



Cargotrans Maritime Limited

Review Report On IPO



IPO Details

Opening Date	Sep 27, 2022
Closing Date	Sep 29, 2022
Stock Exchange	BSE SME
Lot Size	3000 Shares
Issue Price	₹ 45 per share
Issue Size	10,80,000 Equity Shares
Application Amount	₹ 1,35,000

IPO Objective

Funding Working Capital Requirement
General Corporate Purpose
To meet issue expenses

Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	30,00,000	100.00%
Public	-	-

Promoter of the Company

- 1 Mr. Edwin Alexander
- 2 Mrs. Manju Edwin
- 3 Mr. Mathew Jacob
- 4 Mr. B Chandrashekhar Rao

Competitive Strengths

- 1 Wide range of logistics services and solutions
- 2 Diversified customer base across varied industry verticals.
- 3 Long standing relationship with Customers
- 4 Strong relationship with constituents of logistics value chain
- 5 Experienced Management team

Company Background

- Company was incorporated in the year 2012 in Gujarat.
- Company is engaged in the business of providing sea logistics services including ocean freight forwarding (FCL and LCL), transportation, custom clearance, warehousing and other value-added services.
- Company has a Multi-Modal Transport Operator's License which positions them as an independent player in this field.
- Company has a fleet of 9 owned commercial trailers.
- The company its registered office in Gandhidham and has 2 branches in Ahmedabad & Rajkot with two port offices at Mundra and Pipavav.
- As on the date of filing of prospectus, the company had 70 employees on its payroll.

Financial Summary

	(In Lacs)		
For the Period Ended	Mar-22	Mar-21	Mar-20
Total Assets	1,157.43	1,071.37	592.68
Net Assets	532.29	296.01	181.00
Total Borrowings	228.94	333.74	252.18
Total Revenue	8,989.92	4,941.10	2,058.43
Profit After Tax	236.28	115.01	27.56



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Company Overview

Cargotrans Maritime Limited was incorporated in the year 2012 and is engaged in the business of providing sea logistics services including ocean freight forwarding (FCL and LCL), transportation, custom clearance, warehousing and other value-added services. Company has 5 offices in Gujarat with its Registered office in Gandhidham, branch offices in Ahmedabad and Rajkot and two port offices at Mundra and Pipavav. The company also undertakes work related to regulatory compliance services such as customs clearance through its fully owned subsidiary CMAPL which owns a valid Customs House Agent's License. Company is also setting up a new manufacturing unit in the name of its subsidiary.

Analysis

Being incorporated in the year 2012, the company has a decent track record of existence and has been growing yearly with turnover in 2013-14 being Rs. 15 Crores to crossing Rs. 85 Crores in 2021-22.

Within a short span of time, the company has been able to generate good amount of revenues.

The company provides various services which are stated below for your reference-

- Ocean Freight Forwarding
- Custom Clearance
- Warehousing Services
- Transportation Services

Revenue break-up of the above-mentioned services is provided in the table below.

(Amount in Lakh)

Particulars	As at March 31,					
	2022	%	2021	%	2020	%
Ocean Freight Forwarding	6,825.98	76.23%	2,932.81	59.36%	996.22	48.41%
Custom Clearance & other CHA Activities	956.48	10.68%	882.25	17.86%	564.34	27.42%
Warehousing Services	294.48	3.29%	134.45	2.72%	-	0.00%
Transportation Services	535.48	5.98%	671.94	13.60%	465.06	22.60%
Coastal Services	341.94	3.82%	319.31	6.46%	32.32	1.57%
Total	8,954.36	100.00%	4,940.76	100.00%	2,057.94	100.00%



As we can see, the company has been doing good both in its top and bottom line with majority of its revenue coming from Ocean Freight Forwarding followed by Custom Clearance & Other CHA activities.

The company claims to have no competitors on the basis that it has a Multi-Modal Transport Operator's license which enables them to issue a single transport document covering multiple modes of transport.

To conclude, the company has fared very well in terms of revenue generation and expansion. Company's bottom and top line both can be seen growing giving a positive outlook on the company. The company also projects a strong track record of revenue growth and profitability. The company is able to differentiate itself well from its peers and therefore shows a dominating position in the industry and geographic area it is present in. The advantage due to this is however uncertain as others can also get their hands on the same. If the company is able to take advantage of this in a proper timely manner, it will be in a good position.

Exhibit 1: Market Size of Indian Shipping Industry

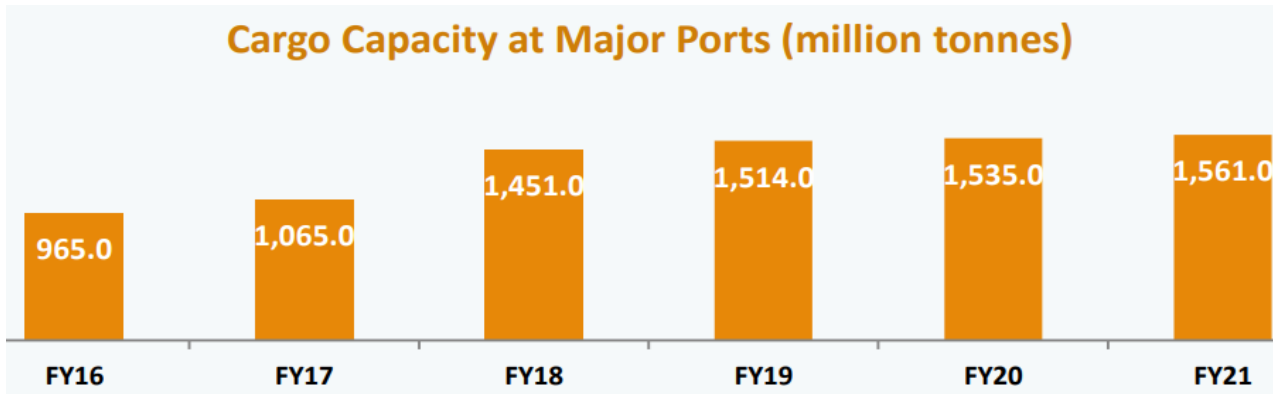


Exhibit 2: Sector Composition of Indian Shipping Industry

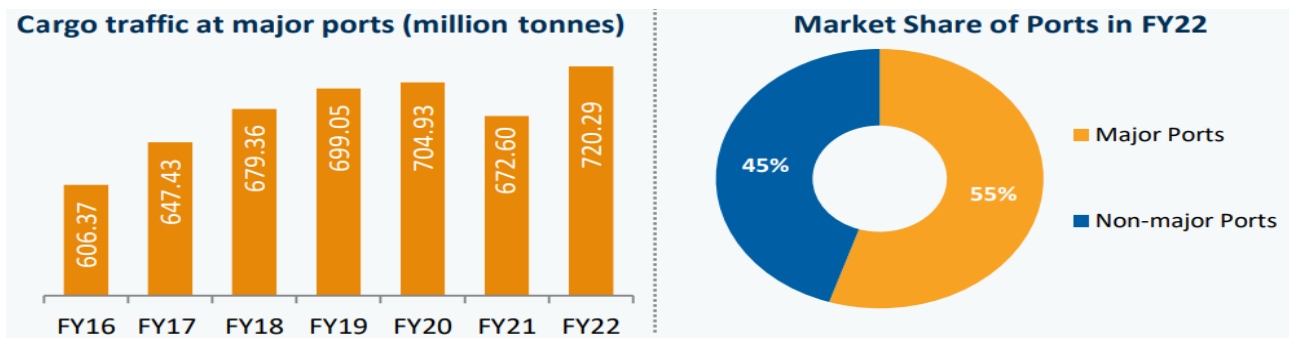
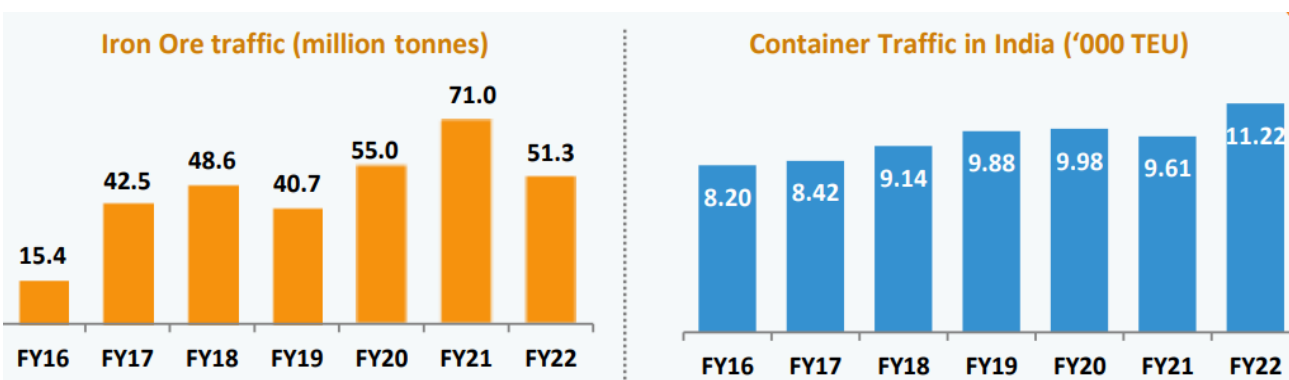


Exhibit 3: Key Trends in Indian Shipping Industry



(Source: ibef.org)



Investment Overview

Indian Shipping Industry

According to the Ministry of Shipping, around 95% of India's trading by volume and 70% by value is done through maritime transport. In November 2020, the Prime Minister, Mr. Narendra Modi renamed the Ministry of Shipping as the Ministry of Ports, Shipping and Waterways.

India has 12 major and 205 notified minor and intermediate ports. Under the National Perspective Plan for Sagarmala, six new mega ports will be developed in the country. The Indian ports and shipping industry play a vital role in sustaining growth in the country's trade and commerce. India is the sixteenth-largest maritime country in the world with a coastline of about 7,517 kms. The Indian Government plays an important role in supporting the ports sector. It has allowed Foreign Direct Investment (FDI) of up to 100% under the automatic route for port and harbour construction and maintenance projects. It has also facilitated a 10-year tax holiday to enterprises that develop, maintain and operate ports, inland waterways and inland ports.

India's key ports had a capacity of 1,561 million tonnes per annum (MTPA) in FY21. From April-May 2022, all key ports in India handled 130.839 million tonnes (MT) of cargo traffic. India's merchandise exports in FY22 were at US\$ 417.8 billion, up 40% from the previous year. In October 2021, India's merchandise exports grew 43.05% YoY to reach US\$ 33.65 billion.

The Government has taken several measures to improve operational efficiency through mechanisation, deepening the draft and speedy evacuations.

(Source: ibef.org)



Addressable Market for Cargotrans Maritime Limited

Company operates at 4 sea ports of Gujarat i.e. Mundra, Hazira, Kandla and Pipavav. Going forward, it intends to expand its operations in other sea ports of the Country, so as to cater to the increasing demand of the customers. Domestically, it also intends to add branches as well as increase the depth of its existing network in key areas in future.

Competition

The industry is fragmented and has many organised and unorganised players. Logistics being a global industry, it faces competition from various domestic and international players. The threat of entry is high in this industry and although being filled with small players, only reputed players are covering such wide regions as the does.

Peer Analysis

As Mentioned in the prospectus, the company has mentioned 4 listed peer companies viz. Accuracy Shipping Limited, Tiger Logistics Limited, Allcargo Logistics Limited and Total Transport Systems Limited. A summary on the key financial parameters is given in the table below –

Company	Cargotrans Maritime Limited	Accuracy Shipping Limited	Tiger Logisitics India Limited	Allcargo Logistics Limited	Total Transport Systems Limited
Net Profit (INR Cr)	2.36	18.1	33.63	925.73	9.24
EBITDA (INR Cr)	4.01	48.145	37.65	1557.98	16.84
Return on Capital Employed	49.45%	23.09%	48.73%	23.72%	24.98%
Return on Equity	44.39%	16.73%	45.18%	29.38%	16.92%
EPS (INR)#	5.77	11.60	31.67	43.69	6.46
P/E* (Times)	7.81	22.22	6.88	8.92	25.57

*As on 27/09/2022

#Post IPO Basis

Promoters' Profile and Management Analysis

Mr. Edwin Alexander



- Mr. Edwin Alexander is the Chairman and Non-Executive Director of the Company.
- He has completed his B. Com from Saurashtra University in 2003 and LLB from Saurashtra University in 2021.
- He has an experience of more than 20 years in the logistics industry.

Mr. Manju Edwin



- **Mrs. Manju Edwin** is the Whole Time Director of the company
- She has completed her BSc from University of Kerala in 2003.
- She has an experience of around 10 years in the logistics industry.
- She handles the Administration and Human Resource operations of the Company.

Mr. Mathew Jacob



- **Mr Mathew Jacobs** is the Managing Director of the company.
- He has completed his BSc from Saurashtra University in 1998 and LLB from same university in 2021.
- He has a work experience of over 24 years in sales and marketing fields in various organisations.
- He has joined the board recently in Feb, 2022.
- He currently leads the sales & marketing operations of the company.



Mr. B Chandershekhar Rao



- **Mr. B Chandershekhar Rao** is Chief Executive Officer and Whole Time Director of the company
- He joined the board in 2021.
- He has completed his BA from Andhra University in 2002.
- He has an experience of around 22 years in the logistics industry.
- He looks after the overall operations of the company.



Analysis on the Company's Promoter and Board of Directors

Mr. Edwin Alexander is the Chairman and Non-Executive Director of the Company. He has been on the Board since incorporation. He has completed his Bachelor of Commerce from the Saurashtra University in 2003 and Bachelor of Law in 2021 from the Saurashtra University. He has an experience of more than 20 years in the logistics industry.

Mathew Jacob is the Managing Director of the Company. He has been on the Board since Feb., 2022. He has completed his Bachelor of Science from the Saurashtra University in 1998 and Bachelor of Law in 2021 from the Saurashtra University. He has work experience of over 24 years particularly in the sales and marketing field in various organizations. He currently leads the sales & marketing operations of the Company.

Manju Edwin is the Whole Time Director of the Company. She has been on the Board since incorporation. She has completed her Bachelor of Science from University of Kerala in 2003 and has an experience of around 10 years in the logistics industry. She is looking after the Administration and Human resource operations of the Company.

B Chandershekhar Rao is Chief Executive Officer and Whole Time Director of the Company. He has been on the Board since 2021. He has completed his Bachelor of Arts from Andhra University in 2002. He has an experience of around 25 years in the Logistics industry. He is looking after the overall operations of the company.

Udayan Menon and Mr. Praveen Agarwal form a part of the Independent Director of the company. They are well experienced in their respective fields of business, but being a non-executive director, they won't be taking a part in the day-to-day operations of the business.

To conclude, the company's promoters seem experienced in the business line. The Non-Executive Directors and Independent Directors also seem experienced and might help the company grow with their valuable inputs, though not taking part in day-to-day operations directly.



Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2020	As at 31st March, 2021	As at 31st March, 2022
Profit and Loss			
Revenue from operation	2,057.94	4,940.77	8,954.36
Other income	0.49	0.33	5.56
Total Revenue	2,058.43	4,941.10	8,959.92
Expenses	1,969.99	4,698.70	8,558.61
Depreciation and Amortisation Cost	22.23	51.39	57.92
Finance Cost	28.20	35.58	25.17
Total Expenses	2,020.42	4,785.67	8,641.70
PBT	38.01	155.43	318.22
PBT Margin	1.85%	3.15%	3.55%
EBITDA	88.44	242.40	401.31
EBITDA Margin	4.30%	4.91%	4.48%
Net Profit	27.56	115.01	236.28
Net Profit Margin	1.34%	2.33%	2.64%
Balance Sheet			
Total Borrowings	252.18	333.74	228.94
Net Worth	181.00	296.01	532.29
Fixed Assets	103.86	147.22	125.21
Net Working Capital	262.47	406.5	552.36
Financial Measures			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	6.42	7.86	13.23
Payables Turnover Ratio	13.76	11.20	24.21
Fixed Assets Turnover Ratio	19.81	33.56	71.51
Return on Capital Employed	18.04%	34.29%	49.45%
Return on Equity	15.23%	38.85%	44.39%
Debt-Equity Ratio	1.39	1.13	0.43

(The data has been taken and calculated from the financials given in the prospectus)



Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)

The EBITDA of the company has grown from Rs. 88.44 lacs in 2020 to Rs. 401.31 lacs in 2022 growing at a CAGR of 113.02%. The EBITDA margin in 2020 was 4.30%, 4.91% in 2021 and 4.48% in 2022. The EBITDA has grown due to expansion in business operations and increase in the shipping cost which led to higher revenue generation for the company. The operating profit margins have been stable to the range of 4% o 5%.

Net Profit

The net profit of the company has grown from Rs. 27.56 lacs in 2020 to Rs. 236.28 lacs in 2022 at a CAGR of 192.80%. The net profit margin in 2020 was 1.34%, 2.33% in 2021 and 2.64% in 2022. The growth of CAGR of 192.80% seems to be unlikely but was primary due to increase in logistics cost worldwide. The profit margins of the company have shown steady growth over the years.

Finance Cost.

The company has incurred finance cost mainly on the secured short term borrowings and long term loans availed from the banks.

Financial Measures/Ratios

RoCE of the company in 2022 was 49.45% vs 34.29% in 2021 and 18.04% in 2020. The RoCE has been constantly increasing over the years due to increase in the operating profits in absolute terms and decrease in the term loans of the company. with Infusion of Equity capital and repayment of loans, the same is expected to remain at this level.

ROE of the company in 2022 was 44.39%, 38.85% in 2021 and 15.23% in 2020. The analysis and prediction of the same can be set forth as that of RoCE.

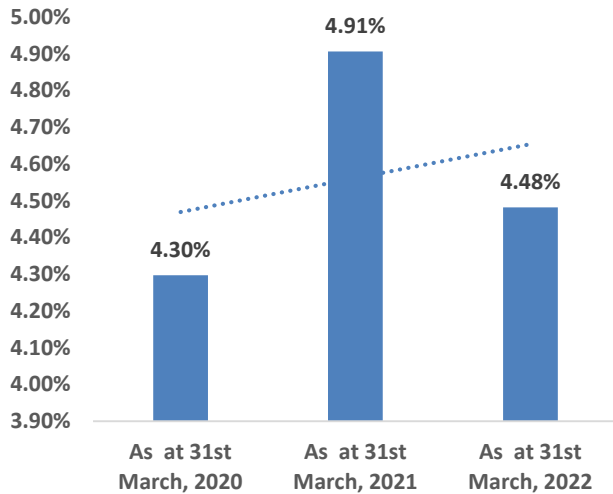
The company has been able effectively maintain its Receivable ratio but has to look forward to maintain its payables in coming times.

The company has a debt-equity ratio of 0.43 times in FY 22. The debt-equity has come down from the levels of 2021 and 2020 and is expected to fall more with the infusion of new capital.

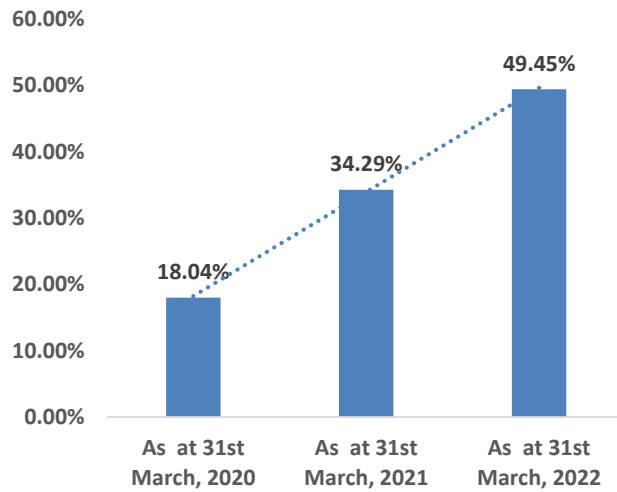


Financial Charts

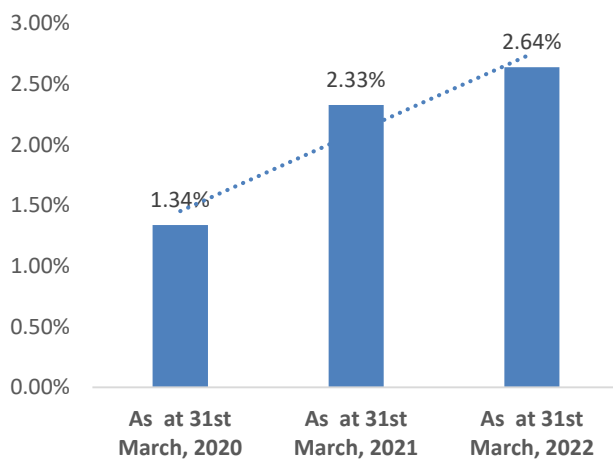
EBITDA Margin



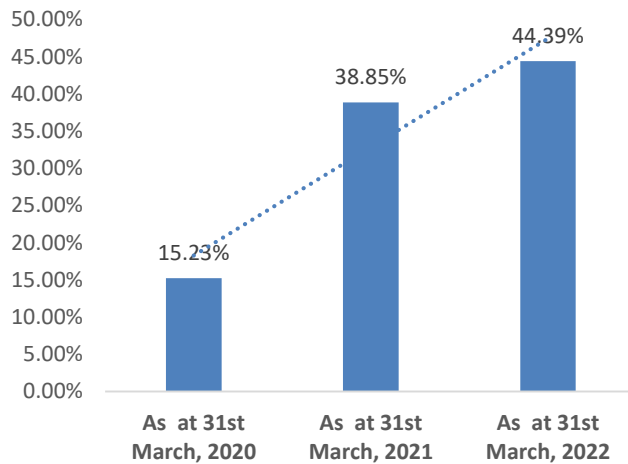
Return on Capital Employed



Net Profit Margin



Return on Equity





Key Risk Factors

1. Company and Group Company are involved in certain litigations including tax related litigations totalling to an amount of Rs. 285.18 lacs, which if determined against them, can affect financial conditions of the company. There are 3 cases of which amount is not identifiable.
2. The subsidiary of the company has been incurring losses since past 3 years.
3. The company is exposed to any trade restrictions adopted by the government of domestic as well as foreign country.
4. The company has a threat of delay in shipment due to weather conditions or ship breakdown.
5. The company is exposed to the risk of foreign exchange fluctuations.



Track Record of Lead Manager

The lead manager to the issue is Hem Securities and this is the 13th mandate in the last three fiscals. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing date	CMP#
1.	Suratwwala Business Group Limited	6.90	15/-	13-08-2020	209.00
2.	Knowledge Marine & Engineering Works Limited	10.12	37/-	22-03-2021	569.50
3.	EKI Energy Services Limited	18.60	102/-	07-04-2021	1462.80
4.	DU Digital Technologies Limited	4.485	65/-	26-08-2021	209.40
5.	Prevest Denpro Limited	26.61	84/-	27-09-2021	400.00
6.	Jainam Ferro Alloys (I) Limited	19.61	70/-	08-10-2021	181.30
7.	Shri Venkatesh Refineries Ltd.	11.71	40/-	11-10-2021	168.00
8.	KN Agri Resources Limited	49.38	75/-	28-03-2022	171.00
9.	Krishna Defence and Allied Industries Limited	11.89	39/-	06-04-2022	86.45
10.	Eighty Jewellers Limited	11.07	41/-	13-04-2022	72.05

#CMP is taken as on 26th September 2022

Out of the last 10 listings, 1 opened at discount and the rest with premiums ranging from 1.47% to 104.87% on the day of listing.



Recommendation

The company has a good experience in the shipping industry and has marked its geographical presence in various regions. The company is currently operating from 4 ports of India and the industry it is in has good prospect in future.

Higher logistics cost contributed to increased revenue for the company and increased bottom line. However, the profit margins have stayed stagnant in these years.

The company's promoters and directors are well experienced and educated and it gives a positive outlook on the company's management.

The company is getting listed at a PE of around 7 times on post IPO basis while average PE of its listed peers comes to around 15.90 times making it a fairly priced IPO looking at the size of the company.

To conclude, the company has established itself very well in the recent years and have been able to generate healthy revenue showing its capability to take on opportunities and looking at all the above mentioned factors, one **should apply** in the IPO.



Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.