

Estimate change	↔↔
TP change	↔↔
Rating change	↔↔

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Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USDb)	112 / 1.5
52-Week Range (INR)	394 / 181
1, 6, 12 Rel. Per (%)	-7/-1/34
12M Avg Val (INR M)	155

#### Financials & Valuations (INR b)

Y/E March	2021	2022E	2023E
Sales	38.4	42.3	69.8
EBITDA	3.9	5.4	6.8
Adj. PAT	2.2	3.4	4.4
Adj. EPS (INR)	6.7	10.1	13.3
EPS Gr.%	124.3	51.1	31.3
BV/Sh.INR	58.0	65.1	74.4

#### Ratios

Net D:E	0.0	-0.1	-0.2
RoE (%)	12.4	16.4	19.0
RoCE (%)	12.6	16.1	19.2
Payout (%)	29.9	29.9	29.9

#### Valuation

P/E (x)	47.8	31.7	24.1
P/BV (x)	5.5	4.9	4.3
EV/EBITDA (x)	27.6	19.4	14.9
Div. Yld (%)	0.6	0.9	1.2
FCF Yld (%)	0.8	3.3	4.6

#### Shareholding pattern (%)

As On	Jun-21	Mar-21	Jun-20
Promoter	57.7	57.7	59.7
DII	1.9	2.3	2.8
FII	15.0	14.8	12.8
Others	25.4	25.2	24.8

FII Includes depository receipts

**CMP: INR320**

**TP: INR365 (+14%)**

**Neutral**

#### Recovery in Gas business delayed by the second wave of COVID

- AGIS reported earnings in line with our estimates, as robust performance in the Liquids division continues to countervail the subdued Gas business.
- The Gas business was affected by the second wave of COVID-led lockdowns, with clogged ports impacting throughput volumes, while demand for Auto LPG and Cylinders (from Hotels/Restaurants) were low due to restrictions.
- **The management said the Gas division would recover to pre-COVID levels in 2HFY22, with Jun-Jul'21 already seeing a bounce back in volumes.** Factoring in the same, we forecast FY22E/FY23E Gas Logistics volumes at 3.2mmt/4mmt (from 3.5mmt/4.3mmt earlier) and 4.5mmt in FY24E.
- **The liquids terminal at Mangalore (+50,000KL) and Haldia (+54,000kl) were commissioned in 1Q, and would contribute significantly to segmental revenue starting 2QFY22.**
- AGIS has established a JV – Aegis Vopak Terminals (AVTL) – in which it will hold 51% stake, with the balance held by Vopak.
- A capex program of INR25-45b is planned for the JV over the next five years, starting FY23. It would be funded via internal accruals, debt, and some cash injection by both shareholders.
- **Such a high and ambitious capex would burden AGIS' Balance Sheet, with the focus shifting away from the LPG business, which may increase uncertainty.** Considering the same, we maintain our Neutral rating with a TP of INR365 per share.

#### Liquids business continued its robust performance

- EBITDA came in line with our estimate at INR1b (+56% YoY, +5% QoQ).
- Other expenditure includes INR30m as provision of commission to directors.
- ESOP of INR3.35b (charged over the last seven quarters) has been completed.
- PAT stood at INR0.7b (+123% YoY, +2% QoQ) with a lower tax rate of 20%.

#### Segmental analysis – business to return to normalcy in 2HFY22

- **EBITDA in the Liquids division fell 9% QoQ to INR0.5b (+23% YoY).** New liquid capacity at Mangalore and Haldia started contributing in 1QFY22.
- **EBITDA in the Gas division declined by 29% QoQ to INR0.65b (-17% YoY).**
  - Logistics throughput volumes fell 19% YoY and 21% QoQ to 568kmt, impacted by the second COVID wave. The lockdown impacted cargo movement at ports. Pipavav and Haldia ports were also impacted by hurricanes (although there was no impact to AGIS' terminals). In Jun'21, throughput saw a bounce back with the economy opening up.
  - Sourcing volumes fell 37% YoY to 100kmt (-49% QoQ).
  - Distribution volumes were down a mere 10% QoQ to 31kmt (+139% YoY), primarily driven by Industrial sales.
    - LPG Industrial volumes were up 200% YoY at 22kmt (+2% QoQ) as private industries continued operations during the lockdowns.
    - Auto Gas volumes fell 40% QoQ (+21% YoY) at 3.5kmt, as lockdowns curbed the movement of people. LPG Cylinder volumes fell 22% QoQ to 5kmt (doubled YoY on a lower base).

### Valuation and View: Focus has shifted away from LPG Logistics

- AGIS expects a growth in its Mumbai assets, in which it has 100% stake. Further growth opportunities would include VLGC compliant jetties and expansion of its LPG/Liquids assets.
- **We expect logistics volumes to record 15% CAGR, with ~20% EBITDA CAGR over FY21-24E. We expect strong free cash flow generation of ~INR13.4b in FY22-24E (combined FCF yield of ~13%).**
- Developments in the LPG Logistics business like debottlenecking of Uran Chakan pipeline (in Mumbai) and commissioning of the railway gantry at Pipavav are expected to drive the next leg of growth for AGIS. With the recent JV announcement, the focus would shift away from the LPG Logistics business towards the storage business/solutions.
- AGIS trades at 24x FY23E EPS of INR13.3 and 15x FY23E EV/EBITDA. We value AGIS using the DCF methodology to arrive at a fair value of INR365/share. **We maintain our Neutral rating.**

### Consolidated quarterly performance

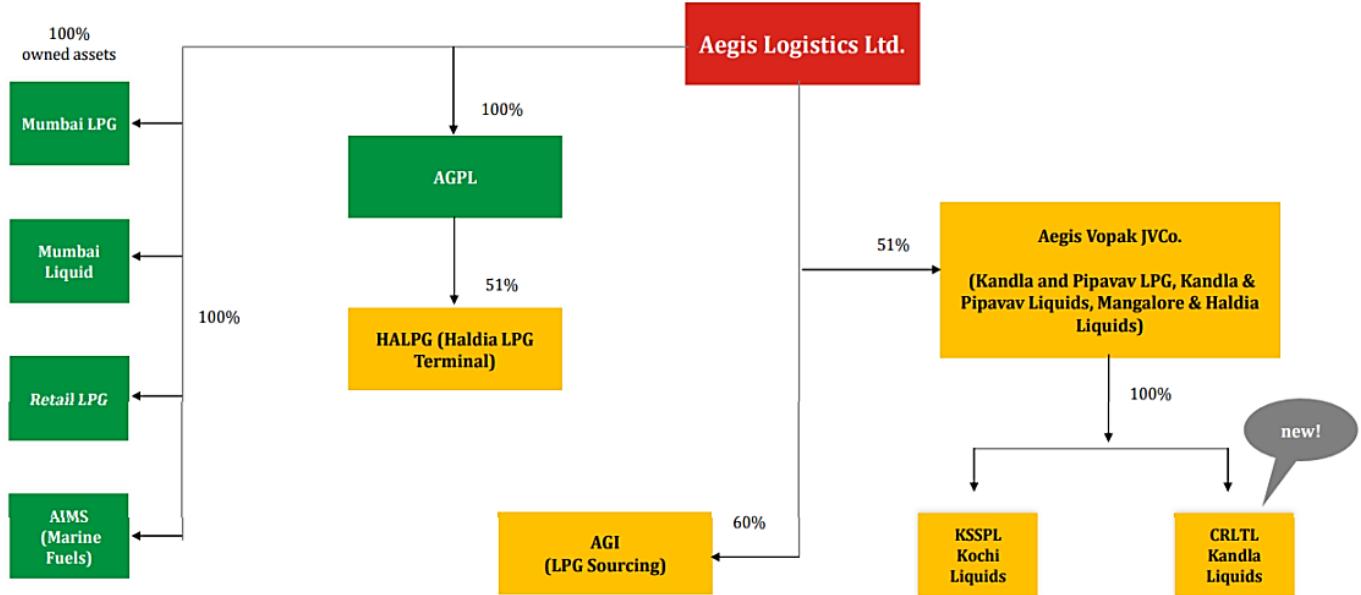
Y/E March	FY21								FY22	FY21	FY22E	FY22	Var. (%)
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE			1QE		
<b>Net Sales</b>	<b>6,364</b>	<b>6,504</b>	<b>15,455</b>	<b>10,112</b>	<b>6,781</b>	<b>9,880</b>	<b>11,727</b>	<b>13,869</b>	<b>38,435</b>	<b>42,256</b>	<b>12,009</b>	<b>-44</b>	
YoY Change (%)	-67.5	-64.2	-28.7	-18.6	6.5	51.9	-24.1	37.2	-46.5	9.9	88.7		
<b>EBITDA</b>	<b>674</b>	<b>1,023</b>	<b>1,179</b>	<b>1,002</b>	<b>1,051</b>	<b>1,268</b>	<b>1,462</b>	<b>1,613</b>	<b>3,876</b>	<b>5,394</b>	<b>1,098</b>	<b>-4</b>	
Margin (%)	10.6	15.7	7.6	9.9	15.5	12.8	12.5	11.6	10.1	12.8	9.1		
Depreciation	176	180	179	182	187	193	198	212	716	790	187	0	
Interest	47	41	41	45	41	42	42	43	173	168	49	-17	
Other Income	50	66	104	149	80	58	90	194	369	423	47	70	
<b>PBT before EO expense</b>	<b>501</b>	<b>868</b>	<b>1,062</b>	<b>924</b>	<b>903</b>	<b>1,092</b>	<b>1,312</b>	<b>1,552</b>	<b>3,356</b>	<b>4,859</b>	<b>909</b>	<b>-1</b>	
<b>PBT</b>	<b>501</b>	<b>868</b>	<b>1,062</b>	<b>924</b>	<b>903</b>	<b>1,092</b>	<b>1,312</b>	<b>1,552</b>	<b>3,356</b>	<b>4,859</b>	<b>909</b>	<b>-1</b>	
Rate (%)	26.5	26.1	26.4	24.3	20.1	25.2	25.2	28.2	25.7	25.2	25.2		
MI and P/L of Asso. Cos.	70	72	71	46	56	72	71	60	258	258	65	-13	
<b>Reported PAT</b>	<b>298</b>	<b>570</b>	<b>712</b>	<b>654</b>	<b>666</b>	<b>744</b>	<b>911</b>	<b>1,055</b>	<b>2,234</b>	<b>3,376</b>	<b>615</b>	<b>8</b>	

E: MOFSL estimates

### Guidance – Gas business to revive in 2HFY22

- **Auto Gas:** This segment bounced back in Jun-Jul'21 from the impact of a second COVID wave. The management expects a further increase in volumes, with the lifting of lockdown restrictions. It expects volumes to recover to pre-COVID levels in 2HFY22 (given no further lockdowns).
- **LPG Cylinder business:** There was a lower usage of LPG at Hotels/Restaurants due to the lockdowns in 1QFY22. The same would pick up in 2QFY22.
- **Logistics throughput volumes would also increase in 2HFY22, as:**
  - Seasonal demand picks up in 3Q;
  - Management expects additional throughput from the railway gantry at Pipavav, once the jetty upgradation is completed (BPCL and IOCL will be able to bring in VLGCs).
  - Commissioning of Kandla LPG terminal is expected in 2HFY22. LPG project work at Kandla is back on track (expect mechanical completion by the end of 2Q, commissioning by 3QFY22).
- AGIS believes that lost volumes at the Haldia LPG terminal will be filled by HPCL, with the ramp up in the utilization rate at the Panagarh bottling plant (currently operating ~50% capacity).
- Vopak JV milestones would accrue over the next 6-9 months, with the completion of the deal. The partnership certainly opens up a host of new opportunities for the company, such as multi-modal transport for LPG; inland depots; new LPG terminals in South India; storage facilities for other gases like ammonia, propylene, butadiene, etc.; and a greenfield liquids terminal dedicated to industrial customers.

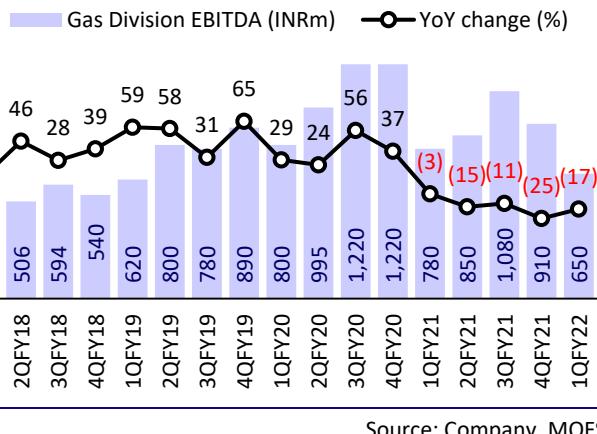
### Exhibit 1: Transaction details and the company structure for AGIS



Source: Company, MOFSL

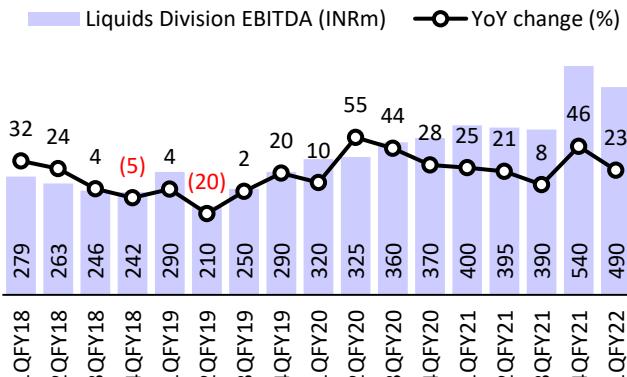
## Quarter in charts

**Exhibit 2: EBITDA for the Gas division down 29% QoQ to INR650m**



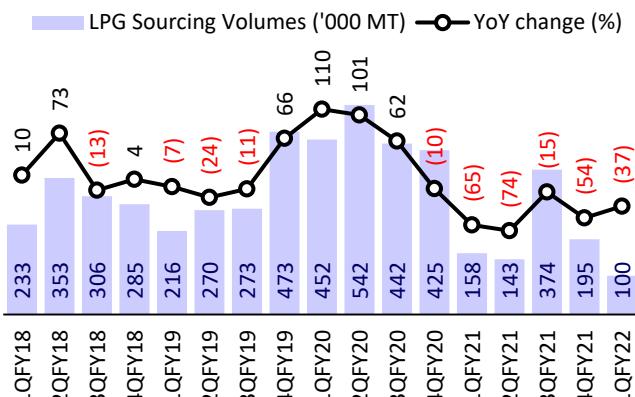
Source: Company, MOFSL

**Exhibit 3: EBITDA for the Liquids division down 9% QoQ to INR490m**



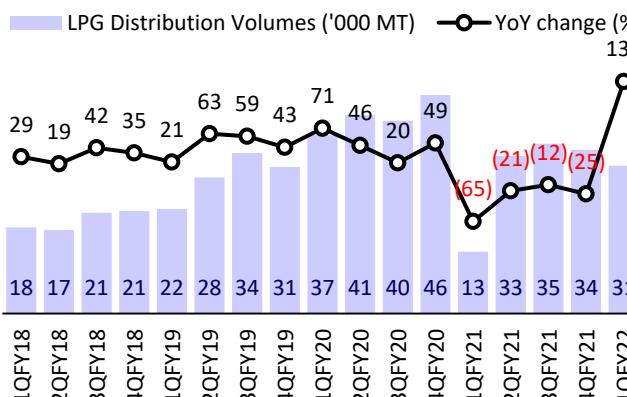
Source: Company, MOFSL

**Exhibit 4: LPG sourcing volumes down 49% QoQ**



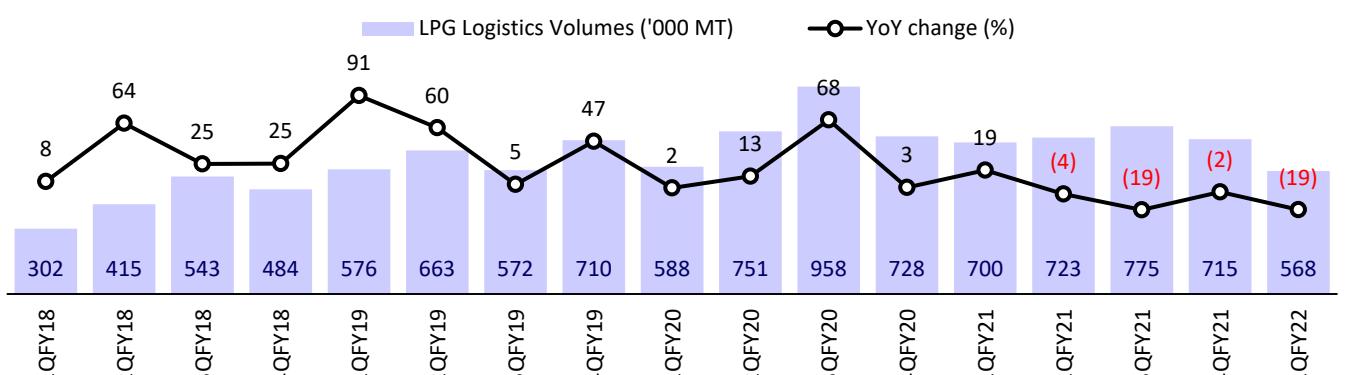
Source: Company, MOFSL

**Exhibit 5: LPG distribution volumes down 10% QoQ**



Source: Company, MOFSL

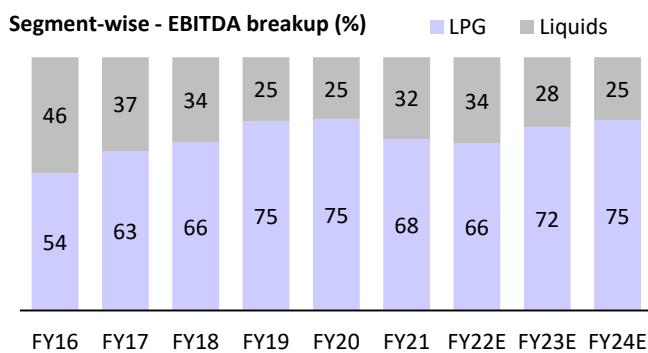
**Exhibit 6: LPG logistics volumes fall 19% YoY and 21% QoQ**



Source: Company, MOFSL

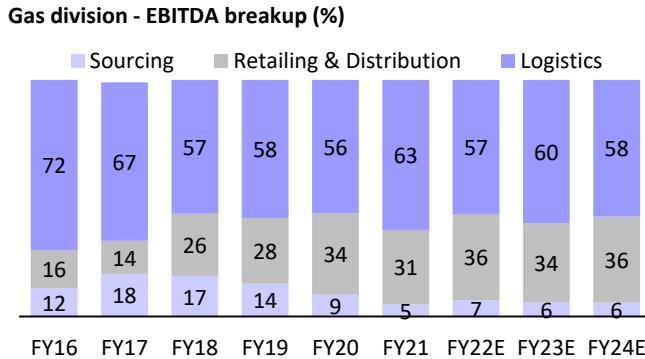
## Story in charts

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



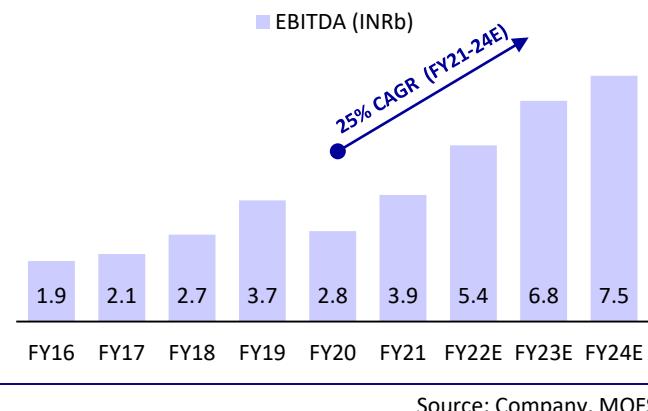
Source: Company, MOFSL

### Exhibit 8: with logistics contributing 60% of the Gas business



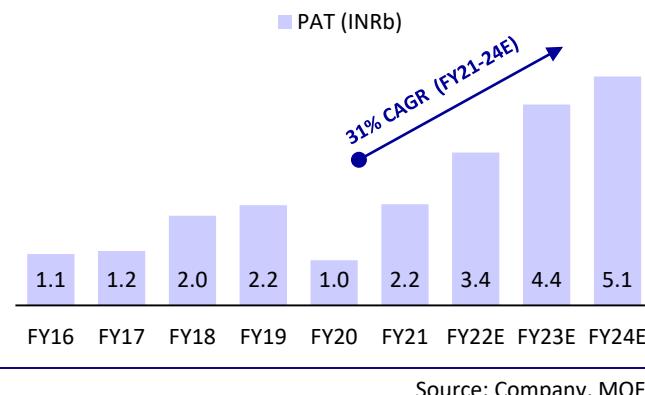
Source: Company, MOFSL

### Exhibit 9: Expect ~25% EBITDA CAGR over FY21-24E...



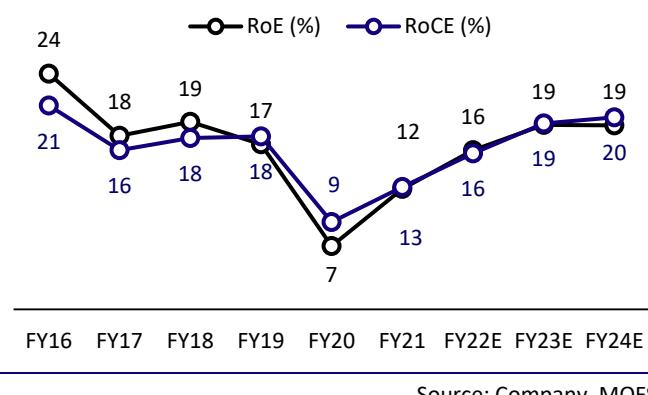
Source: Company, MOFSL

### Exhibit 10: ...followed by a higher PAT CAGR of 31%



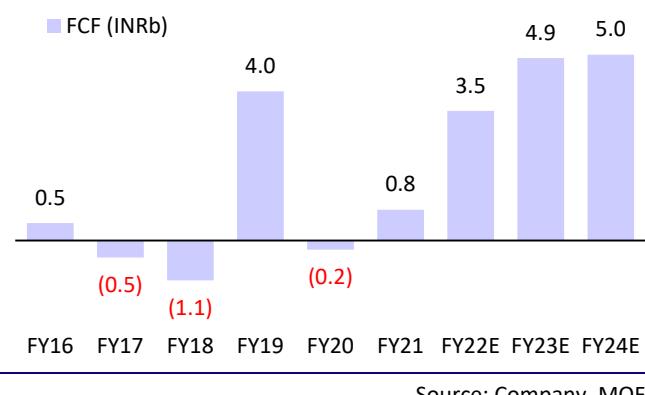
Source: Company, MOFSL

### Exhibit 11: Expect return ratios to improve to ~20% in FY24



Source: Company, MOFSL

### Exhibit 12: Expect a strong FCF yield (~13%) over FY22-24E



Source: Company, MOFSL

## Financials and valuations

Consolidated Income Statement							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>Total Income from Operations</b>	<b>22,132</b>	<b>39,328</b>	<b>47,910</b>	<b>56,158</b>	<b>71,833</b>	<b>38,435</b>	<b>42,256</b>	<b>69,756</b>	<b>80,315</b>
Change (%)	-43.5	77.7	21.8	17.2	27.9	-46.5	9.9	65.1	15.1
<b>EBITDA</b>	<b>1,853</b>	<b>2,069</b>	<b>2,660</b>	<b>3,709</b>	<b>2,765</b>	<b>3,876</b>	<b>5,394</b>	<b>6,755</b>	<b>7,524</b>
Margin (%)	8.4	5.3	5.6	6.6	3.8	10.1	12.8	9.7	9.4
Depreciation	234	243	343	505	687	716	790	844	891
<b>EBIT</b>	<b>1,619</b>	<b>1,826</b>	<b>2,317</b>	<b>3,203</b>	<b>2,078</b>	<b>3,160</b>	<b>4,604</b>	<b>5,911</b>	<b>6,633</b>
Int. and Finance Charges	177	161	152	262	331	173	168	91	15
Other Income	85	52	84	82	328	369	423	453	482
<b>PBT bef. EO Exp.</b>	<b>1,527</b>	<b>1,717</b>	<b>2,248</b>	<b>3,023</b>	<b>2,076</b>	<b>3,356</b>	<b>4,859</b>	<b>6,273</b>	<b>7,100</b>
<b>PBT after EO Exp.</b>	<b>1,527</b>	<b>1,717</b>	<b>2,248</b>	<b>3,023</b>	<b>2,076</b>	<b>3,356</b>	<b>4,859</b>	<b>6,273</b>	<b>7,100</b>
Total Tax	265	377	110	502	736	864	1,224	1,581	1,789
Tax Rate (%)	17.4	22.0	4.9	16.6	35.5	25.7	25.2	25.2	25.2
Minority Interest	128	137	160	307	344	258	258	258	258
<b>Reported PAT</b>	<b>1,133</b>	<b>1,203</b>	<b>1,978</b>	<b>2,214</b>	<b>996</b>	<b>2,234</b>	<b>3,376</b>	<b>4,434</b>	<b>5,053</b>
Change (%)	43.4	6.1	64.5	11.9	-55.0	124.3	51.1	31.3	14.0
Margin (%)	5.1	3.1	4.1	3.9	1.4	5.8	8.0	6.4	6.3

Consolidated Balance Sheet							(INR m)		
Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	334	334	334	334	340	351	351	351	351
Total Reserves	4,711	8,038	11,739	13,579	16,206	19,014	21,380	24,488	28,029
<b>Net Worth</b>	<b>5,045</b>	<b>8,372</b>	<b>12,073</b>	<b>13,913</b>	<b>16,546</b>	<b>19,365</b>	<b>21,731</b>	<b>24,839</b>	<b>28,380</b>
Minority Interest	393	292	697	748	906	1,090	1,090	1,090	1,090
Total Loans	1,883	2,548	2,824	1,865	2,156	3,430	2,156	881	-394
Deferred Tax Liabilities	229	879	705	834	309	809	809	809	809
<b>Capital Employed</b>	<b>7,550</b>	<b>12,092</b>	<b>16,299</b>	<b>17,361</b>	<b>19,917</b>	<b>24,694</b>	<b>25,786</b>	<b>27,619</b>	<b>29,886</b>
Gross Block	6,951	10,078	15,756	16,728	21,116	21,954	23,429	24,810	26,114
Less: Accum. Deprn.	2,371	2,614	2,957	3,463	4,150	4,866	5,656	6,500	7,391
<b>Net Fixed Assets</b>	<b>4,580</b>	<b>7,464</b>	<b>12,799</b>	<b>13,265</b>	<b>16,966</b>	<b>17,089</b>	<b>17,774</b>	<b>18,310</b>	<b>18,723</b>
Capital WIP	734	3,127	1,256	1,207	2,201	4,876	4,401	4,021	3,716
<b>Curr. Assets, Loans and Adv.</b>	<b>3,537</b>	<b>9,743</b>	<b>8,059</b>	<b>9,688</b>	<b>9,946</b>	<b>8,838</b>	<b>8,839</b>	<b>14,055</b>	<b>17,558</b>
Inventory	115	218	260	338	421	524	225	384	444
Account Receivables	972	7,059	3,469	2,285	4,540	942	2,671	4,409	5,076
Cash and Bank Balance	967	623	1,620	4,129	2,634	3,356	4,561	6,980	9,410
Loans and Advances	1,482	1,844	2,710	2,936	2,350	4,017	1,382	2,282	2,628
<b>Curr. Liability and Prov.</b>	<b>1,442</b>	<b>8,264</b>	<b>5,841</b>	<b>6,926</b>	<b>9,290</b>	<b>6,127</b>	<b>5,246</b>	<b>8,785</b>	<b>10,130</b>
Account Payables	894	6,778	3,788	4,853	4,016	747	2,143	3,663	4,232
Other Current Liabilities	402	1,374	1,918	1,927	5,096	5,223	2,998	4,948	5,697
Provisions	145	112	135	146	179	158	105	174	200
<b>Net Current Assets</b>	<b>2,095</b>	<b>1,480</b>	<b>2,218</b>	<b>2,762</b>	<b>655</b>	<b>2,711</b>	<b>3,593</b>	<b>5,270</b>	<b>7,428</b>
<b>Appl. of Funds</b>	<b>7,550</b>	<b>12,092</b>	<b>16,299</b>	<b>17,360</b>	<b>19,917</b>	<b>24,694</b>	<b>25,785</b>	<b>27,619</b>	<b>29,885</b>

E: MOFSL estimates

## Financials and valuations

### Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
<b>EPS</b>	<b>3.4</b>	<b>3.6</b>	<b>5.9</b>	<b>6.6</b>	<b>3.0</b>	<b>6.7</b>	<b>10.1</b>	<b>13.3</b>	<b>15.1</b>
Cash EPS	4.1	4.3	6.9	8.1	5.0	8.8	12.5	15.8	17.8
BV/Share	15.1	25.1	36.1	41.7	49.5	58.0	65.1	74.4	85.0
DPS	0.9	0.7	1.5	1.4	1.7	2.0	3.0	4.0	4.5
Payout (%)	31.9	22.4	28.8	24.3	65.6	29.9	29.9	29.9	29.9
<b>Valuation (x)</b>									
P/E	94.3	88.9	54.0	48.3	107.3	47.8	31.7	24.1	21.2
Cash P/E	78.2	73.9	46.0	39.3	63.5	36.2	25.7	20.3	18.0
P/BV	21.2	12.8	8.9	7.7	6.5	5.5	4.9	4.3	3.8
EV/Sales	4.9	2.8	2.3	1.9	1.5	2.8	2.5	1.4	1.2
EV/EBITDA	58.2	52.6	40.6	28.2	38.5	27.6	19.4	14.9	12.9
Dividend Yield (%)	0.3	0.2	0.5	0.4	0.5	0.6	0.9	1.2	1.4
FCF per share	1.4	-1.4	-3.2	12.0	-0.7	2.5	10.5	14.7	15.0
<b>Return Ratios (%)</b>									
RoE	24.3	17.9	19.4	17.0	6.5	12.4	16.4	19.0	19.0
RoCE	21.0	16.4	17.7	17.9	9.0	12.6	16.1	19.2	19.8
RoIC	24.0	20.1	20.3	21.1	10.0	14.9	20.7	26.4	29.7
<b>Working Capital Ratios</b>									
Fixed Asset Turnover (x)	3.2	3.9	3.0	3.4	3.4	1.8	1.8	2.8	3.1
Asset Turnover (x)	2.9	3.3	2.9	3.2	3.6	1.6	1.6	2.5	2.7
Inventory (Days)	2	2	2	2	2	5	2	2	2
Debtor (Days)	16	66	26	15	23	9	23	23	23
Creditor (Days)	15	63	29	32	20	7	19	19	19
<b>Leverage Ratio (x)</b>									
Current Ratio	2.5	1.2	1.4	1.4	1.1	1.4	1.7	1.6	1.7
Interest Coverage Ratio	9.2	11.3	15.2	12.2	6.3	18.3	27.5	64.9	454.4
Net Debt/Equity	0.2	0.2	0.1	-0.2	0.0	0.0	-0.1	-0.2	-0.3

### Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	1,527	1,691	2,248	3,023	2,076	3,356	4,859	6,273	7,100
Depreciation	234	238	343	505	687	716	790	844	891
Interest and Finance Charges	177	163	152	262	331	173	168	91	15
Direct Taxes Paid	-405	-287	-577	-624	-689	-503	-1,224	-1,581	-1,789
(Inc.)/Dec. in WC	-77	14	-192	2,450	-3,083	-71	323	742	272
<b>CF from Operations</b>	<b>1,384</b>	<b>1,770</b>	<b>1,914</b>	<b>5,563</b>	<b>1,463</b>	<b>4,416</b>	<b>4,492</b>	<b>5,916</b>	<b>6,007</b>
(Inc.)/Dec. in FA	-916	-2,229	-2,991	-1,541	-1,708	-3,588	-1,000	-1,000	-1,000
<b>Free Cash Flow</b>	<b>467</b>	<b>-459</b>	<b>-1,077</b>	<b>4,022</b>	<b>-245</b>	<b>828</b>	<b>3,492</b>	<b>4,916</b>	<b>5,007</b>
<b>CF from Investments</b>	<b>-639</b>	<b>-2,201</b>	<b>-2,962</b>	<b>-1,547</b>	<b>-1,514</b>	<b>-4,280</b>	<b>-577</b>	<b>-547</b>	<b>-518</b>
Inc./(Dec.) in Debt	-298	982	175	-851	143	1,634	-1,275	-1,275	-1,275
Interest Paid	-177	-205	-313	-272	-258	-248	-168	-91	-15
Dividend Paid	-357	-310	-413	-308	-866	-486	-1,010	-1,326	-1,511
<b>CF from Fin. Activity</b>	<b>-832</b>	<b>87</b>	<b>2,043</b>	<b>-1,506</b>	<b>-1,444</b>	<b>586</b>	<b>-2,710</b>	<b>-2,950</b>	<b>-3,059</b>
<b>Inc./Dec. in Cash</b>	<b>-87</b>	<b>-343</b>	<b>996</b>	<b>2,510</b>	<b>-1,495</b>	<b>722</b>	<b>1,205</b>	<b>2,419</b>	<b>2,430</b>
Opening Balance	1,054	967	623	1,620	4,129	2,634	3,356	4,561	6,980
<b>Closing Balance</b>	<b>967</b>	<b>623</b>	<b>1,620</b>	<b>4,129</b>	<b>2,634</b>	<b>3,356</b>	<b>4,561</b>	<b>6,980</b>	<b>9,410</b>

E: MOFSL estimates

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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

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