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532749

MTO maintained its pace; CFS and PE drag down the Earnings

RATING	NEUTRAL
CMP	97
Price Target	103
Potential Upside	6%

Rating Change	
Estimate Change	
Target Change	

STOCK INFO	
52wk Range H/L	126/87
Mkt Capital (Rs Cr)	2393
Free float (%)	31%
Avg. Vol 1M (,000)	216
No. of Shares (Crs)	25
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	6895	7327	7923
EBITDA	449	511	536
EBIT	293	302	334
PAT	248	257	282
EPS (Rs)	10	10	11
EV/EBITDA	42.5%	3.8%	9.8%
EPS Gr (%)	12.4%	11.6%	11.5%
ROE	0.1	0.1	0.1
ROCE	81.4	90.3	100.2
BV/share	1.3	1.1	1.0
P/B (X)	10.5	9.3	8.4
P/E (X)	6	6	5

2QFY20 Result Update

- ALLCARGO reported Revenue growth of 8% YoY to Rs 1873 Cr on an account of Volume and value growth in MTO business.
- The volume of MTO business grew by 6% YoY 1844791 TEUs. The realization has improved by 4% YoY to Rs 91995 per TEU.
- CFS volumes remained flat YoY (up by 1 %) to 89145 TEUs. The realization has also remained flat YoY to Rs 13368 per TEU.
- P&E business saw de-growth of 19% YoY on account of slow growth in the Wind Sector which has the highest utilization from Crane assets. Order book in P&E business stood at Rs 90 Cr along with visible pipelines of Rs 486 Cr.
- EBIT grew by 4% at Rs 130 Cr in 2QFY20 while margin decrease by 80 bps YoY. Margin was down due to a lower EBIT margin in CFS and a negative margin in PE business.
- PAT was up by 6% YoY to Rs 67 Cr compared to Rs 63 Cr in the same period last year. PAT was up on account of a lower tax rate, one-time settlement of deferred tax liability and higher other income.
- During the quarter the company has made 2 small acquisition of \$ 5 Mn in MTO segment in order to strengthen its position in some of the markets.

Weakness in CFS volume, Assets utilization down

ALLCARGO has reported revenue growth of 8% to Rs 1873 Cr. The MTO business reported revenue growth 10% YoY backed by 6% volume and 4% realization growth. While volume in CFS business has shown weak trend and remained flat YoY along with flat growth in realization. Economic slowdown impacted the crane utilization level and as result of it revenue from P&E business was down by 19% YoY. Profitability (EBIT) in the MTO segment remained strong at 4.1% while softness in revenue impacted the CFS and P&E business margin. CFS margin was down by 780 bps on account of lower dwell time of cargo. While lower utilization resulted into negative margin of 7.2% in P&E.

Investment phase continuous, Revenue likely to contribute from Next year

With the Rs 115 Cr of investment into warehouse business in Q2FY20, total investment in warehouse business is stand at Rs 776 Cr. Currently 4 mn sq ft space is under construction and out of it 1.5 mn sq ft is likely to completed in Q3FY20 and expected to start operation. Another 1.5 mn will be operational by the year end. Company has already committed the 3.5 mn sq ft warehousing space to MNCs and Indian companies. Small portion of revenue is likely to start in FY20 but the major revenue will start from next year. Still company required to invest around 200-250 Cr. Management is also looking to sell some of the assets once the construction activity is completed and operations are stabilized.

View and Valuation:-

MTO business continues to outgrow the global market and likely to maintain the momentum. While CFS business has impacted due to lower import on account of slowdown in consumption and will remain under pressure going ahead. Assets utilization of P&E business continues to remain unsustainable. Current order book is also lower, though the pipeline reaming strong but conversion into order is key to success. **We have factored in slow volume growth of MTO and CFS and also cut down P&E revenue growth. Overall we have reduced FY21 EPS estimates by 7%. We maintain our NEUTRAL rating on the stock with the target price of Rs 103 (9x FY21 EPS).**

RESEARCH ANALYST

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2QFY20 Results

Fig in Rs Cr

FINANCIALS	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY %	QoQ%	H1FY19	H1FY20	YoY %
Net Sales	1,737	1,803	1,727	1,815	1,873	8%	3%	3,362	3,688	9.7%
Other Income	5	15	11	6	11	101%	73%	10	17	63.3%
COGS	1,254	1,317	1,241	1,317	1,373	9%	4%	2,420	2,690	11.1%
Employee Exp	263	276	278	274	281	7%	3%	516	555	7.6%
Other Expenses	95	98	101	84	89	-6%	7%	199	173	-13.2%
Total Expenditure	1,612	1,691	1,620	1,675	1,743	8%	4%	3,135	3,418	9.0%
EBITDA	125	112	107	141	130	4%	-8%	227	271	19.2%
Depreciation	40	40	36	55	54	34%	-1%	80	109	35.6%
EBIT	85	72	71	86	76	-10%	-11%	147	162	10.3%
Intreset	8	7	7	12	12	36%	-2%	16	23	42.2%
Exceptional Item	-	-	-	-	-	NA	NA	-	-	NA
PBT	82	81	75	80	76	-7%	-6%	141	156	10.6%
Tax	20	31	(5)	18	11	-45%	-38%	28	28	-0.2%
PAT	63	51	80	63	67	6%	6%	117	130	10.9%

Concall Highlights

Multimodal Transport Operations (MTO)

- Volumes from allied and FCL services continued to grow.
- During the quarter company made two small acquisition of \$ 5 mn.

Container Fright Station (CFS)

- Volume growth was mainly driven by Mundra, Kolkata and Chennai operation.
- The decrease in EBIT was mainly due to lower dwell time caused by port congestion and lower imports.

Project & Engineering (P&E)

- The asset utilization in equipment business remains subdued on account of slow growth in the Wind Sector which has the highest utilization from Crane assets.
- Volume growth is extremely low in 8 core sectors (mainly due to low government spend) - coal, crude oil, natural gas, refinery products, fertilizers, steel and cement.
- Project Logistics strengthened its presence in Africa by entry into three African countries (Tanzania, Kenya and Finagle) with end to end offerings.
- Management remains confident of maintaining higher utilization in Crane segment and close to 65-70% in coming quarters.
- Company has Order book of Rs 90 Cr with the pipeline of Rs 400 Cr.
- Reversal of provisions of Rs 3 Cr in H1FY20.

Logistics Parks

- Company plans to build warehousing footprint of 6 mn sq. ft. by 2021 through strong connectivity to industrial hubs and transport routes.
- Company will build state of art Build to Suit Grad A warehouse in Hyderabad, NCR and Bangalore.
- Company has executed contracts for pre-lease close to 4.2 Mn Sq. Ft. with various MNCs and Indian companies.
- Total Investment under this segment is Rs 115 Cr in 2QFY20
- Total Capex for H1FY20 will be Rs 200 Cr and FY21 will be Rs 400-500 Cr.
- Board has approved restructuring involving transport warehousing and other assets of Logistics Park business to wholly owned subsidiary. This is a step to monetize this vertical.

Revenue Mix

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
MTO	1,370	1,455	1,541	1,623	1,539	1,599	1,697	10%	6%
CFS	106	110	119	118	112	119	119	0%	0%
P&E	74	72	94	80	92	117	76	-19%	-35%
TOTAL	1,537	1,625	1,737	1,804	1,727	1,815	1,873	8%	3%

MTO Business Performance

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	160	174	174	168	168	184	184	6%	0%
Real./TEU (ln '000)	86	84	88	97	92	87	92	4%	6%
EBIT %	4.06%	3.98%	4.37%	3.65%	3.71%	3.78%	4.14%	-5%	10%

CFS Business Performance

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	76	82	89	82	81	85	89	1%	5%
Real./TEU (ln '000)	14	13	13	14	14	14	13	-1%	-4%
EBIT %	29.44%	28.05%	32.94%	29.75%	27.53%	30.82%	25.10%	-24%	-19%

Project & Engineering Business Performance

Fig in Rs Cr

	4QFY18	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	YoY (+/-)	QoQ (+/-)
Revenue	106	110	119	118	112	119	119	0%	0%
EBIT %	-49.35%	-8.11%	-1.01%	3.81%	9.37%	7.16%	-7.16%	608%	-200%

Exhibit: 2QFY20 Revenue Contribution

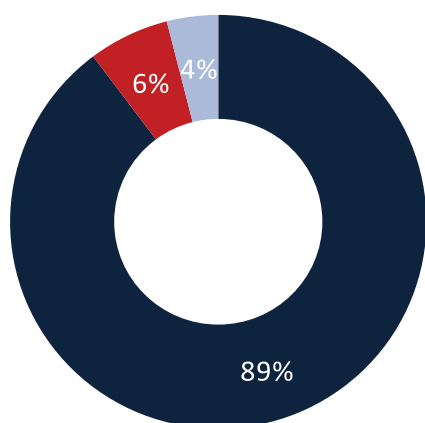


Exhibit: Healthy Debt to Equity

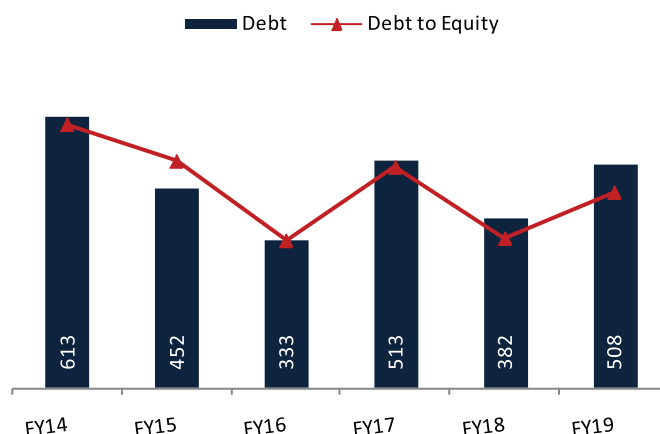


Exhibit: MTO Volume and Volume Growth

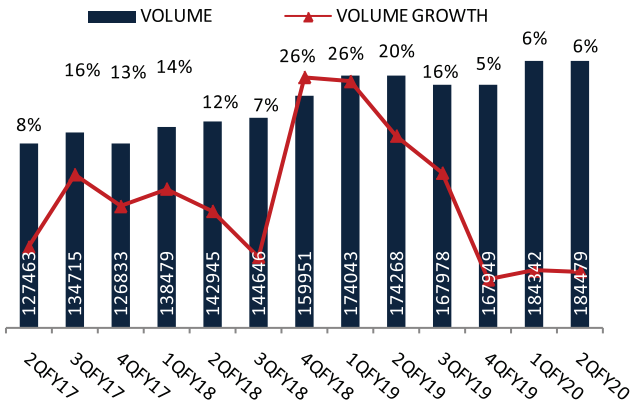


Exhibit: MTO Realization Trend

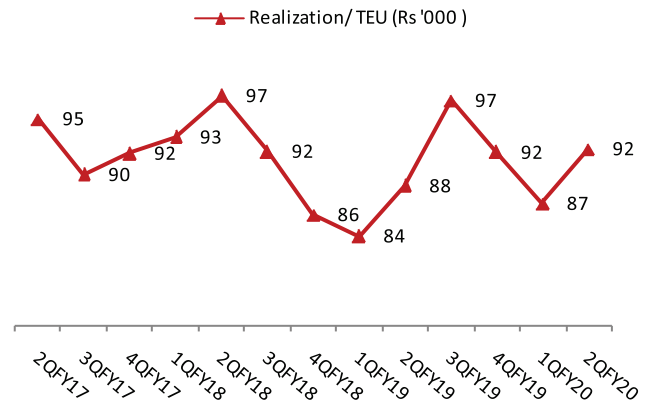


Exhibit: CFS Volume and Volume Growth

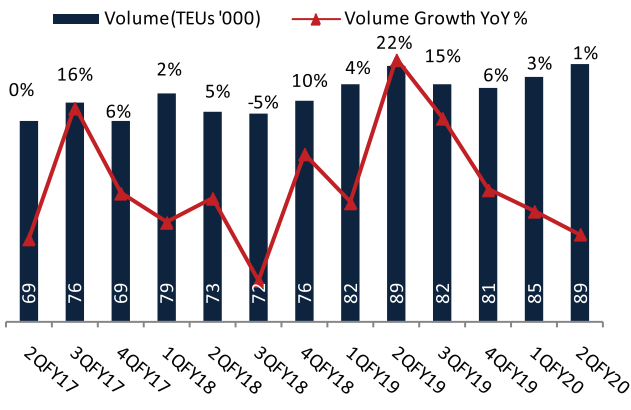


Exhibit: CFS Realization Trend

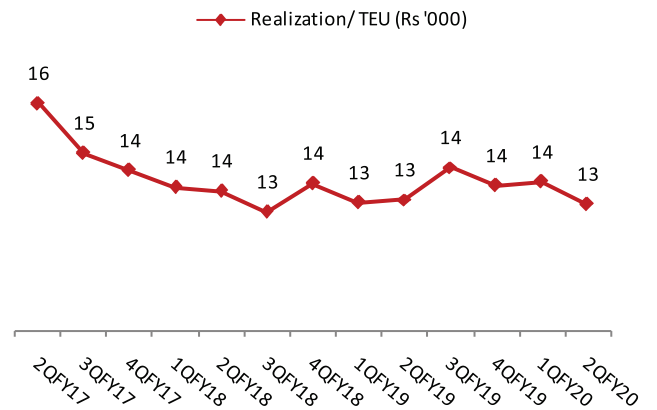


Exhibit: MTO EBIT/TEU

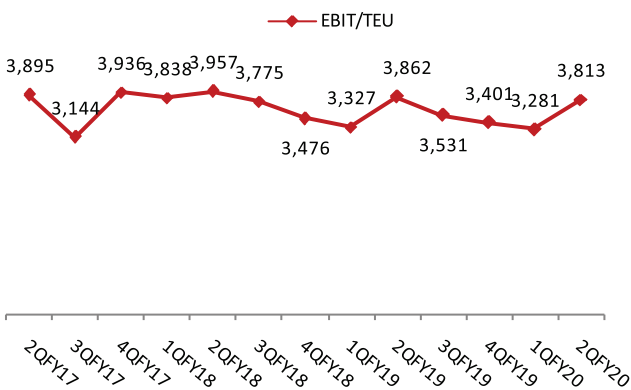
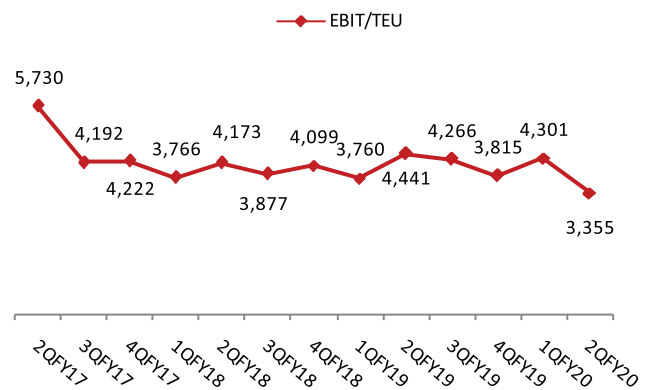


Exhibit: CFS EBIT/TEU



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	7,327	7,923
Change (%)	24%	16%	0%	-1%	8%	14%	6%	8%
EBITDA	391	475	504	465	375	449	511	536
Change (%)	10%	21%	6%	-8%	-19%	20%	14%	5%
Margin (%)	8%	8%	9%	8%	6%	7%	7%	7%
Depr & Amor.	175	157	201	166	159	156	210	202
EBIT	216	318	303	299	216	293	302	334
Int. & other fin. Cost	56	53	41	32	30	30	42	48
Other Income	37	53	28	45	41	34	43	43
EBT	196	317	290	312	227	297	302	329
Exp Item	-	-	-	-	(7)	-	-	-
Tax	42	70	50	78	51	54	53	56
Minority Int & P/L share of Ass.	(5)	(9)	-	-	-	-	-	-
Reported PAT	149	240	248	238	174	248	257	282
Adjusted PAT	149	240	248	238	179	248	257	282
Change (%)	-12%	61%	3%	-4%	-25%	38%	4%	10%
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	2,170	2,412
Networth	1,793	1,536	1,736	1,792	1,964	1,999	2,219	2,461
Debt	613	452	333	513	382	508	765	875
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	2,984	3,336
Net Fixed Assets (incl CWIP)	1,385	1,386	1,354	1,308	1,237	1,432	1,643	1,811
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	2,455	2,623
Inventory	11	12	11	10	10	9	9	10
Debtors	572	664	677	752	839	942	1,001	1,083
Cash & Bank	165	155	181	169	234	190	180	250
Other Curr Assets	325	225	280	311	338	541	569	676
Curr Assets	1,061	1,044	1,138	1,233	1,411	1,673	1,750	2,009
Creditors	467	514	564	617	685	747	794	858
Provisions	28	18	12	-	11	-	-	-
Other Curr Liab	512	348	395	302	337	605	367	378
Curr Liabilities	1,007	880	972	919	1,033	1,351	1,160	1,236
Net Curr Assets	55	164	166	314	378	322	589	773
Total Assets	3,630	2,921	3,071	3,254	3,409	3,918	4,205	4,632

Financial Details

Cash Flow

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
PBT	196	317	290	312	220	297	311	338
(inc)/Dec in Working Capital	(41)	11	13	(48)	(48)	(69)	(271)	(35)
Non Cash Op Exp	175	157	201	166	30	156	210	202
Int Paid (+)	56	53	41	32	30	30	42	48
Tax Paid	37	48	86	70	60	62	53	56
others	(38)	(62)	(33)	(47)	(23)	(17)	-	-
CF from Op. Activities	311	430	440	359	308	324	238	497
(inc)/Dec in FA & CWIP	(156)	(47)	(140)	(139)	40	(364)	(420)	(370)
Free Cashflow	155	383	300	220	348	(39)	(182)	127
(Pur)/Sale of Inv	-	-	(52)	(12)	(17)	93	(17)	(38)
others	(283)	45	(16)	(131)	(1)	(30)	-	-
CF from Inv. Activities	(439)	(3)	(202)	(267)	(48)	(289)	(437)	(408)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	196	(322)	(80)	100	(147)	116	257	110
Int. Paid	59	55	43	32	22	24	42	48
Div Paid (inc tax)	22	31	64	-	55	163	37	41
others	20	13	(12)	(152)	2	(4)	-	-
CF from Fin. Activities	135	(396)	(200)	(84)	(222)	(75)	178	22
Inc(Dec) in Cash	7	32	38	7	38	(39)	(21)	111
Add: Opening Balance	131	160	128	177	167	234	241	220
Closing Balance	160	166	177	167	234	190	220	331

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	8%	16%	14%	13%	9%	12%	12%	11%
ROCE	9%	17%	15%	14%	10%	12%	11%	10%
Asset Turnover	1.34	1.93	1.84	1.72	1.77	1.76	1.74	1.71
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	7	7
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)	5
Div Yield	1.0%	0.6%	1.0%	1.2%	1.4%	0.0%	1.3%	1.4%

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