

Aegis Logistics

BSE SENSEX

52,904

S&P CNX

15,854

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Stock Info

Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USDb)	120.3 / 1.6
52-Week Range (INR)	394 / 179
1, 6, 12 Rel. Per (%)	-7/14/42
12M Avg Val (INR M)	140
Free float (%)	42.3

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Sales	38.4	70.9	83.5
EBITDA	3.9	5.3	6.9
Adj. PAT	2.2	3.3	4.5
Adj. EPS (INR)	6.7	9.8	13.6
EPS Gr. %	124.3	45.8	39.5
BV/Sh. INR	58.0	64.8	74.4

Ratios

Net D:E	0.0	-0.1	-0.3
RoE (%)	12.4	15.9	19.6
RoCE (%)	12.6	15.7	19.7
Payout (%)	29.9	29.9	29.9

Valuation

P/E (x)	51.2	35.1	25.2
P/BV (x)	5.9	5.3	4.6
EV/EBITDA (x)	29.5	21.0	15.7
Div. Yld (%)	0.6	0.9	1.2
FCF Yld (%)	0.7	3.7	4.0

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: INR343 TP: INR375 (+9%) Downgrade to Neutral

Focus has shifted away from LPG Logistics

Establishes JV with a leading global player – Royal Vopak of the Netherlands

- AGIS has established a JV – Aegis Vopak Terminals (AVTL). Both LPG and liquid storage terminals at Kandla and Pipavav, and liquid storage terminals at Mangalore, Kochi, and Haldia have been brought under AVTL. AGIS will hold 51% stake in AVTL, with the balance held by Vopak. AVTL will also hold the existing 250,000kl liquid terminal of Vopak at Kandla.
- AGIS, via its wholly owned subsidiary – Aegis Gas (AGL), used to hold 75% stake in the Haldia LPG terminal. It is divesting 24% to Vopak (separate from AVTL).
- Mumbai LPG/liquid storage terminal, gas retailing, and marine fuels remain with AGIS. It has also retained the LPG sourcing business.
- The partnership certainly opens up a host of new opportunities for the company. The increased demand for storage facilities in India, due to rise in the production of chemicals and petrochemicals, is expected to result in a demand for additional storage facilities. The deal is expected to be completed by early 2022.
- A capex program of INR25-45b is planned for the JV over the next five years, starting FY23 (in the seven areas as highlighted in *Exhibit 6*). It would be funded via internal accruals, debt, and some cash injection by both the shareholders.
- Such a high and ambitious capex would burden AGIS' Balance Sheet, with the focus shifting away from the LPG business, which in our view may increase uncertainty. Factoring in the same, we downgrade the stock to Neutral with a TP of INR375.

Vopak a global leader in independent tank storage

- The search for a strategic partner commenced with the need for new products, larger terminals, better inland logistics capabilities, and availability of storage facilities at more ports and inland depots. Vopak – a global leader with 70 terminals across 23 countries, operating gas/industrial/chemical/oil terminals, and a market capitalization of EUR5b – was the best fit.
- The management said in the analyst call that the deal was valued at 23x FY22 EBITDA for the assets transferred to AVTL, while the Haldia LPG terminal was valued broadly at the same valuation at which Itochu acquired an incremental (~5%) stake in the LPG terminal in Apr'21.
- As per our estimates, the transaction was valued at 16x FY22E EBITDA (as highlighted in *Exhibit 1* and 2), while Vopak ascribes 11x FY22 EBITDA (as per the company's [press release](#)).
- The cash consideration also includes certain milestone payments that are tied to the achievement of certain financial projections over the next three years.

Way ahead for AGIS and valuation

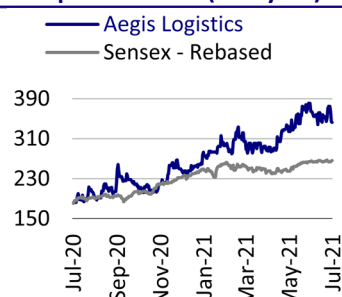
- The company expects growth in its Mumbai assets, in which it has a 100% stake. Further growth opportunities would include VLGC compliant jetties; further expansion of the LPG/liquid assets; multi-modal transport for LPG; inland depots; new LPG terminals in the south; storage facilities for other gases like ammonia, propylene, butadiene etc.; and a greenfield liquids terminal dedicated to industrial customers.

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Stock performance (one-year)

- We remain positive on LPG consumption and the import story in India (as consumption per LPG connection rises in poor households, given the government's continued impetus) and show our faith in AGIS' retailing and distribution business (which the company plans to expand to over 200 retail outlets from 125 at the end of FY21).
- The stock is up 35% in CY21 YTD on the back of developments in the LPG Logistics business like debottlenecking of Uran Chakkan pipeline (in Mumbai) and commissioning of the railway gantry at Pipavav, which would result in higher LPG throughput at these terminals, aiding growth. With the recent JV announcement, the focus would shift away from the LPG logistics business.
- The company is trading at 21x FY22E EV/EBITDA. We value the company using DCF and arrive at a TP of INR375. However, a stretched balance sheet due to INR25-45b capex and change of focus away from LPG is likely to raise uncertainty over earnings. **We downgrade the stock to Neutral.**

Exhibit 1: Percentage ownership of Vopak in the JV for various assets...**Assets flowing to Vopak from AGIS**

Kandla LPG terminal	49%
Pipavav LPG terminal	49%
Kandla liquids terminal	49%
Pipavav liquids terminal	49%
Mangalore liquids terminal	49%
Haldia liquids terminal	49%
Kochi liquids terminal	49%
Haldia LPG terminal	24%

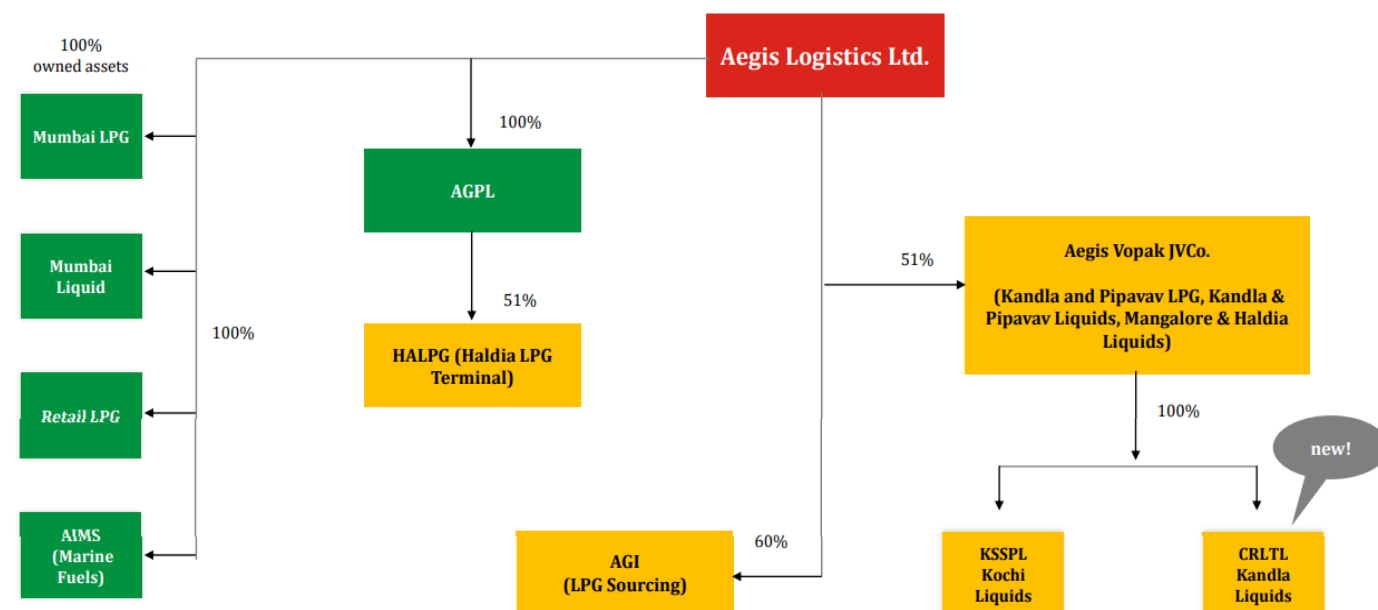
Vopak's share in CRL's liquids terminal will fall to 49%

Source: Company, MOFSL

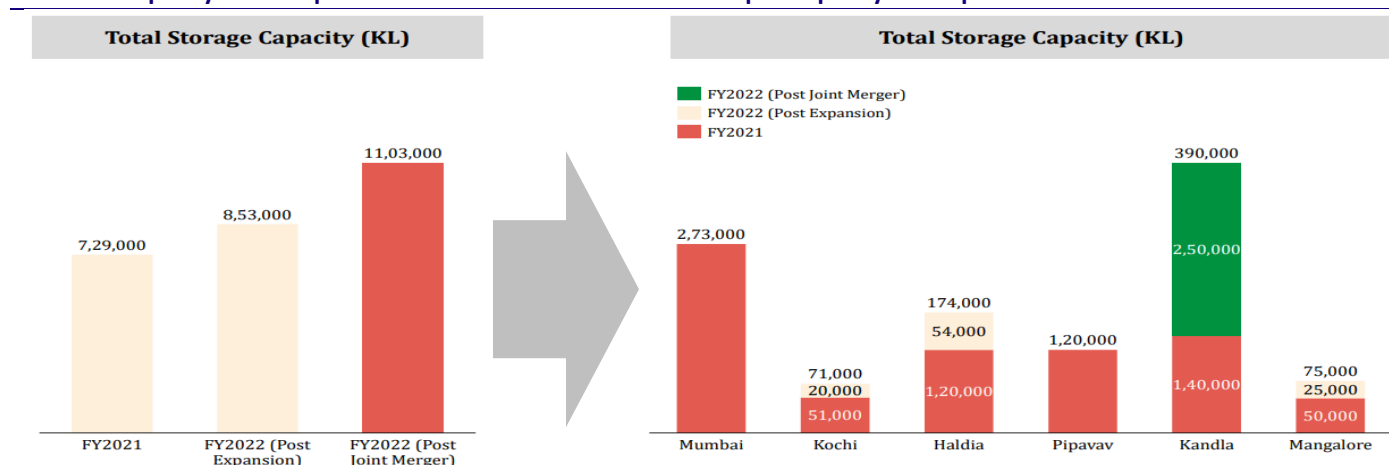
Exhibit 2: ...for which it is paying INR25.7b (excluding revenue from milestone payments)**Computation based on the shares to be received by Vopak**

Amount to be paid by Vopak to AGIS (INRb)	25.7
FY22 EBITDA as per AGIS' estimates (INRb)	1.1
EV/EBITDA (x)	23
FY22 EBITDA as per MOFSL's estimates (INRb)	1.6
EV/EBITDA (x)	16
EV/EBITDA (x) as per Vopak (press release)	11

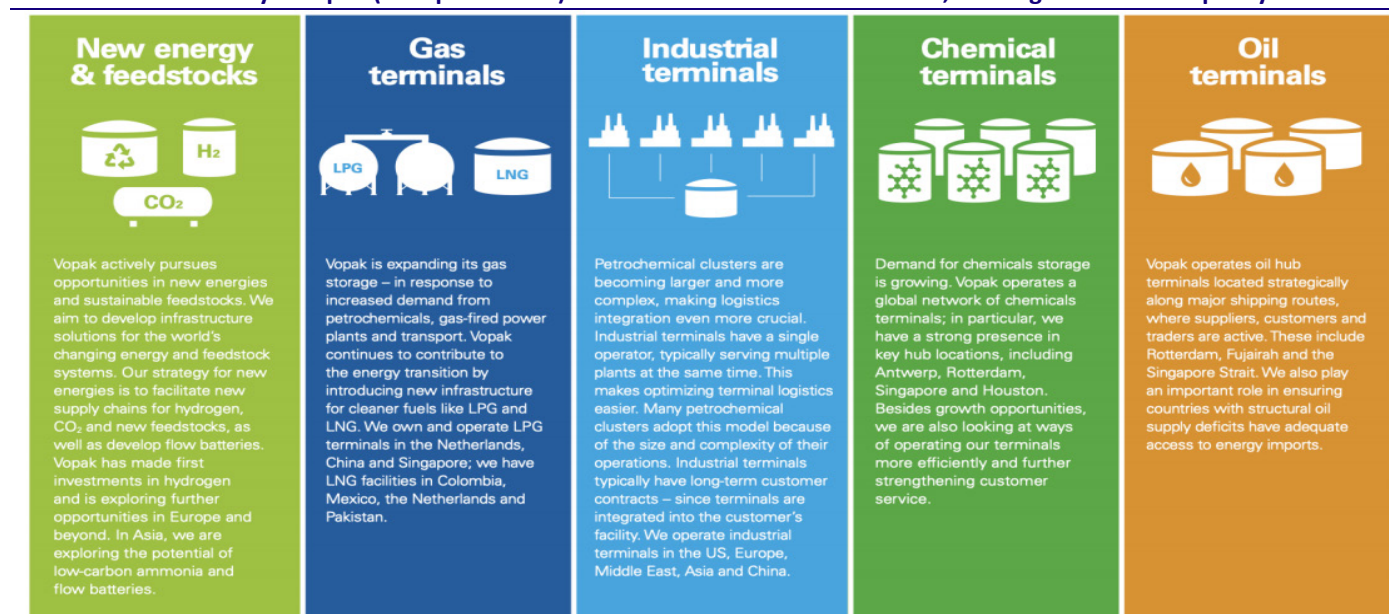
Source: Company, MOFSL

Exhibit 3: Transaction details and company structure for AGIS

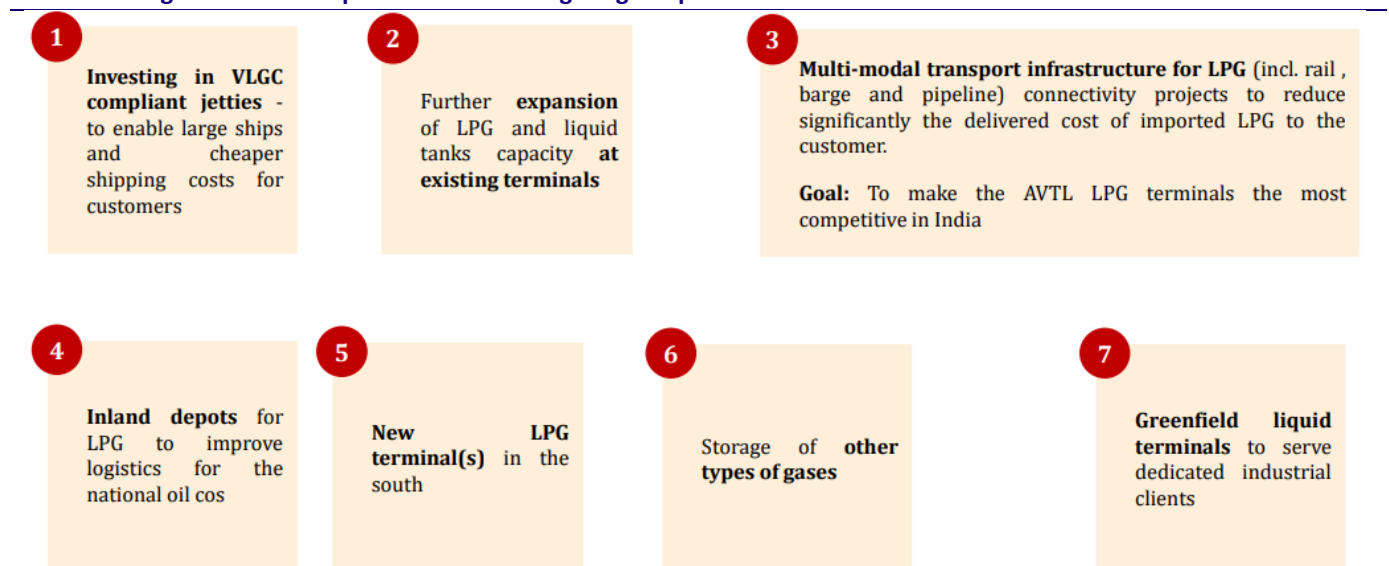
Source: Company, MOFSL

Exhibit 4: Capacity of the liquids terminal to rise as CRL's Kandla liquid capacity forms part of the JV

Source: Company, MOFSL

Exhibit 5: Profile of Royal Vopak (m-cap of EUR5b) – has 70 terminals in 23 countries, totaling 35.6bcm of capacity

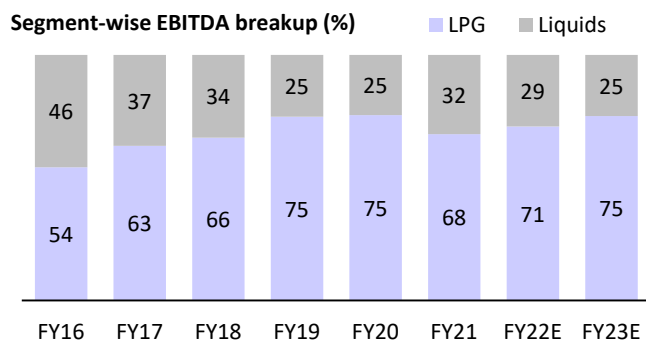
Source: Company, MOFSL

Exhibit 6: Long-term business plan for the JV – targeting a capex of INR25-45b over FY23-27

Source: Company, MOFSL

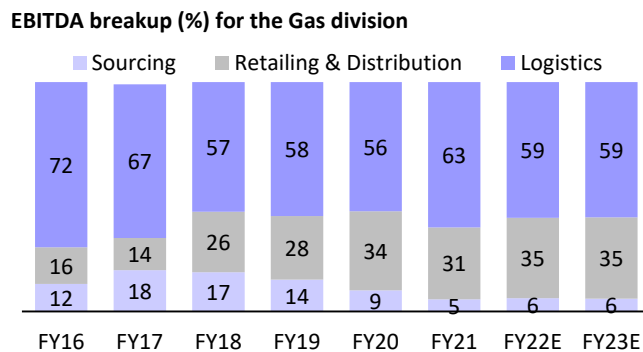
Story in charts

Exhibit 7: Expect EBITDA mix for the Gas division to improve...



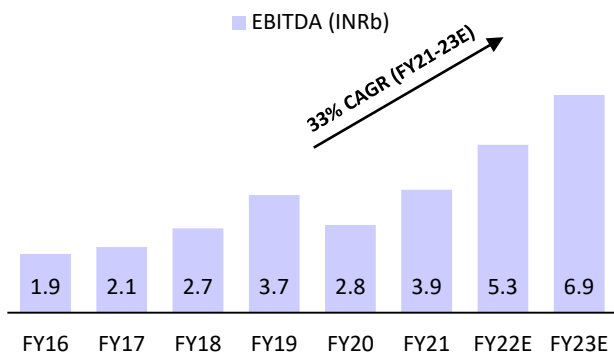
Source: Company, MOFSL

Exhibit 8: ...with Logistics contributing 60% of the Gas business



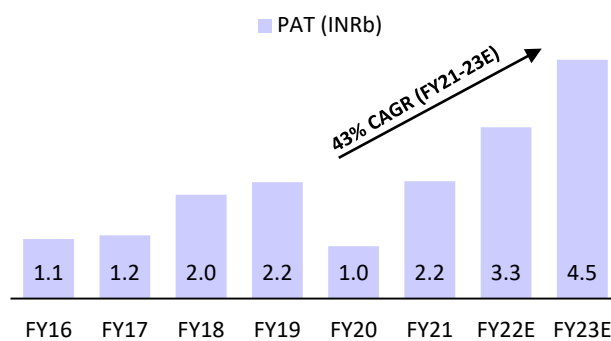
Source: Company, MOFSL

Exhibit 9: Expect 33% EBITDA CAGR over FY21-23E...



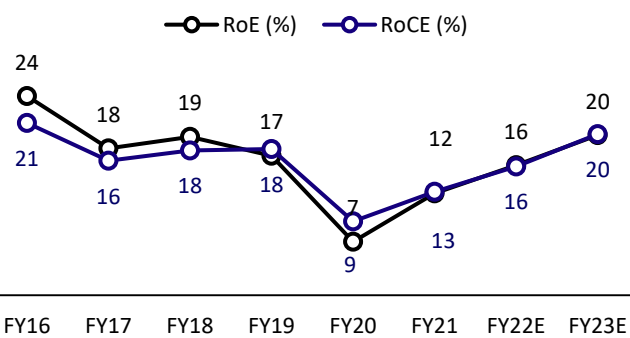
Source: Company, MOFSL

Exhibit 10: ...followed by 43% PAT CAGR



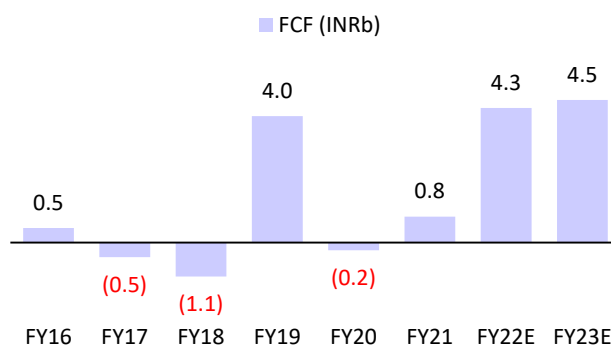
Source: Company, MOFSL

Exhibit 11: Return ratios to hover over 20%



Source: Company, MOFSL

Exhibit 12: Expect strong (~8%) FCF yield 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	70,882	83,451
Change (%)	-43.5	77.7	21.8	17.2	27.9	-46.5	84.4	17.7
EBITDA	1,853	2,069	2,660	3,709	2,765	3,876	5,296	6,866
Margin (%)	8.4	5.3	5.6	6.6	3.8	10.1	7.5	8.2
Depreciation	234	243	343	505	687	716	790	812
EBIT	1,619	1,826	2,317	3,203	2,078	3,160	4,506	6,054
Int. and Finance Charges	177	161	152	262	331	173	196	91
Other Income	85	52	84	82	328	369	390	459
PBT bef. EO Exp.	1,527	1,717	2,248	3,023	2,076	3,356	4,700	6,422
PBT after EO Exp.	1,527	1,717	2,248	3,023	2,076	3,356	4,700	6,422
Total Tax	265	377	110	502	736	864	1,185	1,618
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	3,257	4,545
Adjusted PAT	1,133	1,203	1,978	2,214	996	2,234	3,257	4,545
Change (%)	43.4	6.1	64.5	11.9	-55.0	124.3	45.8	39.5
Margin (%)	5.1	3.1	4.1	3.9	1.4	5.8	4.6	5.4

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	21,297	24,483
Net Worth	5,045	8,372	12,073	13,913	16,546	19,365	21,648	24,834
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	25,703	27,614
Gross Block	6,951	10,078	15,756	16,728	21,116	21,954	23,429	24,810
Less: Accum. Deprn.	2,371	2,614	2,957	3,463	4,150	4,866	5,656	6,467
Net Fixed Assets	4,580	7,464	12,799	13,265	16,966	17,089	17,774	18,342
Capital WIP	734	3,127	1,256	1,207	2,201	4,876	4,401	4,021
Curr. Assets, Loans&Adv.	3,537	9,743	8,059	9,688	9,946	8,838	12,528	15,813
Inventory	115	218	260	338	421	524	400	467
Account Receivables	972	7,059	3,469	2,285	4,540	942	4,480	5,275
Cash and Bank Balance	967	623	1,620	4,129	2,634	3,356	5,329	7,342
Loans and Advances	1,482	1,844	2,710	2,936	2,350	4,017	2,319	2,730
Curr. Liability & Prov.	1,442	8,264	5,841	6,926	9,290	6,127	9,018	10,581
Account Payables	894	6,778	3,788	4,853	4,016	747	3,813	4,453
Other Current Liabilities	402	1,374	1,918	1,927	5,096	5,223	5,028	5,920
Provisions	145	112	135	146	179	158	177	208
Net Current Assets	2,095	1,480	2,218	2,762	655	2,711	3,510	5,233
Appl. of Funds	7,550	12,092	16,299	17,360	19,917	24,694	25,703	27,614

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	9.8	13.6
Cash EPS	4.1	4.3	6.9	8.1	5.0	8.8	12.1	16.0
BV/Share	15.1	25.1	36.1	41.7	49.5	58.0	64.8	74.4
DPS	0.9	0.7	1.5	1.4	1.7	2.0	2.9	4.1
Payout (%)	31.9	22.4	28.8	24.3	65.6	29.9	29.9	29.9
Valuation (x)								
P/E	100.9	95.1	57.8	51.7	114.9	51.2	35.1	25.2
Cash P/E	83.7	79.1	49.3	42.1	68.0	38.8	28.3	21.4
P/BV	22.7	13.7	9.5	8.2	6.9	5.9	5.3	4.6
EV/Sales	5.2	3.0	2.4	2.0	1.6	3.0	1.6	1.3
EV/EBITDA	62.2	56.2	43.5	30.2	41.2	29.5	21.0	15.7
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	12.8	13.6
Return Ratios (%)								
RoE	24.3	17.9	19.4	17.0	6.5	12.4	15.9	19.6
RoCE	21.0	16.4	17.7	17.9	9.0	12.6	15.7	19.7
RoIC	24.0	20.1	20.3	21.1	10.0	14.9	20.8	28.1
Working Capital Ratios								
Fixed Asset Turnover (x)	3.2	3.9	3.0	3.4	3.4	1.8	3.0	3.4
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	19
Leverage Ratio (x)								
Current Ratio	2.5	1.2	1.4	1.4	1.1	1.4	1.4	1.5
Interest Cover Ratio	9.2	11.3	15.2	12.2	6.3	18.3	23.0	66.5
Net Debt/Equity	0.2	0.2	0.1	-0.2	0.0	0.0	-0.1	-0.3

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	4,700	6,422
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	-1,185	-1,618
(Inc)/Dec in WC	-77	14	-192	2,450	-3,083	-71	1,174	290
CF from Operations	1,384	1,770	1,914	5,563	1,463	4,416	5,286	5,537
(Inc)/Dec in FA	-916	-2,229	-2,991	-1,541	-1,708	-3,588	-1,000	-1,000
Free Cash Flow	467	-459	-1,077	4,022	-245	828	4,286	4,537
CF from Investments	-639	-2,201	-2,962	-1,547	-1,514	-4,280	-610	-541
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	-974	-1,359
CF from Fin. Activity	-832	87	2,043	-1,506	-1,444	586	-2,703	-2,984
Inc/Dec of Cash	-87	-343	996	2,510	-1,495	722	1,973	2,013
Opening Balance	1,054	967	623	1,620	4,129	2,634	3,356	5,329
Closing Balance	967	624	1,619	4,129	2,634	3,356	5,329	7,342

E: MOFSL Estimates

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SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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