improve customer retention by providing customized solutions and improving their asset base for effective delivery of services. Company aim to grow their operations and acquire a higher wallet share of their customers' spend on logistics by designing customized and integrated supply chain solutions for their specific needs.

Furthermore, company intends to continue to grow their share of customers' spends on logistics by expanding the levels of their engagement with them across multiple plants, locations and geographies and the sectors the customers operate in.

- **Acquire new customers and expand into new sectors and new geographies**

One of the company's key strategies is to leverage, through their sales and marketing team, the expertise that they have in core segments and use it to acquire new customers. In the FY24,the company acquired 395 new customers, which represented 4.07% of the total revenue.

Company plans utilize their expertise of Multi modal solutions and foray into Ecommerce parcels and goods, which have larger pool of customers.

Through their customers, the company intend to cater to new geographies in which they operate and expand the scale of their operations. Company have and intends to continue to implement innovations and learning gained in one geography to other regions where they have a presence.

Source: RHP

Additionally the company intends to enhance their penetration in certain under-serviced geographies experiencing rapid economic growth such as Gujarat, the company is also working towards expanding their footprint in Myanmar and certain other countries within the ("**SAARC**").

Continued Focus on Improving margins

Company plans to increase the operating margins in the following ways:

⇒ Company intends to work on offering services that enhance customer experience and can be more efficiently adopted by customers, while maintaining their focus on increasing their operating margins by creating operational efficiencies for them.

⇒ **Technological capabilities:** Company intends to build to a technology stack, in order to led to higher utilizations of rakes and bundling of multiple orders on the same route, which help the company in achieving operational efficiencies.

⇒ **Improved Utilizations:** Further, company plans to improve overall asset utilization through economies of scale and increase the level of integration across their logistics networks (cross sell additional services)

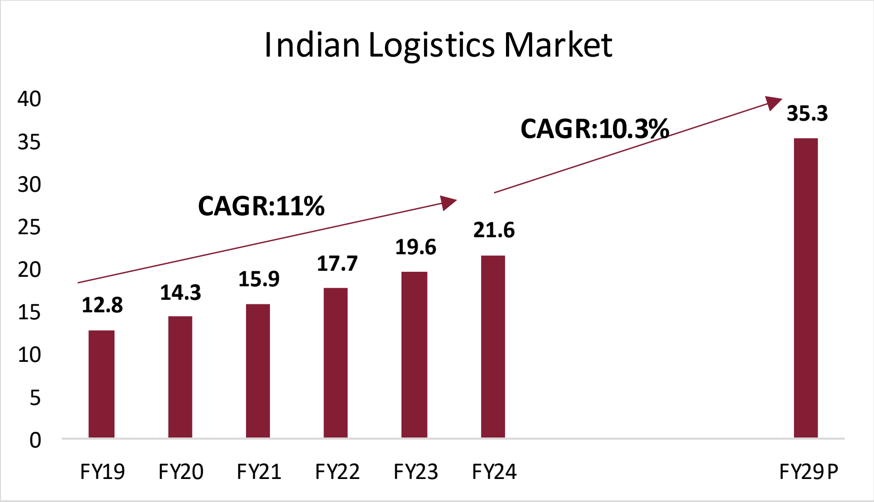
⇒ **Increase focus on project logistics:** Under this vertical, the company provides logistical services for specific projects to clients. For example, the company has previously been involved in the mobilization and demobilization of oil rigs for an Indian oil and gas company. Moving forward, the company intends to increase its focus on this vertical by providing services for national infrastructure pipeline projects, rail express logistics, and e-commerce businesses.

Continue investment in infrastructure capabilities:

- Going forward the company intends to maintain its asset-light model while expanding operational capabilities and network infrastructure to improve performance and offer flexible, scalable solutions. To support this, they plan to use part of the offer proceeds to purchase commercial vehicles, specialized containers, and reach stackers.

Source: RHP

Industry Overview:



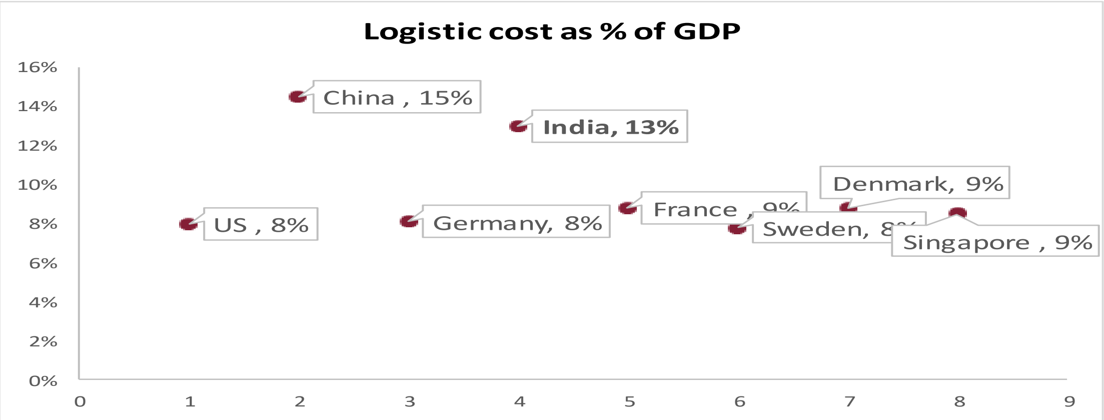
Particulars	Market Size (in Rs.Tn)	% Share in the logistics Market	CAGR(FY24-29P)
Logistics Market	20-22T	**100%**	10.30%
1)Transport	17-19T	**84%**	10%
-Road	12-14T	*74%*	*9%*
-Rail	2.5-3.5T	*15%*	*17%*
-Air	200-300B	*1%*	*10%*
-Others	1.4-1.7T	*10%*	*8%*
2)Warehouse		**11%**	
-Agri	0.5-1T	*25%*	-
-Industrial	1-2.5T	*75%*	-
3)VAS	0.7-1.7T	5%	15%

Indian Government Plans to reduce the logistics cost contribution of GDP

⇒ The logistics cost has been high in India at about 13% of GDP against an average of 7% to 8% for the developed economies in 2020.

⇒ The indirect logistics costs are large and estimated to be four times the average in the developed countries.

⇒ Certain issues affecting the India's logistics sector are an unbalanced and skewed logistics modal mix, poor mileage of heavy trucks, poor road infrastructure, limited penetration by the organized players, fragmented networks, lack of technology adoption, and poor forecasting.



Source: RHP

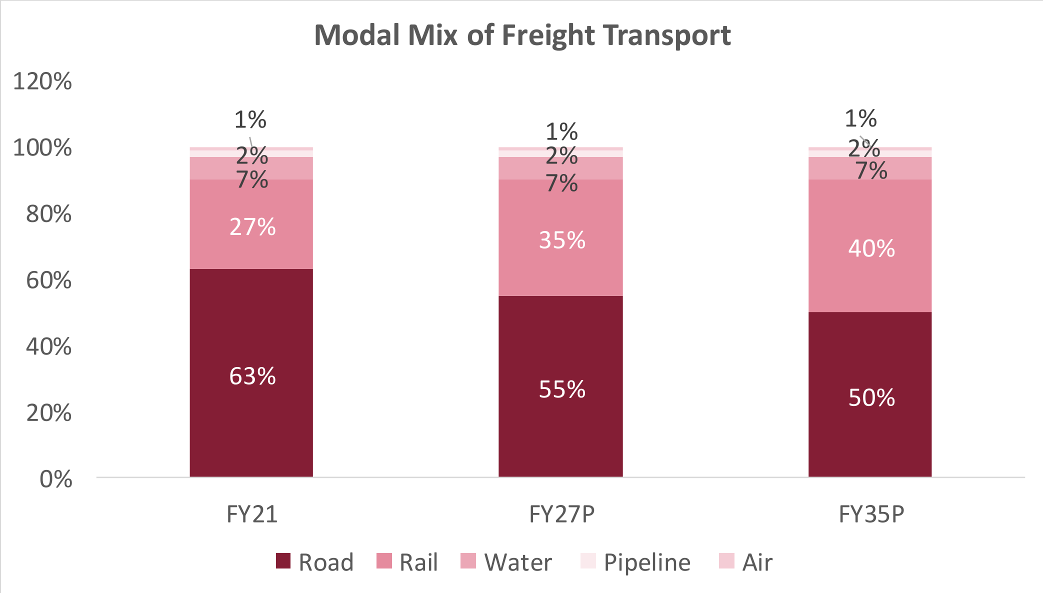
Shift from Rail to Road

⇒ Out of the various modes of transportation, the roads and railways are the most preferred modes of transportation. In FY21, the road and rail transportation share in the modal mix accounted for approximately 63% and approximately 27%, respectively.

⇒ India has a skewed and inefficient modal mix because the railways and the waterways have not been able to tackle the issues of guaranteeing timely delivery, last-mile reach and multi-modal connectivity. Further, there is an insufficient rail capacity, especially on high-density routes.

⇒ The rail networks have the potential to be the fastest and cost-effective transportation mode for freight in India. Not only are the costs of rail transportation is significantly lower compared to other modes but, it also offers the advantages of speed and capacity-related factors.

⇒ Thus, rail is expected to take a significant share in future of approximately 35% in Fiscal 2027 and approximately 40% by Fiscal 2035. The rail transportation could be the cost effective and efficient alternative for road transportation in India.



Peers

Particulars	Revenue*	EBITDA*	EBITDA Margins	ROE	ROCE	D/E	P/E	EV/EBITDA	Revenue CAGR(FY22-24)
Western Carriers Ltd	16,858	1,461	8.7%	20.1%	18.7%	0.06^	21.90	11.5^	7%
Container Corporation	86,534	23,283	26.9%	10.7%	13.4%	0.00	47.73	23.70	6%
Mahindra Logistics	55,060	2,469	4.5%	-9.8%	3.8%	0.67	-62.93	16.50	15%
TCI Express	12,538	1,944	15.5%	20.3%	24.3%	0.00	32.48	23.20	8%

* is Rs mn,^ is post issue calculation

Source: RHP

INDSEC Rating Distribution

BUY : Expected total return of over 15% within the next 12-18 months.

HOLD : Expected total return between 0% to 15% within the next 12-18 months.

SELL : Expected total return is negative within the next 12-18 months.

NEUTRAL: No investment opinion, stock under review.

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DISCLOSURE

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