

Allcargo Logistics

BSE SENSEX	S&P CNX
34,345	10,430
Bloomberg	AGLL IN
Equity Shares (m)	245.7
M.Cap.(INRb)/(USDb)	29.5 / 0.4
52-Week Range (INR)	229 / 116
1, 6, 12 Rel. Per (%)	-19/-31/-44
Avg Val, INRm	127.0
Free float (%)	30.9

Financials & Valuations (INR b)

Y/E Mar	2018	2019E	2020E
Net Sales	60.5	69.4	77.8
EBITDA	3.7	4.3	5.1
PAT	1.8	2.2	2.9
EPS (INR)	7.3	8.9	11.7
Gr. (%)	-23.1	23.2	30.5
BV/Sh (INR)	80.0	86.2	94.3
RoE (%)	9.5	10.8	12.9
RoCE (%)	8.4	9.5	11.4
P/E (x)	16.5	13.4	10.3
P/BV (x)	1.5	1.4	1.3

Estimate change



TP change



Rating change



CMP: INR120 TP: INR163 (+36%)

Buy

Profits impacted by higher provisioning in P&E segment

- Margins impacted by higher provisioning:** 4QFY18 revenue rose 13% YoY to INR15.4b (est. of INR19.8b), led by 18% YoY growth in MTO revenue. EBITDA stood at INR739m (-30% YoY, -21% QoQ), lower than our estimate of INR994m, due to higher provisions in the P&E segment. Adj. PAT fell 68% YoY (-47% QoQ) to INR185m (est. of INR444m), as the tax rate was higher at 65% v/s 18% in the year-ago period.
- MTO shows healthy improvement:** MTO volumes grew 26% YoY to 159,951 TEUs in 4QFY18, primarily led by growth in FCL volumes. EBIT margin was stable at 4.1% with stabilization in the shipping freight rates. Realization fell 6% YoY to INR85,671/TEUs. Hence, revenue rose 18% YoY to INR13.3b.
- CFS impacted by Direct Port Delivery:** CFS volumes were at 76,304 TEUs (+9% YoY), mainly due to commissioning of operations in Kolkata and a gain in DPD volumes at JNPT. EBIT margin was at 29.4% (-0.18pp YoY/flat QoQ).
- P&E provisioning remains elevated:** P&E revenue declined 35% YoY to INR743m due to a decline in asset utilization (wind & power market impacted). P&E reported an EBIT loss of INR366m due to higher provisions for doubtful debt in 4QFY18.
- Management commentary:** 1) P&E segment is expected to see utilization improvement to 50%+ from ~35% in 4QFY18, led by a pick-up in demand. 2) Provision to the extent of INR300m was made for FY18 toward doubtful debt in P&E segment. 3) Kolkata CFS is likely to breakeven soon, led by healthy utilization. 4) MTO market likely to grow at 3-4% YoY. 5) Volatility in shipping freight rates is exerting pressure on margins.
- Valuation view:** MTO segment is likely to do well in the medium term, led by healthy volume growth. Although the CFS segment is facing headwinds in terms of direct port delivery, the Kolkata CFS should provide growth for the segment. P&E segment should see reduced losses due to an uptick in asset utilization. Valuations at 13.4x/10.3x FY19/20E appear attractive, given AGLL's strong fundamentals and earnings CAGR of 27% over FY18-20E. We value AGLL at 14x FY20E P/E and arrive at a TP of INR163. Maintain **Buy**.

Consolidated - Quarterly Earning Model

Y/E March	FY17				FY18				FY17	FY18	FY18	Var (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE		
Net Sales	13,989	14,084	14,114	13,628	14,834	15,472	14,799	15,363	55,816	60,469	19,878	-22.7
YoY Change (%)	-5.2	-3.1	6.4	-1.6	6.0	9.9	4.9	12.7	-0.8	8.3	45.9	
EBITDA	1,332	1,261	993	1,056	1,030	1,047	933	739	4,642	3,748	994	-25.7
Margins (%)	9.5	9.0	7.0	7.7	6.9	6.8	6.3	4.8	8.3	6.2	5.0	
Depreciation	436	434	407	386	399	398	397	397	1,662	1,591	392	1.2
Interest	75	75	78	96	83	71	71	75	324	299	68	8.9
Other Income	59	80	183	149	159	51	49	155	471	414	41	280.1
PBT before EO expense	880	832	691	724	707	629	515	422	3,127	2,273	574	-26.5
Extra-Ord expense	0	0	0	0	0	0	0	69	0	69	0	
PBT	880	832	691	724	707	629	515	354	3,127	2,204	574	-38.4
Tax	256	178	211	131	76	6	199	231	776	513	131	76.9
Rate (%)	29.1	21.4	30.6	18.1	10.8	1.0	38.7	65.3	24.8	23.3	22.7	187.3
Reported PAT	624	653	480	593	630	623	315	123	2,350	1,692	444	-72.3
Min. Interest & P& L of Asso. Cos.	-14	1	12	-20	-19	15	32	-6	-22	22	-25	
Adj PAT	610	654	492	572	611	638	348	185	2,318	1,782	444	-58.3
YoY Change (%)	-24.6	5.7	-15.2	-10.6	0.2	-2.4	-29.3	-67.6	-7.6	-23.1	-22.5	
Margins (%)	4.4	4.6	3.5	4.2	4.1	4.1	2.3	1.2	4.2	2.9	2.2	

E: MOSL Estimates

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

Motilal Oswal research is available on www.motilalosal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Exhibit 1: AGLL 4QFY18 earnings snapshot (INR m)

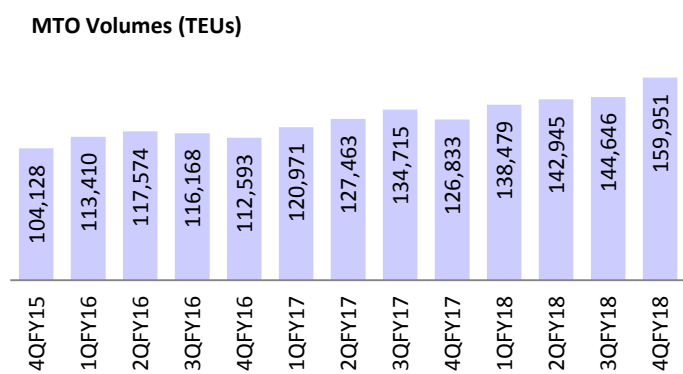
	1QFY17	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (%)	QoQ (%)
Volume Details										
MTO Volumes (TEU)	120,971	127,463	134,715	126,833	138,479	142,945	144,646	159,951	26.1	10.6
CFS/ICD Volumes (TEU)	84,013	78,830	75,787	69,738	78,732	65,362	71,764	76,304	9.4	6.3
Financial Summary (INRm)										
MTO	11,793	12,093	12,059	11,613	12,895	13,879	13,271	13,703	18.0	3.3
CFS/ICD	1,096	1,112	1,113	986	1,088	998	945	1,063	7.8	12.5
P&E	1,322	990	1,113	1,145	987	700	713	743	-35.1	4.2
Others	100	5	3	3	8	80	62	24	713.3	-60.8
Net Revenue	13,989	14,102	14,114	13,628	14,834	15,472	14,799	15,363	12.7	3.8
Reported EBITDA	1,332	1,261	993	1,056	1,030	1,047	933	739	-30.0	-20.8
EBITDA margin	9.5%	8.9%	7.0%	7.7%	6.9%	6.8%	6.3%	4.8%		
Depreciation	436	434	407	386	399	398	397	397	2.9	-0.1
EBIT	896	827	586	670	631	649	536	342	-49.0	-36.2
Interest	75	75	78	96	83	71	71	75	-22.1	5.7
Other Income	59	80	183	149	159	51	49	155	3.7	214.4
PBT before exceptional	880	832	691	724	707	629	515	422	-41.7	-18.0
Exceptional	-	-	-	-	-	-	-	69		
PBT before exceptional	880	832	691	724	707	629	515	354	-51.1	-31.3
Tax	256	178	211	131	76	6	199	231	76.3	15.9
Tax rate (%)	29.1%	21.4%	30.6%	18.1%	10.8%	1.0%	38.7%	65.3%		
Reported PAT	624	653	480	593	630	623	315	123	-79.3	-61.1
PAT margin (%)	4.5%	4.6%	3.4%	4.3%	4.3%	4.0%	2.1%	0.8%		
Min. Interest & P& L of Asso. Cos.	(14)	1	12	(20)	(19)	15	32	(6)	-70.1	-118.9
Adj PAT	610	654	492	572	611	638	348	185	-67.6	-46.7
PAT margin (%)	4.4%	4.6%	3.5%	4.2%	4.1%	4.1%	2.3%	1.2%		

Source: Company, MOSL

Key takeaways from concall

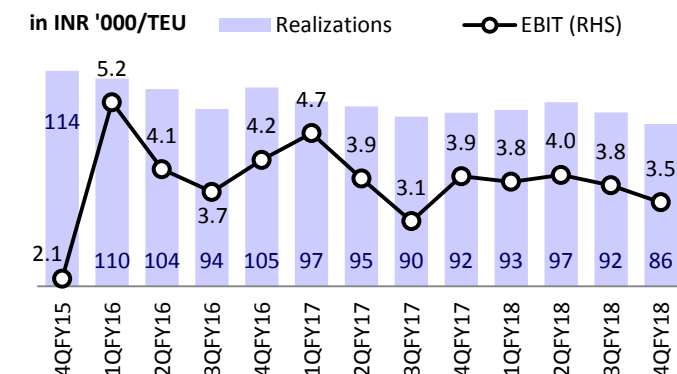
- CFS volumes increased 9% YoY, led by commencement of Kolkata CFS and growth in DPD volumes.
- MTO volumes grew 26% YoY, led by growth from key regions, despite challenging freight and trade conditions.
- LCL volumes grew 7% YoY, while FCL volumes rose 35% YoY.
- Margins in CFS were stable, despite higher DPD volumes due to expiration of lease rentals for Mundra CFS.
- Order book is healthy for project business at INR1.6b, led by a pick-up in capex cycle.
- Equipment division is operating at 50%+ utilization.
- INR150m of provisions were made in 4QFY18 and INR300m in FY18 in P&E segment.
- EBITDA for contract logistics stood at INR260m for FY18.
- Net debt for the company stands at ~INR1.3b.

Exhibit 2: MTO volumes (TEUs) increased 26% YoY



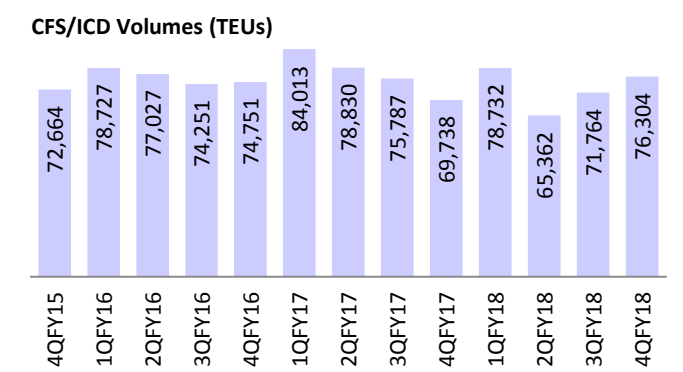
Source: MOSL, Company

Exhibit 3: MTO realizations down 6.4% YoY and EBIT down 12% YoY



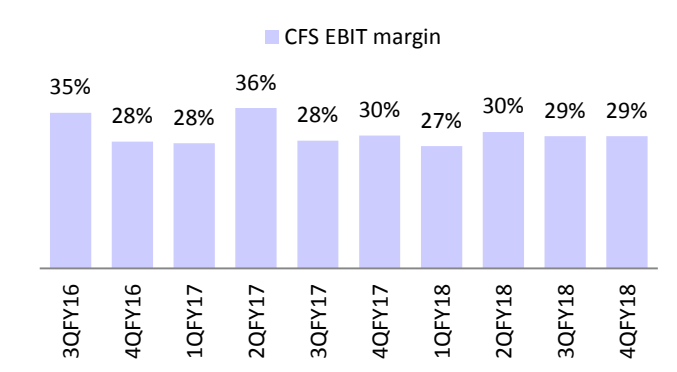
Source: MOSL, Company

Exhibit 4: CFS volumes (TEUs) increased 9% YoY



Source: MOSL, Company

Exhibit 5: CFS margins flat QoQ



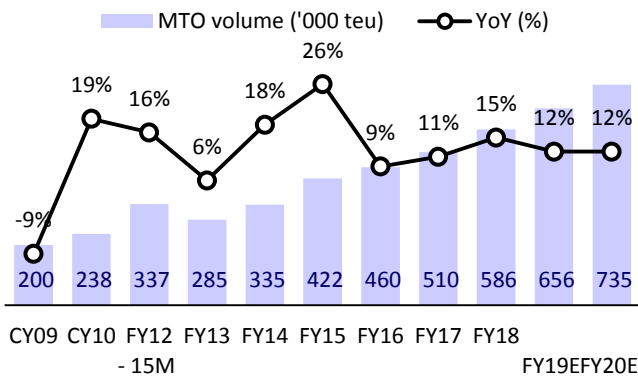
Source: MOSL, Company

Valuation and view

- Allcargo Logistics provides a unique opportunity to participate in the (a) domestic economic revival (through CFS and P&E) and (b) exposure to global LCL (less than container load) consolidation market where it is one of the top two players (fast growing sub-segment in container shipping) with presence in >90 countries.
- We believe that Allcargo Logistics, with its superior size and global presence via ECU Line, has established an effective competitive advantage versus its competitors. It is therefore well placed to tackle both any sluggishness in container business and make good use of opportunities in this space.
- Strong balance sheet and increasing FCF will help Allcargo to further consolidate in the global LCL market and help it to make value-accretive acquisitions to further spur growth. Its domestic land banks give it an opportunity to capitalize on upcoming rail DFC (dedicated freight corridor) and GST reform.
- The MTO segment is likely to do well in the medium term, led by healthy volume growth. Though the CFS segment is facing headwinds in terms of direct port delivery, the Kolkata CFS should provide growth for the segment. The P&E segment should see reduced losses due to an uptick in asset utilization. Valuations of 13.5x/10.3x FY19/20E earnings appear attractive, given AGLL’s strong fundamentals, and earnings CAGR of 27% over FY18-20E. We value AGLL at 14x FY20E P/E and arrive at a target price of INR163, implying 36% upside. **Maintain Buy.**

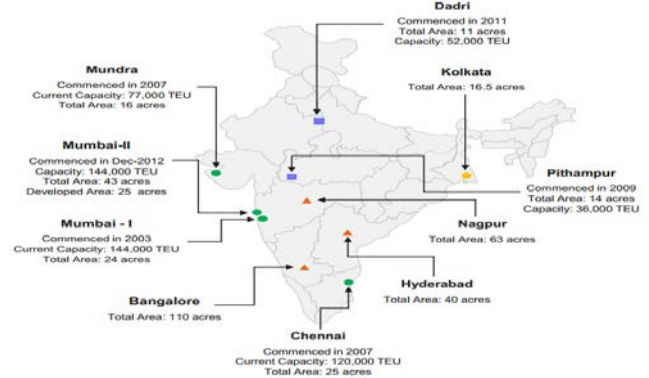
Story in charts

Exhibit 6: Expect MTO volumes to grow at 13% CAGR during FY17-20E driven by improving trade volumes



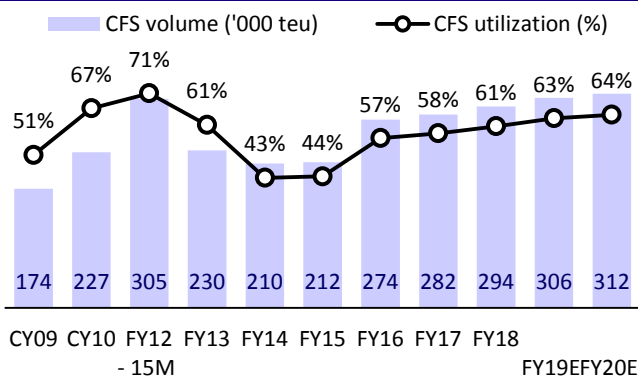
Source: Company, MOSL

Exhibit 7: Allcargo has presence near the major ports in India



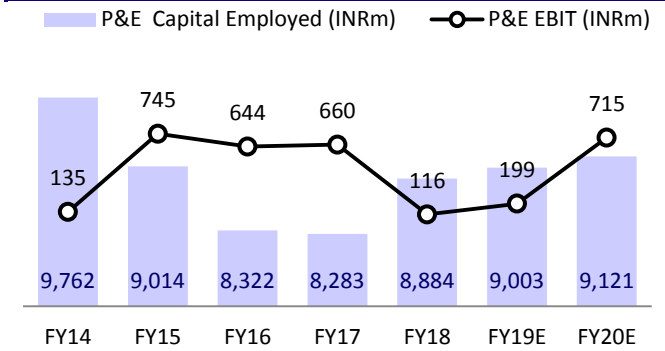
Source: Company, MOSL

Exhibit 8: Expect CFS volumes to grow at 3% CAGR at FY17-FY20E



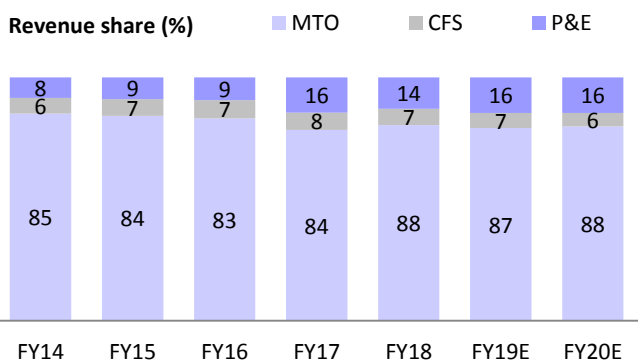
Source: Company, MOSL

Exhibit 9: P&E revenue growth lagged increase in capital employed led by slowdown in domestic economy



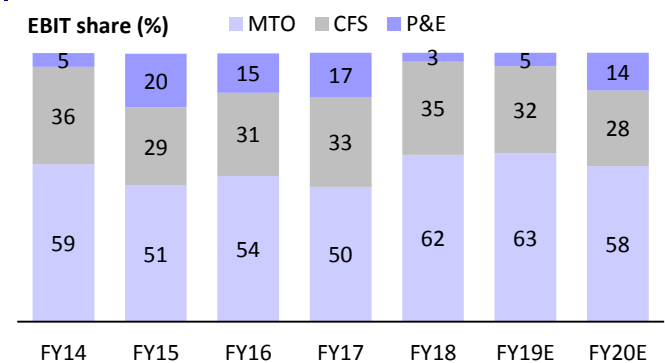
Source: Company, MOSL

Exhibit 10: MTO segment contributes the highest to revenue



Source: Company, MOSL

Exhibit 11: MTO segment contributes the highest to EBIT



Source: Company, MOSL

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Total Income from Operations	39,255	48,445	56,180	56,281	55,834	60,469	69,401	77,752
Change (%)	-8.1	23.4	16.0	0.2	-0.8	8.3	14.8	12.0
Total Expenditure	35,701	44,681	51,534	51,235	51,185	56,721	65,082	72,628
EBITDA	3,554	3,763	4,646	5,046	4,649	3,749	4,318	5,124
Margin (%)	9.1	7.8	8.3	9.0	8.3	6.2	6.2	6.6
Depreciation	1,474	1,755	1,574	2,006	1,662	1,591	1,668	1,707
EBIT	2,080	2,009	3,072	3,040	2,987	2,158	2,651	3,417
Int. and Finance Charges	414	563	535	408	324	299	250	215
Other Income	670	515	412	404	453	414	300	300
PBT bef. EO Exp.	2,335	1,960	2,950	3,036	3,116	2,273	2,701	3,502
EO Items	0	0	0	132	0	69	0	0
PBT after EO Exp.	2,335	1,960	2,950	2,904	3,116	2,204	2,701	3,502
Current Tax	320	277	629	790	776	513	594	770
Deferred Tax	192	139	71	-292	0	0	0	0
Income tax	512	416	700	498	776	513	594	770
Tax Rate (%)	21.9	21.2	23.7	17.2	24.9	23.3	22.0	22.0
PAT	1,823	1,544	2,250	2,406	2,340	1,692	2,107	2,731
Minority + Associate share	126	51	73	-8	-22	22	89	134
PAT incl. Minority + Associate	1,697	1,493	2,177	2,399	2,318	1,714	2,196	2,865
Adjusted PAT	1,823	1,544	2,250	2,508	2,318	1,782	2,196	2,865
Change (%)	-38.7	-15.3	45.7	11.5	-7.6	-23.1	23.2	30.5
Margin (%)	4.6	3.2	4.0	4.5	4.2	2.9	3.2	3.7

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Equity Share Capital	252	252	252	504	491	491	491	491
Total Reserves	15,604	17,679	18,826	16,860	17,431	19,152	20,698	22,688
Net Worth	15,857	17,931	19,078	17,364	17,922	19,644	21,189	23,180
Minority Interest	433	463	221	216	207	172	172	172
Deferred Liabilities	1,172	1,284	1,354	35	17	43	43	43
Total Loans	7,267	9,921	6,133	3,327	5,134	3,821	3,321	2,821
Capital Employed	24,728	29,599	26,786	20,941	23,280	23,680	24,725	26,216
Gross Block	18,850	20,528	20,244	18,389	19,564	20,701	21,091	21,590
Less: Accum. Deprn.	5,163	7,094	8,283	5,352	6,384	7,974	9,642	11,349
Net Fixed Assets	13,687	13,434	11,961	13,037	13,180	12,726	11,449	10,240
Goodwill on Consolidation	4,602	9,051	8,655	2,753	2,604	2,880	2,880	2,880
Capital WIP	139	236	302	504	365	97	110	111
Total Investments	1,859	1,902	894	1,530	2,909	3,249	3,249	3,249
Curr. Assets, Loans&Adv.	9,641	11,675	12,648	12,007	12,743	14,165	16,357	20,319
Inventory	111	114	117	112	101	96	147	164
Account Receivables	3,825	5,715	6,476	6,767	7,522	8,386	8,347	9,352
Cash and Bank Balance	1,382	1,647	1,738	1,944	1,873	2,447	2,137	4,389
Loans and Advances	4,324	4,199	4,318	3,184	3,247	3,237	5,726	6,415
Curr. Liability & Prov.	5,429	6,938	7,928	9,768	9,258	10,412	10,127	11,393
Account Payables	3,536	4,661	5,744	5,641	6,165	6,851	7,489	8,357
Other Current Liabilities	1,275	1,674	1,557	3,606	3,073	3,537	2,082	2,333
Provisions	619	602	627	521	21	24	557	703
Net Current Assets	4,212	4,737	4,720	2,239	3,485	3,753	6,229	8,927
Deferred Tax assets	228	238	253	879	738	974	974	974
Appl. of Funds	24,728	29,599	26,786	20,941	23,280	23,680	24,725	26,215

E: MOSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Basic (INR)								
EPS	7.2	6.1	8.9	9.9	9.4	7.3	8.9	11.7
Cash EPS	13.1	13.1	15.2	17.9	16.2	13.7	15.7	18.6
BV/Share	62.9	71.1	75.7	68.9	72.9	80.0	86.2	94.3
DPS	0.7	0.8	1.0	2.0	2.0	1.5	1.7	2.2
Payout (%)	12.1	14.3	13.4	23.3	23.2	23.7	22.4	22.2
Valuation (x)								
P/E	16.6	19.6	13.4	12.1	12.7	16.5	13.4	10.3
Cash P/E	9.2	9.2	7.9	6.7	7.4	8.7	7.6	6.4
P/BV	1.9	1.7	1.6	1.7	1.6	1.5	1.4	1.3
EV/Sales	0.9	0.8	0.6	0.5	0.6	0.5	0.4	0.4
EV/EBITDA	10.0	10.0	7.3	6.1	7.0	8.2	7.1	5.4
Dividend Yield (%)	0.6	0.6	0.8	1.7	1.7	1.2	1.4	1.9
Return Ratios (%)								
RoE	11.9	9.1	12.2	13.8	13.1	9.5	10.8	12.9
RoCE	8.9	7.3	9.4	12.0	11.7	8.4	9.5	11.4
RoIC	10.1	8.2	10.7	13.6	13.1	9.4	10.6	13.1
Working Capital Ratios								
Debtor (Days)	36	43	42	44	49	51	44	44
Creditor (Days)	47	50	53	54	60	58	55	55
Working Cap. Turnover (Days)	26	23	19	2	11	8	22	21
Leverage Ratio (x)								
Net Debt/Equity (x)	0.4	0.5	0.3	0.0	0.1	0.0	0.0	-0.1

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
OP/(Loss) before Tax	2,335	1,960	3,171	2,904	3,116	2,204	2,701	3,502
Depreciation	1,474	1,755	1,574	2,006	1,662	1,591	1,668	1,707
Interest & Finance Charges	370	532	492	4	-129	-115	-50	-85
Direct Taxes Paid	-634	-373	-478	-498	-776	-513	-594	-770
(Inc)/Dec in WC	-22	-195	113	2,688	-1,317	305	-2,786	-445
CF from Operations	3,522	3,680	4,872	7,104	2,556	3,473	938	3,908
Others	-278	-572	-573	0	0	0	0	0
CF from Operating incl EO	3,244	3,107	4,300	7,104	2,556	3,473	938	3,908
(inc)/dec in FA	-1,896	-1,290	-442	1,654	41	-2,125	-500	-500
Free Cash Flow	1,348	1,817	3,858	8,758	2,597	1,347	438	3,408
(Pur)/Sale of Investments	52	-237	1,218	-636	-1,379	-12	0	0
Others	88	-2,665	-1,028	-4,384	-1,118	414	300	300
CF from Investments	-1,757	-4,192	-252	-3,366	-2,456	-1,723	-200	-200
Issue of Shares	0	0	0	252	-13	0	0	0
(Inc)/Dec in Debt	-563	2,732	-2,509	-2,807	1,807	-1,313	-500	-500
Interest Paid	-538	-586	-550	-408	-324	-299	-250	-215
Dividend Paid	-74	-222	-310	-561	-542	-401	-472	-607
Others	-271	-575	-589	-8	-22	22	-89	-134
CF from Fin. Activity	-1,446	1,350	-3,957	-3,531	906	-1,991	-1,311	-1,456
Inc/Dec of Cash	41	265	91	207	1,006	-241	-573	2,252
Opening Balance	1,341	1,382	1,647	1,738	1,944	2,951	2,709	2,137
Closing Balance	1,382	1,647	1,738	1,944	2,951	2,709	2,137	4,389

Corporate profile

Company description

AGLL is an integrated logistics services provider with >USD1b in sales. Its key business divisions are global Multimodal Transport Operations (NVOCC, LCL and FCL), domestic CFS/ICD operations and Project and Engineering division. It also provides contract logistics services.

Exhibit 1: Sensex rebased



Source: MOSL/Bloomberg

Exhibit 2: Shareholding pattern (%)

	Mar-18	Dec-17	Mar-17
Promoter	69.1	69.1	70.0
DII	4.7	5.2	0.0
FII	15.6	15.8	14.1
Others	10.6	9.9	15.8

Note: FII Includes depository receipts Source: Capitaline

Exhibit 3: Top holders

Holder Name	% Holding
SBI Magnum Balanced Fund/ SBI Magnum Global Fund	3.6
Acacia Partners Lp	2.4
Government Pension Fund Global	2.2
Acacia Institutional Partners, Lp	1.6
HSBC Global Investment Funds - Asia Ex Japan Equity Smaller Companies	1.3

Source: Capitaline

Exhibit 4: Top management

Name	Designation
Shashi Kiran Shetty	Chairman & Managing Director
Adarsh Hegde	Joint Managing Director
Shruta Sanghavi	Company Secretary

Source: Capitaline

Exhibit 5: Directors

Name	Name
Arathi Shetty	Kaiwan Kalyaniwalla
Hari Mundra	J Ramachandran
Keki Elavia	M P Bansal

*Independent

Exhibit 6: Auditors

Name	Type
Appan & Lokhandwala & Associates	Statutory
Mehta & Mehta	Secretarial Audit
Mukundan K V	Internal
S R Batliboi & Associates LLP	Statutory

Source: Capitaline

Exhibit 7: MOSL forecast v/s consensus

EPS (INR)	MOSL forecast	Consensus forecast	Variation (%)
FY19	8.9	11.1	-20.1
FY20	11.0	13.1	-16.3

Source: Bloomberg

Explanation of Investment Rating	Expected return (over 12-month)
Investment Rating	
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 becomes inconsistent with the investment rating legend, the Research Analyst shall within 28 days of the inconsistency, take appropriate measures to make the recommendation consistent with the investment rating legend.

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