

Q1FY22 result review  
and reco change

## Logistics

Target price: Rs233

### Earnings revision

(%)	FY22E	FY23E
Sales	↑ 4.8	↑ 5.7
EBITDA	↑ 12.8	↑ 6.4
EPS	↑ 35.3	↑ 13.9

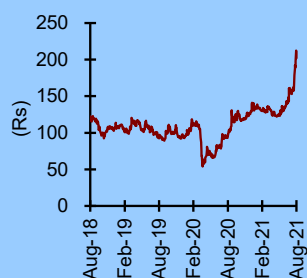
### Target price revision

Rs233 from Rs189

### Shareholding pattern

	Dec '20	Mar '21	Jun '21
Promoters	70.0	70.0	70.0
Institutional investors	17.3	15.4	15.7
MFs and others	3.6	2.2	2.9
Banks & FIs	0.0	0.0	0.0
Insurance Cos.	0.0	0.0	0.0
FIs	13.7	13.2	12.9
Others	12.7	14.6	14.3

### Price chart



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INDIA

**ICICI Securities**

# Allcargo Logistics

**ADD**

Downgrade from BUY

## MTO business drives earning upgrades

**Rs214**

Allcargo Logistics' (AGLL) posted an impressive Q1FY22 EBITDA of Rs2.17bn (I-Sec Rs1.56bn). We downgrade AGLL to ADD from BUY with a revised target of Rs233 (Rs189 earlier). Turnaround in Gati (subsidiary of AGLL) operations can accrue significant value to AGLL. The management appears to be on the right track in Gati to i) delever through divestment of non-core assets and ii) bring about operational improvements to increase 'express' segment EBITDA to 12% in the next 2-4 quarters. MTO business earnings continue to surprise, with a 39%YoY volume growth coupled with expansion in EBIT margins (QoQ). This leads to significant upgrade in earnings. Rs1.2bn (enterprise value) purchase of speedy CFS can lead to improvement in CFS earnings going forward.

- **Strong volume and margin performance in the MTO segment drives beat.** MTO segment reported 39% YoY growth in volumes (I-Sec 18%). EBIT margins have also improved 10bps QoQ to 4.6% (€63/teu). This leads to upgrade in our MTO earnings for FY22E/FY23E. ECU360 continues to gain traction and is increasing share in overall bookings facilitating customers through digital interface. Segment annualized ROCE at its highest levels of +35%.
- **CFS volumes and profitability moderated during Q1FY22.** Post registering strong growth in Q4FY21, Indian port volumes tapered in Q1FY22 (AGLL CFS volumes declined 11% QoQ). Volumes were largely hit by second wave led lockdowns in certain operated cities. Despite lockdown, business division delivered strong performance despite the challenging economic scenario. Realisation increased 4% QoQ, while EBIT/teu declined 7%QoQ to Rs4,156/teu. CFS segment annualized ROCE stood at +34%.
- **Project logistics reported Rs17mn EBIT loss.** Project Logistics maintains its order book at Rs1.8 bn at the end of Q1FY22. The focus on infrastructure growth and development of new metro and renewable power projects is likely to provide good opportunity in future. Crane utilization has steadily improved from 42% in Q1FY21 to currently nearing 75% utilization levels. The segment continues its efforts on monetizing older and low yield assets and focus on narrowing its losses. ROCE remains low due to significant depreciation on equipment.
- **Deal with Blackstone continues to see delays.** The company's transaction with Blackstone will reduce its shareholding to a strategic minority holding of 10%. The transaction has seen delays due to Covid-impact on getting certain approvals, however the work is in progress now. Logistics parks continue to operate on annuity income. Lease income from warehouses continues to rise and the trend will continue as more space gets ready and leased. AGLL deleveraging thesis remains subject to completion of the Blackstone deal.

Market Cap	Rs52.5bn/US\$707mn
Reuters/Bloomberg	ACLL.BO / AGLL IN
Shares Outstanding (mn)	245.7
52-week Range (Rs)	214/101
Free Float (%)	30.0
FII (%)	12.9
Daily Volume (US\$'000)	2,601
Absolute Return 3m (%)	68.0
Absolute Return 12m (%)	114.9
Sensex Return 3m (%)	14.6
Sensex Return 12m (%)	46.2

Year to Mar	FY20	FY21	FY22E	FY23E
Revenue (Rs mn)	73,462	105,236	119,831	133,311
EBITDA(Rs mn)	5,035	6,593	8,570	9,392
Net Income (Rs mn)	2,230	1,729	2,959	3,303
EPS (Rs)	9.1	7.0	12.0	13.4
P/E (x)	23.6	30.4	17.8	15.9
CEPS (Rs)	18.5	19.5	23.6	25.0
EV/E (x)	12.6	10.1	7.8	6.8
Dividend Yield	0.9	0.9	0.9	0.9
RoCE (%)	9.2	9.8	14.1	14.7
RoE (%)	10.4	7.6	11.7	11.7

- **Purchased Speedy CFS for an EV of Rs1.2bn.** AGLL approved the share purchase agreement between Allcargo projects private limited, a wholly owned subsidiary of the Company and Beyond properties private limited for acquisition of 85% shareholding in Speedy Multimodes for a total consideration of Rs1bn. This translates to an EV of Rs1.2bn. ([Link](#)) suggests, apart from the strategically located CFS within JNPT, the company also has capability for handling ODC.
- **Other key developments.** CFS revenue of prior year as entitlement is established pursuant to court order—amounting to Rs382.5mn; this constitutes majority of the exceptional income of Rs447.9mn. The rest is profit on sale of land of Rs115.2mn. Board has approved demerger of the contract logistics business under Avashya CCI (JV), which will be brought back under Avashya supply chain private ltd (wholly owned subsidiary) with mirror shareholding. This is subject to NCLT approval. Board has also approved the delisting proposal made by Inga ventures (manager to the offer) on behalf of Mr. Shashi Kiran Shetty, Talentos international and Avashya Holdings – members of the promoter group. Shareholders approval will be subsequently sought, the base price for the delisting offer is Rs148/share.

**Table 1: Q1FY22 consolidated result review**

(Rs mn)

	Q1FY22	Q1FY21	% Chg YoY	Q4FY21	% Chg QoQ
Income from ops	34,417	18,828	82.8	33,403	3.0
Other operating income	76	66		90	
<b>Total Income from operations</b>	<b>34,493</b>	<b>18,893</b>	<b>82.6</b>	<b>33,493</b>	<b>3.0</b>
<b>Total Expenses</b>	<b>32,318</b>	<b>17,582</b>	<b>83.8</b>	<b>31,560</b>	<b>2.4</b>
<b>EBITDA</b>	<b>2,174</b>	<b>1,311</b>	<b>65.9</b>	<b>1,933</b>	<b>12.5</b>
Margin (%)	6.3	6.9		5.8	
Depreciation	741	727	1.9	855	(13.3)
Other income	99	161	(38.4)	108	(8.1)
Finance Costs	281	385	(27.0)	320	(12.1)
Exceptional	(448)	-		812	
<b>PBT</b>	<b>1,699</b>	<b>359</b>	<b>373.2</b>	<b>54</b>	<b>3,029.5</b>
Tax	729	32		96	
<b>PAT</b>	<b>970</b>	<b>328</b>	<b>196.1</b>	<b>(42)</b>	<b>NM</b>
Share of profit from associates	114	181		478	
MI	88	6		104	
<b>PAT after MI</b>	<b>1,172</b>	<b>514</b>	<b>127.9</b>	<b>540</b>	<b>117.0</b>

Source: Company data, I-Sec research

**Table 2: Q1FY22 segmental result review (consolidated)**

(Rs mn)

Segment Revenues	Q1FY22	Q1FY21	% Chg YoY	Q4FY21	% Chg QoQ
-MTO	29,355	17,371	69.0	27,239	7.8
-CFS	1,222	1,275	(4.2)	1,314	(7.0)
-P&ES	941	639	47.3	934	0.7
-Logistics	178	88	102.2	207	(14.1)
-Express (Gati)	2,988	1,643	81.9	4,066	(26.5)
-Others	76	52		66	
<b>Total</b>	<b>34,758</b>	<b>21,068</b>	<b>65.0</b>	<b>33,825</b>	<b>2.8</b>
Segment Results	Q1FY22	Q1FY21	% Chg YoY	Q4FY21	% Chg QoQ
-MTO	1,362	788	72.9	1,234	10.3
-CFS	343	510	(32.8)	414	(17.3)
-P&ES	(17)	(139)		(122)	NM
-Logistics	58	28		99	(42.0)
-Express (Gati)	(160)	(458)		(188)	(15.2)
-Others	(53)	16		1	NM
<b>Total</b>	<b>1,532</b>	<b>1,202</b>	<b>27.5</b>	<b>1,627</b>	<b>(68.0)</b>

Source: Company data, I-Sec research

**Table 3: Gati Q1FY22 consolidated result review**

(Rs mn)

	Q1FY22	Q1FY21	% Chg YoY	Q4FY21	% Chg QoQ
<b>Revenues</b>	2,902	1,643	76.7	4,066	-28.6
Purchases of stock-in-trade	493.4	394	25.2	685.5	-28.0
Changes in inventories of finished goods, work-in-progress and stock-in-trade	3.9	16.7		2.9	
Operating expense	1,729	817.6	111.4	2,363	-26.8
Gross Margins	677	414		1,015	
Gross Margins (%)	23.3	25		24.97	
Employee benefit	354	336.2	5.2	493	-28.2
Other Expenses	323	340.9	(5.4)	441	-26.8
Total Expense	2,902	1,905	52.3	3,984	-27.2
<b>EBITDA</b>	<b>0.2</b>	<b>-262.8</b>	<b>NM</b>	<b>82.0</b>	<b>NM</b>
Margin (%)	0.0	-16.0		2.0	
Other Income	11.2	52	(78.5)	19.7	-43.1
Interest Expense	53	125	(57.9)	107	-50.9
Depreciation	68	100.7	(32.7)	104	-34.7
Exceptional	-130.5			-1,728.7	
<b>PBT</b>	<b>-239</b>	<b>-436</b>	<b>NM</b>	<b>-1,838</b>	<b>NM</b>
Tax	-24	-84	NM	-104	NM
<b>PAT</b>	<b>-215</b>	<b>-352</b>	<b>NM</b>	<b>-1,734</b>	<b>NM</b>

Source: Company data, I-Sec research

*Exceptional item in Gati represents the equity investment in Gati Kausar, prior to selling ~70% stake to Mandala capital.*

## Valuation and key risks

We value AGLL on SoTP basis due to the inherent differences in capital intensity, profitability, etc. of its key businesses of MTO and CFS on one hand, and P&E business on the other. We revise our target price to Rs233/share from Rs189/share earlier. This is mainly due to a constructive view on earnings and multiples that we take on MRO business, deleveraging (Gati will be a net debt free entity by FY22E) and reclaiming a 12% industry benchmark margin in the express segment (as has been guided by the management) allows us to be constructive on the name.

**Table 4: SoTP valuation (new)**

Business	Valuation Multiple	FY23E Implied EV (IRs mn)
MTO	8x FY2E EV/EBITDA	35,713
CFS/ ICD	6x FY2E EV/EBITDA	9,496
P&E	6x FY2E EV/EBITDA	2,820
Logistic Park	7x FY2E EV/EBITDA	2,729
Express	30x FY23E PAT	21,005
Elimination	7x FY22E EV/EBITDA	(4,200)
<b>Total</b>		<b>67,563</b>
<b>Less: Net Debt</b>		<b>11,138</b>
Equity		56,425
No of Share		246
Equity/share (Rs/share)		230
Business of JV (15x PE)		4
<b>Total business value</b>		<b>233</b>

Source: Company data, I-Sec research

**Table 5: SoTP valuation (old)**

<b>Business</b>	<b>Valuation Multiple</b>	<b>FY23E Implied EV (IRs mn)</b>
MTO	7x FY2E EV/EBITDA	28,823
CFS/ ICD	6x FY2E EV/EBITDA	9,496
P&E	6x FY2E EV/EBITDA	2,820
Logistic Park	7x FY2E EV/EBITDA	2,401
Express	30x FY23E PAT	18,448
Elimination	7x FY22E EV/EBITDA	(4,200)
<b>Total</b>		<b>57,788</b>
<b>Less: Net Debt</b>		<b>12,141</b>
Equity		45,647
No of Share		246
Equity/share (Rs/share)		186
Business of JV (15x PE)		4
<b>Total business value</b>		<b>189</b>

Source: Company data, I-Sec research

Key upside risks are completion of the Blackstone deal followed by deleveraging of the balance sheet along with better than expected recovery in Gati operations. Key downside risks are non-consummation of the warehousing deal with Blackstone, leading to elevated net debt. Slower turnaround in Gati can also lead to lower valuations and higher stress on balance sheet.

## Revision of earnings

**Table 6: Earnings change**

(Rs mn)

	FY22E			FY23E		
	Old	New	% Chg	Old	New	% Chg
Sales	114,348	119,831	4.8	126,069	133,311	5.7
EBITDA	7,600	8,570	12.8	8,824	9,392	6.4
PAT	2,187	2,959	35.3	2,899	3,303	13.9

Source: Company data, I-Sec research

The changes reflect higher revenue and EBITDA contribution from MTO business. Gati has turned a corner and is expected to add significantly to the profitability of Allcargo in the coming years.

## Financial summary

Table 7: Profit &amp; loss statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Net Sales</b>	<b>73,462</b>	<b>104,981</b>	<b>119,831</b>	<b>133,311</b>
Other operating revenue	112	112	112	112
<b>Total Revenue</b>	<b>73,462</b>	<b>105,236</b>	<b>119,831</b>	<b>133,311</b>
<b>Operating Expenses</b>	<b>68,428</b>	<b>98,643</b>	<b>111,261</b>	<b>123,918</b>
<b>EBITDA</b>	<b>5,035</b>	<b>6,593</b>	<b>8,570</b>	<b>9,392</b>
% margins	6.9%	6.3%	7.2%	7.0%
Depreciation & Amortisation	2,316	3,061	2,842	2,837
Gross Interest	685	1,356	1,509	1,509
Other Income	413	554	581	610
<b>Recurring PBT</b>	<b>2,447</b>	<b>2,729</b>	<b>4,800</b>	<b>5,656</b>
Less: Taxes	711	640	1,224	1,442
Minority Int. & Asso. Profit	(53)	948	(617)	(911)
<b>Net Income (Reported)</b>	<b>2,230</b>	<b>1,729</b>	<b>2,959</b>	<b>3,303</b>

Source: Company data, I-Sec research

Table 8: Balance sheet

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Assets</b>				
Total Current Assets	23,767	35,551	40,309	46,002
of which cash & cash eqv.	3,080	3,812	3,725	6,637
Total Current Liabilities & Provisions	14,470	25,359	27,104	29,155
<b>Net Current Assets</b>	<b>9,296</b>	<b>10,192</b>	<b>13,205</b>	<b>16,847</b>
Investments	5,353	4,456	4,456	4,456
Net fixed assets (including CWIP)	15,115	17,612	17,770	17,933
Intangible Assets	1,867	5,336	5,336	5,336
Goodwill on consolidation	3,365	5,664	5,664	5,664
Long term loans and advances	2,635	4,210	4,210	4,210
Other non-current assets	1,035	1,772	1,772	1,772
<b>Total Assets</b>	<b>38,666</b>	<b>49,244</b>	<b>52,414</b>	<b>56,219</b>
<b>Liabilities</b>				
Borrowings	14,737	18,481	18,481	18,481
Deferred Tax Liability	127	1,471	1,471	1,471
Other long term liabilities	2,054	3,117	3,117	3,117
Long term provisions	25	26	26	26
Minority Interest	266	3,314	4,011	5,002
Equity Share Capital	491	491	491	491
Reserves & Surplus	20,966	22,344	24,811	27,623
<b>Net Worth</b>	<b>21,457</b>	<b>22,835</b>	<b>25,303</b>	<b>28,114</b>
<b>Total Liabilities</b>	<b>38,666</b>	<b>49,244</b>	<b>52,414</b>	<b>56,219</b>

Source: Company data, I-Sec research

Table 9: Cashflow statement

(Rs mn, year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Net Profit before tax</b>	<b>2,994</b>	<b>1,421</b>	<b>4,800</b>	<b>5,656</b>
Depreciation	2,316	3,061	2,842	2,837
Non-Cash Adjustments	734	2,469	80	80
Working Capital Changes	(3,618)	(1,219)	(3,100)	(730)
Taxes Paid	(822)	(983)	(1,224)	(1,442)
<b>Operating Cashflow</b>	<b>2,626</b>	<b>3,297</b>	<b>3,404</b>	<b>6,403</b>
Capital Commitments	(7,998)	(2,182)	(3,000)	(3,000)
<b>Free Cashflow</b>	<b>(5,372)</b>	<b>1,115</b>	<b>404</b>	<b>3,403</b>
Other investing cashflow	(1,290)	1,880	-	-
<b>Cashflow from Investing Activities</b>	<b>(8,862)</b>	<b>16</b>	<b>(3,000)</b>	<b>(3,000)</b>
Inc (Dec) in Borrowings	8,030	(725)	-	-
Dividend paid	(888)	(532)	(491)	(491)
Other financing activities	-	-	-	-
<b>Cashflow from Financing Activities</b>	<b>7,951</b>	<b>(3,161)</b>	<b>(491)</b>	<b>(491)</b>
<b>Chg. in Cash &amp; Bank balance</b>	<b>1,716</b>	<b>152</b>	<b>(87)</b>	<b>2,912</b>

Source: Company data, I-Sec research

Table 10: Key ratios

(Year ending March 31)

	FY20	FY21	FY22E	FY23E
<b>Per Share Data (Rs)</b>				
EPS	9.1	7.0	12.0	13.4
Cash EPS	18.5	19.5	23.6	25.0
OCF per share	10.7	13.4	13.9	26.1
Dividend per share (DPS)	2.0	2.0	2.0	2.0
Book Value per share (BV)	87.3	92.9	103.0	114.4
<b>Growth (%)</b>				
Net Sales	6.6	43.2	13.8	11.2
EBITDA	12.2	31.0	30.0	9.6
PAT	(7.8)	(22.5)	71.1	11.6
<b>Valuation Ratios (x)</b>				
P/E	23.6	30.4	17.8	15.9
P/BV	2.5	2.3	2.1	1.9
EV / EBITDA	12.6	10.1	7.8	6.8
<b>Return/Profitability Ratios (%)</b>				
EBITDA Margins	6.9	6.3	7.2	7.0
Net Income Margins	3.0	1.6	2.5	2.5
RoCE - without goodwill	9.2	9.8	14.1	14.7
RoE	10.4	7.6	11.7	11.7
<b>Other Key Ratios</b>				
Effective Tax Rate (%)	23.7	45.0	25.5	25.5
Total D/E Ratio (x)	0.7	0.8	0.7	0.7
Net D/E Ratio (x)	0.5	0.6	0.6	0.4

Source: Company data, I-Sec research

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