

Company Update

Stock Details

Market cap (Rs mn)	:	25687
52-wk Hi/Lo (Rs)	:	229 / 91
Face Value (Rs)	:	2
3M Avg. daily vol (Nos)	:	329,786
Shares o/s (mn)	:	246

Source: Bloomberg

Financial Summary

Y/E Mar (Rs mn)	FY18	FY19E	FY20E
Revenue	60,648	63,150	65,110
Growth (%)	8.6	4.1	3.1
EBITDA	3,748	4,379	4,522
EBITDA margin (%)	6.2	6.9	6.9
PAT	1,758	2,332	2,484
EPS	6.8	9.1	9.7
EPS Growth (%)	-28.3	34.5	6.7
BV (Rs/share)	99.2	106.1	112.9
Dividend/share (Rs)	2.0	2.0	2.6
ROE (%)	7.0	8.9	8.9
ROCE (%)	8.6	10.2	10.2
P/E (x)	15.5	11.6	10.8
EV/EBITDA (x)	6.2	5.4	5.2
P/BV (x)	1.1	1.0	0.9

Source: Company, Kotak Securities – PCG

Shareholding Pattern (%)

(%)	Sep-18	Jun-18	Mar-18
Promoters	70.0	69.1	69.1
FII	12.5	13.6	15.6
DII	4.8	4.8	4.7
Others	12.7	12.5	10.6

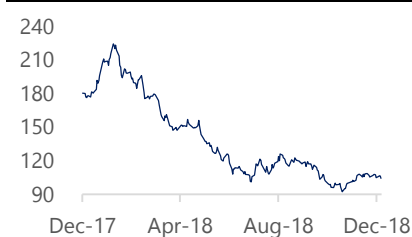
Source: Company

Price Performance (%)

(%)	1M	3M	6M
Allcargo	(2.0)	(12.3)	(7.4)
Nifty	0.9	(7.9)	(0.5)

Source: Bloomberg

Price chart (Rs)



Source: Bloomberg

ALLCARGO LOGISTICS LIMITED (ALL)

PRICE RS.105

TARGET RS.145

BUY

Strong volume trend in both the key segments of Multimodal Transport Operations (MTO) and Container Freight station (CFS) with stable realisations and loss in the project engineering has been the highlights of financial performance for ALL in H1FY19. Healthy performance in H1FY19 has given us confidence of a decent performance in FY19. Also, we believe that most of negatives have got factored in the current price. Maintain estimates with an unchanged target prices of Rs 145 at 15x FY20 earnings.

CFS division has shown improvement in H1FY19

The total volumes in the CFS division was reported at 170,814 TEUs (+18.5% YoY). Growth was driven by Kolkata operations and increased share of Direct Port Delivery (DPD) CFS volumes at JNPT. The growth was also because of low base effect.

CFS and ICD segment performance for ALL

Year	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
CFS TEUs	78,732	65,362	71,764	76,304	82,210	88,604
Revenue (Rs Mn)	1088	998	940	1060	1100	1190
EBIT	297	304	280	310	310	390
EBIT margin (%)	27.3	30.5	29.8	29.2	28.2	32.8
QoQ Growth (%)	2.2	-17.0	9.8	6.3	7.7	7.8
YoY Growth (%)	4.8	-5.6	-5.3	-0.9	4.4	35.6

Source: Company

Margins under pressure, but volumes growth strong in MTO segment

Realisation in the MTO segment is a pass through and dependent on freights in the container business. With weak container business, realisations and margins have fallen in the MTO segment. However, volume growth remains strong despite a challenging trade and freight environment.

Volumes for MTO business in TEUs

Year	Q1FY18	Q2FY18	Q3FY18	Q4FY18	Q1FY19	Q2FY19
MTO TEUs	138,479	142,954	144,646	159,951	174,043	174,268
Revenue (Rs mn)	12,895	13,879	13,270	13,700	14,550	15,410
EBIT	532	566	550	560	580	670
EBIT margins	4.1	4.1	4.1	4.1	4.0	4.3

Source: Company

Project Logistics and Engineering Solutions divisions (PED) remains a drag

The PED division continue to report weak numbers and is a drag on overall profitability of the company. The performance of this segment is highly dependent on private capex cycle which is at low levels currently. Similarly, the contract logistics division is not doing well for the company.

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Focus on Project Logistics

The company has been increasing its focus on Project Transportation, where the current executable order book is around Rs 1.75 bn. Management believes that renewed revival in 8 core sectors- coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity would help increase the capacity utilization. The company also intends to explore opportunities in neighboring countries like Sri Lanka, Myanmar, Nepal and Bangladesh. It has tasted initial success in Bangladesh & Nepal.

Silver lining is the future Capex – Rs 10 bn over FY18 to FY23E

Management indicated that capex in near term would be restricted to setting up infrastructure at Kolkata CFS, increase MTO reach, setting up rail linked logistics park at Jhajjar, Bangalore, JNPT and Hyderabad and maintenance capex. Also, ALL may opportunistically spend to make further acquisitions in the MTO segment and towards coastal shipping. If things work-out as per the plans of the management, the above mentioned capex has the capacity to improve the prospects of the company in third-party logistics.

Performance of the company to remain stable over FY18 to FY20E

We believe the business environment in which ALL operates has exhibited structural changes. These changes involve

- 1) DPD scheme at JNPT
- 2) Continued weak global container trade
- 3) Persistently weak private sector capex

These changes has impacted the overall performance of the company. However, despite that, company has reported improvement in performance in H1FY19. Broadly, we feel the performance of company to remain stable (with a positive bias) over FY18 to FY20E. Strong performance of H1FY19 has given us confidence of decent performance in FY19. Also, we believe that most of negatives have got factored in the current price. Maintain estimates with an unchanged target prices of Rs 145 at 15x FY20 earnings.

Company Background

Allcargo Logistics Limited, part of The Avvashya Group, is a global leader in integrated logistics solutions. The Company offers specialized logistics services across Multimodal Transport Operations, Container Freight Station Operations and Project & Engineering Solutions. Benchmarked quality standards, standardized processes and operation excellence across all the services and facilities, have enabled Allcargo Logistics Limited to emerge as the market leader in all these segments. The Company currently operates out of 300 plus offices across 160+ countries and gets supported by an even larger network of franchisee offices across the world.

Financials: Consolidated

Profit and Loss Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Revenues	55,833	60,648	63,150	65,110
% change YoY	(1.8)	8.6	4.1	3.1
Operational cost	39,411	43,813	45,254	46,653
Employee cost	8,189	9,104	9,403	9,694
Other expenses	3,583	3,983	4,114	4,241
Total Operating expd	51,183	56,900	58,771	60,588
EBITDA	4,650	3,748	4,379	4,522
Depreciation	1,663	1,591	1,625	1,630
EBIT	2,987	2,157	2,754	2,892
Other income	453	414	425	450
Interest expense	324	300	335	313
Profit before tax	3,116	2,271	2,844	3,029
Tax	777	513	512	545
ETR (%)	24.9	22.6	18.0	18.0
Profit after tax	2,339	1,758	2,332	2,484
Minorities & Associates	0	0	0	0
Net income	2,339	1,758	2,332	2,484
% change YoY	-16.9	-28.3	34.5	6.7
Shares outstanding (m)	246	246	246	246
EPS	9.4	6.8	9.1	9.7

Source: Company, Kotak Securities – Private Client Research

Cash flow Statement (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
PAT	2,319	1,663	2,236	2,387
Depreciation+DTL	1,741	1,642	1,676	1,685
Change in working capital	115	(772)	(285)	(223)
Cash flow from operations	4,174	2,533	3,627	3,848
Capex	(1,863)	(2,500)	(2,000)	(1,500)
Investments	(189)	-	-	-
Cash flow from investments	(2,052)	(2,500)	(2,000)	(1,500)
Equity issuance	-	-	-	-
Debt raised	164	131	(145)	(366)
Dividend Paid	(605)	(605)	(605)	(756)
Miscellaneous items	20	95	96	97
Cash flow from financing	(421)	(379)	(654)	(1,025)
Net cash flow	1,701	(346)	973	1,323
Opening cash	2,713	4,414	4,005	4,978
Closing cash	4,414	4,069	4,978	6,301

Source: Company, Kotak Securities – Private Client Research

Balance sheet (Rs mn)

(Year-end Mar)	FY17	FY18	FY19E	FY20E
Cash	4,414	4,005	4,978	6,301
Debtors	8,375	9,097	9,473	9,767
Loans and advances	5,472	6,186	6,441	6,641
Other current assets	113	121	126	130
Total current assets	13,959	15,405	16,040	16,538
LT investments	1,050	1,050	1,050	1,050
Net fixed assets	17,599	18,508	18,883	18,753
Total assets	37,022	38,967	40,952	42,643
Creditors	7,537	8,187	8,525	8,790
Other current liabilities	279	303	316	327
Total current liabilities	7,817	8,491	8,841	9,116
LT debt	5,595	5,726	5,581	5,215
Minority Interest	241	336	432	529
Equity Capital	492	492	492	492
Reserves	22,877	23,923	25,605	27,291
Networth	23,369	24,415	26,097	27,783
Total liabilities	37,022	38,967	40,952	42,643
BVPS (Rs)	95.0	99.2	106.1	112.9

Source: Company, Kotak Securities – Private Client Research

Ratio Analysis

(Year-end Mar)	FY17	FY18	FY19E	FY20E
EBITDA margin (%)	8.3	6.2	6.9	6.9
EBIT margin (%)	5.3	3.6	4.4	4.4
Net profit margin (%)	4.2	2.9	3.7	3.8
ROE (%)	10.3	7.0	8.9	8.9
ROCE (%)	12.2	8.6	10.2	10.2
DPS	2.0	2.0	2.0	2.6
Dividend payout (%)	26.1	36.4	27.0	31.7
Working capital turnover (days)	40.5	39.3	40.8	41.0
Debt Equity (x)	0.2	0.2	0.2	0.2
PER (x)	11.1	15.5	11.6	10.8
P/C (x)	6.4	7.8	6.6	6.3
Dividend yield (%)	2.0	2.0	2.0	2.4
P/B (x)	1.1	1.1	1.0	0.9
EV/Sales (x)	0.5	0.4	0.4	0.4
EV/ EBITDA (x)	5.1	6.2	5.4	5.2

Source: Company, Kotak Securities – Private Client Research

RATING SCALE

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- BUY** – We expect the stock to deliver more than 12% returns over the next 12 months
- ACCUMULATE** – We expect the stock to deliver 5% - 12% returns over the next 12 months
- REDUCE** – We expect the stock to deliver 0% - 5% returns over the next 12 months
- SELL** – We expect the stock to deliver negative returns over the next 12 months
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