

# 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
<a href="#">Bajaj Finance</a>	Buy	4,000
<a href="#">Cipla</a>	Buy	850
<a href="#">GAIL</a>	Buy	155
<a href="#">Petronet LNG</a>	Buy	310
<a href="#">Tech Mahindra</a>	Buy	910

### MID-CAP IDEAS

Company	Rating	Target
<a href="#">Alkem Labs</a>	Buy	3,600
<a href="#">Chola Investment</a>	Buy	280
<a href="#">Laurus Labs</a>	Buy	1,200
<a href="#">Transport Corp</a>	Buy	270
<a href="#">Mahanagar Gas</a>	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

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**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**.

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**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.

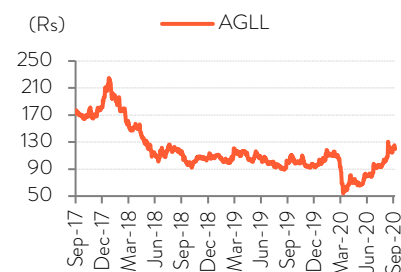
**Consolidation of Gati:** Conclusion of the open offer in April endowed AGLL with a majority stake (46.9%) and management control of Gati, enabling it to consolidate the entity from Q1FY21. Gati posted a 64% YoY decline in revenue and an EBIT loss of Rs 458mn given lockdown woes. Per management, demand 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



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### 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)

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