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Lower Realization and muted EXIM trade impacted the Growth

RATING	NEUTRAL
CMP	110
Price Target	103
Potential Upside	-6%
Rating Change	↔
Estimate Change	↓
Target Change	↔

STOCK INFO	
52wk Range H/L	126/87
Mkt Capital (Rs Cr)	2730
Free float (%)	31%
Avg. Vol 1M (,000)	414
No. of Shares (Cr)	25
Promoters Pledged %	0%

Fig in Rs Cr

FINANCIAL	FY19	FY20E	FY21E
Net Sales	6895	7143	7549
EBITDA	449	531	633
EBIT	293	299	367
PAT	248	211	280
EPS (Rs)	10	9	11
EV/EBITDA	42.5%	-14.9%	32.9%
EPS Gr (%)	12.4%	9.7%	11.6%
ROE	0.1	0.1	0.1
ROCE	81.4	88.7	98.5
BV/share	1.3	1.2	1.1
P/B (X)	10.5	12.8	9.6
P/E (X)	6	6	5

3QFY20 Result Update

- ALLCARGO reported flat Revenue growth YoY to Rs 1787 Cr.
- The volume of MTO business grew by 10% YoY 185408 TEUs led by the gaining market share in global market. Though, the realization was come down by 10% YoY to Rs 87137 per TEU.
- CFS business reported volumes de growth of 8% YoY to 75965 TEUs on account of overall EXIM slowdown. The realization has improved by 2% YoY to Rs 14645 per TEU.
- P&E business has reported revenue de-growth of 13% YoY on account of lower utilization of higher yield assets. Order book in P&E business stood at Rs 166 Cr along with visible pipelines of Rs 526 Cr.
- EBITDA during the quarter has increased by 13% YoY to Rs 126 Cr. Though, the EBIT has down by 11% YoY to Rs 64 Cr in 3QFY20 while margin decrease by 40 bps YoY. Margin was down due to a lower EBIT margin in CFS and a negative margin in PE business.
- PAT was down by only 3% YoY to Rs 49 Cr compared to Rs 51 Cr in the same period last year. PAT includes the exception item of Rs 27 Cr pertain to sale of Services Export India scheme for the period of 2015-16, 2016-17 and 2017-18.

Lower realization and muted EXIM trade impacted the Growth

MTO business reported volume growth of 10% YoY but the realization per TEU has gone down by 10%, hence revenue from the largest segment remained flat YoY and resulted into overall flat revenue growth. The slow economic growth in Indian impacted the EXIM trade and CFS business reported 8% YOY de-growth in volume numbers. Though the realization and EBIT/TEU has improved on accounted of realization of some ground rent and cost rationalization. PE business continues to drag the growth and reported revenue de- growth of 13% YoY. Utilization of Crane continues to remain changeling. In August 2019 Company has completed construction of some of the boxes in warehouse and handover to the clients. Company has booked revenue of Rs 12 Cr. EBITDA margin has improved by 90 bps as the warehouse business contributes 100% in the margin. Despite the improvement in EBITDA, PAT Margin has reduced by 10 bps on account of higher depreciation and tax.

Cracked deal with Blackstone to monetize Warehouse business

ALLCARGO has executed business transfer agreement with Blackstone group for the monetize of warehouses, which company is constructing at Telangana, Tamil Nadu, Karnataka, Gujarat, Goa and Maharashtra for a consideration of Rs 380 Cr. Company will transfer the 90% equity stake and will hold the minority stake of 10% for the strategic reason. The timeline for the transaction is 12 months which is subject to the fulfillment of the customary closing condition. Post the transaction company will be able to reduce debt by Rs 500 Cr on its books which was taken for the construction of the facilities. At the same time company has acquired the 20.83% stake in Gati limited and will acquired another 24.17% through open offer, once the SEBI approval received.

View and Valuation

Company's global business MTO is likely to impact due to on-going Coronavirus issue in China. Though the company's offices in China have partially started but will have impact on the business in near term. Shipping rates was under pressure and it will further remain under pressure owing to low demand. The slow economic activity in India has impacted the EXIM trade. PE business continues to remain drag on the profitability as well as on the top line. We have factored in Coronavirus impact in our estimates and we have reduced our FY20/21 EPS estimates by 18/1%. We continue to maintain NEUTRAL rating on the stock with target price of Rs 103 (9x FY21E EPS).

RESEARCH ANALYST

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3QFY20 Results

Fig in Rs Cr

FINANCIALS	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY %	QoQ%	9MFY19	9MFY20	YoY %
Net Sales	1,803	1,727	1,815	1,873	1,787	-1%	-5%	5,165	5,475	6.0%
Other Income	15	11	6	11	7	-57%	-40%	26	24	-7.7%
COGS	1,317	1,241	1,317	1,373	1,294	-2%	-6%	3,738	3,984	6.6%
Employee Exp	276	278	274	281	279	1%	-1%	791	833	5.3%
Other Expenses	98	101	84	89	88	-10%	-1%	297	261	-12.1%
Total Expenditure	1,691	1,620	1,675	1,743	1,660	-2%	-5%	4,826	5,078	5.2%
EBITDA	112	107	141	130	126	13%	-3%	339	397	17.2%
Depreciation	40	36	55	54	63	58%	17%	120	171	43.1%
EBIT	72	71	86	76	64	-12%	-17%	219	226	3.1%
Intreset	7	7	12	12	16	144%	38%	23	39	71.2%
Exceptional Item	-	-	-	-	27	NA	NA	-	27	NA
PBT	81	75	80	76	54	-33%	-28%	222	210	-5.2%
Tax	31	(5)	18	11	31	3%	188%	59	60	1.4%
PAT	51	80	63	67	49	-3%	-27%	168	179	6.7%

Concall Highlights

- Management is not very clear about the impact of the Coronavirus on the business as the some of the business has started and some of the business started and close. But there is impact across the global. Company's offices in China are partiality opened up. Production in the South China has started and shipment is expected to starts shortly.
- Till date ALLCARGO has acquired 20.83% stake in Gati through promoter's stake, Preference share subscription and from open market purchase. Open offer approval is pending from SEBI. Post the open offer company's holding will be 45%.
- During the quarter company has sign deal with Blackstone to transfer warehousing business for the Rs 380 Cr for the 90% stake sold. Total investment in warehouse business till date is Rs 650 Cr. Once the deal is completed and the stake is transferred to Blackstone, around Rs 500-600 Cr of debt will be offloaded from consolidated books.
- Currently company has financed the cost through debt of Rs 200 Cr at SPV level and Rs 400 Cr from ALLCARGO standalone books.
- ALLCARGO will be carried out the AMC and Facility management activity on the warehouse facilities.
- Margin will be range bound at this level going ahead.
- Expect to spend Rs 200-300 Cr for the construction of warehouses in FY21.
- 7-8 boxes are completed and started recording rental income from warehouse.
- Market share in MTO business is 11% and 10% in the CFS business.
- PE business will be EBIT positive in the next year.
- 30% identified cranes are sold out and remaining will be sold out in next 5-6 months' time period.
- Depreciation has gone up due to 1)Capitalization of completed warehouse 2) Ind AS 116 3)accelerate amortization of the additional software purchase at ECU level 4) higher depreciation the some of the cranes based on the reaming estimated life.

Revenue Mix

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
MTO	1,455	1,541	1,623	1,539	1,599	1,697	1,616	0%	-5%
CFS	110	119	118	112	119	119	111	-6%	-7%
P&E	72	94	80	92	117	76	70	-13%	-8%
TOTAL	1,625	1,737	1,804	1,727	1,815	1,873	1,787	-1%	-5%

MTO Business Performance

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	174	174	168	168	184	184	185	10%	1%
Real./TEU (ln '000)	84	88	97	92	87	92	87	-10%	-5%
EBIT %	3.98%	4.37%	3.65%	3.71%	3.78%	4.14%	3.56%	-3%	-14%

CFS Business Performance

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Cargo Vol. (TEU '000)	82	89	82	81	85	89	76	-8%	-15%
Real./TEU (ln '000)	13	13	14	14	14	13	15	2%	10%
EBIT %	28.05%	32.94%	29.75%	27.53%	30.82%	25.10%	24.94%	-16%	-1%

Project & Engineering Business Performance

Fig in Rs Cr

	1QFY19	2QFY19	3QFY19	4QFY19	1QFY20	2QFY20	3QFY20	YoY (+/-)	QoQ (+/-)
Revenue	110	119	118	112	119	119	111	-6%	-7%
EBIT %	-8.11%	-1.01%	3.81%	9.37%	7.16%	-7.16%	-12.27%	-422%	71%

Exhibit: 3QFY20 Revenue Contribution

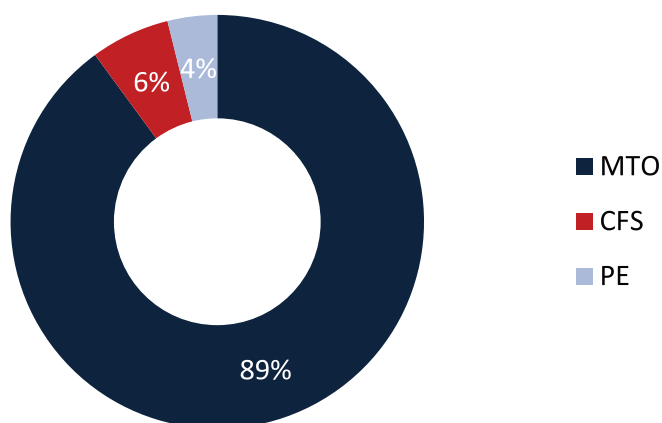


Exhibit: Healthy Debt to Equity

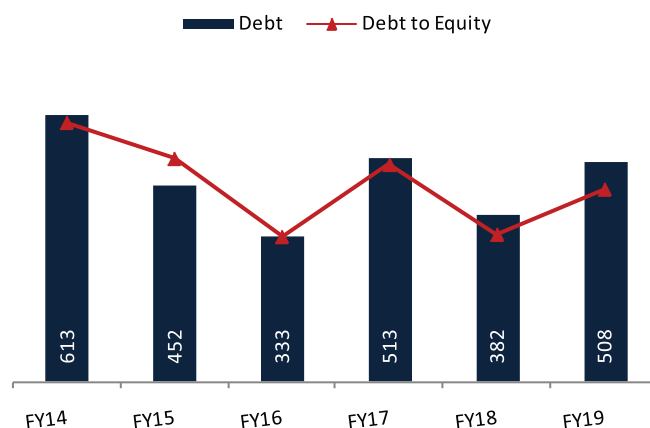


Exhibit: MTO Volume and Volume Growth

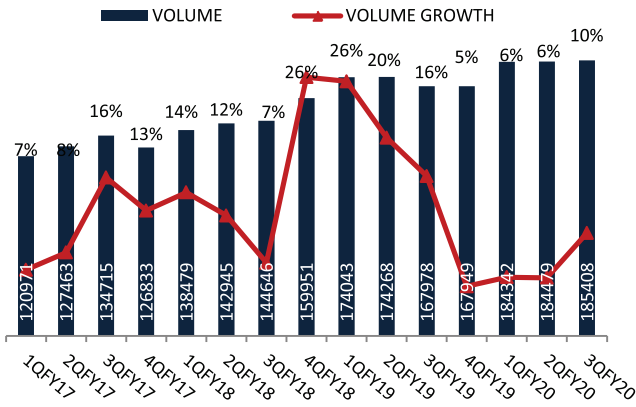


Exhibit: MTO Realization Trend

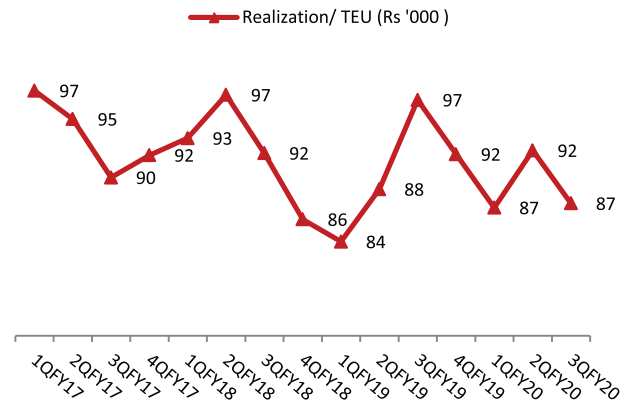


Exhibit: CFS Volume and Volume Growth

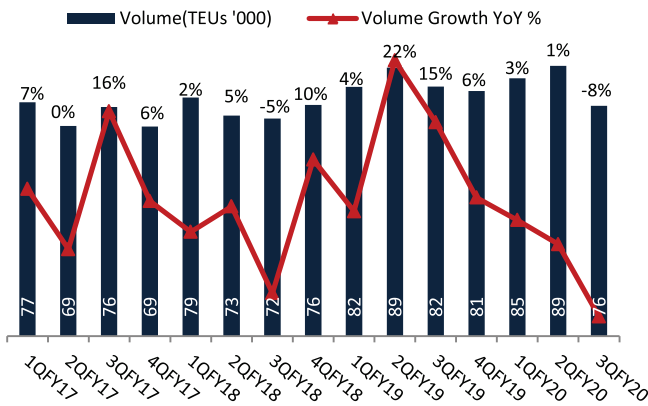


Exhibit: CFS Realization Trend

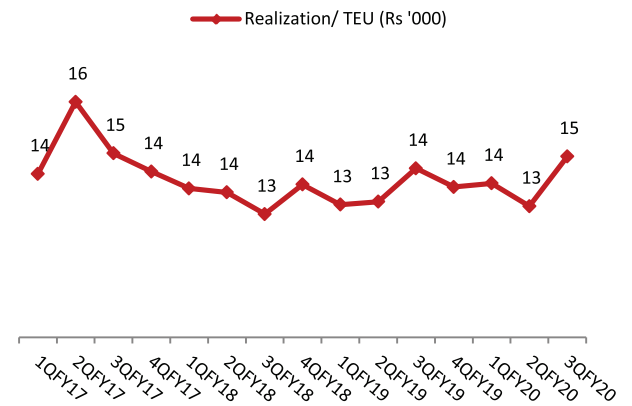


Exhibit: MTO EBIT/TEU

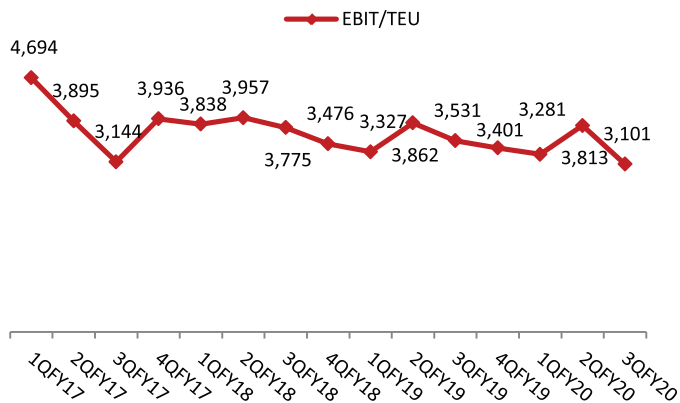
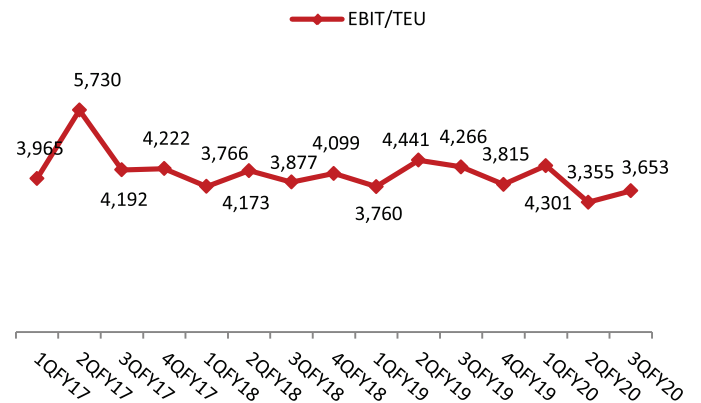


Exhibit: CFS EBIT/TEU



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	7,143	7,549
Change (%)	24%	16%	0%	-1%	8%	14%	4%	6%
EBITDA	391	475	504	465	375	449	531	633
Change (%)	10%	21%	6%	-8%	-19%	20%	18%	19%
Margin (%)	8%	8%	9%	8%	6%	7%	7%	8%
Depr & Amor.	175	157	201	166	159	156	232	266
EBIT	216	318	303	299	216	293	299	367
Int. & other fin. Cost	56	53	41	32	30	30	52	62
Other Income	37	53	28	45	41	34	34	34
EBT	196	317	290	312	227	297	281	339
Exp Item	-	-	-	-	(7)	-	-	-
Tax	42	70	50	78	51	54	72	58
Minority Int & P/L share of Ass.	(5)	(9)	-	-	-	-	-	-
Reported PAT	149	240	248	238	174	248	211	280
Adjusted PAT	149	240	248	238	179	248	211	280
Change (%)	-12%	61%	3%	-4%	-25%	38%	-15%	33%
Margin(%)	3%	4%	4%	4%	3%	4%	3%	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	2,130	2,370
Networth	1,793	1,536	1,736	1,792	1,964	1,999	2,179	2,419
Debt	613	452	333	513	382	508	963	1,174
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	3,142	3,593
Net Fixed Assets (incl CWIP)	1,385	1,386	1,354	1,308	1,237	1,432	1,620	1,724
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	2,433	2,537
Inventory	11	12	11	10	10	9	9	10
Debtors	572	664	677	752	839	942	976	1,032
Cash & Bank	165	155	181	169	234	190	180	250
Other Curr Assets	325	225	280	311	338	541	750	1,024
Curr Assets	1,061	1,044	1,138	1,233	1,411	1,673	1,907	2,305
Creditors	467	514	564	617	685	747	774	818
Provisions	28	18	12	-	11	-	-	-
Other Curr Liab	512	348	395	302	337	605	363	371
Curr Liabilities	1,007	880	972	919	1,033	1,351	1,137	1,189
Net Curr Assets	55	164	166	314	378	322	769	1,117
Total Assets	3,630	2,921	3,071	3,254	3,409	3,918	4,339	4,842

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	283	338
(inc)/Dec in Working Capital	(41)	11	13	(48)	(48)	(69)	(260)	(24)
Non Cash Op Exp	175	157	201	166	30	156	232	266
Int Paid (+)	56	53	41	32	30	30	52	62
Tax Paid	37	48	86	70	60	62	72	58
others	(38)	(62)	(33)	(47)	(23)	(17)	-	-
CF from Op. Activities	311	430	440	359	308	324	235	585
(inc)/Dec in FA & CWIP	(156)	(47)	(140)	(139)	40	(364)	(420)	(370)
Free Cashflow	155	383	300	220	348	(39)	(185)	215
(Pur)/Sale of Inv	-	-	(52)	(12)	(17)	93	(208)	(213)
others	(283)	45	(16)	(131)	(1)	(30)	-	-
CF from Inv. Activities	(439)	(3)	(202)	(267)	(48)	(289)	(628)	(583)
inc/(dec) in NW	-	-	-	-	-	-	-	-
inc/(dec) in Debt	196	(322)	(80)	100	(147)	116	455	212
Int. Paid	59	55	43	32	22	24	52	62
Div Paid (inc tax)	22	31	64	-	55	163	30	40
others	20	13	(12)	(152)	2	(4)	-	-
CF from Fin. Activities	135	(396)	(200)	(84)	(222)	(75)	373	109
Inc(Dec) in Cash	7	32	38	7	38	(39)	(20)	110
Add: Opening Balance	131	160	128	177	167	234	241	220
Closing Balance	160	166	177	167	234	190	220	330

Key Ratio

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
ROE	8%	16%	14%	13%	9%	12%	10%	12%
ROCE	9%	17%	15%	14%	10%	12%	10%	11%
Asset Turnover	1.34	1.93	1.84	1.72	1.77	1.76	1.65	1.56
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	6	6
P/E	13	17	16	17	21	10	13	10
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)	(8)	9
Div Yield	1.0%	0.6%	1.0%	1.2%	1.4%	0.0%	0.9%	1.2%

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