

May 24, 2018

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Rating	Accumulate
Price	Rs120
Target Price	Rs159
Implied Upside	32.5%
Sensex	34,345
Nifty	10,430

(Prices as on May 23, 2018)

Trading data

Market Cap. (Rs bn)	29.6
Shares o/s (m)	245.7
3M Avg. Daily value (Rs m)	67.6

Major shareholders

Promoters	69.11%
Foreign	15.57%
Domestic Inst.	4.69%
Public & Other	10.63%

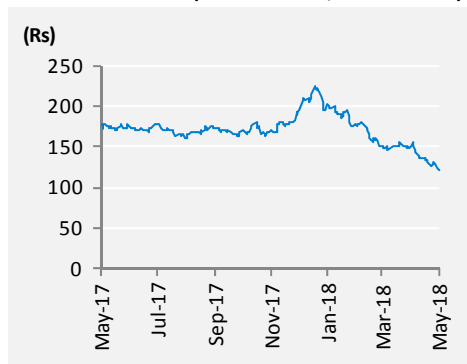
Stock Performance

(%)	1M	6M	12M
Absolute	(20.4)	(28.9)	(31.4)
Relative	(20.1)	(31.1)	(44.5)

How we differ from Consensus

EPS (Rs)	PL	Cons.	% Diff.
2019	9.9	11.1	-11.3
2020	11.4	13.1	-13.4

Price Performance (RIC: ACLK.BO, BB: AGLL IN)



Source: Bloomberg

AGLL Q4FY18 results were below expectation with EBITDA at Rs0.74bn (down 30%YoY). MTO volumes were strong (26% up YoY) however profitability was impacted by weak freight rates & higher share of FCL. PES segment continued to struggle as the overall capex in the economy remains low and also due to provision for doubtful debts (~Rs150m), dragging the overall earnings down. AGLL has approved logistic park in Jhajjar (Haryana) containing ICD, PFT & Warehousing facility near the proposed route of DFC at a capex of ~Rs5bn, expected to be completed over 2-3 years depending on the mode of implementation. Company also continues to explore inorganic opportunity in contract logistics space.

We like AGLL for consistent cash generation & strong management bandwidth, though the performance off late has been below expectations. We however expect the capex to bear fruits only from FY20E and we expect limited upside from current valuations. "Accumulate" with a TP of Rs160

- **MTO – Cargo mix & sluggish trade hurt margins:** Segment reported revenue growth of 18% YoY aided by 26% volume growth YoY, however EBIT grew by 11.4% due to challenging freight rates & tilting cargo mix towards FCL. Management anticipates freight rates to hold around the current levels and expects healthy single digit volume growth by gaining market share.
- **CFS volume growth of 9.4%:** CFS volumes grew by 9.4% YoY as Kolkata CFS commenced operations & stabilization of DPD volumes at JNPT, however profitability was impacted by lower revenues from DPD volumes. AGLL believes business would pick up with ramp up of Kolkata CFS & wider product offerings to customers
- **PES business continues to struggle:** PES revenues contracted 35% YoY & reported EBIT loss of Rs366m vs. Profit of Rs61 YoY. Performance was partly impacted by higher provisions for doubtful debts (~Rs150m for Q4FY18 & ~Rs300m for FY18) & lower utilization (~35%) of equipments. However, management envisage gradual recovery from hereon with current utilization at ~50%

Key financials (Y/e March)

	2017	2018	2019E	2020E
Revenues (Rs m)	55,834	60,469	65,656	70,231
Growth (%)	(1.0)	8.3	8.6	7.0
EBITDA (Rs m)	4,649	3,749	4,936	5,431
PAT (Rs m)	2,319	1,714	2,427	2,796
EPS (Rs)	9.4	7.0	9.9	11.4
Growth (%)	(0.9)	(26.1)	41.6	15.2
Net DPS (Rs)	3.0	2.0	3.0	4.0

Profitability & Valuation

	2017	2018	2019E	2020E
EBITDA margin (%)	8.3	6.2	7.5	7.7
RoE (%)	13.1	9.1	11.9	12.7
RoCE (%)	15.1	10.3	10.7	11.6
EV / sales (x)	0.6	0.5	0.5	0.4
EV / EBITDA (x)	7.2	8.4	6.4	5.5
PE (x)	12.8	17.3	12.2	10.6
P / BV (x)	1.7	1.5	1.4	1.3
Net dividend yield (%)	2.5	1.7	2.5	3.3

Source: Company Data; PL Research

Exhibit 1: Q4FY18 Result Overview (Rs m)

Y/e March	Q4FY18	Q4FY17	YoY gr (%)	Q3FY18	FY18	FY17	YoY gr (%)
Net Sales	15,363	13,628	12.7	14,799	60,469	55,834	8.3
Expenditure							
Operating Expense	10,981	9,194	19.4	10,433	43,122	37,778	14.1
<i>% of Net sales</i>	<i>71.5</i>	<i>67.5</i>		<i>70.5</i>	<i>71.3</i>	<i>67.7</i>	
Personnel	2,414	2,254	7.1	2,389	9,303	9,419	(1.2)
<i>% of Net sales</i>	<i>15.7</i>	<i>16.5</i>		<i>16.1</i>	<i>15.4</i>	<i>16.9</i>	
Other Expenses	1,230	1,125	9.3	1,044	4,296	3,987	7.7
<i>% of Net sales</i>	<i>8.0</i>	<i>8.3</i>		<i>7.1</i>	<i>7.1</i>	<i>7.1</i>	
Total Expenditure	14,625	12,572	16.3	13,866	56,721	51,184	10.8
EBITDA	739	1,056	(30.0)	933	3,748	4,649	(19.4)
<i>Margin (%)</i>	<i>4.8</i>	<i>7.7</i>	<i>(294)bps</i>	<i>6.3</i>	<i>6.2</i>	<i>8.3</i>	
Depreciation	397	386	2.9	397	1,591	1,662	(4.3)
EBIT	342	670	(49.0)	536	2,158	2,988	(27.8)
Interest	75	96	(22.1)	71	299	324	(7.7)
Other Income	155	149	3.7	49	414	453	(8.6)
PBT	354	724	(51.1)	515	2,204	3,117	(29.3)
Tax	231	131	76.3	199	513	776	(34.0)
<i>Tax Rate (%)</i>	<i>65.3</i>	<i>18.1</i>		<i>38.7</i>	<i>23.3</i>	<i>24.9</i>	
Adjusted PAT	185	572	(67.6)	348	1,782	2,319	(23.1)
Exceptional/Extra-ordinary items	69	-		-	69	-	
Reported PAT	117	572	(79.6)	348	1,714	2,319	(26.1)

Source: Company Data, PL Research

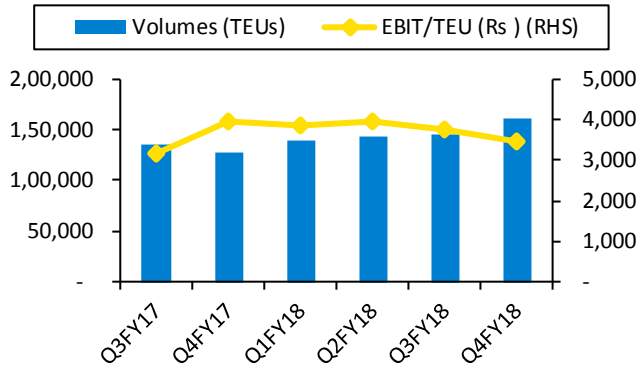
Exhibit 2: Segmental Break-up (Rs m)

	Q4FY18	Q4FY17	YoY gr (%)	Q3FY18	FY18	FY17	YoY gr (%)
Segment Revenue							
MTO	13,703	11,613	18.0	13,271	53,748	47,558	13.0
CFS	1,063	986	7.8	945	4,094	4,306	(4.9)
PES	743	1,145	(35.1)	713	3,142	4,569	(31.2)
Segment Results (EBIT)							
MTO	556	499	11.4	546	2,199	1,987	10.7
CFS	313	292	7.2	278	1,191	1,312	(9.2)
PES	(366)	61	NA	(109)	(516)	396	NA
EBIT Margin (%)							
MTO	4.1	4.3	(24)bps	4.1	4.1	4.2	(9)bps
CFS	29.4	29.6	(18)bps	29.5	29.1	30.5	(136)bps
PES	(49.3)	5.3	NA	(15.3)	(16.4)	8.7	NA
Segment Volumes (TEUs)							
MTO	1,59,951	1,26,833	26.1	1,44,646	5,86,021	5,09,982	14.9
CFS	76,304	69,738	9.4	71,764	2,92,162	2,98,951	(2.3)

Source: Company Data, PL Research

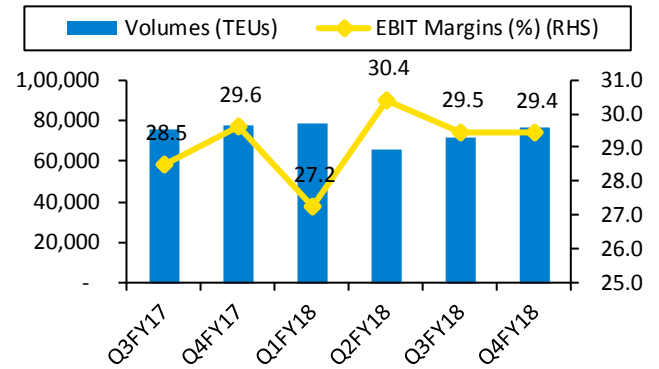
Business snapshot in charts

Exhibit 1: Margin gradually stabilising in MTO segment



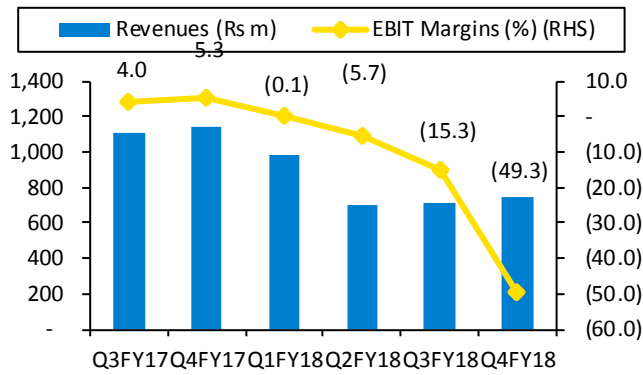
Source: Company Data, PL Research

Exhibit 2: Margin pressure seen in CFS segment



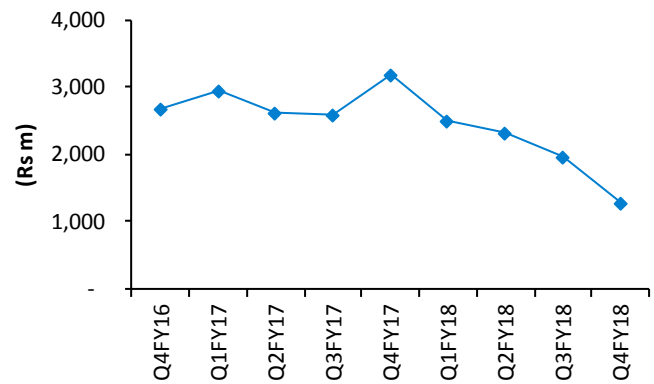
Source: Company Data, PL Research

Exhibit 3: PES segment continues to struggle both on revenues & margins



Source: Company Data, PL Research

Exhibit 4: Debt reduction continues, Net debt at Rs2.3bn



Source: Company Data, PL Research

**Income Statement (Rs m)**

Y/e March	2017	2018	2019E	2020E
Net Revenue	55,834	60,469	65,656	70,231
Raw Material Expenses	37,778	43,122	45,946	48,927
Gross Profit	18,056	17,347	19,710	21,303
Employee Cost	9,419	9,303	10,047	10,851
Other Expenses	3,987	4,296	4,727	5,021
EBITDA	4,650	3,749	4,936	5,431
Depr. & Amortization	1,662	1,591	1,805	1,850
Net Interest	324	299	303	269
Other Income	453	345	350	350
Profit before Tax	3,117	2,204	3,178	3,662
Total Tax	776	513	778	897
Profit after Tax	2,341	1,692	2,399	2,764
Ex-Od items / Min. Int.	98	74	82	89
Adj. PAT	2,319	1,714	2,427	2,796
Avg. Shares O/S (m)	245.7	245.7	245.7	245.7
EPS (Rs.)	9.4	7.0	9.9	11.4

Cash Flow Abstract (Rs m)

Y/e March	2017	2018	2019E	2020E
C/F from Operations	3,428	3,548	3,430	4,683
C/F from Investing	(13,866)	(1,529)	(2,465)	(1,572)
C/F from Financing	(644)	(2,464)	(1,498)	(2,259)
Inc. / Dec. in Cash	(11,082)	(445)	(533)	852
Opening Cash	1,803	1,771	1,326	792
Closing Cash	1,771	1,326	792	1,645
FCFF	3,473	3,505	3,108	4,792
FCFE	4,236	1,930	2,797	3,982

Key Financial Metrics

Y/e March	2017	2018	2019E	2020E
Growth				
Revenue (%)	(1.0)	8.3	8.6	7.0
EBITDA (%)	(7.7)	(19.4)	31.7	10.0
PAT (%)	(3.4)	(26.1)	41.6	15.2
EPS (%)	(0.9)	(26.1)	41.6	15.2
Profitability				
EBITDA Margin (%)	8.3	6.2	7.5	7.7
PAT Margin (%)	4.2	2.8	3.7	4.0
RoCE (%)	15.1	10.3	10.7	11.6
RoE (%)	13.1	9.1	11.9	12.7
Balance Sheet				
Net Debt : Equity	0.2	0.1	0.1	—
Net Wrkng Cap. (days)	(5)	(6)	(10)	(11)
Valuation				
PER (x)	12.8	17.3	12.2	10.6
P / B (x)	1.7	1.5	1.4	1.3
EV / EBITDA (x)	7.2	8.4	6.4	5.5
EV / Sales (x)	0.6	0.5	0.5	0.4
Earnings Quality				
Eff. Tax Rate	24.9	23.3	24.5	24.5
Other Inc / PBT	14.5	18.2	11.0	9.6
Eff. Depr. Rate (%)	—	—	—	—
FCFE / PAT	182.7	112.6	115.3	142.4

Source: Company Data, PL Research.

Balance Sheet Abstract (Rs m)

Y/e March	2017	2018	2019E	2020E
Shareholder's Funds	17,922	19,644	21,186	22,802
Total Debt	5,896	4,321	4,011	3,201
Other Liabilities	268	269	272	275
Total Liabilities	24,087	24,234	25,469	26,278
Net Fixed Assets	13,545	12,824	13,586	13,424
Goodwill	2,604	2,880	2,880	2,880
Investments	4,061	4,281	4,303	4,325
Net Current Assets	3,877	4,250	4,701	5,649
Cash & Equivalents	1,873	2,447	1,774	2,869
Other Current Assets	10,456	11,661	12,580	13,105
Current Liabilities	8,451	9,858	9,653	10,324
Other Assets	—	—	—	—
Total Assets	24,087	24,234	25,469	26,278

Quarterly Financials (Rs m)

Y/e March	Q1FY18	Q2FY18	Q3FY18	Q4FY18
Net Revenue	14,834	15,472	14,799	15,363
EBITDA	1,030	1,047	933	739
% of revenue	6.9	6.8	6.3	4.8
Depr. & Amortization	399	398	397	397
Net Interest	83	71	71	75
Other Income	159	51	49	155
Profit before Tax	707	629	515	354
Total Tax	76	6	199	231
Profit after Tax	611	638	348	117
Adj. PAT	611	638	348	117

Key Operating Metrics

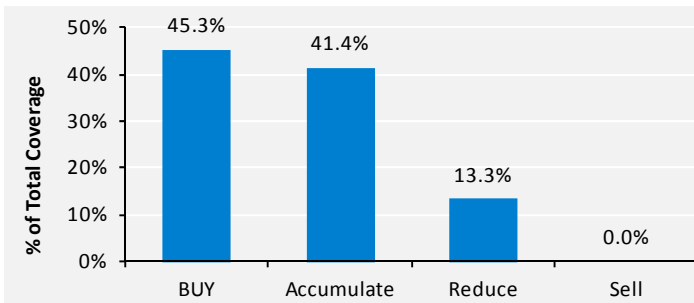
Y/e March	2017	2018	2019E	2020E
Segment Revenues				
MTO	47,558	53,748	57,738	61,491
CFS	4,306	4,094	4,294	4,640
PES	4,569	3,142	3,625	4,100
EBIT				
MTO	1,987	2,199	2,404	2,628
CFS	1,312	1,191	1,245	1,346
PES	396	(516)	181	308

Source: Company Data, PL Research.

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