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Agarwal Packers scouts for strategic investor

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Mumbai, Jun 25 () Logistics firm Agarwal Packers & Movers has said it will "very soon" bring on board a strategic investor after meeting certain revenue targets and may go for an IPO in the next three years.

The Delhi-based company has also drawn up a Rs 650-crore investment plan for the next three years.

"We are waiting for the topline to get better," the family-owned firm's chairman Ramesh Agarwal told when asked about capital raising plans.

He said the company clocked a revenue of Rs 500 crore last year and it plans to induct a "strategic partner" once the revenue crosses Rs 550-600 crore. The share sale to a strategic investor would be "very soon", Agarwal said.

The company, which is into surface transport and door-to-door delivery, was planning to raise up to Rs 100 crore by offloading 10 per cent stake to a private equity investor two years ago, but Agarwal said he has abandoned those plans and would like to have a strategic investor rather than a financial one.

But he did not disclose how much equity he is ready to part with or how much would be valuation.

The Delhi-based company is targeting to take the revenue to Rs 1,000 crore over the next three years, and Agarwal said once it reaches that level, it will be looking at a share sale through an initial public offer.

It can be noted that there has been a renewed interest in the logistics sector, which stands to benefit under the forthcoming Goods and Services Tax (GST) that seeks to convert the country into a single market.

Many privately or closely held companies are looking to raise money through financial or strategic investors, terming the introduction of GST as positive.

Agarwal said his company sees a greater demand for what it calls as "virtual warehouses" which will be located in four different regions sans any considerations of state-wise tax implications after the GST regime comes into play.

A bulk of the investments of over Rs 650 crore over the next three years will be in warehouses, he said, adding the company is planning to have one each in the North, Centre, East, West and the South.

The company has identified Jaipur, Jamshedpur, Hosur and Malkapur near Nashik for this, Agarwal said, adding the company has already invested some money as part of the plan.

Though he welcomed the GST, he said the current legislation leaves scope for a lot of "ambiguity" and feared that the courts will be flooded with cases.

Citing his industry's example, he said classification as a courier company will entail a tax of 18 per cent whereas that as a goods transporter will invite a 5 per cent tax.

"It is a golden chance, nothing should go into the court. This is going to be a painful area. The government says let's start now but the hands of the courts will be full. We don't want the courts to decide on this," he said. AA BEN KRK MKJ SBT