

# IPO REVIEW

## FUTURE SUPPLY CHAIN SOLUTIONS LTD

Issue Details	
Issue Opens	06-Dec-17
Issue Closes	08-Dec-17
Issue Size (Rs. Crore)	649.70
Face value (per equity share)	10
Price Band (Rs.)	660-664
Lot Size (No of Share)	22
No of Shares on Offer (crore)	0.97
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	18-Dec-17

Issue Date: 06<sup>th</sup> Dec – 08<sup>th</sup> Dec 2017

Price Band (Rs.): 660- 664

Lot Size (No. of Share): 22

### Company Background

Incorporated in 2006, Future Supply Chain Solutions Ltd is one of the largest third-party logistics service provider in India. Their services includes automated and IT-enabled warehousing, distribution and other logistics solutions. They serves customers in various sectors which includes retail, fashion and apparel, automotive and engineering, food and beverage, fast-moving consumer goods, e-commerce, healthcare, electronics and technology, home and furniture and ATMs.

### Financials

Particulars	For the year/period ended (in Rs. Million)				
	Sept'17	Mar'17	Mar'16	Mar'15	Mar'14
<b>Total Assets</b>	5,757	5,095	4,837	3,874	3,263
<b>Total Revenue</b>	3,652	5,770	5,285	4,107	3,332
<b>Profit After Tax</b>	333	458	294	247	42

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	57.35	52.47
Public (incl institutions and employees)	42.65	47.53
Total	100.0	100.0

### Concerns

- Profitability margins in the future would depend on its ability to cater to customers outside the group.
- Unable to manage expansion through strategic acquisition.
- Changing regulations in India could lead to new compliance requirements that are uncertain.
- Dependence on third-party vendors could have an adverse effect on business financial condition.

### Strengths

- One of the largest service providers with extensive network of facilities in a fast growing third party logistics market.
- Diverse customer base across many sectors.
- At the forefront in introducing new standards of technology and automation in the logistics industry in India.

### Our View

The price band of INR 660-664 per share and FY17 EPS of Rs.11.69, P/E ratio works out to 56x to 70x. Its only listed peers Mahindra Logistics Ltd is trading at P/E ratio of 68x. This is quite high for a logistics player as we made it amply clear in our analysis of Mahindra Logistics IPO. Hence, if we compare this way, Future Supply chain is overpriced.

Future Supply has asset-light business model, domain expertise and opportunities in the sector, the company's growth prospects are bright. FSC happens to be the first mover in automated technology system support in consumption related segments; it will attract more fancy post listing going forward. Investors may consider investment for medium to long term.

### Objects of the Issue

The objects of the Offer for the Company are to:

1. Achieve the benefit of listing the Equity Shares on the Stock Exchanges;
2. Sale of Equity Shares by the Selling Shareholders;
3. Enhance its stability and brand image and provide liquidity to its existing shareholders.