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Logistics  
AGLL IN  
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## ALLCARGO sign SPA to buy majority stake in GATI

RATING	NEUTRAL
CMP	97
Price Target	103
Potential Upside	6%
Rating Change	↔
Estimate Change	↔
Target Change	↔

STOCK INFO	
Mkt Capital (Rs Cr)	2386
Free float (%)	31%
Avg. Vol 1M (,000)	162
No. of Shares (Cr.)	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
EPS Gr (%)	0	0	0
ROE	0	0	0
ROCE	0	0	0
BV/share	81	90	100
P/B (X)	1.3	1.1	1.0
P/E (X)	10.5	9.3	8.4
EV/EBITDA	6.2	5.6	5.4

- Allcargo Logistics Ltd announced the acquisition of controlling stake in Gati Ltd. for Rs 416 crore.
- As part of the deal, Allcargo will buy up to 10.3 mn equity shares at Rs. 75 per share from some of the existing members of the Promoter and Promoter Group of Gati. Company will also subscribe to a preferential issue of 13.3 mn equity shares of Gati at Rs 75 per share.
- Consequent to the closure of the two agreements, Allcargo will own a 19.43% stake in Gati. Allcargo will spend Rs 178 crore for acquiring the stake.
- Allcargo will look to acquire another 26% stake from Gati's public shareholders through an open offer, which too will be priced at Rs 75 which will cost Rs 238 Cr.
- The company expects the acquisition to be completed by March 30, 2020.
- Allcargo plans to sell some of its non-core assets such as cranes and equipment as part of internal accrual arrangement.
- It is also in talks with large private equity and real estate players to dilute its stake in 5 logistics parks within 2 months in order to become a minority stake holder in the logistics park segment and divert funds from this deal to lower the debt portion of Gati acquisition.
- Allcargo provides a comprehensive range of services, such as multimodal transport operations, container freight station operations, or inland container depot operations, projects and engineering solutions, warehousing, distribution, contract logistics and logistics parks.
- Gati has a wide-ranging customer base across corporate India, e-commerce companies, as well as small and medium enterprises (SMEs). It operates as a hub and spoke model with a network of trucking companies providing vehicles.
- Gati has a presence across 727 districts and a service network that reaches out to 19,000 PIN codes across the country.
- With this acquisition, Allcargo is also entering into a strategic relationship with Japanese air freight forwarder Kintetsu World Express (KWE) which owns 3.99% stake in Gati.
- This partnership will allow Allcargo and KWE to jointly explore and pursue further collaborations both domestically and internationally.

### View and valuation:

The strategic acquisition of Gati by Allcargo will mark company's entry into express logistics and distribution segment. The domestic express transportation segment of Gati will allow the company to offer integrated services offering to its existing clients. Allcargo is dominated player in ocean logistics but not present in last mile connectivity. GATI has presence across 727 districts with 19000PIN codes location. With this acquisition company will offer end-to-end transportation to its LCL customers. Only share purchase agreement has been signed yet and transaction is expected to complete by March 30, 2020. Currently we are not factoring the GATI's number in our estimates. We maintain our target price of Rs 103 with NEUTRAL rating on the stock.

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## Financial Details

### Income Statement

Fig in Rs Cr

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Revenue from Operation</b>	<b>4,859</b>	<b>5,629</b>	<b>5,641</b>	<b>5,583</b>	<b>6,047</b>	<b>6,895</b>	<b>7,327</b>	<b>7,923</b>
Change (%)	24	16	0	-1	8	14	6	8
<b>EBITDA</b>	<b>391</b>	<b>475</b>	<b>504</b>	<b>465</b>	<b>375</b>	<b>449</b>	<b>511</b>	<b>536</b>
<b>Change (%)</b>	<b>10</b>	<b>21</b>	<b>6</b>	<b>(8)</b>	<b>(19)</b>	<b>20</b>	<b>14</b>	<b>5</b>
Margin (%)	8.1	8.4	8.9	8.3	6.2	6.5	7.0	6.8
<b>Depr &amp; Amor.</b>	<b>175</b>	<b>157</b>	<b>201</b>	<b>166</b>	<b>159</b>	<b>156</b>	<b>210</b>	<b>202</b>
<b>EBIT</b>	<b>216</b>	<b>318</b>	<b>303</b>	<b>299</b>	<b>216</b>	<b>293</b>	<b>302</b>	<b>334</b>
Int. & other fin. Cost	56	53	41	32	30	30	42	48
Other Income	37	53	28	45	41	34	43	43
<b>EBT</b>	<b>196</b>	<b>317</b>	<b>290</b>	<b>312</b>	<b>227</b>	<b>297</b>	<b>302</b>	<b>329</b>
Exp Item	-	-	-	-	(7)	-	-	-
Tax	42	70	50	78	51	54	53	56
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>257</b>	<b>282</b>
<b>Adjusted PAT</b>	<b>149</b>	<b>240</b>	<b>248</b>	<b>238</b>	<b>179</b>	<b>248</b>	<b>257</b>	<b>282</b>
Change (%)	-12	61	3	-4	-25	38	4	10
<b>Margin(%)</b>	<b>3.1</b>	<b>4.3</b>	<b>4.4</b>	<b>4.3</b>	<b>3.0</b>	<b>3.6</b>	<b>3.5</b>	<b>3.6</b>

### 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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