



GConnect Logitech and Supply Chain Limited

IPO Note
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IPO Details			Company Background				
Opening Date	Mar 26, 2024		<ul style="list-style-type: none"> GConnect Logitech and Supply Chain Limited was originally incorporated in the year 2022 and has its registered office in Bhavnagar, Gujarat, India. The company is engaged in the business of providing surface logistics services viz. goods transport services. The Company took over the running business of M/s. Prithvi Enterprise, the proprietorship concern. The range of services offered by the Company includes bulk load, Full Truck Load (FTL) service and dedicated load. The Company carries its logistics business with the primary focus being the state of Gujarat. As of March 19^h, 2024, the Company had 6 employees on its payroll. 				
Closing Date	Mar 28, 2024						
Stock Exchange	BSE SME						
Lot Size	3,000 Shares						
Issue Price	₹40 per share						
Issue Size	Aggregating up to 5.60 Cr.						
Fresh Issue	Aggregating up to 5.60 Cr.						
Offer for Sale	-						
Application Amount	₹ 1,20,000						
IPO Objective			Market Capitalization (In Cr.)				
1. Purchase of Vehicles and Body Building.			Pre-Issue		Post-Issue		
2. Finance the Website Development and Add Designing.			₹ 9		₹ 15		
3. General corporate purposes.			Financial Summary (In Lacs.)				
Pre-Issue Shareholding			For the Period Ended	Mar-21	Mar-22	Mar-23	Sep-23
Category	No. of Shares	% of Total Shares	Total Assets	-	-	82.45	423.25
Promoter & Promoter Group	17,79,797	76.76%	Net Assets	-	-	77.51	398.15
Public	5,38,750	23.24%	Total Borrowing	-	-	-	-
Promoter of the Company			Total Revenue	-	-	101.03	212.57
1. Jigar Vinodbhai Sheth			Profit After Tax	-	-	10.86	22.83
2. Vinod Veilal Sheth			Tentative Timeline				
Competitive Strengths			Opening Date	Mar 26, 2024			
1. Experienced Promoters and Management Team.			Closing Date	Mar 28, 2024			
2. Well-defined organizational structure.			Basis of Allotment	Apr 01, 2024			
3. Longstanding and diverse customer base.			Initiation of Refunds	Apr 02, 2024			
4. Existing Supplier Relationship.			Credit of Shares to Demat	Apr 02, 2024			
5. Asset Light Business Model.			Listing Date	Apr 03, 2024			

Company Background and Analysis

GConnect Limited was originally incorporated on July 20, 2022. The company took over the running business of M/s. Prithvi Enterprise, the proprietorship concern of the Promoter namely, Jigar Vinodbhai Sheth pursuant to a Business Transfer Agreement dated February 28, 2023. The company is engaged in the business of providing surface logistics services viz. goods transport services. The Company offers its services to other logistic companies, including surface logistic companies and to direct customers. The range of services offered by the Company includes bulk load, Full Truck Load (FTL) service and dedicated load.

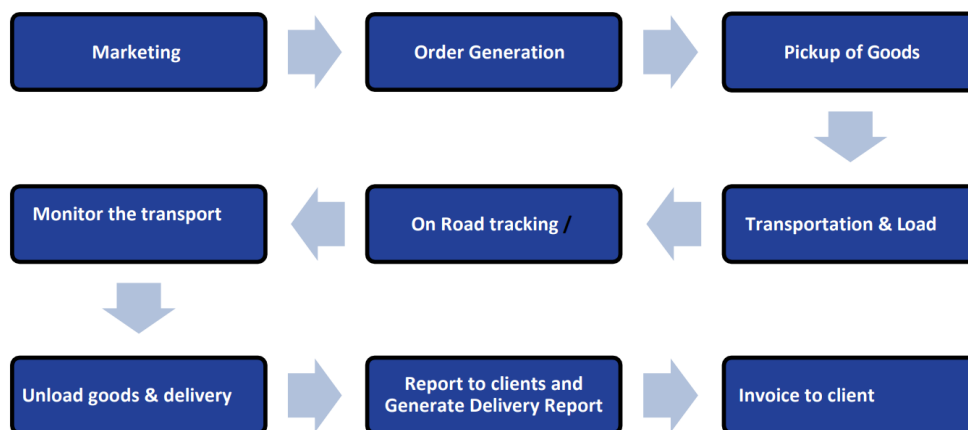
The company carries its logistics business with the primary focus being the state of Gujarat. The Company primarily serves transport contractors and also direct customers, thus serving varied end customers from a broad range of industries such as metals, fabrics, Fast Moving Consumer Goods (FMCG), auto components, chemicals and pharmaceuticals. The company do not enter into any contract with the customers.

The company operates under an asset-light model, thus engaging with third parties to provide the Company with the assets necessary for its operations such as vehicles (customised and containerized).

The company’s services are as follows –

1. Bulk Load – The company provide bulk transportation services to the customers, in which the goods are loaded onto the vehicles at the premises of the customer and then delivered to the destination as specified by the customer. The company provide these services for customers located in the state of Gujarat through a fleet of hired trucks.
2. Full Truck Load Services (FTL Services) – The company offer Full Truck Load Services (FTL Services) to the customers. FTL Services is logistic management of freight that requires the entire space on a fleet. This involves freight movement from customers’ designated locations to their delivery point or destination.
3. Dedicated Load (to-and-fro) – The company offers the customers dedicated load services, where a vehicle or fleet is assigned dedicatedly for a customer to provide them with multiple pickups and drops, local and home deliveries, reverse logistics, freight handling, and freight network designing etc.

The company’s process flow -



To conclude, the company was incorporated in the year 2022 and is very new to the industry. The company is engaged in the business of providing surface logistics services.



Business Strategies

1. Enhance operational controls to ensure timely delivery –

The company continues to focus on enhancing operational controls and cost efficiencies through optimal freight mix and cost management. The company continues to use integrated management control systems to optimize freight mix to maximize load factors and profitability. The company also continues to adopt industry best practices and training for the employees to provide the best services to the customers.

2. Increase the network by introducing new services –

The company intends to venture into additional service offerings to meet the ever-growing demand of the customers such as (a) fleet management, and (b) less than truckload (LTL Services). The company believes that with the addition of new service offerings and expansion of existing business, the company would continue to expand its distribution network and customer base.

3. Continue to develop cordial relationships with the suppliers, customers and employees –

The company believes in maintaining good relationships with the Suppliers and Customers which is the most important factor in keeping the company growing.

4. Developing proprietary logistics operating system –

The company believes that technology enhancement and data intelligence are the key cornerstones for the development and growth of the logistics business.

5. Building a tech-based listing platform –

The company believes that the portal will help in effectively managing the vehicle loads and return loads and generate maximum return on investments during periods of high demand.

Competitive Scenario and Peer Mapping

Competition

The logistics industry in India is very unorganized and highly fragmented. The company competes with organized and as well as unorganized players in the industry. The company has seen increased competition from unorganised third-party logistics. There are no entry barriers in the industry which puts the company at threat of competition from new entrants as there are numerous players operating in the industry. The bargaining power with the suppliers is slightly high and the bargaining power with the consumers is also on the slightly higher side based on the nature of the company.

Peer Analysis

The comparison of the key performance indicators of the listed peers as of Mar-23 is given below –

Particulars	GConnect Logitech and Supply Chain Limited	Ritco Logistics Limited	VRL Logistics Limited	Shreeji Translogistics Limited
	31st Mar 2023	31st Mar 2023	31st Mar 2023	31st Mar 2023
Net Profit Margin	10.74%	3.24%	11.46%	5.43%
EBITDA Margin	14.34%	7.33%	20.39%	10.95%
Return on Capital Employed	18.67%	29.80%	26.22%	33.31%
Return on Equity	7.88%	20.15%	33.12%	25.80%
EPS (INR)	26.64	9.97	36.58	2.09

The comparison of the key performance indicators of the listed peers as of Mar-22 is given below –

Particulars	GConnect Logitech and Supply Chain Limited	Ritco Logistics Limited	VRL Logistics Limited	Shreeji Translogistics Limited
	31st Mar 2022	31st Mar 2022	31st Mar 2022	31st Mar 2022
Net Profit Margin	-	2.73%	7.33%	5.40%
EBITDA Margin	-	7.42%	18.16%	11.92%
Return on Capital Employed	-	26.40%	22.62%	31.20%
Return on Equity	-	16.86%	24.57%	28.13%
EPS (INR)	-	6.65	18.12	1.75

The comparison of the key performance indicators of the listed peers as of Mar-21 is given below –

Particulars	GConnect Logitech and Supply Chain Limited	Ritco Logistics Limited	VRL Logistics Limited	Shreeji Translogistics Limited
	31st Mar 2021	31st Mar 2021	31st Mar 2021	31st Mar 2021
Net Profit Margin	-	1.27%	1.11%	-0.92%
EBITDA Margin	-	7.13%	10.50%	6.96%
Return on Capital Employed	-	16.46%	8.00%	7.37%
Return on Equity	-	7.55%	21.26%	-4.16%
EPS (INR)	-	2.47	5.04	-0.19

Industry Overview

Exhibit 1: Fragmented structure of the Indian Logistics Industry.

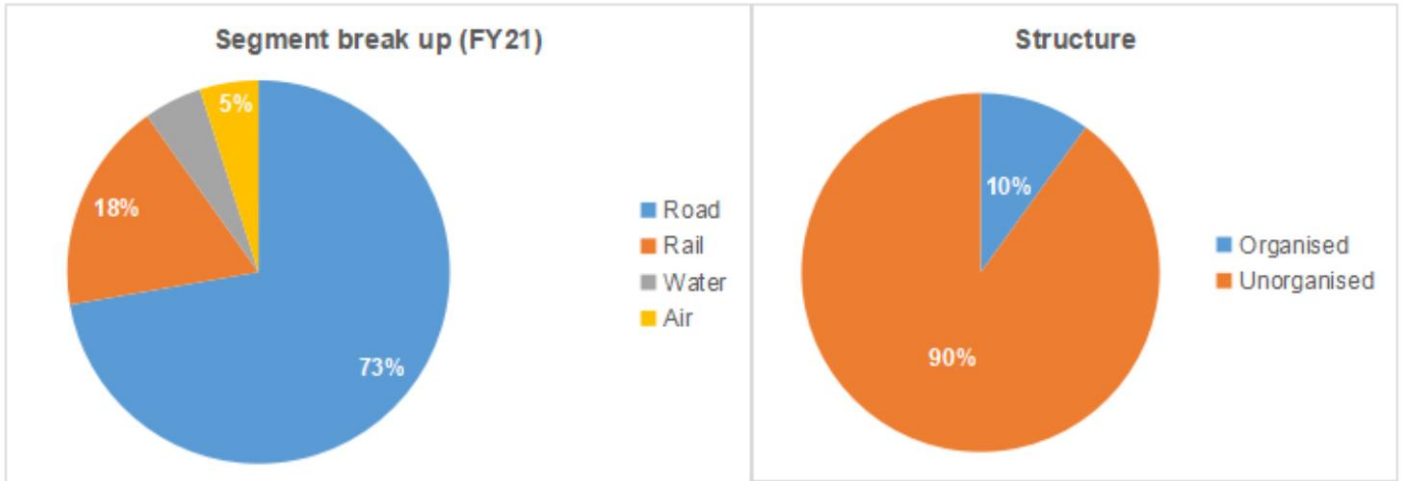
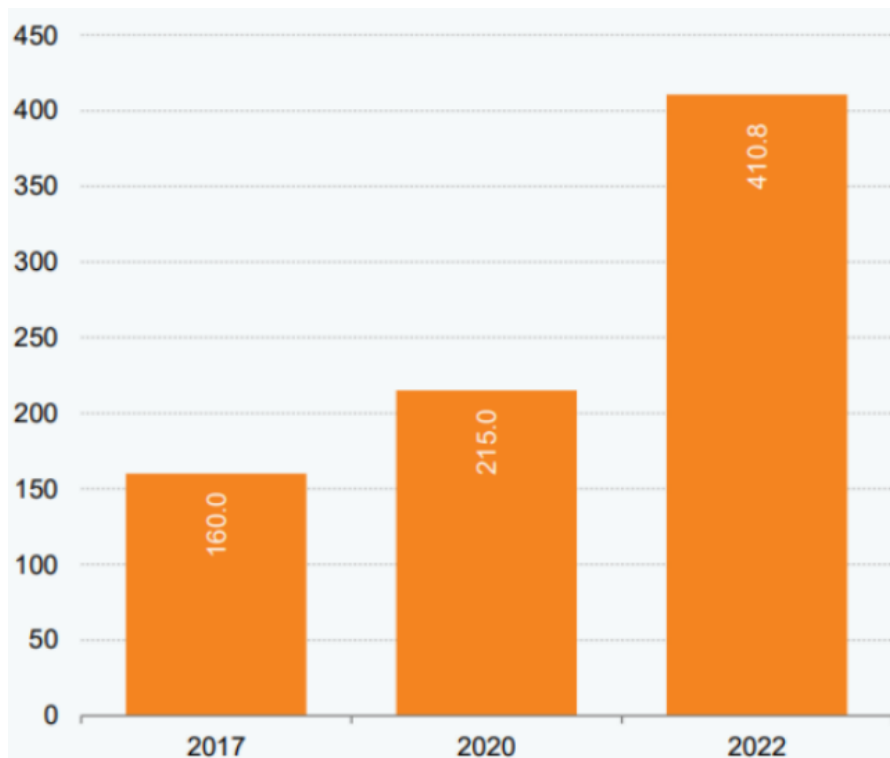


Exhibit 2: Logistics Market Size (US\$ billion).



(Source: ibef.org)



Logistics Industry in India

Logistics is essential for the economy of a country. It pertains to the general method of controlling how resources are obtained, housed and delivered to their ultimate location. Determining the efficiency and accessibility of potential distributors and suppliers is part of logistics management. It is a differentiating sector that can largely affect any country's exports, thereby adding a significant competitive edge, with the underlying assumption of a robust logistics sector. The logistics industry comprises all supply chain activities, mainly transportation, inventory management, flow of information and customer service. It determines the success of not only the country's supply chain but also influences it on a global scale. The effectiveness of logistics helps to determine the degree of ability that enterprises can keep up with demand.

The Indian logistics sector is on a big growth tide. The warehousing, industrial, and logistics (WIL) sectors are projected to be crucial for attaining India's vision of being a US\$ 5 trillion economy by FY25. The warehouse and logistics industry has benefited the most from the COVID-19 epidemic, increasing its share from 2% in 2020 to 20% in 2021. Because of the growing shift from discretionary to essential internet buying during the COVID-19 epidemic, the e-commerce industry became more appealing and attractive. The expansion of this industry is likely to be aided by a robust economy, government efforts to improve infrastructure, and a favourable business environment. Increasing consumerism and a huge consumer base are fostering the growth of retail and e-commerce in India. The Indian retail sector's market size is predicted to increase at a CAGR of 9% between 2019 and 2030, totalling more than US\$ 1.8 trillion. Large international funds and corporations have invested in warehousing developers and operators to grow their reach and geographical footprint, which are the sector's key differentiators.

The Government of India has taken many initiatives to strengthen the sector's infrastructure, including the establishment of dedicated freight corridors and the extension of road and rail networks, to improve connectivity and decrease travel times. Another critical governmental intervention has been the sector's digital transformation, projects such as Digital India, Bharat Net, and the National Logistics Portal would aid in the industry's digitization. Furthermore, the government has announced the establishment of logistics parks and warehouses across the country to provide appropriate storage facilities for enterprises. The recently implemented National Logistics Policy intends to reduce India's logistics costs from the double digits of GDP to the single digits by 2030.

Strong economic growth in the first quarter of FY23 helped India overcome the UK to become the fifth-largest economy after it recovered from the COVID-19 pandemic shock. Real GDP at constant prices in the second quarter of 2022-23 is estimated at US\$ 1.94 trillion (Rs. 160.06 trillion), showing a growth of 7.2% as compared to the First Revised Estimates of GDP for the year 2021-22 of US\$ 1.81 trillion (Rs. 149.26 trillion), indicating a strong start for India's recovery from the pandemic.

India's logistics are estimated to account for about 14.4% of GDP. More than 22 million people rely on it for their income. The Department of Commerce's logistics division for India was established on 7th July 2017 and was given the responsibility of the Integrated Development of Logistics Sector. The Special Secretary to the Government of India is at the helm of the division and has been assigned the responsibility for the development of an action plan to facilitate the overall development of the logistics sector through policy changes, procedure improvements, identification of bottlenecks and gaps, and adoption of technology.

(Source: prospectus)



Key Managerial Personnel

Vinod Venilal Sheth, aged 53 years, is one of the Promoters, and Non-Executive Director of the Company. He has completed his Secondary School Education. He has more than 10 years of experience in the logistics industry. He currently overlooks overall management of the business of the Company.

Jigar Vinodbhai Sheth, aged 39 years, is one of the Promoters and Managing Director of the Company. He holds a master's degree in science. He is having experience of 10 years in the logistics Industry. He presently looks after strategic planning in the Company.

Parthivkumar Bharatbhai Barad, aged 48 years, is an Independent Non-Executive Director of the Company. He holds a Bachelor of Commerce (Accounts & Finance) degree. He has experience of more than 4 (four) years in the field of finance and accounting.

Khushbhu Jignesh Shah, aged 59 years, is the Independent Director of the Company. She holds a Bachelor of Commerce degree and a master's in commerce degree. She has nearly 3 (three) years of experience in the food industry.

To conclude, the company has 2 promoters who have good experience in the industry. The Remaining Directors of the company have decent knowledge and experience in their respective fields which helps in the overall growth of the company.



Financial Snapshot

Profit and Loss Statement		
	(In Lakhs.)	
Particulars	FY 23	Sep-23
Revenue from Operations	101.03	212.57
Other Income	-	
Total Income	101.03	212.57
Expenses		
Cost of services	73.40	133.37
Consumed - Spares, Parts and consumables	-	15.80
Employee benefits expense	10.42	15.75
Finance Costs	0.02	0.04
Depreciation and Amortization expense	-	2.83
Other expenses	2.72	14.27
Total Expenses	86.56	182.06
	14.49	33.38
Earnings Before Interest, Taxes, Depreciation & Amortization		
EBITDA Margin	14.34%	15.70%
Profit/(Loss) before tax	14.47	30.51
Tax Expense		
Current Tax	3.62	7.49
Deferred Tax Expense / (credit)		0.19
Total Tax Expense	3.62	7.68
Profit/(Loss) for the year	10.85	22.83
Net Profit Margin	10.74%	10.74%

Balance Sheet		
	(In Lakhs.)	
Particulars	FY 23	Sep-23
ASSETS		
Non-Current Assets		
Property, Plant and Equipment	-	44.79
Total Non-Current assets	-	44.79
Current Assets		
Inventories	18.52	25.65
Financial Assets		
(i) Trade Receivables	30.13	65.46
(ii) Cash and Cash Equivalents	10.59	52.62
(iii) Loans	-	172.91
Other current assets	23.22	61.82
Total Current assets	82.46	378.46
Total Assets	82.46	423.25
EQUITY AND LIABILITIES		
Equity		
Share Capital	17.41	231.86
Reserve and Surplus	60.10	166.29
Total Equity	77.51	398.15
Liabilities		
Non-current liabilities		
Financial Liabilities		



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Balance Sheet			(In Lakhs.)
Borrowings			
Deferred tax liabilities (net)	-		0.19
Total Non-current liabilities	-		0.19
Current liabilities			
Financial Liabilities			
Trade Payables			
-total outstanding dues of micro-enterprises and small enterprises	-		-
-total outstanding dues of creditors other than micro-enterprises and small enterprises	-		8.76
Other current liabilities	1.33		5.01
Short term provisions	3.62		11.14
Total Current liabilities	4.95		24.91
Total Liabilities	4.95		25.10
Total Equity and Liabilities	82.46		423.25

Cash Flow Statement			(In Lakhs.)
Particulars	FY 23		Sep-23
Net Cash Flow from Operating Activities	-56.06		-208.16
Net Cash Flow from Investing Activities	-		-47.62
Net Cash Flow from Financing Activities	66.65		297.81

Ratio Sheet		
Particulars	FY 23	Sep-23*
Per Share Data		
Diluted EPS	26.64	1.23
BV per share	2.08	24.14
Operating Ratios		
EBITDA Margins	14.34%	15.70%
PAT Margins	10.74%	10.74%
Inventory days	66.91	22.08
Debtor days	108.85	56.35
Creditor days	-	12.02
Return Ratios		
RoCE	19%	7%
RoE	14%	5%
Valuation Ratios (x)		
EV/EBITDA	4.62	12.66
Market Cap / Sales	14.73	3.50
P/E	1.50	32.59
Price to Book Value	19.20	1.66
Solvency Ratios		
Debt / Equity	0.00	0.00
Current Ratio	16.66	15.19
Quick Ratio	12.92	14.16
Asset Turnover	1.23	0.50
Interest Coverage Ratio	724.50	763.75

*Annualized Figures

Key Risk Factors

1. The company has had negative operating cash flow for the FY 2021, 2023, and Period ended September 2023. If continued have a material adverse effect on the business, prospects, financial condition, cash flows and results of operations.
2. The Company's top 10 customers contributed 97.48 % and 99.01 % of the revenues from operations for the period ended September 30, 2023, and for the FY ended March 31, 2023. Any loss of business from one or more of them may adversely affect the revenues and profitability.
3. The Directors and Promoters are party to certain litigation and claims amounting to Rs. 40.19 lakhs. Any adverse decision may make the Directors and Promoters liable to penalties/liabilities and may adversely affect the reputation, business and financial status.

Track Record of Lead Manager

The lead manager to the issue is Fedex Securities Private Limited. A table has been set below highlighting the details of the IPO of the last 10 companies handled by the Lead Manager in recent times -

Fedex Securities Private Limited -

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Mukka Proteins Limited	224.00	28.00	March 07, 2024	36.5
2.	Deem Roll Tech Limited	29.26	129.00	February 27, 2024	109.00
3.	Polysil Irrigation Systems Limited	17.44	54.00	February 16, 2024	30.5
4.	Baweja Studios Limited	97.20	180.00	February 06, 2024	88.2
5.	Docmode Health Technologies Limited	6.71	79.00	February 02, 2024	214.00
6.	IBL Finance Limited	33.41	51.00	January 16, 2024	52.00
7.	KK Shah Hospitals Limited	8.78	45.00	November 06, 2023	49.2
8.	Committed Cargo Care Limited	24.98	77.00	October 18, 2023	54.8
9.	Sharp Chucks and Machines Limited	16.84	58.00	October 12, 2023	65.8
10.	Oneclick Logistics India Limited	9.91	99.00	October 11, 2023	65.00

The company has handled 21 mandates in the past three years (including the current year)

*CMP for the above-mentioned companies is taken as of March 29th, 2024.

As per the offer document, from the above-mentioned mandates 1 has opened at discounts and the remaining mandates have opened at premiums on the listing day.



Recommendation

The company has been in the industry since 2022 and is very new to the industry. The does not have enough financial data to form a trend. The management outlook of the company is good.

The P/E on a post-IPO and annualized basis is around 32.56 times which makes it highly priced by looking at the performance of the company and sector. The Sector P/E is 40.00 times.

The company operates in a very competitive segment. The company has not provided the financial data from the premiership. Thus, making it very difficult to form a trend or to come to any conclusion regarding the future of the company. The company is also not using its debt opportunity well. The company needs a few more years to have a stand in this industry and form a solid ground. The company has certain strategies planned which can help in the growth of the company and this update needs to be followed up in the future. Thus, at the current P/E and for now, we recommend **AVOID** applying to this IPO.



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