

Aegis Logistics

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USDb)	119.3 / 1.6
52-Week Range (INR)	363 / 170
1, 6, 12 Rel. Per (%)	5/16/31
12M Avg Val (INR M)	106

Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	38.4	71.1	83.8
EBITDA	3.9	5.4	6.7
Adj. PAT	2.2	3.4	4.4
Adj. EPS (INR)	6.7	10.0	13.3
EPS Gr.%	124.3	50.1	32.5
BV/Sh.INR	58.0	65.0	74.3

Ratios

Net D:E	0.0	-0.4	-0.5
RoE (%)	12.4	16.3	19.1
RoCE (%)	12.6	16.1	19.2
Payout (%)	29.9	29.9	29.9

Valuation

P/E (x)	50.7	33.8	25.5
P/BV (x)	5.8	5.2	4.6
EV/EBITDA (x)	29.2	19.5	15.0
Div. Yld (%)	0.6	0.9	1.2
FCF Yld (%)	0.7	7.8	5.4

Shareholding pattern (%)

As On	Mar-21	Dec-20	Mar-20
Promoter	57.7	58.7	59.6
DII	2.3	2.5	2.7
FII	14.8	14.3	12.5
Others	25.2	24.6	25.3

FII Includes depository receipts

CMP: INR339
TP: INR400 (+18%)
Buy

Mixed-bag results; Gas Logistics outlook remains unchanged

- Aegis Logistics (AGIS) reported a miss on our estimates, primarily due to a drop in the Gas business, while the Liquids business performed robustly.
- The Gas Logistics business was impacted as AGIS reported a shift in BPCL volumes from its Haldia LPG terminal to its recently commissioned terminal. Aegis clocked higher movement of LPG wagons at its Pipavav railway gantry and signed BPCL as a second customer (apart from IOCL). The Mumbai LPG terminal is operating at the maximum level since Dec'20.
- The Liquids business saw margin expansion in 4Q with the handling of higher margin products. The Mangalore (+50,000kl) and Haldia (+54,000kl) liquid terminals are expected to be commissioned in 1QFY22; Kochi (+20,000kl) is expected to be commissioned in 2HFY22. These expansions are likely to result in better margins as well, as capacity has already been presold (unlike in the past).
- AGIS believes lost volumes at the Haldia LPG terminal would be fulfilled by HPCL (which offtakes ~80% of the volumes), with a ramp-up in the utilization rate at the Panagarh bottling plant (currently operating at just ~50% capacity).
- Based on these factors, we keep our FY22/FY23 Gas Logistics volumes unchanged at 3.5mmt/4.3mmt in FY23, a jump of ~1.2mmt over FY21. Historically (over FY16–20, FY21 being exceptional), AGIS has clocked logistic volume growth of ~0.5mmt per year.
- AGIS indicated that it would announce its long-term growth strategy and new capex plans in Jun'21. We remain positive on growth and reiterate Buy.

Miss on estimates attributable to Gas business

- EBITDA came in 21% below our estimate at INR1b (+8% YoY). Employee expense under the ESOP plan stood at INR280m – only INR130m of the INR3.35b is remaining. PBT stood at INR0.9b, with PAT at INR0.65b (19% below our estimate; +92% YoY).
- FY21 EBITDA stood at INR3.9b (up 40% YoY on huge ESOP expense of INR2.4b in FY20). PBT was up 62% YoY to INR3.4b, led by higher other income and lower interest expense. PAT stood at INR2.2b (v/s INR1b in FY20, due to higher tax rate of 35.5%).
- The company declared a dividend of INR2/share.

Segmental analysis – Liquids drives growth

- **The Gas division's normalized EBITDA stood at INR910m (-25% YoY).**
 - LPG logistic volumes were down 2% YoY to 714.9tmt (down 8% QoQ) as the Haldia LPG terminal saw the exit of BPCL volumes.
 - LPG distribution volumes are still down 25% YoY to 34.2tmt as demand remains subdued due to extended lockdowns/restrictions. The second COVID wave is likely to delay recovery in distribution volumes to 2HFY22.
 - LPG sourcing volumes stood at 374.3tmt (-54% YoY; -48% QoQ) as import volumes declined in OMCs as well. Normalization is expected by end-FY22.

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- **The Liquids division's normalized EBITDA stood at INR540m (+46% YoY)** as a change in the product mix at the Mumbai and Kandla terminals led to better margins.

Valuation and view – strong growth prospects ahead

- India's LPG consumption stood at 27.6mmt in FY21. Assuming a consumption CAGR of ~7% (as recorded over the last decade), LPG demand in India would reach 31.6mmt by FY23, implying incremental demand of ~4.0mmt. Despite domestic refinery expansion (~4% by FY23) and new LPG terminals at Mundra (Adani) and Haldia (BPCL), we believe AGIS would easily meet our forecast volume growth of 1.2mmt by FY23 (if not exceed it).
- AGIS has additional land at the Kandla and Haldia terminal sites; thus, it has the option to set up additional liquid terminal projects of 100,000kl and 30,000kl, respectively. The development of these sites would take the total Liquids division capacity to ~950,000–998,000kl over the next 3–4 years.
- AGIS currently has 125 LPG stations (in 10 states) and plans on increasing this to 200+ (in 20 states). The company aims to achieve volumes of ~300kmt from cylinders, ~50kmt from autogas, and ~100kmt from industrial/commercial over the next five years. Thus, distribution volumes are likely to reach ~450kmt (v/s ~115kmt in FY21, down 30% YoY due to COVID-induced lockdowns).
- Even on a conservative basis, we expect a logistic volume CAGR of 20%, coupled with a logistic EBITDA CAGR of ~20%, over FY21–FY23. We expect strong free cash flow generation of ~INR15b cumulatively over FY22–23 (FCF yield of ~13%), with over 20% improvement in return ratios.
- AGIS trades at 25.5x FY23E EPS of INR13.3 and 15.0x FY23E EV/EBITDA. We value AGIS using the DCF methodology to arrive at a fair value of INR400/share. **Maintain Buy.**

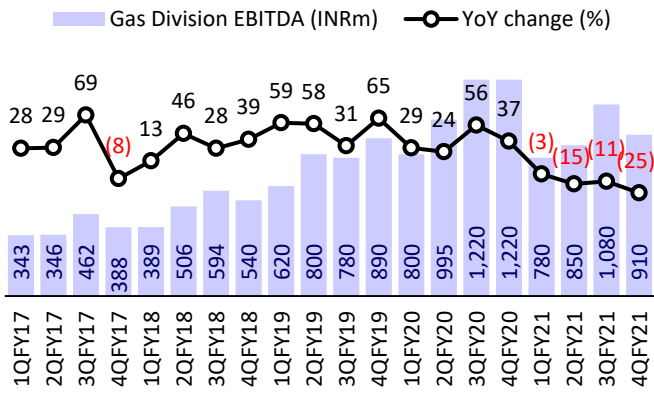
Consolidated - Quarterly Earnings Perf.

Y/E March	(INR m)											
	FY20				FY21				FY20	FY21	FY21	Var vs
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE	est (%)	
Net Sales	19,553	18,177	21,686	12,417	6,364	6,504	15,455	10,112	71,833	38,435	20,063	-50
YoY Change (%)	92.3	27.5	64.2	-33.0	-67.5	-64.2	-28.7	-18.6	27.9	-46.5	61.6	
EBITDA	1,020	-281	1,096	930	674	1,023	1,179	1,002	2,765	3,876	1,270	-21
Margins (%)	5.2	-1.5	5.1	7.5	10.6	15.7	7.6	9.9	3.8	10.1	6.3	
Depreciation	159	170	172	187	176	180	179	182	687	716	184	-1
Interest	85	74	94	79	47	41	41	45	331	173	44	1
Other Income	62	26	46	195	50	66	104	149	328	369	216	-31
PBT before EO expense	839	-499	876	860	501	868	1,062	924	2,076	3,356	1,258	-27
PBT	839	-499	876	860	501	868	1,062	924	2,076	3,356	1,258	-27
Rate (%)	25.7	31.5	32.4	45.8	26.5	26.1	26.4	24.3	35.5	25.7	25.4	
MI & P/L of Asso. Cos.	54	72	93	125	70	72	71	46	344	258	131	-65
Reported PAT	570	-414	499	341	298	570	712	654	996	2,234	807	-19
YoY Change (%)	10.3	-184.6	-15.6	-44.7	-47.6	-237.7	42.6	91.8	-55.0	124.3	136.6	

E: MOFSL Estimates

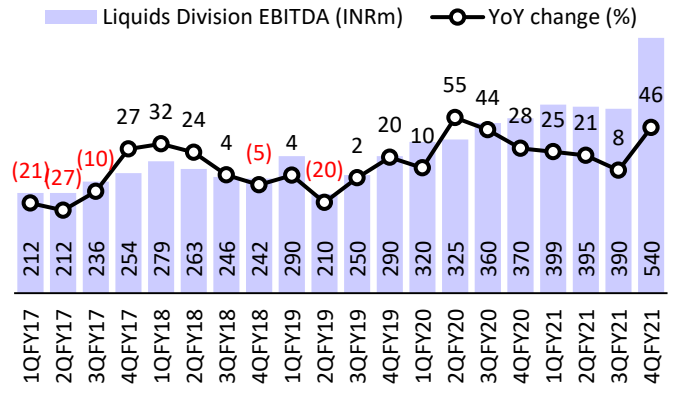
Key charts from the quarter

Exhibit 1: Gas EBITDA down 25% YoY to INR910m



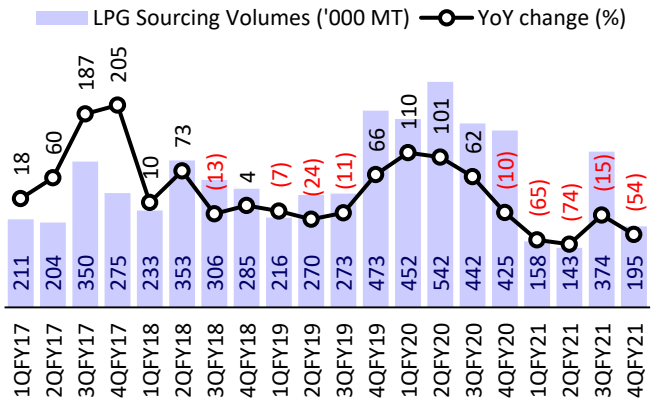
Source: Company, MOFSL

Exhibit 2: Liquids EBITDA up 46% YoY to INR540m



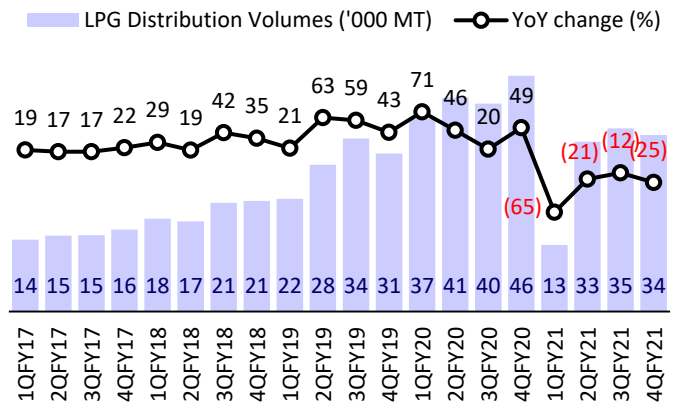
Source: Company, MOFSL

Exhibit 3: LPG sourcing volumes down 54% YoY



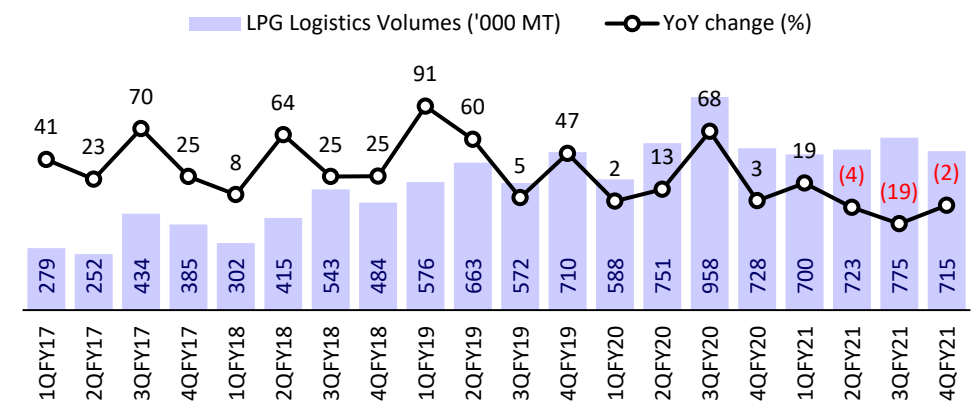
Source: Company, MOFSL

Exhibit 4: LPG distribution volumes down 25% YoY



Source: Company, MOFSL

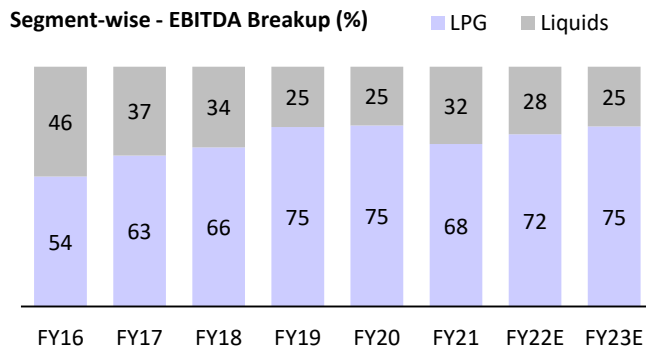
Exhibit 5: LPG logistic volumes down 2% YoY / 8% QoQ



Source: Company, MOFSL

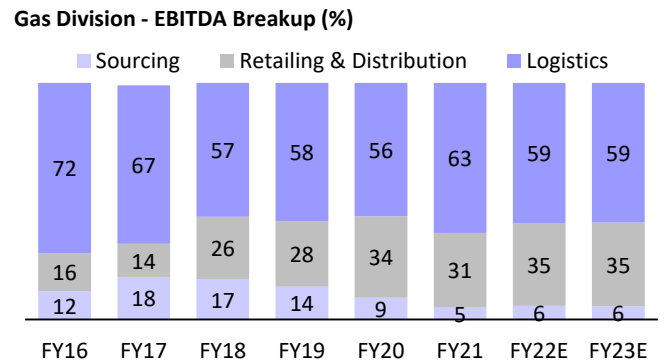
Story in charts

Exhibit 6: Gas EBITDA mix to improve...



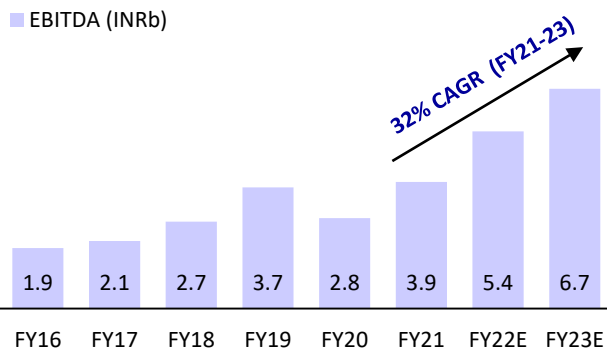
Source: Company, MOFSL

Exhibit 7: ...with Logistics contributing 60% to Gas business



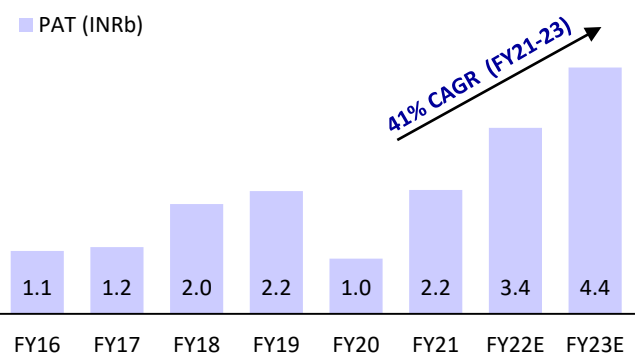
Source: Company, MOFSL

Exhibit 8: EBITDA CAGR of ~32% over FY21-23...



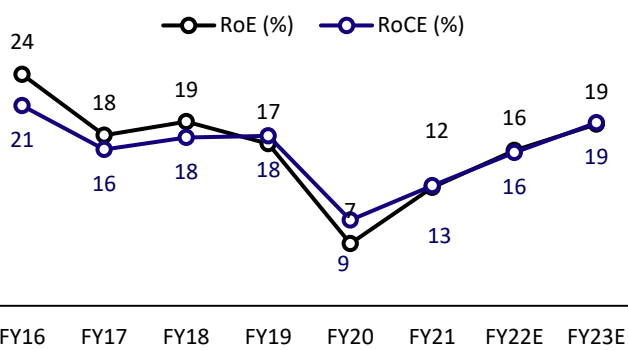
Source: Company, MOFSL

Exhibit 9: ...followed by higher PAT CAGR of 41%



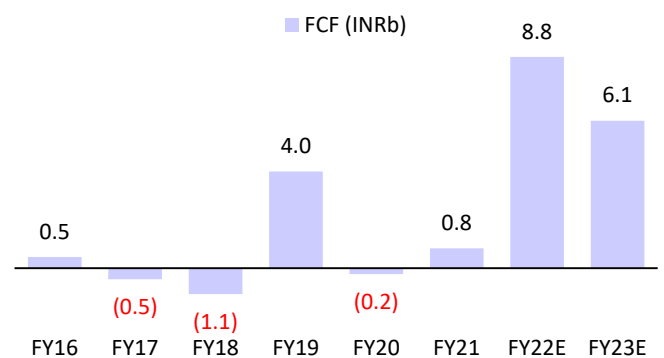
Source: Company, MOFSL

Exhibit 10: Return ratios to improve ~20% in FY23



Source: Company, MOFSL

Exhibit 11: Strong FCF yield (~13%) over FY22-23E



Source: Company, MOFSL

Financials and valuations

Consolidated – Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Total Income from Operations	22,132	39,328	47,910	56,158	71,833	38,435	71,074	83,758
Change (%)	-43.5	77.7	21.8	17.2	27.9	-46.5	84.9	17.8
EBITDA	1,853	2,069	2,660	3,709	2,765	3,876	5,422	6,725
Margin (%)	8.4	5.3	5.6	6.6	3.8	10.1	7.6	8.0
Depreciation	234	243	343	505	687	716	790	812
EBIT	1,619	1,826	2,317	3,203	2,078	3,160	4,632	5,912
Int. and Finance Charges	177	161	152	262	331	173	196	91
Other Income	85	52	84	82	328	369	391	461
PBT bef. EO Exp.	1,527	1,717	2,248	3,023	2,076	3,356	4,827	6,282
PBT after EO Exp.	1,527	1,717	2,248	3,023	2,076	3,356	4,827	6,282
Total Tax	265	377	110	502	736	864	1,216	1,583
Tax Rate (%)	17.4	22.0	4.9	16.6	35.5	25.7	25.2	25.2
Minority Interest	128	137	160	307	344	258	258	258
Reported PAT	1,133	1,203	1,978	2,214	996	2,234	3,352	4,440
Adjusted PAT	1,133	1,203	1,978	2,214	996	2,234	3,352	4,440
Change (%)	43.4	6.1	64.5	11.9	-55.0	124.3	50.1	32.5
Margin (%)	5.1	3.1	4.1	3.9	1.4	5.8	4.7	5.3

Consolidated – Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
Equity Share Capital	334	334	334	334	340	351	351	351
Total Reserves	4,711	8,038	11,739	13,579	16,206	19,014	21,364	24,476
Net Worth	5,045	8,372	12,073	13,913	16,546	19,365	21,715	24,827
Minority Interest	393	292	697	748	906	1,090	1,090	1,090
Total Loans	1,883	2,548	2,824	1,865	2,156	3,430	2,156	881
Deferred Tax Liabilities	229	879	705	834	309	809	809	809
Capital Employed	7,550	12,092	16,299	17,361	19,917	24,694	25,769	27,607
Gross Block	6,951	10,078	15,756	16,728	21,116	21,954	21,954	21,954
Less: Accum. Deprn.	2,371	2,614	2,957	3,463	4,150	4,866	5,656	6,468
Net Fixed Assets	4,580	7,464	12,799	13,265	16,966	17,089	16,298	15,486
Capital WIP	734	3,127	1,256	1,207	2,201	4,876	1,475	795
Curr. Assets, Loans&Adv.	3,537	9,743	8,059	9,688	9,946	8,838	17,013	21,937
Inventory	115	218	260	338	421	524	400	470
Account Receivables	972	7,059	3,469	2,285	4,540	942	4,492	5,294
Cash and Bank Balance	967	623	1,620	4,129	2,634	3,356	9,795	13,433
Loans and Advances	1,482	1,844	2,710	2,936	2,350	4,017	2,325	2,740
Curr. Liability & Prov.	1,442	8,264	5,841	6,926	9,290	6,127	9,036	10,629
Account Payables	894	6,778	3,788	4,853	4,016	747	3,817	4,479
Other Current Liabilities	402	1,374	1,918	1,927	5,096	5,223	5,042	5,942
Provisions	145	112	135	146	179	158	177	209
Net Current Assets	2,095	1,480	2,218	2,762	655	2,711	7,977	11,307
Appl. of Funds	7,550	12,092	16,299	17,360	19,917	24,694	25,769	27,607

E: MOFSL Estimates

Financials and valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
EPS	3.4	3.6	5.9	6.6	3.0	6.7	10.0	13.3
Cash EPS	4.1	4.3	6.9	8.1	5.0	8.8	12.4	15.7
BV/Share	15.1	25.1	36.1	41.7	49.5	58.0	65.0	74.3
DPS	0.9	0.7	1.5	1.4	1.7	2.0	3.0	4.0
Payout (%)	31.9	22.4	28.8	24.3	65.6	29.9	29.9	29.9
Valuation (x)								
P/E	99.9	94.2	57.2	51.1	113.7	50.7	33.8	25.5
Cash P/E	82.8	78.3	48.8	41.6	67.3	38.4	27.3	21.6
P/BV	22.4	13.5	9.4	8.1	6.8	5.8	5.2	4.6
EV/Sales	5.2	2.9	2.4	2.0	1.6	2.9	1.5	1.2
EV/EBITDA	61.6	55.6	43.0	29.9	40.8	29.2	19.5	15.0
Dividend Yield (%)	0.3	0.2	0.4	0.4	0.5	0.6	0.9	1.2
FCF per share	1.4	-1.4	-3.2	12.0	-0.7	2.5	26.3	18.3
Return Ratios (%)								
RoE	24.3	17.9	19.4	17.0	6.5	12.4	16.3	19.1
RoCE	21.0	16.4	17.7	17.9	9.0	12.6	16.1	19.2
RoIC	24.0	20.1	20.3	21.1	10.0	14.9	22.4	31.7
Working Capital Ratios								
Fixed Asset Turnover (x)	3.2	3.9	3.0	3.4	3.4	1.8	3.2	3.8
Asset Turnover (x)	2.9	3.3	2.9	3.2	3.6	1.6	2.8	3.0
Inventory (Days)	2	2	2	2	2	5	2	2
Debtor (Days)	16	66	26	15	23	9	23	23
Creditor (Days)	15	63	29	32	20	7	20	20
Leverage Ratio (x)								
Current Ratio	2.5	1.2	1.4	1.4	1.1	1.4	1.9	2.1
Interest Cover Ratio	9.2	11.3	15.2	12.2	6.3	18.3	23.7	64.9
Net Debt/Equity	0.2	0.2	0.1	-0.2	0.0	0.0	-0.4	-0.5

Consolidated – Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OP/(Loss) before Tax	1,527	1,691	2,248	3,023	2,076	3,356	4,827	6,282
Depreciation	234	238	343	505	687	716	790	812
Interest & Finance Charges	177	163	152	262	331	173	196	91
Direct Taxes Paid	-405	-287	-577	-624	-689	-503	-1,216	-1,583
(Inc)/Dec in WC	-77	14	-192	2,450	-3,083	-71	1,173	307
CF from Operations	1,384	1,770	1,914	5,563	1,463	4,416	5,379	5,449
(Inc)/Dec in FA	-916	-2,229	-2,991	-1,541	-1,708	-3,588	3,401	680
Free Cash Flow	467	-459	-1,077	4,022	-245	828	8,780	6,129
CF from Investments	-639	-2,201	-2,962	-1,547	-1,514	-4,280	3,792	1,141
Inc/(Dec) in Debt	-298	982	175	-851	143	1,634	-1,275	-1,275
Interest Paid	-177	-205	-313	-272	-258	-248	-196	-91
Dividend Paid	-357	-310	-413	-308	-866	-486	-1,003	-1,328
CF from Fin. Activity	-832	87	2,043	-1,506	-1,444	586	-2,731	-2,952
Inc/Dec of Cash	-87	-343	996	2,510	-1,495	722	6,439	3,637
Opening Balance	1,054	967	623	1,620	4,129	2,634	3,356	9,795
Closing Balance	967	624	1,619	4,129	2,634	3,356	9,795	13,433

E: MOFSL Estimates

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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