# Allcargo Logistics Ltd

| | |
|---|---|
| Industry | Eng. & Cons. |
| Bloomberg | AGLL IN |
| BSE CODE | 532749 |

## Attractive Valuation with Revival in Business

| RATING | BUY |
|---|---|
| CMP | 109 |
| Price Target | 147 |
| Potential Upside | 35% |

| | |
|---|---|
| Rating Change | ⟷ |
| Estimate Change | ↑ |
| Target Change | ↑ |

### Key Highlights:

- The largest segment MTO is leveraging its global presence of LCL business to tap ever growing FCL market. Volume growth is likely to be in range of 10-15%
- Post the consolidation of shipping industry, freight rate has started improving across the freight market and will improve going ahead.
- JNPT started DPD scheme in 2016 and currently handling 44% containerized cargo through DPD route. Though the majority of the DPD cargo is still routed through CFS as the CFS players has started offering integrated services like warehousing, inventory management, sorting and etc.
- Last year was sluggish in terms of the new capacity addition in wind power and as result of it ALLCARGO's P&E business suffers lower utilization. Now with understanding and acceptability of new bidding methodology capacity addition likely to bounced back
- Company continuously exploring opportunities in 3PL business, Warehousing and Multi Model Logistic Park (MMLP) and expect to invest Rs.400-700 Cr over next 4-5 years. 3 PL market is expected to grow at 19-21% to Rs.57000 Cr by 2020 as per CRISIL report.
- Stock is trading at 1.1x/9.7x/5.6x of FY20 BVPS/EPS and EV/EBITDA. Current valuation level is attractive and we feel Risk Reward Ratio is favorable.

### View and Valuation

In recent past ALLCARGO has underperformed the market on account of stress on all the business vertical. . MTO was under pressure due to sluggish freight rate while CFS facing the heat of DPD scheme and P&E was struggling from lower capacity utilization and bad debt. As result of it RoE in FY18 has come down to 8.9% from 13% in FY17. But now with revival seen across the business segment we expect return ratio is likely to going back to normal level. Going forward, we have estimate Revenue/EBITDA/PAT CAGR growth of 17/20/22% over FY18-FY20E.

**The Stock is currently trading at 1x/8.7x/5.5x of FY20 BVPS/EPS/EV/EBITDA and we feel its attractive valuation to enter. Hence, We recommend BUY with target price of Rs.147. We value the stock at 7.2x FY20E EV/EBITDA.**

### Stock Info

| | |
|---|---|
| 52wk Range H/L | 169/92 |
| Mkt Capital (Rs Cr) | 2651 |
| Free float (%) | 31% |
| Avg. Vol 1M (,000) | 106 |
| No. of Shares (Cr) | 25 |
| Promoters Pledged % | 0% |

### Key Risks to our rating and target

- ❑ Volatility in Freight Rate
- ❑ Slow down in global trade due to US-China trade war

| KEY FINANCIAL/VAL. | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|---|---|
| Net Sales | 5629 | 5641 | 5583 | 6047 | 7119 | 8242 |
| EBITDA | 475 | 504 | 465 | 375 | 463 | 536 |
| EBIT | 318 | 303 | 299 | 216 | 303 | 365 |
| PAT | 240 | 248 | 238 | 174 | 223 | 259 |
| EPS (Rs) | 19 | 10 | 10 | 7 | 9 | 11 |
| EPS growth (%) | 61% | -48% | -1% | -27% | 28% | 16% |
| ROE | 16% | 14% | 13% | 9% | 10% | 11% |
| ROCE | 17% | 15% | 14% | 10% | 12% | 12% |
| BV per share | 151 | 88 | 73 | 80 | 88 | 97 |
| P/B (X) | 2.1 | 1.8 | 2.3 | 1.8 | 1.2 | 1.1 |
| P/E (X) | 16.6 | 15.6 | 17.4 | 20.8 | 12.0 | 10.3 |
| EV/EBITDA (X) | 8.7 | 7.8 | 9.3 | 9.7 | 6.1 | 5.5 |

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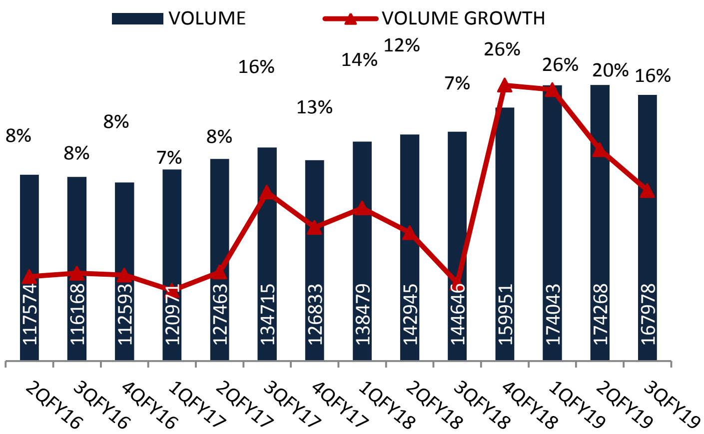
## Multi Model Transport Operation:- The largest revenue contributor

- Multimodal Transport Operations ('MTO') segment of the Company involves the movement of cargo either domestically or internationally through multiple modes of transportation. The segment involves the FCL (Full container load) wherein the container belongs to one single user and LCL(Less container Load) wherein the container belongs to various users.
- MTO is the largest segment of the ALLCARGO and contributes around 85% of the total revenue and 60% at EBIT level. It's cash cow business for the company and generating RoCE of 27-29% annually.
- Margin of the segment largely remain stable in the range of 4-4.5%.
- During the FY14 Company has made two acquisitions of Econocaribe Consolidators, one of the largest LCL consolidators in the world and a majority stake in FCL Marine – a leading neutral NVO player in the FCL segment operating in Europe, US and Canada. Thich has lead to substantial increase in revenue of MTO segment over the years.

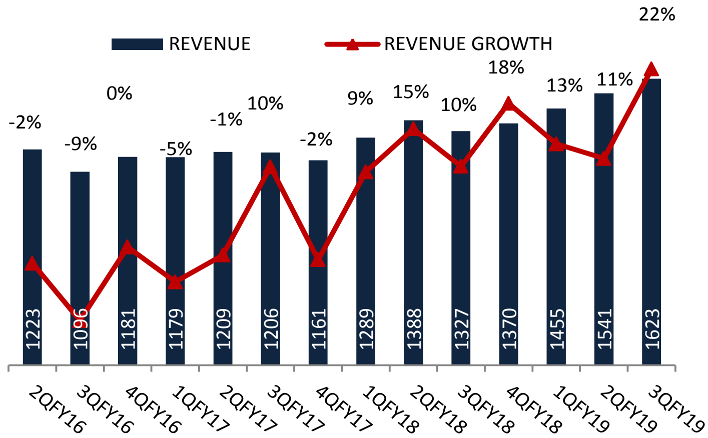
### Exhibit: MTO Volume and Volume Growth

Company leveraging its global network of LCL for FCL cargo, hence volume likely to remain strong

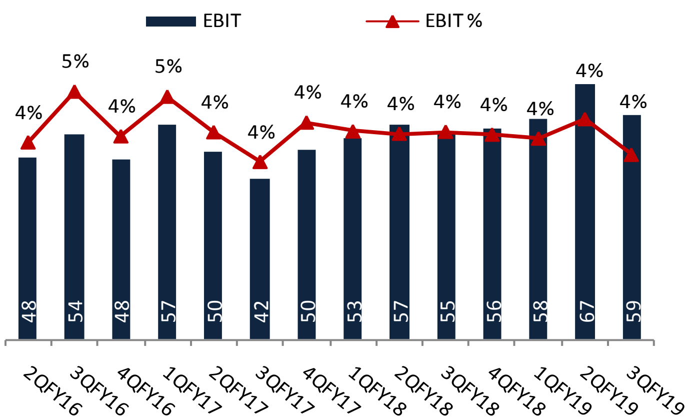



### Exhibit: MTO Revenue and Revenue growth

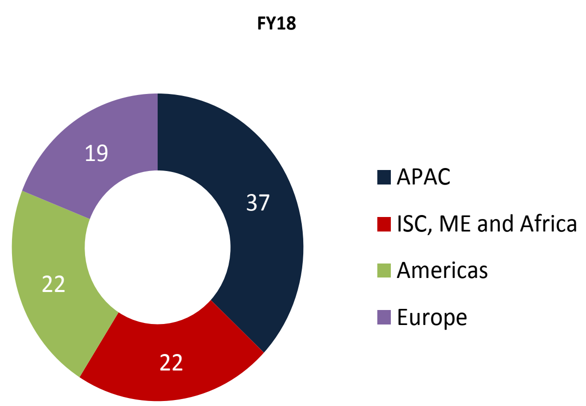
MTO has been registering healthy revenue growth aided by strong volume growth




### Exhibit: EBIT and EBIT %




### Exhibit: Region vise Volume Brekup

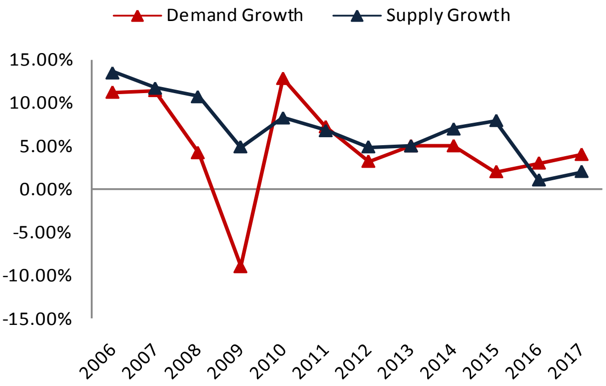


## MTO Continue to Shine

- With presence in 160+ countries and 300+ offices ALLCARGO is able to scaling up its MTO business and continue to outperform the market growth rate.
- Management continues to expand in new geography and using its global network of LCL business to gain volume of FCL cargo and company has gained market share in all the market at which it is operate.
- Though the change in cargo mix will lead to margin reduction but absolute EBIT continue to grow and hence RoCE of the business may see improvement.
- Capacity of the shipping industry was higher than demand and hence freight rate start decaling from FY13 onwards. As result of lower freight rate MTO's realization per TEU resulted into lower realization.
- In 2017, shipping industry has gone through the consolidation in order to rationalize capacity. Though the capacity remain higher but new capacity addition growth has rationalize. Freight rate of the various routes has witness improvement in 2017 and we expect it will further improve going ahead.

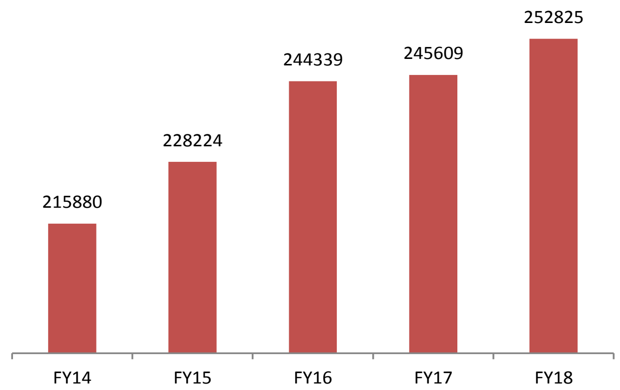
### Exhibit: Global Demand and Supply growth of Containerised Cargo

Capacity addition rationalize in last two years…..




### Exhibit: Container Ship Capacity ( In Thousand Dead weight tone)

Over the years there has been continous additions to container ship capacity




### Exhibit: Freight Rate across the Market

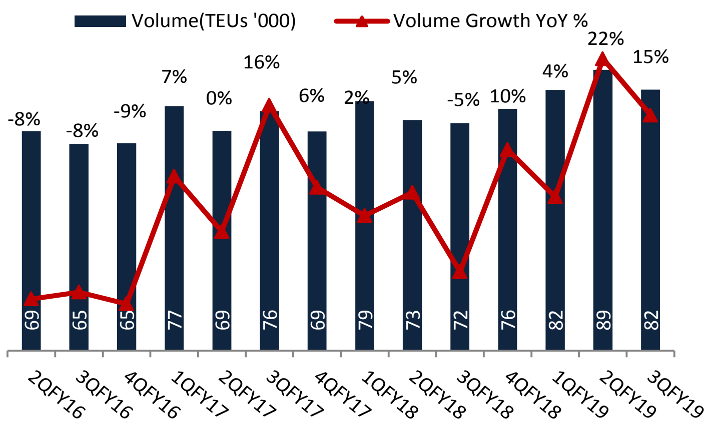
| Freight Market | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|---|---|---|---|---|---|---|---|---|
| **Trans-Pacific** | (Dollars per 40-foot equivalent unit) | | | | | | | |
| Shanghai—United States West Coas | 2308 | 1667 | 2287 | 2033 | 1970 | 1506 | 1272 | 1485 |
| Growth % | | (28) | 37 | (11) | (3) | (24) | (16) | 17 |
| Shanghai— United States East Coas | 3499 | 3008 | 3416 | 3290 | 3720 | 3182 | 2094 | 2457 |
| Growth % | | (14) | 14 | (4) | 13 | (14) | (34) | 17 |
| | | | | | | | | |
| **Far East—Europe** | (Dollars per 20-foot equivalent unit) | | | | | | | |
| Shanghai—Northern Europe | 1789 | 881 | 1353 | 1084 | 1161 | 629 | 690 | 876 |
| Growth % | | (51) | 54 | (20) | 7 | (46) | 10 | 27 |
| Shanghai—Mediterranean | 1739 | 973 | 1336 | 1151 | 1253 | 739 | 684 | 817 |
| Growth % | | (44) | 37 | (14) | 9 | (41) | (7) | 19 |
| | | | | | | | | |
| **North—South** | (Dollars per 20-foot equivalent unit) | | | | | | | |
| Shanghai—South America (Santos) | 2236 | 1483 | 1771 | 1380 | 1103 | 455 | 1647 | 2679 |
| Growth % | | (34) | 19 | (22) | (20) | (59) | 262 | 63 |
| Shanghai—Australia/ New Zealand | 1189 | 772 | 925 | 818 | 678 | 492 | 526 | 677 |
| Growth % | | (35) | 20 | (12) | (17) | (27) | 7 | 29 |
| Shanghai—West Africa (Lagos) | 2305 | 1908 | 2092 | 1927 | 1838 | 1449 | 1181 | 1770 |
| Growth % | | (17) | 10 | (8) | (5) | (21) | (18) | 50 |
| Shanghai—South Africa (Durban) | 1481 | 991 | 1047 | 805 | 760 | 693 | 584 | 1155 |
| Growth % | | (33) | 6 | (23) | (6) | (9) | (16) | 98 |
| | | | | | | | | |
| **Intra-Asian** | (Dollars per 20-foot equivalent unit) | | | | | | | |
| Shanghai—South-East Asia (Singapo | 318 | 210 | 256 | 231 | 233 | 187 | 70 | 148 |
| Growth % | | (34) | 22 | (10) | 1 | (20) | (63) | 111 |
| Shanghai—East Japan | 316 | 337 | 345 | 346 | 273 | 146 | 185 | 215 |
| Growth % | | 7 | 2 | 0 | (21) | (47) | 27 | 16 |
| Shanghai—Republic of Korea | 193 | 198 | 183 | 197 | 187 | 160 | 104 | 141 |
| Growth % | | 3 | (8) | 8 | (5) | (14) | (35) | 36 |
| Shanghai—Hong Kong SAR | 116 | 155 | 131 | 85 | 65 | 56 | 55 | - |
| Growth % | | 34 | (15) | (35) | (24) | (14) | (2) | - |
| Shanghai—Persian Gulf/ Red Sea | 922 | 838 | 981 | 771 | 820 | 525 | 399 | 618 |
| Growth % | | (9) | 17 | (21) | 6 | (36) | (24) | 55 |

## Container Freight Station :- A Cash Cow Business

- The Company operates its business with unique synergies between its MTO and CFS segments- the Company leases container space with major shipping companies for its clients in MTO segment and on other hand, it gets clients for the CFS segment from the same shipping companies.
- ALLCargo is one of the largest CFS operators with state of the art facilities at JNPT, Chennai, Mundra and Kolkata with an total installed capacity of about 500000 TEU.
- JNPT, Chennai and Mundra are the major ports for containerized cargo and handling 80% containerized cargo of the country.
- Recently, company has started its operation at Kolkata and current run rate is 7500-8000 TEU per quarter. The CFS has capacity of 80000 TEU and is expected to achieve break even soon. Kolkata CFS will help company to augment business through the trade on the eastern coast from Bangladesh, Nepal and Myanmar.

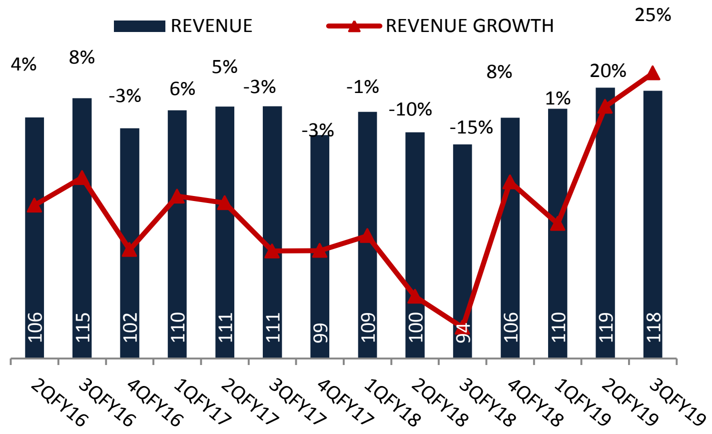
### Exhibit:CFS Volume and Volume Growth

Recovery in volume on account of operation commence on Kolkata CFS and higher volume of DPD cargo

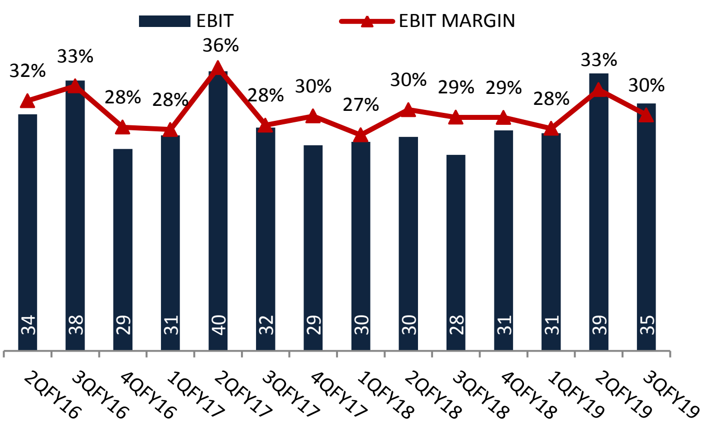



### Exhibit: CFS Revenue and Revenue growth

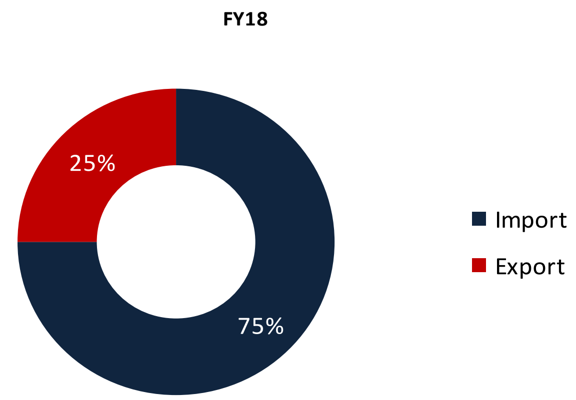
Strong revenue growth in last 2 quarters supported by higher volume




### Exhibit: CFS EBIT and EBIT %




### Exhibit: CFS Import Export Mix

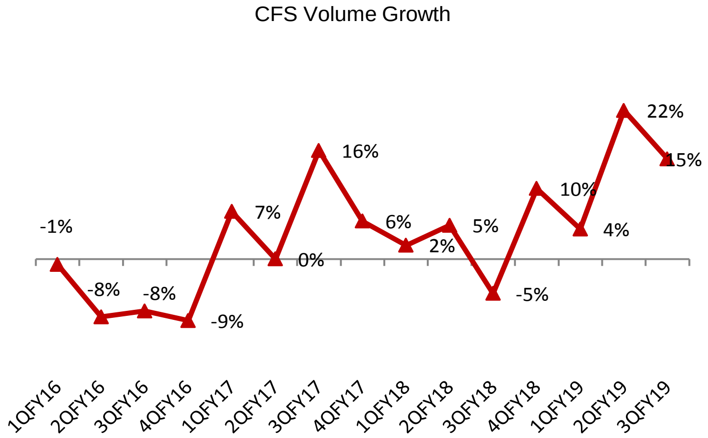


## Is DPD a Threat for tradational CFS business?

- JNPT port trust has introduced Direct Port Delivery program in February 2016 and currently handling around 43% container cargo on this route. As result of it, the traditional CFS business was under pressure.
- To counter the change, CFS players has started offering integrated services like warehousing, grading, inventory management etc and able to gain volume growth
- Additionally, DPD scheme is also not favorable for some of the importers as the limited space at factory and higher cost for warehouse become issue and hence importer preferred to go through with CFS.
- Currently, 73% of the DPD cargo is routed through the CFS and that is evident by strong volume growth of 22% and 15% in last two quarter for ALLCARGO. Additionally, shipping ministry is also working on the DPD model and tries to increase CFS role in value chain.
- ALLCARGO has leased out CFS near JNPT from Swastik Enterprise to Operate and Maintain Speedy Multimodal Ltd. Speedy is handling DPD container of the importers who is not able to clear the cargo within 48 hours of the arrival. Management believes it is good move as the DPD scheme is not worked out well and may increase space if required.
- Additionally, company is developing some warehousing facilities in its CFS at JNPT port.

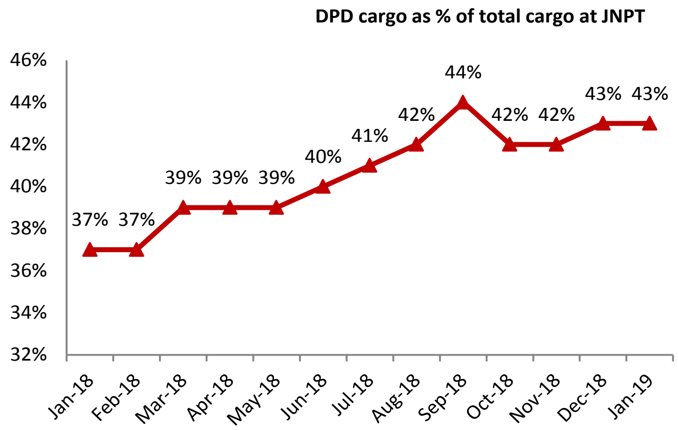
### Exhibit: CFS Volume Growth

Recovery in volume on account of operation commence on Kolkata CFS and higher volume of DPD cargo



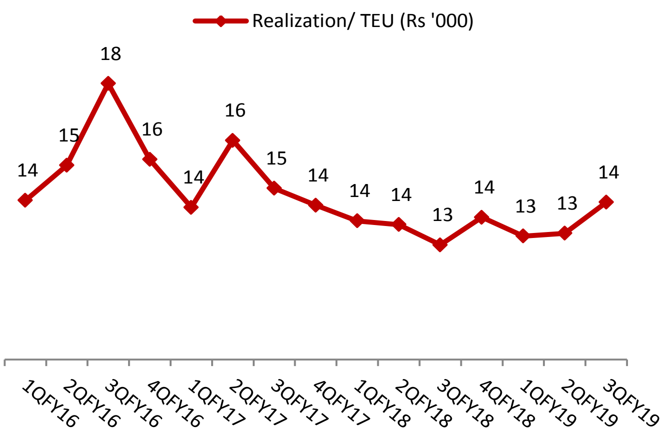

### Exhibit: DPD cargo as % of total cargo at JNPT

JNPT introduce DPD scheme in February 2016 and currently handling 44% cargo on DPD mode




### Exhibit: CFS Realization Trend

The realization trend for the CFS hovers around 13000-14000 range

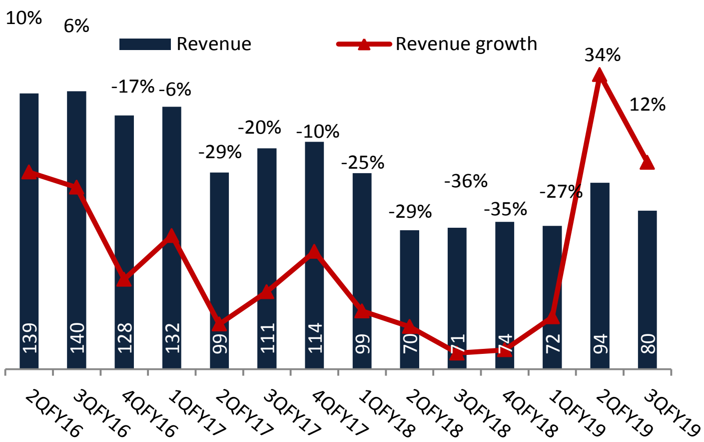


## Project & Engineering

- The P&E segment offers integrated end-to-end logistics services including transportation of over-dimensional & over-weight cargo, on-site lifting & shifting, equipment leasing and coastal shipping. The P&E segment includes Equipment Leasing, Project Transportation Services and Shipping.
- Company has started P&E business meaningfully from 2008 with assets based of Rs.150 Cr and it increases to Rs.690 Cr in FY14. Post that company started facing lower utilization and started selling its lower yield assets. Currently Company has assets base of Rs.434 Cr.
- Company has project logistic order book of Rs.185 Cr which is providing visibility for the revenue growth.
- Asset utilisation levels in the P&E segment has dropped from 90% in FY16 to 45% by the end of FY18, the utilisation levels however have witnessed a recovery in 3QFY19 moving up to around 55%

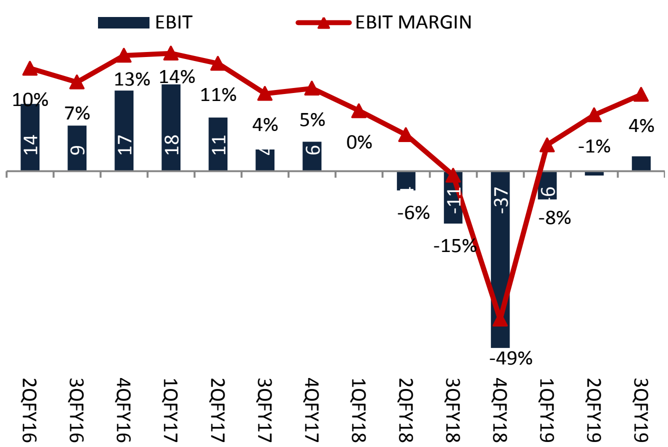
### Exhibit: P&E Revenue and Revenue growth

Revival in revenue on account of uptick in utilization level



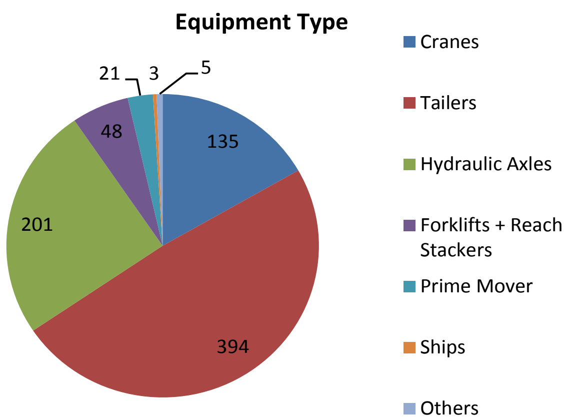

### Exhibit: P&E Segment EBIT Margin trend

P&E turn profitable after 6 quarters of loss on account of improved utilization and reduction in provision for bad debt




### Exhibit: Equipment Bank

Current equipment base of 600 equipments

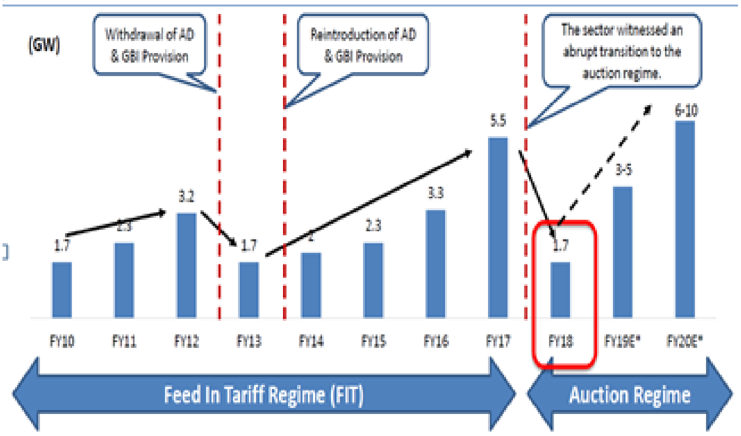


## Project & Engineering on the way of Revival

- Project and Engineering segment has reported profit after six quarters of loss on account of uptick in utilization level and reduction in provision for bad debt. Company has provided provision of Rs.40 Cr in FY18.
- Equipment leasing business is largely dependent on power segment especially wind power projects (45% revenue contribution). In last year Wind sector has witness sudden change in bidding method from Feed in tariff to Reverse Auction. This has resulted into drop in new capacity addition.
- Company Additionally Government has withdrawn generation based incentive and discounting of viability gap funding further impacted the sector growth. Capacity addition of 1762 MW in FY18 as against last year recorded high of 5400 MW.
- Now with applicability and clarity of the new bidding method, we expect new capacity addition will back on track. Ministry of Renewable Energy has set plan to bid out 40 GW of new tenders every year, 30 GW from Solar and 10 GW from Wind projects.
- In Project & Engineering Solution segment Company expects revival in few sectors specially Coal, Crude, Natural gas, Refineries, Steel and Cement

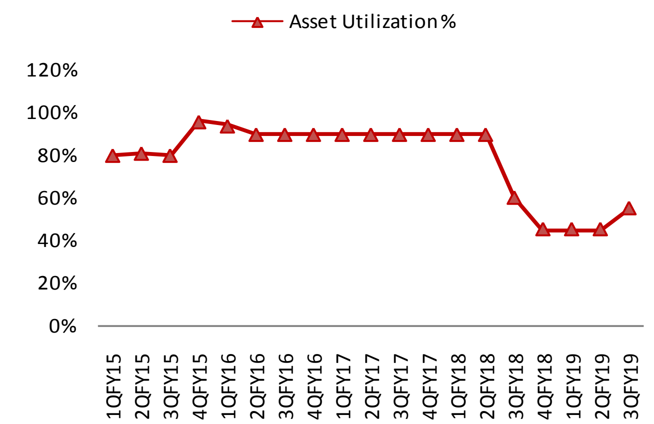
### Exhibit: Wind power capacity addition

Wind power capacity addition expected to pick up….



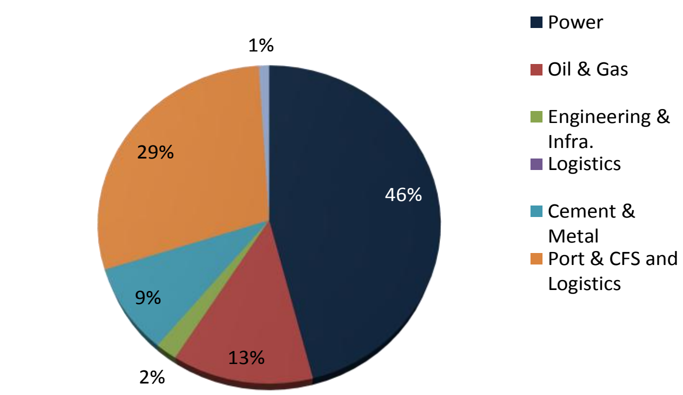

### Exhibit: Assets Utilisation %

Assets Utilization started to witness pick up….




### Exhibit: P&E Segment Revenue Dependancy

Power and logistics contributes heavily to the segment




### Exhibit: Bid pipeline for wind sector

Strong bid pipeline for the wind segment would further aid the P&E segment

**Auctions in pipeline**

| Auction | Month | Volume (MW) |
|---|---|---|
| SECI 6 (Bid Submission) | February 2019 | 1200 MW |
| Hybrid 2 (Announced) | January 2019 | 1200 MW |
| ***Total*** | | ***2400 MW*** |

## New Avenues for growth

### Supply chain management

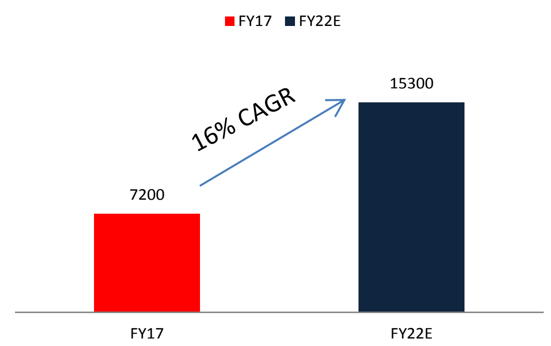
- From last 1-2 year Company is exploring new avenues for the next leg of the growth and company has acquired CCI Logistics Ltd in 2016. CCI is operating into Supply Chain Management (3PL) business and leading service provider in Chemical, Auto & Engineering, Pharma, Fashion and Retail including E-Commerce.
- Company's decision of acquiring CCI was in line with the GST implementation and post GST demand of the warehousing is on the rise.
- Currently company is operating 3.5 Mn Sq. ft of warehousing space at 97% capacity utilization and management is planning to increase to 10 Mn Sq. ft. in next 4-5 years. As per the CIRISIL report 3PL market is expected to grow at 19-21% CAGR to reach Rs.57000 Cr by 2020.
- Management's plan is to develop asset light business model by partnering with various established transportation players. This will limit the company's capex requirement .

### Logistic Park and Warehouse

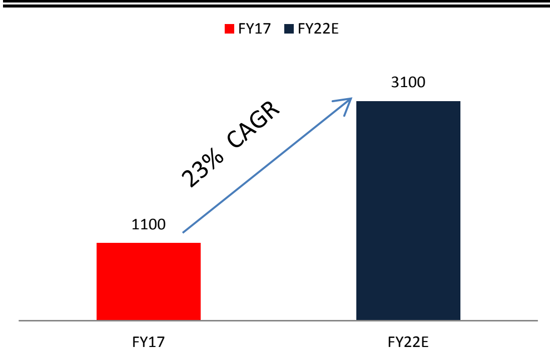
- From ALLCARGO is developing Multi Model Logistics Park (MMLP) at Jhajjar and has acquired 93 acres of land for development of A Grade warehousing facility and railway connectivity.
- Grade A warehousing requirement is likely to increase from current 45 Mn sq. ft to 105 Mn Sq. ft by 2020 at 33% CAGR growth.
- ALLCARGO has started construction activity at JNPT and Hyderabad and expect to start facility from H2FY20. Company has already lease out 3.5 mn sq. ft to Flipkart (2 mn sq. ft), Decathlon (1 mn sq. ft) and other customers (0.5 mn sq. ft) .
- Currently Industry demand of Grade A and B warehouse is 500 Mn Sq.ft and only 28% of it providing by the organized players. So the opportunities for the players like ALLCARGO with PAN India presence and integrated model (CFS, MTO) is huge.
- Management has outlined investment of Rs.400-700 Cr in phased manner over 2-3 years. Company has enough headroom to borrow money to fund its capex plan. Current debt to equity is 0.22x.

## 3PL Market size of various segments (In Cr)

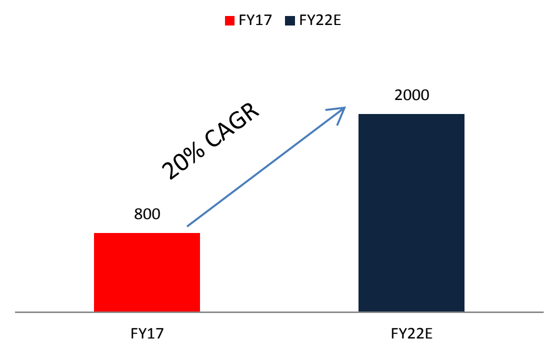
### Exhibit: AUTO




### Exhibit: FMCG




### Exhibit: Organised Detail

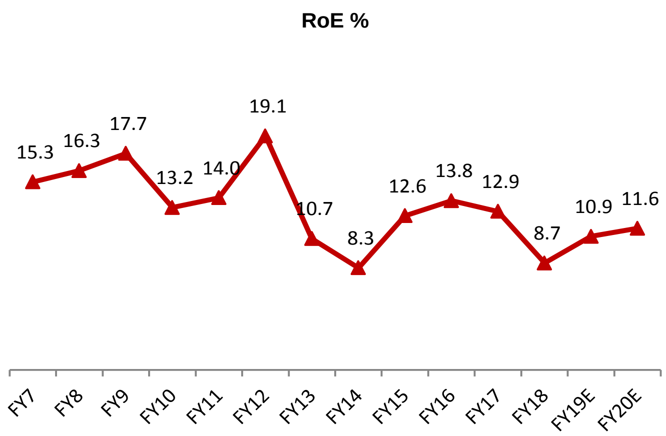


## Valuation:Risk reward ratio is favorable

- Stock was down by 51% from Q4FY18 to till date on account of subdued performance across the segment. MTO was under pressure due to sluggish freight rate while CFS facing the heat of DPD scheme and P&E was struggling from lower capacity utilization and bad debt.
- As result of it RoE in FY18 has come down to 8.9% from 13% in FY17. The stock is currently trading at 1x/8.7x/5.3x of FY20 BVPS/EPS/EV/EBITDA.
- Rationalize capacity addition of shipping lines will ease freight rate going ahead. Integrated service offering at CFS level will support volume growth and revival in wind power sector is likely to increase utilization level.
- Hence, we expect RoE will improve from current 8.9% to 10.4% in FY19E and 10.9% in FY20.
- Current valuation is attractive and we feel the risk reward ratio is favorable and we value stock at 7.2x FY20E EV/EBITDA and arrive at target price of Rs.147. Upside of 35% from current CMP of Rs.109.

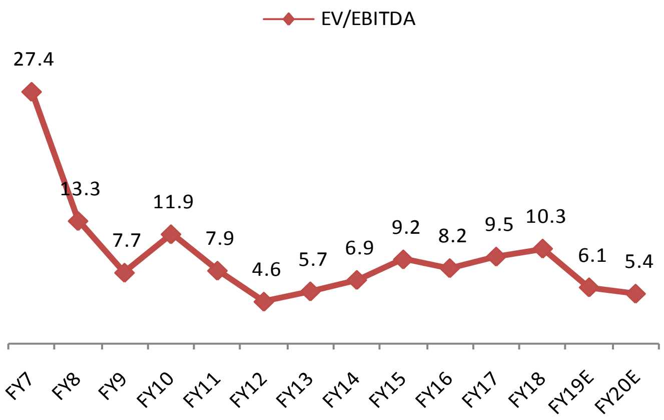
### Exhibit: Return on equity

RoE likely to improve from current 8.9% to 10.4% in FY19E and 10.9% in FY20.




### Exhibit: Valuation Trend

Current valuation is at attractive level



## Analyst Conference Update

**Overall Business**

- Company's long run target to achieve 20% RoCE from current level of 13%.
- Capex requirement in FY20-21 is Rs.250 Cr and for the MMLP capex requirement is Rs.1000 Cr for next 4-5 years.
- Management is expected that the EBITDA will be touch 8% or may be above level on consolidate books as the P&E business turnaround.
- Company has net debt to equity of 0.08x. Debt will increase going forward as the company need to fund capex requirement.

**MTO:-**

- Global volume growth in MTO is 2.5-3% and company always beat the market growth. Management does not expect significant impact of on-going US China trade war.
- Company entered into FCL business recently and expects strong volume growth going ahead.
- Management's main focus is on to increase assets utilization of MTO business by doing higher volume in FCL. FCL is lower margin business compared to LCL and result of increasing contribution of FCL EBIT margin will come down. But management expects the absolute EBIT will increase with same level of Assets base. As result of it RoCE of the segment will improve.
- Main focus and growing area for MTO business is Africa and South America.
- Management is continuously looking for the acquisition in MTO business but currently market valuation is expensive.

**CFS:-**

- CFS business will merge into Multi Model Logistics Park (MMPL) going ahead.
- Out of 1700 register DPD accounts, only 12 accounts using DPD scheme, rest all the importers routed its cargo through CFS. Only 12% out of 44% containerized cargo handle by JNPT on DPD is using direct port delivery option.
- CFS business is under pricing pressure.
- Current CFS utilization is 55-60% on overall basis.

**Project and Engineering**

- Company has 600 equipment in P&E business and company will not do further investment into P&E.
- 20-25% revenue contributes by Wind projects in P&E business. Utilization of the segment is up to 60% from 40-45%.

**Warehouse and Multi Model Logistic Park (MMLP)**

- ACCI is market leader in Chemical sector (45% revenue contribution) and operating 3.5 mn sq. ft of warehouse space.
- Post the GST, demand of the 3PL business is set to increase as the organized players gaining the market share.
- Currently, construction of warehouse facility at Hyderabad and Bangalore is under way. Management expects revenue contribution from H2FY20.
- Pre GTS most of the warehouses are B and C category with small in size and scattered. After the GST implementation, demand of large and standardize warehouses is on the rise and company is investing into business.
- Warehouse rent is just Rs.16-20 per sq. ft so company will offer other integrated services.
- Company will establish SPV to carry out MMLP business.
- Government of Haryana and India railway has formed JV to develop land near by Delhi ring road ( Kundali Plaval and Manesar express way)for goods and passenger trains route . ALLCARGO will use that route for its MMLP project in Jhajjar. 1st phase of Jhajjar

## 3QFY19 Results Highlights

| Financials | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY % | QoQ% | 9MFY18 | 9MFY19 | YoY % |
|---|---|---|---|---|---|---|---|---|---|---|
| Net Sales | 1,480 | 1,536 | 1,625 | 1,737 | 1,803 | 22% | 4% | 4,511 | 5,165 | 14.5% |
| Other Income | 5 | 15 | 5 | 5 | 15 | 207% | 180% | 26 | 26 | -1.3% |
| COGS | 1,043 | 1,098 | 1,166 | 1,254 | 1,317 | 26% | 5% | 3,214 | 3,738 | 16.3% |
| Employee Exp | 239 | 241 | 253 | 263 | 276 | 15% | 5% | 689 | 791 | 14.9% |
| Other | 104 | 123 | 104 | 95 | 98 | -6% | 3% | 307 | 297 | -3.1% |
| Total | 1,387 | 1,462 | 1,523 | 1,612 | 1,691 | 22% | 5% | 4,210 | 4,826 | 14.6% |
| EBITDA | 93 | 74 | 102 | 125 | 112 | 20% | -10% | 301 | 339 | 12.6% |
| Depreciation | 40 | 40 | 40 | 40 | 40 | 0% | -1% | 119 | 120 | 0.4% |
| EBIT | 54 | 34 | 62 | 85 | 72 | 34% | -15% | 182 | 219 | 20.6% |
| Intreset | 7 | 7 | 8 | 8 | 7 | -8% | -23% | 22 | 23 | 1.8% |
| Exceptional | - | (7) | - | - | - | 0% | 0% | - | - | NA |
| PBT | 51 | 42 | 60 | 82 | 81 | 57% | -1% | 185 | 222 | 19.8% |
| Tax | 20 | 23 | 9 | 20 | 31 | 53% | 54% | 28 | 59 | 109.7% |
| PAT | 32 | 13 | 54 | 63 | 51 | 57% | -20% | 161 | 168 | 4.2% |

### Strong growth maintained in MTO & CFS, P&E turns profitable

Q3FY19 was a strong quarter for the company it has registered a revenue growth of 22% with every segment contributing. The major revenue contributor MTO business has registered a revenue growth of 22% YoY on back of 16% YoY volume growth and 5% YoY growth in realization. EBIT margin of the business continue to strong at 3.8%. Revenue from CFS business has up by 25% YoY to Rs.118 Cr on back of change in management strategy. CFS business reported EBIT margin of 29.8%. P&E business has turned profitable after 6 quarters of loss on account of improved assets utilization and bad debt write off. Revenue was up by 13% YoY with 50% utilization level. The EBIT during the quarter went up by the 34% YoY with P &E reported an EBIT of Rs 3 Cr as against loss of Rs 11 Cr in 3QFY18. The PAT margins during the quarter went up by 60 bps mainly on account of improvement in EBIT levels.

### Revival of the Project & Engineering Solution Segment:

ALLCARGO reported positive revenue growth for consecutively second quarter after Q4FY16 for P&E business. Company also witness profit after 6 quarter of loss on account of improved assets utilization and bad debt write off. Further management has seen sign of revival in demand from core sectors like coal, crude, oil & Gas, fertilizer, steel, wind energy and power. As per the current estimates 30 GW of new capacity is planned for the wind sector. Going forward management expect the utilization level will go to 60% in Q4FY19 and improve further. During the quarter company has received one order of Rs.100 Cr for factory to foundation offering which include project logistic and crane services. Currently order book of project logistic is Rs.185 Cr.

### Overall growth provides strong revenue visibility

The Company has been witnessing a strong growth across all segments from the last two quarter. The company has registered a growth of 15% in 9MFY19 as compared 6% in 9MFY18. The Company is looking to further leverage its network strength to grow volumes in both FCL and LCL business thus providing strong revenue outlook for MTO. Though the freight rate is subdued and it will remain at this level. CFS business will grow on account of higher DPD volume at key port location. Company is investing aggressively in Multi model logistic park and warehouse business to cater growing demand after GST. Currently company is developing warehouse facilities at various palaces (Bangalore, Hyderabad and Jhajjar ) and expect to contribute in revenue from H2FY20. The P&E segment has been the cherry on the cake seeing an improvement at EBIT and company expecting to improve further. The strong outlook for the each segment provides an insight into the healthy revenue visibility for the company.

## Segmental Revenue

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|---|---|---|---|---|---|---|---|---|---|
| MTO | 1,289 | 1,388 | 1,327 | 1,370 | 1,455 | 1,541 | 1,623 | 22% | 5% |
| CFS | 109 | 100 | 94 | 106 | 110 | 119 | 118 | 25% | -1% |
| P&E | 99 | 70 | 71 | 74 | 72 | 94 | 80 | 12% | -15% |
| **TOTAL** | **1,483** | **1,547** | **1,480** | **1,536** | **1,625** | **1,737** | **1,803** | **22%** | **4%** |

## Segmental Result (EBIT)

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|---|---|---|---|---|---|---|---|---|---|
| MTO | 53 | 57 | 55 | 56 | 58 | 67 | 59 | 9% | -12% |
| CFS | 30 | 30 | 28 | 31 | 31 | 39 | 35 | 26% | -11% |
| P&E | 0 | -4 | -11 | -37 | -6 | -1 | 3 | -128% | -420% |

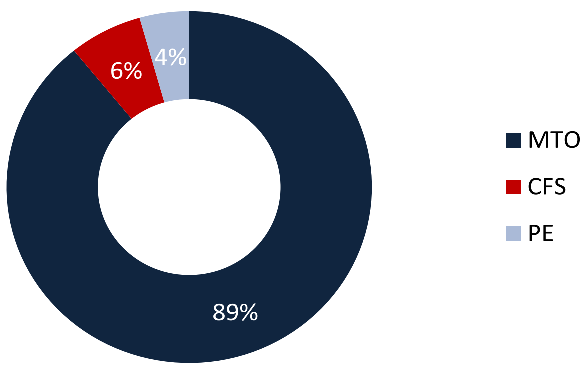
## Segmental Result % (EBIT)

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|---|---|---|---|---|---|---|---|---|---|
| MTO | 4.12% | 4.08% | 4.11% | 4.06% | 3.98% | 4.37% | 3.65% | (1117)bps | (1631)bps |
| CFS | 27.24% | 30.41% | 29.45% | 29.44% | 28.05% | 32.94% | 29.75% | 101bps | (968)bps |
| P&E | -0.05% | -5.73% | -15.30% | -49.35% | -8.11% | -1.01% | 3.81% | (12490)bps | (47665)bps |

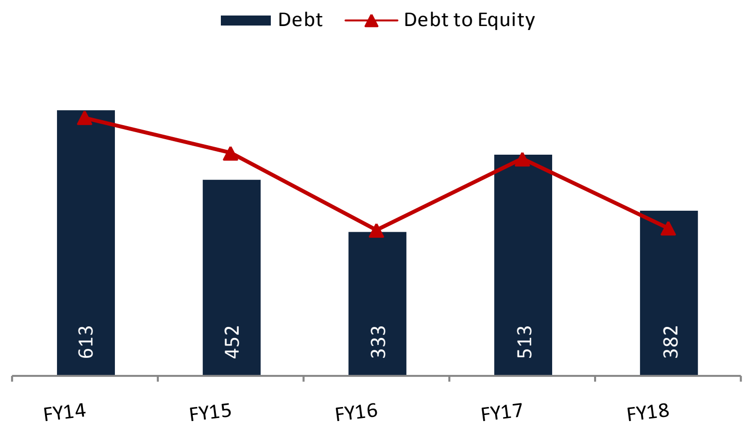
## Capital Employed (In Rs. Cr)

| | 1QFY18 | 2QFY18 | 3QFY18 | 4QFY18 | 1QFY19 | 2QFY19 | 3QFY19 | YoY (+/-) | QoQ (+/-) |
|---|---|---|---|---|---|---|---|---|---|
| MTO | 1520 | 1614 | 1569 | 1658 | 1753 | 2084 | 1942 | 24% | -7% |
| CFS | 500 | 503 | 500 | 490 | 494 | 518 | 509 | 2% | -2% |
| P&E | 661 | 633 | 609 | 546 | 518 | 518 | 494 | -19% | -5% |

### Exhibit: Q3FY19 Revenue Contribution




### Exhibit: Healthy Debt to Equity



## Financial 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** | **7,119** | **8,242** |
| Change (%) | *0%* | *24%* | *16%* | *0%* | *-1%* | *8%* | *18%* | *16%* |
| **EBITDA** | **357** | **391** | **475** | **504** | **465** | **375** | **463** | **536** |
| Change (%) | 0% | 10% | 21% | 6% | -8% | -19% | 24% | 16% |
| Margin (%) | **9%** | **8%** | **8%** | **9%** | **8%** | **6%** | **7%** | **7%** |
| Depr & Amor. | 147 | 175 | 157 | 201 | 166 | 159 | 160 | 171 |
| **EBIT** | ***209*** | ***216*** | ***318*** | ***303*** | ***299*** | ***216*** | ***303*** | ***365*** |
| Int. & other fin. Cost | *42* | *56* | *53* | *41* | *32* | *30* | *49* | *67* |
| Other Income | *66* | *37* | *53* | *28* | *45* | *41* | *41* | *41* |
| **EBT** | **234** | **196** | **317** | **290** | **312** | **227** | **294** | **339** |
| Exp Item | 0 | - | - | - | - | (7) | - | - |
| Tax | **51** | **42** | **70** | **50** | **78** | **51** | **76** | **81** |
| Minority Int & P/L share of Ass. | (13) | (5) | (9) | - | - | - | - | - |
| **Reported PAT** | **170** | **149** | **240** | **248** | **238** | **174** | **223** | **259** |
| **Adjusted PAT** | ***170*** | ***149*** | ***240*** | ***248*** | ***238*** | ***179*** | ***223*** | ***259*** |
| Change (%) | | -12% | 61% | 3% | -4% | -25% | 25% | 16% |
| 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 | 2,106 | 2,328 |
| *Networth* | 1,586 | 1,793 | 1,536 | 1,736 | 1,792 | 1,964 | 2,155 | 2,377 |
| *Debt* | 458 | 613 | 452 | 333 | 513 | 382 | 525 | 749 |
| *Other Non Cur Liab* | 117 | 171 | 31 | 9 | 9 | 13 | 13 | 13 |
| *Total Capital Employed* | 2,043 | 2,406 | 1,989 | 2,069 | 2,306 | 2,347 | 2,679 | 3,126 |
| *Net Fixed Assets (incl CWIP)* | 1,383 | 1,385 | 1,386 | 1,354 | 1,308 | 1,237 | 1,347 | 1,546 |
| *Non Cur Investments* | 92 | 56 | 17 | 30 | 260 | 214 | 214 | 214 |
| *Other Non Cur Asst* | 728 | 1,128 | 474 | 549 | 453 | 548 | 548 | 548 |
| *Non Curr Assets* | 2,202 | 2,569 | 1,877 | 1,933 | 2,021 | 1,998 | 2,108 | 2,308 |
| *Inventory* | 11 | 11 | 12 | 11 | 10 | 10 | 11 | 13 |
| *Debtors* | 382 | 572 | 664 | 677 | 752 | 839 | 1,131 | 1,310 |
| *Cash & Bank* | 138 | 165 | 155 | 181 | 169 | 234 | 202 | 316 |
| *Other Curr Assets* | 268 | 325 | 225 | 280 | 311 | 338 | 434 | 540 |
| *Curr Assets* | 788 | 1,061 | 1,044 | 1,138 | 1,233 | 1,411 | 1,767 | 2,166 |
| *Creditors* | 313 | 467 | 514 | 564 | 617 | 685 | 807 | 934 |
| *Provisons* | 41 | 28 | 18 | 12 | - | 11 | - | - |
| *Other Curr Liab* | 433 | 512 | 348 | 395 | 302 | 337 | 360 | 385 |
| *Curr Liabilities* | 788 | 1,007 | 880 | 972 | 919 | 1,033 | 1,167 | 1,318 |
| *Net Curr Assets* | 1 | 55 | 164 | 166 | 314 | 378 | 601 | 847 |
| *Total Assets* | 2,991 | 3,630 | 2,921 | 3,071 | 3,254 | 3,409 | 3,876 | 4,473 |

## Financial Details

### Cash Flow

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|---|---|---|---|
| PBT | 234 | 196 | 317 | 290 | 312 | 220 | 300 | 341 |
| (inc)/Dec in Working Capital | (3) | (41) | 11 | 13 | (48) | (48) | (171) | (51) |
| Non Cash Op Exp | 147 | 175 | 157 | 201 | 166 | 30 | 160 | 171 |
| Int Paid (+) | 42 | 56 | 53 | 41 | 32 | 30 | 49 | 67 |
| Tax Paid | 63 | 37 | 48 | 86 | 70 | 60 | 76 | 81 |
| others | (32) | (38) | (62) | (33) | (47) | (23) | - | - |
| CF from Op. Activities | 323 | 311 | 430 | 440 | 359 | 308 | 262 | 446 |
| *(inc)/Dec in FA & CWIP* | *(194)* | *(156)* | *(47)* | *(140)* | *(139)* | *40* | *(270)* | *(370)* |
| *Free Cashflow* | *129* | *155* | *383* | *300* | *220* | *348* | *(8)* | *76* |
| *(Pur)/Sale of Inv* | - | - | - | *(52)* | *(12)* | *(17)* | *(60)* | *(62)* |
| *others* | *21* | *(283)* | *45* | *(16)* | *(131)* | *(1)* | - | - |
| *CF from Inv. Activities* | *(173)* | *(439)* | *(3)* | *(202)* | *(267)* | *(48)* | *(330)* | *(432)* |
| *inc/(dec) in NW* | - | - | - | - | - | - | - | - |
| *inc/(dec) in Debt* | *(46)* | *196* | *(322)* | *(80)* | *100* | *(147)* | *142* | *224* |
| *Int. Paid* | *54* | *59* | *55* | *43* | *32* | *22* | *49* | *67* |
| *Div Paid (inc tax)* | *7* | *22* | *31* | *64* | - | *55* | *32* | *37* |
| *others* | *(43)* | *20* | *13* | *(12)* | *(152)* | *2* | - | - |
| *CF from Fin. Activities* | *(150)* | *135* | *(396)* | *(200)* | *(84)* | *(222)* | *61* | *120* |
| *Inc(Dec) in Cash* | *0* | *7* | *32* | *38* | *7* | *38* | *(7)* | *134* |
| *Add: Opening Balance* | *129* | *131* | *160* | *128* | *177* | *167* | *245* | *225* |
| *Closing Balance* | *131* | *160* | *166* | *177* | *167* | *234* | *237* | *359* |

### Key Ratio

| Y/E March | FY13 | FY14 | FY15 | FY16 | FY17 | FY18 | FY19E | FY20E |
|---|---|---|---|---|---|---|---|---|
| ROE | 11% | 8% | 16% | 14% | 13% | 9% | 10% | 11% |
| ROCE | 11% | 9% | 17% | 15% | 14% | 10% | 12% | 12% |
| Asset Turnover | 1.31 | 1.34 | 1.93 | 1.84 | 1.72 | 1.77 | 1.84 | 1.84 |
| Debtor Days | 36 | 43 | 43 | 44 | 49 | 51 | 58 | 58 |
| Inv Days | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Payable Days | 29 | 35 | 33 | 37 | 40 | 41 | 41 | 41 |
| Int Coverage | 5 | 4 | 6 | 7 | 9 | 7 | 6 | 5 |
| P/E | 9 | 13 | 17 | 16 | 17 | 21 | 12 | 10 |
| Price / Book Value | 1 | 1 | 2 | 2 | 2 | 2 | 1 | 1 |
| EV/EBITDA | 5 | 6 | 9 | 8 | 9 | 10 | 6 | 5 |
| FCF per Share | 10 | 12 | 30 | 12 | 9 | 11 | (0) | 3 |
| Div Yield | 1.3% | 1.0% | 0.6% | 1.0% | 1.2% | 1.4% | 1.0% | 1.2% |

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| | |
|---|---|
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