



Private Equity in Shipping, Transportation & Logistics in India

Vishal Sharma
TUSCAN VENTURES



Agenda

- **Sectoral Overview**
- **Investment Rationale**
- **Investment Strategy**
- **Adding Value**



Tuscan Ventures Pvt. Ltd.

- Focus on Logistics, Transportation & Transport Infrastructure
- Incepted in September 2007
- Almost entirely comprised of Industry professionals
- Theme 2008-09: Freight Forwarding, Warehousing, CFSs, Training, Rail, Coastal Shipping, Express, NVOCCs, Domestic 3PLs, Cold Chains, Project Cargo
- Buyout / Growth Capital / Early Stage



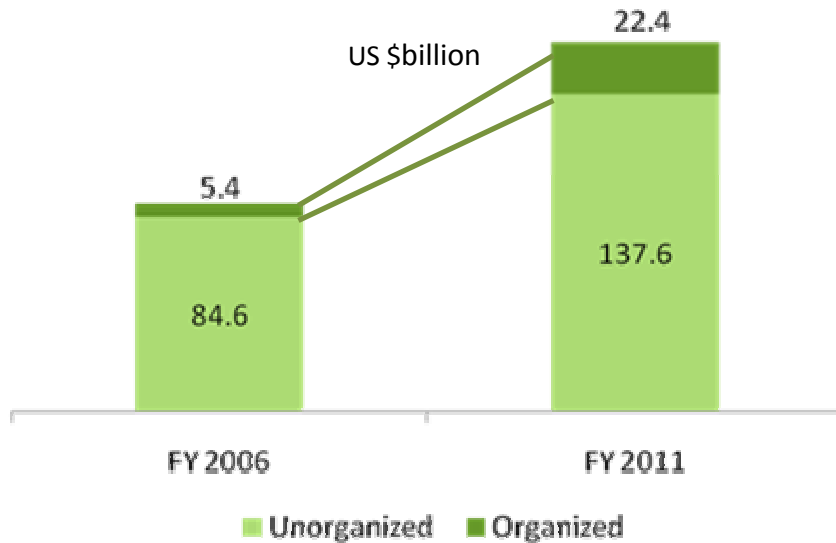
Indian Logistics at an inflection point

SECTORAL OVERVIEW

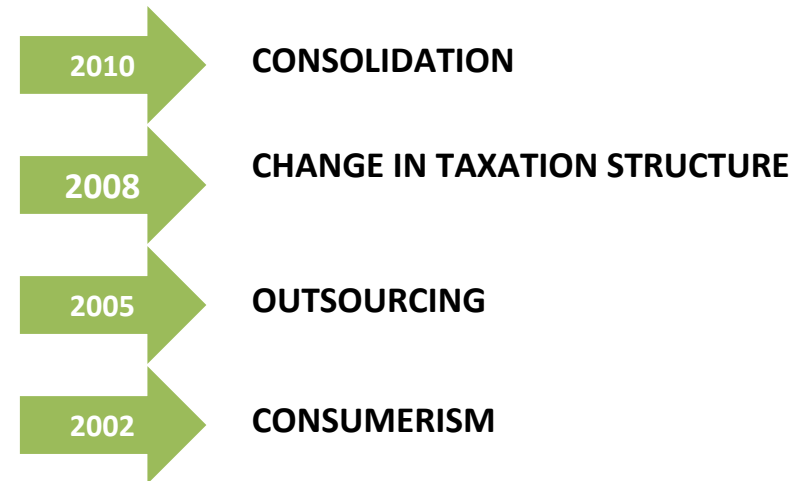


Industry Size – US\$ 100 bn+

Increasing share of organized Logistics



Drivers behind the transition



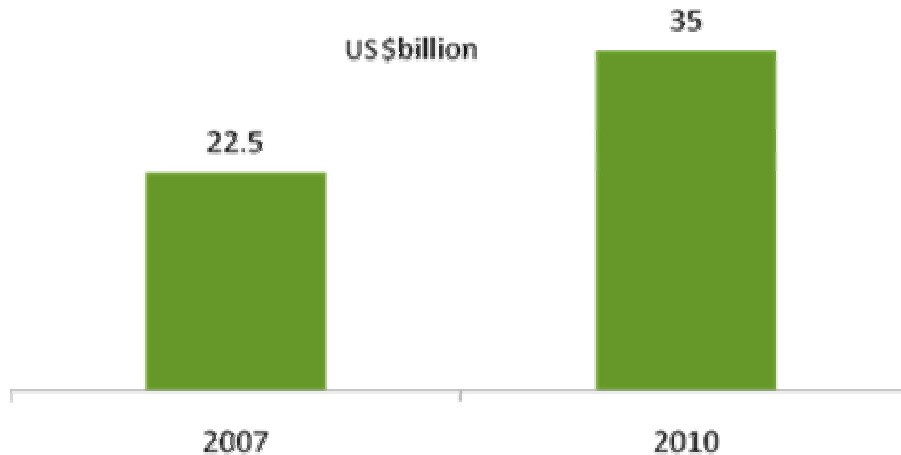
Source: SSKI research, Accenture

- Indian logistics industry expected to grow annually at the rate of 15%, reaching revenues of approximately US\$ 360 bn by 2015
- Organized logistics in India to grow at a CAGR of 25%

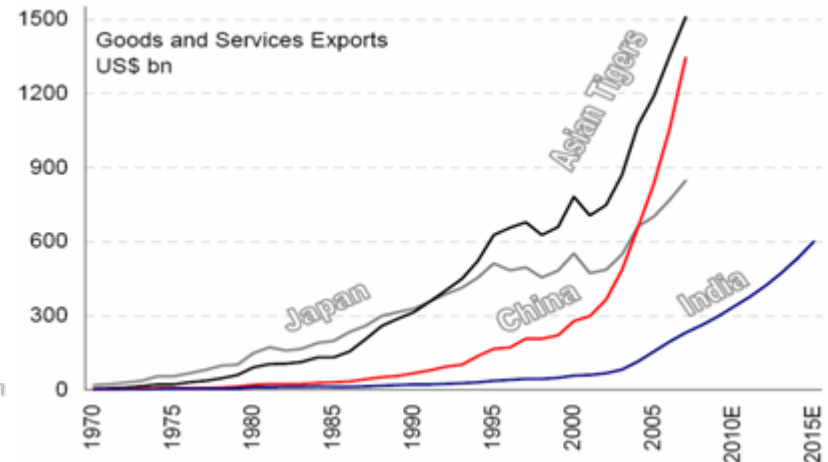


Secular Growth : 4 main drivers

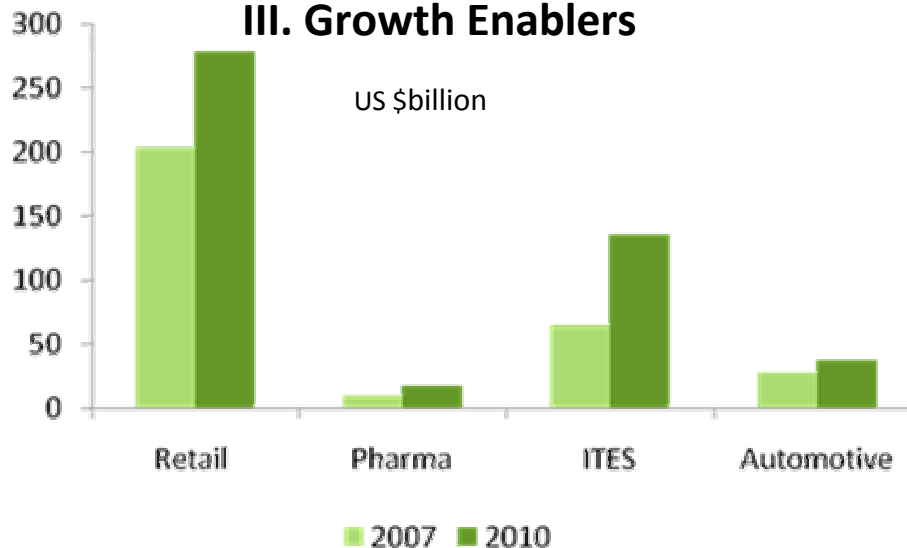
I. Outsourcing in Logistics



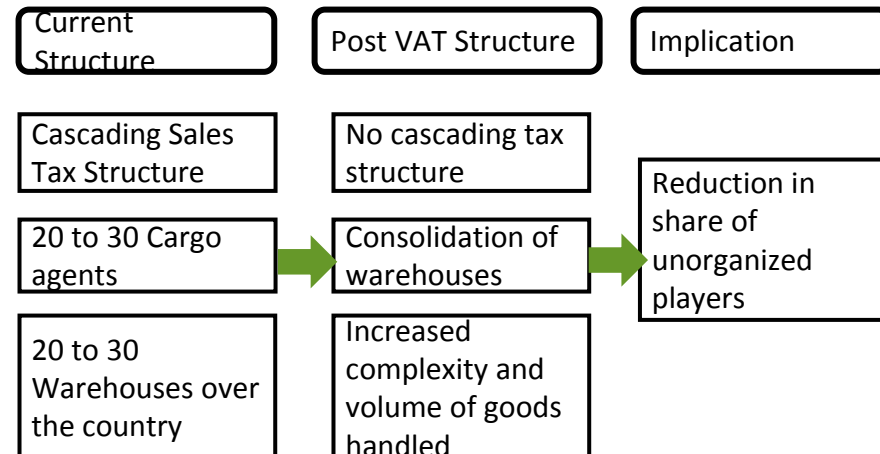
II. Growth in Exports



III. Growth Enablers



IV. Rationalization of Tax Structure





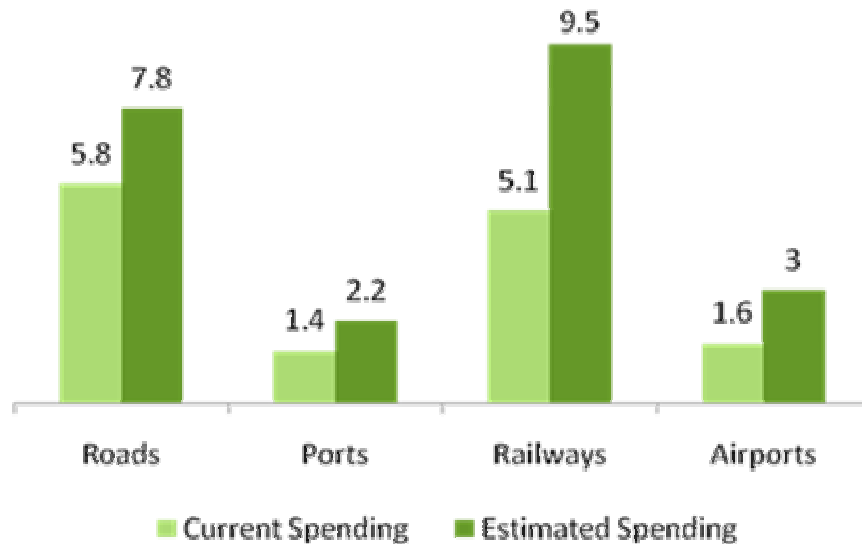
Why invest in Logistics ?

INVESTMENT RATIONALE



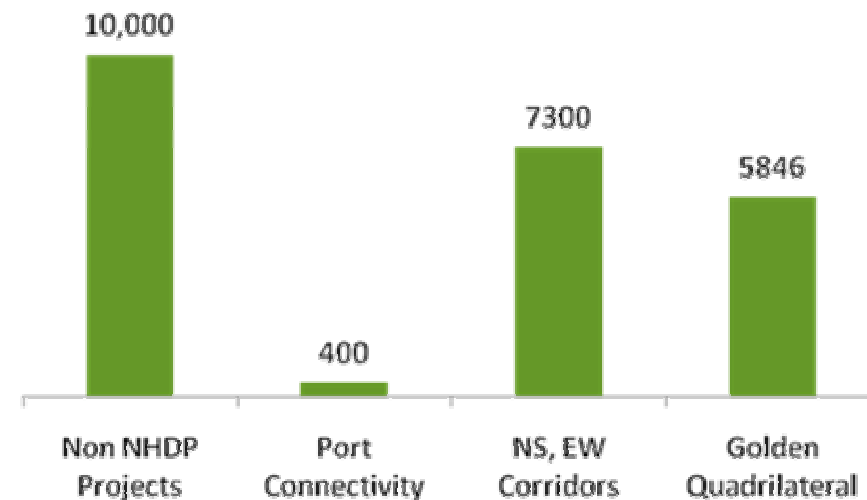
Backed by infrastructure investments (US\$ 25 bn in 2009 alone)

Infrastructure spend (US\$ bn)



Source: Company Data, Tuscan Research

Planned road expansion projects (KM)



Source: D'Essence Consulting

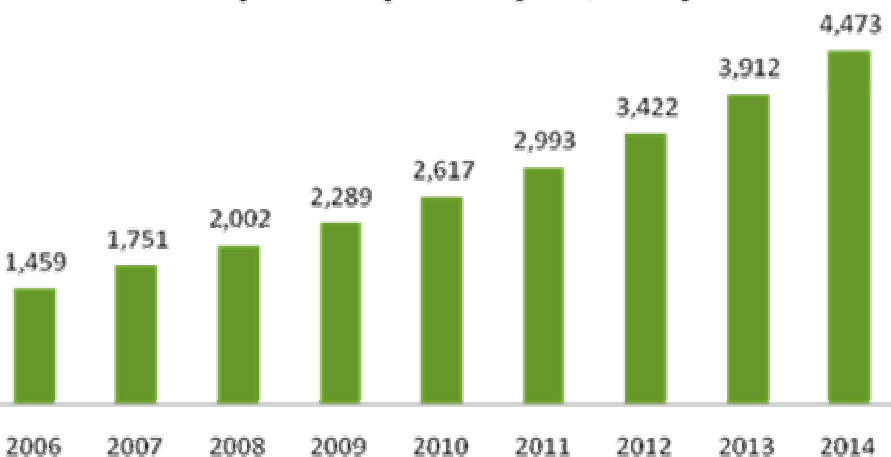
- Infrastructure spending as a percentage of GDP is expected to increase from the existing 4.7% to 8% in the next five years (Source: Industry Report, Knight Frank 2008)
- Dedicated freight corridors (Eastern and Western together)
- Existing sea port capacity per year to double by 2012 (Source: Industry Report, Knight Frank 2008)



Debt, accruals not sufficient to fund growth

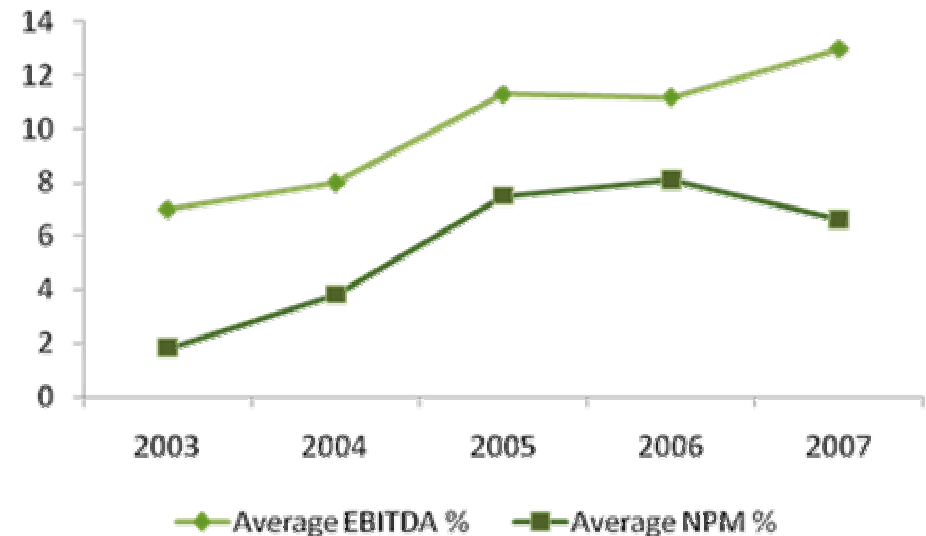
Annual capex outlay by organized logistics sector alone exceeds US\$ 2 bn

Capital Expense (US\$ mn)



Source: India Top 10 Logistics Firms ~ Annual Reports 2003-07, Tuscan Research

And traditionally low (albeit improving) margins do not allow sufficient leverage



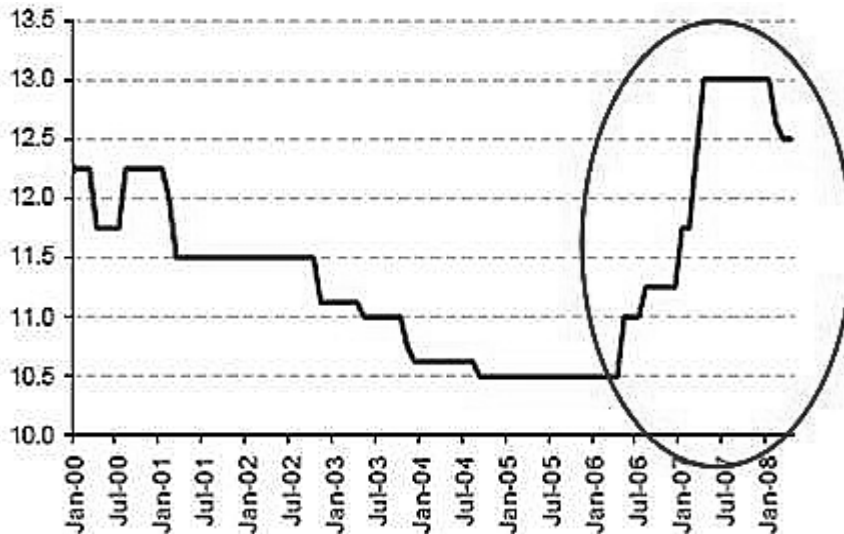
Source: Company data, Tuscan Research



Debt becoming more expensive

Increasing Interest Rates

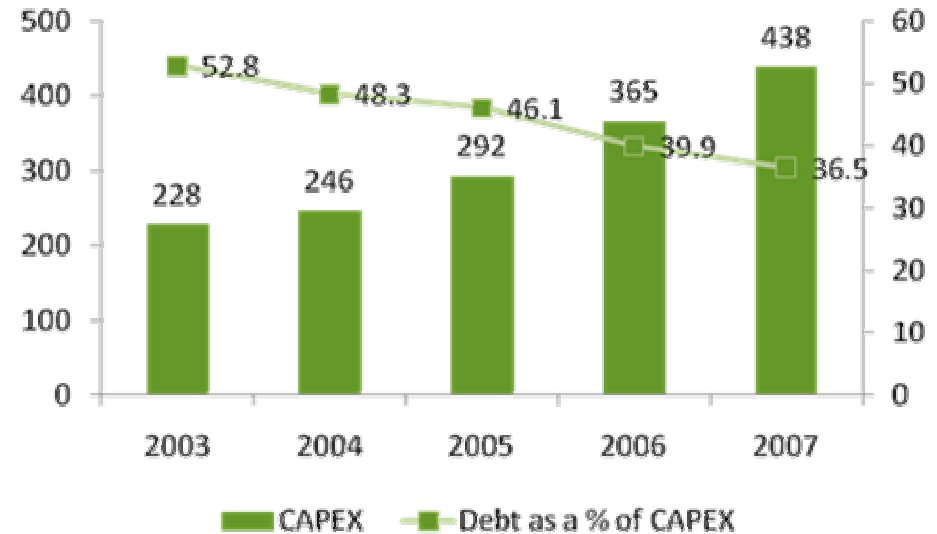
Prime lending rates have increased by more than 250 bps in the last 2 years



Source: CEIC, Morgan Stanley Research - 2008

Promoters preferring equity to debt

Promoters have pushed for expansion, but have reduced their dependence on debt to fund it

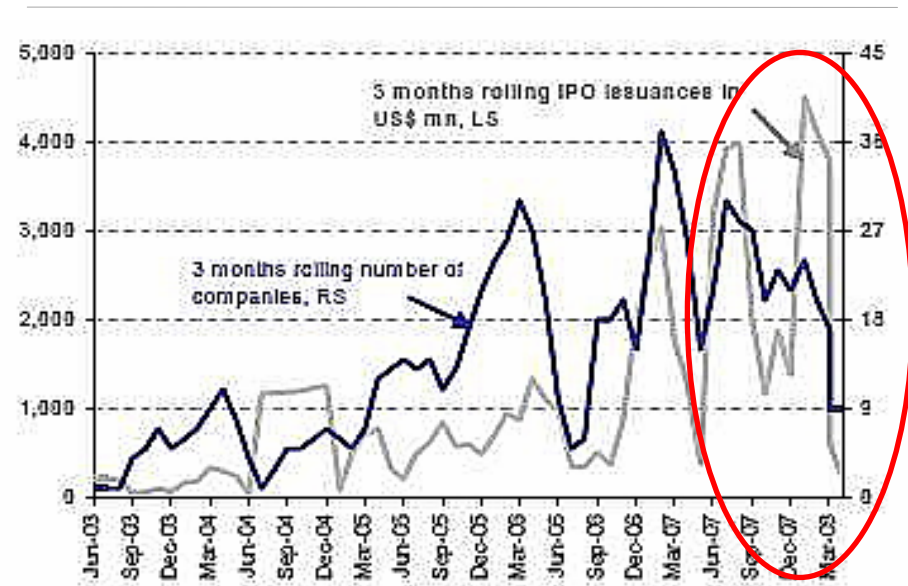


Source: India Top 10 Logistics Firms ~ Annual Reports 2003-07



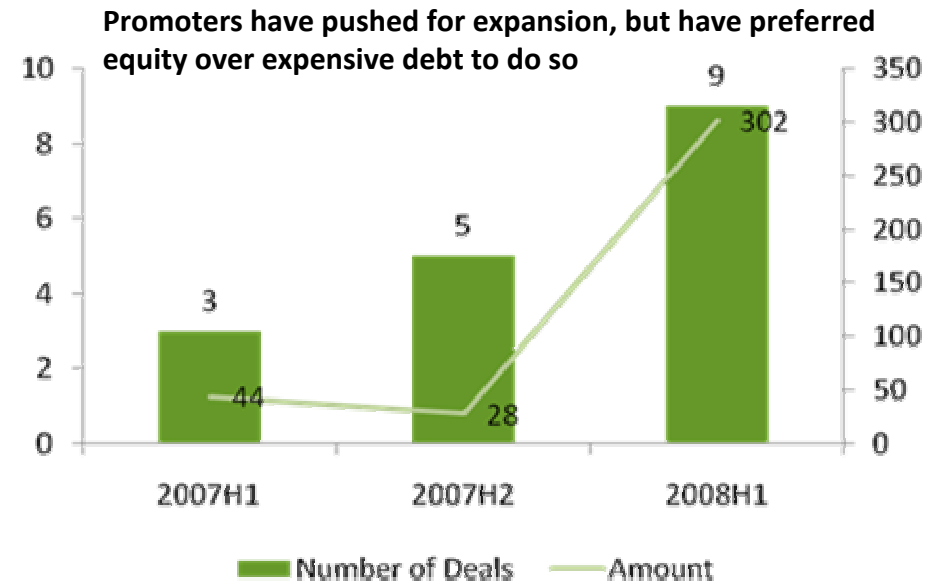
Slowing IPO market, more PE activity

Slowing IPO issuances



Source: Prime Database, Morgan Stanley India research, June 2008

Increased PE in Logistics



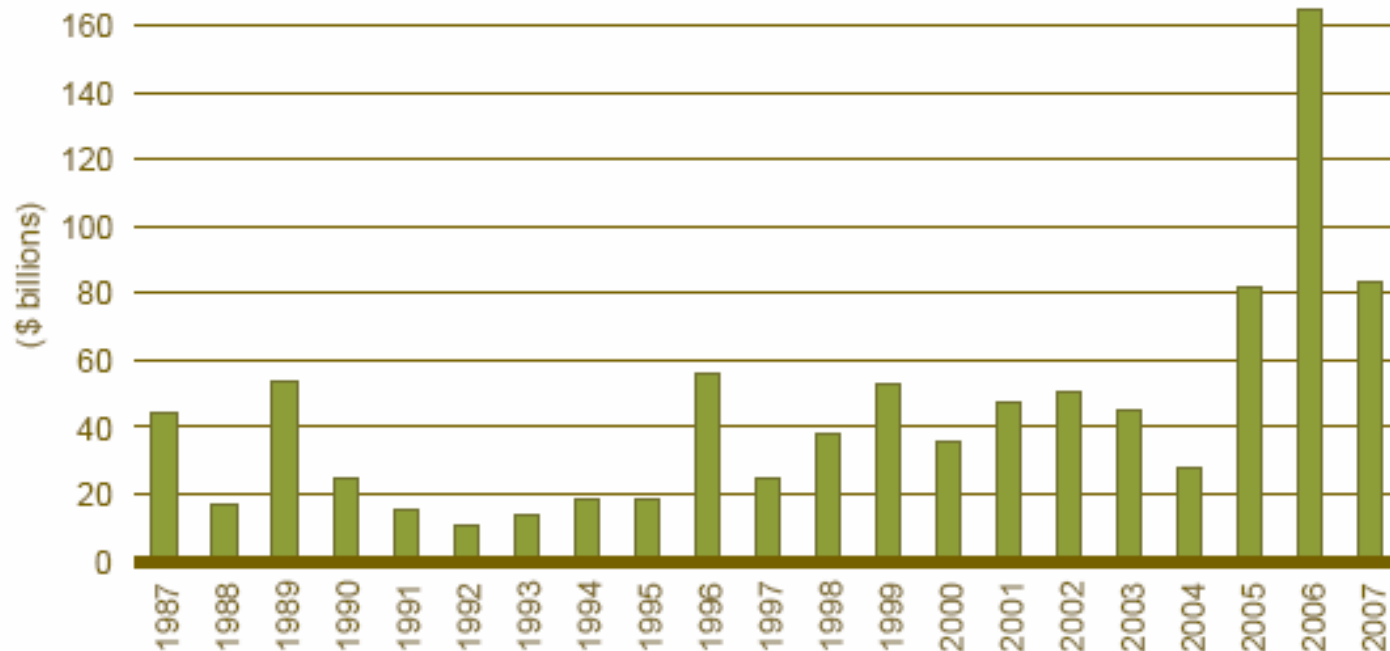
Source: SEBI, Morgan Stanley India research, June 2008

- **Slowing Equity Issuances:** Large offerings being pulled back due to global financial market turbulence, resulting in significant slowdown in equity issuances by the domestic corporate sector
- 2007 witnessed close to **US\$ 1 billion in private equity investments in this industry, representing more than 5% of total private equity investments during the year, against 3% in 2006** (Source: Indian Logistics Industry An Overview, Dewan P.N. Chopra Consultants Private Limited)



Increasing Consolidation

Deal Value in Logistics & Transportation 1987 - 2007

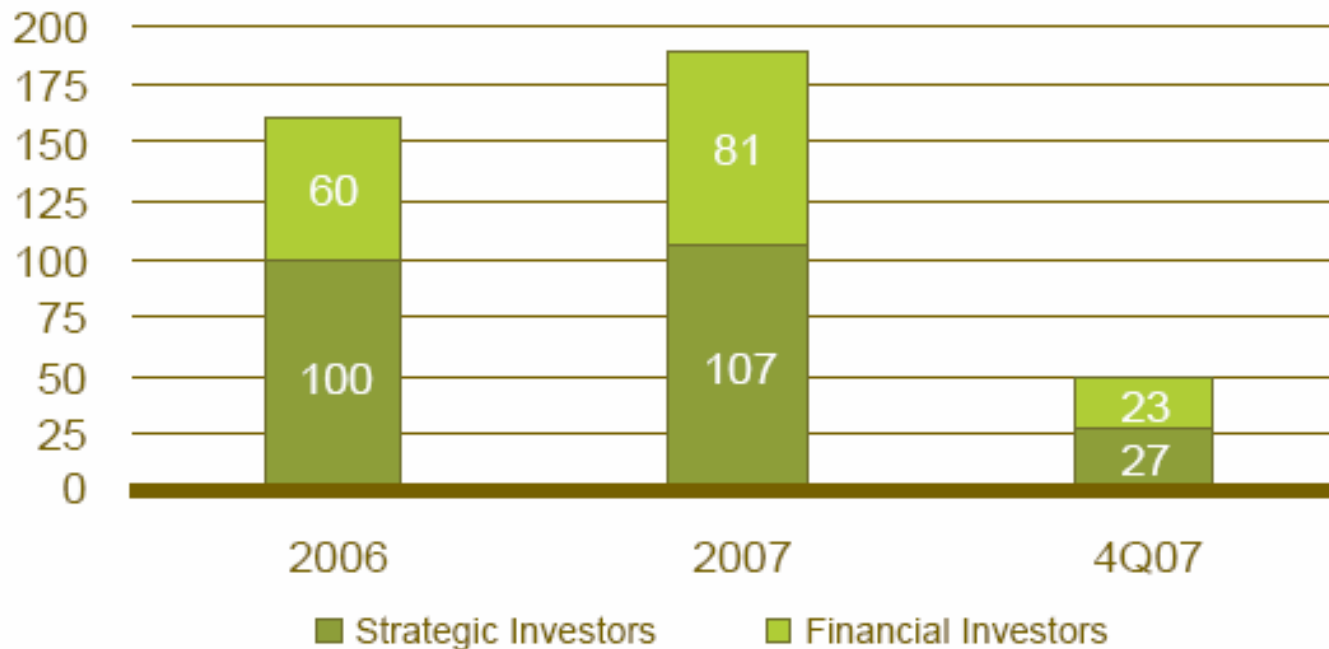


Source: Intersections, Global Transport & Logistics Mergers & Acquisition Analysis (2007Q4), Price Water house Coopers



Both financial & strategic investing

Deals by investor group. Measured by number of deals with disclosed value at or above US \$50 million.



Source: Intersections, Global Transport & Logistics Mergers & Acquisition Analysis (2007Q4), Price Water house Coopers



How to invest ?

INVESTMENT STRATEGY

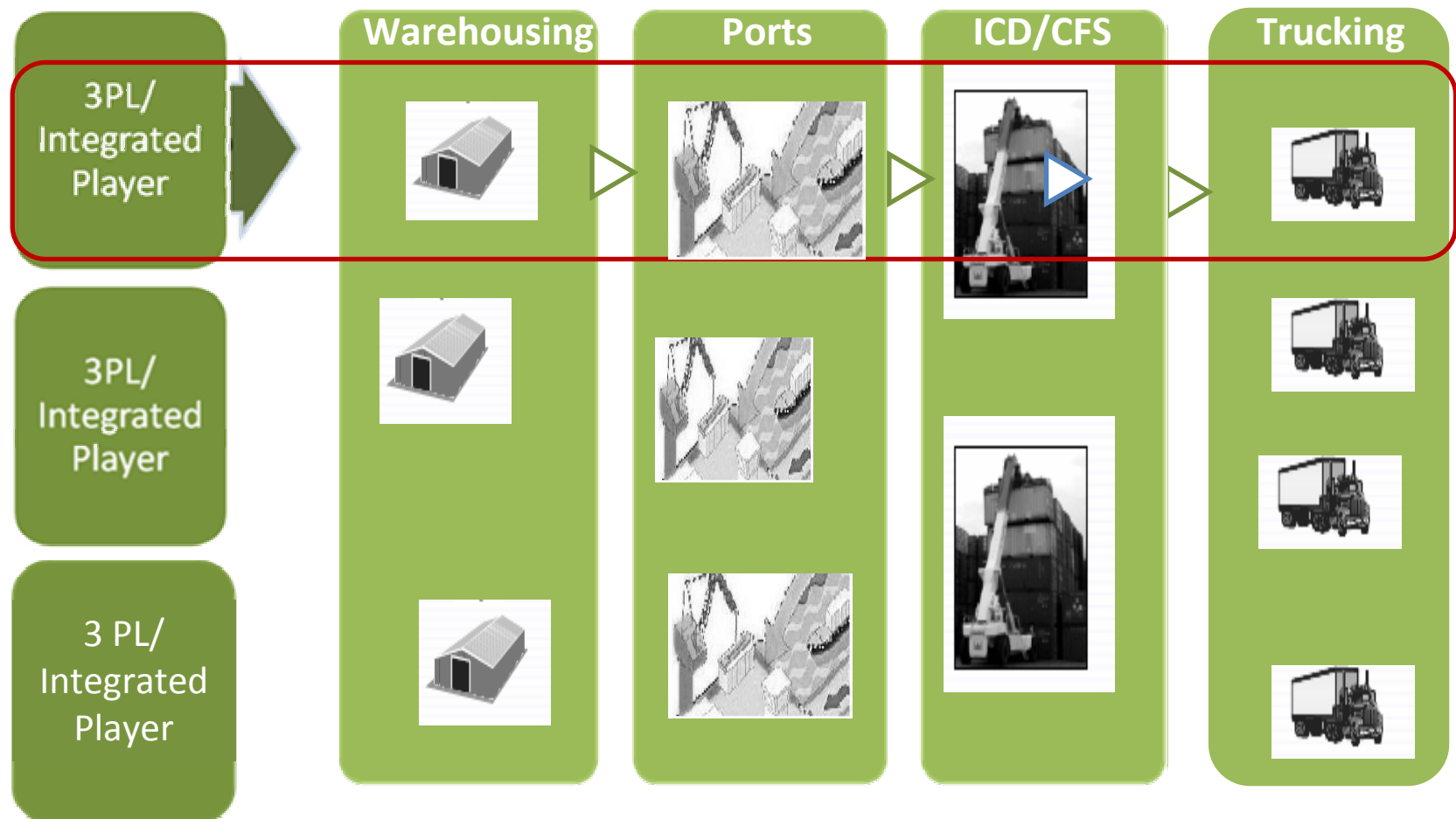


Invest in individual players in each sector across the supply chain





Invest in one player and then in companies impacted by it





Enable Synergies

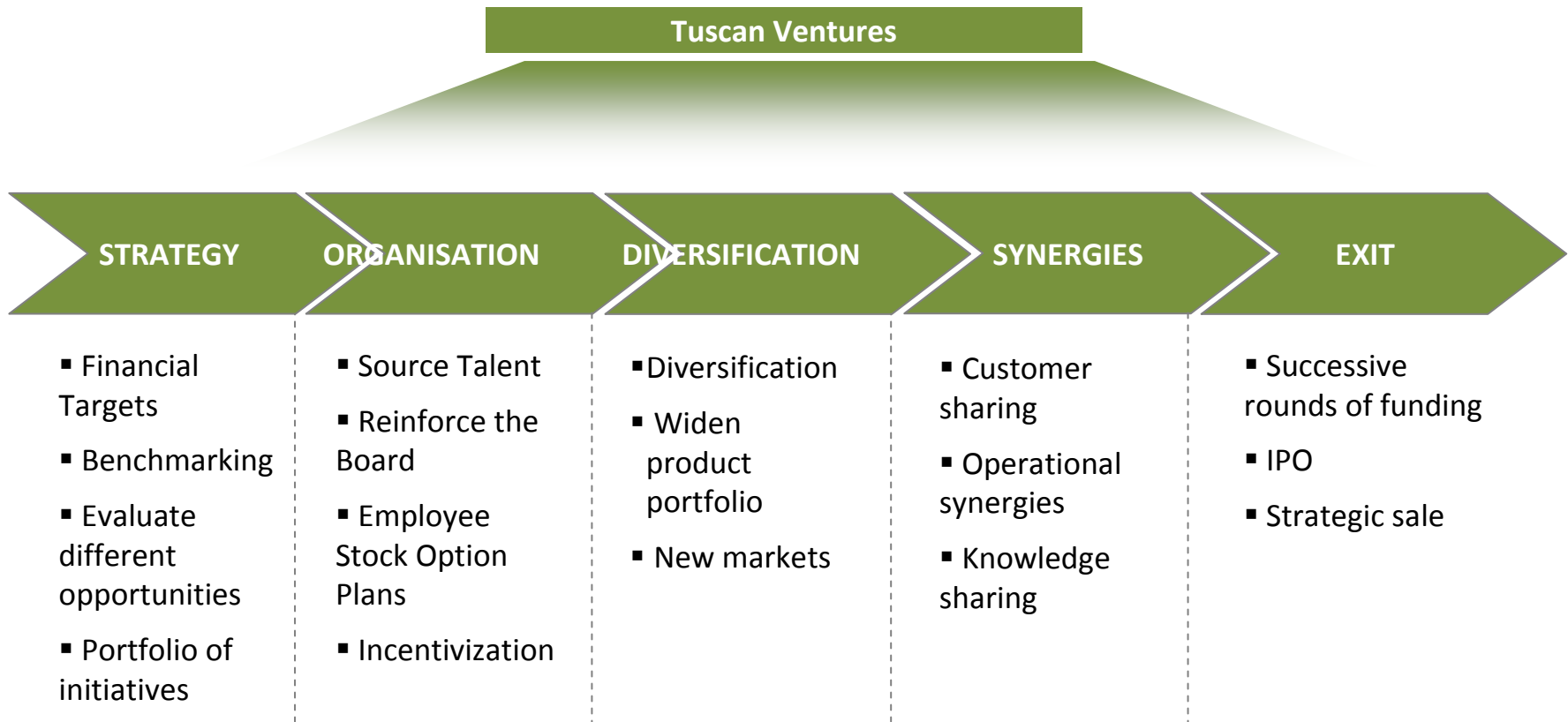
- **Commercial Synergies**
 - Warehousing / Cold Chains & Distribution
 - Private rail / ICDs
 - Minor Ports / Coastal Shipping
 - Freight Forwarding / Project Cargo

- **Organizational Synergies**
 - Knowledge sharing
 - Talent sharing
 - Resource sharing

- **Consolidation**
 - Non-duplication of asset bases



Add value





TUSCAN VENTURES
September 2008
Ports, Logistics & Shipping Conference

Thank You