WESTERN CARRIERS (INDIA) LIMITED

September 12, 2024

SMC Ranking

★★☆☆☆ (2/5)

Issue Highlights

Industry	Logistic
Offer for sale (Shares)	54,00,000
Fresh Issue (Shares)	2,32,55,814
Net Offer to the Public	**2,86,55,814**
Issue Size (Rs. Cr.)	467-493
Price Band (Rs.)	163-172
Offer Date	13-Sep-24
Close Date	18-Sep-24
Face Value	5
Lot Size	87 Shares

Issue Composition

	In shares
Total Issue for Sale	2,86,55,814
QIB	1,43,27,907
NIB	42,98,372
Retail	1,00,29,535

Shareholding Pattern (%)

Particulars	Pre-issue	Post -issue
Promoters & promoters group	100.00%	71.89%
QIB	0.00%	14.05%
NIB	0.00%	4.22%
Retail	0.00%	9.84%
Total	**100.00%**	**100.00%**

*calculated on the upper price band

Objects of the Issue

The net proceeds of the Fresh Issue, i.e., gross proceeds of the Fresh Issue less the Offer expenses apportioned to the Company ("Net Proceeds") are proposed to be utilised in the following manner:

1. Prepayment or scheduled re-payment of a portion of certain outstanding borrowings availed by the Company;
2. Funding of capital expenditure requirements of the Company towards purchase of:
   1. commercial vehicles;
   2. 40 feet specialised containers and 20 feet normal shipping containers; and
   3. reach stackers; and

3. General corporate purposes

Book Running Lead Manager

- JM Financial Limited
- Kotak Mahindra Capital Company Limited
-

Name of the registrar

- KFin Technologies Limited

About the company

Incorporated in March 2011, Western Carriers (India) Limited is a multi-modal, rail-centric, 4PL asset-light logistics company. It offers fully customizable logistics solutions across road, rail, water, and air transportation, along with a range of tailored value-added services. The company serves sectors such as metals, FMCG, pharmaceuticals, chemicals, engineering, oil and gas, and retail. Its clientele includes prominent names like Tata Steel Limited, Hindalco Industries Limited, JSW Steel Coated Products Limited, Hindustan Unilever Limited, Cipla Limited, and Vedanta Limited, among others. Additionally, it provides chartering services to international destinations, stevedoring services at Indian ports, and coastal cargo movement within India. Specializing in combining rail and road transportation through an asset-light model, Western Carriers also manages and handles supply chains for increased imports, exports, and production levels for a leading metals and resources group.

Strength

Experience in delivering customised, end-to-end services and executing complex and bespoke projects: The company is among the few in the Indian logistics industry capable of providing cost-efficient, timely, and tailored services, including large container movements, multi-modal logistics, long-haul deliveries, and vendor coordination across the supply chain. It also offers value-added services such as product packaging, cargo handling, customs clearance, pre-shipment inspection, containerization, in-plant logistics, inventory management, and warehouse planning . Western Carriers (India) Limited believes that its expertise, combined with the latest technology, enables it to study, model, design, and optimize supply chain solutions to meet customer needs. This capability allows the company to address supply chain gaps, plan and optimize routes, transportation networks, and consignment loads, ensuring adherence to committed transit times and cost optimization for customers. The company's track record of delivering on-time and cost-efficient project execution, especially given the size, complexity, and diverse geographies of these projects, provides a competitive edge and fosters customer confidence.

Comprehensive and integrated multi-modal, end-to-end logistics solutions: The company's operations are primarily B2B-focused, offering integrated and seamless connectivity for transferring goods between different modes of transport. This facilitates last-mile delivery to customers' distribution centers, ensuring regular, reliable deliveries with reduced transit times and lower costs. The growing scale and complexity of its customers' business operations—such as increased inventory levels, broader supplier networks, and a need for faster lead times—have heightened the demand for tailored, cost-effective, and customized logistics services.

Multi-modal Logistics Solutions: The company offers comprehensive logistics solutions, spanning road, rail, sea, and air transportation. By integrating these modes, it minimizes delays, losses, and damage during transit, streamlines documentation, and reduces costs. It also provides chartering, stevedoring, and coastal shipping services. Its asset-light approach involves leasing or contracting warehouses, rail cars, equipment, and vehicles, allowing for flexible operations in various locations. This enables it to adapt to changing customer needs and optimize resource utilization.

Logistics Infrastructure: In addition to its hired equipment and leased facilities, it owns logistics infrastructure such as commercial vehicles, heavy equipment, and shipping containers. As of March 31, 2024, it had fits zonal offices, over 50 branch offices and 16 warehouses, all of which it leased. As of that date, it owned over 400 GPS-enabled heavy commercial vehicles, over 100 pieces of heavy equipment and over 400 shipping contain-

ers. It offers jumbo rakes (which can transport 1,500-2,000 metric tons of cargo in one go) and mini rakes (20 wagons) to its customers. These, combined with its fleet of leased and owned commercial vehicles, enable it to seamlessly bridge road and rail movements.

One-Stop/single-window, End-to-End Solutions: Western Carriers (India) Limited leverages its expertise, partnerships, and customer engagement to deliver tailored, end-to-end logistics solutions. By taking responsibility for the entire supply chain, it addresses customer concerns related to delays, errors, damage, and losses. Its integrated approach, including a customized ERP system and direct oversight of cargo movement, ensures efficient, reliable, and cost-effective transportation. Since April 1, 2021, the company has maintained a perfect delivery record for its major customers. Western Carriers also handles export and import processes, including customs clearance and inspections, without relying on external vendors.

Strong customer relationships with a diverse customer base: As of March 31, 2024, Western Carriers (India) Limited served over 1,647 customers across various industries, including metals and mining, FMCG, pharmaceuticals, chemicals, oil and gas, utilities, and more. Its integrated, customized logistics solutions have fostered long-term relationships with industry leaders. The company's revenue from operations from its top 10 customers in Fiscal 2024, 2023 and 2022 was Rs.1213.17 Crore, Rs. 1096.62 crore and Rs. 1056.06 Crore, respectively. This represented 71.97%, 67.15% and 71.80%, respectively, of its total revenue from operations in those periods. In Fiscal 2023, 80% of its revenues originated from customers who had been transacting with it for over three years. The customer retention rate for its top 10 customers was 100%. Seven of its top 10 customers (based on their contribution to its revenue from operations in Fiscal 2024) had been with the company for decades and contributed approximately 57.21% to its revenue from operations in Fiscal 2023. The company has been at the forefront of creating new customised solutions for its customers in order to increase its wallet share and improve value creation.

Strategically positioned to capitalise on a fast-growing logistics market in India: Western Carriers (India) Limited was the largest private multi-modal rail logistics company in India based on container volume handled/operated by private players in Fiscal 2023. Its integrated, customized services create a strong competitive advantage in a market with significant barriers to entry. As a leading partner of a major Indian rail container logistics provider, the company is well-positioned to capitalize on the growing container rail market. Its expertise and established presence in rail transportation ensure that its business will benefit from the increasing market share of railways.

Scaled, asset-light business model with successful track record of delivering growth and profitability and experience of its Promoters and its Company: Western Carriers (India) Limited is well-positioned for growth due to its scale and market share. With a domestic market share of 6% and an EXIM market share of 2% in Fiscal 2023, it is a leading player in India's logistics industry. Its asset-light model, deep customer understanding, experienced leadership, strong execution capabilities, and established relationships with our third-party service providers and vendors have contributed to a 6.00% in container volume handled by the company through rail transportation, from 179,287 TEUs in Fiscal 2021 to 193,137 TEUs in Fiscal 2023 .These factors have solidified the company's position as one of India's largest and fastest-growing logistics solutions providers.

Asset light and scalable business model: The company primarily operates an asset-light model, leasing most of its infrastructure from network partners. This allows for flexible control over capacity, availability, and fleet management. It only owns assets specifically designed for customer needs or essential for efficient operations. By expanding its capabilities, network infrastructure, and capacity, the company maintains operational quality, enhances overall performance, and offers flexible, scalable solutions to meet customer requirements and address complex supply chain challenges.

Strategy

Grow its relationships with its existing customers : The company aims to expand its engagement with existing customers by enhancing current service offerings, introducing new ones, entering new geographies, providing value-added services, and offering cost- and time-efficient solutions. As the logistics partner for major clients, one of the company's key growth strategies is to scale alongside its customers as their logistics demands increase. It caters to nearly all of the logistics and storage

needs of specific clients and plans to boost customer retention by delivering tailored solutions and improving its asset base for more efficient service delivery. The company seeks to grow its operations and capture a larger share of its customers' logistics spending by designing customized, integrated supply chain solutions, leveraging best practices learned from other clients, and increasing customer reliance on its services. Additionally, the company plans to deepen its relationships by expanding its engagement across multiple locations, plants, and sectors in which its customers operate. In 2019, the company entered into a handling contract with a leading Indian steel manufacturer. After successfully executing the contract, it was entrusted with pan-India road transportation of their goods. Based on its performance, the company continued to provide multi-modal logistics services, becoming the exclusive logistics partner for specific non-notified commodities. Its partnership with the steel manufacturer also extended to rail transportation of finished goods like hot-rolled and cold-rolled coils, using specialized, customized containers owned by the company.

Acquire new customers and expand into new sectors and new geographies:

Acquiring new customers: Western Carriers (India) Limited believes that expanding its customer base is key to increasing its revenues and margins. A central strategy involves leveraging its sales and marketing team's expertise in core segments to apply best practices learned from existing customers to attract new ones. The company is confident in its ability to use its operational expertise to develop customized supply chain solutions while enhancing visibility and transparency across the supply chain. Western Carriers (India) Limited believes that this capability will help it attract new clients, including retail customers and large corporations in sectors it currently does not serve. In the Fiscals 2024, 2023 and 2022, the company added 395, 284 and 461 new customers, respectively. These new customers contributed 4.07%, 3.53% and 4.64% of its revenue from operations during those periods. Furthermore, Western Carriers (India) Limited believes it is well positioned to add affiliates and business partners of its existing customers, as well as expand to new manufacturing facilities, locations, and geographies, based on its strong performance and customer referrals.

Expand into new sectors: The company aims to develop modular solutions and services that can be easily adopted by customers, enhancing their overall experience and supporting further expansion. For example, according to the 1Lattice Report, Indian Railways' initiatives in the growing e-commerce sector will make rail transport about 2.5 times faster than road carriers and competitive with air cargo. Indian Railways plans to introduce 25 high-speed freight trains to manage e-commerce parcels and goods. By leveraging its expertise in rail multi-modal solutions, the company could potentially enter the e-commerce market, attracting a broader customer base. Additionally, the company plans to continue focusing on opportunities arising from the eastern and western Dedicated Freight Corridors (DFCs).

Expand into new geographies: The company operates on a pan-India scale, with a presence in all major geographical zones across the country, and believes it is well-positioned to capture growth nationwide. Through its new customers, the company aims to expand its operations into new geographies where these clients are based. It plans to continue applying innovations and insights gained from one region to other areas where it operates. Western Carriers (India) Limited believes that increasing throughput from additional business will enhance productivity and improve profit margins. The company also sees potential in emerging, high-growth markets that face similar operational and structural challenges to those it currently serves, and believes these markets could benefit from its technology and network. Additionally, the company has operations in Nepal, Bangladesh, and Bhutan. In Bangladesh, it offers barging services using the Indo-Bangla Protocol Route to deliver goods to key destinations such as Narayanganj (Dhaka), Khulna, and Mongla. It also provides custom house agency and customs clearance services at the Benapole border for specific customers. Furthermore, the company has facilitated rail container transport from India to the Birganj rail terminal in Nepal, offering last-mile transportation to various locations in Nepal after customs clearance.

Continued focus on improving margins: The company plans to continue to improve its operating margins by focusing on expanding the scope of its value-added services and offering services that enhance customer experience, enhancing its technological capabilities by building a technology

stack which enables higher utilisation of rakes and bundling of multiple orders, improving its overall asset utilisation through economies of scale and increasing the level of integration across its logistics networks and by enhancing its focus on opportunities for project logistics.

Value-Added Services: Over the past few decades, competition in the logistics industry has intensified, driving the need to offer value-added services that help customers optimize production costs, improve time management, reduce supply chain complexities, and enhance quality control and traceability. These value-added services are critical to the success of the multi-modal logistics sector. The company plans to focus on providing services that enhance the customer experience while also increasing its operating margins through greater operational efficiency. To achieve this, the company offers value-added services at various stages of the logistics value chain, including warehousing and storage, labeling, product packaging, cargo handling, customs clearance, stevedoring, palletizing, fumigation, pre-shipment inspection, and containerization. Additionally, the use of heavy equipment such as reach stackers, forklifts, hydras, and excavators enables efficient loading, unloading, and cargo handling, strengthening the company's end-to-end capabilities. The company intends to continue expanding and developing these capabilities to further enhance its offerings.

Technological capabilities: Western Carriers (India) Limited believes that its technological capabilities and initiatives are essential for efficiently managing its pan-India operations and enhancing operational performance. According to the 1Lattice Report, technology-enabled integrated logistics services allow rail logistics providers to deliver more timely and accurate services. The company offers integrated supply chain solutions that can be further optimized using advanced data science and business intelligence tools. This approach enables the company to deliver multi-channel solutions that improve the reliability, speed, and cost-efficiency of its customers' supply chains. By building a robust technology stack, the company can achieve higher rake utilization and bundle multiple orders on the same route, allowing it to meet the evolving demands of modern supply chains more effectively.

High Margin / Premium Business: The company has the ability to deal in both large as well as small volumes efficiently and effectively in a time-sensitive and cost-effective manner through an extensive network across India. Thus, it can deliver time-bound small courier cargos as well as jumbo packages throughout India. This capability to handle multiple types of cargo helps us optimise its transits and related costs resulting in efficiency improvements for its business.

Utilisations: Further, the company plans to improve overall asset utilisation through economies of scale and increase the level of integration across its logistics networks. Integration of its logistics services with its customers' supply chains enables us to cross-sell its other services and capabilities. As a part of its integrated logistics offering, the company aims to continue to reduce its customers' dependencies on third-party service providers by providing direct services to its customers.

Increase focus on project logistics: As part of its project logistics services, the company has successfully executed several national and cross-border projects. These include mobilization and de-mobilization of an oil rig for a leading Indian oil and natural gas company, as well as a supply chain partnership with a major Indian infrastructure company, which was the principal contractor for a cement plant project in Bangladesh. The company is also currently managing a project in Chhattisgarh, which involves customs clearance, inland container transportation, and the return of containers to the shipping line using specialized equipment. The company plans to increase its focus on project logistics by offering services for national infrastructure pipeline projects, rail express logistics, and e-commerce businesses. Western Carriers (India) Limited believes that project logistics present significant growth opportunities and aims to expand in this area through a selective, capital-efficient, and partnership-driven approach

Pursue inorganic growth on an opportunistic basis: Historically, the company has grown its portfolio of solutions and services and expanded its geographical reach primarily through organic growth, while also exploring inorganic growth opportunities. For example, the company previously bid for a company undergoing corporate insolvency, where it was the second-highest bidder. The company is committed to sustainably expanding its customer base and geographical presence. Looking ahead, it may pursue strategic alliances, acquisitions, and investments that complement its service offerings, enhance its scale and market position, or establish a presence in target markets.

These opportunities could include entering new strategic businesses to capture additional revenue from existing customers, expanding into new geographic areas within India, or building new capabilities for its customers. Additionally, the company may explore inorganic growth opportunities by investing in private freight terminals and inland container freight stations, either directly or through special purpose vehicles, to further expand its operations. The company is focused on investing in logistics facilities, assets, and technology that align with the needs of its target customers.

Continue to invest in its infrastructure capabilities: While the company plans to maintain an asset-light business model, it will continue to enhance its operational capabilities and expand its network infrastructure and capacity. This expansion will help maintain control over operational quality, improve overall performance, and offer flexible, scalable solutions tailored to customers' needs, addressing complexities in the supply chain industry. To support these goals, the company plans to acquire commercial vehicles, 40-foot specialized containers, 20-foot standard shipping containers, and handling equipment such as reach stackers. These investments are expected to improve the safety, performance, and reliability of goods movement between rail assets, containers, and warehouses, thereby enhancing the overall service experience for customers. The company intends to use a portion of the proceeds from this Offer to fund the purchase of these assets, including commercial vehicles, specialized and standard shipping containers, and reach stackers.

Enhance its technology capabilities: Western Carriers (India) Limited views its technological capabilities as crucial for managing operations effectively, maintaining fiscal controls, and improving client service levels and timely deliveries. Over the past several years, the company has made significant investments in technology. According to the 1Lattice Report, it was among the first in India to implement GPS systems on all cross-country commercial vehicles, adopt FASTag cards for cashless toll payments, and use ATM cards for drivers to streamline cash management and integrate expenses. Additionally, the company has undertaken a radio frequency identification (RFID) focused beta project. The company operates a fully integrated ERP system that tracks customer shipments in real time across various modes and generates detailed tracking reports on fleet movement, stock, purchases, and sales. This software is essential for billing and accounting, including generating e-invoices tailored to customer requirements. The company is now upgrading its ERP software to support mobile portability, allowing for immediate data entry and upload for receipts and dispatch details, which is expected to reduce billing cycles. Furthermore, Western Carriers is working towards integrating complex 4PL services with its ERP system to enhance financial control and reporting functions as its service offerings continue to expand.

Risk factor

- **Key Customer Dependency:** Relying on a limited number of customers for a significant portion of revenue can expose the company to financial instability if these customers reduce their spending or end contracts.
- **Reliance on Network Partners and Third-Party Providers:** Outsourcing operations to third-party vendors or network partners adds an element of risk. Any failure or dissatisfaction in their services could disrupt operations and damage the company's reputation.
- **Long-standing Relationship with Indian Rail Container Logistics Provider:** Since this logistics provider is government-controlled, any shift in control or policy could impact this key partnership, potentially affecting supply chain efficiency or contract terms.
- **Need to Demonstrate Service Value in a Competitive Market:** Operating in a fragmented and competitive industry, the company must continuously prove its value proposition to maintain or grow its customer base, a challenge that requires constant innovation and differentiation.

Peer Comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
Container Corpn.	8833.70	1273.20	20.90	44.88	4.83	194.05	5.00	938.00	57151.81
Mahindra Logis.	5632.77	-55.51	0.00	0.00	6.85	68.35	10.00	468.35	3374.48
TCI Express	1241.93	121.66	31.70	35.81	6.19	183.42	2.00	1135.30	4357.28
Western Carriers (India) Limited	1685.77	80.35	7.88	21.83	2.20	78.31	5.00	172.00	1753.63

***Peer companies financials are TTM based**
****Western Carriers (India) Limited is based on FY24**

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.172, the stock is priced at pre issue P/E of 16.85x on FY24 EPS of Rs.10.21. Post issue, the stock is priced at a P/E of 21.83x on its EPS of Rs.7.88. Looking at the P/B ratio at Rs.172 pre issue, book value of Rs. 50.62 of P/Bvx 3.40x. Post issue, book value of Rs. 78.31 of P/Bvx 2.20x.

Considering the P/E valuation, on the lower end of the price band of Rs.163, the stock is priced at pre issue P/E of 15.97x on FY24 EPS of Rs.10.21. Post issue, the stock is priced at a P/E of 20.68x on its EPS of Rs.7.88. Looking at the P/B ratio at Rs.163 pre issue, book value of Rs. 50.62 of P/Bvx 3.22x. Post issue, book value of Rs. 78.31 of P/Bvx 2.08x.

Industry Overview

Logistics sector is a core enabler for the development of India to reach the government's vision of achieving a U.S.$5 trillion economy by the year 2025. Robust expansion led by an increase in public infrastructure spending through policies such as the NLP, the DFCs, Gati Shakti Master Plan (aims to reduce logistics costs to 7% to 8% of GDP). Demand drivers include surging domestic manufacturing and consumption, rise in MSMEs demand supported by Government initiatives such as 'Aatmanirbhar Bharat' and 'Make in India' and an increasing adoption of integrated fulfilment services and digitised supply chains.

Outlook

Western Carriers India is a leading logistics provider specializing in domestic coastal cargo movement, stevedoring services, and international chartering. Its unique approach involves integrating road and rail transport using an asset-light business model. The company has a proven track record of managing complex supply chains, particularly for metals and resource groups. Its strong financial performance, including revenue growth and profitability, makes them an attractive investment prospect. While its asset-light strategy offers scalability and improved profitability, the company's success is dependent on effective marketing and maintaining a positive brand image. On the flip side, any decline in consumer confidence or market conditions could impact their business operations and financial performance. Overall, the Western Carriers India IPO presents a promising investment opportunity. The company's strong financial position, strategic market role, and growth potential make it a compelling choice for investors. However, potential investors should carefully consider the inherent risks associated with the logistics industry.

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

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	Friday, September 13, 2024
IPO Close Date	Wednesday, September 18, 2024
Basis of Allotment	Thursday, September 19, 2024
Initiation of Refunds	Friday, September 20, 2024
Credit of Shares to Demat	Friday, September 20, 2024
Listing Date	Monday, September 23, 2024

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)	Period ended 31-Mar-22 (12 Months)
Revenue from operations	1685.77	1633.06	1470.88
Total expenditure	1539.71	1511.41	1366.91
Operating Profit	146.06	121.66	103.97
OPM%	8.66	7.45	7.07
Other Income	5.64	4.78	4.91
Total Net Income	151.70	126.44	108.88
Interest	22.18	15.12	13.92
PBDT	129.52	111.32	94.96
Depreciation	21.24	15.27	11.60
Profit before Exceptional items	108.28	96.05	83.36
Profit from Disposal of Subsidiary	0.12	0.00	0.00
Profit before tax and share of profit or loss of associates	108.40	96.05	83.36
Share of profit of associates	0.00	0.01	0.01
Restated Profit before tax	108.41	96.07	83.37
Tax	28.06	24.50	22.24
PAT	80.35	71.56	61.13

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 31-Mar-24	As on 31-Mar-23	As on 31-Mar-22
Non-current assets			
Property, plant and equipment	71.09	55.35	36.34
Capital work-in-progress	0.00	16.82	9.48
Right of Use of Assets	2.93	4.46	3.74
Goodwill	31.00	31.00	31.00
Other Intangible assets	0.16	0.12	0.15
Equity accounted investments	3.23	3.22	3.21
Financial Assets			
Investments	0.00	0.75	0.75
Other financial assets	8.72	14.04	25.69
Deferred tax assets (Net)	3.65	3.00	2.71
Other non-current assets	8.02	0.50	0.50
Income-tax Assets (Net)	5.68	12.30	4.96
Total non-current assets	**134.49**	**141.55**	**118.52**
Current asset			
Financial Assets			
Trade receivables	525.49	389.66	311.39
Cash and cash equivalents	1.88	1.45	2.55
Other bank balances	25.00	18.21	10.73
Loans	27.15	17.96	16.35
Other financial assets	6.33	4.61	5.58
Other current assets	33.68	30.71	25.22
Total current assets	**619.52**	**462.59**	**371.81**
Total Assets	**754.01**	**604.14**	**490.33**
Non-current liabilities			
Borrowings	24.84	36.68	20.82
Lease liabilities	1.05	2.83	2.59
Long-term provisions	5.52	3.95	2.20
Total Non- Financial liabilities	**31.41**	**43.45**	**25.61**
Current liabilities			
Financial Liabilities			
Borrowings	241.16	173.80	129.58
Lease liabilities	2.26	2.06	1.52
Trades Payable - MSME	5.64	3.74	0.00
Trades Payable - MESE	64.14	50.29	64.95
Other financial liabilities	6.56	7.86	6.10
Short-term provisions	0.31	0.33	0.27
Other current liabilities	4.18	4.02	4.72
Total Financial liabilities	**324.24**	**242.08**	**207.14**
Total	**355.65**	**285.53**	**232.75**
Net worth represented by:			
Equity Share Capital	39.35	39.35	39.35
Other equity	359.01	279.05	218.03
Non-controlling Interest	0.00	0.21	0.21
Net Worth	**398.36**	**318.61**	**257.58**

RANKING METHODOLOGY

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

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