

ALLCARGO LOGISTICS LTD.

Industry Transportation - Logistics
Bloomberg AGLL IN
BSE Code 532749
NSE Code ALLCARGO

25 May 2018

RATING	NEUTRAL
CMP	120
Price Target	136
Previous Target	207
Potential Upside	13%

Stock Info

52wk Range H/L	228/116
Mkt Capital (Rs Cr)	2995
Free float (%)	31%
Avg. Vol 1M (,000)	544
No. of Shares (Crore)	25
Promoters Pledged %	0%

Higher provision drags profitability

Key Highlights

- With focus on technology, company has been able to improve its operation by bringing down staff and administration cost by 150 bps in FY18. Now ALLCARGO has started leveraging its global network of MTO segment to cater FCL cargo. FCL cargo volume has increased by 35% YoY in quarters and will looking for new market.
- ALLCARGO has outpaced global trade growth (26% v/s 3.5-4% YoY) with huge margin and will continue to outperform.
- Company has plan to increase its warehousing capacity by 2 mn sq. ft over next 2 years and already started construction work at Hyderabad.

4Q FY18 Result:

ALLCARGO has reported mixed set of numbers in Q4FY18. Revenue was up by 12.7% YoY mainly led by booming volume growth of 24% in MTO but EBITDA/PAT was down by 30/77% YoY due to continued provision in PE, increasing DPD cargo and challenging global Shipping environment. Despite the strong volume growth in MTO, revenue was up by 18% YoY due to lower realization (down 6% YoY) on back of excess capacity. While, increasing cargo movement through DPD route hurt the tradition CFS business but operationalisation of Kolkata CFS provided much needed support and volume was up by 10% YoY. Due to low assets utilization and sales of aged assets continue to impact PE business and revenue was down 35% YoY. Despite the challenging business environment MTO and CFS segment has maintained its profitability. While PE report negative EBIT for straight third quarter on account of bad debt provision and low assets utilization.

View and Valuation

ALLCARGO leveraging its global network for FCL cargo and we expect MTO volume continues to grow at healthy rate and realization will remain at the same level. Management has seen green shoots in demand for equipment leasing business but it will take couple of quarters to flow in revenue. CFS business is also facing some pressure from DPD operation but opeartionalisation of Kolkata CFS has provided some support.

So, considering the current headwinds we reduce our P/E multiple to 14.5 and value ALLCARO at Rs.136. Hence, we reduce our rating to NEUTRAL.

Key Risks to our rating and target

- Sharp decline in MTO realization

KEY FINANCIAL/VALUATIONS	FY15	FY16	FY17	FY18	FY19E	FY20E
Net Sales	5629	5641	5583	6047	6144	6682
EBITDA	475	504	465	375	391	449
EBIT	318	303	299	216	238	292
PAT	240	248	238	174	191	231
EPS (Rs)	10	10	10	7	8	9
EPS growth (%)	61%	3%	-1%	-27%	10%	21%
ROE	16%	14%	13%	9%	9%	10%
ROCE	17%	15%	14%	10%	10%	11%
BVPS	151	88	73	80	86	93
P/B (X)	1.0	1.8	2.3	1.5	1.4	1.3
P/E (x)	16.6	15.6	17.4	16.9	15.4	12.8

Research Analyst
Sandip Jabuani
sandip.jabuani@narnolia.com

The views expressed above accurately reflect the personal views of the authors about the subject companies and its(their) securities. The authors have not and will not receive any compensation for providing a specific recommendation or view. Narnolia Securities does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

4QFY18 Results

Financials	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY %	QoQ%	FY17	FY18	YoY %
Net Sales	1,363	1,483	1,547	1,480	1,536	12.7%	3.8%	5,583	6,047	8.3%
Oth EPC	15	16	5	5	15	3.7%	214.4%	45	41	-8.6%
COI Toll	919	1,058	1,113	1,043	1,098	19.4%	5.2%	3,778	4,312	14.1%
Emp. Exp.	225	222	228	239	241	7.1%	1.1%	942	930	-1.2%
Other Exp.	109	100	102	104	123	13.3%	17.8%	399	430	7.7%
Pro. for BD	4	-	-	-	-	NA	NA	-	-	NA
Total Exp.	1,257	1,380	1,443	1,387	1,462	16.3%	5.5%	5,118	5,672	10.8%
EBITDA	106	103	105	93	74	-30.0%	-20.8%	465	375	-19.4%
EBITDA M (%)	8%	7%	7%	6%	5%			8%	6%	
Depreciation	39	40	40	40	40	2.9%	-0.1%	166	159	-4.3%
EBIT	67	63	65	54	34	-49.0%	-36.2%	299	216	-27.8%
Intreset	10	8	7	7	7	-22.1%	5.7%	32	30	-7.7%
Except. Item	-	-	-	-	(7)	NA	NA	-	(7)	NA
PBT	72	71	63	51	42	-41.7%	-18.0%	312	227	-27.1%
Tax	13	8	1	20	23	76.3%	15.9%	78	51	-34.0%
PAT	57	64	65	32	13	-77.3%	-59.6%	238	174	-26.8%
PAT %	4%	4%	4%	2%	1%			4%	3%	

Strong volume Growth but provision drags down the profitability

Despite the challenging global environment MTO has witnessed strong volume growth of 24% YoY as against 3.5-4% growth in global trade. However, volume growth did not reflect into sales due to drop down in realization. Realization was down 6% YoY. Company is leveraging its global network for FCL as well and FCL cargo volume up by 35% YoY with 7% growth in LCL cargo. During the quarter Kolkata CFS has commenced operation and will achieve break even soon. Growing DPD cargo continue to hurt traditional CFS business and management planning to offer end to end services to its customer in order to retain business. Lower assets utilization (below 35%) hurts the PE business. Despite the lower realization in MTO and volume pressure in CFS company has maintained profitability at 4% and 29% respectively. Provision of Rs.15 Cr for bad debt and low assets utilization resulted into negative EBIT of PE business. Overall EBITDA/PAT was down to 290/340 bps.

Increasing share of DPD Cargo:- Threat for CFS

Recently JNPT has awarded tender for evacuating DPD cargo from JNPT port to four different logistic players. ALLCARGO was the front runner for the tender but somehow not able to get. Increasing DPD cargo volume is threat for the traditional CFS business and JNPT management expect to increase DPD cargo volume share from current 38% to 70% in short period. In order to improve CFS business, company has started offering end to end services under CFS business. This move could bring some more business to CFS. For the long term perspective management will convert CFS and ICDs into multimodal logistics park but it will take time.

Concall Highlights:-

- ✓ Assets utilization in PE segment has move up to 50% from 35%. Management has signed contract with GE and couple of other players for equipment supply for the wind energy projects.
- ✓ ALLCARGO has acquired 93 acre land for Jhajjar multi model logistic park and will acquired further 27 acre for rail link project.
- ✓ Company has commenced operation at Kolkata CFS during the quarter and response is good and management expects to achieve break even shortly.
- ✓ Slowly company will transit its CFS and ICD business into multi model logistic park and offer end to end services.
- ✓ FCL and LCL cargo growth during the quarter is 35% and 7% respectively compared to 3.5-4% industry growth and management is confident that company continues to outpace industry growth.
- ✓ Difficult to comment on freight rate as the capacity in shipping is still excess despite consolidation and management expect challenging condition for at least 1 year.
- ✓ ALLCARGO is leveraging its global network for FCL cargo as well. FCL cargo volume up by 35% YoY with 7% growth in LCL cargo.

Revenue Mix

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
MTO	1,209	1,206	1,161	1,289	1,388	1,327	1,370	18%	3%
CFS	111	111	99	109	100	94	106	8%	12%
P&E	99	111	114	99	70	71	74	-35%	4%
TOTAL	1,410	1,411	1,363	1,483	1,547	1,480	1,536	13%	4%

MTO Business Performance

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	127	135	127	138	143	145	160	26%	11%
Real./TEU (In '000)	95	90	92	93	97	92	86	-6%	-7%
EBIT %	4	4	4	4	4	4	4		

CFS Business Performance

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	79	76	85	86	76	72	76	-10%	6%
Real./TEU (In '000)	14	15	12	13	13	13	14	20%	6%
EBIT %	36	28	30	27	30	29	29		

P&E Business Performance

	2QFY17	3QFY17	4QFY17	1QFY18	2QFY18	3QFY18	4QFY18	YoY (+/-)	QoQ (+/-)
Revenue	111	111	99	109	100	94	106	8%	12%
EBIT %	11	4	5	(0)	(6)	(15)	(49)		

Exhibit: Q4FY18 Revenue Contribution

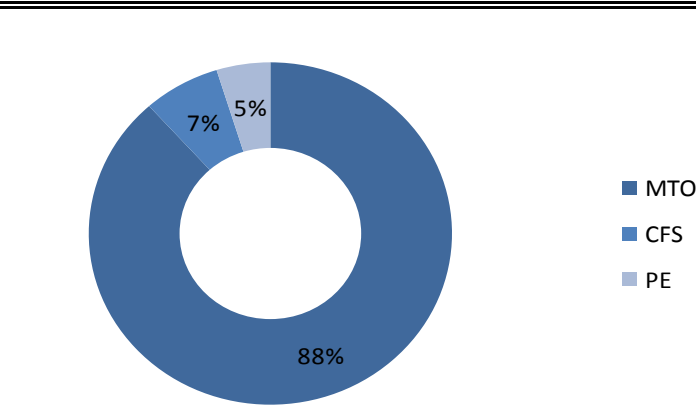


Exhibit: Healthy Debt to Equity

Strong balance sheet position support huge capex plan.

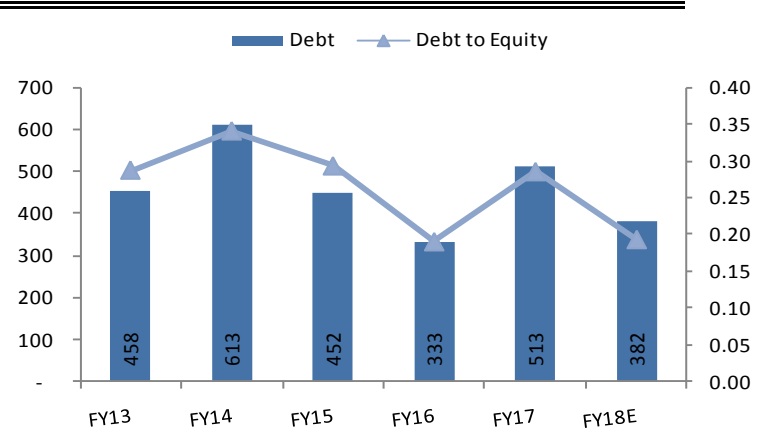


Exhibit: MTO Volume and Volume Growth

Strong FCL volume growth of 35% YoY along with 7% growth in LCL cargo.

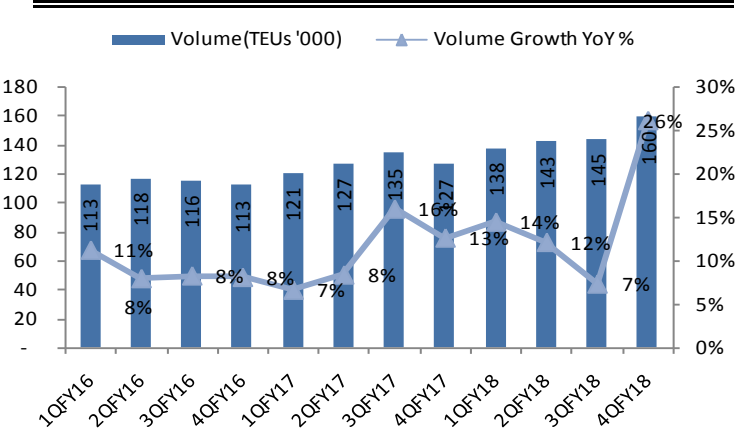


Exhibit: MTO Realization Trend

Despite the consolidation in shipping industry capacity remain at high level resulted into decline in freight rate.

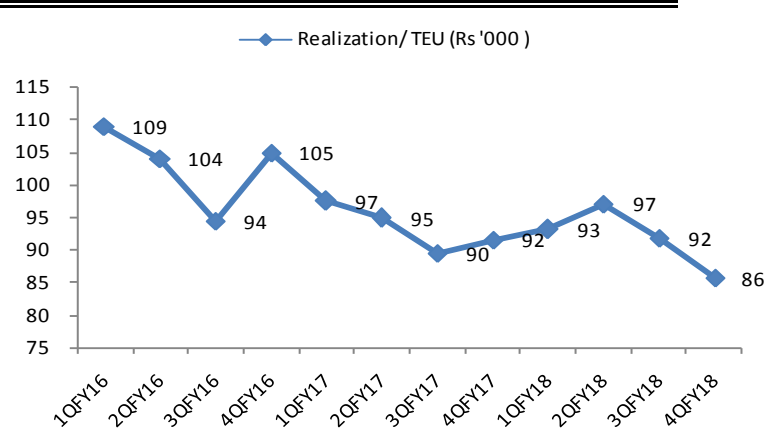


Exhibit: CFS Volume and Volume Growth

Opeartionalisation of Kolkata CFS boosted CFS volume growth.

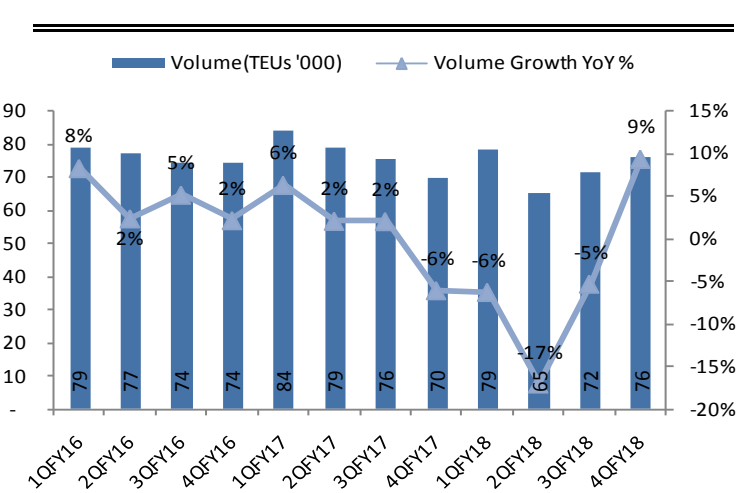


Exhibit: CFS Realization Trend

Better realization on back of favorable cargo mix

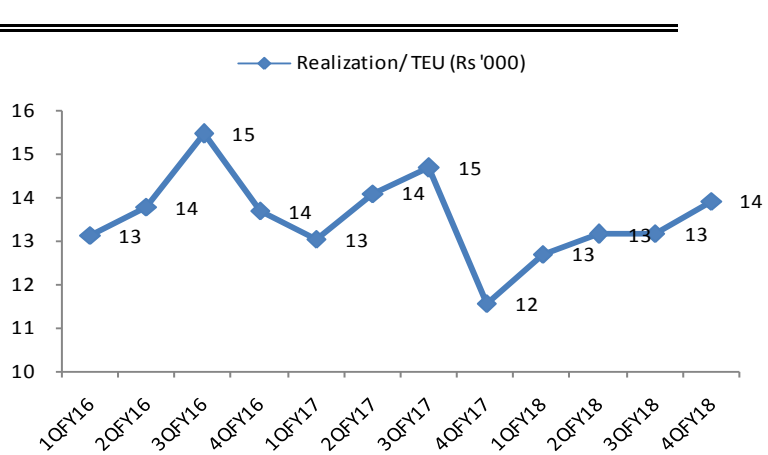


Exhibit: MTO EBIT/TEU

Increase contribution from FCL led to decline in EBIT/TEU

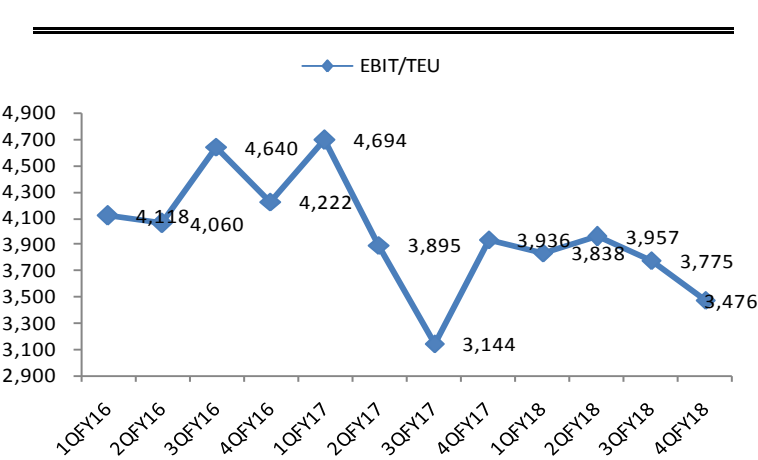
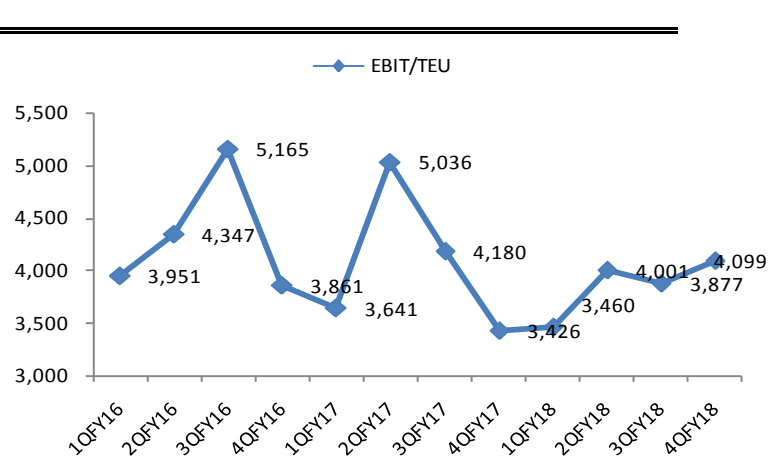


Exhibit: CFS EBIT/TEU

Favorable cargo mix led to improvement in EBIT/TEU



Financials Details

Income Statement

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Revenue from Operation	3,927	4,859	5,629	5,641	5,583	6,047	6,144	6,682
Change (%)	0%	24%	16%	0%	-1%	8%	2%	9%
EBITDA	357	391	475	504	465	375	391	449
Change (%)	0%	10%	21%	6%	-8%	-19%	4%	15%
Margin (%)	9%	8%	8%	9%	8%	6%	6%	7%
Depr & Amor.	147	175	157	201	166	159	154	157
EBIT	209	216	318	303	299	216	238	292
Int. & other fin. Cost	42	56	53	41	32	30	32	33
Other Income	66	37	53	28	45	41	41	41
EBT	234	196	317	290	312	227	247	300
Exp Item	0	-	-	-	-	(7)	-	-
Tax	51	42	70	50	78	51	59	72
Min. Int & P/L share of Ass.	(13)	(5)	(9)	-	-	-	-	-
Reported PAT	170	149	240	248	238	174	191	231
Adjusted PAT	170	149	240	248	238	179	191	231
Change (%)		-12%	61%	3%	-4%	-25%	7%	21%
Margin(%)	4%	3%	4%	4%	4%	3%	3%	3%

Balance Sheet

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
Share Capital	25	25	25	50	49	49	49	49
Reserves	1,560	1,768	1,511	1,686	1,743	1,915	2,060	2,236
Networth	1,586	1,793	1,536	1,736	1,792	1,964	2,110	2,285
<i>Debt</i>	<i>458</i>	<i>613</i>	<i>452</i>	<i>333</i>	<i>513</i>	<i>382</i>	<i>413</i>	<i>425</i>
Other Non Cur Liab	117	171	31	9	9	13	13	13
<i>Total Capital Employed</i>	<i>2,043</i>	<i>2,406</i>	<i>1,989</i>	<i>2,069</i>	<i>2,306</i>	<i>2,347</i>	<i>2,522</i>	<i>2,710</i>
<i>Net Fixed Assets (incl CWIP)</i>	<i>1,383</i>	<i>1,385</i>	<i>1,386</i>	<i>1,354</i>	<i>1,286</i>	<i>1,237</i>	<i>1,207</i>	<i>1,254</i>
<i>Non Cur Investments</i>	<i>92</i>	<i>56</i>	<i>17</i>	<i>30</i>	<i>206</i>	<i>214</i>	<i>214</i>	<i>214</i>
<i>Other Non Cur Asst</i>	<i>728</i>	<i>1,128</i>	<i>474</i>	<i>549</i>	<i>530</i>	<i>548</i>	<i>547</i>	<i>547</i>
Non Curr Assets	2,202	2,569	1,877	1,933	2,021	1,998	1,967	2,015
Inventory	11	11	12	11	10	10	10	11
<i>Debtors</i>	<i>382</i>	<i>572</i>	<i>664</i>	<i>677</i>	<i>752</i>	<i>839</i>	<i>852</i>	<i>927</i>
<i>Cash & Bank</i>	<i>138</i>	<i>165</i>	<i>155</i>	<i>181</i>	<i>169</i>	<i>234</i>	<i>395</i>	<i>475</i>
Other Curr Assets	268	325	225	280	311	338	405	483
<i>Curr Assets</i>	<i>788</i>	<i>1,061</i>	<i>1,044</i>	<i>1,138</i>	<i>1,233</i>	<i>1,411</i>	<i>1,652</i>	<i>1,885</i>
Creditors	313	467	514	564	617	685	696	757
<i>Provisions</i>	<i>41</i>	<i>28</i>	<i>18</i>	<i>12</i>	<i>15</i>	<i>11</i>	<i>11</i>	<i>12</i>
Other Curr Liab	433	512	348	395	288	337	339	351
Curr Liabilities	788	1,007	880	972	919	1,033	1,046	1,120
Net Curr Assets	1	55	164	166	314	378	606	765
Total Assets	2,991	3,630	2,921	3,071	3,254	3,409	3,619	3,900

Financials Details

Cash Flow

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18E	FY19E	FY20E
PBT	234	196	317	290	312	227	247	300
(inc)/Dec in Working Capital	(3)	(41)	11	13	(48)	(33)	(2)	(12)
Non Cash Op Exp	147	175	157	201	166	159	154	157
Int Paid (+)	42	56	53	41	32	30	32	33
Tax Paid	63	37	48	86	70	51	59	72
others	(32)	(38)	(62)	(33)	(47)	-	-	-
CF from Op. Activities	323	311	430	440	359	332	371	406
(inc)/Dec in FA & CWIP	(194)	(156)	(47)	(140)	(139)	(110)	(124)	(205)
Free Cashflow	129	155	383	300	220	222	248	201
(Pur)/Sale of Inv	-	-	-	(52)	(12)	(25)	(60)	(62)
others	21	(283)	45	(16)	(131)	(28)	1	-
CF from Inv. Activities	(173)	(439)	(3)	(202)	(267)	(163)	(183)	(267)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	(46)	196	(322)	(80)	100	(131)	30	12
Int. Paid	54	59	55	43	32	30	32	33
Div Paid (inc tax)	7	22	31	64	-	-	46	55
others	(43)	20	13	(12)	(152)	-	-	-
CF from Fin. Activities	(150)	135	(396)	(200)	(84)	(161)	(47)	(76)
Inc(Dec) in Cash	0	7	32	38	7	8	141	63
Add: Opening Balance	129	131	160	128	177	187	245	410
Closing Balance	131	160	166	177	167	195	386	473

* FY18 numbers are estimated

Key Ratio

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E
ROE	11%	8%	16%	14%	13%	9%	9%	10%
ROCE	11%	9%	17%	15%	14%	10%	10%	11%
Asset Turnover	1.31	1.34	1.93	1.84	1.72	1.77	1.70	1.71
Debtor Days	36	43	43	44	49	51	51	51
Inv Days	1	1	1	1	1	1	1	1
Payable Days	29	35	33	37	40	41	41	41
Int Coverage	5.05	3.83	5.95	7.44	9.21	7.21	7.46	8.92
P/E	9	13	17	16	17	17	15	13
Price / Book Value	0	1	1	2	2	2	1	1
EV/EBITDA	3	3	5	8	9	8	7	6
FCF per Share	129	155	383	300	220	222	248	201
Div Yield	2.6%	2.0%	1.3%	1.0%	1.2%	1.7%	1.3%	1.6%

DISCLAIMER

Disclaimer: This document has been prepared by Microsec Capital Limited (hereinafter referred to as MCL) to provide information about the Company (ies)/sector(s), if any, covered in the report and may be distributed by it and/or its associates.

This report does not construe to be any investment, legal or taxation advice. This research report does not constitute an offer, invitation or inducement to invest in securities or other investments and MCL is not soliciting any action based upon it. This report should not be reproduced or redistributed to any other person in any form. This report does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this report, investors should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. Neither MCL, its subsidiaries/Associates, nor its directors, employees, agents, representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information/research reports/opinions expressed herein.

While we would endeavour to update the information herein on reasonable basis, MCL and/or its associates are under no obligation to update the information. Also there may be regulatory, compliance, or other reasons that may prevent MCL and/or its associates from doing so. MCL/it's associates or employees shall not in any way be responsible and liable for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. MCL/it's associates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

MCL and its associates, their directors and employees and their relatives may; (a) from time to time, have a long or short position in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein. (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) discussed herein or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.; however the same shall have no bearing whatsoever on the specific recommendations made by the analyst(s), as the recommendations made by the analyst(s) are completely independent of the views of the associates of MCL even though there might exist an inherent conflict of interest in some of the stocks mentioned in the research report.

MCL and/or its affiliates and/or employees may have interests/positions, financial or otherwise of over 1 % at the end of the month immediately preceding the date of publication of the research in the securities mentioned in this report.

The research professionals responsible for the preparation of this document may interact with trading desk personnel, sales personnel and other parties for the purpose of gathering, applying and interpreting information. Subject Company may have been a client of MCL or its associates during twelve months preceding the date of distribution of the research report. MCL or its associates may have investment banking and other business relationships with some companies covered by our Research Department. Any or all of the foregoing among other things, may give rise to real or potential conflicts of interest.

MCL and it's associates may have managed or co-managed public offering of securities, may have received compensation for investment banking or merchant banking or brokerage services, may have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months. MCL and it's associates have not received any compensation or other benefits from the subject company or third party in connection with the research report.

Microsec Capital Ltd. ("MCL") is SEBI registered Research Analyst under SEBI (Research Analyst) Regulation 2014 having registration Number INH300002407. Besides, MCL is SEBI registered stock broker, Depository Participant, Merchant Banker, Portfolio Management Services and AMFI registered Mutual Fund distributor.

The Company issues research reports to clients/prospective clients/others without any additional fees/charge.

No material disciplinary action impacting equity research analysis activities has been taken by any statutory/ Regulatory authority against MCL.

Analyst Certification

The matter related to the report has been taken from sources believed reliable and the views expressed about the subject or issues in this report accurately reflect the personal views of the analyst/analysts. MCL does not compensate partly or in full, directly or indirectly, related to specific recommendations or views expressed by the research analysts. Disclosure of interest statement of research analyst is as below:-

1. Analyst's ownership of the stocks mentioned NIL
2. Served as an officer, director or employee in subject Company NO