

Acquisition of Snowman Logistics Limited (Snowman) by Adani Logistics Limited (ALL)



APSEZ
27 December 2019

Table of Contents

- 1 Executive Summary**
- 2 Adani Logistics Limited Strategy**
- 3 Industry Outlook – Cold Chain**
- 4 Snowman Overview**
- 5 Acquisition Rationale**
- 6 Business Plan Summary**
- 7 Additional Transaction Details**



1. Executive Summary

Adani Logistics' Acquisition of Snowman Logistics

The Snowman Logistics acquisition would deepen Adani Logistics' footprint in the ancillary logistics sector

1

Acquisition of largest cold chain vertical - In line with ALL's strategy to be an integrated logistics services provider

2

Snowman is a market leader in cold chain services - ready platform for growth

3

Growth from end use segments (pharma, seafood etc.) – visibility to double capacity

4

Business Focus

- a) Increase in utilization
- b) Higher realization from product mix change
- c) Operational efficiencies (eg. Electricity costs, co-location of new facilities)

Snowman Logistics: Acquisition Details

ALL proposes to acquire majority stake in Snowman on December 27, 2019

Current Structure and Proposal

- Promoters : Gateway Distriparks Limited (40.25%)
- Public Holding: 59.75%: Major Shareholders: Mitsubishi Group (11.5%) and IFC (6.8%)
- ALL proposes to acquire Promoter stake and additional equity upto 26% by triggering Open Offer

Consideration

- Total Equity value at INR 44 per share = INR 735 Cr [No of shares outstanding = 16.7 Cr]
- 40.25% acquisition from Promoter for INR 296 Cr
- Upto 26.0% from Public through Open Offer Process for INR 191 Cr
- Implied EV/FY21 EBITDA multiple of 11.6x
- Acquisition represents a 3.2% premium to the market price

Timing and Process

- Board Approvals received on December 27, 2019
- Condition precedents: Regulatory & Lender Approvals
- Expected Closing: Q4 FY20

Advisors

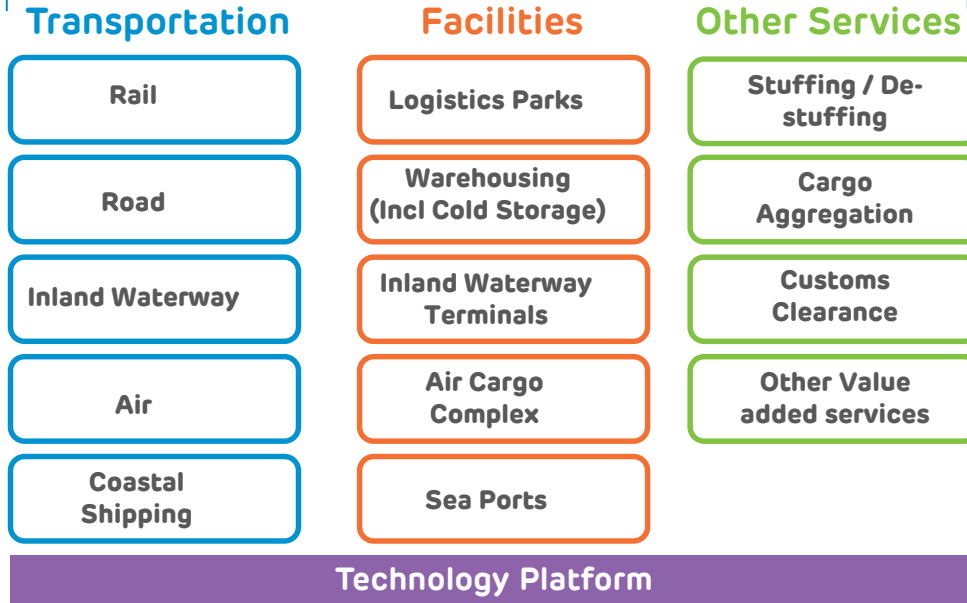
- Valuation Report : KPMG India Private Limited
- Legal : Cyril Amarchand Mangaldas
- Financial & Tax DD : PricewaterhouseCoopers Private Limited
- Tender Offer Bank : JM Financial



2. Adani Logistics Limited Strategy

ALL – Integrated logistics services to expand across the country

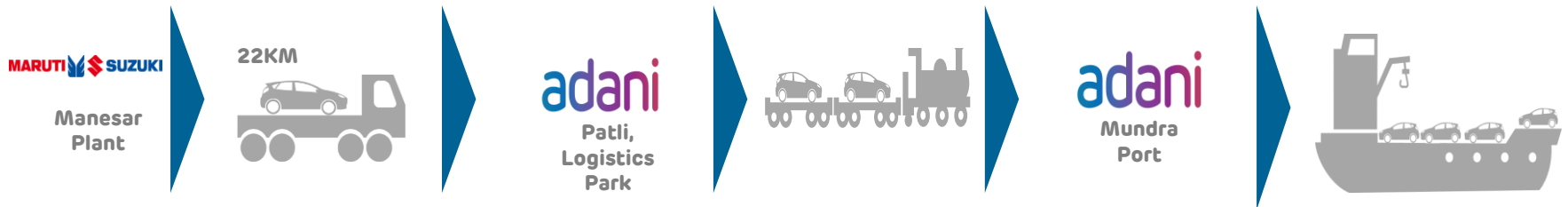
End-to-end Integrated Logistics Services



Financial Snapshot

Particulars (INR Cr)	FY18	FY19	H1FY20
Revenue	827	583	438
EBITDA	76	90	127
EBITDA Margin %	9%	16%	29%

Example of Customer Centric End to End Logistics Offerings Ensuring Maximum Synergies



ALL Strategy for FY25

Substantial expansion of assets and service capabilities

From 4 to 15+



Multi-modal Logistics
Parks

From 49 to 200+



Rakes *

From 0.4Mn to 5Mn Sq.Ft.



Warehouses

From 0.5 to 1.5 MMT



Silo Capacity

New
Services /
Products

Cold Storage



200,000 pallets Capacity

Air Cargo



50K MT

Inland Waterways



25 Barges

* Rakes includes GPWIS, Container Trains, Grain Trains & Auto Trains

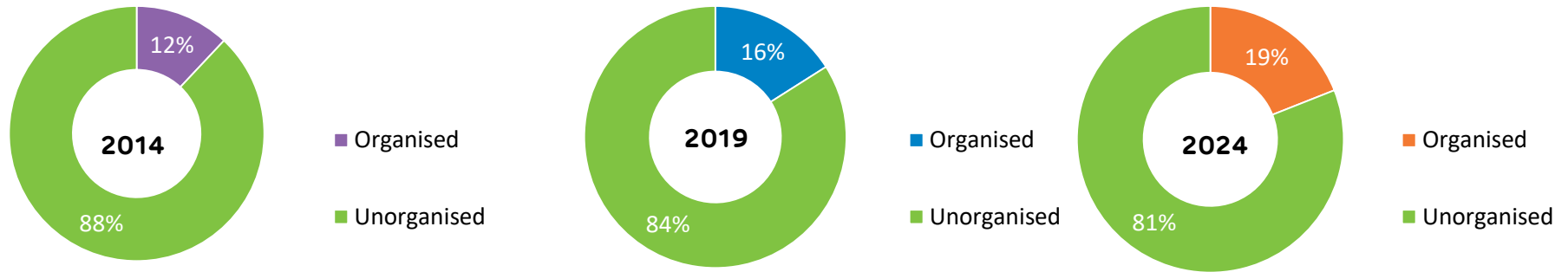
GPWIS – General Purpose Wagons Investment Scheme



3. Industry Outlook – Cold Chain

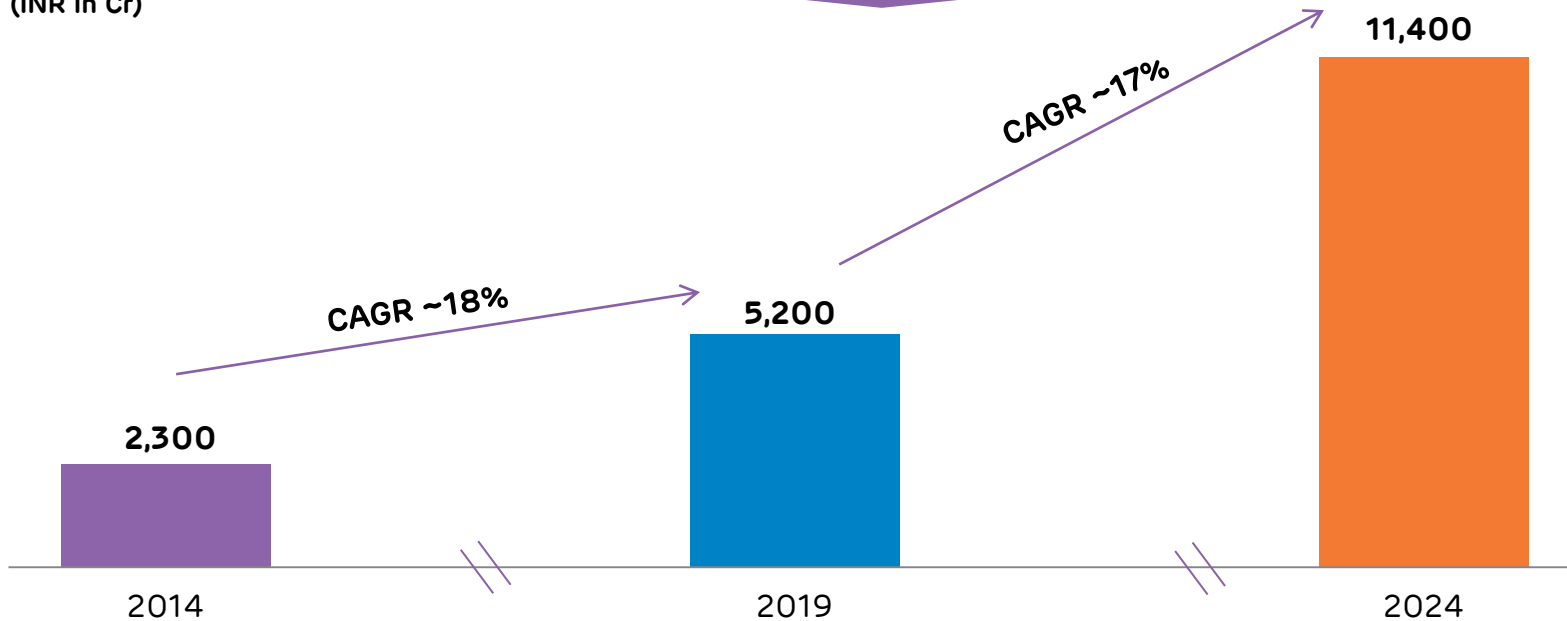
Industry Overview – Cold chain Commodity market in India

Estimated Organised sector ~16% of total market, expected to grow at 17% CAGR to reach INR 11,400 Cr by FY24



Organised Cold Chain Commodity Market

(INR in Cr)



Source: Market Research and internal estimates

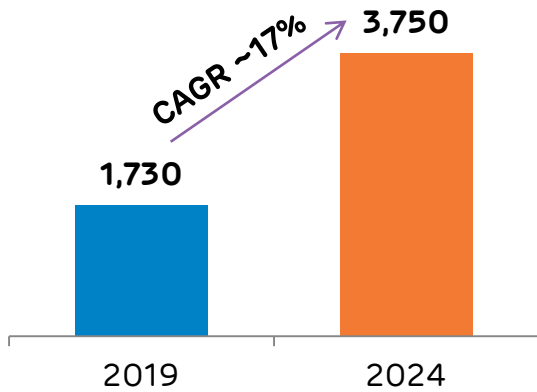
Organised cold chain includes meat, seafood, dairy, ice cream, dairy, chocolates, pharma, quick service restaurant (QSR) etc.

Unorganised cold chain includes onion, potatoes, food grain and other commodities

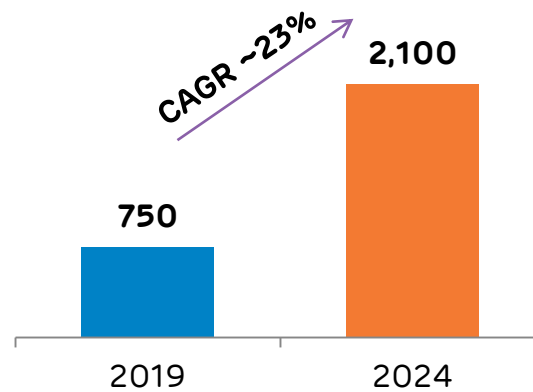
Industry Overview – Organised Cold Chain Commodities

Commodities in the organized cold chain sector are poised for high growth and have a high realization potential

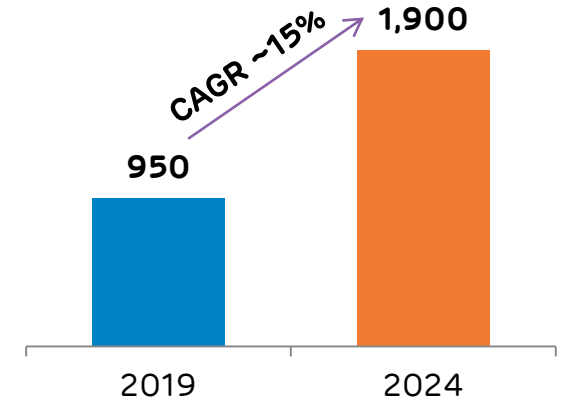
(INR Cr) Meat / Seafood / Frozen Products



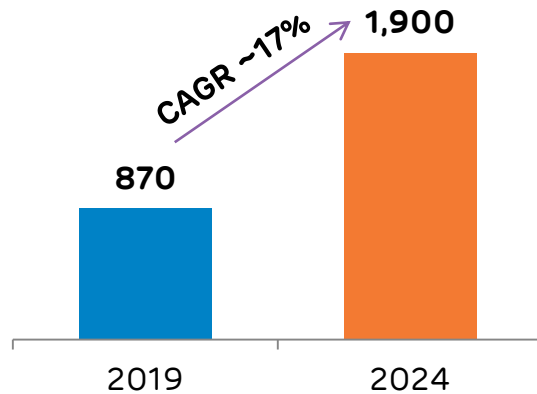
Quick Service Restaurants (QSR)



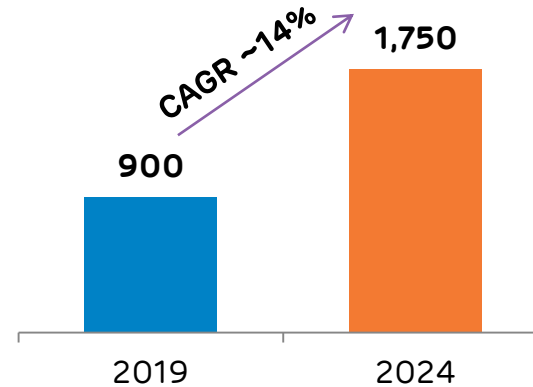
Ice Cream



Pharma



Dairy / Chocolates / Chilled Products



Source: Market Research and internal estimates

Organized cold chain industry growth drivers

Numerous enablers to drive multifold cold chain infrastructure growth

Significant fillips in end-user industries

- **Organised retail is growing at 25-30%** due to urbanization, rising income, quality premium
- Meat/Seafood, Pharma, Ice Cream and QSRs are expected to grow at 17% in the next 5 years

Increased awareness & enhanced regulations

- **Urbanization** is leading to demand awareness for higher quality
- **Enhanced regulations** and compliances augurs well for Organised cold chain sector

Fiscal policy initiatives to benefit scale players

- **GST** is leading to optimization of supply chain
- With **redrawing of supply chains**, players with geographical presence providing integrated cold chain logistics set to benefit

Rebalancing of investments – Production to Consumption Centres

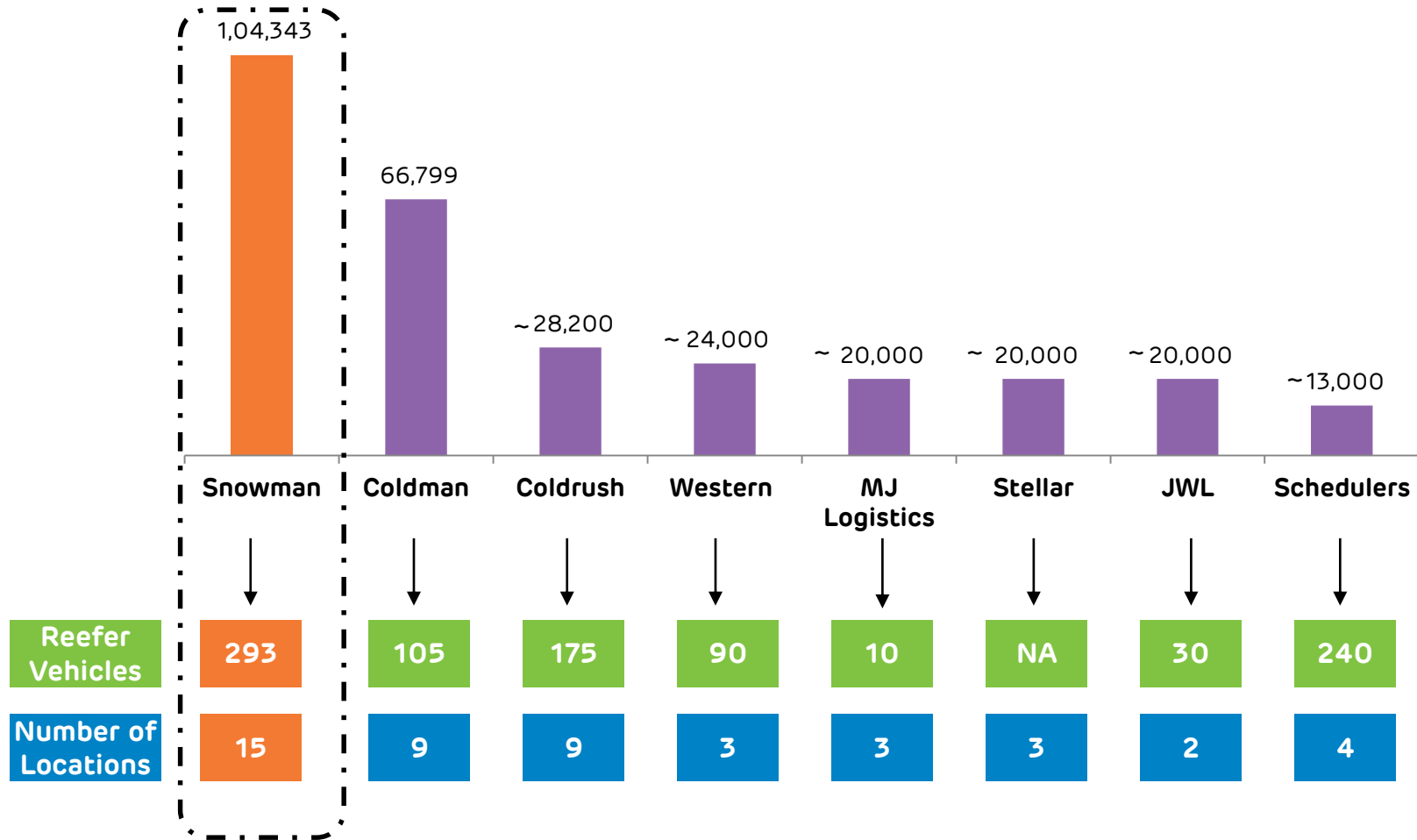
- Majority of cold chain investments have been in low value segments (eg. Potatoes) close to production centers
- Opportunity to establish multi-purpose / multi-commodity Cold chain infrastructure in **consumption centres**

Source: Market Research and internal estimates

Industry Landscape – Organised Cold Chain Service Providers

Snowman is the largest integrated cold chain service provider with more than 30% market share in capacity

Key integrated cold chain Service providers with 10,000+ pallet capacity¹



¹ India has ~500,000 pallet capacity; players with 10,000+ pallet capacity constitute ~60% of the capacity

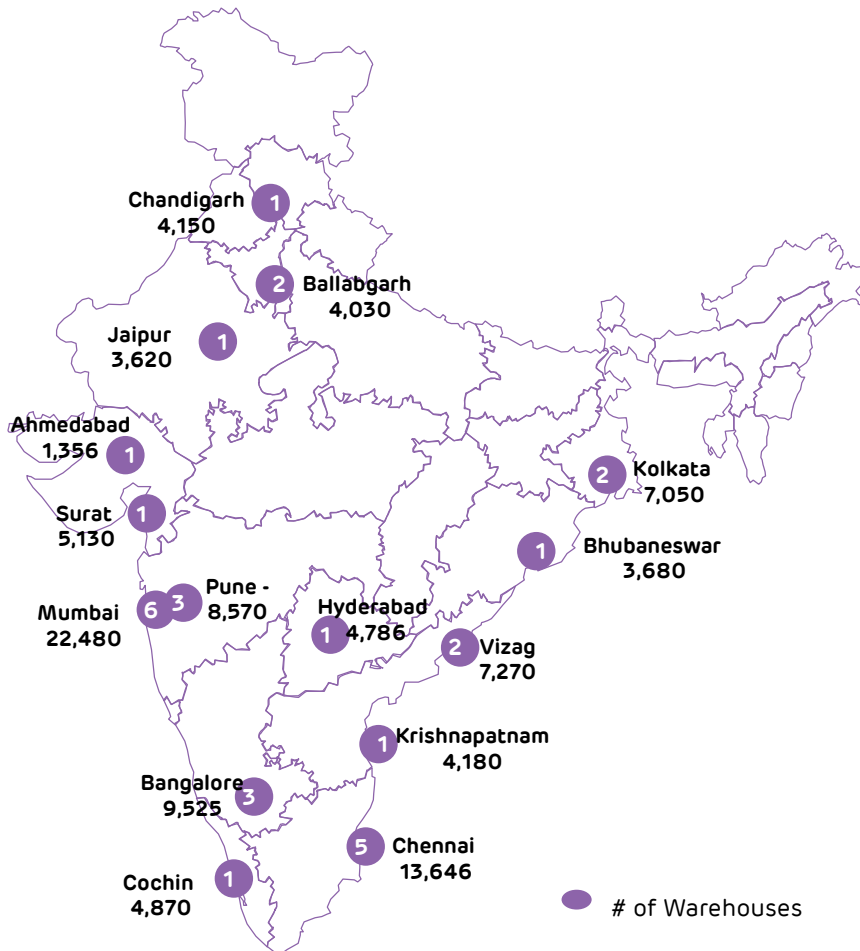


4. Snowman Overview

Snowman – Overview

Snowman is in the business of providing integrated temperature controlled warehousing and distribution

Leading cold chain service provider with pan India Presence – 31 warehouses across 15 locations



Total Employees: 406

Number beneath the city denotes # of Pallets

Warehousing Segment

Market share in India	<ul style="list-style-type: none"> 30%+ of capacity amongst integrated organized cold chain service providers
Capacity	<ul style="list-style-type: none"> 104,343 pallets
Locations	<ul style="list-style-type: none"> 15 cities in 12 states
Warehouses	<ul style="list-style-type: none"> 31 (10 on owned Land)
Customer base	<ul style="list-style-type: none"> ~ 800+ customers Top 20 customers contribute 34%
Key Commodities	<ul style="list-style-type: none"> High Yield: Seafood, Meat, Ice Cream, QSR, Pharma Medium Yield: Ready To Cook, Industrial, Dairy, Poultry, Confectionary Low Yield: Butter, Agro
Key Financials (FY19)	<ul style="list-style-type: none"> Revenue – INR 156 Cr (67% of total) EBITDA Margin - 34%

Distribution segment

Reefer Vehicles	<ul style="list-style-type: none"> Primary Distribution: 142 Secondary Distribution: 151
Key Financials (FY19)	<ul style="list-style-type: none"> Revenue – INR 72 Cr (31% of total) EBITDA Margin - 7%

Snowman – Providing end to end services

Distribution and Value Added Services provide an integrated solution to customers

Primary Distribution

SNOWLINE



- Primary focus on end to end distribution service to warehouse customers
- Customer's factory to warehouse
- Total Fleet – 142 vehicles
- 24x7 tracking

Warehousing

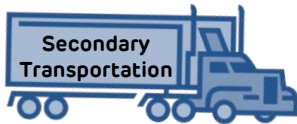
SNOWPRESERVE



- Offering warehousing solutions and services across a spectrum of temperatures - from ambient to frozen (+25°C to -25°C)
- Pallet Capacity - 104,343
- 31 warehouses spread across India

Secondary Distribution

SNOWREACH



- Last mile transport management – Warehouse to end users
- Total Fleet – 151 vehicles
- 24x7 tracking along with POD management

Other Additional Services

Value Added Services

- Blast freezers
- Repacking
- Labeling
- Bundling etc

Inventory Management

- FIFO driven ERP system for customer inventory planning and order execution

Consultancy

- Provides Consultancy and project management services

Snowman - Warehousing Product Portfolio Overview

High yielding products occupy 43% of the capacity and contribute 64% of the revenue



Capacity and revenue as of FY19

High Yield: >INR 1,500 per pallet; Medium Yield: INR 1,100 - 1,500 per pallet; Low Yield: <INR 1,100 per pallet

QSR – Quick Service Restaurant

Snowman - Warehousing Location Overview

Number of Warehouses	Yield Mix			Pallet Capacity	Utilisation	Yield / Pallet	Revenue (INR Cr)
	High	Medium	Low				
Mumbai (6)	High	Medium	Low	22,480	86%	1,500	35
Chennai (5)	High	Medium	Low	13,646	74%	1,425	17
Bangalore (3)	High	Medium	Low	9,525	100%	1,205	14
Pune (3)	High	Medium	Low	8,570	94%	1,215	12
Vizag (2)	High	Medium	Low	7,270	91%	1,770	14
Kolkata (2)	High	Medium	Low	7,050	96%	2,130	17
Surat (1)	High	Medium	Low	5,130	100%	770	5
Cochin (1)	High	Medium	Low	4,870	100%	1,555	9
Hyderabad (1)	High	Medium	Low	4,786	84%	1,460	7
Krishnapatnam (1)	High	Medium	Low	4,180	90%	1,700	8
Chandigarh (1)	High	Medium	Low	4,150	77%	1,115	4
Ballabgarh (2)	High	Medium	Low	4,030	53%	1,220	3
Bhubaneswar (1)	High	Medium	Low	3,680	96%	1,660	7
Jaipur (1)	High	Medium	Low	3,620	21%	850	1
Ahmedabad (1)	High	Medium	Low	1,356	91%	1,455	2
				1,04,343	86%	1,450	156

Size of the bar indicates utilized capacity mix by yields

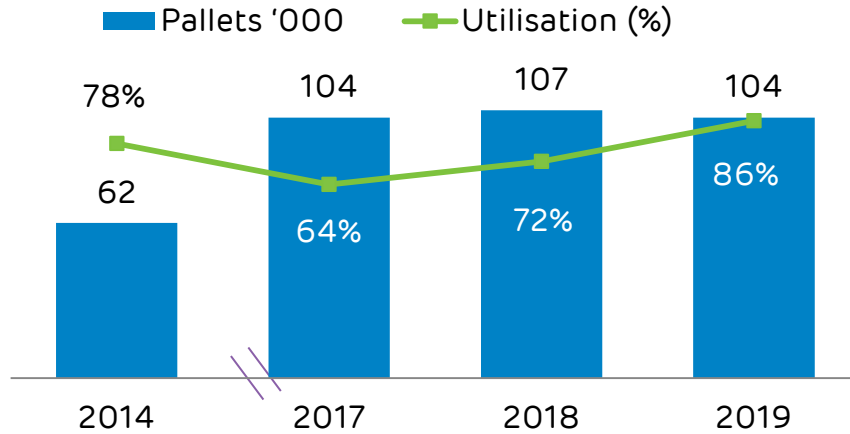
Numbers as of FY19

Yield: High: >INR 1,500 per pallet; Medium : INR 1,100 - 1,500 per pallet; Low : <INR 1,100 per pallet

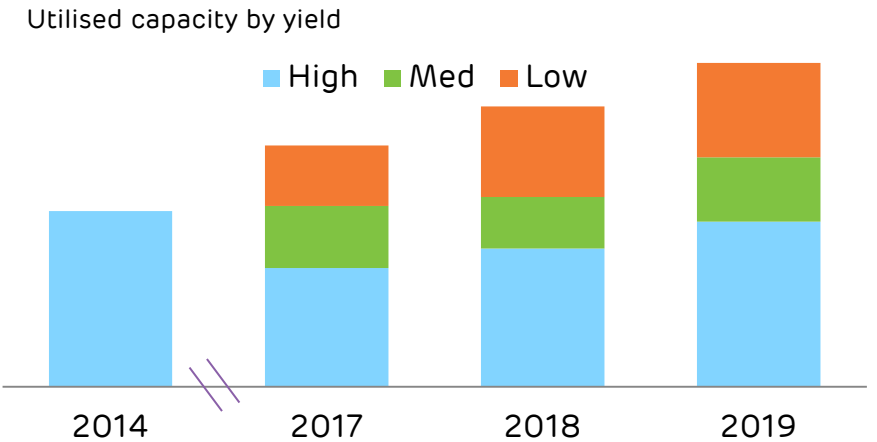
Snowman – Warehousing Business Trends

Growth in Revenue and margin expansion is attributable to focus on higher utilization with lower yield products

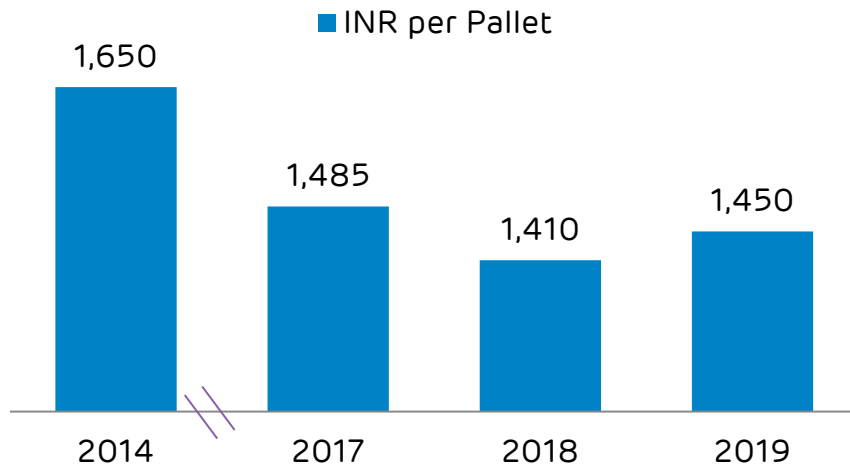
Average utilisation (%) increased over last 3 years



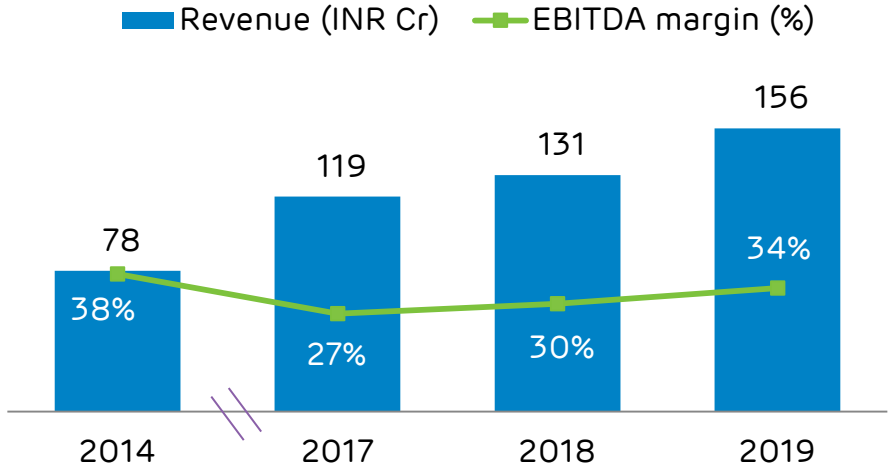
Growth primarily driven by Lower yield products



Limited focus on growing yields in the recent past



Increased utilized capacity leading to margin expansion



¹Closed smaller facilities – Hyderabad, Cochin, Bangalore, Ludhiana

Snowman – Financial Summary

Key P&L Items (INR Cr)	2015	2016	2017	2018	2019
Pallet Capacity	85,500	98,500	103,600	106,964	104,343¹
Revenue	203	240	189²	194	233
Warehousing	104	124	119	131	156
Transportation	97	97	68	62	72
Others	1	20	3	1	4
EBITDA	47	51	34	44	59
Warehousing	40	49	32	39	53
Transportation	7	1	4	5	5
Others	-	0	-3	-	-
EBITDA Margin (%)	23%	21%	18%	23%	25%
Warehousing	38%	40%	27%	30%	34%
Transportation	7%	1%	6%	8%	7%
Others	0%	0%	NM	0%	0%
EBIT	27	21	-1	8	21
EBIT Margin (%)	13%	9%	-1%	4%	9%
PAT	25	21	-5	-4	10
PAT Margin (%)	12%	9%	-3%	-2%	4%

Key Balance Sheet Items (INR Cr)	2015	2016	2017	2018	2019
Gross Block	335	471	515	551	555
Net Block	358	467	452	445	413
Net Worth	422	434	429	425	435
Net Debt	7	125	119	123	91

¹Closed smaller facilities – Hyderabad , Cochin, Bangalore, Ludhiana

²Discontinued Food Service Division, down sized transportation fleet. Change in Management

Year ending as on 31 March

Key Risks and Mitigation Strategy

Key Risks	Mitigation
WHs on lease / built on leased land	<ul style="list-style-type: none"> • Long Term leases with extended lock-in period • Identify/acquire land for expansion, in good time & priory expiry of leases
Seasonality	<ul style="list-style-type: none"> • Continuous focus on Product & customer mix to ensure high utilization of assets • Focus on Dedicated Chambers and Guaranteed Space
Realisation risk due to Unorganised market	<ul style="list-style-type: none"> • Strategic tie up with large Customers • Enforcement of food safety norms • Ensure high service quality at all times
Competition	<ul style="list-style-type: none"> • Offer bespoke Value added services to address Customers' pain points, thereby increasing Customer stickiness • Leverage pan India footprint
Change in Technology	<ul style="list-style-type: none"> • Keep pace with refrigeration technology complying with regulatory norms that are current and cost effective



5. Acquisition Rationale

Acquisition Rationale for Snowman

Complementary acquisition – In line with Adani Logistics Limited's Vision & Strategy

1

Market leader in cold chain services providing a ready platform for accelerated growth

2

Pan India presence compliant with international standards and existing global customer relationships

3

Large market potential – High growth in end use segments, visibility to double capacity

4

Visible opportunity to enhance product mix and optimized costs to deliver realization and margin growth

5

Ability to fund new investments for development of new assets with existing market potential

6

Flexibility to co-locate facilities in existing locations and land parcels to optimize fixed costs and returns

Growth Strategy

Focused strategy to double capacity, revenue and margins in the next 5 years

1. Realization Focus

- **Replace low yielding capacity** and increase high yielding frozen products
- **Dedicated** facilities for large customers (including Pharma) and VAS to increase **stickiness**
- 3rd Party management service

2. Double Pallet Capacity

- **Double Pallet capacity** in next 5 years
- Set up temperature controlled warehouses at high demand consumption centres, **including existing and upcoming Logistics Parks of ALL**
- Reduce land lease cost

3. Optimize Operations

- **Reduce operating costs** through higher utilization
- Focus on Frozen segment (**lower energy consumption**)
- **Reduce energy costs** through alternative sources (5 locations identified)
- **Optimize fleet** and reduce trucking costs
- **Reduce Empty backhaul** runs for combined business
- Inventory ownership model in QSR

1. Realization Focus - Initiative yielding early results

Having stabilised the utilization for locations, the Company is focussing on improving realization

- Focus on high yield products
- Focus on reducing lower yield product to keep capacity for new products

Analysis of Top 10 Facilities – Visible Trends in September 2019

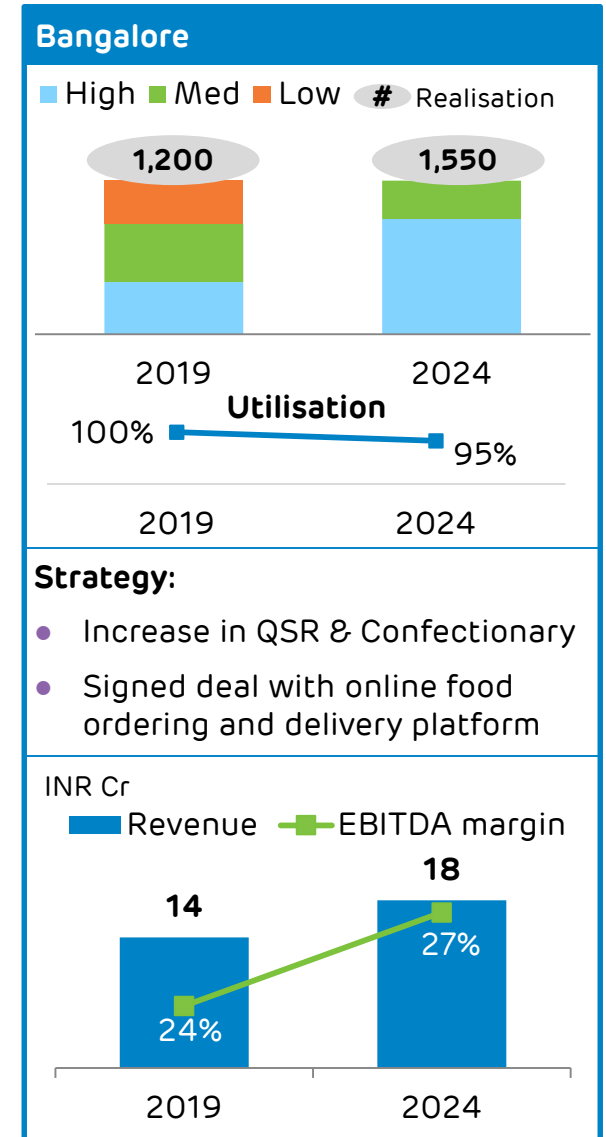
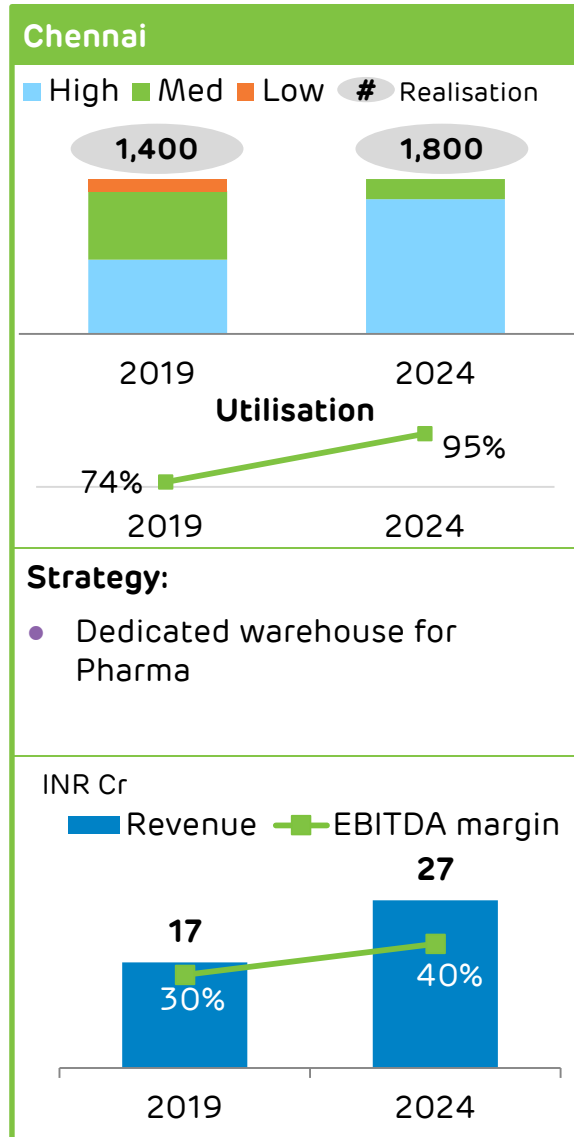
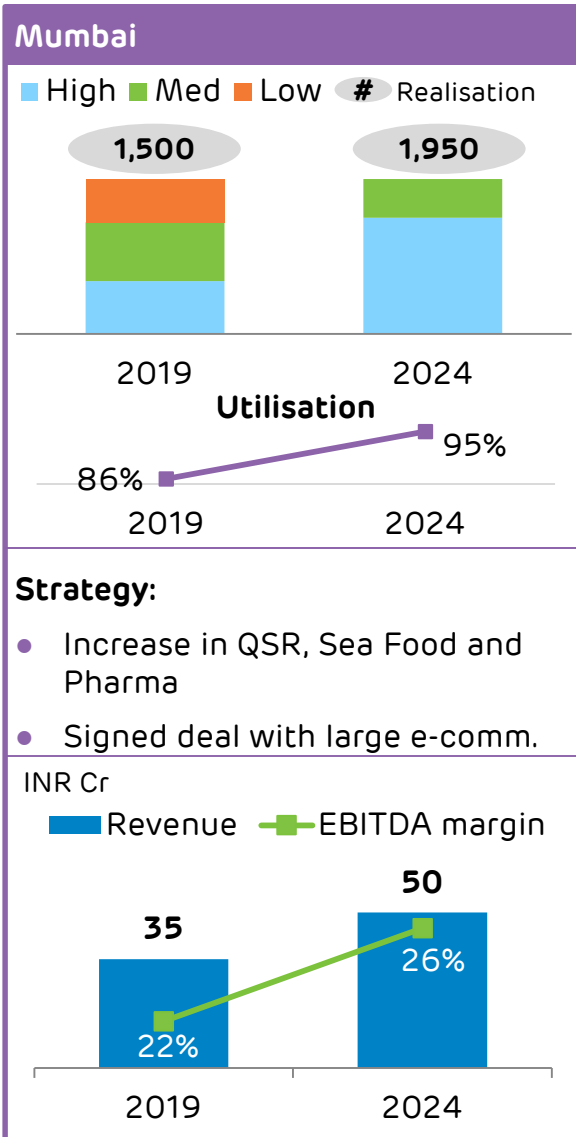
City Name	FY19 Realisation	Utilisation (%)	High Yield	Utilisation H1FY20	Realisation H1FY20
Kolkata ¹	2,130	96%	90%	82%	2,370
Ahmedabad	1,455	91%	62%	65%	1,860
Vizag ¹	1,770	91%	83%	62%	1,720
Cochin	1,555	101%	75%	84%	1,685
Bhubaneswar ¹	1,660	96%	87%	88%	1,610
Krishnapatnam ¹	1,700	90%	100%	96%	1,590
Mumbai	1,500	86%	34%	85%	1,580
Chennai	1,425	74%	48%	74%	1,450
Pune	1,215	94%	33%	98%	1,435
Bangalore	1,205	101%	6%	84%	1,335

H1 FY20 Vs FY19 Trends

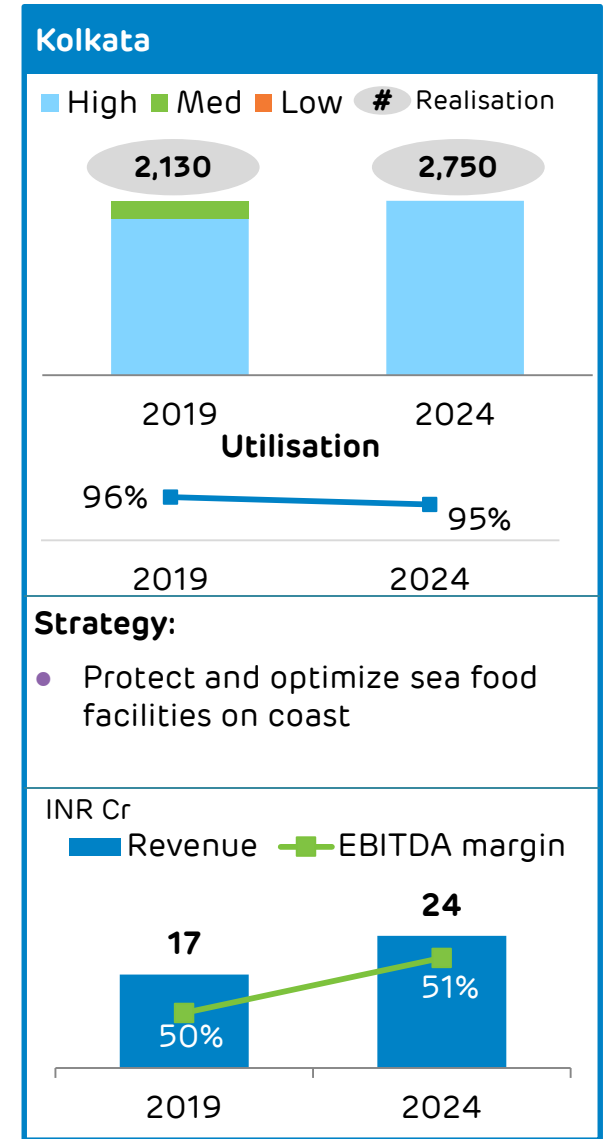
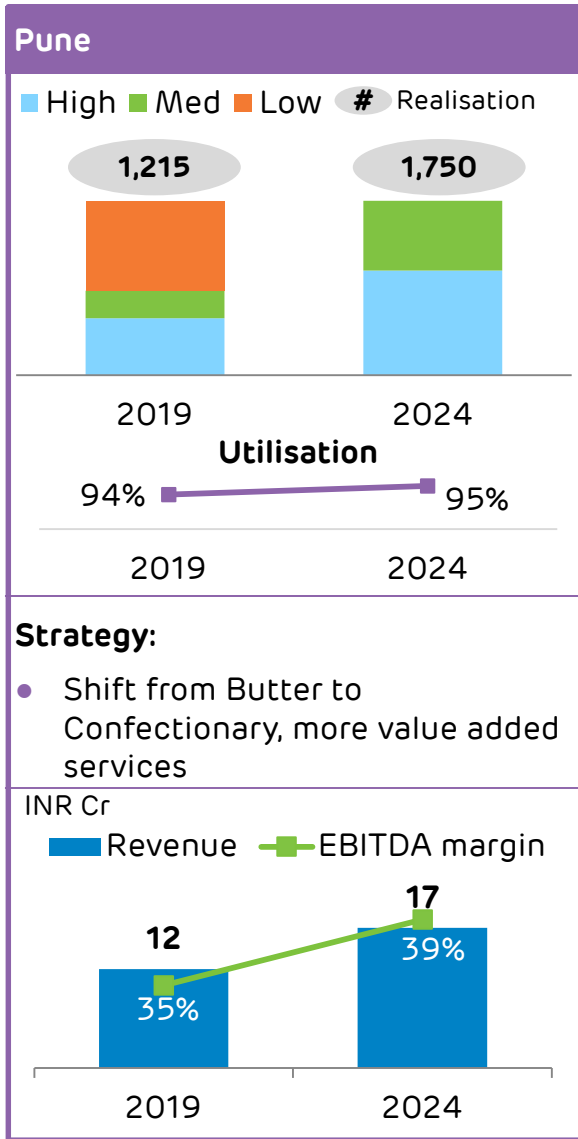
- ~12% increase in realization in locations with same / lower utilization
- 2 Organised / global customers added with annual revenue potential of INR 6 Cr (potential to add new locations)

¹Impacted Seafood due to cyclone in H1FY20

1. Realization Focus – Near Term Strategy across Key Locations



1. Realization Focus – Near Term Strategy across Key Locations



2. New Capacity Addition – Focus on High Potential Markets

↔ Synergy - Land ↔

New Locations	Pallet Capacity	Commis- sion	Capex (Rs Cr)	Land (Acre)	ALL	AALL	Airports	Realiza- tion (INR)	Revenue (INR Cr)	EBITDA (%)	Focus Area	RoCE (%)
Siliguri	3,600	Q3FY21	22	1.4	Land acquired by Snowman			2,230	9	56%	Seafood, QSR	19%
Krishnapatnam	5,000	Q4FY21	33	2.0				2,065	12	70%	Seafood	21%
Coimbatore	3,600	Q4FY21	24	1.4				1,880	8	56%	Ice Cream, QSR, RTC, Conf.	15%
Kolkata	10,000	Q1FY22	55	4.0				2,900	33	59%	Seafood, Ice Cream, QSR	32%
Hyderabad	7,000	Q1FY22	33	2.8				1,705	14	41%	Pharma, Meat, QSR, Seafood	13%
Mumbai	10,000	Q1FY22	53	4.0	✓	✓		1,940	22	40%	QSR, Meat, Pharma, Seafood	13%
Cochin	5,000	Q1FY22	27	2.0				2,090	12	49%	Seafood, QSR, RTC, Agro	18%
Lucknow	5,000	Q2FY22	27	2.0			✓	1,560	9	29%	Ice Cream, QSR, RTC, Conf.	6%
Nagpur	5,000	Q2FY22	27	2.0	✓			1,940	11	43%	Ice Cream, QSR, RTC, Conf.	14%
Bangalore	10,000	Q1FY23	54	4.0	✓			1,635	19	25%	QSR, RTC, Agro	5%
Bhubaneshwar	5,000	Q1FY23	30	2.0				1,970	11	67%	Seafood, Ice Cream, Agro	21%
Chandigarh	5,000	Q1FY23	27	2.0				1,560	9	34%	QSR, Agro, RTC	7%
Others to be identified	21,450		132	8.6				1,975	48	45%		12%
Capex for Solar			15									
Reefer vehicles	-	FY21-22	25	-							Transport	
Total	95,650		583	38				1,975	216	47%		14%

~INR 580 Cr capex; Overlap on 4 of 12 locations with opportunity to optimize fixed cost

3. Optimize Operations

Transport Segment Optimization

Optimized mix with Market hired vehicles

- Minimize empty back-haul
- Optimize fixed costs
- Save capex on replacing aging fleet and reduce repair & maintenance costs

SnowLine	FY18	FY19	H1FY20
Revenue - Own	36.0	39.1	19.7
Revenue - Market	1.4	7.8	7.2
<i>Share of Market Vehicles</i>	<i>4%</i>	<i>17%</i>	<i>27%</i>
EBITDA - Own	3.3%	1.3%	3.7%
EBITDA - Market	9.9%	12.8%	8.8%
Revenue - SnowLine	37.4	46.8	26.9
EBITDA - SnowLine	3.5%	3.2%	5.0%

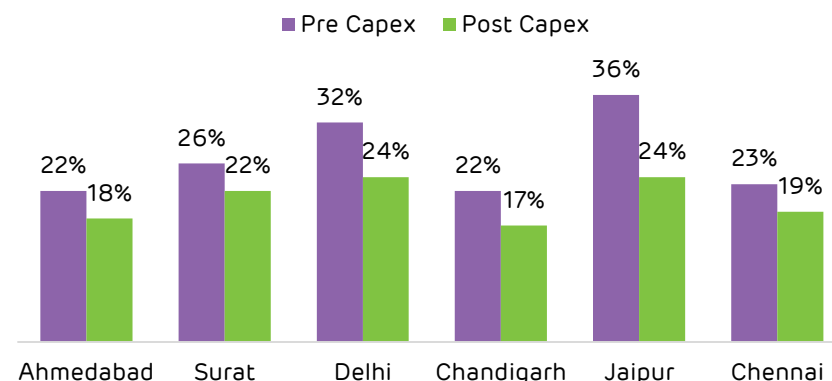
SnowReach	FY18	FY19	H1FY20
Revenue - Own	24.0	26.8	15.5
Revenue - Market	0.6	1.0	0.9
<i>Share of Market Vehicles</i>	<i>2%</i>	<i>4%</i>	<i>5%</i>
EBITDA - Own	17.7%	13.0%	16.2%
EBITDA - Market	1.7%	12.6%	18.4%
Revenue - SnowReach	24.6	27.8	16.4
EBITDA - SnowReach	17.3%	13.0%	16.4%

Illustration: Electricity Cost Reduction

Electricity Cost	FY19
Power consumption	19 Mn units
Power Bill	INR 28 Cr
Cost Per Unit	INR 14.75

Solar Implementation	
Estimated capacity requirement	~4.4MW
Estimated Capex	~INR 22 Cr
Estimated Reduction in Power Bill	~INR 5.6 Cr (20% savings)

Identified 6 Locations for Phase 1:



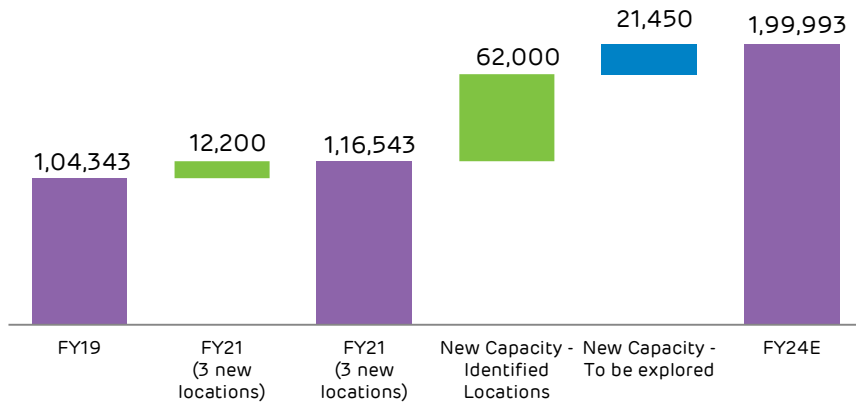
Potential to improve margin 4% - 12% (by location) with Capex of INR 6.7Cr, Payback in 3 years



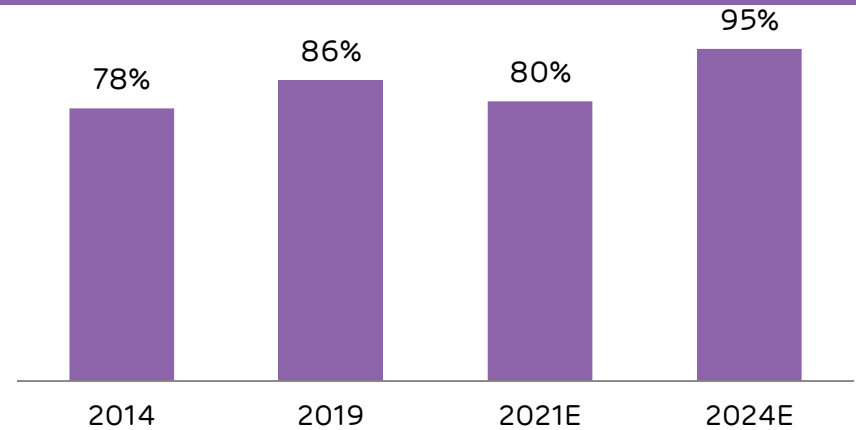
6. Business Plan Summary

5 year growth plan post acquisition of Snowman

Doubling of Capacity (Pallets)

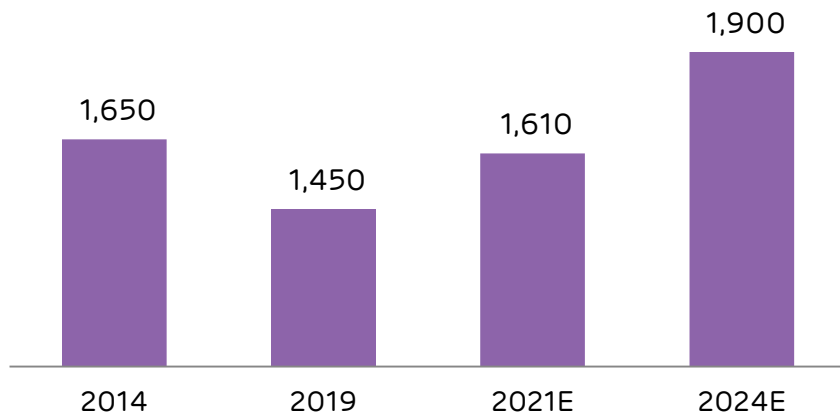


Utilization

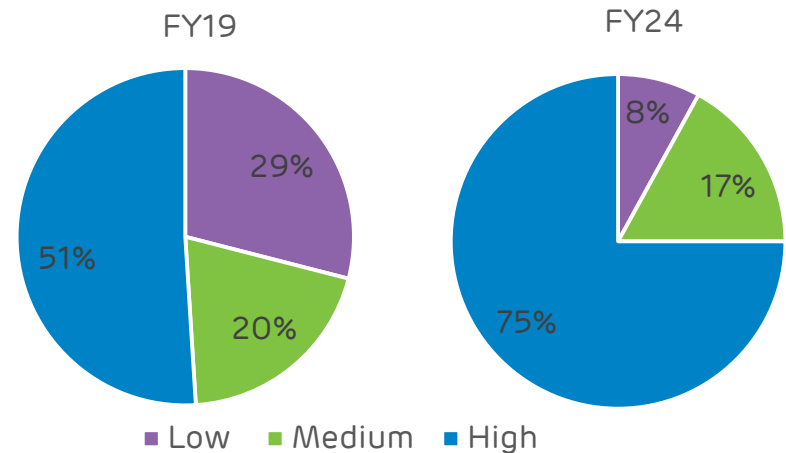


Per Pallet Realization

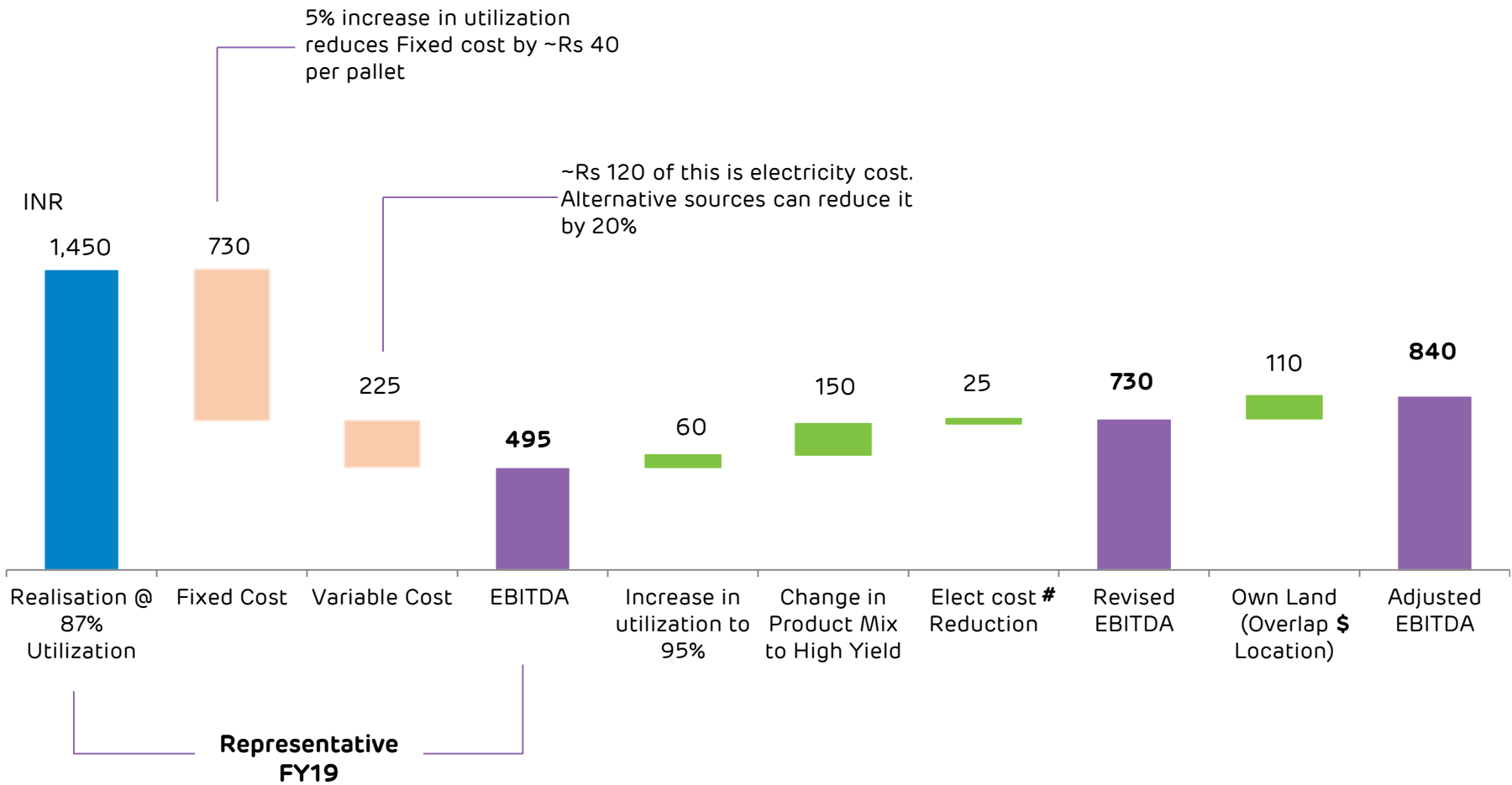
INR



Yield Mix

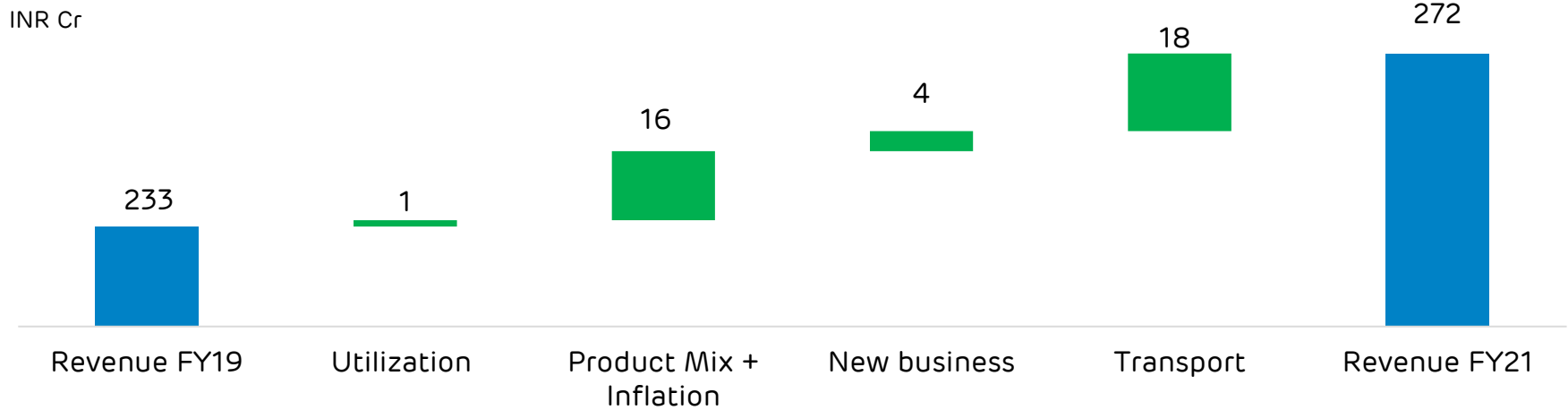


Illustrative Per Pallet Economics

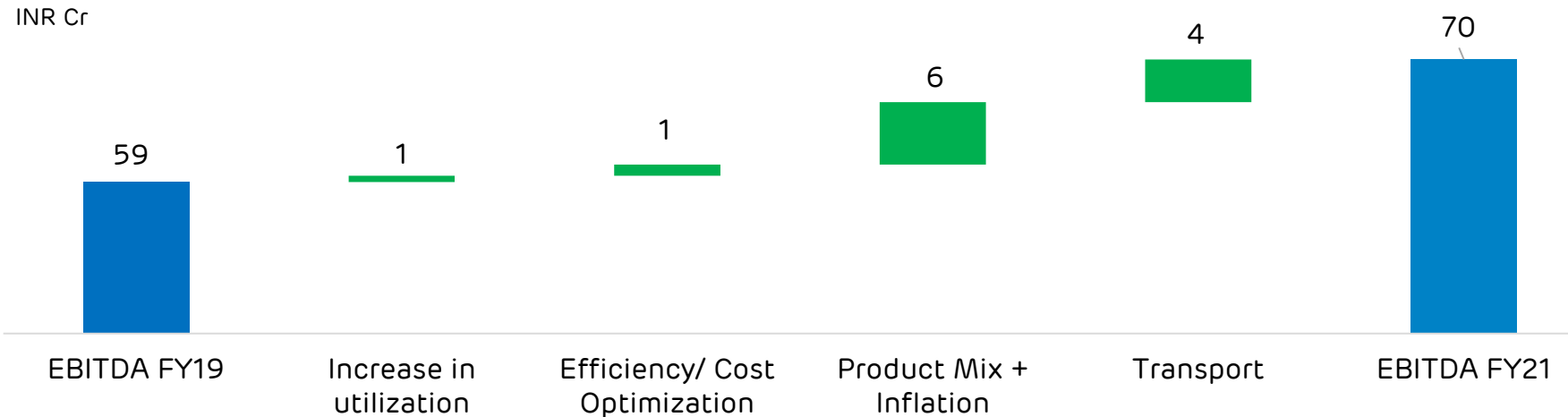


Illustrative Business Potential

Revenue Trajectory



EBITDA Trajectory



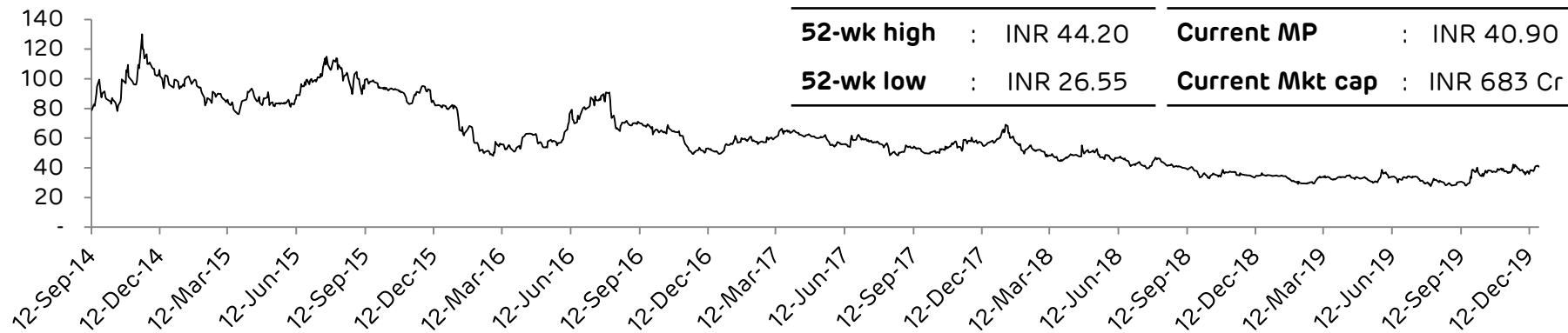
The Company does not provide any reliance on the numbers, Subject to Legal Disclaimer



7. Transaction Details

Snowman – Valuation

Price Movement since IPO



IPO price	: INR 47	Highest Price over period	: INR 120
IPO Listed	: INR 78	Lowest price over period	: INR 26

Valuation Matrix

Particulars	INR in Cr
Price Per share	44
Equity Value	16.7
Net Debt (As on September 30, 2019)	75
Enterprise Value	810
EBIDTA (FY21 Target)	70
EV/EBIDTA	11.6x
P/BV	1.6x

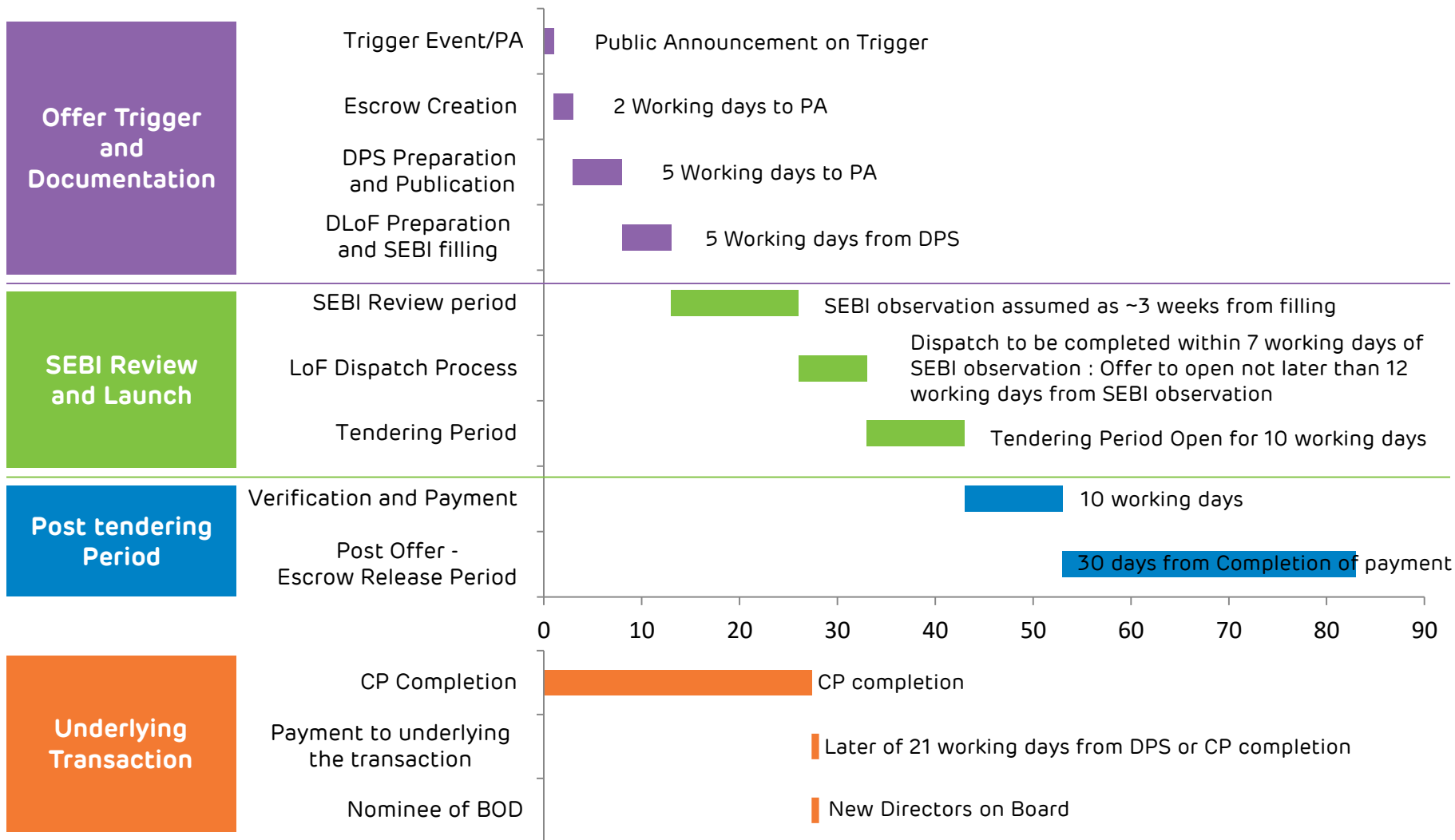
Period	Price	Premium
2W - VWAP	39.6	11%
1M - VWAP	38.7	14%
60 days - VWAP (SEBI Pricing)	39.2	12%

Proposed Transaction

Promoters Stake (40.25%)	INR 296 Cr
Open Offer (26%)	INR 191 Cr
Total Consideration	INR 487 Cr

Indicative Timeline of Key Activities for Open Offer

Open Offer – Indicative Timeline



Legal Disclaimer

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adani