

NOT RATED

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MANAGEMENT MEET UPDATE

Tiger Logistics (India) Limited

Offering end to end Exim logistics solution

We recently met the MD of Tiger Logistics, a leading service provider of end-to-end supply chain solutions in the Exim segment - primarily exports (as of now) - moving volumes door-to-door from a supplier to the buyer. The company largely operates on an asset light model through partnership with leading carriers/agencies and has presence in 7 industry verticals namely Project & Heavy lifts, Yarn & Textiles, Commodities, Consumer Durables & Others, Cold Chain Logistics, Automotive and Defense logistics (latest addition). Company has registered EBITDA/PAT CAGR of 38%/37% over FY14-FY17e. Potential growth drivers: 1) Expansion into higher margin segments - defense logistics/imports; 2) Growth from less penetrated geographies - South/East India and new international geographies (targeting US); 3) Enhancing presence in domestic logistics and LCL; 4) Efficiency gains driving margin expansions. We don't have rating on the stock.

Leading presence in International Logistics space; Key USP - asset light model

Tiger has a leading presence in International Logistics space and targets to provide globally integrated end-to-end solutions tailored to customers' supply chain management needs - including 1) Transportation (in India/abroad); 2) Custom clearance; 3) clearing and freight forwarding. It combines intercontinental Air and Ocean Freight with Value-Added Logistics Services and Supply Chain Services. Tiger operates in 60 countries via its relationships through agencies in the respective countries. The company largely operates on an asset light model and provides services based on its relationships with shipping lines, International agencies, Concor (Rail) and Truckers. Company primarily focuses on FCL operations (95% of revenue). The company has stronger presence in traffic originating from North and West India and is looking to expand presence in other markets. Company doesn't have major presence in domestic logistics as of now. In the international geographies, company has wider presence in South America, South Africa and Indian Subcontinent.

Looking to expand presence in higher margin segments

Company primarily caters to 7 Industry verticals namely Project & Heavy lifts, Automotive, Yarn & Textiles, Commodities, Consumer Durables, Cold Chain Logistics, and latest addition being Logistics for Defense sector. Automotives and Project logistics are among the higher margin segments. Defense Logistics is also expected to be higher yield segment. Company also handles some of the low margin business like logistics for rice export. Currently, 98% of revenue contribution is from the export cargo and company is targeting to expand presence in the import cargo (higher margin) as well. Historically, EBITDA margins for the company have hovered in the range of 4-5%, while company is targeting to sustainably improve the same to 5.5-6% range. The improvement in margins in past 2 years has been function of focus on improving efficiency, better bargaining of rates with the agencies. Company has built strong relationships with most of the leading carriers/liners and as a result is able to obtain competitive commercial terms and operational advantages.

Targeting PAT CAGR of 18-20%; No major Capex in near term

Tiger has registered EBITDA/PAT CAGR of 38%/37% over FY14-FY17e. Company is targeting PAT CAGR of 18-20% over near to medium term as well (on organic basis). Revenues during past couple of years got impacted due to fall in the Ocean freight rates - which is the pass through for the company. On volume terms, company has registered a CAGR of 24% over FY14-FY17e. Company is targeting revenue of INR3bn by FY18 and ~INR5bn by FY20. Company has no long term debt and only working capital debt at ~INR60mn which is expected to inch up to INR100-150mn in near term. Payment cycle from customers varies from ~30-90 days. Owing to asset light model, company commands attractive ROCEs of ~30%. On the capex front, the company has no plans of any major organic capex in near term however is on a lookout for a strategic acquisition.

Market data

Sensex	:	29,422
Sector	:	Logistics
Market Cap (INRbn)	:	2.3
Market Cap (USDbn)	:	0.035
O/S Shares (m)	:	10.6
52-wk HI/LO (INR)	:	304/138
Avg Daily Vol ('000)	:	57
Bloomberg	:	TGLI IN

Source: Bloomberg

Valuation

	FY14	FY15	FY16
EPS (INR)	3.7	5.5	6.9
P/E(x)	58.0	39.1	31.0
P/BV(x)	8.3	7.7	6.1
EV/EBITDA(x)	35.7	22.3	17.9
Dividend Yield (%)	-	-	-

Source: Bloomberg

Returns (%)

	1m	3m	6m	12m
Absolute	(5)	(24)	(25)	4
Relative	(4)	(30)	(28)	(9)

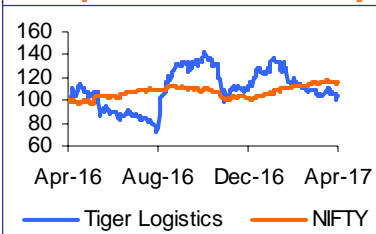
Source: Bloomberg

Shareholding pattern

Promoters	:	73%
Public	:	27%
Others	:	0%

Source: Bloomberg

Price performance vs Nifty



Source: Bloomberg Indexed to 100

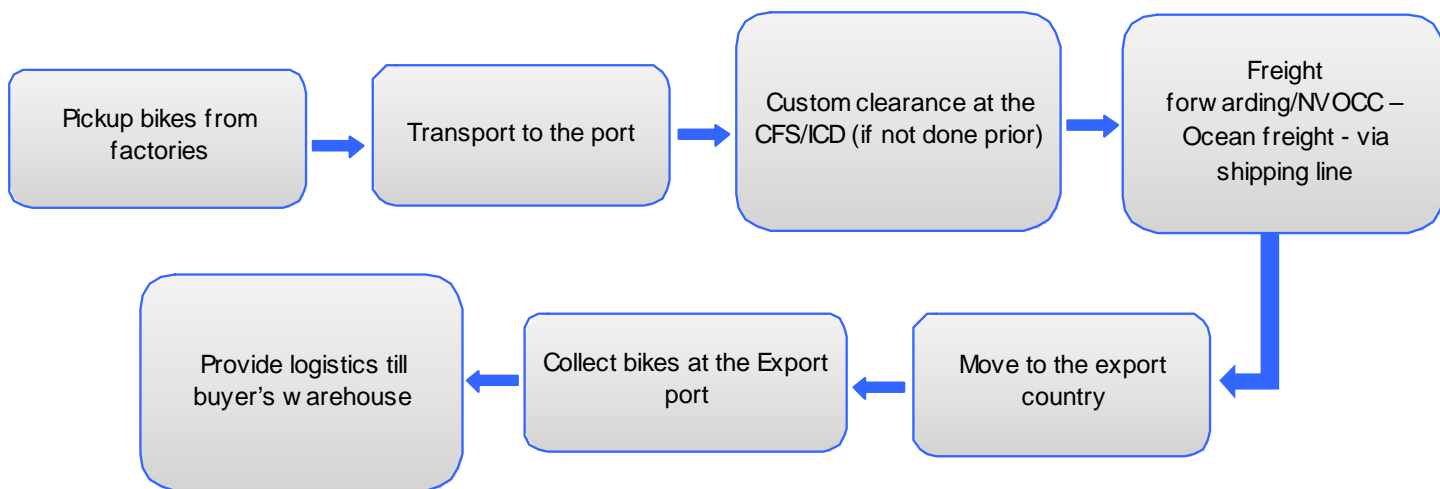
About Tiger Logistics

Tiger Logistics has a leading presence in outbound logistics solutions targeting large corporate and multinational companies in India and abroad. Company operates in major cities of North and West India such as Mumbai, Kutch, Ludhiana, Kolkata, Jaipur, Mundra, Veraval, Ahmedabad, Pune etc. Company has recently opened offices in Singapore and Dubai to tap more international market. Company started as a custom housing agent in 2000. In 2004, it started Multimodal Transport Operations. In 2013, it got listed in the SME platform, later moved to BSE main board in 2016. Company is promoted by first generation entrepreneur Mr Harpreet Singh Malhotra. He has a previous association with Hero Motocorp.

Key business Model - End to end Supply chain

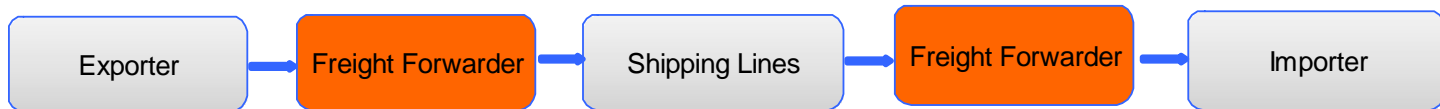
Tiger Logistics is engaged in end to end supply chain as international freight forwarders, Custom Clearance Agents, Transporters, Custom consultants and Project transporters. Company primarily operates asset light model and has agency agreements across different layers of the supply chain. We have exemplified the same for one of its business customers Honda 2Ws. The different layers of the supply chain are as below:

Layers of supply chain



Source: Company, Antique

When exporter has FCL

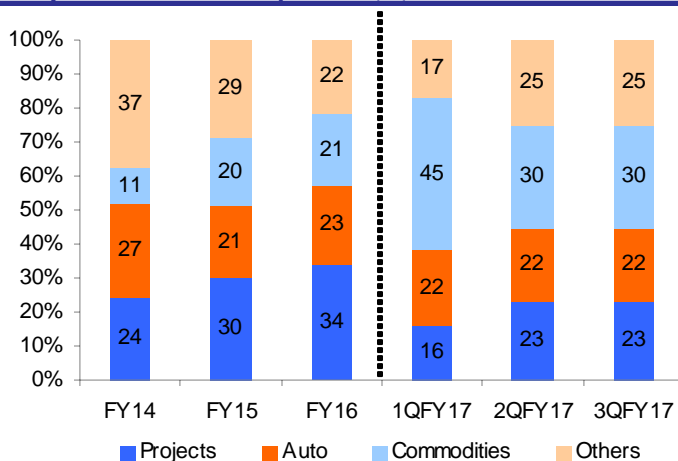


Source: Company, Antique

Key presence across 7 Industry vertical

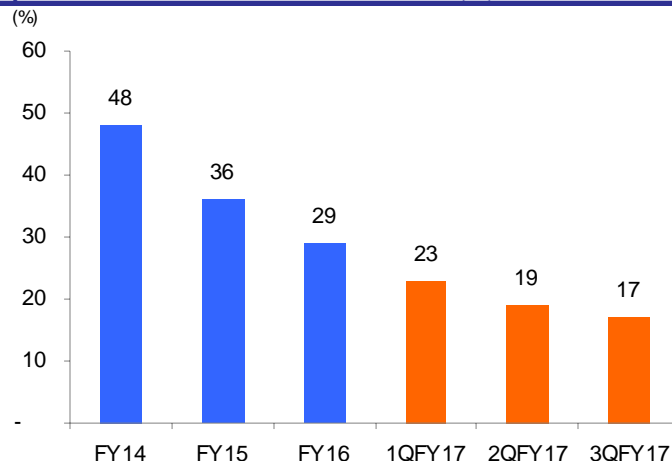
Company primarily caters to 7 Industry verticals namely Project & Heavy lifts, Automotive (2W and 4W), Yarn & Textiles, Commodities (Rice and Wheat), Consumer Durables (customers like LG and Samsung), Cold Chain Logistics, and latest addition being Logistics for Defense sector. In the Automotive vertical, Company has strong presence in 2W segment amongst all major exporters, while in 4W segment, company is working with Honda, New Holland tractors. The contracts with the customers are in the range of 3 months to 1 year. Company largely operates in the FCL (Full Container Load) segment and that too mostly for the export cargo. Post the formal rollout of the modalities of the GST, company would look to enter the domestic segment as well.

Industry-wise revenue Composition (%)



Source: Company, Antique

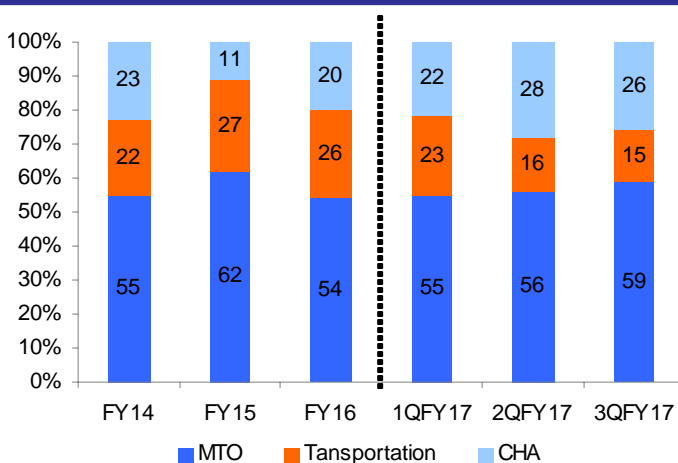
Top 5 Customers Contribution to revenue (%)



Source: Company, Antique

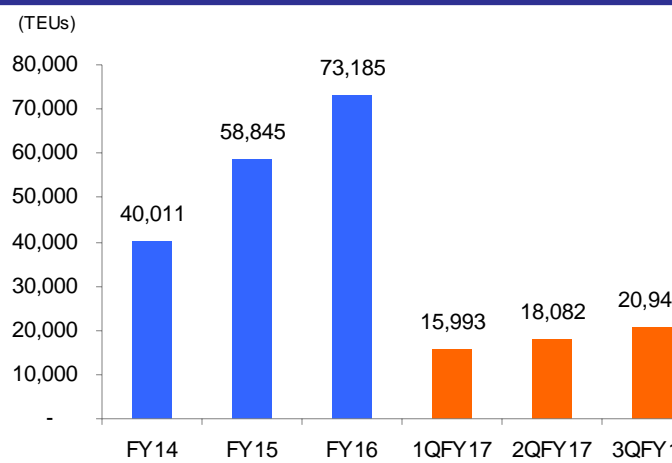
Key business segments for the company include: 1) Multimodal Transportation; 2) Transportation; 3) Custom House Clearance. Company started as a custom Housing Agent in the year 2000 and provides Import and Export at all Major ports and ICDs. Later in 2004, company expanded presence in Multimodal Transportation.

Segment-wise revenue composition (%)



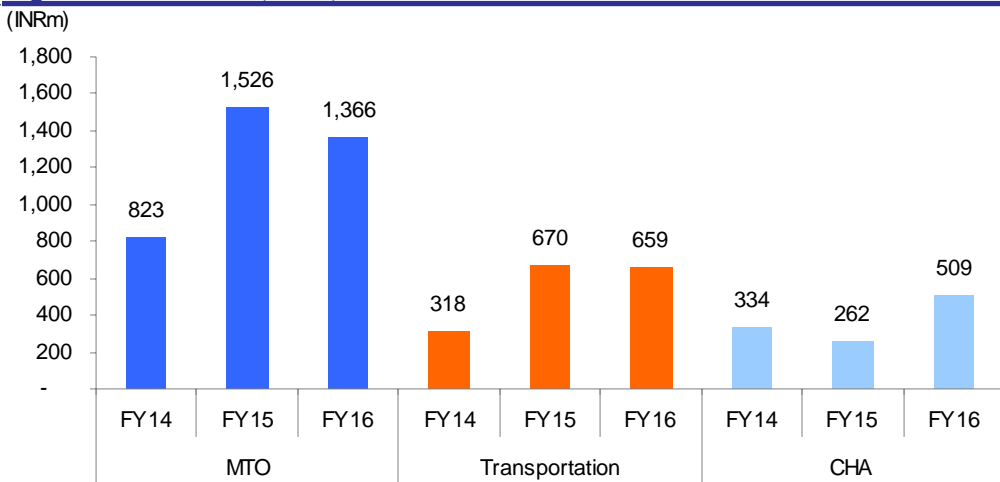
Source: Company, Antique

Volume performance (TEUs)



Source: Company, Antique

Segmentwise revenue (INRm)

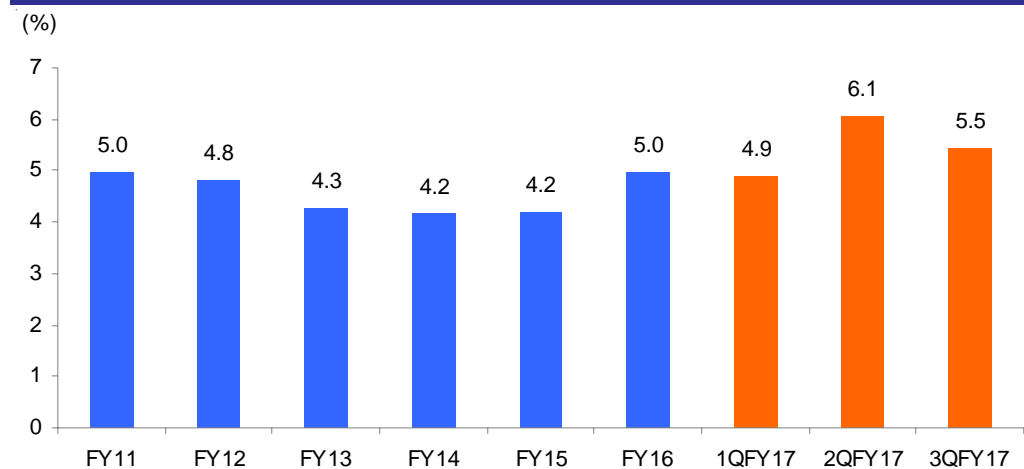


Source: Company, Antique

Margin improvement in past 2 years

Historically, EBITDA margins for the company have hovered in the range of 4-5%, while company is targeting to sustainably improve the same to 5.5-6% range in near term. The improvement in margins in past 2 years has been function of focus on improving efficiency, better bargaining of rates with the agencies. Company has built strong relationships with most of the leading carriers/liners and as a result is able to obtain competitive commercial terms and operational advantages. Over the past decade, Company has grown on establishing brand goodwill in the market and a strong foothold in the entire logistics value spectrum. Being a complete asset light business model, there isn't any benefit expected from operating leverage.

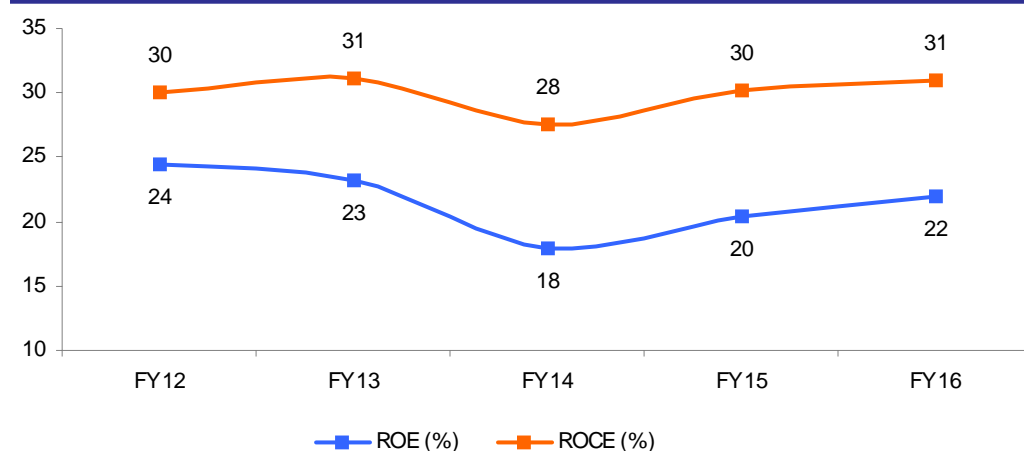
Steady improvement in margin performance in past 2 years



Source: Company, Antique

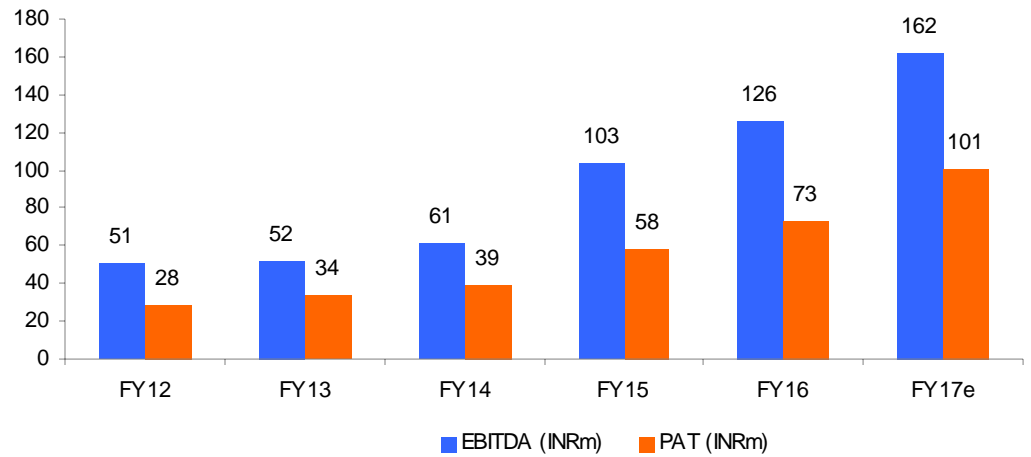
Owing to asset light model, company commands an attractive ROCEs of ~30% and ROEs of 20-22%.

Return ratios have remained healthy in the past



Source: Company, Antique

FY12-FY17e CAGR of 26%/29% in EBITDA/PAT



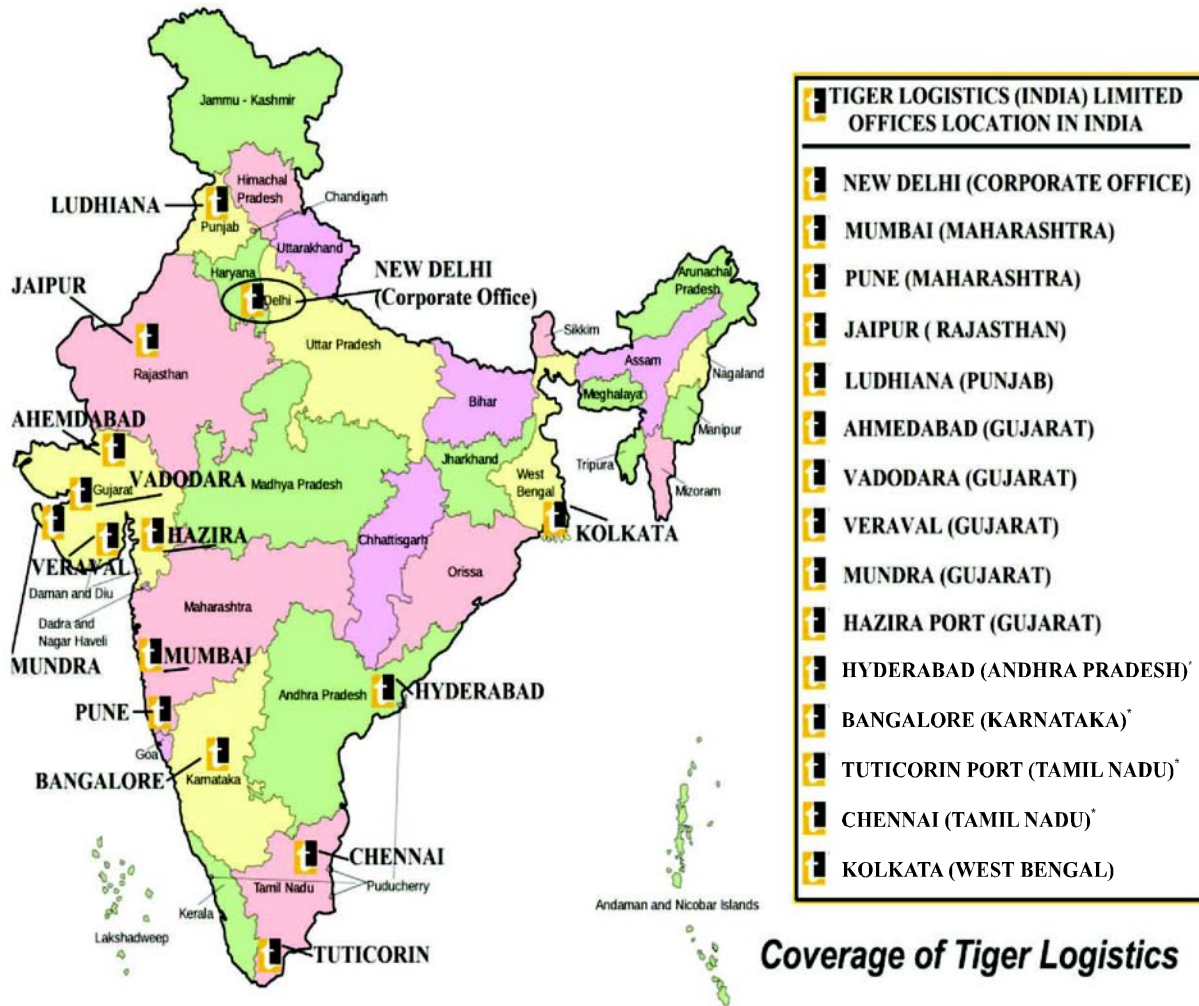
Source: Company, Antique

Client base for the Company



Source: Company, Antique

Tiger Logistics Offices in India



Source: Company, Antique

Key Risk to business

- Economic downturn driving pressure on the freight volumes
- Aggressive competition leading to pressure on profitability
- Delay in rampup/business expansion execution plans
- Inability of company to manage its working capital/debtor days

Financials

Profit and loss account (INRm)

Year ended 31 Mar	2012	2013	2014	2015	2016
Net Revenue	1,051	1,221	1,475	2,458	2,534
Op. Expenses	1,000	1,169	1,414	2,355	2,408
EBITDA	51	52	61	103	126
Depreciation	8	8	8	10	7
EBIT	43	44	54	93	119
Other income	2	6	7	6	7
Interest Exp.	2	1	0	1	3
Reported PBT	43	49	60	98	122
Tax	14	15	21	27	49
Reported PAT	28	34	39	71	73
Net Profit	28	34	39	71	73
Adjusted PAT	28	34	39	58	73
Adjusted EPS (INR)	2.7	3.2	3.7	5.5	6.9

Balance sheet (INRm)

Year ended 31 Mar	2012	2013	2014	2015	2016
Share Capital	31	31	42	42	106
Reserves & Surplus	99	133	231	253	262
Networth	129	163	273	295	368
Debt	2	0	-	90	62
Share Application	23	-	-	-	-
Net deferred Tax liabilities	4	1	(0)	(3)	(4)
Capital Employed	158	164	273	383	426
Gross Fixed Assets	69	65	68	76	79
Accumulated Depreciation	25	29	37	46	51
Capital work in progress	-	-	-	-	3
Net Fixed Assets	44	36	31	30	32
Investments	1	1	1	1	1
Non Current Investments	1	1	1	1	1
Current Assets, Loans & Adv	433	286	398	648	753
Debtors	360	215	306	568	672
Cash & Bank balance	33	57	78	49	70
Loans & advances and others	41	15	14	31	12
Current Liabilities & Prov	319	159	157	295	359
Liabilities	314	155	151	278	332
Provisions	5	4	5	17	28
Net Current Assets	114	128	241	353	394
Application of Funds	158	164	273	383	426

Per share data

Year ended 31 Mar	2012	2013	2014	2015	2016
No. of shares (m)	11	11	11	11	11
Diluted no. of shares (m)	11	11	11	11	11
BVPS (INR)	12.2	15.5	25.8	27.9	34.8
CEPS (INR)	3.4	3.9	4.4	7.7	7.6

Source: Company, Antique

Cash flow statement (INRm)

Year ended 31 Mar	2012	2013	2014	2015	2016
PBT	43	49	60	98	122
Depreciation & amortisation	8	8	8	10	7
Interest expense	1	1	0	1	3
(Inc)/Dec in working capital	(17)	6	(92)	(138)	(21)
Tax paid	(13)	(18)	(22)	(64)	(51)
Less: Interest/Dividend Income Received	-	5	(1)	(0)	1
Other operating Cash Flow	(1)	(4)	(7)	(20)	(2)
CF from operating activities	20	47	(53)	(112)	60
Capital expenditure	(5)	(2)	(3)	(10)	(10)
Inc/(Dec) in investments	-	-	0	(0)	1
Add: Interest/Dividend Income Received	1	4	7	4	2
CF from investing activities	(4)	3	4	(5)	(7)
Inc/(Dec) in share capital	-	-	-	-	-
Inc/(Dec) in debt	(10)	(25)	71	12	(14)
CF from financing activities	(10)	(25)	71	88	(32)
Net cash flow	7	24	21	(29)	21
Opening balance	26	33	57	78	49
Closing balance	33	57	78	49	70

Growth indicators (%)

Year ended 31 Mar	2012	2013	2014	2015	2016
Revenue(%)	16.2	16.2	20.7	66.7	3.1
EBITDA(%)	13.3	2.3	17.8	68.7	22.0
Adj PAT(%)	17.3	20.4	14.9	48.3	26.2
Adj EPS(%)	17.3	20.4	14.9	48.3	26.2

Valuation (x)

Year ended 31 Mar	2012	2013	2014	2015	2016
P/E	80.3	66.7	58.0	39.1	31.0
P/BV	17.5	13.8	8.3	7.7	6.1
EV/EBITDA	43.9	42.4	35.7	22.3	17.9
EV/Sales	2.1	1.8	1.5	0.9	0.9

Financial ratios (%)

Year ended 31 Mar	2012	2013	2014	2015	2016
RoE (%)	24.4	23.2	17.9	20.3	22.0
RoCE (%)	30.1	31.1	27.5	30.2	31.0
Asset/T.O (x)	7.1	7.6	6.8	7.5	6.3
Net Debt/Equity (x)	(0.2)	(0.3)	(0.29)	0.14	(0.02)
EBIT/Interest (x)	24.2	40.9	915.9	71.2	38.7

Margins (%)

Year ended 31 Mar	2012	2013	2014	2015	2016
EBITDA Margin(%)	4.8	4.3	4.2	4.2	5.0
EBIT Margin(%)	4.1	3.6	3.6	3.8	4.7
PAT Margin(%)	2.7	2.8	2.6	2.4	2.9

Source: Company Antique

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