

## SLGL: New cat in town...| 283 transportation assets

Friday, 13 September 2024

We initiate our coverage in Secure Logistics (SLGL), which is a bulk & containerized cargoes logistics handler over long distances and also newly enlisted at Pakistan Stock Exchange (PSX).

Our premise for the business model is based on our theme:

- ❑ SLGL has obtained TIR\* license to operate bulk cargoes on Central Asian States (CAS) routes
- ❑ Logistics business line seems to have higher margins & volumes. The case in point is the 49% gross margin in 1HCY24.

SLGL has recently unveiled its 1HFCY24 results where in the logistics company posted revenue base of PKR 1.2bn as against PKR 1.1bn reported in the same period last year. We are liking the model due to its 49% gross margin. Most of the revenue is coming from containerized cargoes.

SLGL is driving revenue from few segments. We have mentioned licensing details on following pages.

1. Long haul logistics – this revenue constitutes 96% of the total revenue as per its April Prospectus at the time of the IPO. The logistic carrier is operating with 283 transportation assets.
2. Tracker system revenue which is a bit less.

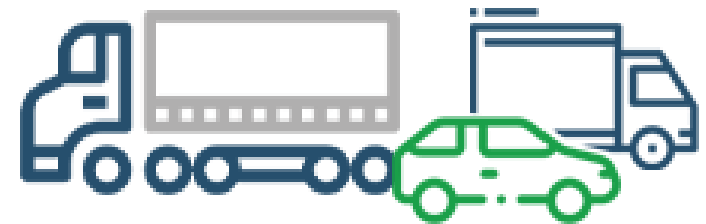
### Driving Catalyst...

SLGL is operating bulk cargoes which is plying on routes. Recently, SLGL displayed a key notice at PSX dated September 2, 2024 wherein they have stated to have attained a key license namely TIR license to operate on key Central Asian State (CAS) routes. These also include country's such as Iran & Turkey.

Just today there was a news that one CAS country *Turkemenistan* wants to access Pakistan's deepest depth port namely Gwadar for inbound goods transportation which is a positive development for bulk cargo handlers.

P&L - PKR	6MCY24	6MCY23
Gross Margin	49%	41%
EBIT Margin	37%	31%
Net Margin	18%	17%
Effect. Tax Rate	20%	17%

Source: Company books, PSX and SCS Research



### Secure Logistics - Valuation summary

	CY20	CY21	CY22	CY23	CY24E
EPS	2.37	2.24	1.75	2.44	2.50
BV	19.24	13.39	15.14	16.25	17.88
PE x	7.9	8.3	10.7	7.7	7.5
PBV	1.0	1.4	1.2	1.1	1.0

Source: Company books, PSX and SCS Research

\*SLGL is owned by one *Asia Capital Partners* as per the legal status.

The company has short term loan facilities from AKBL & HBL to the tune of PKR 495mn.

**Afaque Hussain Jokhio**  
 Research analyst

## SLGL: Initial valuations...

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### Forecast of EPS PKR 2.5/sh as at CY24...

SLGL reported 1HCY24 EPS of PKR 0.83/sh as against diluted EPS of PKR 0.69/sh reported in the same period last year. We are also enticed with the EBIT margin of 37% reported in 6MCY24. The 3Q profitability has jumped by 151% which is noticeable.

Here we have estimated CY24 EPS target of PKR 2.5/sh given increase in traffic to CAS routes. This entails PE & PBV multiple of 7.5x & 1x. We recommend HOLD stance as per our methodology as we see KSE 100 PE multiple target of 7x – 8x after reduction in policy rates to 17.5%. We expect further reductions till June 2025 which entails a higher PE target for Pakistani companies.

P&L - PKR	6MCY24	6MCY23	CHG	P&L - PKR	3MCY24	3MCY23	CHG
Revenue	1,237,537,663	1,107,571,330	12%	Revenue	646,065,117	578,549,042	12%
COGS	631,605,827	652,586,085	-3%	COGS	336,569,269	408,625,392	-18%
GP	605,931,836	454,985,245	33%	GP	309,495,848	169,923,650	82%
Admin	145,718,019	81,892,950	78%	Admin	75,715,310	46,566,939	63%
EBIT	460,213,817	343,761,760	34%	EBIT	233,780,538	123,356,711	90%
Other Exp		29,330,535		Other Exp			
Finance Cost	183,637,875	127,332,665	44%	Finance Cost	96,428,674	65,185,099	48%
Other Income	9,417,928	11,287,385	-17%	Other Income	2,441,568	10,831,759	-77%
Credit Losses	2,132,940	-		Credit Losses	1,311,315	-	
PBT	283,860,930	227,716,480	25%	PBT	138,482,117	69,003,371	101%
Tax	56,482,652	39,467,125	43%	Tax	17,367,130	20,782,499	-16%
PAT	227,378,278	188,249,355		PAT	121,114,987	48,220,872	151%
EPS	0.83	1.13		EPS	0.44	0.29	
Paid Up	2,736,391,810	1,664,350,680					
No of Shares	273,639,181	166,435,068					

Source: Company books, PSX and SCS Research

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## SLGL: Post IPO price performance...

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Secure Logistics Group Limited · 1W · PSX  19.16 +1.85 (+10.69%)



## SLGL licenses annexure...

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### SLGL: Licensing & Agreements

SLGL has recently secured two key developments that are expected to significantly impact the company's growth:

**1. TIR License Acquisition (August 7, 2024):**

SLGL successfully obtained the \*Transports Internationaux Routiers (TIR) License, enabling the company to extend its logistics services to countries under the TIR system, including Afghanistan, Central Asian States, China, Iran, and Turkey. This move positions SLGL to become a multi-market player, offering cross-border logistic solutions.

**2. CPEC Involvement Announcement:**

In addition to the TIR License, SLGL has formalized partnerships related to China-Pakistan Economic Corridor (CPEC) projects. The company has secured contracts to provide logistics support for the transportation of goods along CPEC routes, including critical corridors in Western China and Pakistan.

### TIR license is the revenue driver...

These licensing agreements are expected to enhance SLGL's revenue streams. The TIR License will enable the company to tap into new international markets, significantly increasing long-haul revenue. CPEC-related contracts, on the other hand, will contribute to continuous demand for SLGL's logistics services across strategic trade routes.

### Financial Overview

SLGL has shown growth in revenue over the past years.

The revenue breakdown from its divisions for CY 2023 shows:

- **Long-Haul Logistics:** PKR 1.804 bn (95% of total revenue)
- **Distribution Services:** PKR 75 mn (4% of total revenue)
- **Asset Tracking:** PKR 29 mn (1% of total revenue)



\*Transports Internationaux Routiers (TIR) is an international customs transit system that allows goods to be transported from one country to another in sealed containers.

**Afaque Hussain Jokhio**  
Research analyst

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- (Target Price, if any/Current Price - 1) < -10% Negative

The time duration is the financial reporting period of Subject Company

### Valuation method

Following research techniques adopted to calculate target price/recommendation

- Price to earnings & Price to Book, EV-EBITDA multiple
- Discounted Cash flows or Dividend Discount Model or Enterprise Value