

Report on Fundamental Analysis of Q2 Earnings Prediction for Snowman Logistics

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Prepared by: Group-3

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Institution: Plaksha University

Contents

0.1	Introduction	2
0.1.1	Objective	2
0.1.2	Company Overview	2
0.1.3	Methodology	2
0.2	Collection of Historical Financial Data	3
0.2.1	Purpose	3
0.2.2	Data Analysis	3
0.2.3	Observation and Analysis	4
0.2.4	Impact on Q2 Projection	5
0.3	Estimation of Revenue Growth	5
0.3.1	Revenue Growth Target	5
0.3.2	Calculation Method	5
0.3.3	Assumption Explanation	6
0.4	Operating Expense Analysis	7
0.4.1	Purpose	7
0.4.2	Historical Operating Expenses	7
0.4.3	Projection Calculation	7
0.4.4	Justification	8
0.5	EBITDA and Net Profit Calculation	9
0.5.1	EBITDA Calculation	9
0.5.2	Net Profit Calculation	10
0.5.3	Financial Insight	11
0.5.4	Reliability of Predictions	11
0.6	Conclusion	12

0.1 Introduction

0.1.1 Objective

The primary goal of this report is to project the Q2 FY2024 earnings for Snowman Logistics using a structured approach based on fundamental analysis. This prediction considers the company's recent financial performance, strategic growth targets, and anticipated market conditions. Through this analysis, we aim to provide an estimated revenue and net profit, helping to assess the company's short-term financial health and its adherence to growth objectives.

0.1.2 Company Overview

Snowman Logistics Ltd., a leading provider in the cold chain logistics sector, specializes in temperature-controlled services for the transportation and storage of perishable goods. Its operations cater to diverse industries, including pharmaceuticals, dairy, poultry, seafood, and quick-service restaurants, providing essential logistical support to maintain product quality. With a nationwide presence, Snowman Logistics has experienced steady growth in revenue, driven by a rising demand for cold storage and efficient distribution channels. Recent earnings reports highlight Snowman's focus on operational improvements and market expansion to meet the industry's evolving needs.

0.1.3 Methodology

To arrive at a robust Q2 earnings prediction, we applied a multi-step fundamental analysis approach. The process involved:

- **Historical Performance Review:** Examining recent quarterly financial results to identify key trends and growth patterns.
- **Revenue Projection:** Estimating Q2 revenue based on Snowman Logistics' annual growth targets and Q1 performance.
- **Cost Estimation:** Calculating projected operating expenses by assessing historical cost patterns and adjusting for potential increases.

- **Profitability Assessment:** Deriving EBITDA and net profit using the projected revenue and estimated operating expenses, accounting for interest expenses and tax rates.
- **Market Factors:** Evaluating external influences, such as market demand fluctuations and economic conditions, that may impact financial outcomes.

0.2 Collection of Historical Financial Data

0.2.1 Purpose

Analyzing historical financial data is essential for establishing a trend and creating a reliable foundation for earnings projections. Reviewing past quarterly performance allows us to assess the company's growth trajectory, profitability, and operating efficiency. This context is invaluable in making informed estimates for Q2 FY2024.

0.2.2 Data Analysis

Q1 FY24 Key Financial Metrics

- **Net Sales:** 140.23 Cr
- **Operating Profit:** 23 Cr
- **Net Profit:** 2.15 Cr
- **EBITDA:** 29.86 Cr
- **Earnings Per Share (EPS):** 0.13
- **EBITDA Margin:** 21.3%

Q4 FY23 Key Financial Metrics for Comparison

- **Net Sales:** 126.54 Cr
- **Operating Profit:** 27 Cr
- **Net Profit:** 7.84 Cr

- **EBITDA:** 27.60 Cr
- **Earnings Per Share (EPS):** 0.49
- **EBITDA Margin:** 21.8%

Extended Historical Data for Context

For a more comprehensive view of Snowman Logistics' performance, it's useful to consider data from Q3 FY23. By observing these metrics over three quarters, we can better understand the trends in revenue, profitability, and operating margins, providing insight into the company's recent trajectory.

Q3 FY23 Key Financial Metrics

- **Net Sales:** 130.15 Cr
- **Operating Profit:** 25 Cr
- **Net Profit:** 5.68 Cr
- **EBITDA:** 28.22 Cr
- **Earnings Per Share (EPS):** 0.35
- **EBITDA Margin:** 21.7%

0.2.3 Observation and Analysis

Examining these three quarters reveals several notable trends:

- **Revenue Growth:** Net sales have shown a steady upward trend over the last three quarters, increasing from 130.15 Cr in Q3 FY23 to 140.23 Cr in Q1 FY24. This consistent growth suggests rising demand and supports a positive sales outlook for Q2.
- **Profit Margins:** Despite variations in net profit, the EBITDA margin has remained relatively stable, ranging from 21.3% to 21.8%. This indicates consistent operational efficiency, although maintaining this margin amidst growing revenue will require effective cost management.

- **Net Profit Variability:** While revenue has steadily increased, net profit has experienced fluctuations, decreasing from 7.84 Cr in Q4 to 2.15 Cr in Q1 FY24. This decline, potentially due to higher tax liabilities or increased operational costs, will need to be considered carefully in Q2 net profit projections to account for any ongoing non-operational expenses.

0.2.4 Impact on Q2 Projection

The trends identified in these historical metrics provide a solid basis for projecting Q2 earnings. The consistent revenue growth suggests a promising Q2 sales outlook, while the stable EBITDA margin indicates operational resilience. However, the variability in net profit highlights the need to account for potential non-operational expenses when making Q2 profit estimates.

0.3 Estimation of Revenue Growth

0.3.1 Revenue Growth Target

Snowman Logistics has established a targeted annual growth rate of 20%. This ambitious goal is part of the company's strategic plan to expand its market presence and cater to the increasing demand for cold chain logistics services.

0.3.2 Calculation Method

To project the revenue for Q2 FY24 based on this 20% annual growth target, we start with the Q1 FY24 revenue:

Identify Q1 FY24 Revenue:

- Q1 FY24 Net Sales: 140.23 Cr

Determine the Growth Rate:

- Annual Growth Rate: 20% or 0.20 in decimal form.

Calculate Projected Q2 Revenue:

Using the formula:

$$\text{Projected Q2 Revenue} = \text{Q1 Revenue} \times (1 + \text{Growth Rate})$$

Substitute the values:

$$\text{Projected Q2 Revenue} = 140.23 \times (1 + 0.20)$$

Calculating Step-by-Step:

First, calculate $1 + 0.20$:

$$1 + 0.20 = 1.20$$

Next, multiply the Q1 revenue by this result:

$$\text{Projected Q2 Revenue} = 140.23 \times 1.20$$

Perform the multiplication:

$$140.23 \times 1.20 = 168.276$$

Rounding to two decimal places:

$$\text{Projected Q2 Revenue} = 168.28 \text{ Cr}$$

0.3.3 Assumption Explanation

The assumption of a 20% growth rate is reasonable based on historical growth patterns and ongoing market expansion efforts. In Q1 FY24, Snowman Logistics experienced approximately a 10% revenue increase compared to Q4 FY23, indicating solid growth momentum. Additionally, the company's proactive strategies in enhancing operational capabilities and expanding its service offerings support the feasibility of achieving a 20% annual growth target.

0.4 Operating Expense Analysis

0.4.1 Purpose

The analysis of operating expenses is crucial as it directly influences the overall profitability of Snowman Logistics. By understanding and projecting these costs, we can better assess the company's financial health and net earnings potential for Q2 FY24.

0.4.2 Historical Operating Expenses

In Q1 FY24, the operating expenses of Snowman Logistics amounted to 117 Cr. This figure serves as the baseline for our projections for the upcoming quarter.

0.4.3 Projection Calculation

To estimate the operating expenses for Q2 FY24, we will assume a 10% growth rate. This increase is attributed to factors such as inflation, rising labor costs, and business expansion initiatives.

Identifying Q1 FY24 Operating Expenses:

- Q1 FY24 Operating Expenses: 117 Cr

Determining the Growth Rate:

- Estimated Growth Rate for Operating Expenses: 10% or 0.10 in decimal form.

Calculate Estimated Operating Expenses for Q2:

Using the formula:

$$\text{Estimated Operating Expenses for Q2} = \text{Q1 Operating Expenses} \times (1 + \text{Growth Rate})$$

Substitute the values:

$$\text{Estimated Operating Expenses for Q2} = 117 \times (1 + 0.10)$$

Calculating Step-by-Step:

First, calculate $1 + 0.10$:

$$1 + 0.10 = 1.10$$

Next, multiply the Q1 operating expenses by this result:

$$\text{Estimated Operating Expenses for Q2} = 117 \times 1.10$$

Perform the multiplication:

$$117 \times 1.10 = 128.7$$

Therefore:

$$\text{Estimated Operating Expenses for Q2} = 128.7 \text{ Cr}$$

0.4.4 Justification

The decision to use a 10% growth rate for projecting operating expenses is supported by several factors:

- **Inflation:** Rising inflation rates impact various costs, including utilities, wages, and materials, leading to higher operational expenses.
- **Business Expansion:** As Snowman Logistics continues to expand its operations, additional expenses are likely associated with increasing workforce requirements, training, and equipment procurement.
- **Historical Trends:** Past performance suggests that operating expenses have typically grown in line with revenue expansion. The company's strategic focus on growth necessitates that we account for rising costs associated with such initiatives.

0.5 EBITDA and Net Profit Calculation

0.5.1 EBITDA Calculation

EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) is a crucial measure of a company's operating performance. It provides insight into earnings generated from core business operations by excluding the effects of financing and accounting decisions.

Formula

The formula to calculate EBITDA is:

$$\text{EBITDA} = \text{Revenue} - \text{Operating Expenses}$$

Calculation Steps

- **Projected Revenue for Q2 FY24: 168.28 Cr** (calculated in the revenue growth estimation).
- **Estimated Operating Expenses for Q2 FY24: 128.7 Cr** (calculated in the operating expense analysis).

Calculate EBITDA

Substituting the values into the formula:

$$\text{EBITDA} = 168.28 - 128.7$$

Calculating Step-by-Step

Perform the subtraction:

$$\text{EBITDA} = 168.28 - 128.7 = \mathbf{39.58}$$

Therefore:

$$\text{EBITDA} = \mathbf{39.58 \text{ Cr}}$$

0.5.2 Net Profit Calculation

Net profit is a critical measure that indicates the company's profitability after all expenses, including interest and taxes, have been deducted.

Calculation Steps

- **EBITDA: 39.58 Cr** (calculated above).
- **Interest Expenses: 6 Cr.**

Calculate Net Profit Before Tax

Using the formula:

$$\text{Net Profit Before Tax} = \text{EBITDA} - \text{Interest}$$

Substituting the values:

$$\text{Net Profit Before Tax} = 39.58 - 6$$

Calculating Step-by-Step

Perform the subtraction:

$$\text{Net Profit Before Tax} = 39.58 - 6 = \mathbf{33.58}$$

Therefore:

$$\text{Net Profit Before Tax} = \mathbf{33.58 \text{ Cr}}$$

Tax Rate

Assume a tax rate of 30% or 0.30 in decimal form.

Calculate Net Profit After Tax

Using the formula:

$$\text{Net Profit After Tax} = \text{Net Profit Before Tax} \times (1 - \text{Tax Rate})$$

Substituting the values:

$$\text{Net Profit After Tax} = 33.58 \times (1 - 0.30)$$

Calculating Step-by-Step

First, calculate $1 - 0.30$:

$$1 - 0.30 = 0.70$$

Then multiply:

$$\text{Net Profit After Tax} = 33.58 \times 0.70$$

Perform the multiplication:

$$\text{Net Profit After Tax} = \mathbf{23.51}$$

Therefore:

$$\text{Net Profit After Tax} = \mathbf{23.51 \text{ Cr}}$$

0.5.3 Financial Insight

Based on the calculations, the estimated net profit for Snowman Logistics in Q2 FY24 is approximately **23.51 Cr**. This projection reflects a solid growth trajectory driven by increased revenue and controlled operating expenses, albeit tempered by interest costs and taxation.

0.5.4 Reliability of Predictions

Several factors enhance the reliability of these projections, along with some limitations:

Factors Adding Confidence

- **Historical Performance:** Consistent revenue growth observed in previous quarters provides a solid foundation for revenue projections.
- **Targeted Growth Rate:** The ambitious but achievable target of 20% annual growth aligns with industry expansion trends and company strategies.

Limitations

- **Market Volatility:** Economic conditions can affect demand in the logistics sector, leading to fluctuations in revenue and profitability.
- **Operational Risks:** Supply chain challenges, regulatory changes, or unexpected costs could impact actual performance compared to projections.

0.6 Conclusion

The fundamental analysis conducted for predicting Q2 FY2024 earnings for Snowman Logistics indicates a promising financial outlook. Based on our calculations, which took into account historical performance, projected revenue growth of 168.28 Cr, and estimated operating expenses of 128.7 Cr, we anticipate the company will achieve a net profit of approximately **23.51 Cr**.

This projection highlights Snowman Logistics' ongoing operational improvements and its capacity to navigate market demands effectively. Moreover, the reliable growth trajectory, supported by a targeted annual growth rate of 20%, suggests that the company is well-positioned to capitalize on emerging opportunities in the logistics sector. While market volatility and operational risks pose challenges, the strategic initiatives implemented by Snowman Logistics provide confidence in achieving sustainable profitability in the upcoming quarter.

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