

# Allcargo Logistics Limited

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

## Weak Global Trade impacted the Volume Growth

<b>RATING</b>	<b>NEUTRAL</b>
<b>CMP</b>	<b>97</b>
<b>Price Target</b>	<b>110</b>
<b>Potential Upside</b>	<b>13%</b>

<b>Rating Change</b>	
<b>Estimate Change</b>	
<b>Target Change</b>	

### Stock Info

52wk Range H/L	126/89
Mkt Capital (Rs Cr)	2382
Free float (%)	31%
Avg. Vol 1M (,000)	83
No. of Shares (Cr)	25
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	6895	7138	7759
EBITDA	449	500	564
EBIT	293	325	357
PAT	248	270	301
EPS (Rs)	10	11	12
EV/EBITDA	6	6	0
EPS Gr (%)	42.5%	9.0%	11.3%
ROE	12.4%	12.1%	12.1%
ROCE	0.1	0.1	0.1
BV/share	81.4	90.8	101.2
P/B (X)	1.3	1.1	1.0
P/E (X)	10.5	8.9	8.0

### 1QFY20 Result Update

- Revenue grew up by 12% YoY to Rs 1815 Cr but lower than our estimates of Rs 1923 Cr due to lower volume growth in MTO and CFS business.
- Volume of MTO business impacted (up by only 6% YoY) due to slow down in global trade on account US China trade war.
- CFS reported volume growth of 3 % on account of slow growth in EXIM business.
- P&E business reported strong growth of 62% YoY on account of increased utilisation. Order book in P&E business stood at Rs 130 Cr and exploring opportunities in Eastern countries.
- EBITDA grew by 38% at Rs 141 Cr in 1QFY20 supported by margin improvements of 142 bps. P&E business reported margin of 7.2% v/s negative margin of 8.1%.
- Higher depreciation and Interest cost restrict the PAT growth at 16% YoY.

### MTO business impacted by Trade war, Traction continues in P&E

In 1QFY20, revenue grew by 12% to Rs 1815 Cr but lower than our estimates. The major revenue contributor MTO business has registered a revenue growth of 10% YoY on back of 6% YoY volume growth and 4% YoY growth in realization. Volume was impacted due to US-China trade war. EBIT margin of the business continue to strong at 4.7%. Revenue from CFS business has up by 8% YoY to Rs 119 Cr. CFS business reported EBIT margin of 30.8%, improved by 280 bps supported by cost reduction initiative and process optimisation. Revenue from P&E business is up by 62% YoY on account of improved utilisation (65% v/s 45%) and strong traction in project logistics business. P&E reported EBIT margin of 7.2% v/s negative margin of 8.2%. During the quarter company has write back bad debt provision of Rs 2.5 Cr in P&E segment.

### Logistics business likely to contribute in revenue from Next year

Till the Q1FY20, Company has invested Rs 562 Cr in warehouse/logistic park business to construct 5 mn sq ft warehousing space and another Rs 500 Cr will invest to complete the project. Currently construction activity is on-going at multiple locations and expected to complete by the year end. 4 mn sq ft will be completed by the year end and will be operational. The total income of Rs 100 Cr annually is expected to generate once the construction is completed. Company has already contracted 3.5 mn sq ft space and in talk to contract another 0.7 mn sq ft.

### View and Valuation:-

MTO business volume growth was impacted due to on-going US-China trade war and lower growth in CFS business on account of lower EXIM volume. The weak global trade and higher supply in shipping industry will continue to weigh on the MTO business earning. The Project and Engineering business performance is improving quarter after quarter and it is likely to remain strong. The warehousing facilities at multiple locations are under construction and will contribute meaningfully in revenue by the next year only. **We have reduced our revenue estimates for FY20/21E by 7%. We maintain NEUTRAL rating on the stock. We value the stock at Rs 110 (9x FY21E EPS).**

### Research Analyst

**SANDIP JABUANI**

sandip.jabuani@narnolia.com

+91-22-62701228

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## 1QFY20 Results Lower than Estimates

Financials	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY %	QoQ%	Fig in Rs Cr		
								FY18	FY19	YoY %
Net Sales	1,625	1,737	1,803	1,727	1,815	12%	5%	6,047	6,895	14.0%
Other Income	5	5	15	11	6	23%	-42%	41	34	-18.3%
COGS	1,166	1,254	1,317	1,241	1,317	13%	6%	4,312	4,979	15.5%
Employee Exp	253	263	276	278	274	8%	-2%	930	1,070	15.0%
Other	104	95	98	101	84	-19%	-17%	430	398	-7.4%
Total	1,523	1,612	1,691	1,620	1,675	10%	3%	5,672	6,446	13.7%
EBITDA	102	125	112	107	141	38%	31%	375	449	19.7%
Depreciation	40	40	40	36	55	38%	51%	159	156	-2.0%
EBIT	62	85	72	71	86	38%	21%	216	293	35.6%
Intreset	8	8	7	7	12	49%	76%	30	30	-1.3%
Exceptional	-	-	-	-	-	NA	NA	(7)	-	NA
PBT	60	82	81	75	80	35%	7%	227	297	30.6%
Tax	9	20	31	(5)	18	104%	-463%	51	54	5.8%
PAT	54	63	51	80	63	16%	-21%	174	248	42.5%

### Concall Highlights

#### ➤ Multimodal Transport Operations (MTO)

- Overall Global container growth rate is 2-3% and will continue to outgrow the market going ahead.
- Indian Containerize cargo is growing at 5-6%.
- Despite the US China trade war MTO business is performing steadily.

#### ➤ Container Fright Station (CFS)

- Gained markets share in CFs business on account of customize services offering.
- Cost reduction initiative has started result into margin improvement.
- DPD volume at JNPT is 51% of total container cargo but only 10% is directly deliver from port rest volume is routed through CFS.

#### ➤ Project & Engineering (P&E)

- In discussion with some of the orders in Eastern countries for Projects logistics business.
- Rs 2.5 Cr of write back during the quarter.

#### ➤ Logistics Parks

- Till date Rs 562 Cr was invested into Warehouse facility construction and another Rs 500 Cr will be invested to complete the 5 mn sq ft warehouse facilities.
- Management expects Rs 100 Cr revenue on annualized basis once the 5 mn sq ft warehouse facility became operational.
- Revenue will start from Q4FY20.
- 3.5 mn sq ft out of 5 mn sq ft warehouse facility is already contracted and it will go up to 4.2 mn at the year end.
- By the year end 4 mn sq ft capacity will be operational.
- Slowdown in Auto has not impacted the ACCI business as the Auto is not the significant portion of the business.
- Ind AS 116 impact is Rs 17 Cr on depreciation and Rs 3 Cr on Interest cost. The net impact is 0.8 Cr on PBT basis.

## Revenue Mix

	Fig in Rs Cr								
	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
MTO	1,327	1,370	1,455	1,541	1,623	1,539	1,599	10%	4%
CFS	94	106	110	119	118	112	119	8%	6%
P&E	71	74	72	94	80	92	117	62%	27%
<b>TOTAL</b>	<b>1,480</b>	<b>1,537</b>	<b>1,625</b>	<b>1,737</b>	<b>1,804</b>	<b>1,727</b>	<b>1,815</b>	<b>12%</b>	<b>5%</b>

## MTO Business Performance

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	145	160	174	174	168	168	184	6%	10%
Real./TEU (In '000)	92	86	84	88	97	92	87	4%	-5%
EBIT %	4.11%	4.06%	3.98%	4.37%	3.65%	3.71%	3.78%	-5%	2%

## CFS Business Performance

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	72	76	82	89	82	81	85	3%	5%
Real./TEU (In '000)	13	14	13	13	14	14	14	4%	1%
EBIT %	29.45%	29.44%	28.05%	32.94%	29.75%	27.53%	30.82%	10%	12%

## Project & Engineering

	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	Fig in Rs Cr	
	3QFY18	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	YoY (+/-)	QoQ (+/-)
Revenue	94	106	110	119	118	112	119	8%	6%
EBIT %	-15.30%	-49.35%	-8.11%	-1.01%	3.81%	9.37%	7.16%	-188%	-24%

Exhibit: 1QFY20 Revenue Contribution

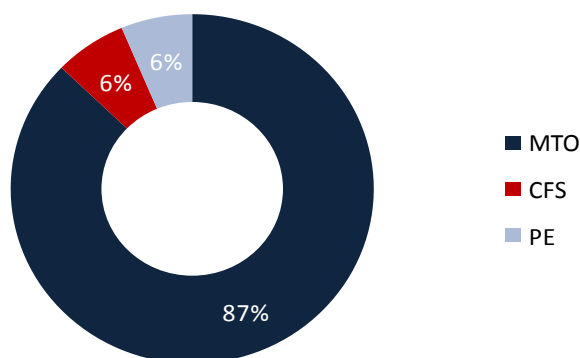
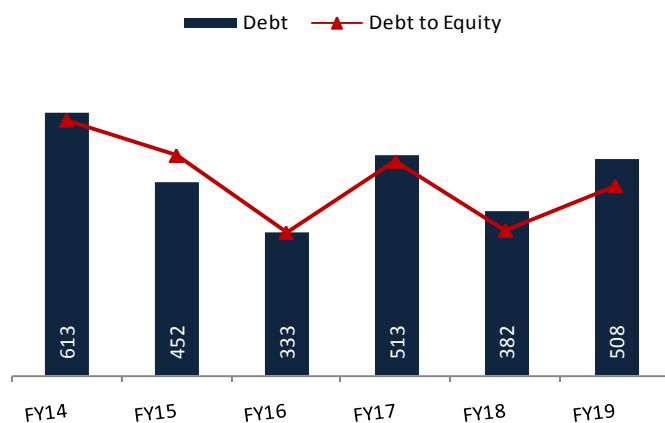
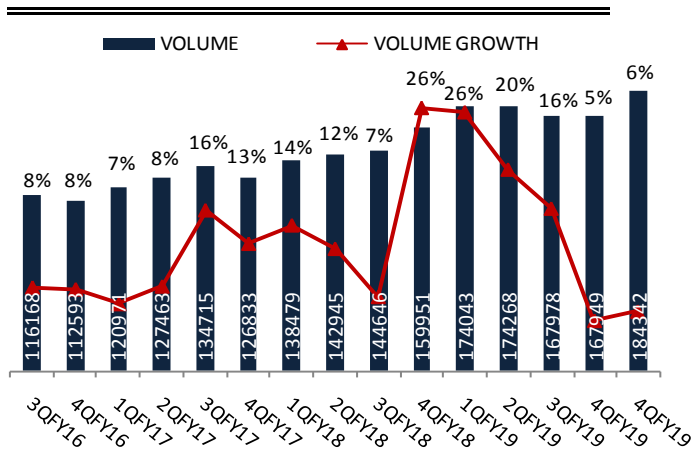


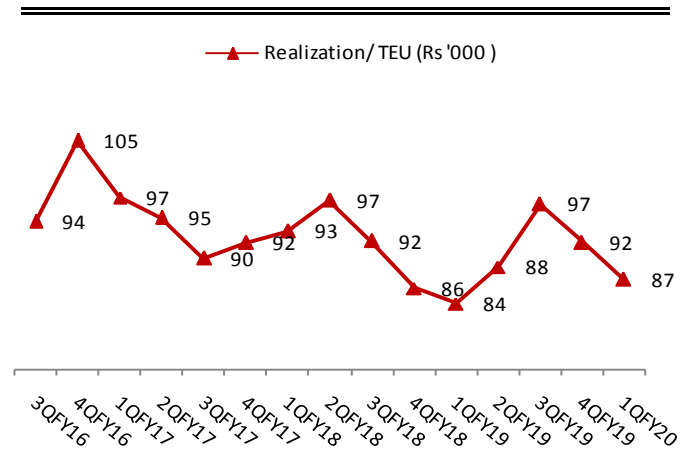
Exhibit: Healthy Debt to Equity



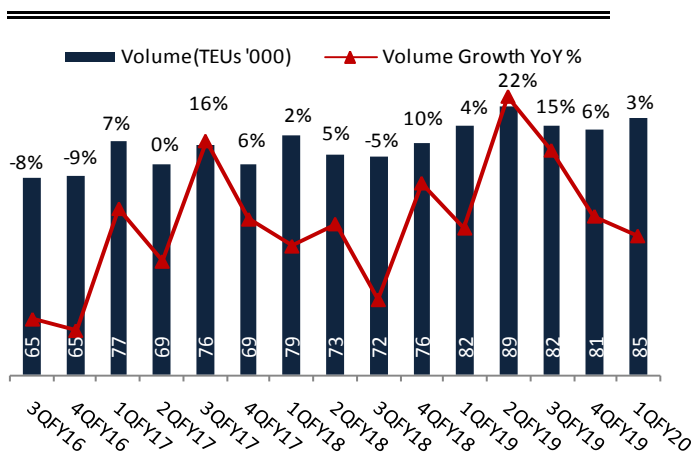
**Exhibit: MTO Volume and Volume Growth**



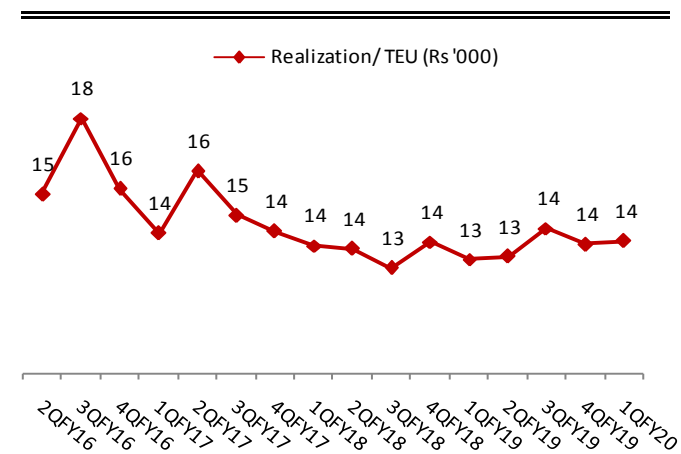
**Exhibit: MTO Realization Trend**



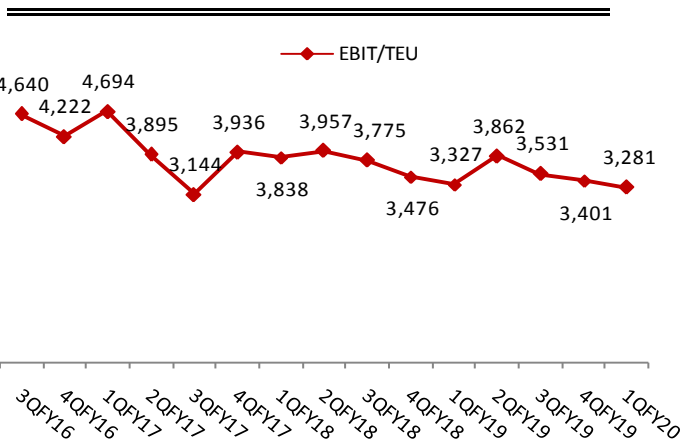
**Exhibit: CFS Volume and Volume Growth**



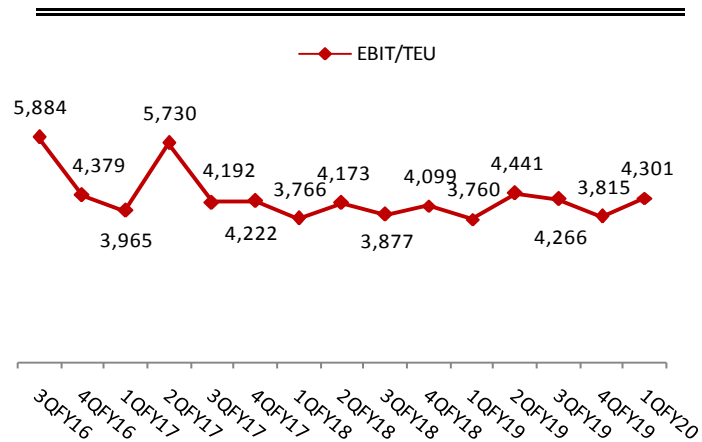
**Exhibit: CFS Realization Trend**



**Exhibit: MTO EBIT/TEU**



**Exhibit: CFS EBIT/TEU**



## Financial Details

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Revenue from Operation	4,859	5,629	5,641	5,583	6,047	6,895	7,138	7,759
Change (%)	24%	16%	0%	-1%	8%	14%	4%	9%
<b>EBITDA</b>	<b>391</b>	<b>475</b>	<b>504</b>	<b>465</b>	<b>375</b>	<b>449</b>	<b>500</b>	<b>564</b>
Change (%)	10%	21%	6%	-8%	-19%	20%	12%	13%
Margin (%)	8%	8%	9%	8%	6%	7%	7%	7%
Depr & Amor.	175	157	201	166	159	156	176	207
<b>EBIT</b>	<b>216</b>	<b>318</b>	<b>303</b>	<b>299</b>	<b>216</b>	<b>293</b>	<b>325</b>	<b>357</b>
Int. & other fin. Cost	56	53	41	32	30	30	40	40
Other Income	37	53	28	45	41	34	38	38
<b>EBT</b>	<b>196</b>	<b>317</b>	<b>290</b>	<b>312</b>	<b>227</b>	<b>297</b>	<b>322</b>	<b>355</b>
Exp Item	-	-	-	-	(7)	-	-	-
Tax	42	70	50	78	51	54	58	60
Minority Int & P/L share of Ass.	(5)	(9)	-	-	-	-	-	-
<b>Reported PAT</b>	<b>149</b>	<b>240</b>	<b>248</b>	<b>238</b>	<b>174</b>	<b>248</b>	<b>270</b>	<b>301</b>
<b>Adjusted PAT</b>	<b>149</b>	<b>240</b>	<b>248</b>	<b>238</b>	<b>179</b>	<b>248</b>	<b>270</b>	<b>301</b>
Change (%)	-12%	61%	3%	-4%	-25%	38%	9%	11%
Margin(%)	3%	4%	4%	4%	3%	4%	4%	4%

### Balance Sheet

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Share Capital	25	25	50	49	49	49	49	49
Reserves	1,768	1,511	1,686	1,743	1,915	1,950	2,181	2,438
Networth	1,793	1,536	1,736	1,792	1,964	1,999	2,230	2,487
Debt	613	452	333	513	382	508	712	722
Other Non Cur Liab	171	31	9	9	13	40	40	40
Total Capital Employed	2,406	1,989	2,069	2,306	2,347	2,506	2,942	3,210
Net Fixed Assets (incl CWIP)	1,385	1,386	1,354	1,308	1,237	1,432	1,677	1,690
Non Cur Investments	56	17	30	260	214	214	214	214
Other Non Cur Asst	1,128	474	549	453	548	599	599	599
Non Curr Assets	2,569	1,877	1,933	2,021	1,998	2,245	2,489	2,503
Inventory	11	12	11	10	10	9	9	10
Debtors	572	664	677	752	839	942	975	1,060
Cash & Bank	165	155	181	169	234	190	100	154
Other Curr Assets	325	225	280	311	338	541	574	768
Curr Assets	1,061	1,044	1,138	1,233	1,411	1,673	1,650	1,982
Creditors	467	514	564	617	685	747	773	840
Provisions	28	18	12	-	11	-	-	-
Other Curr Liab	512	348	395	302	337	605	363	375
Curr Liabilities	1,007	880	972	919	1,033	1,351	1,136	1,215
Net Curr Assets	55	164	166	314	378	322	513	767
Total Assets	3,630	2,921	3,071	3,254	3,409	3,918	4,139	4,485

## Financial Details

### Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19E	FY20E	FY21E
PBT	196	317	290	312	220	297	328	361
(inc)/Dec in Working Capital	(41)	11	13	(48)	(48)	(69)	(260)	(37)
Non Cash Op Exp	175	157	201	166	30	156	176	207
Int Paid (+)	56	53	41	32	30	30	40	40
Tax Paid	37	48	86	70	60	62	58	60
others	(38)	(62)	(33)	(47)	(23)	(17)	-	-
CF from Op. Activities	311	430	440	359	308	324	225	510
(inc)/Dec in FA & CWIP	(156)	(47)	(140)	(139)	40	(364)	(400)	(189)
Free Cashflow	155	383	300	220	348	(39)	(175)	322
(Pur)/Sale of Inv	-	-	(52)	(12)	(17)	93	(17)	(130)
others	(283)	45	(16)	(131)	(1)	(30)	-	-
CF from Inv. Activities	(439)	(3)	(202)	(267)	(48)	(289)	(417)	(319)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	196	(322)	(80)	100	(147)	116	204	11
Int. Paid	59	55	43	32	22	24	40	40
Div Paid (inc tax)	22	31	64	-	55	163	39	43
others	20	13	(12)	(152)	2	(4)	-	-
CF from Fin. Activities	135	(396)	(200)	(84)	(222)	(75)	126	(73)
Inc(Dec) in Cash	7	32	38	7	38	(39)	(66)	119
Add: Opening Balance	131	160	128	177	167	234	241	155
Closing Balance	160	166	177	167	234	190	174	274

### Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	8%	16%	14%	13%	9%	12%	12%	12%
ROCE	9%	17%	15%	14%	10%	12%	12%	12%
Asset Turnover	1.34	1.93	1.84	1.72	1.77	1.76	1.72	1.73
Debtor Days	43	43	44	49	51	50	50	50
Inv Days	1	1	1	1	1	0	0	0
Payable Days	35	33	37	40	41	40	40	40
Int Coverage	4	6	7	9	7	10	8	9
P/E	13	17	16	17	21	10	9	8
Price / Book Value	1	2	2	2	2	1	1	1
EV/EBITDA	6	9	8	9	10	6	6	5
FCF per Share	12	30	12	9	11	(2)	(7)	13
Div Yield	1.0%	0.6%	1.0%	1.2%	1.4%	0.0%	1.4%	1.5%

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Correspondence Office Address: Arch Waterfront, 5<sup>th</sup> Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; [www.narnolia.com](http://www.narnolia.com).

Registered Office Address: Marble Arch, Office 201, 2<sup>nd</sup> Floor, 236B, AIC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; [www.narnolia.com](http://www.narnolia.com)

Compliance Officer: Manish Kr Agarwal, Email Id: [mkagarwal@narnolia.com](mailto:mkagarwal@narnolia.com), Contact No.:033-40541700.

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