

# Aegis Logistics

BSE SENSEX  
41,021

S&P CNX  
12,101

CMP: INR189

TP: INR247 (+31%)

Buy



## Stock Info

Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USD b)	64.1 / 0.9
52-Week Range (INR)	241 / 160
1, 6, 12 Rel. Per (%)	8/-20/-32
12M Avg Val (INR M)	28
Free float (%)	40.4

## Financials Snapshot (INR b)

Y/E March	2019	2020E	2021E
Sales	56.2	81.2	87.2
EBITDA	3.7	3.8	6.1
Adj. PAT	2.2	2.1	4.1
Adj. EPS (INR)	6.6	6.3	12.1
EPS Gr.%	11.9	-5.1	92.9
BV/Sh.INR	40.5	45.2	54.3
RoE (%)	17.3	14.7	24.4
RoCE (%)	16.4	14.0	21.7
Payout (%)	25.3	25.3	25.3

## Valuation

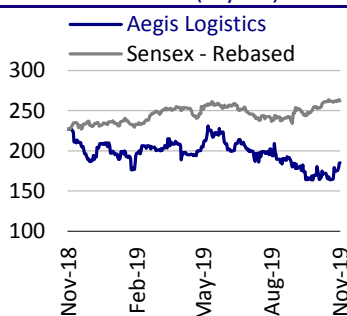
P/E (x)	27.9	29.4	15.3
P/BV (x)	4.6	4.1	3.4
EV/EBITDA (x)	16.9	16.4	9.6
Div. Yld (%)	0.8	0.7	1.4

## Shareholding pattern (%)

As On	Sep-19	Jun-19	Sep-18
Promoter	59.6	60.6	60.6
DII	2.5	2.4	2.6
FII	12.2	12.7	11.7
Others	25.7	24.4	25.1

FII Includes depository receipts

## Stock Performance (1-year)



## Gas logistics – Next leg of profitability

We met the management of Aegis Logistics (AGIS IN) to understand the company's growth plans. According to management, AGIS is expected to see gas throughput jump ~1.6-2.3mmtpa over the next two years (on base of 2.5mmtpa in FY19). We remain positive on the company's gas division and reiterate Buy.

### Key insights highlighted from the meeting:

#### Increasing reliance on LPG imports

- Over FY11-19, LPG consumption in India registered ~7% CAGR while LPG imports clocked ~14% CAGR over the same period.
- Despite ~34% (over FY11-19) increase in domestic refining capacity, percentage of imports surged to ~53% in FY19 from ~21% in FY10.
- LPG demand in India is expected to grow from ~23mmt in FY19 to ~40mmt in FY35 (a conservative estimate) supported by increased LPG penetration in the country and rise in average consumption per household.
- With Indian refiners moving towards increasing yields of higher value added products, LPG production is expected to lag the incremental demand. We estimate LPG imports to register ~6-7% CAGR over FY20-35.

#### Three ports of pragmatism

- MUMBAI** – The long awaited (HPCL's) **Uran-Chakan pipeline** is finally completed and is charged with gas. The company expects to push gas through its Mumbai terminal starting Jan'20, which should aid additional throughput of ~400-500,000mtpa (taking the total throughput to 1.2mmtpa).
- PIPAVAV** – The company is building a **Railway Gantry** (and two additional spheres of 1,900mt each), which is expected to commence operations from 2QFY21. AGIS is expecting an incremental throughput of ~300-400,000mtpa via the rail route. The Pipavav gantry project will be cost lucrative for the OMCs' bottling plants in North India.
- KANDLA** – A new LPG project at Kandla with static capacity of 45,000mt is expected to be completed by 4QFY21. The project is on the grid of **Jamnagar-Loni Pipeline (JLPL)** and the proposed KGPL pipeline. Throughput of ~700,000mtpa is expected in the first full year of operation (i.e. FY22), and another ~700,000mtpa will be the potential off-take by OMCs once the pipeline is commissioned.

#### A fruitful logistics segment

- AGIS has been a key beneficiary of the government's thrust on increasing LPG penetration in the country. In FY19, AGIS handled ~2.5mmt (19%) of the total ~13.2mmt LPG imports in India.
- Over FY19-21, AGIS is expected to post logistics volume CAGR of ~25% with logistics EBITDA CAGR of ~40%. The logistics enhancement is expected to help the company ramp up its market share to ~30-33% in the near to medium term.
- Logistics is expected to contribute ~64% to the gas division's total EBITDA in FY20-21, led by improving utilization at the Mumbai and Pipavav LPG terminals.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

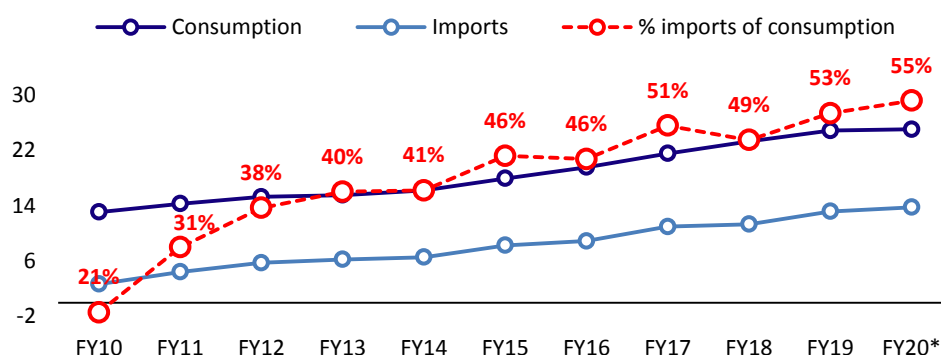
Motilal Oswal research is available on [www.motilaloswal.com/Institutional-Equities](http://www.motilaloswal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

**Valuation and recommendation**

- In the LPG terminal and distribution businesses, AGIS lacks competition from other private players in India.
- The company plans to fund its entire capex through internal accruals. We expect strong free cash flow generation of ~INR6.5b over FY20-21. Return ratios are likely to hover above 20% over the same period.
- The company expects tax rate of ~15-18% over the next 5 years as it enjoys tax incentive under the infrastructure holiday provision.
- AGIS trades at 15.3x FY21E EPS of INR12.1 and 9.6x FY21E EV/EBITDA. Over FY19-21, AGIS should post EBITDA at 28% CAGR and EPS at 35% CAGR. We value AGIS using the DCF methodology with WACC of 11.8% and terminal growth of 3.0%, to arrive at a fair value of INR247/share (~31% upside). Maintain **Buy**.

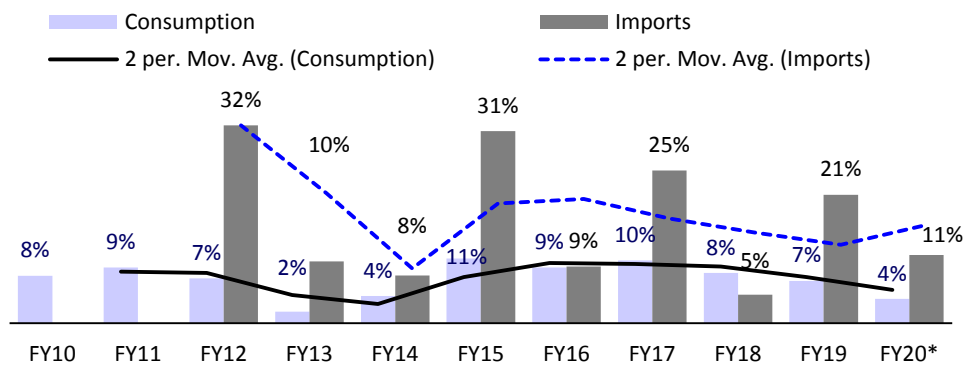
Domestic LPG consumption posted ~7% CAGR over FY11-19 while production growth was at 4%, leading to higher LPG import CAGR of ~14% over the same period

**Exhibit 1: Percentage import has more than doubled in a decade...**



Source: Bloomberg, MOFSL

**Exhibit 2: ...with imports at ~2x consumption growth**



Source: Bloomberg, MOFSL

**Opportunity excavation...**

- The company has announced a new 12,000KL liquid capacity at Haldia (with capex of INR100m), taking the total capacity to 156,000KL at Haldia.
- Expansion of liquid capacity (40,000KL) at Kandla port is likely to be commissioned in 2QFY20. The entire capacity is already tied up (pre-sold).
- With a necklace of terminals around India, AGIS plans to move up its Auto LPG business by expanding the number of LPG stations to 200 (from 114 currently) and LPG cylinder business to more than 20 states (from 9 currently).
- AGIS' sourcing partner ITOCHU (has ~20% stake in Haldia) facilitates better procurement for its customers in the global market.

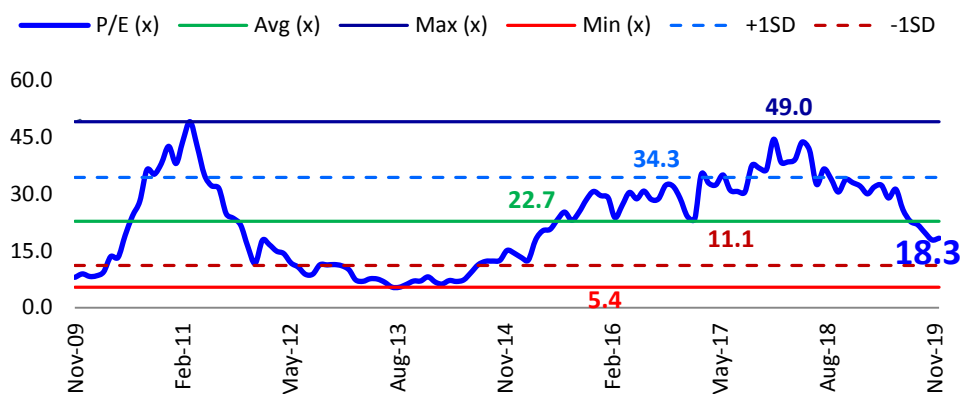
**...while competition remains at bay**

- SHV Energy and TOTAL are among the only private players planning to set up terminals for distribution of LPG in India.
- BPCL’s Haldia LPG terminal with capacity of 30,000mt is behind schedule with huge capex of INR12b (v/s AGIS’ Haldia LPG terminal with capacity of 25,000mt and with capex of INR2.5b).
- Only, Indian Oil Petronas Private Limited (IPPL), a JV between IOCL and Petronas (50% each), has a 1-1.2mmt throughput terminal at Haldia.

**3-year ESOP**

- The company has granted ~5.66m shares under ESOPs for FY20, taking a non-cash expense of INR1.5b during 2QFY20.
- This expense is taken as credit against Reserves and Surplus in the balance sheet, translating to no change in the net worth of the company.
- The same number of shares (5.66m) will be issued in FY21 and FY22 each, resulting in total shares issued under ESOP to touch ~17m.
- Assuming the current share price (INR175), the expense under ESOP will be ~INR3.0b, of which a major chunk will be expensed (in the P&L) in FY20 itself.
- The ESOPs are only for senior employees and promoters are not eligible for it.

**Exhibit 3: 1-year forward P/E – trades at ~20% discount to its long-term average of 22.7x**



Source: Bloomberg, MOFSL

**Exhibit 4: Key Assumptions**

<b>Y/EMarch</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20E</b>	<b>FY21E</b>
Exchange Rate(INR/USD)	60.6	61.4	65.5	67.1	64.5	70.0	71.3	73.8
Total Revenues	50,309	39,160	22,132	39,328	47,910	56,158	81,248	87,152
YoY (%)	26%	-22%	-43%	78%	22%	17%	45%	7%
Total EBITDA	1,439	1,820	2,236	2,468	3,058	4,130	5,486	6,114
YoY (%)	-8%	26%	23%	10%	24%	35%	33%	11%
EBITDA Margin (%)	3%	5%	10%	6%	6%	7%	7%	7%
<b>Segment-wise-EBITDA Breakup (%)</b>								
LPG	42%	47%	55%	63%	66%	75%	70%	73%
Liquids	58%	53%	45%	37%	34%	25%	30%	27%
<b>Business vertical-EBITDA Breakup (%)</b>								
Terminalling	80%	75%	72%	67%	75%	75%	75%	73%
LPG Sourcing	13%	14%	12%	18%	10%	8%	8%	9%
LPG Retailing & Distribution	7%	11%	16%	14%	15%	17%	18%	18%
<b>Liquid Division</b>								
Revenue	1,308	1,534	1,706	1,539	1,683	1,828	2,504	2,504
YoY (%)	22%	17%	11%	-10%	9%	9%	37%	0%
Normalised EBITDA	835	974	1,024	914	1,030	1,040	1,627	1,627
YoY (%)	36%	17%	5%	-11%	13%	1%	56%	0%
EBITDA Margin (%)	64%	63%	60%	59%	61%	57%	65%	65%
<b>Total throughput (KL)</b>				<b>4,20,096</b>	<b>4,19,652</b>	<b>5,85,546</b>	<b>6,50,921</b>	<b>6,50,921</b>
YoY (%)					0%	40%	11%	0%
<b>Gas Division</b>								
Revenue	49,001	37,626	20,426	37,789	46,227	54,330	78,745	84,649
YoY (%)	26%	-23%	-46%	85%	22%	18%	45%	7%
Normalised EBITDA	605	847	1,212	1,554	2,028	3,090	3,858	4,486
YoY (%)	-36%	40%	43%	28%	31%	52%	25%	16%
EBITDA Margin (%)	1%	2%	6%	4%	4.4%	5.7%	4.9%	5.3%
<b>Segmental EBITDA</b>								
LPG Sourcing	187	255	268	444	303	345	421	524
LPG Retailing & Distribution	101	200	358	346	467	686	960	1,104
LPG Logistics	317	391	586	764	1,002	1,450	2,477	2,858
<b>Throughput (in MT)</b>								
<b>Total throughput (MT)</b>					<b>17,42,467</b>	<b>26,60,000</b>	<b>34,40,000</b>	<b>39,70,000</b>
<b>Sales (in'000MT)</b>								
Sourcing	769	702	519	1,040	1,177	1,232	1,478	1,774
Distribution	49	42	50	59	78	114	137	158
Logistics	477	626	979	1,350	1,742	2,522	3,440	3,970
<b>Total</b>	<b>1,295</b>	<b>1,370</b>	<b>1,549</b>	<b>2,449</b>	<b>2,997</b>	<b>3,867</b>	<b>5,055</b>	<b>5,901</b>

Source: Company, MOFSL

## Financials and Valuations

Consolidated - Income Statement								(INR M)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>Total Income from Operations</b>	<b>50,309</b>	<b>39,160</b>	<b>22,132</b>	<b>39,328</b>	<b>47,910</b>	<b>56,158</b>	<b>81,248</b>	<b>87,152</b>
Change (%)	26.4	-22.2	-43.5	77.7	21.8	17.2	44.7	7.3
Purchases of Stock-in-Trade	48,038	36,352	18,739	35,669	43,545	50,380	74,349	78,437
Employees Cost	350	409	469	462	471	515	3,679	3,937
Other Expenses	844	964	1,071	1,128	1,234	1,555	-565	-1,335
<b>Total Expenditure</b>	<b>49,232</b>	<b>37,725</b>	<b>20,279</b>	<b>37,259</b>	<b>45,250</b>	<b>52,450</b>	<b>77,463</b>	<b>81,039</b>
% of Sales	97.9	96.3	91.6	94.7	94.4	93.4	95.3	93.0
<b>EBITDA</b>	<b>1,077</b>	<b>1,435</b>	<b>1,853</b>	<b>2,069</b>	<b>2,660</b>	<b>3,709</b>	<b>3,785</b>	<b>6,114</b>
Margin (%)	2.1	3.7	8.4	5.3	5.6	6.6	4.7	7.0
Depreciation	222	230	234	243	343	505	676	676
<b>EBIT</b>	<b>855</b>	<b>1,205</b>	<b>1,619</b>	<b>1,826</b>	<b>2,317</b>	<b>3,203</b>	<b>3,109</b>	<b>5,438</b>
Int. and Finance Charges	185	205	177	161	152	262	347	333
Other Income	129	114	85	52	84	82	142	152
<b>PBT bef. EO Exp.</b>	<b>799</b>	<b>1,114</b>	<b>1,527</b>	<b>1,717</b>	<b>2,248</b>	<b>3,023</b>	<b>2,904</b>	<b>5,257</b>
EO Items	0	309	0	0	0	0	0	0
<b>PBT after EO Exp.</b>	<b>799</b>	<b>1,422</b>	<b>1,527</b>	<b>1,717</b>	<b>2,248</b>	<b>3,023</b>	<b>2,904</b>	<b>5,257</b>
Total Tax	112	299	265	377	110	502	497	899
Tax Rate (%)	14.1	21.0	17.4	22.0	4.9	16.6	17.1	17.1
Minority Interest	76	89	128	137	160	307	307	307
<b>Reported PAT</b>	<b>611</b>	<b>1,034</b>	<b>1,133</b>	<b>1,203</b>	<b>1,978</b>	<b>2,214</b>	<b>2,100</b>	<b>4,051</b>
<b>Adjusted PAT</b>	<b>611</b>	<b>790</b>	<b>1,133</b>	<b>1,203</b>	<b>1,978</b>	<b>2,214</b>	<b>2,100</b>	<b>4,051</b>
Change (%)	81.7	29.5	43.4	6.1	64.5	11.9	-5.1	92.9
Margin (%)	1.2	2.0	5.1	3.1	4.1	3.9	2.6	4.6

Consolidated - Balance Sheet								(INR M)
Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	334	334	334	334	334	334	334	334
Total Reserves	3,168	3,940	4,711	8,038	11,739	13,195	14,763	17,788
<b>Net Worth</b>	<b>3,502</b>	<b>4,274</b>	<b>5,045</b>	<b>8,372</b>	<b>12,073</b>	<b>13,529</b>	<b>15,097</b>	<b>18,122</b>
Minority Interest	126	264	393	292	697	748	748	748
Total Loans	2,410	2,181	1,883	2,548	2,824	5,053	4,853	4,653
Deferred Tax Liabilities	164	189	229	879	705	834	835	835
<b>Capital Employed</b>	<b>6,202</b>	<b>6,908</b>	<b>7,550</b>	<b>12,092</b>	<b>16,299</b>	<b>20,164</b>	<b>21,532</b>	<b>24,358</b>
Gross Block	6,003	6,540	6,951	10,078	15,756	19,305	19,305	19,305
Less: Accum. Deprn.	1,879	2,139	2,371	2,614	2,957	3,463	4,138	4,814
<b>Net Fixed Assets</b>	<b>4,124</b>	<b>4,401</b>	<b>4,580</b>	<b>7,464</b>	<b>12,799</b>	<b>15,843</b>	<b>15,167</b>	<b>14,491</b>
Goodwill on Consolidation	137	137	137	19	25	22	22	22
Capital WIP	354	339	734	3,127	1,256	1,432	1,811	2,137
<b>Total Investments</b>	<b>113</b>	<b>213</b>	<b>4</b>	<b>2</b>	<b>0</b>	<b>104</b>	<b>104</b>	<b>104</b>
<b>Curr. Assets, Loans&amp;Adv.</b>	<b>4,134</b>	<b>4,276</b>	<b>3,537</b>	<b>9,743</b>	<b>8,059</b>	<b>9,688</b>	<b>14,394</b>	<b>18,121</b>
Inventory	249	204	115	218	260	338	445	466
Account Receivables	2,058	2,012	972	7,059	3,469	2,285	4,675	5,014
Cash and Bank Balance	726	1,054	967	623	1,620	4,129	4,678	7,711
Loans and Advances	1,102	1,007	1,482	1,844	2,710	2,936	4,596	4,930
<b>Curr. Liability &amp; Prov.</b>	<b>2,660</b>	<b>2,459</b>	<b>1,442</b>	<b>8,264</b>	<b>5,841</b>	<b>6,926</b>	<b>9,966</b>	<b>10,518</b>
Account Payables	2,096	1,979	894	6,778	3,788	4,853	6,485	6,785
Other Current Liabilities	366	379	402	1,374	1,918	1,927	3,252	3,488
Provisions	198	101	145	112	135	146	229	245
<b>Net Current Assets</b>	<b>1,474</b>	<b>1,817</b>	<b>2,095</b>	<b>1,480</b>	<b>2,218</b>	<b>2,762</b>	<b>4,428</b>	<b>7,603</b>
<b>Appl. of Funds</b>	<b>6,201</b>	<b>6,908</b>	<b>7,550</b>	<b>12,092</b>	<b>16,299</b>	<b>20,164</b>	<b>21,533</b>	<b>24,358</b>

E: MOFSL Estimates

## Financials and Valuations

### Ratios

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
<b>EPS</b>	<b>1.8</b>	<b>2.4</b>	<b>3.4</b>	<b>3.6</b>	<b>5.9</b>	<b>6.6</b>	<b>6.3</b>	<b>12.1</b>
Cash EPS	2.5	3.1	4.1	4.3	6.9	8.1	8.3	14.2
BV/Share	10.5	12.8	15.1	25.1	36.1	40.5	45.2	54.3
DPS	0.5	0.8	0.9	0.7	1.5	1.5	1.4	2.7
Payout (%)	33.6	24.5	31.9	22.4	28.3	25.3	25.3	25.3
<b>Valuation (x)</b>								
P/E		78.2	54.5	51.4	31.2	27.9	29.4	15.3
Cash P/E		60.6	45.2	42.7	26.6	22.7	22.3	13.1
P/BV		14.5	12.2	7.4	5.1	4.6	4.1	3.4
EV/Sales		1.6	2.8	1.6	1.3	1.1	0.8	0.7
EV/EBITDA		43.9	33.8	30.8	23.7	16.9	16.4	9.6
Dividend Yield (%)	0.3	0.4	0.5	0.4	0.8	0.8	0.7	1.4
FCF per share	2.6	2.2	1.4	-2.6	-3.0	4.3	5.4	14.2
<b>Return Ratios (%)</b>								
RoE	18.5	20.3	24.3	17.9	19.4	17.3	14.7	24.4
RoCE	13.7	16.8	21.0	16.4	17.7	16.4	14.0	21.7
RoIC	17.0	18.5	24.0	20.1	20.3	19.1	17.5	30.7
<b>Working Capital Ratios</b>								
Fixed Asset Turnover (x)	8.4	6.0	3.2	3.9	3.0	2.9	4.2	4.5
Asset Turnover (x)	8.1	5.7	2.9	3.3	2.9	2.8	3.8	3.6
Inventory (Days)	2	2	2	2	2	2	2	2
Debtor (Days)	15	19	16	66	26	15	21	21
Creditor (Days)	15	18	15	63	29	32	29	28
<b>Leverage Ratio (x)</b>								
Current Ratio	1.6	1.7	2.5	1.2	1.4	1.4	1.4	1.7
Interest Cover Ratio	4.6	5.9	9.2	11.3	15.2	12.2	9.0	16.3
Net Debt/Equity	0.4	0.2	0.2	0.2	0.1	0.1	0.0	-0.2

### Consolidated - Cash Flow Statement

Y/E March	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	799	1,422	1,527	1,717	2,248	3,023	2,904	5,257
Depreciation	222	230	234	243	343	505	676	676
Interest & Finance Charges	88	123	122	135	69	180	205	181
Direct Taxes Paid	-225	-110	-405	-287	-110	-502	-497	-899
(Inc)/Dec in WC	4	-118	-76	-250	258	1,966	-1,117	-142
<b>CF from Operations</b>	<b>888</b>	<b>1,547</b>	<b>1,402</b>	<b>1,558</b>	<b>2,808</b>	<b>5,172</b>	<b>2,172</b>	<b>5,073</b>
<b>CF from Operating incl EO</b>	<b>879</b>	<b>1,223</b>	<b>1,384</b>	<b>1,544</b>	<b>2,808</b>	<b>5,172</b>	<b>2,172</b>	<b>5,073</b>
(Inc)/Dec in FA	0	-474	-916	-2,401	-3,813	-3,723	-379	-326
<b>Free Cash Flow</b>	<b>879</b>	<b>750</b>	<b>468</b>	<b>-858</b>	<b>-1,005</b>	<b>1,450</b>	<b>1,792</b>	<b>4,747</b>
(Pur)/Sale of Investments	43	260	215	5	2	-104	0	0
Others	-960	85	60	42	2,597	450	142	152
<b>CF from Investments</b>	<b>-917</b>	<b>-128</b>	<b>-641</b>	<b>-2,354</b>	<b>-1,215</b>	<b>-3,377</b>	<b>-237</b>	<b>-174</b>
Inc/(Dec) in Debt	-909	-229	-298	982	276	2,228	-200	-200
Interest Paid	-190	-199	-177	-205	-152	-262	-347	-333
Dividend Paid	-183	-339	-356	-311	-560	-561	-532	-1,026
Others	0	0	0	0	-160	-691	-307	-307
<b>CF from Fin. Activity</b>	<b>-1,282</b>	<b>-767</b>	<b>-831</b>	<b>467</b>	<b>-596</b>	<b>715</b>	<b>-1,386</b>	<b>-1,866</b>
<b>Inc/Dec of Cash</b>	<b>-1,320</b>	<b>329</b>	<b>-87</b>	<b>-344</b>	<b>997</b>	<b>2,510</b>	<b>548</b>	<b>3,033</b>
Opening Balance	2,045	725	1,054	967	623	1,620	4,130	4,678
<b>Closing Balance</b>	<b>725</b>	<b>1,054</b>	<b>967</b>	<b>623</b>	<b>1,620</b>	<b>4,130</b>	<b>4,678</b>	<b>7,711</b>

E: MOFSL Estimates

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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