

FIRST LIGHT

21 September 2020

RESEARCH

Allcargo Logistics | Target: Rs 130 | +9% | ADD

Multiple one-offs, Gati consolidation boosts performance

SUMMARY

Allcargo Logistics

Amid a tumultuous demand climate, Allcargo Logistics (AGLL) reported strong 14% YoY revenue growth in Q1FY21 led by consolidation of the newly acquired Gati (5.4% ex-Gati) and healthy topline growth in the MTO (+9%) and CFS (+8%) segments. Despite Gati's losses, EBIT fell by only 32% YoY (+21% ex-Gati), aided by one-offs. AGLL has received board approval for voluntary delisting and expects to complete the shareholder approval process by Oct'20. We raise FY21/ FY22 EPS by 12%/13% and roll over to a Sep'21 TP of Rs 130 (vs. Rs 100). ADD.

[Click here for the full report.](#)

TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	4,000
Cipla	Buy	850
GAIL	Buy	155
Petronet LNG	Buy	310
Tech Mahindra	Buy	910

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	3,600
Chola Investment	Buy	280
Laurus Labs	Buy	1,200
Transport Corp	Buy	270
Mahanagar Gas	Sell	750

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.69	(1bps)	0bps	(110bps)
India 10Y yield (%)	6.03	4bps	8bps	(61bps)
USD/INR	73.66	(0.2)	1.6	(3.3)
Brent Crude (US\$/bbl)	43.30	2.6	(4.6)	(32.8)
Dow	27,902	(0.5)	0.2	3.0
Shanghai	3,270	(0.4)	(4.9)	9.0
Sensex	38,980	(0.8)	2.4	8.0
India FII (US\$ mn)	16 Sep	MTD	CYTD	FYTD
FII-D	28.9	347.2	(14,742.8)	(4,983.3)
FII-E	67.2	580.8	5,388.2	11,991.2

Source: Bank of Baroda Economics Research

BOBCAPS Research

research@bobcaps.in



ADD

TP: Rs 130 | ▲ 9%

ALLCARGO LOGISTICS

Logistics

18 September 2020

Multiple one-offs, Gati consolidation boosts performance

Amid a tumultuous demand climate, Allcargo Logistics (AGLL) reported strong 14% YoY revenue growth in Q1FY21 led by consolidation of the newly acquired Gati (5.4% ex-Gati) and healthy topline growth in the MTO (+9%) and CFS (+8%) segments. Despite Gati's losses, EBIT fell by only 32% YoY (+21% ex-Gati), aided by one-offs. AGLL has received board approval for voluntary delisting and expects to complete the shareholder approval process by Oct'20. We raise FY21/FY22 EPS by 12%/13% and roll over to a Sep'21 TP of Rs 130 (vs. Rs 100). **ADD**.

Sayan Das Sharma

research@bobcaps.in

One-offs boost performance: Though MTO volumes fell 12% YoY, revenue rose 9% as higher global shipping rates amidst an acute supply crunch lifted realisation by 24%. Similarly, CFS realisation (+84% YoY) surged, stemming from higher ground rent as container dwell time increased due to evacuation challenges – this negated the impact of lower volumes (-42% YoY) on revenue (+8% YoY) and drove higher CFS EBIT (+39% YoY). MTO EBIT (+30% YoY) was aided by a ~Rs 130mn government grant. Freight rates and container dwell times are likely to normalise through Q2 as supply challenges are resolved.

Consolidation of Gati: Conclusion of the open offer in April endowed AGLL with a majority stake (46.9%) and management control of Gati, enabling it to consolidate the entity from Q1FY21. Gati posted a 64% YoY decline in revenue and an EBIT loss of Rs 458mn given lockdown woes. Per management, demand is on the mend and utilisation has picked up to ~75% in July-August.

Retain ADD: We raise our FY21/FY22 EPS estimates by 12%/13%, factoring in a robust Q1 performance, and roll to a Sep'21 TP of Rs 130 (vs. Rs 100) set at an unchanged 9x P/E multiple for the core business. We have not included Gati in our projections as the consolidated balance sheet is not yet available. We continue to value the Gati investment at market value. Retain ADD.

Ticker/Price	AGLL IN/Rs 120
Market cap	US\$ 399.9mn
Shares o/s	246mn
3M ADV	US\$ 0.7mn
52wk high/low	Rs 140/Rs 49
Promoter/FPI/DII	70%/13%/4%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY19A	FY20A	FY21E	FY22E	FY23E
Total revenue (Rs mn)	68,949	73,462	74,362	84,667	97,330
EBITDA (Rs mn)	4,485	5,035	5,283	6,636	7,805
Adj. net profit (Rs mn)	2,478	2,010	1,924	2,691	3,479
Adj. EPS (Rs)	10.1	7.3	7.8	11.0	14.2
Adj. EPS growth (%)	42.5	(27.5)	7.1	39.8	29.3
Adj. ROAE (%)	12.5	8.7	8.7	11.5	13.8
Adj. P/E (x)	11.8	16.3	15.3	10.9	8.4
EV/EBITDA (x)	7.0	6.3	7.2	6.4	5.4

Source: Company, BOBCAPS Research



Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

Rating distribution

As of 31 August 2020, out of 100 rated stocks in the BOB Capital Markets Limited (BOBCAPS) coverage universe, 48 have BUY ratings, 21 have ADD ratings, 11 are rated REDUCE and 20 are rated SELL. None of these companies have been investment banking clients in the last 12 months.

Analyst certification

Each of the analysts mentioned in this research report certify, with respect to the sections of the report for which they are responsible, that (1) all of the views expressed in this report accurately reflect his/her personal views about the subject company or companies and its or their securities, and (2) no part of his/her compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) in this report. Analysts are not registered as research analysts by FINRA and are not associated persons of BOBCAPS.

Important disclosures

This product is a compilation of previously published research notes. To view the complete report along with the associated Analyst certifications and Company-specific disclosures, please click on the hyperlink accompanying each excerpt.

General disclaimers

BOBCAPS is engaged in the business of Institutional Stock Broking and Investment Banking. BOBCAPS is a member of the National Stock Exchange of India Limited and BSE Limited and is also a SEBI-registered Category I Merchant Banker. BOBCAPS is a wholly owned subsidiary of Bank of Baroda which has its various subsidiaries engaged in the businesses of stock broking, lending, asset management, life insurance, health insurance and wealth management, among others.

BOBCAPS's activities have neither been suspended nor has it defaulted with any stock exchange authority with whom it has been registered in the last five years. BOBCAPS has not been debarred from doing business by any stock exchange or SEBI or any other authority. No disciplinary action has been taken by any regulatory authority against BOBCAPS affecting its equity research analysis activities.

BOBCAPS has obtained registration as a Research Entity under SEBI (Research Analysts) Regulations, 2014, having registration No.: INH000000040 valid till 03 February 2020. BOBCAPS is also a SEBI-registered intermediary for the broking business having SEBI Single Registration Certificate No.: INZ000159332 dated 20 November 2017.

BOBCAPS prohibits its analysts, persons reporting to analysts, and members of their households from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover. Additionally, BOBCAPS prohibits its analysts and persons reporting to analysts from serving as an officer, director, or advisory board member of any companies that the analysts cover.

Our salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients that reflect opinions contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest. Additionally, other important information regarding our relationships with the company or companies that are the subject of this material is provided herein.

This material should not be construed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. We are not soliciting any action based on this material. It is for the general information of BOBCAPS's clients. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Before acting on any advice or recommendation in this material, clients should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice.

The price and value of the investments referred to in this material and the income from them may go down as well as up, and investors may realize losses on any investments. Past performance is not a guide for future performance, future returns are not guaranteed and a loss of original capital may occur. BOBCAPS does not provide tax advice to its clients, and all investors are strongly advised to consult with their tax advisers regarding any potential investment in certain transactions — including those involving futures, options, and other derivatives as well as non-investment-grade securities — that give rise to substantial risk and are not suitable for all investors. The material is based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied on as such. Opinions expressed are our current opinions as of the date appearing on this material only. We endeavour to update on a reasonable basis the information discussed in this material, but regulatory, compliance, or other reasons may prevent us from doing so.

We and our affiliates, officers, directors, and employees, including persons involved in the preparation or issuance of this material, may from time to time have “long” or “short” positions in, act as principal in, and buy or sell the securities or derivatives thereof of companies mentioned herein and may from time to time add to or dispose of any such securities (or investment). We and our affiliates may act as market makers or assume an underwriting commitment in the securities of companies discussed in this document (or in related investments), may sell them to or buy them from customers on a principal basis, and may also perform or seek to perform investment banking or advisory services for or relating to these companies and may also be represented in the supervisory board or any other committee of these companies.

For the purpose of calculating whether BOBCAPS and its affiliates hold, beneficially own, or control, including the right to vote for directors, one per cent or more of the equity shares of the subject company, the holdings of the issuer of the research report is also included.

BOBCAPS and its non-US affiliates may, to the extent permissible under applicable laws, have acted on or used this research to the extent that it relates to non-US issuers, prior to or immediately following its publication. Foreign currency denominated securities are subject to fluctuations in exchange rates that could have an adverse effect on the value or price of or income derived from the investment. In addition, investors in securities such as ADRs, the value of which are influenced by foreign currencies, effectively assume currency risk. In addition, options involve risks and are not suitable for all investors. Please ensure that you have read and understood the Risk disclosure document before entering into any derivative transactions.

In the US, this material is only for Qualified Institutional Buyers as defined under rule 144(a) of the Securities Act, 1933. No part of this document may be distributed in Canada or used by private customers in the United Kingdom.

No part of this material may be (1) copied, photocopied, or duplicated in any form by any means or (2) redistributed without BOBCAPS’s prior written consent.

Other disclosures

BOBCAPS does not have any financial interest in the subject company. BOBCAPS does not have actual/beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS is not engaged in any market making activities for the subject company.

BOBCAPS or its associates may have material conflict of interest at the time of publication of this research report.

BOBCAPS’s associates may have financial interest in the subject company. BOBCAPS’s associates may hold actual / beneficial ownership of one per cent or more securities in the subject company at the end of the month immediately preceding the date of publication of this report.

BOBCAPS or its associates may have managed or co-managed a public offering of securities for the subject company or may have been mandated by the subject company for any other assignment in the past 12 months.

BOBCAPS may have received compensation from the subject company in the past 12 months. BOBCAPS may from time to time solicit or perform investment banking services for the subject company. BOBCAPS or its associates may have received compensation from the subject company in the past 12 months for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory services in a merger or specific transaction. BOBCAPS or its associates may have received compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past 12 months.