

CARE Due Diligence Services



Due Diligence Report

Name of the Entity	Maheshwari Logistics Limited
Location of Plant	R.S No.1525,1531/1, 1538,1539, 1555, 1556, Via: VapiKoparli Road, Ambheti, Taluka: Kaprada, Dist: Valsad-396191, Gujarat, India
Operational Status	Operational
Report Date	December 21, 2016

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Key Strengths

- *Experienced promoters with more than one decade of experience in coal trading and logistics services*
- *Moderate profit margins*
- *Moderate capital structure and debt coverage indicators*
- *Diversified product portfolio (non-coking coal, kraft and other varieties of paper and logistics services)*

Key weaknesses

- *Limited experience in kraft paper manufacturing*
- *Working capital-intensive nature of operation with increase in debtors more than six months*
- *Susceptibility of margins to volatile raw material prices*
- *Foreign exchange fluctuation risk*
- *Presence in highly fragmented and competitive industry*
- *Susceptibility to adverse changes in regulations over coal*

Due Diligence Report: Maheshwari Logistics Limited

Note:

- *To undertake the due diligence, CARE has relied at the information provided by the management, their deputed/ instructed by the management and Draft Red Herring Prospectus.*
- *For undertaking the financial analysis, we have primarily relied on the following financial statements provided by the management:*
 - *Audited financials for the financial year ending March 31, 2012, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated August10, 2012.*
 - *Audited financials for the financial year ending March 31, 2013, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated July 31, 2013.*
 - *Audited financials for the financial year ending March 31, 2014, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated June 26, 2014.*
 - *Audited financials for the financial year ending March 31, 2015, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated August10, 2015.*
 - *Audited financials for the financial year ending March 31, 2016, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated September 03, 2016.*
 - *Audited financials for the financial year ending September 30, 2016, audited M/s Kakaria & Associates and signed by Mr. Kakaria Ujwal K. (Partner) dated December 06, 2016.*

DRHP consists of financials till September 30, 2016; thus, CARE has also considered financials till only September 30, 2016.

- *As a part of the due diligence exercise for NSE, CARE also*
 - *Reviews financials submitted by the company with Ministry of Corporate Affairs.*
 - *Undertakes Site visit and management discussion*
 - *Due Diligence with lenders and auditors*
 - *Due Diligence with customers and suppliers.*
- *However, please note that*
 - *Due diligence exercise by CARE is not an audit and also not a recommendation for entering into any transaction with the entity.*
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Due Diligence Report: Maheshwari Logistics Limited

BRIEF SNAPSHOT OF ENTITY

Name	Maheshwari Logistics Limited			
Year of Incorporation	October 12, 2006			
Constitution	Public Limited Company			
Nature of Business	Trading of non-coking coal and variety of papers, manufacturing of kraft papers and providing logistics & port services			
Industry	Coal trading and Logistics			
Products/Services	Non-coking coal, variety of papers and logistics & port services			
Registered Office	MLL House, Shed No. A2-3/2, Opp. UPL 1 st phase, GIDC Vapi-396195, Gujarat, India			
Location of Plant	R.S No.1525,1531/1, 1538,1539, 1555, 1556, Via: Vapi Koparli Road, Ambheti, Taluka: Kaprada, Dist: Valsad-396191, Gujarat, India			
Key Promoter's name	Mr. Vinay Maheshwari, Chairman and Whole Time Director Mr. Varun Kabra, Managing Director Mrs. Mukta Maheshwari, Non-executive Director			
Key regulatory approvals, certifications and membership	-			
Major Brands	Maheshwari Logistics			
Certification	-			
Name of the Auditor	M/s Kakaria & Associates			
Major Existing Bankers	ICICI Bank and State Bank of India			
Total number of employees	150			
Total income for latest year	Rs.60368.90 Lakh (FY16) and Rs.33480.72 lakh (H1FY17)			
Wilful defaulter as per CIBIL	No as on September 30, 2016			
Litigations	Cases Against	Particulars	Amount involved	Current status and managements response
	MLL	Income Tax (FY13-14)	Rs.295.93 Lakh	Matter pending with assessing officer
	MLL	Income Tax (FY14-15)	Rs.11.96 Lakh	Matter pending with assessing officer
	Giriraj Laddha (Director)	Income Tax (FY14-15)	Rs. 0.35 lakh	Matter pending with assessing officer
	Amit Maheshwari (Director)	Income Tax (FY09-10)	Rs. 0.08 lakh	Matter pending with assessing officer
		Income Tax (FY12-13)	Rs. 0.02 lakh	Matter pending with assessing officer
		Income Tax (FY13-14)	Rs. 0.01 lakh	Matter pending with assessing officer
	Mayadevi Kabra (Director)	Income Tax (FY07-08)	Rs. 0.87 lakh	Matter pending with assessing officer
	Vinay Maheshwari (Director)	Income Tax (FY13-14)	Rs. 83.22 lakh	Matter pending with assessing officer

Due Diligence Report: Maheshwari Logistics Limited

		Income Tax (FY08-09)	Rs. 0.14 lakh	Matter pending with assessing officer
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Background

Maheshwari Logistics Limited (MLL) was incorporated in 2006 as Maheshwari Logistics Private Limited with the main motive of providing logistics and port services (constitutes 39.30% of total income (FY16)), trading of non-coking coal (constitutes 51.43% of total income (FY16)) and variety of papers (constitutes 8.98% of total income (FY16)). After gaining insights of paper industry MLL ventured into manufacturing of kraft paper by entering into an agreement with M/s Daman Ganga Recycled Resources LLP in 2015 which has an existing installed capacity of 540 lakh kg of kraft papers per annum with an intention of expanding it to 750 lakh kg kraft papers per annum of its manufacturing plant located in Valsad. It further entered into tripartite job work cum plant and equipment agreement Daman Ganga Papers Limited and M/s Daman Ganga Recycled Resources LLP for the period of 20 years.

Logistics business of the company offers full truck load freight services with material carrying capacity of each truck ranging from 16 tonnes to 35 tonnes and MLL has more than 60 own trucks and network with third party transportation services for more than 1000 trucks. The company has its logistics operations throughout Gujarat and Rajasthan.

MLL is trading in variety of waste papers, kraft papers and non-coking coal where company either imports coal from Singapore or purchases from other importers and supply it in Gujarat.

During FY16, the total operating income (TOI) of MLL stood at Rs.60268.90 lakh (compared with Rs.53396.41 lakh in FY15), while net profit of the company stood at Rs.731.32 lakh in FY16 (compared with Rs.646.17 lakh in FY15). The company reported total operating income of Rs.33480.71 lakh and PAT of Rs.470.57 lakh during H1FY17.

ORGANISATION & MANAGEMENT: PROFILE OF THE PROMOTERS, MANAGEMENT & BOARD OF DIRECTORS

Details of promoters

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. VinayMaheshwari	37 years	Chairman &Whole time Director	B Com.	13 years	10years	Experience in coal trading and transportation	Overall management of coal division
Mr.VarunKabra	30 years	Managing Director	MBA	8 years	8 years	Experience in coal trading and transportation	Overall management of logistics division
Mrs.MuktaMaheshwari	43 years	Non-executive director	NF	12 years	10 years	Experience in HR activity	Human resource management

Comments:

- Mr. Vinay Maheshwari (Chairman &Whole Time Director) has around 13 years of experience in coal trading and transportation
- Mr. Varun Kabra, (Managing Director) has 8 years of experience in coal trading and transportation
- Mrs. Mukta Maheshwari (Non-executive Director) has around 12 years of experience in Human resource management

Details of key management personnel

Name	Age	Designation	Educational qualification	Total years of experience	Years of association with company	Details of the past experience	Responsibilities handled
Mr. VinayMaheshwari	37 years	Chairman & Whole time Director	B Com.	13 years	10 years	Experience in coal trading and transportation	Overall management of coal division
Mr. VarunKabra	30 years	Managing Director	MBA	8 years	8 years	Experience in coal trading and transportation	Overall management of logistics division
Mr. NeerajMaheshwari	42 years	Chief Executive Officer	B Com.	20 years	1 year	Experience in strategic decision making for business development	Business development and management and financial operations
Mr. Amit Maheshwari	40 years	Whole Time Director	B Com.	14 years	9 years	Experience in paper trading	Sales and production of paper division
Mr. Pradeep Kumar Dad	29 years	Chief financial officer	NF	4 years	1 year	Experience in accounting, finance and taxation	Accounting, finance and taxation
Ms. ShwetaJhawar	31 years	Company secretary	Company secretary	NF	1 year	Experience in corporate secretarial function	Corporate secretarial function

Comments:

- The key management personnel are experienced and well qualified and they have good experience in the industry.

Due Diligence Report: Maheshwari Logistics Limited

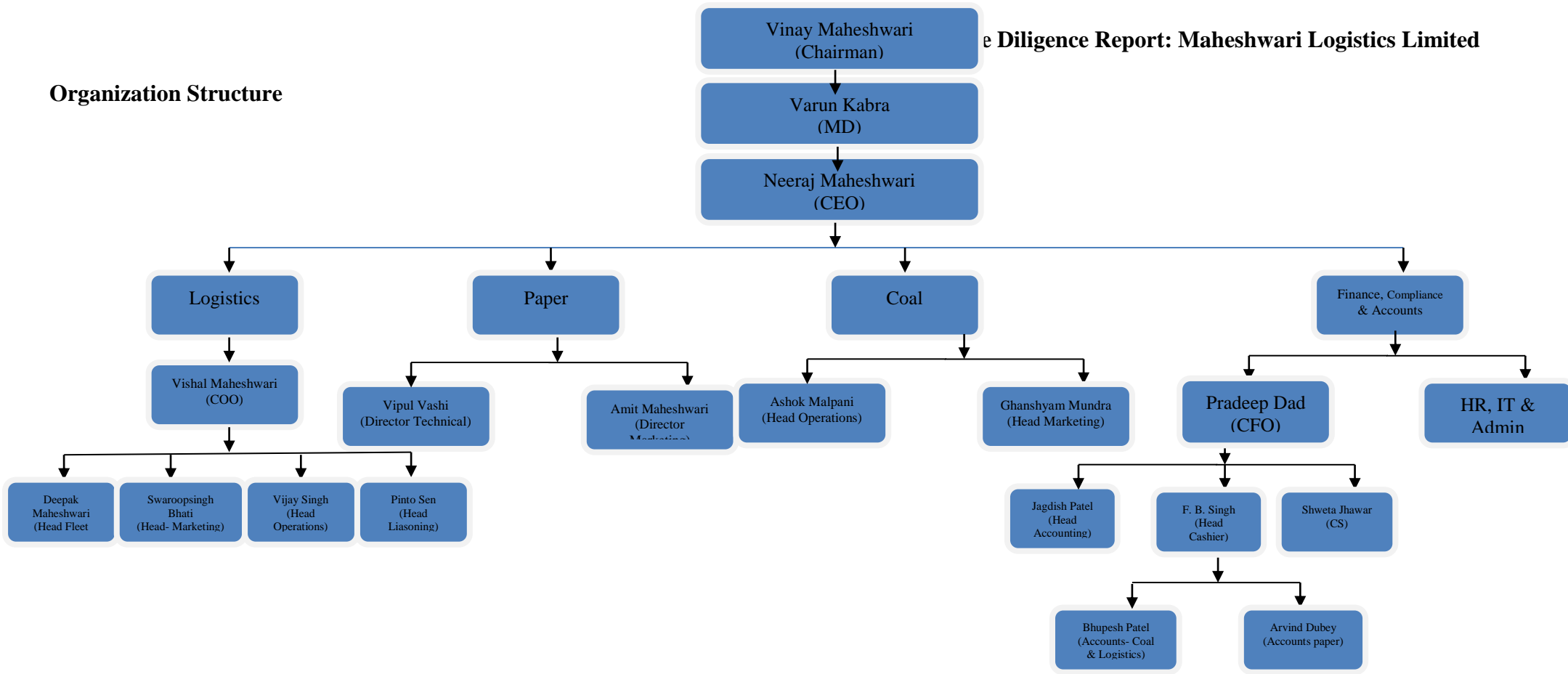
Details of the board of directors

Name	Age (Years)	Category	Education qualification	Total years of experience	Details of the past experience	Other directorships/ Association Chairman
Mr. VinayMaheshwari	37 years	Chairman & Whole time Director	B Com.	13 years	Experience in coal trading and transportation	<ul style="list-style-type: none"> • Samarth Finstock Limited • Sahara Comotrade LLP • MaheshwariInfotech LLP
Mr. VarunKabra	30 years	Managing Director	MBA	8 years	Experience in coal trading and transportation	Nil
Mrs. MuktaMaheshwari	43 years	Non-executive director	NF	12 years	Experience in HR activity	<ul style="list-style-type: none"> • Arihant Avenues and Credit Limited • MaheshwariInfotech LLP • Oxford Tie-up LLP • Sahara Comotrade LLP
Mr. Amit Maheshwari	40 years	Whole Time Director	B Com.	14 years	Experience in paper trading	Samarth Finstock Limited
Mr. VipulVashi	46 years	Additional Director	NF	16 years	Experience in handling of paper manufacturing	<ul style="list-style-type: none"> • Arihant Avenues and Credit Limited • Daman Ganga Recycled Resources LLP
Mrs. MayadeviKabra	60 years	Non-executive Director	NF	8 years	Experience in HR activity and administration	<ul style="list-style-type: none"> • Maya Texurisers Private Limited
Mr. RuchirJani	43 years	Additional Independent Director	NF	NF	NF	Nil
Mr. GirirajLaddha	49 years	Additional Independent Director	NF	NF	NF	<ul style="list-style-type: none"> • LTM Corporate Services Private Limited • Laddha Advisors Private Limited • G.B. Laddha & Co.
Mr. RajendraManiyar	55 years	Additional Independent Director	NF	NF	NF	Nil

Comments:

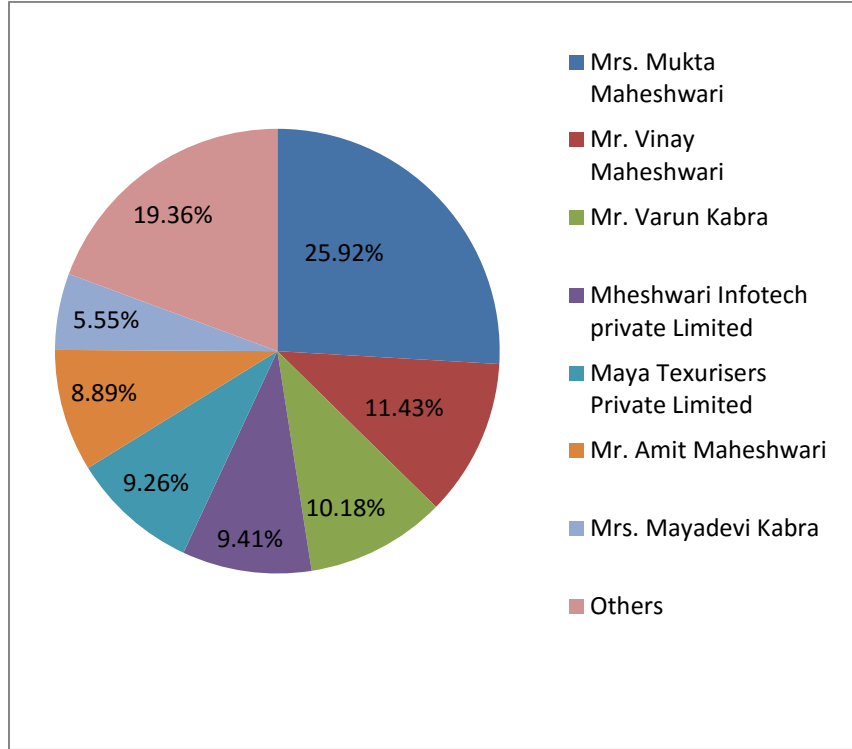
- MLL has one managing director, two whole time directors, 2 non-executive directors, three additional independent directors one additional director.
- All the directors have reasonable experience in the fields of finance, marketing, trading, manufacturing and administration.

Organization Structure



ORGANISATION & MANAGEMENT: MANAGEMENT & OWNERSHIP STRUCTURE

Share holding pattern as on December 12, 2016



Name of share holder	No. of equity shares held	Share in business (%)
Mrs. MuktaMaheshwari	1400000	25.92
Mr. VinayMaheshwari	617500	11.43
Mr. VarunKabra	550000	10.18
MheshwariInfotech private Limited	508000	9.41
Maya Texurisers Private Limited	500000	9.26
Mr. Amit Maheshwari	480000	8.89
Mrs. MayadeviKabra	300000	5.55
Others	1045800	19.36
Total	5401300	100.00

Due Diligence Report: Maheshwari Logistics Limited

Group Company details

(Rs. Lakh)

Group company name	Arihant Avenues and Credit Limited			Samarth Finstock Limited			Disha Paper Venture Private Limited		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Business Activity	Development and construction of housing project			Financing of all types of lease operations			Manufacturing and trading of all kinds of papers		
Total Operating Income	45.60	44.51	98.05	0.00	0.00	0.00	0.00	62.79	0.75
PAT	19.56	13.03	11.34	-0.17	-0.13	-0.20	-9.26	3.84	1.29
Net worth	872.31	885.35	905.95	107.20	107.07	106.87	-3.66	0.19	0.75

(Rs. Lakh)

Group company name	Maya Texturisers Private Limited			Pinkcity Capital Services Private Limited			Holani Consultants Private Limited		
	FY14	FY15	FY16	FY14	FY15	FY16	FY14	FY15	FY16
Business Activity	Manufacturing Processing and trading of yarns			Trading of Shares			Financial consultancy		
Total Operating Income	NF	NF	NF	3.73	7.06	1.08	6.57	11.32	11.98
PAT	NF	NF	NF	0.69	-0.25	1.19	0.22	0.25	0.35
Net worth	638.47	640.80	642.04	9.75	10.94	10.69	11.85	12.11	12.47

(Rs. Lakh)

Group company name	Manu Shri Properties Limited		
	FY14	FY15	FY16
Business Activity	Property trading		
Total Operating Income	89.50	4.93	3.64
PAT	-2.56	-2.22	-1.60
Net worth	76.71	74.49	72.88

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Employee Profile

Particulars	Nos.
Skilled Employees	150
Semi-Skilled Employees	0
Total Employees	150

Comment:

- The major decisions are taken by Mr. Vinay Maheshwari (Chairman), Mr. Varun Kabra (MD) and Mr. Neeraj Maheshwari (CEO) who are further supported by other directors and the second line of management.

BUSINESS PROFILE: OPERATIONS OVERVIEW

BUSINESS PROFILE ANALYSIS

MLL is engaged in trading of non-coking coal and variety of papers, manufacturing of kraft papers and providing logistics & port services.

OPERATIONS OVERVIEW

Nature of activity	Trading of non-coking coal and variety of papers, manufacturing of kraft papers and providing logistics & port services
Industry segment	Coal trading and logistics
Products/Services	Non-coking coal, variety of papers and logistics & port services
Location of Plant	R.S No.1525,1531/1, 1538,1539, 1555, 1556, Via: VapiKoparli Road, Ambheti, Taluka: Kaprada, Dist: Valsad-396191, Gujarat, India
Area of the Plant	45000 Sq. yard
Ownership of Plant	Owned

Product-wise quantity and sales details (in case of manufacturing) (Quantity in MT)

Particulars	FY16
Installed capacity	
Kraft paper	90000
Total	90000
Production	
Kraft paper	20662
Total	20662
Capacity utilization (%)	
Kraft paper	45.91%
Total	45.91%
Captive consumption	
Kraft paper	Nil
Total	Nil
Sales (Value)	
Kraft paper (Rs. Lakh)	4685.54
Total	
Sales Quantity	
Kraft paper	20582
Total	20582

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Comments:

MLL ventured into manufacturing of kraft paper by acquiring M/s Daman Ganga Recycled Resources LLP in 2015 with an existing installed capacity of 540 lakh kg of kraft papers per annum with an intention of expanding it to 750 lakh kg kraft papers per annum of its manufacturing plant located in Valsad and it further entered into tripartite job work cum plant and equipment agreement Daman Ganga Papers Limited and M/s Daman Ganga Recycled Resources LLP for the period of 20 years.

Product-wise quantity and sales details (in case of trading)

Particulars	FY12	FY13	FY14	FY15	FY16
Sales (Value) (Rs. Lakh)					
Non-coking coal	17083.08	17194.83	23400.70	32476.24	30938.47
Papers	2860.03	3242.62	3371.00	2516.90	5403.83
Total	19943.12	20437.45	26771.7	34993.14	36342.3
Sales Quantity (in MT)					
Non-coking coal	489155.316	526849.546	617891.115	773220.254	882160.00
Papers	11814.275	13298.466	12922.305	9332.04	23285.00
Total	500969.591	540148.012	630813.42	782552.294	905445.00

Country-wise contribution to the total purchase (Rs. Lakh)

Name of the country	Non-coking coal		
	FY16	FY15	FY14
Indonesia	6731.29	5915.00	3226.90
South Africa	-	2616.74	-
Total	6731.29	8531.74	3226.90

Comments:

- MLL is trading in variety of waste papers; kraft papers and non-coking coal where company either imports coal from Singapore or purchases from other importers and supply it in Gujarat.

PROJECT DETAILS:

MLL has capital work in progress (plant and machinery of Rs. 1011.81 lakh and factory building of Rs. 15.05 lakh) in for paper division.

Due Diligence Report: Maheshwari Logistics Limited

OBJECTS OF THE ISSUE:

MLL intends to utilize the net proceeds of the fresh issue of Rs.399.60 lakh for financing the following objects:

- 1) Long term working capital requirements
- 2) General corporate purposes (marketing expenses, operating expenses, straightening business development and marketing capabilities, meeting exigencies which company may not foresee or any other expenses)

Due Diligence Report: Maheshwari Logistics Limited

CUSTOMERS & SUPPLIERS ANALYSIS

CUSTOMER'S PROFILE

Company sells its products i.e. non-coking coal, kraft paper and other variety of papers to wholesalers located in Gujarat and Rajasthan.

CUSTOMERS FEEDBACK

Name of Customer	Yashvi Impex
Contact person	Mr. Paresh Khandelwal
Contact details	9825026002
Feedback	Satisfactory

Name of Customer	Arihant Coal Sales
Contact person	Mr. Pokharna
Contact details	9004690779
Feedback	Satisfactory

Name of Customer	Shree Hari Coal Corporation
Contact person	Mr. Harshil
Contact details	9998114411
Feedback	Satisfactory

SUPPLIERS' PROFILE

The company procures raw material i.e. waste paper which is easily available in the domestic market and it procures trading material non-coking coal (around 22% of cost of traded goods) from Indonesia and South Africa.

Supplier Feedback

Name of Supplier	Agarwal Coal Corporation Pvt. Ltd.
Contact person	Mr. Shukla
Contact details	9374714860
Feedback	Satisfactory

Name of Supplier	Adi Enterprises
Contact person	Mr. Ajay
Contact details	9925241190
Feedback	Satisfactory

Name of Supplier	Bhatiya Global Trading Ltd.
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Due Diligence Report: Maheshwari Logistics Limited

Contact person	Mr. Thanvi
Contact details	9825132448
Feedback	Satisfactory

BUSINESS ACTIVITY DETAILS

Key materials	Waste paper, non-coking coal, varieties of paper
Level of Material Price fluctuation risk	High
Quality Certifications	-
Level of value addition	Limited

SUPPLY SIDE ANALYSIS

Average Creditor Days	37 days
Material Availability	Adequate
Import as a % of RM Purchase	~22%

Comments:

- The company procures raw material i.e. waste paper which is easily available in the domestic market and it procures trading material non-coking coal from Indonesia and South Africa.

INDUSTRY ANALYSIS

Name of the industry	Coal trading and logistics
Product portfolio	Non-coking coal, variety of papers and logistics & port services
Overall Industry risk	Moderate
Level of competition	High

INDUSTRY WRITE-UP:

Coal Industry

India is the third largest coal producer in the world after China and the US. The total coal production in India was around 612 million tonnes (MT) in FY 2015, which has increased to 626 MT in FY 2016. Ninety per cent of the domestic production comes from public sector coal producers while only 10% is produced by the private sector. India imported a total of 212 MT of coal in FY 2015 and 193 MT in FY 2016, which is equivalent to one-fourth of the domestic coal consumption in the country based on tonnage.

The value of Indian coal imports in FY 2015 was around 955 billion INR while in FY 16, the value of Indian coal imports reduced to 721 billion INR, around 25% lower than the previous year. Given the rising coal demand driven by the economic and infrastructural growth projected for the country, and the high import bill of the country, it is imperative to augment domestic production and minimize independence on coal imports in the coming years, especially non-coking coal that accounts for 80% of total coal imports. The total coal demand in the country is expected to be around 1.2–1.5 BT as per various estimates by the government and independent agencies. India has witnessed a twofold increase in its total raw coal consumption in the last 10 years. Coal is majorly consumed for electricity generation in India (about 64%), followed by steel (8%) and cement (5%) sectors.

Logistics Industry

Currently the annual logistics cost of the world is estimated at about USD C3.5 Trillion. India spends around 14.4% of its GDP on logistics and transportation as compared to less than 8% by the other developing countries. Indian freight transport market is expected to grow at a CAGR of 13.35% by 2020 driven by the growth in the manufacturing, retail, FMCG and e-commerce sectors. Freight transport market in India is expected to be worth US\$ 307.70 billion by 2020. In India Road Freight constitutes around 63% of the total freight movement consisting of 2.2 million heavy duty trucks and 0.6 million light duty trucks annually. The road freight movement

Due Diligence Report: Maheshwari Logistics Limited

is expected to increase at a CAGR of 15%. The Sea Freight consists of around 9% of the total freight market and is mainly used as a major mode for imports and exports. The air freight consists of around 1% of the total freight market t in India which will grow around 12.5% CAGR over the next 5 years. Companies in India currently outsource an estimated 52% of logistics and 3PL represents only 1% of logistics cost. As of now, the 3PL activity is limited to only few industries like automotive, IT hardware and telecom & infrastructure equipment. In developing countries like India, an efficient logistics infrastructure can reduce the cost of transportation which in turn can contribute directly to economic development. However, India lags behind several other countries in the global setup in terms of logistics infrastructure and services. Inadequate infrastructure is the major bottleneck impacting the development of logistics and the efficient movement of cargo in the country. However, investments in the logistics sector in the form of Port infrastructure development, Dedicated Freight Corridors, development of national highways, expanding the reach of the railways will play a central role in the future of this industry. According to the survey conducted by the Transport intelligence in 2013 ranks India as the second most attractive logistics market in the future after china. In India, about 110 new logistics parks are expected to be operational with an estimated cost of USD 1 Bn. Hence, India offers huge opportunities in development of logistics services including warehousing, cold storage, shipping, ports and multi modal transportation, etc.

SITE VISIT REPORT-Manufacturing facility

Location of Plant	R.S No.1525,1531/1, 1538,1539, 1555, 1556, Via: VapiKoparli Road, Ambheti, Taluka: Kaprada, Dist: Valsad-396191, Gujarat, India
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Sites visited	R.S No.1525,1531/1, 1538,1539, 1555, 1556, Via: VapiKoparli Road, Ambheti, Taluka: Kaprada, Dist: Valsad-396191, Gujarat, India
Date of Site Visited	December 17, 2016
Presence in a cluster	Yes
Area of the unit	45000 Sq. yard
No. of employees at site (Unit 1)	150
Ownership of premises (Unit 1)	Owned
Other facilities	Boundary wall, name boards, canteen, fire extinguisher, stock yard, generator and security guard

Adequacy of Manufacturing Facilities

Availability of land for future expansion	Adequate
Site layout	Structured
Adequacy of insurance coverage	Fully Insured
Source of power	Gujarat State Electricity Board
Adequacy of power	Adequate
Presence of labor union	No
Industrial relations	Good
Level of work safety	Adequate
Adequacy of storage facilities	Adequate
Operational status of plants	Operational

Due Diligence Report: Maheshwari Logistics Limited

FINANCIAL PERFORMANCE - PROFITABILITY STATEMENT

Rs. In Lakh

Period Ends on:	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	30 Sept 2016
Result Type:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
No. of months in current financial year	12.00	12.00	12.00	12.00	12.00	6.00
Gross Sales	13332.10	13531.73	13424.95	18303.26	23643.13	18616.16
Traded Goods Sales	19943.12	20437.45	27963.98	35018.96	36437.22	14762.26
Net Sales	33275.22	33969.17	41388.93	53322.22	60080.35	33378.42
Other Income(related to operations)	7.41	85.34	50.60	74.18	188.55	102.29
Total Operating Income	33282.63	34054.52	41439.53	53396.41	60268.90	33480.71
Material Costs	0.00	0.00	0.00	0.00	3858.51	3782.46
Cost of Traded Goods Sale	18931.92	19180.78	26305.51	32871.79	30173.30	13370.11
Consumable Stores	-1.32	7.28	0.00	0.00	0.00	0
Power and Fuel	14.82	31.88	31.90	42.07	489.04	422.67
Employee Costs	486.79	624.50	795.93	713.18	858.79	434.23
Other Manufacturing Expenses	11742.99	11749.49	11299.16	16561.23	21446.30	1407.30
Other Expenses	267.56	351.70	891.93	751.17	450.19	12633.59
Selling Expenses	233.27	355.19	320.55	627.88	455.88	132.54
Cost of Sales	31676.02	32300.82	39644.97	51567.31	57732.02	32182.9
PBILDT	1606.61	1753.70	1794.56	1829.09	2536.88	1297.81
Depreciation	736.51	512.11	354.12	251.23	239.47	199.62
PBIT	870.09	1241.58	1440.44	1577.86	2297.41	1098.19
Interest and Finance Charges	643.22	536.80	628.65	723.77	1070.78	439.53
Operating Profit Before Tax (OPBT)	226.87	704.78	811.80	854.09	1226.63	658.66
Operating Profit After Tax (OPAT)	140.82	474.53	578.78	590.83	857.05	470.57
Non Operating Income / (Expense)	-2.67	-9.76	49.21	96.13	278.23	-0.37
Profit Before Tax (PBT)	224.20	695.02	861.01	950.22	1504.85	470.94
Cash Adjustments	6.00	-3.13	0.00	-16.13	-3.37	0
Adjusted Profit Before Tax (APBT)	230.20	681.58	845.22	934.09	1046.68	658.66
Tax	129.60	257.96	244.96	276.12	309.38	235.49
Provision for Deferred Tax	-42.29	-35.29	-2.35	11.80	5.98	-47.4
ADJUSTED PROFIT AFTER TAX (APAT)	142.89	458.91	602.61	646.17	731.32	470.57
Gross Cash Accruals	837.11	935.73	954.38	909.19	976.78	670.19

Due Diligence Report: Maheshwari Logistics Limited

Comments:

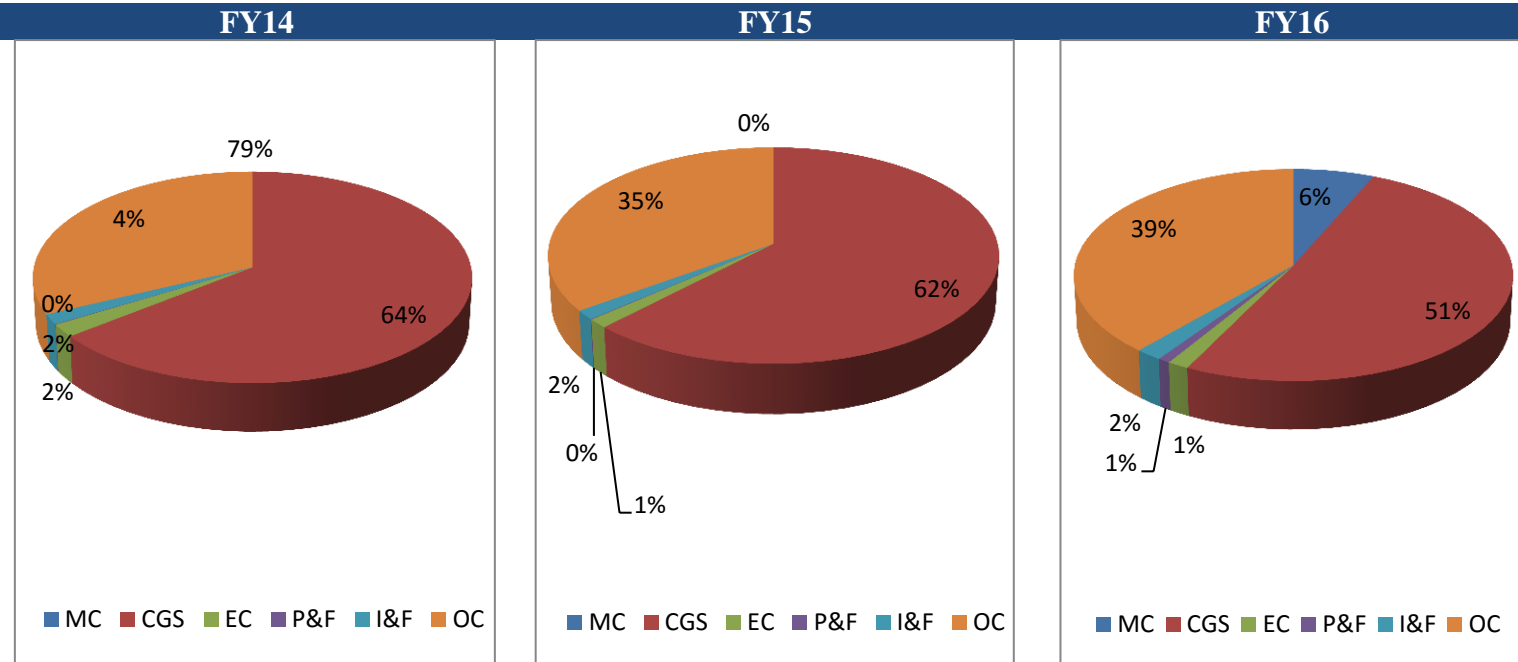
Revenue analysis

Rs. In Lakh

Parameters	FY12	FY13	FY14	FY15	FY16	CAGR (%) (FY12-FY16)
Net Sales	33275.22	33969.17	41388.93	53322.22	60080.35	15.91
<i>% y-o-y growth</i>	NM	2.09%	21.84%	28.83%	12.67%	-
Other Income (related to operations)	7.41	85.34	50.6	74.18	188.55	-
<i>% y-o-y growth</i>	NM	1051.69%	-40.71%	46.60%	154.18%	-
Total Operating Income	33282.63	34054.52	41439.53	53396.41	60268.90	16.00
<i>% y-o-y growth</i>	NM	2.32%	21.69%	28.85%	12.87%	-

- MLL's total operating income (TOI) comprises of income from trading of non-coking coal and variety of papers, manufacturing of kraft papers and providing logistics & port services.
- Net sales grew at a CAGR of 15.91% during the past five years from Rs.33275.22 lakh in FY12 to Rs.60080.35 lakh in FY16.
- Net sales of the company increased from Rs. 53322.22 lakh in FY15 to Rs. 60080.35 lakh in FY16 on account of more orders received by company and started manufacturing of kraft paper which led to increase in net sales. Also company reported net sales of Rs.33378.42 lakh during H1FY17.
- Other income includes interest income, rent income, forfeited income on sale of trucks and profit on sale of trucks (Rs.188.55 lakh during FY16).

FINANCIAL PERFORMANCE - COST STRUCTURE



MC= Material Cost; CGS= Cost of traded goods sale; P&F= Power & Fuel; EC = Employee cost; I&F = Interest and finance charges; OC = other cost

Comments:

Cost of traded goods sale constitutes the highest pie in the cost structure for FY16 which decreased from Rs. 32871.79 lakh to Rs. 30173.30 lakh in FY16 on account of decline in the business of trading in FY16. For the previous year also, it was the major cost contributor to the total costs. MLL incurred material cost of Rs. 38.58 lakh during FY16 due to manufacturing activity started by the company in FY16. While employee costs increased from Rs. 713.18 lakh in FY15 to Rs.858.79 lakh in FY16 on account of increase in manpower for manufacturing activity, the power & fuel costs increased from Rs. 42.07 lakh in FY15 to Rs.489.04 lakh in FY16 on account of huge requirement of power for manufacturing activity. Fixed capital charges (depreciation and finance costs) covered 2.20 portions of total costs for FY16.

Due Diligence Report: Maheshwari Logistics Limited

Cost of traded goods sale:

Parameters	FY12	FY13	FY14	FY15	FY16
Cost of traded goods sale (Rs. lakh)	18931.92	19180.78	26305.51	32871.79	30173.3
% y-o-y growth	NM	1.31%	37.15%	24.96%	-8.21%
As % of TOI	56.88%	56.32%	63.48%	61.56%	50.06%
As % to cost of sales	59.77%	59.38%	66.35%	63.75%	52.26%

- MLL being engaged into trading of non-coking coal and variety of papers cost of traded goods sale is the largest cost component of the company. MLL procures material (non-coking coal and papers) from the suppliers based in the domestic market as well as from overseas market (~ 22% non-coking coal from Indonesia and South Africa).
- Cost of traded goods sale as a % of TOI decreased from 61.56% in FY15 to 50.06% in FY16, impacting the margins on account of lower material cost incurred in FY16.

Material cost analysis

Parameters	FY12	FY13	FY14	FY15	FY16
Material cost (Rs. lakh)	0	0	0	0	3858.51
% y-o-y growth	NM	NM	NM	NM	NM
As % of TOI	0.00%	0.00%	0.00%	0.00%	6.40%
As % to cost of sales	0.00%	0.00%	0.00%	0.00%	6.68%

- MLL started manufacturing of kraft paper and waste paper is the major raw material which is procured from the suppliers based in domestic market.
- Material costs as a % of TOI remained at 6.40% in FY16

Power & fuel cost

Parameters	FY12	FY13	FY14	FY15	FY16
Power & fuel cost (Rs. lakh)	14.82	31.88	31.9	42.07	489.04
% y-o-y growth	NM	115.11%	0.06%	31.88%	1062.44%
As % of TOI	0.04%	0.09%	0.08%	0.08%	0.81%
As % to cost of sales	0.05%	0.10%	0.08%	0.08%	0.85%

Due Diligence Report: Maheshwari Logistics Limited

- Being engaged into manufacturing, power and fuel (P&F) costs are contributor to cost of sales and remained in the range of 0.04% to 0.81% of TOI during the past five years ending March 31, 2016.

Employee cost

Parameters	FY12	FY13	FY14	FY15	FY16
Employee cost (Rs. lakh)	486.79	624.5	795.93	713.18	858.79
% <i>y-o-y growth</i>	NM	28.29%	27.45%	-10.40%	20.42%
As % to total operating income	1.46%	1.83%	1.92%	1.34%	1.42%
As % to cost of sales	1.54%	1.93%	2.01%	1.38%	1.49%

- MLL employs manpower for trading activity, manufacturing activity, managing administrative, finance, accounts, secretarial & legal, sale & marketing, technology, etc. The total number of employees with the company stood at 150 as on March 31, 2016.

Other operating cost items

Parameters	FY12	FY13	FY14	FY15	FY16
Selling Expenses (Rs. lakh)	233.27	355.19	320.55	627.88	455.88
% <i>y-o-y</i>	NM	52.27%	-9.75%	95.88%	-27.39%
% of TOI	0.70%	1.04%	0.77%	1.18%	0.76%
% of cost of sales	0.74%	1.10%	0.81%	1.22%	0.79%
Other Manufacturing Expenses (Rs. lakh)	11742.99	11749.49	11299.16	16561.23	21446.3
% <i>y-o-y</i>	NM	0.06%	-3.83%	46.57%	29.50%
% of TOI	35.28%	34.50%	27.27%	31.02%	35.58%
% of cost of sales	37.07%	36.38%	28.50%	32.12%	37.15%
Other operating Expenses (Rs. lakh)	267.56	351.7	891.93	751.17	450.19
% <i>y-o-y</i>	NM	31.45%	153.61%	-15.78%	-40.07%
% of TOI	0.80%	1.03%	2.15%	1.41%	0.75%
% of cost of sales	0.84%	1.09%	2.25%	1.46%	0.78%

- Selling expenses include vehicle repairs and maintenance, promotional expenses, advertising expenses and others which remained in the range of 0.70% to 1.18% of TOI during past five years.
- Other manufacturing expenses remained in the range of 27.27% to 35.58% of TOI.

Due Diligence Report: Maheshwari Logistics Limited

- Other operating expenses (include rent, rates& taxes, legal & professional fees, auditors remunerations and other miscellaneous expenses) remained fluctuating and remained in the range of 0.75% to 2.15% as percent of TOI.

Depreciation

Parameters	FY12	FY13	FY14	FY15	FY16
Depreciation (Rs. lakh)	736.51	512.11	354.12	251.23	239.47
% y-o-y growth	NM	-30.47%	-30.85%	-29.06%	-4.68%
As % of total operating income	2.21%	1.50%	0.85%	0.47%	0.40%
Depreciation rate (% of average gross block)	14.23	9.73	6.12	3.98	7.56

- Depreciation expense decreased from Rs.251.23 lakh in FY15 to Rs.239.47 lakh in FY16 mainly due to sale of fixed assets i.e. trucks.

Interest and finance charges

Parameters	FY12	FY13	FY14	FY15	FY16
Interest and Finance Charges (Rs. lakh)	643.22	536.8	628.65	723.77	1070.78
% y-o-y growth	NM	-16.54%	17.11%	15.13%	47.94%
As % of TOI	1.93%	1.58%	1.52%	1.36%	1.78%

- The total interest and finance charges have increased from Rs.723.77 lakh in FY15 to Rs.1070.78 Lakh in FY16 mainly addition of term loan, unsecured loans from related parties and increase in utilization of working capital borrowings during FY16.

Due Diligence Report: Maheshwari Logistics Limited

FINANCIAL PERFORMANCE - BALANCE SHEET:ASSETS

Rs. In Lakh

Period Ends on:	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	30 Sept 2016
Result Type:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
SUMMARY: ASSETS						
Gross Block	3554.84	3950.99	4169.99	4224.14	3209.53	3553.58
Accumulated Depreciation	-2181.40	-2690.66	-3035.22	-3054.21	-1558.54	-1744.59
Net Block	1373.44	1260.33	1134.78	1169.93	1650.99	1808.99
Capital Work in Progress	268.89	74.30	83.05	7.35	187.67	1026.87
NET FIXED ASSETS	1642.33	1334.62	1217.82	1177.28	1838.66	2835.86
Other Investments	0.00	0.00	0.00	0.00	0.95	0.95
TOTAL INVESTMENTS :net of provision	0.00	0.00	0.00	0.00	0.95	0.95
Other non-current assets	0.00	0.00	0.00	0.00	0.00	1040.20
Total other non- current assets	0.00	0.00	0.00	0.00	0.00	1040.20
Finished Goods	411.36	1841.72	1281.89	547.62	1344.24	1160.14
Stores and Spares	7.28	0.00	0.00	0.00	0.00	0
TOTAL INVENTORIES	418.64	1841.72	1281.89	547.62	1344.24	1160.14
Receivables : More than 6 months	265.22	116.94	278.60	448.58	129.53	128.06
Receivables : Less than 6 months	5972.95	7163.51	11183.68	12719.13	13669.70	14463.12
TOTAL RECEIVABLES	6238.17	7280.45	11462.28	13167.71	13799.23	14591.18
Loans; Advances; current assets related to operations	260.36	372.59	317.08	493.61	2210.02	3255.77
Cash and Bank Balances	824.58	1005.22	863.21	960.70	1528.87	2041.48
Loans; Advances; current assets not related to operations	0.65	0.86	1.11	2.96	8.77	4.75
Advance Tax Paid	0.00	1.34	0.33	0.45	14.02	4.75
TOTAL OTHER ASSETS	1085.59	1380.00	1181.72	1457.72	3761.69	19893.18

Due Diligence Report: Maheshwari Logistics Limited

TOTAL CURRENT ASSETS related to operations	7741.75	10501.31	13924.78	15170.10	18896.39	21053.32
TOTAL ASSETS	9426.69	11956.11	15281.56	16780.36	21804.55	24930.33

Comments:

Fixed assets

- MLL being engaged in logistics services, trader of non-coking coal and varieties of paper and manufacturer of kraft paper, its fixed assets primarily comprise of commercial vehicles, land & Buildings, tube well, furniture & fixtures, plant & machinery, office equipment, computer & printer.

Investment

- MLL has deposited Rs. 0.95 lakh during FY16 in FD with VAT officer and deposit with sales tax department.

Sundry debtors

Parameters: As on March 31	FY12	FY13	FY14	FY15	FY16
Total Receivables (Rs. lakh)	6238.17	7280.45	11462.28	13167.71	13799.23
Average Collection Period (days)	0	50	50	54	44
As % of net sales	18.75%	21.43%	27.69%	24.69%	22.97%
As % of total assets	66.18%	60.89%	75.01%	78.47%	63.29%

- MLL's total receivables outstanding as on March 31, 2016 consist primarily of dues from customers that are offered a credit period of 30-60 days.

Ageing analysis of debtors

(In Rs.)

Particulars	Less than 6 months	More than 6 months	More than 12 months	Total
Debtors as on March 31, 2016	1,36,69,70,198	1,29,52,943	10,29,31,288	1,48,28,54,429
Debtors as on March 31, 2015	1,27,19,12,882	4,48,58,073	4,17,54,081	1,35,85,25,036

- For the past 5 balance sheet dates ending March 31, 2016 debtor receivables are due for less than 6 months on account of credit period offered to the customers and debtors outstanding for more than 6 and 12 months are due to delay in payment due to adverse market situation.

Due Diligence Report: Maheshwari Logistics Limited

Inventories

Parameters: As on March 31,	FY12	FY13	FY14	FY15	FY16
Raw and Packing Materials (Rs. lakh)	0	0	0	0	0
<i>Average Raw Material Inventory Period (days)</i>	0	27	28	25	17
Work in Progress	0	0	0	0	0
<i>Average WIP Inventory Period</i>	0	2	1	4	4
Finished Goods (Rs. lakh)	411.36	1841.72	1281.89	547.62	1344.24
<i>Average Finished Goods Inventory Period (days)</i>	0	37	38	41	39
Stores and Spares (Rs. lakh)	7.28	0	0	0	0
Total inventories (Rs. lakh)	418.64	1841.72	1281.89	547.62	1344.24
<i>Average Inventory Period (days)</i>	0	64	63	67	59
Total inventory as % of total assets	4.44%	15.40%	8.39%	3.26%	6.16%

- Major part of inventory forms finished goods stock as MLL majorly being engaged in engaged in logistics services, trader of non-coking coal and varieties of paper in FY16 procures material from suppliers and sells it to customers as per their demand so it keeps only finished goods inventory and average finished goods inventory period remained moderate at 59 days.

Due Diligence Report: Maheshwari Logistics Limited

FINANCIAL PERFORMANCE - BALANCE SHEET: LIABILITIES

Rs. In Lakh

Period Ends on:	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016	30 Sept 2016
Result Type:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
SUMMARY: LIABILITIES						
Total Paid Up Equity Share Capital	443.80	443.80	486.80	520.80	540.13	540.13
Share Application Money pending allotment	0.00	375.16	0.00	0.00	0.00	0.00
GROSS RESERVES	2001.96	2408.94	3441.56	4426.09	5350.72	5541.97
Intangible Assets	0.00	0.00	0.00	-3.09	-61.73	-7.11
NET RESERVES	2001.96	2408.94	3441.56	4423.00	5288.98	5534.86
TANGIBLE NET WORTH	2445.76	3227.90	3928.36	4943.80	5829.11	6074.99
Rupee Term Loans	0.00	0.00	0.00	310.16	316.12	1275.46
Other Long Term Loans	2019.41	1291.80	1064.27	608.47	354.94	1335.02
Loans and advances from related parties	171.44	0.00	485.88	0.00	1025.74	1053.29
TOTAL LONG TERM DEBT	2190.85	1291.80	1550.15	918.64	1696.80	3663.77
Current Portion of Long Term Debt and Fixed Deposits	-595.56	-515.48	-550.43	-551.13	-286.65	-480.07
NET LONG TERM DEBT	1595.29	776.32	999.73	367.51	1410.15	3183.70
Current Portion of Long Term Debt and Fixed Deposits	595.56	515.48	550.43	551.13	286.65	480.07
Working capital Bank Borrowings	2384.73	2367.47	2568.57	2567.20	3763.81	3536.58
TOTAL SHORT TERM DEBT	2980.29	2882.95	3119.00	3118.32	4050.46	4016.65
Creditors for goods	2093.98	4488.06	6572.98	7508.06	9285.24	10277.05
Advances; deposits recd from customers :related to ops.	0.00	0.00	0.00	41.36	5.00	8.43
Other Current Liabilities :related to ops.	10.67	20.71	5.23	57.42	3.50	361.8
Current Liabilities :not related to operations	12.87	6.50	0.00	17.24	3.15	0.00
TOTAL OTHER LIABILITIES	2117.52	4515.27	6578.21	7624.08	9296.89	10699.3

Due Diligence Report: Maheshwari Logistics Limited

Provision for Dividend	0.00	44.38	0.00	0.00	0.00	0.00
Provision for Taxes	79.61	7.81	0.36	0.40	0.00	196.88
Other Provisions ; regular	205.09	256.17	183.88	145.41	436.07	758.81
Total Provisions	284.70	308.36	184.23	145.80	436.07	955.69
Total Current Liabilities and Provisions ; related to operations	2389.35	4817.12	6762.45	7752.64	9729.81	11654.99
TOTAL OUTSIDE LIABILITIES	4576.52	3937.68	4626.20	4090.32	6260.14	17899.65
TOTAL LIABILITIES	9426.69	11956.11	15281.56	16780.36	21804.55	24930.33

Comments:

Equity share capital

- MML has an authorized share capital of 10000000 equity shares with nominal value of Rs.10/- each. It has an issued, subscribed and paid up capital of 5401300 equity shares of Rs. 10/- each fully paid up as on September 30, 2016.

Long-term borrowings

- The long term borrowings of the company as on September 30, 2016 mainly comprise of vehicle loan, business loan and unsecured loans from directors.
- The total long term debt outstanding as on September 30, 2016 consists of vehicle loan (worth Rs.510.02 lakh), business loan Rs. 636.88 lakh and unsecured loan (worth Rs. 1053.29 lakh)

Short term borrowings

- Short term debt consists of cash credit facility having total sanctioned limit of Rs.3600.00 Lakh (worth Rs.3536.58 lakh outstanding as on September 30, 2016) which are availed to meet the company's working capital requirements since considerable funds are being blocked in receivables.
- Total short term borrowings also include current portion of the long term debt which is payable within the next financial year.

Trade payable

Due Diligence Report: Maheshwari Logistics Limited

Parameters	FY12	FY13	FY14	FY15	FY16
Trade payable (Rs. lakh)	2093.98	4488.06	6572.98	7508.06	9285.24
Average Creditors Period (days)	0	50	45	47	37
As % of total liabilities	22.21%	37.54%	43.01%	44.74%	42.58%

- MLL's trade payables outstanding as on March 31, 2016 include creditors for goods. The average creditor period stood at 37 days in FY16 (compared to 47 days in FY15).

Short term provision

(Rs. Lakh)

Parameters	FY12	FY13	FY14	FY15	FY16
Total short term provisions	284.70	308.36	184.23	145.80	436.07
Provision for income tax	79.61	7.81	0.36	0.40	0.00
Other Provision	205.09	256.17	183.88	145.41	473.93
As % of total liabilities	3.02%	2.58%	1.21%	0.87%	2.00%

- Other provision includes provision for expenses (Rs.473.93 lakh as on March 31, 2016).

Details of the related party transactions

(Rs. Lakh)

Name of related Party	Nature of transaction	Amount of Transaction Debited in 2012-13	Amount of Transaction Credited in 2012-13	Amount Outstanding as on march 31, 2013 (Payable)/Receivable	Amount of Transaction Debited in 2013-14	Amount of Transaction Credited in 2013-14	Amount Outstanding as on march 31, 2014 (Payable)/Receivable	Amount of Transaction Debited in 2014-15	Amount of Transaction Credited in 2014-15	Amount Outstanding as on march 31, 2015 (Payable)/Receivable	Amount of Transaction Debited in 2015-16	Amount of Transaction Credited in 2015-16	Amount Outstanding as on march 31, 2016 (Payable)/Receivable	Amount of Transaction Debited in Sept 30, 2016	Amount of Transaction Credited in Sept 30, 2016	Amount Outstanding as on Sept 30, 2016 (Payable)/Receivable
Neeraj Maheshwari	Salary paid	36.00	36.00	-	36.00	36.00	-	54.00	54.00	-	60	60	-	48	48	-
	Rent Paid	-	-	-	-	-	-	-	-	-	1.8	1.8	-	-	0.9	(0.9)
Amit Maheshwari	Remuneration paid	18	18	-	24	24	-	24	24	-	36	36	-	18.04	18.00	0.04
Mayadevi Kabra	Rent Paid	5.12	5.12	-	5.12	-	5.12	5.12	10.2	-	5.12	5.12	-	-	2.56	(2.56)
	Remuneration paid	6	6	-	1.5	1.5	-	-	-	-	-	-	-	-	-	-

Due Diligence Report: Maheshwari Logistics Limited

Varun Kabra	Remuneration paid	12	12	-	15	15	-	24	24	-	27	27	-	15	18	(3)
Prenarayan Maheshwari	Salary Paid	1.2	1.2	-	0.8	0.8	-	-	-	-	-	-	-	-	-	-
Krishna Anvtar Kabra	Rent paid	0.36	0.36	-	0.36	0.36	-	0.36	0.36	-	0.36	0.36	-	-	0.18	(0.18)
Mahesh Roadways	Freight paid	3.59	3.59	-	-	-	-	-	-	-	-	-	-	-	-	-
	Fright received	6.17	6.17	-	0.66	0.66	-	-	-	-	-	-	-	-	-	-
Maheshwari Brothers	Interest paid	18.32	18.32	-	50.14	50.14	-	88.29	88.29	-	104.05	104.05	-	-	48.99	(48.99)
	Coal Purchase	353.92	353.92	-	193.02	43.35	149.67	15.77	165.44	-	-	-	-	-	-	-
	Unsecured loans	2756.16	2602.52	-	384.87	4331.25	(482.38)	4977.75	4495.37	-	6220.60	7161.34	(940.74)	2429.70	2006.06	(517.10)
Maheshwari Infotech Pvt. Ltd.	Software development charges	2.40	2.40	-	4	4	-	-	-	-	-	-	-	-	-	-
	Unsecured	120.	120.	-	448.9	445.9	3.50	-	3.50	-	-	-	-	-	-	-

Due Diligence Report: Maheshwari Logistics Limited

	loan	75	75		0	0										
Arihant Avenue and Credit Limited	Unsecured loan	12.95	116.30	62.54	5.27	67.82	-	-	-	-	-	-	-	-	-	-
	Interest paid	-	-	-	5.27	5.27	-	-	-	-	-	-	-	-	-	-
Maya Texturisers Pvt. Ltd.	Coal Purchase	1378.97	1514.98	(136.01)	1096.34	960.33	-	-	-	-	-	-	-	-	-	-
	Commission paid	7.56	7.56	-	-	-	-	-	-	-	-	-	-	-	-	-
	Liquidated damage charges paid	15.95	15.95	-	-	-	-	-	-	-	-	-	-	-	-	-
	Sale of coal	288.23	559.90	-	-	-	-	-	-	-	-	-	-	-	-	-
Vinay Maheshwari	Remuneration paid	18	18	-	24	24	-	51	51	-	60	60	-	25	30	(5)
	Unsecured loan	-	-	-	-	-	-	1	1	-	-	-	-	-	-	-
	Purchase of	-	-	-	-	-	-	111.98	111.98	-	-	-	-	-	-	-

Due Diligence Report: Maheshwari Logistics Limited

	land															
	Cancellation of land agreement	-	-	-	-	-	-	-	-	-	-	-	-	111.98	111.98	-
Shree Ganesh Traders	Unsecured loan	100	100	-	-	-	-	-	-	-	-	-	-	-	-	-
Krishna Corporation	Unsecured loan	19.80	2.00	-	-	-	-	-	-	-	-	-	-	-	-	-
Star developers	Flat purchased	-	-	-	118.93	118.93	-	-	-	-	-	-	-	-	-	-
	Gala Purchased	-	-	-	49.05	49.05	-	-	-	-	-	-	-	-	-	-
Mahima Maheshwari	Flat sold	-	-	-	238	238	-	-	-	-	-	-	-	-	-	-
	Land purchase	-	-	-	-	-	-	50.67	50.67	-	-	-	-	-	-	-
	Cancellation of land agreement	-	-	-	-	-	-	-	-	-	-	-	-	50.67	50.67	-
Mukta	Land purch	-	-	-	-	-	-	12.38	12.38	-	-	-	-	-	-	-

Due Diligence Report: Maheshwari Logistics Limited

Maheshwari	ase															
	Cancellation of land agreement	-	-	-	-	-	-	-	-	-	-	-	-	12.38	12.38	-
Gopal Lal Kabra	Unsecured loan	-	-	-	-	-	-	-	-	-	30	60	(30)	-	-	(30)
Ramadevi Kabra	Unsecured loan	-	-	-	-	-	-	-	-	-	30	60	(30)	-	-	(30)

Dividend Policy

- MLL does not have a formal dividend policy.
- MLL has not yet declared dividend during FY16

Due Diligence Report: Maheshwari Logistics Limited

FINANCIAL PERFORMANCE - SUMMARY OF RATIOS

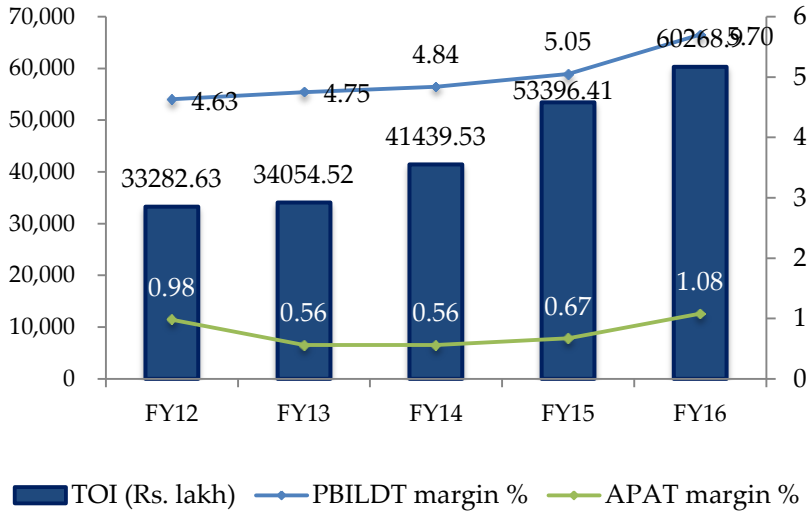
Period Ends on:	31 Mar 2012	31 Mar 2013	31 Mar 2014	31 Mar 2015	31 Mar 2016
Result Type:	(Audited)	(Audited)	(Audited)	(Audited)	(Audited)
KEY FINANCIAL RATIOS					
Growth Ratios					
Growth in Net sales	NM	2.09	21.84	28.83	12.67
Growth in Total Operating Income	NM	2.32	21.69	28.85	12.87
Growth in PBILDT	NM	9.16	2.33	1.92	38.70
Growth in APAT	NM	221.17	31.31	7.23	13.18
Profitability Ratios					
Gross Margin	43.11	43.53	36.44	38.35	43.36
PBILDT Margin	4.83	5.15	4.33	3.43	4.21
PBIT Margin	2.61	3.65	3.48	2.95	3.81
APAT Margin	0.43	1.35	1.45	1.21	1.21
Operating ROCE	NM	17.64	18.90	18.42	21.58
ROCE (Total)	NM	17.60	19.83	20.39	21.48
RONW	NM	16.18	16.84	14.57	13.58
Average Cost of Borrowings	NM	13.04	16.16	19.04	23.94
Turnover Ratios					
Fixed Assets Turnover Ratio	NM	9.06	10.19	12.70	16.16
Working Capital Turnover Ratio	NM	6.16	6.44	7.31	7.25
Average Finished Goods Inventory Period	NM	13	14	6	6
Average Inventory Period (days)	NM	13	14	6	6
Average Collection Period (days)	NM	72	82	85	85
Average Creditors Period (days)	NM	38	54	53	57
Working Capital Cycle (days)	NM	47	43	38	34
Solvency Ratios					
Debt Equity Ratio	0.90	0.40	0.39	0.19	0.29
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.87	1.13	1.05	0.71	0.94
Term Debt (including CPLTD) / Gross Cash	2.62	1.38	1.62	1.01	1.74

Due Diligence Report: Maheshwari Logistics Limited

Accruals					
Total Debt / Gross Cash Accruals	5.47	3.91	4.32	3.83	5.59
Interest Coverage (PBILDT / Interest)	2.50	3.27	2.85	2.53	2.37
PBIT / Interest	1.35	2.31	2.29	2.18	2.15
Current Ratio	1.44	1.36	1.41	1.39	1.37
Quick Ratio	1.36	1.12	1.28	1.34	1.27

FINANCIAL PERFORMANCE – PROFITABILITY ANALYSIS

Profitability Analysis

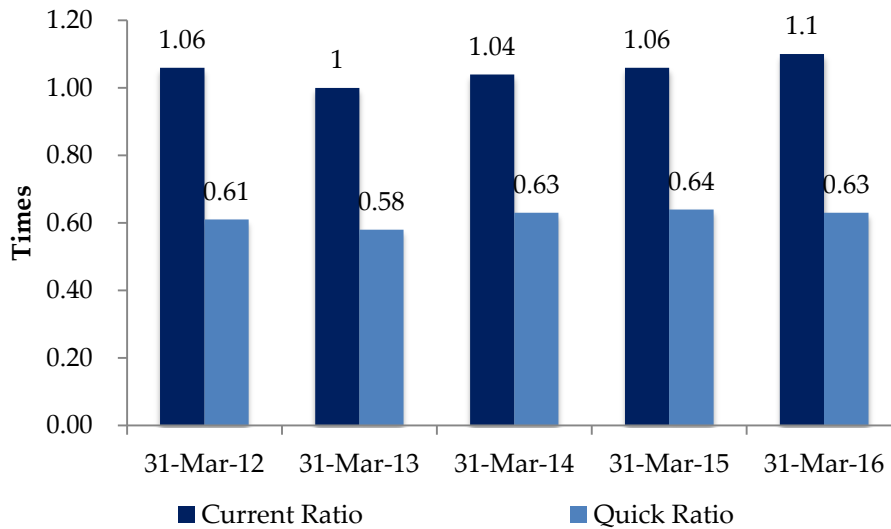


Comments:

The organization is into the business of trading of non-coking coal and variety of papers, manufacturing of kraft papers and providing logistics & port services. The PBILDT margin of the organization remained fluctuating in the range of 3.43 percent to 5.15 percent during last 5 years. PBILDT margin had improved by 78.00 bps over last year on account of better realization. Return on Capital Employed (RoCE) remained healthy and in the range of 17.60 to 21.48 percent during last 5 years.

FINANCIAL PERFORMANCE - LIQUIDITY ANALYSIS

Liquidity Analysis



Liquidity Ratio

Particulars	31 Mar 2014	31 Mar 2015	31 Mar 2016
Working Capital Turnover Ratio	6.44	7.31	7.25
Average Finished Goods Inventory Period	14	6	6
Average Inventory Period (days)	14	6	6
Average Collection Period (days)	82	85	85
Average Creditors Period (days)	54	53	57
Working Capital Cycle (days)	43	38	34

Comments:

The liquidity position is marked by comfortable current ratio, quick ratio and comfortable level of utilization of its working capital limits. While the current ratio was at 1.37 times, its quick ratio remained comfortable at 1.27 times as on March 31, 2016. Its cash credit limit of Rs. 3600.00 lakh was utilized at around 90% percent over the past 12 months ended November 30, 2016. The average inventory days for last balance sheet dates remained low at 6 days. The operations are highly working capital intensive in nature and net working capital as a % of capital employed was 67 percent as on March 31, 2016. While cash flow from operating activities was positive, the unencumbered cash & bank balance was around Rs.1528.87 lakh as on March 31, 2016. There have not been any instances of overdrawings were observed.

Due Diligence Report: Maheshwari Logistics Limited

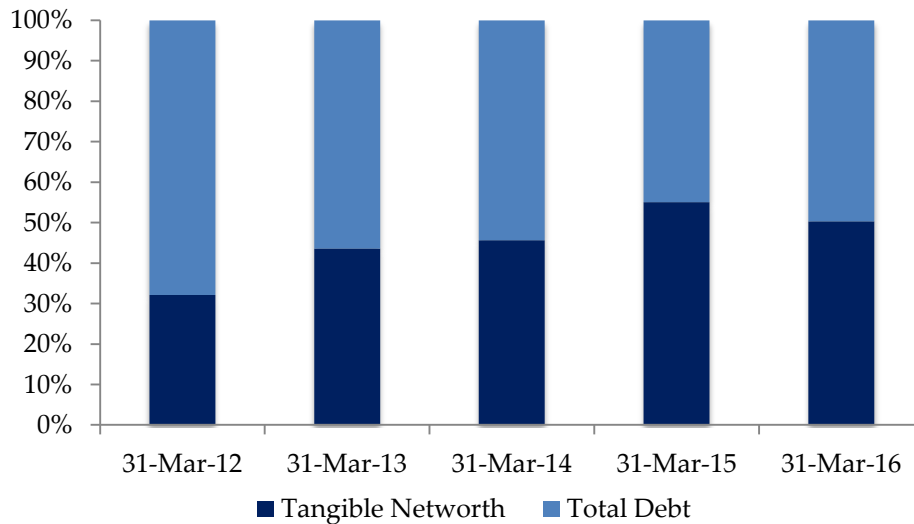
Average monthly fund-based (Cash Credit) working capital utilization level

(Rs. In Lakh)

Month	Sanctioned cc limits	Drawing Power (DP)	Max monthly utilization	Max cc utilization (%)
Dec 2015	3600	3600	3257	90.47%
Jan 2016	3600	3600	3340	92.77%
Feb 2016	3600	3600	3306	91.83%
Mar 2016	3600	3600	3048	84.67%
Apr 2016	3600	3600	3437	95.47%
May 2016	3600	3600	3231	89.75%
June 2016	3600	3600	3541	98.36%
July 2016	3600	3600	3358	93.27%
August 2016	3600	3600	3403	94.52%
September 2016	3600	3600	3303	91.75%
October 2016	3600	3600	3247	90.19%
November 2016	3600	3600	3375	86.53%

FINANCIAL PERFORMANCE - FINANCIAL FLEXIBILITY

Capital Structure



Capital Structure Ratio

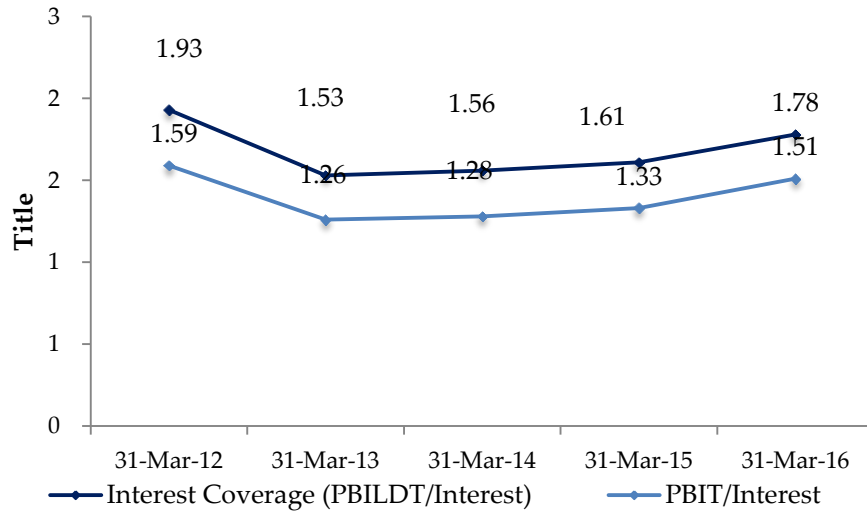
Particulars	31 Mar 2014	31 Mar 2015	31 Mar 2016
Debt Equity Ratio	0.39	0.19	0.29
Overall Gearing Ratio (Including Acceptances / Creditors on LC)	1.05	0.71	0.94
Overall Gearing Ratio (Excluding Acceptances / Creditors on LC)	1.05	0.71	0.94
Adjusted Debt Equity Ratio	0.39	0.19	0.29
Adjusted Overall Gearing	1.05	0.71	0.94
Average Cost of Borrowings	16.16	19.04	23.94
Total Outside Liabilities to Networth	2.85	2.37	2.67

Comments:

The long term debt level seems to be favorable marked by debt equity ratio of 0.29 times as on March 31, 2016. The debt equity ratio in the past 5 years remained in the range of 0.19 to 0.29 times. Though, the overall gearing level remained comfortable at 0.94 times, it increased from 0.71 times in FY15 on account of addition of long term debt, unsecured loan as on March 31, 2016. With comfortable gearing level and moderately high creditor days in the range of 38 to 57 days, total outside liabilities as compared to total net worth remained moderately high at 2.53 times as on the latest balance sheet date.

FINANCIAL PERFORMANCE - DEBT PROTECTION INDICATORS

Debt Coverage



Comments:

The debt protection metrics is marked by moderate level of interest coverage of 2.37 times and high total debt to cash accruals at 5.59 times for the year ended March 31, 2016 due to moderately low profit margins and comfortable gearing level.

BANKERS & AUDITORS DUE DILIGENCE

Stake holder		Feedback
Bankers & Lenders- State Bank of India	Mr. Ashok Parmar	Satisfactory
	Relationship Manager	
	9974733001	
ICICI Bank	Mr. Nandan Roy	Satisfactory
	Chief Manager	
	9909001467	
Auditor M/s Kakaria & Associates	Mr. Ujwal K. Kakaria	Satisfactory
	Partner	
	2603981000	

Remarks

- The account was regular with State Bank of India. The banker has expressed satisfaction over the conduct of the account. The company has cash credit facilities of Rs. 3400.00 lakh with State Bank of India and Rs. 200.00 lakh with ICICI Bank which is utilized at ~90 percent over the period of last 12 months ended Nov. 2016 and there have not been any instances of overdrawing in the account.

Key Findings

Key Findings	Company Comment	CARE Comment
<p>High reliance on promoter in key decision making.</p> <p>Majority of the critical decisions in the company are being taken by promoter.</p>	<p>As per the management, MLL employs number of qualified professionals for overlooking operations. The total number of employees with the company stood at 150 which houses qualified professionals such as management graduates and post graduates having significant experience in their respective fields.</p>	<p><i>Though the MLL has qualified personnel to manage operations but the key decisions are taken by promoters only. Going forward, the ability of the company to separate management and ownership function remains to be seen.</i></p>
<p>High reliance on WC Bank borrowings</p>	<p>The management has stated that it has to make full payment to suppliers in advance for material purchased and other hand it takes around 45-60 days to recover money from customers which make them to rely on the WC bank borrowing to support it operations.</p>	<p><i>CARE understands that in order to maintain competitiveness, MLL will have to offer its customers a high credit period. However, ability of the company to manage the working capital cycle efficiently with minimize the use of working capital limits would be critical.</i></p>
<p>Continuous growth in the revenue in last 5 years however margins remain fluctuating</p>	<p>As per management, company is successfully receiving orders from new customers and also able to maintain existing customer base, however prices of imported coal remained fluctuating due to which margins remained fluctuating during last 5 years. Also company has ventured into manufacturing of kraft paper which will drive revenue growth going forward.</p>	<p><i>CARE believes that MLL can benefit from high demand for non-coking coal and also variety of papers. However, given the stiff competition, the ability of company to maintain the margins would be critical.</i></p>
<p>Company suddenly entered into kraft paper manufacturing and expanding the same.</p>	<p>As per management, company is engaged in trading of papers and gained insights of paper industry, hence management decided to enter into manufacturing activity of the same</p>	<p><i>CARE believes that experience of the company in paper industry will help it in growing and gaining client base through its contacts and relations. However ability of MLL to expand and retain the client base in future would be crucial.</i></p>

Disclaimer

CARE's MSE rating is an independent opinion on performance capability and financial strength. The rating is a one-time exercise and it will not be kept under surveillance. The validity of the rating is one year from the date of provisional communication of rating, subject to no significant changes/ events occur during this period that can materially impact the operational and financial parameters of the entity. The rating is not an audit and also not a recommendation for entering into any transaction with the entity. CARE has based its ratings on information obtained from source believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information.

In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
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