| Aegis Logistics Ltd. | |
|---|---|
| No. of shares (m) | 334.0 |
| Mkt cap (Rs crs/$m) | 4743/699.8 |
| Current price (Rs/$) | 142.0/2.1 |
| Price target (Rs/$) | 167/2.5 |
| 52 W H/L (Rs.) | 173.6/81.0 |
| Book Value (Rs/$) | 16.8/0.2 |
| Beta | 1.1 |
| Daily volume (avg. monthly) | 302770 |
| P/BV (FY17e/18e) | 8.2/6.7 |
| P/E (FY17e/18e) | 36.1/28.0 |
| EPS growth (FY16/17e/18e) | 43.4/15.8/28.8 |
| ROE (FY16/17e/18e) | 25.1/24.5/26.3 |
| OPM (FY16/17e/18e) | 8.4/7.2/7.7 |
| Net D/E ratio (FY16/17e/18e) | .2/.4/.1 |
| BSE Code | 500003 |
| NSE Code | AEGISCHEM |
| Bloomberg | AGIS IN |
| Reuters | AEGS.BO |

| Shareholding pattern | % |
|---|---|
| Promoters | 61.5 |
| MFs / Banks / FIs | 2.9 |
| Foreign | 12.2 |
| Govt. holding | - |
| Public & others | 23.4 |
| **Total** | **100.0** |

As on September 30, 2016

**Recommendation**

**ACCUMULATE**

Phone: + 91 (33) 4488 0011

**E- mail: research@cdequi.com**

## Quarterly Highlights

- In Q2FY17, the gas division recorded revenues of Rs. 639.41 crs ($94.3 m) and volumes of 470587 MT. The volumes comprise of 14683 MT of distribution (vs 12600 MT in Q2FY16), 252254 MT of logistics (vs 205600 MT) and 203650 MT of sourcing (vs 127700 MT). The half yearly (H1FY17) revenues for the gas and liquid division stood at Rs. 1342.23 crs ($198 m) and Rs. 74.75 crs ($11 m) respectively. The gas volumes stood at ~1 mn MT in H1FY17.
- Even with a 13.6% y-o-y growth in half yearly revenues (Rs. 1416.98 crs/$209.1 m vs Rs. 1247.42 crs/$184 m), the company registered a scant operating profit growth of 4.3% (Rs. 94.54 crs/$13.9 m vs Rs. 90.62 crs/$13.4 m) mainly on account of a simultaneous 15% increase in the cost of raw materials (Rs. 1245.36 crs/$183.7 m vs Rs. 1083.21 crs/$159.8 m).
- Aegis Logistics' sourcing business in Singapore, Aegis Group International, performed really well in terms of gas sourcing volumes in H1FY17-415020 tonnes vs 307207 tonnes in the same period last year- 35.1% growth y-o-y.
- For the years FY17 and FY18, we expect the revenues at Rs. 2969.48 crs ($438.1 m) and Rs. 3513.82 crs ($518.4 m) respectively, of which, we attribute Rs. 2791.28 crs ($411.8 m) and Rs.3293.08 crs ($485.9 m) to the gas segment and Rs.178.20 crs ($26.3 m) and Rs.220.74 crs ($32.6 m) to the liquid terminal division for the same period registering an overall growth of 34.2% for FY17 and 18.3% for FY18.
- Post Q1 of the current fiscal, the company has started consolidating 91.39% of the earnings of Sea Lord Containers compared to 75% till Q1FY17.
- The stock presently trades at 36.1x FY17e EPS of Rs. 3.93 and 28x FY18e EPS of Rs. 5.06. In light of company's rapid profit growth even in troubled market conditions, it is not unsafe to assume that the company would exploit its ongoing expansion programs to the maximum. Strong margins, robust return ratios and low debt equity ratios work in the favour of the company which is expected to maintain it going forward. However, given the present market conditions (read: demonetization) and likely delay in GST implementation, the company surpassing its peak sales of nearly Rs. 50 bn remains a distant possibility for atleast next few years. Weighing odds, we reaffirm our previous rating of 'accumulate' with a revised target of Rs. 167 (previous target Rs. 141) based on 33xFY18e EPS over a period of 6 to 9 months ( peg: 1.5)

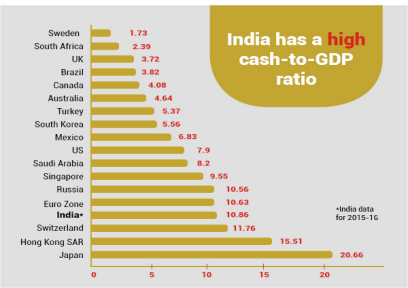
| Figures (Rs crs) | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| Income from operations | 5030.87 | 3916.00 | 2213.22 | 2969.48 | 3513.82 |
| Other Income | 12.91 | 42.25 | 8.44 | 6.47 | 7.01 |
| EBIDTA (other income included) | 120.57 | 185.69 | 193.77 | 221.41 | 276.81 |
| PAT (after MI and EO items) | 61.06 | 79.04 | 113.33 | 131.28 | 169.15 |
| EPS (Rs.) | 1.83 | 2.37 | 3.39 | 3.93 | 5.06 |
| EPS growth (%) | 81.7 | 29.5 | 43.4 | 15.8 | 28.8 |

## Outlook & Recommendation

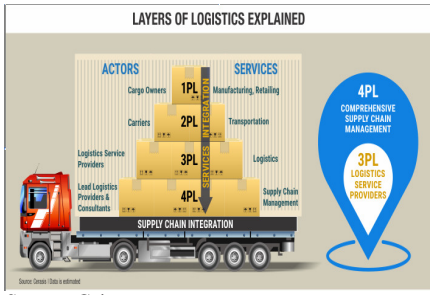
### Impact of Demonetization on Logistics Sector

The effect of demonetization has been felt on all the quarters of industry. The country's logistics sector is no different than others and is a vital cog in the wheel of Indian economy. Any effect on it will have direct impact on the rest of the economy.

In a bid to keep the supply chain uninterrupted immediately following the demonetization of Rs. 500 and Rs. 1000 currency notes, the Union Roads Ministry suspended payment of toll fees at toll plazas on all the National Highways till midnight 2nd December, 2016 by issuing a notice to all the concessionaires and other fee collection agencies. "Had the government not suspended the toll collection for the next two days, the prices of fruits and vegetables would have increased by 3-4 times the current rate due to the disruption in the flow of these commodities to the market," said Ramesh Agarwal, Chairman, Agarwal Packers and Movers, a logistics company. Infact, the toll plazas were accepting old Rs. 500 notes till 15th December, 2016 to facilitate unhindered movement of traffic and cargo throughout the nation.




Source: ET




Source: Cairn

The condition of the logistics sector is evident from the time taken by the new notes to reach the nook and corner of the country. It was a logistical nightmare to manage cash replacement in banks and ensure the smooth functioning of the banking system. Former Chairman of National Statistical Commission, Pronab Sen said it is the informal sector that accounts for roughly 40% of the economy which will be impacted the most, especially in rural India. The situation could have been better handled by giving a longer period of time to phase out high-value currency notes. "The impact in rural India will be much more due to the sheer logistical difficulty for banks to reach out to depositors. It will also impact urban poor who depend on daily wages," he added.

Logistics companies are facing up to 20% decline in volumes from their e-commerce business, as cash on delivery (COD) payments are almost eroded by following the government's demonetization move, said company executives and industry watchers. For any e-commerce market COD is considered as a necessary evil in the Indian market. About 70% of online shoppers in India, including those on Amazon's platform, opt for cash while buying a product. These e-commerce companies already have a digital payments system in place- it should lead to higher online payment and eventually eliminate the painful cash on delivery option. However, in the short term, Amazon is likely to witness a decline in GMV from India as the economy adjusts to the "new normal".

### Impact of GST on Logistics Sector

The Indian logistic industry is expected to grow steadily, led by e-commerce penetration, economy revival, proposed GST implementation and government initiatives like "Make in India", National Integrated Logistic Policy, 100% FDI in warehouses, food storage facilities, etc. Transportation alone holds 60% share of the logistic industry and rest 40% is contributed by warehousing, freight forwarding, value-added logistics, etc. Considering the aforementioned aspect, CARE ratings, a credit rating agency, projects that the Indian logistic industry will grow at CAGR of 15-20% during FY16~FY20. Despite these reasons of robust growth, the logistic sector in India remains entangled in several complexities which primarily includes higher logistic costs and complex tax structure. CARE reckons that the implementation of GST is expected to trim the logistic costs up to 20% from the current levels, however, the persisting high logistic costs could only be resolved by development of logistics infrastructure.

Given the multifaceted tax structure, the transport industry currently ends up spending almost 50-60% of its time and resources on tax conformity, together with trucks queuing up at expressway check points for tracking and assessment of inter-state sales tax. At present, state governments maintain a number of forms for recording the progress of goods in and out of their jurisdiction. Present processes also call for the transporters to carry the hard copies of the invoice and forms along with them.

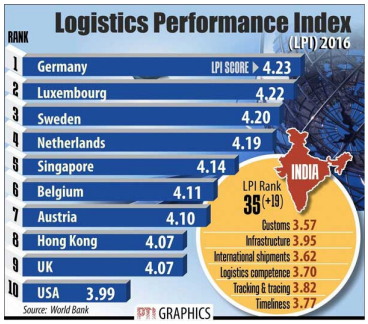
A truck in India covers an average annual distance of just 85,000 km vs 150,000 to 200,000 km in advanced countries. The GST would eradicate delays and lengthy queues that are often seen at check posts on state borders. There would also be simplification of the documentation process that is considered necessary for transporting goods across India. For India's economy to gallop, a leaner and more efficient logistics industry would be paramount and the GST could facilitate smoother and better transportation. It will replace the age-old weighty and inept transport system that was built around individual state taxation system. Logistics should ideally make core operations of firms more competent, but it finds itself caught in the intricacies of compliances and regulations. With a single GST, checking and tracking of sales tax at inter-state barriers would not be needed. According to a recent survey by TechStory, if the waiting time of trucks is reduced by 50%, it would add 8% additional trucks on the highway.

**INDIA'S LPI**

| | 2014 | 2016 |
|---|---|---|
| Overall LPI | 54 | 35 |
| The efficiency of customs and border management clearance | 65 | 38 |
| The quality of trade and transport infrastructure | 58 | 36 |
| The ease of arranging competitively priced shipments | 44 | 39 |
| The competence and quality of logistics services | 52 | 32 |
| The ability to track and trace consignments | 57 | 33 |
| The frequency with which shipments reach consignees within scheduled or expected delivery times | 51 | 42 |

Source: World Bank report

Source: World Bank




Source: World Bank


Source: North West Carrying Company

In the recently released bi-annual Logistics Performance Index (LPI) 2016 of World Bank Group, India ranked 35th among 160 countries. In the 2016 report, India has increased its LPI score to 3.42 compared to LPI score of 3.08 in 2014. India has improved its ranking by jumping 19 positions compared to 54th rank in 2014 LPI. Improvement in India's ranking demonstrates Union Government's commitment to make it easy to do business in India. The LPI analyses countries across six components. They are (i) quality of trade and transport infrastructure, (ii) competence and quality of logistics services, (iii) efficiency of customs and border management clearance, (iv) ease of arranging competitively priced shipments, (v) ability to track and trace consignments and (vi) frequency with which shipments reach consignees within scheduled or expected delivery times.

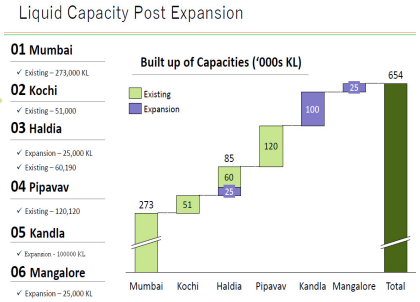
## Expansion Plans

Aegis has started the greenfield expansion at Haldia which will increase the throughput capacity to 1.5 mn MT (equivalent static capacity 25000 MT) at full utilization at a cost of Rs. 250 crs ($36.9 m). This storage terminal is expected to begin its operations in the first quarter of FY18. Internal accruals have been mainly utilized to finance this project. This Paradip-Durgapur gas pipeline passes through Haldia. Aegis has even signed 20 years of MOU with a large PSU as an anchor customer at the market throughput rates.

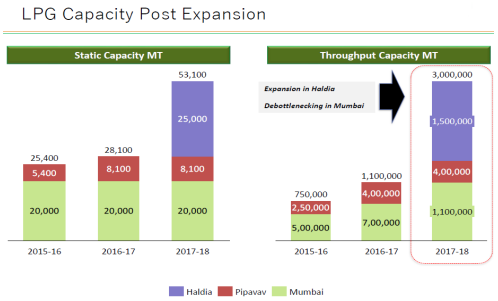
Together with this a brownfield liquid terminal expansion of 0.03 mn kL is being undertaken at the same port. The project will increase the capacity to .09 mn kL at a cost of Rs. 15 crs ($2.2 m). The expected completion period for this project is the last quarter of FY17. The means of financing this project is also internal accruals.

The debottlenecking of LPG terminals at Mumbai would include addition of intake pumps, internal pipelines and the connectivity of the Mumbai terminal with the Uran-Chakan pipeline grid. The static capacity will remain the same at .02 mn MT, whereas the throughput capacity will increase to 1.1 mn MT (incremental 0.4 mn MT). This project is expected to cost Rs. 15 crores ($2.2 m), which will be funded through internal accruals. The completion period for the project is expected to be in the first quarter of FY18.


Source: Aegis Logistics




Source: Aegis Logistics




Source: Aegis Logistics

The brownfield capacity expansion at Pipavav was completed in FY16. The project with a cost of almost Rs. 15 crore ($2.2 m) with the resultant static capacity and throughput capacity (at full utilization) being 2700 MT and 0.2 mn MT respectively.

3 acres of land which had been allotted at the Mangalore port is also seeing activity due to initiation of work for a greenfield liquid terminal with a capacity of .03 mn MT and is estimated to cost around Rs. 18 crs ($2.7 m). This, too, shall be funded through internal accruals and the company is already committed to various customers for chemicals and petrochemicals traffic. In order to expand its reach as well as its operations, Aegis is coming up with a new liquid terminal at the Kandla port with a capacity of 0.1 mn kL. This greenfield project is expected to cost around Rs. 75 crs ($11.1 m) and completed by the first quarter of the next fiscal.

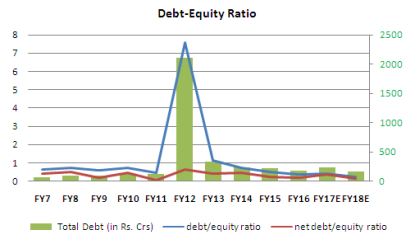
These expansions are undertaken keeping in mind the prime strategy of Aegis which is to build an unrivalled national port infrastructure and distribution network in the oil and gas sector in India. A necklace of terminals around the coastline of India will be underpinned by the well developed infrastructure to enable connectivity to the customers.

## Financials and Valuations

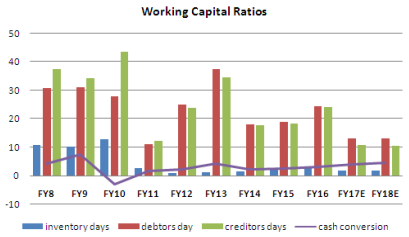
Lower overall capacity utilizations at the Pipavav terminal resulted in lower volumes for H1FY17 in the liquid terminal division i.e. de-growth of 17.3% in volumes and 27.8% in EBIT y-o-y, whereas the gas division saw an uptake in the volumes to the tune of 16% and a growth in profitability (EBIT) by 34.2% y-o-y. This lower capacity at Pipavav is mainly on account of discontinuation of contract which had large quantities of alcohol coming in from Brazil. The company is on the brink of a few negotiations for the capacity utilization of the same by exploring alternatives- chemicals, petroleum etc, because lower capacity utilization risks hurting profitability.

The company is facing trouble in convincing chemical companies to come to Pipavav and it believes that Pipavav faces a location disadvantage. It is further away by road for some consumption centers. This is the foremost reason that railway traffic and evacuation is so crucial because given the present scenario, the company does not expect heavy chemical traffic in Pipavav and is more focused on petroleum. It took the company one year to finally procure the explosive department's permission to handle petroleum though railways at Pipavav.

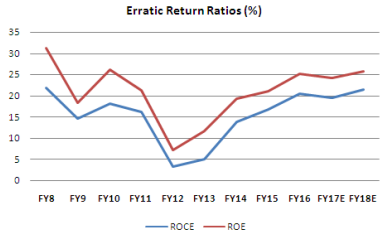
There was a humungous increase in trade receivables (214% in this fiscal) on account of presold shipments with BPCL, HPCL etc, which had been realized by the first week of October. Same has been the case with payables which saw an increase of 312%, but the same has been paid off using the receivables realizations. A network of 104 autogas stations across 7 states, a network of 89 commercial distributors spread across 42 cities in 7 states along with a vast network of road, rail and pipeline connectivity has integrated Aegis' supply chain management. An agreement has been reached with ESSAR to sell ESSAR branded petrol and diesel in its 60 existing auto gas stations and potentially all new sites.




Source: Aegis Logistics, CD Equisearch

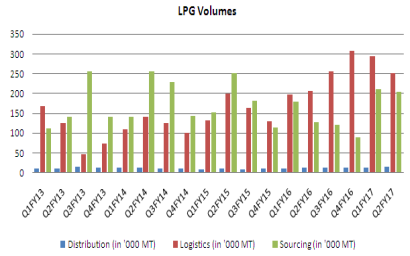



Source: Aegis Logistics, CD Equisearch

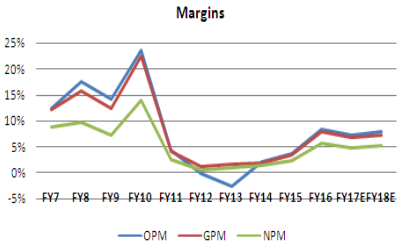



Source: Aegis Logistics, CD Equisearch

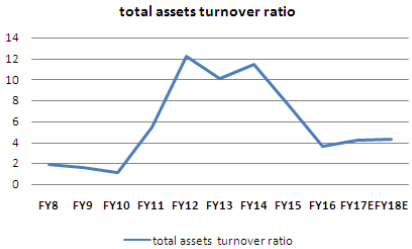
Keeping in line with the growth the gas division witnessed in the first half of the current fiscal, the company expects the LPG to boost profits in the second half as well. This expectation is backed by the seasonal effect prevailing in the second half of the year which experiences more demand because of winters and Diwali, and as on November, the demand is essentially on track. Going ahead, we expect the volumes of distribution and logistics component to show a growth of 10% and 32.5% respectively this year leading to an overall growth of 36.7% in the gas terminal division (growth in H1FY17- 17.7% for distribution and 35.1% for logistics). On the other hand, capacity utilization is expected to remain the same on FY17 for the liquid division; however the capacity utilization may see a decline in FY18 due to all the new plants getting commissioned. Lower capacity utilizations at Pipavav may lead to a marginal drop in the return ratios this fiscal.




Source: Aegis Logistics, CD Equisearch




Source: Aegis Logistics, CD Equisearch




Source: Aegis Logistics, CD Equisearch

The stock presently trades at 36.1x FY17e EPS of Rs. 3.93 and 28x FY18e EPS of Rs. 5.06. In light of company's rapid profit growth even in troubled market conditions, it is not unsafe to assume that the company would exploit its ongoing expansion programs to the maximum. The permission to handle explosives at Pipavav port can pave way for higher profitability, and with negotiations underway, it could soon return to higher capacity utilizations. However, given the present market conditions (read: demonetization) and likely delay in GST implementation, the company surpassing its peak sales of nearly Rs. 50 bn remains a distant possibility for atleast next few years. Weighing odds, we reaffirm our previous rating of 'accumulate' with a revised target of Rs. 167 (previous target Rs. 141) based on 33xFY18e EPS over a period of 6to 9 months (peg: 1.5). For more information refer to our June report.

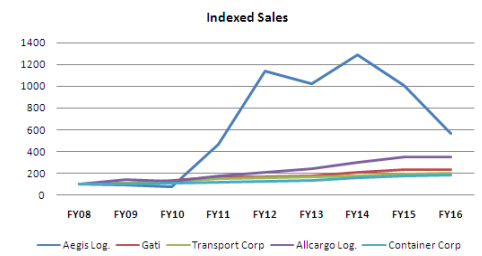
## Risks and Concerns

The major risk to the LPG industry arises from changes in government policy with regards to subsidized pricing of LPG vis-a-vis its substitute LNG. However, LPG has its advantages over LNG because of its portability (every house cannot be connected to an LNG grid). Moreover, natural gas production is falling in India and exporting LNG is very expensive. Though the capping on subsidized LPG cylinder and Direct Cash Transfer scheme may have a dampening effect on the industry but it will not be significant as LPG is an essential commodity for both industrial and household purpose. The other threat to the port based liquid terminalling business arises from changes to government policies on coastal regulations and inadequate port infrastructure (which Aegis is committed to improve).

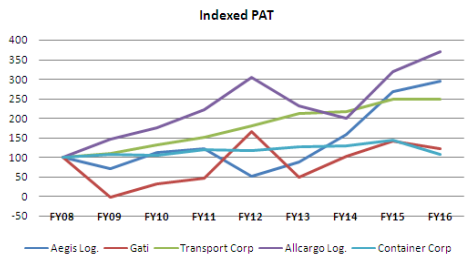
## Cross Sectional Analysis

| Company | Equity* | CMP | mcap | Sales* | Profit* | OPM (%) | NPM (%) | Int cov. | ROE (%) | Mcap/ sales | P/BV | P/E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Aegis Log. | 33 | 142 | 4743 | 2383 | 114.4 | 7.9 | 5.3 | 10.3 | 22.3 | 2.0 | 8.5 | 41.5 |
| Gati | 18 | 113 | 993 | 1697 | 38.5 | 7.8 | 3.0 | 2.7 | 32.3 | 0.6 | 7.5 | 25.8 |
| Transport Corp | 15 | 164 | 1253 | 2344 | 75.5 | 8.5 | 3.2 | 4.8 | 12.6 | 0.5 | 2.2 | 16.6 |
| Allcargo Corp | 50 | 171 | 4302 | 5576 | 276.9 | 9.1 | 5.1 | 10.8 | 19.9 | 0.8 | 2.7 | 15.5 |
| Container Corp | 195 | 1099 | 21434 | 5538 | 684.3 | 17.6 | 12.4 | 3903.6 | 8.3 | 3.9 | 2.5 | 31.3 |

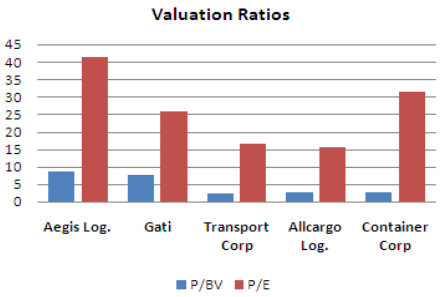
*figures in crores; calculations on ttm basis
*Cross Sectional data based on quarterly releases- Standalone or Consolidated, as the case maybe.




Source: Companies, CD Equisearch




Source: Companies, CD Equisearch

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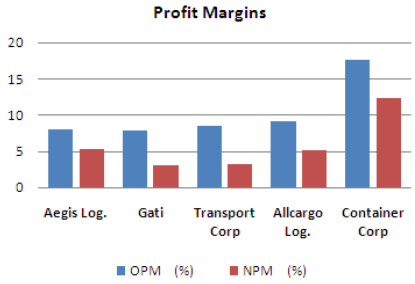


Source: Companies, CD Equisearch

*Figures annualized to account for changes in Financial Year.
*Indexed Sales and PAT graphs are all based on consolidated financial data.

Note: All $ values in the write-up are translated at current dollar exchange rate.

## Financials

### Quarterly Results- Consolidated

Figure in crores

| | Q2FY17 | Q2FY16 | % chg. | H1FY17 | H1FY16 | % chg. |
|---|---|---|---|---|---|---|
| **Income From Operations** | **676.53** | **496.04** | **36.4** | **1416.98** | **1247.42** | **13.6** |
| Other Income | 1.38 | 2.25 | -38.7 | 2.87 | 4.40 | -34.8 |
| **Total Income** | **677.91** | **498.29** | **36.0** | **1419.85** | **1251.82** | **13.4** |
| Total Expenditure | 629.13 | 449.80 | 39.9 | 1322.44 | 1156.80 | 14.3 |
| **EBITDA (other income included)** | **48.78** | **48.49** | **0.6** | **97.41** | **95.02** | **2.5** |
| Interest | 4.11 | 4.46 | -7.8 | 8.24 | 9.19 | -10.3 |
| Depreciation | 6.17 | 5.81 | 6.2 | 12.26 | 11.58 | 5.9 |
| **PBT** | **38.50** | **38.22** | **0.7** | **76.91** | **74.25** | **3.6** |
| Tax | 8.98 | 8.12 | 10.6 | 17.21 | 14.88 | 15.7 |
| **PAT** | **29.52** | **30.10** | **-1.9** | **59.70** | **59.37** | **0.6** |
| Minority Interest | 2.56 | 3.49 | -26.6 | 6.77 | 7.50 | -9.7 |
| **PAT after MI** | **26.96** | **26.61** | **1.3** | **52.93** | **51.87** | **2.0** |
| EO | - | - | - | - | - | - |
| Adjusted Net Profit | 26.96 | 26.61 | 1.3 | 52.93 | 51.87 | 2.0 |
| **EPS(Rs)** | **0.81** | **0.80** | **1.3** | **1.58** | **1.55** | **2.0** |

### Segment Results

Figure in crores

| | Q2FY17 | Q2FY16 | % chg. | H1FY17 | H1FY16 | % chg. |
|---|---|---|---|---|---|---|
| **Segment Revenue** | | | | | | |
| Liquid Terminal Division | 37.12 | 45.44 | -18.3 | 74.75 | 90.37 | -17.3 |
| Gas Terminal Division | 639.41 | 450.60 | 41.9 | 1342.23 | 1157.05 | 16.0 |
| **Segment Revenue** | **676.53** | **496.04** | **36.4** | **1416.98** | **1247.42** | **13.6** |
| **Segment EBIT** | | | | | | |
| Liquid Terminal Division | 17.09 | 25.48 | -32.9 | 34.57 | 47.87 | -27.8 |
| Gas Terminal Division | 32.02 | 23.91 | 33.9 | 64.38 | 47.98 | 34.2 |
| **Sub Total** | **49.11** | **49.39** | **-0.6** | **98.95** | **95.85** | **3.2** |
| Finance Cost | 4.11 | 4.46 | -7.8 | 8.24 | 9.19 | -10.3 |
| Other Unallocable Exp. (net) | 7.05 | 8.26 | -14.6 | 15.17 | 15.53 | -2.3 |
| Interest Income | 0.55 | 1.55 | -64.5 | 1.37 | 3.12 | -56.1 |
| **PBT** | **38.50** | **38.22** | **0.7** | **76.91** | **74.25** | **3.6** |

## Consolidated Income Statement

Figure in crores

| | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| **Income From Operations** | **5030.87** | **3916.00** | **2213.22** | **2969.48** | **3513.82** |
| Growth (%) | 26.4 | -22.2 | -43.5 | 34.2 | 18.3 |
| Other Income | 12.91 | 42.25 | 8.44 | 6.47 | 7.01 |
| **Total Income** | **5043.79** | **3958.25** | **2221.65** | **2975.95** | **3520.83** |
| Total Expenditure | 4923.22 | 3772.57 | 2027.88 | 2754.54 | 3244.02 |
| **EBITDA (other income included)** | **120.57** | **185.69** | **193.78** | **221.41** | **276.81** |
| Interest | 18.48 | 20.50 | 17.68 | 18.74 | 17.79 |
| Depreciation | 22.18 | 22.96 | 23.42 | 25.37 | 31.29 |
| **PBT** | **79.91** | **142.23** | **152.67** | **177.30** | **227.72** |
| Tax | 11.23 | 29.91 | 26.53 | 35.46 | 45.54 |
| **PAT** | **68.68** | **112.31** | **126.14** | **141.84** | **182.18** |
| Minority Interest | 7.62 | 8.90 | 12.81 | 10.56 | 13.03 |
| **PAT after MI** | **61.06** | **103.41** | **113.33** | **131.28** | **169.15** |
| EO | 0.00 | 24.37 | - | - | - |
| **Adjusted Net Profit** | **61.06** | **79.04** | **113.33** | **131.28** | **169.15** |
| EPS (Rs) | 1.83 | 2.37 | 3.39 | 3.93 | 5.06 |

## Segment Results

Figure in crores

| | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| **Segment Revenue** | | | | | |
| Liquid Terminal Division | 130.82 | 153.40 | 170.6 | 178.20 | 220.74 |
| Gas Terminal Division | 4900.06 | 3762.60 | 2042.62 | 2791.28 | 3293.08 |
| **Segment Revenue** | **5030.87** | **3916.00** | **2213.22** | **2969.48** | **3513.82** |
| | | | | | |
| **Segment EBIT** | | | | | |
| Liquid Terminal Division | 70.13 | 81.85 | 86.50 | 83.76 | 110.37 |
| Gas Terminal Division | 42.68 | 71.79 | 112.30 | 136.77 | 164.65 |
| **Sub Total** | **112.81** | **153.64** | **198.80** | **220.53** | **275.03** |
| Finance Cost | 18.48 | 20.50 | 17.68 | 18.74 | 17.79 |
| Other Unallocable Exp. (net) | 24.11 | -0.87 | 33.94 | 29.69 | 35.14 |
| Interest Income | 9.69 | 8.21 | 5.49 | 5.21 | 5.63 |
| **PBT** | **79.91** | **142.23** | **152.67** | **177.30** | **227.72** |

## Consolidated Balance Sheet

Figure in crores

| | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| **Sources of Funds** | | | | | |
| Share Capital | 33.40 | 33.40 | 33.40 | 33.40 | 33.40 |
| Reserves | 316.76 | 393.93 | 471.09 | 549.71 | 674.62 |
| **Total Shareholders' Funds** | **350.17** | **427.34** | **504.49** | **583.11** | **708.03** |
| | | | | | |
| Minority Interest | 12.61 | 26.44 | 39.25 | 49.81 | 62.84 |
| Long Term Debt | 109.18 | 131.52 | 109.11 | 130.00 | 91.40 |
| **Total Liabilities** | **471.96** | **585.29** | **652.86** | **762.92** | **862.27** |
| | | | | | |
| **Application of Funds** | | | | | |
| Gross Block | 613.99 | 667.73 | 708.84 | 796.38 | 1034.75 |
| Less: Accumulated Depreciation | 187.93 | 213.88 | 237.10 | 262.47 | 293.77 |
| **Net Block** | **426.06** | **453.86** | **471.74** | **533.91** | **740.99** |
| Capital Work in Progress | 35.44 | 33.93 | 73.37 | 223.37 | 10.00 |
| Investments | 11.27 | 21.28 | 0.36 | 0.25 | 0.28 |
| | | | | | |
| **Current Assets, Loans and Advances** | | | | | |
| Inventory | 24.88 | 20.37 | 11.53 | 15.43 | 18.17 |
| Trade receivables | 205.78 | 201.17 | 97.21 | 118.78 | 137.04 |
| Cash and Bank | 72.54 | 105.40 | 96.70 | 11.55 | 61.91 |
| Short term loans (inc. other current assets) | 31.68 | 33.93 | 41.91 | 45.07 | 48.63 |
| **Total CA** | **334.89** | **360.87** | **247.35** | **190.83** | **265.75** |
| | | | | | |
| Current Liabilities | 364.19 | 309.61 | 194.89 | 240.77 | 211.90 |
| Provisions-Short term | 14.11 | 4.54 | 6.58 | 7.38 | 9.22 |
| **Total Current Liabilities** | **378.30** | **314.15** | **201.47** | **248.15** | **221.12** |
| | | | | | |
| **Net Current Assets** | **-43.41** | **46.72** | **45.88** | **-57.32** | **44.63** |
| | | | | | |
| Net Deferred Tax Liability | -16.42 | -18.93 | -22.91 | -25.84 | -31.01 |
| Net long term assets ( net of liabilities) | 59.02 | 48.43 | 84.42 | 88.55 | 97.38 |
| **Total Assets** | **471.96** | **585.29** | **652.86** | **762.92** | **862.27** |

## Cash Flow Statement

Figure in crores

| | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| Net Income **(a)** | 68.68 | 112.31 | 126.14 | 141.84 | 182.18 |
| **Non cash exp. & others (b)** | **8.89** | **-15.09** | **20.04** | **23.08** | **30.82** |
| Depreciation | 22.18 | 22.96 | 23.42 | 25.37 | 31.29 |
| Loss/ (profit) on sale of investments | 0.00 | -31.09 | -0.61 | -0.02 | -0.01 |
| Interest Income | -9.69 | -8.21 | -5.49 | -5.21 | -5.63 |
| Dividend Income | -0.43 | -0.92 | -1.19 | - | - |
| Provision and Write off | -1.07 | -0.52 | -0.07 | - | - |
| Others | -2.10 | 2.68 | 3.98 | 2.93 | 5.16 |
| **(Increase) / decrease in NWC (c)** | **-8.66** | **5.24** | **-25.45** | **-32.32** | **-20.42** |
| Receivables and Other Assets | 72.90 | 10.24 | 67.94 | -40.12 | -31.53 |
| Inventories | -6.34 | 4.51 | 8.85 | -3.90 | -2.74 |
| Payables and Other Liabilities | -75.21 | -9.50 | -102.23 | 11.70 | 13.85 |
| **Operating cash flow (a+b+c)** | **68.91** | **102.46** | **120.73** | **132.60** | **192.57** |
| Change in Fixed Assets | -108.68 | -47.39 | -91.60 | -242.34 | -25.00 |
| Change in investments | 4.35 | -9.78 | 21.53 | 0.13 | -0.01 |
| Interest Income | 12.21 | 7.63 | 4.81 | 8.01 | 5.63 |
| Dividend Income | 0.43 | 0.92 | 1.19 | - | - |
| Decrease/ (Increase) in balances not considered cash | -17.25 | 27.68 | 0.16 | 14.89 | - |
| Investment in subsidiary | 0.00 | 35.79 | - | - | - |
| **Investing cash flow (d)** | **-108.93** | **14.85** | **-63.90** | **-219.31** | **-19.38** |
| Equity dividend paid | -18.33 | -33.90 | -35.61 | -40.21 | -44.23 |
| Change in LT borrowings | -12.17 | 30.64 | -13.53 | 18.12 | -33.60 |
| Change in ST borrowings | -78.72 | -53.51 | -16.23 | 38.54 | -45.00 |
| **Financing cash flow (e)** | **-109.22** | **-56.77** | **-65.36** | **16.46** | **-122.83** |
| **Net change (a+b+c+d+e)** | **-149.25** | **60.54** | **-8.53** | **-70.25** | **50.36** |

## Key Financial Ratios

| | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| **Growth Ratios (%)** | | | | | |
| Revenue | 26.4 | -22.2 | -43.5 | 34.2 | 18.3 |
| EBITDA | -8.6 | 28.4 | 25.2 | 14.3 | 25.0 |
| Net Profit | 81.7 | 29.5 | 43.4 | 15.8 | 28.8 |
| EPS | 81.7 | 29.5 | 43.4 | 15.8 | 28.8 |
| **Margins (%)** | | | | | |
| Operating Profit Margin | 2.1 | 3.7 | 8.4 | 7.2 | 7.7 |
| Gross profit Margin | 2.0 | 3.4 | 8.0 | 6.8 | 7.4 |
| Net Profit Margin | 1.4 | 2.2 | 5.7 | 4.8 | 5.2 |
| **Return (%)** | | | | | |
| ROCE | 13.8 | 16.7 | 20.4 | 19.7 | 21.7 |
| RONW | 19.3 | 21.1 | 25.1 | 24.5 | 26.3 |
| **Valuations** | | | | | |
| Market Cap/ Sales | 0.1 | 0.5 | 1.5 | 1.6 | 1.3 |
| EV/EBITDA | 6.1 | 13.7 | 17.2 | 21.8 | 17.5 |
| P/E | 9.3 | 25.7 | 28.7 | 36.1 | 28.0 |
| P/BV | 1.7 | 4.9 | 6.6 | 8.2 | 6.7 |
| **Other Ratios** | | | | | |
| Interest Coverage | 5.3 | 6.4 | 9.6 | 10.5 | 13.8 |
| Debt Equity | 0.7 | 0.5 | 0.4 | 0.4 | 0.2 |
| Net Debt-Equity Ratio | 0.5 | 0.2 | 0.2 | 0.4 | 0.1 |
| Current Ratio | 0.9 | 1.2 | 1.2 | 0.8 | 1.2 |
| **Turnover Ratios** | | | | | |
| Fixed Asset Turnover | 14.5 | 9.2 | 4.9 | 6.0 | 5.5 |
| Total Asset Turnover | 11.5 | 7.6 | 3.7 | 4.2 | 4.3 |
| Inventory Turnover | 226.8 | 166.7 | 127.2 | 204.4 | 193.1 |
| Debtors Turnover | 20.0 | 19.2 | 14.8 | 27.5 | 27.5 |
| Creditor Turnover | 20.6 | 19.7 | 15.1 | 33.2 | 34.8 |
| **WC Ratios** | | | | | |
| Inventory Days | 1.6 | 2.2 | 2.9 | 1.8 | 1.9 |
| Debtor Days | 18.3 | 19.0 | 24.6 | 13.3 | 13.3 |
| Creditor Days | 17.7 | 18.5 | 24.2 | 11.0 | 10.5 |
| Cash Conversion Cycle | 2.2 | 2.6 | 3.2 | 4.1 | 4.7 |
| **Cash flow Ratios (in Rs. crs)** | | | | | |
| CFO | 68.9 | 102.5 | 120.7 | 132.6 | 192.6 |
| FCFF | -11.2 | 115.6 | 49.7 | -86.7 | 187.4 |
| FCFE | -118.0 | 40.8 | 5.4 | -45.1 | 94.6 |

**Cumulative Financial Statements** Figures in crores

| | FY07-09 | FY10-12 | FY13-15 | FY16-18 |
|---|---|---|---|---|
| Liquid Terminal Division | 172 | 260 | 392 | 570 |
| Gas Terminal Division | 828 | 6320 | 12535 | 8127 |
| Income from operations** | 1016 | 6580 | 12929 | 8697 |
| Operating profit | 153 | 150 | 151 | 670 |
| EBIT | 132 | 219 | 343 | 612 |
| PBT | 110 | 157 | 244 | 558 |
| PAT after MI | 87 | 109 | 174 | 414 |
| Dividends | 26 | 35 | 61 | 121 |
| | | | | |
| OPM (%) | 15.1 | 2.3 | 1.2 | 7.7 |
| NPM (%) | 8.6 | 1.7 | 1.5 | 5.2 |
| ROE (%) | - | 16.8 | 16.7 | 24.6 |
| ROCE (%) | - | 3.8 | 5.8 | 20.7 |
| Interest Coverage | 5.9 | 3.5 | 3.5 | 11.3 |
| Debt Equity* | 0.6 | 7.5 | 0.5 | 0.2 |
| Fixed asset turnover | - | 10.1 | 13.0 | 4.9 |
| Debtors turnover | - | 8.0 | 11.9 | 17.1 |
| Inventory turnover | - | 238.2 | 263.2 | 138.8 |
| Creditors turnover | - | 8.2 | 12.5 | 18.5 |
| Debtor days | - | 45.7 | 30.7 | 21.3 |
| Inventory days | - | 1.5 | 1.4 | 2.6 |
| Creditor days | - | 44.6 | 29.3 | 19.8 |
| Cash conversion | - | 2.7 | 2.8 | 4.2 |
| Dividend payout ratio (%) | 30.1 | 32.4 | 30.6 | 29.1 |

FY07-09 implies three years ending fiscal 09; *as on terminal year
** includes other operating income

In FY11, LPG revenues were Rs. 1724.50 crs ($254.4 m) compared to Rs. 224.20 crs ($33.1 m) a year before. This steep increase in sales was due to the commencement of a subsidiary in Singapore, Aegis Gas International (AGI), which was then sourcing LPG for sale to the Indian oil companies as well as Aegis' own distribution. This allowed Aegis to benefit from economies of scale by lower shipping freight costs for gas. Also high growth in the domestic market for cooking gas supported the high growth in LPG revenues which grew to Rs. 4371 crs ($644.9 m) in FY12. Despite liquid terminalling division exhibiting a 17.3% growth, rapid decline in international LPG prices marred the growth trajectory of Aegis in FY15 when revenues fell by 22.2% to Rs. 3916 crs ($577.8 m). The same phenomenon occurred in FY16 when despite liquid division's 11.2% growth, revenues fell by 43.5% to Rs. 2213.22 crs ($326.5 m) buttressed by a 45.7% decline in the gas division. A temporary increase of almost Rs. 2000 crs ($295.1 m) in debt resulted in the debt ratio shooting upto 7.5 in FY12.

Raw material costs went down by a sizeable 48.5% last fiscal, thus increasing the operating margins to 8.4% compared to 3.7% a year before. The company is able to keep its working capital in check and is expected to do so going forward as well. Sharp decline in sales last fiscal pummeled the fixed ratio from 9.2 in FY15 to 4.9 in FY14. In the next couple of years, the dividend payout ratio may see a fall on account of the immense capital expenditure undertaken by the company. Full capacity utilization (with the exception of Pipavav plant) as well as a boost to sourcing volumes on account of reduction in prices, justify the increasing the profit margins and return ratios.

**Financial Summary – US dollar denominated**

| million $ | FY14 | FY15 | FY16 | FY17e | FY18e |
|---|---|---|---|---|---|
| Equity capital | 5.6 | 5.3 | 5.0 | 4.9 | 4.9 |
| Shareholders' funds | 56.0 | 66.1 | 74.0 | 85.8 | 104.3 |
| Total debt | 40.1 | 34.8 | 28.4 | 36.1 | 24.6 |
| Net fixed assets (incl. CWIP) | 74.5 | 75.7 | 80.1 | 111.5 | 110.6 |
| Investments | 1.9 | 3.4 | 0.1 | 0.0 | 0.0 |
| Net current assets | -7.2 | 7.5 | 6.9 | -8.5 | 6.6 |
| Total assets | 76.2 | 91.3 | 96.4 | 112.4 | 127.0 |
| | | | | | |
| Revenues | 831.6 | 640.4 | 338.1 | 438.1 | 518.4 |
| EBITDA | 19.9 | 25.3 | 29.6 | 32.7 | 40.8 |
| EBDT | 16.9 | 22.0 | 26.9 | 29.9 | 38.2 |
| PBT | 13.2 | 18.2 | 23.3 | 26.2 | 33.6 |
| PAT | 10.1 | 12.9 | 17.3 | 19.4 | 25.0 |
| EPS($) | 0.03 | 0.04 | 0.05 | 0.06 | 0.07 |
| Book value ($) | 0.17 | 0.20 | 0.22 | 0.26 | 0.31 |
| | | | | | |
| Operating cash flow | 11.5 | 16.4 | 18.2 | 19.6 | 28.4 |
| Investing cash flow | -18.1 | 2.4 | -9.6 | -32.4 | -2.9 |
| Financing cash flow | -18.2 | -9.1 | -9.9 | 2.4 | -18.1 |

*income statement figures translated at average rates; balance sheet at year end rates; projections at current rates
All dollar denominated figures are adjusted for extraordinary items.

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