

Arshiya Limited

₹72

Only FTWZ Developer In India...!!! Buy



Aug 18, 2017

Company Background

Arshiya is rapidly expanding its business by continuous internal development & aggressive acquisitions in complimentary space. It is located at Mumbai with offices spanning across India, Singapore, Australia, Dubai, Qatar, Oman and USA, it was incorporated in the year 1981. It is successfully giving services in a cost-effective, efficient, innovative & tailor-made solutions to its clients. It is the only free zone developer operating 2 FTWZs (Free Trade Warehousing Zones) and the largest private container train operator with pan-India operations with 18 rakes, 3,500 containers and six rail sidings. It also has the advantage of owning the only Private Inland Container Depot with the largest number of rail sidings in the country. Strategically located, Arshiya's FTWZs – Panvel near Mumbai spread over 165 acres, catering to western India, and Khurja near Delhi, spread over 325 acres catering to north India – are well connected by rail and road networks, and co-located with domestic distriparks which facilitate duty-deferred hubbing opportunities.

Key Highlights

- ➔ Company has four services such as, Free Trade Warehousing Zones, Inland Container Depot, Rail and Rail Infrastructure and Transport and Handling. Among all four services Free trade warehousing Zone is a major service, from this service Arshiya getting almost 100% sales revenue since 2014-15.
- ➔ For FY 2015-16 revenue grew by 26.73% to ₹ 647.70 mn, other income down by 18.3% to ₹ 4.9 mn on year on year basis.
- ➔ Operating profit has increased by 775.75% to ₹ 119.1 mn and Other income also grew by 1300% on Quarter on Quarter basis to 14 mn for March 2017.
- ➔ Debt is increased by 2.05% to 13,758 mn on year on year basis and debt to equity ratios is continuing its upward journey to 10.45x for the FY 2015-16. It is monetizing existing functionals of warehouses for debt reduction.
- ➔ Company has initiates several measures for marketing and business development of FTWZ, rationalisation of expenses, cost reductions, improvement of effective utilisation of human & material resources to the optimum level would substantially help to improvement of performance.

Key Financials

Year Ended 31 st	Mar 14	Mar 15	Mar 16
Revenue (INR mn)	3,173.7	511.1	647.7
Rev. growth (%)	(56.18)	(83.90)	26.73
EBITDA (INR mn)	1,377.3	(941.8)	(15.7)
Net profit (INR mn)	(2,976.8)	(2,440.0)	(2,783.9)
Shares outstanding (mn)	67.2	127.5	156.2
EPS (INR)	0.0	0.0	0.0
EPS growth (%)	0.00	0.00	0.00
P/E (x)	0.00	0.00	0.00
RONW (%)	0.00	0.00	0.00
ROCE (%)	0.00	0.00	0.00

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Info Codes

Reuters	: ARSH.BO
Bloomberg	: ARSL IN
NSE	: ARSHIYA
BSE	: 506074

Market Data

52 Wk Range (₹)	: 23/83
Shares in Issue (mn)	: 156.2
Market. Cap (bn)	: 11.25
BSE 2 Wk Avg Vol	: 21000

Share Holding Pattern (%)

Promoters Holding	: 74.99
Public & Others	: 23.11
Corporate Holding	: 00.00
Foreign Institution	: 01.77
Institutions	: 00.13

Investment Theme

Arshiya's headquarter is at Mumbai with offices spanning across India, Singapore, Australia, Dubai, Qatar, Oman and USA. Company is in the process of setting up a Free Trade Warehousing Zone, a special category SEZ at Sai Village in Raigad, Maharashtra with a project outlay of ₹ 1200 crores. It has made substantial acquisition of land for the Free Trade Warehousing Zone proposed at Uttar Pradesh and Nagpur at an estimated cost of ₹ 1100 crore and ₹ 900 crore respectively. EBITDA & Net Profit are disappointed and debt also increasing on YoY basis. Operating profit and other income have good increment for March 2017 Quarter. Company has signed term sheet for monetizing six warehouses (total 832,000 sft.), at the FTWZ located at Panvel, near Mumbai, India. Group is in process of adding newer clients.

Among India's Largest Private Container Train Operator...!!!

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 14	Mar 15	% Chg	Mar 16	% Chg
Net Sales	3,017.0	505.1	(83.3)	642.8	27.3
Other Income	156.7	6.0	(96.2)	4.9	(18.3)
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	0.0	0.0	0.0	0.0	0.0
Employee Exp.	190.7	159.9	(16.2)	177.5	11.0
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	3,924.7	366.9	(90.7)	1,234.2	236.4
Operating Exp.	4,115.4	526.8	(87.2)	1,411.7	168.0
Operating Profit	(941.7)	(15.7)	(98.3)	(764.0)	4,766.2
Total Interest	1,848.8	2,132.1	15.3	1,759.6	(17.5)
Gross Profit	(2,790.5)	(2,147.8)	(23.0)	(2,523.6)	17.5
Net Dep.	195.9	292.2	49.2	235.9	(19.3)
Total Taxation	(9.6)	0.0	(100.0)	24.4	0.0
Net Profit/Loss	(2,976.8)	(2,440.0)	(18.0)	(2,783.9)	14.1

4 Years Balance Sheet

(₹ mn)

Balance Sheet as on 31 st	Mar 13	Mar 14	Mar 15	Mar 16
SOURCES OF FUNDS	20,572.0	22,108.4	18,183.9	16,061.2
Equity Share capital	123.9	134.3	254.9	312.4
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	836.1	274.9	0.0	0.0
Reserves & Surplus	5,378.5	5,457.6	4,446.9	1,990.3
Secured Loans	13,270.7	15,073.9	13,071.4	12,298.4
Unsecured Loans	962.8	1,167.7	410.7	1,460.1
USES OF FUNDS	20,572.0	22,108.4	18,183.9	16,061.2
Gross Block	7,217.3	11,011.3	10,977.0	13,514.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	432.9	612.2	905.3	1,133.0
Net Block	6,784.4	10,399.1	10,071.7	12,381.3
Capital Work in Progress	6,105.6	4,420.7	4,420.7	0.0
Investments	4,988.0	8,346.0	8,342.4	8,342.4
Current Assets	3,774.0	1,054.5	286.0	369.5
Less : Current Liabilities	4,742.4	2,888.5	5,837.7	6,339.7
Total Net Current Assets	(968.4)	(1,834.0)	(5,551.7)	(5,970.2)
Misc. Expenses not writtenoff	3,662.4	776.6	900.8	1,307.7
NOTE				
Book Value of Unquoted Investments	4,988.0	8,346.0	8,342.4	8,342.4
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	15,586.0	18,554.6	18,898.3	17,929.5
Dividend (%)	0.0	0.0	0.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	179.8	191.1	199.1	188.1
Cost Of Sales	112.8	73.9	185.5	69.0
Operating Profit	67.0	117.2	13.6	119.1
Other Income	2.5	29.6	1.0	14.0
Adjusted PBDIT	69.5	146.8	14.6	133.1
Financial Expenses	357.1	347.9	283.9	242.4
Depreciation	48.2	47.7	47.1	42.9
Other Write Offs	0.3	0.1	1.3	0.0
Adjusted PBT	(336.1)	(248.9)	(316.4)	(152.2)
Tax Charges	0.0	0.0	0.0	0.0
Reported Profit	(336.1)	(248.9)	(316.4)	(152.2)
Extra Ordinary Items	(40.1)	31.4	0.0	13.7
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	(296.0)	(280.3)	(316.4)	(165.8)

52 Week Index Relative Percentage Appreciation



Arshiya vs SENSEX

Risks Associated

- Logistics is a high cost and low margin business and the problem with this sector is that unorganized players, they don't follow fair business practices.
- Container transportation charges through railways in India are among the highest in the world and can have an unfavourable impact on the growth of the container business.
- Competition is the risk that the company is not able to maintain sustainable competitive advantage in this market.
- As company have foreign operations, if any appreciation or depreciation in the rupee can have a direct impact on its revenue and profitability, to overcome this, company is doing hedging programme.
- Low penetration of new technology in the supply chain process is resulting in service and India has the least warehouse capacity with modern facilities.

Scope of Growth

- Growth of the logistics business is part of the economic activity and empirical evidence suggests that the Indian logistics industry grows at 1.5x to 2.0x the GDP.
- Indian cold chain logistics industry size is estimated at ₹ 150 bn with an expected growth rate of 15-20% in the medium term to reach ₹ 250 bn by FY 2018. Through this cold chain daily products are transported like dairy, poultry, meat, seafood, ready-to-eat, pharmaceuticals, fruits and vegetables.
- Implication of GST is boost up for logistics sector, so far there were number of checkpoints at the state borders resulting to increase cost and travel time. Now elimination of checkpoints will result in logistically more efficient.

In a Nutshell

India spends around 14.5% of its GDP on logistics as compared to 7.5% by other developing countries. The Indian logistics market is expected to grow at a CAGR of 12.17% driven by the current inefficiencies of the system. At present market size of the industry is estimated at around \$160 bn, Indian logistics industry comprises segments like road, rail, air and water. The contribution from freight transportation and warehousing is above 90% of industry's total revenue. The Arshiya Group is in process of adding newer clients and has succeeded to commence operations for few large international clients. The Group shall strive for partnering with Strategic Partners for its other operations with the objective to reduce debt, introduce growth capital and tap their international clientele. Monetizing of existing functional and operational warehouses for debt reduction and value enhancement for the stakeholders. The Promoters are trying to bring in minimum amount of ₹70 to ₹100 crore through subscription of Equity Shares/Warrants on Preferential basis. Company has entered into a Restructuring Agreement with Edelweiss Asset Reconstruction Limited for the debt it has acquired bringing down existing debt by approx 50%. The debt so acquired by EARC has been restated as: Debt of ₹1,338 crore, balance Debt of ₹1,262 crore to be converted into Equity and Zero Coupon rate Optionally Convertible Redeemable Preference Shares. Company is working with other lenders for restructuring the balance debt. Arshiya currently operates two FTWZs- Panvel near Mumbai spread over 165acre, catering to western India; and Khurja near Delhi spread over 315 acre, catering to north India. FTWZ is still new concept in India and gradually the trade is beginning to recognize its benefits.

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Rating Interpretation

Buy : Expected to appreciate 20% or more over 12-months

Accumulate : Expected to appreciate 10% to 20% over 12-months

Trade Buy : Expected to appreciate more than 10% over 45-days

Reduce : Expected to depreciate up to 10% over 12-months

Sell : Expected to depreciate 10% or more over 12-months

Trade Sell : Expected to depreciate more than 10% over 45-days

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