

Aegis Logistics

Estimate change	↔
TP change	↔
Rating change	↔

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Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USD\$)	67.5 / 0.9
52-Week Range (INR)	267 / 108
1, 6, 12 Rel. Per (%)	2/33/5
12M Avg Val (INR M)	40

Financials & Valuations (INR b)

Y/E March	2020	2021E	2022E
Sales	71.8	77.4	91.1
EBITDA	2.8	5.9	6.8
Adj. PAT	1.0	3.5	4.1
Adj. EPS (INR)	3.0	10.4	12.4
EPS Gr.%	-55.0	247.4	19.7
BV/Sh.INR	49.5	57.6	67.2

Ratios

Net D:E	0.0	-0.2	-0.3
RoE (%)	6.5	19.3	19.9
RoCE (%)	9.0	20.2	20.5
Payout (%)	65.6	22.3	22.3

Valuation

P/E (x)	66.3	19.1	15.9
P/BV (x)	4.0	3.4	2.9
EV/EBITDA (x)	23.7	10.7	8.6
Div. Yld (%)	0.9	1.0	1.2
FCF Yld (%)	-4.2	6.0	8.0

Shareholding pattern (%)

As On	Mar-20	Dec-19	Mar-19
Promoter	59.6	59.6	60.6
DII	2.7	2.4	2.3
FII	12.5	12.5	12.4
Others	25.3	25.6	24.7

FII Includes depository receipts

CMP: INR199 **TP: INR245 (+23%)** **Buy**

Normalcy to return in 2HFY21; strong growth likely in FY22

- Higher-than-estimated other expenditure, combined with lower LPG throughput, led to an EBITDA miss during the quarter. Due to COVID-19-led lockdown, LPG logistics volumes were down 24% QoQ (up by a mere 3% YoY). The company kept LPG terminals operational during lockdown to fulfill higher LPG demand.
- Despite the impact of the shutdown witnessed in the quarter, LPG distribution volumes were up 13% QoQ (+49% YoY), primarily aided by a surge in LPG cylinder volumes (45% YoY) and LPG industrial volumes (+66% YoY). This was supported by expansion in the company's distribution network.
- For FY20, the company recorded LPG logistics volumes growth of 20% YoY, and LPG distribution volumes growth was up 44% YoY.
- According to management, due to economic slowdown, expect the Liquids segment's volume to be flattish YoY in FY21. On the other hand, expect a boost in gas volumes in 2HFY21 from the Uran-Chakan pipeline and Pipavav Railway Gantry.
- With some minimal delay in project developments led by nationwide lockdowns, the company is still expected to see gas throughput jump ~1.0mmtpa over the next two years (on base of 3.0mmtpa in FY20).
- We remain positive on the company's Gas division and reiterate Buy.

EBITDA miss led by higher other expenditure

- AGIS reported 4QFY20 EBITDA of INR930m (-10% YoY), 29% below est., on higher other expenditure and lower LPG throughput.
- The company recognized ESOP expenses of INR0.4b (in addition to INR1.9b for 9MFY20). It continues to take an INR20m commission provision toward the managing directors (in addition to INR60m for 9MFY20) in the other expenses for the quarter.
- Other income came in higher than estimated, resulting in PBT of INR860m (flat YoY and QoQ). Tax rate for the quarter stood at 45.8% as the company adopted the new lower tax rate (by realizing deferred tax assets).
- PAT for the quarter stood at INR341m (-45% YoY).
- EBITDA for Liquids increased 28% YoY to INR370m and EBITDA for Gas increased 37% YoY to INR1,220m in the quarter.
- Autogas volumes decreased 6% QoQ to 6.8kmt (4% YoY) due to lockdown in the latter part of March. AGIS operates 115 stations, and the company had earlier guided for ~200 stations over the next five years.

Provisioning for ESOPs hurts bottom line in FY20

- In FY20, EBITDA stood at INR2.8b (-25% YoY), PBT at INR2.1b (-31% YoY), and PAT at INR1b (-55% YoY), with the tax rate at 35.5% for the year (due to DTA benefits).
- However, adjusting for ESOPs (of INR2.4b) and commissions (of INR0.8b), adj. EBITDA was up 41% YoY to INR5.2b and PBT 50% YoY to INR4.5b (due to higher other income); PAT stood at INR2.9b (+32% YoY).
- The Liquids division's EBITDA grew by 32% YoY to INR1.4b, primarily due to ramp-up witnessed at the Kandla and Haldia terminals. The Gas division's EBITDA grew at 37% to 4.2b, led by a strong performance in the LPG Logistics segment.

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Outlook for FY21 – expect normalcy from 2HFY21

- **Liquids business:** AGIS expects economic slowdown to impact chemical imports in the country in the current fiscal, particularly in 1HFY20. Thus, the company has guided that growth in the Liquids business would remain subdued in FY21. Factoring the aforementioned, we have built in logistics at 0.69m KL (flat YoY in FY21) and growth of 11% YoY to 0.76mn KL in FY22.
- **Gas business:** In April, imports from OMCs were higher (owing to higher LPG demand). However, the current LPG inventory is huge as refineries have ramped up their throughput gradually coming out of lockdown.
- Thus, expect lower LPG imports by OMCs in the coming months. Also, company expects 1QFY21 LPG throughout volumes to marginally decline (v/s 4Q). Volumes at Pipavav are likely to be disturbed due to the ongoing Railway Gantry project.
- Expect the Uran-Chakan pipeline and railway gantry to add gas volumes in FY21; volume additions would happen in 2HFY21 after some softness witnessed in 1HFY21. Factoring this, we have built in volumes at 3.2mmtpa for FY21 (v/s 3mmtpa in FY20) and ~4.1mmtpa in FY22.
- **Retail business:** The Auto segment saw a huge impact from the lockdown over Apr–May; however some rebound in volumes has been observed in June as states stagger out of lockdown. Karnataka, the largest market for the company, is seeing good volume traction. For its Retail segment, the company expects activity to return to normal only after 1HFY21.

Three-year ESOP – a non-cash expense

- ESOP expense is taken as credit against Reserves and Surplus in the balance sheet, translating to no change in the company's net worth.
- The company has granted ~5.66m shares under ESOP for FY20; the same number of shares (5.66m) would be issued in FY21 and FY22 each, resulting in the total shares issued under ESOP at ~17m.
- Expense under ESOP would be ~INR3.35b, of which ~INR2.4b has been recognized in FY20, and INR0.93b would be recognized in FY21 and INR0.17b in 1QFY22. The ESOPs are only for senior employees, and promoters are not eligible for it.

Gas logistics – the next leg of profitability

- Over FY20–22, AGIS is expected to post a logistics volume CAGR of ~16%, with a logistics EBITDA CAGR of ~18%. Logistics enhancement is also expected to help the company ramp up its market share.
- Logistics is expected to contribute ~60% to the Gas division's total EBITDA in FY22, led by improving utilization at the Mumbai, Pipavav, and Haldia LPG terminals. Kandla would add to sales volumes from FY22 as the company is already in talks with OMCs to pre-book volumes.
- AGIS currently has an EBITDA breakup of 75% for Gas and 25% for Liquids. We believe the EBITDA pie is set to incline more toward the LPG segment, which also enjoys the increasing impetus of governmental schemes (i.e., PMUY). The company further plans to set up an additional LPG terminal in southern India.
- The stock trades at 15.9x FY22 EPS of INR12.4 and EV/EBITDA of 8.6x FY22E. The company has declared final dividend of INR1.2/share (totaling INR1.7/share for FY20). We value AGIS using the DCF methodology to arrive at a fair value of INR245/share. Maintain Buy.

Consolidated – Quarterly Earnings Model

(INR m)

Y/E March	FY19				FY20				FY19	FY20	FY20	Var vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	est (%)
Net Sales	10,169	14,259	13,205	18,526	19,553	18,177	21,686	12,417	56,158	71,833	21,881	-43%
YoY Change (%)	18.8	14.9	-8.4	48.0	92.3	27.5	64.2	-33.0	17.2	27.9	18.1	
EBITDA	864	887	926	1,031	1,020	-281	1,096	930	3,709	2,765	1,319	-29%
Margins (%)	8.5	6.2	7.0	5.6	5.2	-1.5	5.1	7.5	6.6	3.8	6.0	
Depreciation	121	125	129	131	159	170	172	187	505	687	175	7%
Interest	65	73	51	72	85	74	94	79	262	331	94	-16%
Other Income	12	21	12	37	62	26	46	195	82	328	70	180%
PBT	690	710	758	865	839	-499	876	860	3,023	2,076	1,119	-23%
Tax	98	135	106	163	215	-157	284	394	502	736	281	1%
Rate (%)	14.2	19.0	14.0	18.9	25.7	31.5	32.4	45.8	16.6	35.5	25.1	
MI & P/L of Asso. Cos.	75	86	61	85	54	72	93	125	307	344	88	42%
Reported PAT	516	489	591	617	570	-414	499	341	2,214	996	749	-54%
YoY Change (%)	17.5	-6.1	10.5	27.9	10.3	-184.6	-15.6	-44.7	11.9	-55.0	21.4	

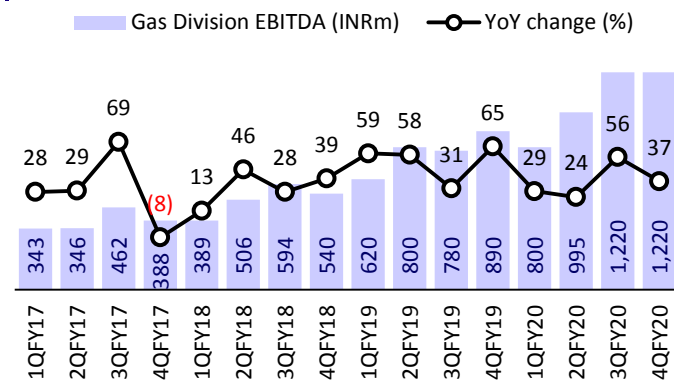
E: MOSL Estimates

Project development – slight delay due to COVID-19-led shutdown

- **MUMBAI** – The long-awaited (HPCL's) Uran-Chakan pipeline is finally complete, and the first gas in the pipeline has started flowing from June. AGIS expects incremental annualized volumes of ~500,000mtpa (taking the total throughput to 1.2mmtpa) through this pipeline at full utilization.
- **PIPAVAV** – The company is building a railway gantry (and two additional spheres of 1,900mt each). Nationwide lockdown from the last week of March led to operational closure at Pipavav for six weeks; thus, the project is expected to be delayed by three months and would be commissioned in 3QFY21.
- AGIS expects incremental throughput of ~300,000–500,000mtpa via the rail route. The Pipavav Gantry project would be cost lucrative for OMCs' bottling plants in northern India.
- **KANDLA** – The construction of a new LPG project at Kandla with a static capacity of 45,000mt was halted from the end of March to 20th April. Despite worker strength at just 50% of pre-COVID-19 levels, the project is progressing well; however, it is expected to witness a two-month delay. Thus, it is likely to get commissioned by the end of 4QFY21, and any earnings impact would only come in FY22.
- The project is on the grid of the Jamnagar-Loni Pipeline (JLPL) and the proposed KGPL pipeline. Throughput of ~1,000,000mtpa is expected in the first full year of operations (i.e., FY22), and another ~700,000mtpa would be the potential off-take by OMCs once the pipeline is commissioned.
- **Liquid capacity expansion is on track:** the Haldia 12,000KL expansion is expected to be completed by 1HFY21, Kochi 20,000KL by 1HFY21, and Mangalore 50,000KL by FY21 (earnings impact to reflect only in FY22).

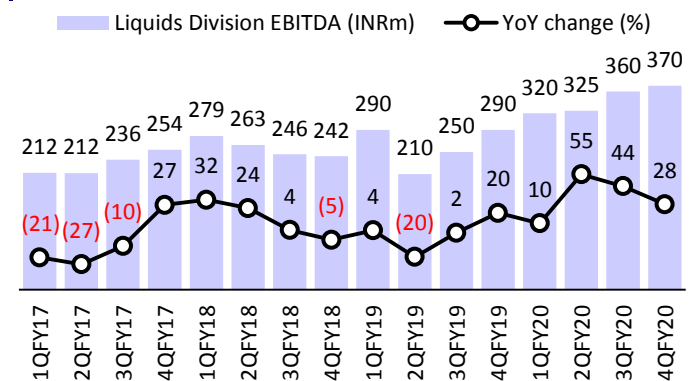
Key charts from the quarter

Exhibit 1: Gas division's EBITDA up 37% YoY to INR1,220m



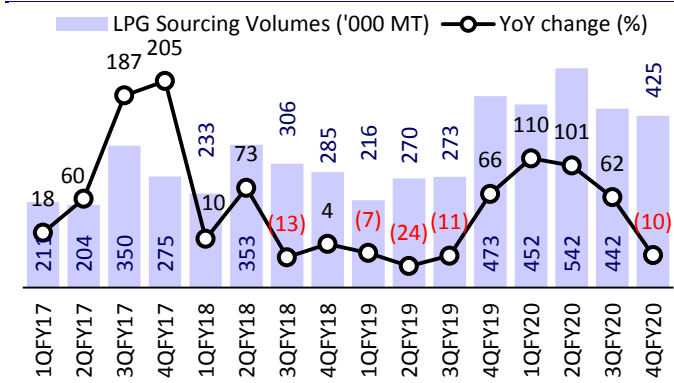
Source: Company, MOFSL

Exhibit 2: Liquids division's EBITDA up 28% YoY to INR370m



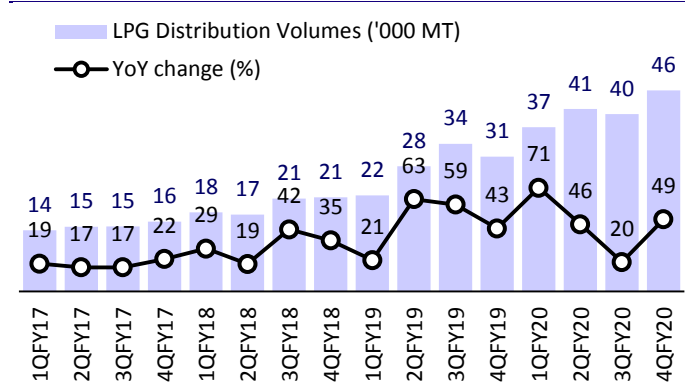
Source: Company, MOFSL

Exhibit 3: LPG sourcing volumes decreased 10% YoY



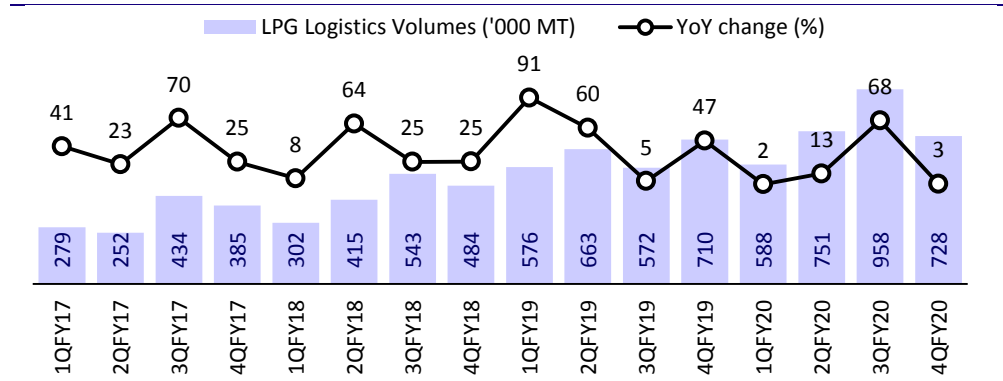
Source: Company, MOFSL

Exhibit 4: LPG distribution volumes grew 49% YoY



Source: Company, MOFSL

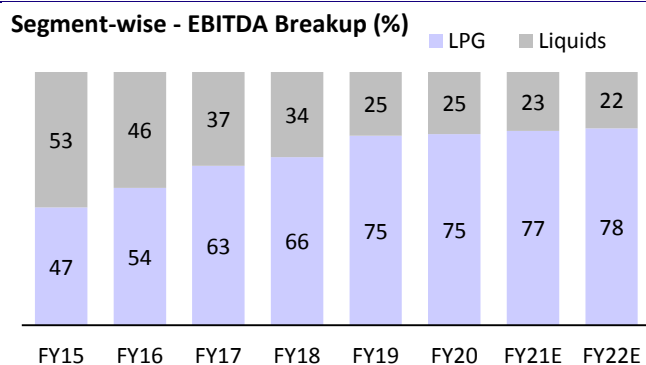
Exhibit 5: LPG logistics volumes grew 3% YoY



Source: Company, MOFSL

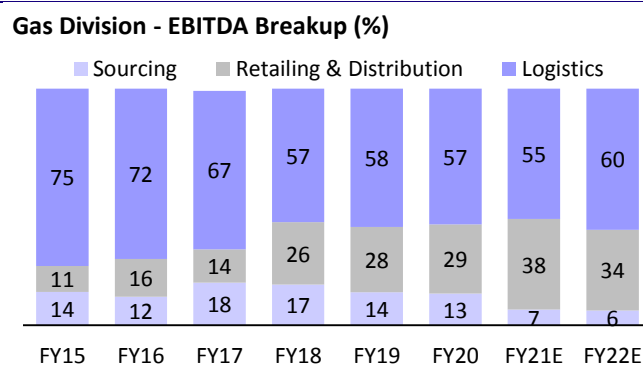
Story in charts

Exhibit 6: Gas division's contribution to increase



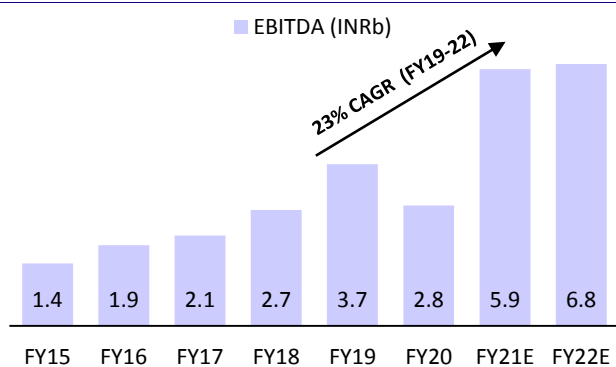
Source: Company, MOFSL

Exhibit 7: Logistics account for major chunk of gas division EBITDA



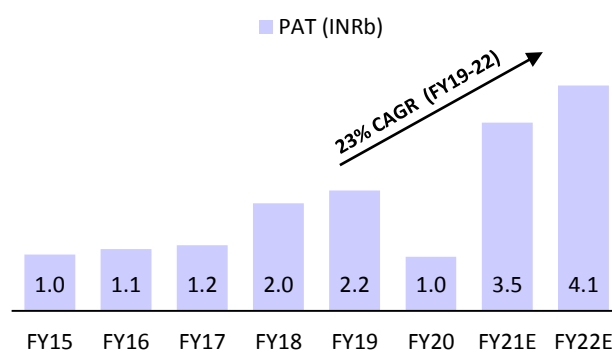
Source: Company, MOFSL

Exhibit 8: We expect EBITDA CAGR of 23% over FY19-22, led by strong growth in LPG division



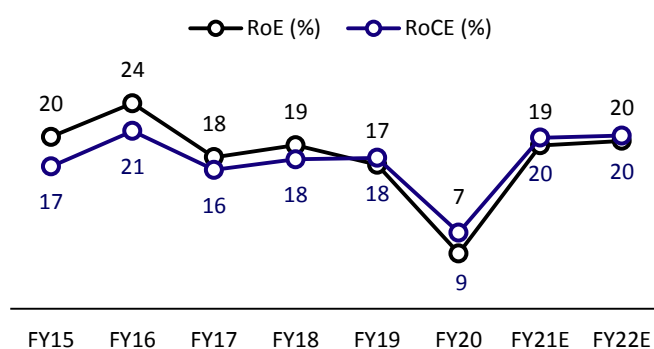
Source: Company, MOFSL

Exhibit 9: Expect PAT CAGR of 23% over FY19-21



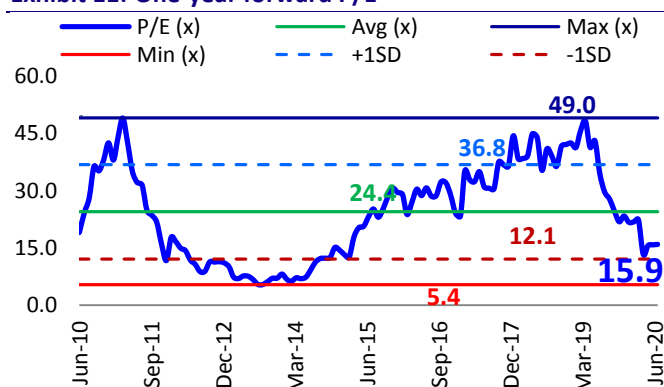
Source: Company, MOFSL

Exhibit 10: Return ratios to stabilize ~20%



Source: Company, MOFSL

Exhibit 11: One-year forward P/E



Source: Company, MOFSL

Financials and valuations

Consolidated – Income Statement

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Total Income from Operations	39,160	22,132	39,328	47,910	56,158	71,833	77,371	91,117
Change (%)	-22.2	-43.5	77.7	21.8	17.2	27.9	7.7	17.8
Total Expenditure	37,725	20,279	37,259	45,250	52,450	69,067	71,480	84,267
% of Sales	96.3	91.6	94.7	94.4	93.4	96.2	92.4	92.5
EBITDA	1,435	1,853	2,069	2,660	3,709	2,765	5,891	6,850
Margin (%)	3.7	8.4	5.3	5.6	6.6	3.8	7.6	7.5
Depreciation	230	234	243	343	505	687	781	845
EBIT	1,205	1,619	1,826	2,317	3,203	2,078	5,110	6,005
Int. and Finance Charges	205	177	161	152	262	331	379	427
Other Income	114	85	52	84	82	328	354	417
PBT bef. EO Exp.	1,114	1,527	1,717	2,248	3,023	2,076	5,085	5,995
EO Items	309	0	0	0	0	0	0	0
PBT after EO Exp.	1,422	1,527	1,717	2,248	3,023	2,076	5,085	5,995
Total Tax	299	265	377	110	502	736	1,281	1,511
Tax Rate (%)	21.0	17.4	22.0	4.9	16.6	35.5	25.2	25.2
Minority Interest	89	128	137	160	307	344	344	344
Reported PAT	1,034	1,133	1,203	1,978	2,214	996	3,460	4,140
Adjusted PAT	790	1,133	1,203	1,978	2,214	996	3,460	4,140
Change (%)	29.5	43.4	6.1	64.5	11.9	-55.0	247.4	19.7
Margin (%)	2.0	5.1	3.1	4.1	3.9	1.4	4.5	4.5

Consolidated – Balance Sheet

(INR m)

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
Equity Share Capital	334	334	334	334	334	340	340	340
Total Reserves	3,940	4,711	8,038	11,739	13,579	16,206	18,895	22,113
Net Worth	4,274	5,045	8,372	12,073	13,913	16,546	19,235	22,453
Minority Interest	264	393	292	697	748	906	906	906
Total Loans	2,181	1,883	2,548	2,824	1,865	2,156	2,446	2,736
Deferred Tax Liabilities	189	229	879	705	834	309	309	309
Capital Employed	6,908	7,550	12,092	16,299	17,361	19,917	22,896	26,404
Gross Block	6,540	6,951	10,078	15,756	16,728	21,116	21,116	21,116
Less: Accum. Deprn.	2,139	2,371	2,614	2,957	3,463	4,150	4,931	5,775
Net Fixed Assets	4,401	4,580	7,464	12,799	13,265	16,966	16,185	15,340
Goodwill on Consolidation	137	137	19	25	22	21	21	21
Capital WIP	339	734	3,127	1,256	1,207	2,201	2,884	3,271
Total Investments	213	4	2	0	104	73	73	73
Curr. Assets, Loans&Adv.	4,276	3,537	9,743	8,059	9,688	9,946	13,570	19,289
Inventory	204	115	218	260	338	421	436	514
Account Receivables	2,012	972	7,059	3,469	2,285	4,540	4,890	5,759
Cash and Bank Balance	1,054	967	623	1,620	4,129	2,634	5,713	10,035
Loans and Advances	1,007	1,482	1,844	2,710	2,936	2,350	2,531	2,981
Curr. Liability & Prov.	2,459	1,442	8,264	5,841	6,926	9,290	9,837	11,590
Account Payables	1,979	894	6,778	3,788	4,853	4,016	4,156	4,899
Other Current Liabilities	379	402	1,374	1,918	1,927	5,096	5,489	6,464
Provisions	101	145	112	135	146	179	193	227
Net Current Assets	1,817	2,095	1,480	2,218	2,762	655	3,732	7,699
Appl. of Funds	6,908	7,550	12,092	16,299	17,360	19,917	22,896	26,404

E: MOSL Estimates

Financials and valuations

Ratios

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
EPS	2.4	3.4	3.6	5.9	6.6	3.0	10.4	12.4
Cash EPS	3.1	4.1	4.3	6.9	8.1	5.0	12.7	14.9
BV/Share	12.8	15.1	25.1	36.1	41.7	49.5	57.6	67.2
DPS	0.8	0.9	0.7	1.5	1.4	1.7	2.0	2.4
Payout (%)	24.5	31.9	22.4	28.8	24.3	65.6	22.3	22.3
Valuation (x)								
P/E	83.5	58.3	54.9	33.4	29.8	66.3	19.1	15.9
Cash P/E	64.7	48.3	45.7	28.4	24.3	39.2	15.6	13.2
P/BV	15.4	13.1	7.9	5.5	4.7	4.0	3.4	2.9
EV/Sales	1.7	3.0	1.7	1.4	1.1	0.9	0.8	0.6
EV/EBITDA	46.8	36.1	32.8	25.3	17.2	23.7	10.7	8.6
Dividend Yield (%)	0.4	0.5	0.4	0.7	0.7	0.9	1.0	1.2
FCF per share	2.2	1.4	-2.6	-3.0	12.7	-8.2	11.8	15.9
Return Ratios (%)								
RoE	20.3	24.3	17.9	19.4	17.0	6.5	19.3	19.9
RoCE	16.8	21.0	16.4	17.7	17.9	9.0	20.2	20.5
RoIC	18.5	24.0	20.1	20.3	21.1	10.0	26.2	33.0
Working Capital Ratios								
Fixed Asset Turnover (x)	6.0	3.2	3.9	3.0	3.4	3.4	3.7	4.3
Asset Turnover (x)	5.7	2.9	3.3	2.9	3.2	3.6	3.4	3.5
Inventory (Days)	2	2	2	2	2	2	2	2
Debtor (Days)	19	16	66	26	15	23	23	23
Creditor (Days)	18	15	63	29	32	20	20	20
Leverage Ratio (x)								
Current Ratio	1.7	2.5	1.2	1.4	1.4	1.1	1.4	1.7
Interest Cover Ratio	5.9	9.2	11.3	15.2	12.2	6.3	13.5	14.1
Net Debt/Equity	0.2	0.2	0.2	0.1	-0.2	0.0	-0.2	-0.3

Consolidated – Cash Flow Statement

Y/E March	FY15	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E
OP/(Loss) before Tax	1,422	1,527	1,717	2,248	3,023	2,076	5,085	5,995
Depreciation	230	234	243	343	505	687	781	845
Interest & Finance Charges	123	122	135	69	180	3	25	10
Direct Taxes Paid	-110	-405	-287	-110	-502	-736	-1,281	-1,511
(Inc)/Dec in WC	-118	-76	-250	258	1,966	612	1	356
CF from Operations	1,547	1,402	1,558	2,808	5,172	2,641	4,611	5,695
CF from Operating incl EO	1,223	1,384	1,544	2,808	5,172	2,641	4,611	5,695
(Inc)/Dec in FA	-474	-916	-2,401	-3,813	-919	-5,381	-683	-387
Free Cash Flow	750	468	-858	-1,005	4,253	-2,740	3,928	5,309
CF from Investments	-128	-641	-2,354	-1,206	-597	-4,292	-329	30
Inc/(Dec) in Debt	-229	-298	982	276	-959	290	290	290
Interest Paid	-199	-177	-205	-152	-262	-331	-379	-427
Dividend Paid	-339	-356	-311	-569	-538	-654	-771	-923
CF from Fin. Activity	-767	-831	467	-605	-2,066	155	-1,204	-1,403
Inc/Dec of Cash	329	-87	-344	997	2,509	-1,495	3,078	4,322
Opening Balance	725	1,054	967	623	1,620	4,129	2,634	5,713
Closing Balance	1,054	967	623	1,620	4,129	2,634	5,713	10,035

E: MOSL Estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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