

Aegis Logistics

Estimate change	↔
TP change	↔
Rating change	↔

CMP: INR283
TP: INR330 (+16%)
Buy

Bloomberg	AGIS IN
Equity Shares (m)	334
M.Cap.(INRb)/(USD\$)	97.8 / 1.3
52-Week Range (INR)	291 / 108
1, 6, 12 Rel. Per (%)	17/28/23
12M Avg Val (INR M)	73

Financials & Valuations (INR b)

Y/E March	2021E	2022E	2023E
Sales	41.5	74.2	85.3
EBITDA	3.8	5.7	6.9
Adj. PAT	2.1	3.6	4.5
Adj. EPS (INR)	6.2	10.7	13.3
EPS Gr.%	107.7	72.3	25.1
BV/Sh.INR	53.6	60.5	69.2

Ratios

Net D:E	0.0	-0.2	-0.3
RoE (%)	12.0	18.7	20.6
RoCE (%)	13.1	18.7	20.1
Payout (%)	35.0	35.0	35.0

Valuation

P/E (x)	45.8	26.6	21.2
P/BV (x)	5.3	4.7	4.1
EV/EBITDA (x)	24.7	15.9	12.7
Div. Yld (%)	0.8	1.3	1.6
FCF Yld (%)	1.1	4.8	5.2

Shareholding pattern (%)

As On	Dec-20	Sep-20	Dec-19
Promoter	58.7	58.7	59.6
DII	2.5	2.5	2.4
FII	14.3	13.7	12.5
Others	24.6	25.1	25.6

FII Includes depository receipts

Volumes to return to normalcy in 4QFY21

- AGIS reported in line EBITDA (at INR1.2b), driven by resilient performance in the liquids division, and revival in gas sourcing and the logistics business.
- Commissioning of Railway gantry at Pipavav in Dec'20 combined with expected work on the port to make it compatible for VLGC (Very Large Gas Carriers) is expected to add incremental throughput (of ~0.5mmtpa) over the next 3- 4 quarters.
- All necessary debottlenecking of the Uran Chakkan pipeline have been completed in Dec'20. Mumbai LPG terminal has seen higher offtake in Jan'21, with volumes set to increase in coming months.
- Kandla LPG terminal and three liquids terminal expansions (at Mangalore, Haldia, and Kochi) would be completed as per schedule in 4QFY21.
- The management expects incremental gas logistics volumes of 1.8-2mmtpa over the next 2-3 years (with ramping up of throughput at Mumbai and Pipavav, and commissioning of Kandla). This enhancement is expected to help the company ramp up its domestic market share.
- We have built in gas logistics volumes of 4.3mmt in FY23E, a jump of ~1.2mmt over FY21E (which is flat YoY at 3mmt). Historically (FY16-20), the company has clocked logistics volumes growth of 0.4-0.5mmt per year.
- India's LPG consumption stood at 26.4mmt in FY20. Assuming ~7% consumption CAGR (as recorded over the last decade), LPG demand in India would cross over 30mmtpa by FY23E – an incremental demand of ~3.8mmt.
- Despite domestic refinery expansion (~4% by FY23) and new LPG terminals at Mundra (Adani) and Haldia (BPCL), we believe that AGIS would easily meet our forecasted volume growth of 1.3mmt by FY23E (if not exceed it).
- The management expects auto-gas volumes to touch pre-COVID levels in 4QFY21. The completion of work at Mumbai and Pipavav would lead to smooth operations in 4QFY21 – increasing gas logistics throughput QoQ.
- We remain positive on the company's gas division and reiterate **Buy**.

EBITDA in line with our estimate

- AGIS reported in line EBITDA at INR1,179m (+8% YoY).
- The company recognized ESOP expenses of INR140m during 3QFY21. Around INR0.41b of ESOP charges remains out of the total INR3.35b. This is expected to be charged in 4QFY21. Other expenditure includes a provision of INR30m for commission to managing directors in 3QFY21.
- Lower interest cost, along with higher other income, led to marginal beat on PAT. The latter rose 43% YoY to INR712m (7% beat v/s our estimate), with the tax rate at 26.4% in 3QFY21.
- For 9MFY21, reported EBITDA is up 57% YoY to INR2.9b. Adjusting for INR1.5b of ESOP expenses in 2QFY20, adjusted EBITDA is down 15% YoY. Reported PAT (adjusting for ESOP) is down 28% YoY to INR1.6b.

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

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Segmental analysis – robust performance continues

- **Normalized EBITDA for the gas division stood at INR1,080m (-11% YoY).**
 - LPG logistics volumes was down 19% YoY at 775.3tmt, but increased 7% QoQ (9MFY21: -4% YoY).
 - LPG distribution volumes stood at 35tmt (-13% YoY), up 6% QoQ as demand from auto-gas picked up with the lifting of COVID-related lockdown restrictions.
 - LPG sourcing volumes stood at 374.3tmt (-15% YoY, +162% QoQ) as LPG imports increased ~26% QoQ during 3QFY21.
- **Liquid division normalized EBITDA stood at INR390m (+8% YoY).** The good performance by the liquid division continues, led by better demand for storage.

Valuation and View

- The company has been a key beneficiary of the government's initiative to boost the penetration of LPG in the country. However, investors have been wary of capacity utilization amid increasing competition.
- We highlight the potential to increase LPG imports (by ~2.7x to 36.5mmtpa), despite the expected rise in domestic refining capacity (by ~1.5x to 367mmtpa) by FY31. The consumption of gas per connection by domestic consumers could boost demand incrementally by 6.7mmtpa ([click to read our report](#)).
- Even on a conservative basis, we expect logistics volumes to record 12% CAGR, with ~15% logistics EBITDA CAGR over FY20-23E.
- We expect strong free cash flow generation of ~INR10.5b over FY21-23E (FCF yield of ~11%), with return ratios improving above 20%.
- AGIS trades at 21.2x FY23E EPS of INR13.3 and 12.7x FY23E EV/EBITDA. We value AGIS using the DCF methodology to arrive at a fair value of INR330 per share. **Maintain Buy.**

Consol. quarterly earning model

(INR m)

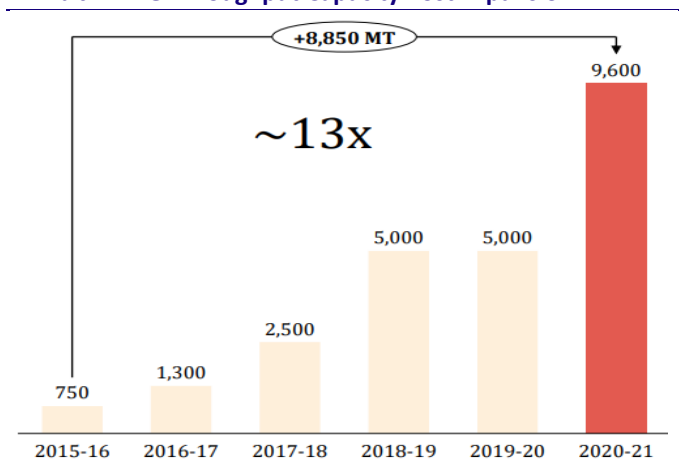
Y/E March	FY20				FY21				FY20	FY21E	3QFY21 E	Var. v/s esti. (%)
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE				
Net Sales	19,553	18,177	21,686	12,417	6,364	6,504	15,455	13,147	71,833	41,470	9,484	63%
YoY Change (%)	92.3	27.5	64.2	-33.0	-67.5	-64.2	-28.7	5.9	27.9	-42.3	-56.3	
EBITDA	1,020	-281	1,096	930	674	1,023	1,179	935	2,765	3,810	1,143	3%
Margin (%)	5.2	-1.5	5.1	7.5	10.6	15.7	7.6	7.1	3.8	9.2	12.0	
Depreciation	159	170	172	187	176	180	179	205	687	739	185	-3%
Interest	85	74	94	79	47	41	41	56	331	184	58	-29%
Other Income	62	26	46	195	50	66	104	154	328	373	87	19%
PBT before EO expense	839	-499	876	860	501	868	1,062	828	2,076	3,260	987	8%
PBT	839	-499	876	860	501	868	1,062	828	2,076	3,260	987	8%
Rate (%)	25.7	31.5	32.4	45.8	26.5	26.1	26.4	25.2	35.5	26.0	25.2	
MI & P/L of Asso. Cos.	54	72	93	125	70	72	71	131	344	344	72	-2%
Reported PAT	570	-414	499	341	298	570	712	489	996	2,068	667	7%
YoY Change (%)	10.3	-184.6	-15.6	-44.7	-47.6	-237.7	42.6	43.3	-55.0	107.7	33.6	

E: MOFSL estimates

Other concall highlights - commissioning on track (in 4QFY21)

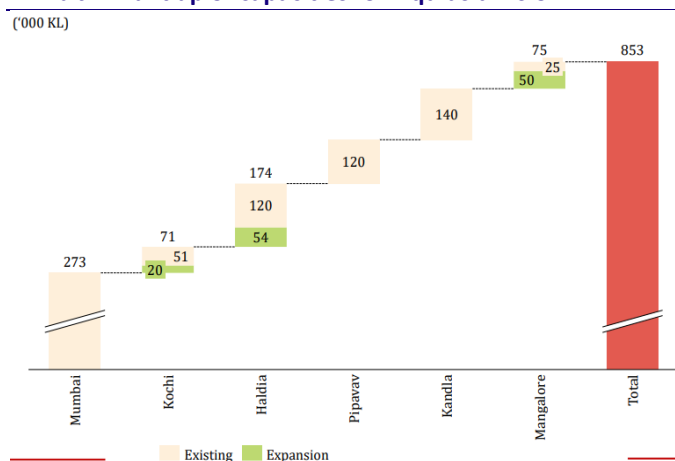
- **Mumbai:** AGIS expects incremental annualized volumes of ~500,000mtpa as technical debottlenecks of the Uran Chakkan pipeline are resolved.
- **Pipavav:** The management is expecting an incremental throughput of ~500,000mtpa via the rail route. This would be cost lucrative for the OMCs' bottling plants in North India.
- **Kandla:** The construction of a new LPG project at Kandla, with static capacity of 45,000mt, is going well. Commissioning is expected by 4QFY21-end and any earnings impact would only come in FY22. The project is on the grid of Jamnagar-Loni Pipeline (JLPL) and the proposed KGPL pipeline. Throughput guidance by AGIS is ~1,000,000mtpa in the first full year of operation (i.e. FY22).
- **Liquid capacity expansion on track – all volumes are pre-sold and earnings impact to come in FY22.** Expansion (12,000KL), Kochi (20,000KL) and Mangalore (50,000KL) is expected to be completed by end of 4QFY21.
- AGIS has additional land at its Kandla and Haldia terminal and has an option to set up additional liquid terminal projects of 100,000/30,000KL, respectively. Thus, taking total liquid division capacity to ~940-950,000KL over the next 3-4 years. The company is planning on setting up a new LPG terminal in South India.
- BPCL's Haldia terminal is now commissioned. For AGIS, HPCL is the biggest anchor customer in Haldia (throughput mix of 80% HPCL and 20% BPCL). Company expects HPCL to make up for the loss of BPCL's volume. The Panagarh bottling plant is currently operating only at 50% capacity.
- **AGIS currently has 121 LPG stations (in 10 states) and plans on increasing it to over 200 (in 20 states).** It targets to achieve volumes of ~300tmt from cylinders, ~50tmt from auto gas, and ~100tmt on the industrial/commercial side in the next five years. Thus, distribution volumes are likely to reach ~450tmt (v/s ~165tmt in FY20).

Exhibit 1: LPG Throughput Capacity Post Expansion



Source: Company, MOFSL

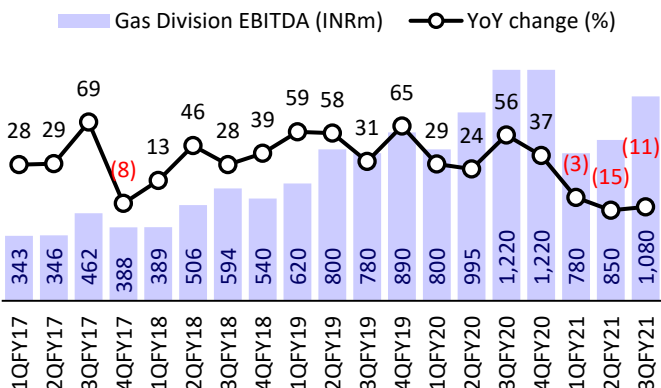
Exhibit 2: Built up of capacities for Liquids division



Source: Company, MOFSL

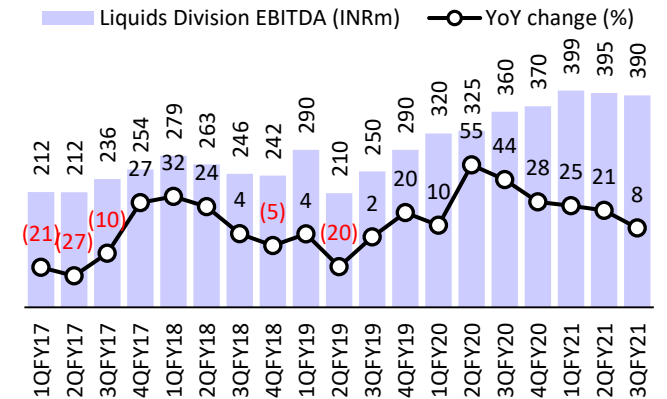
Key charts from 3QFY21

Exhibit 3: Gas division EBITDA down 11% YoY to INR1,080m



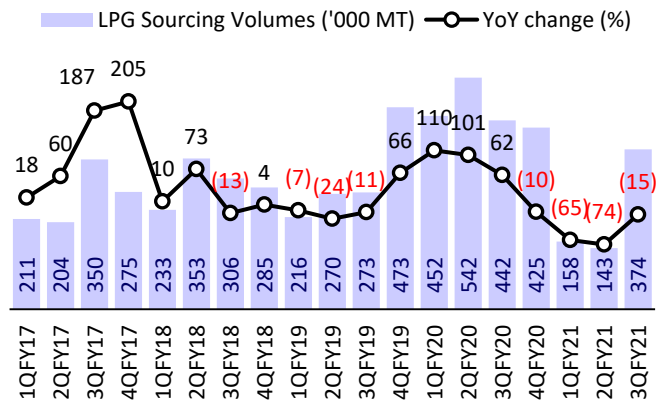
Source: Company, MOFSL

Exhibit 4: Liquids division EBITDA up 8% YoY to INR390m



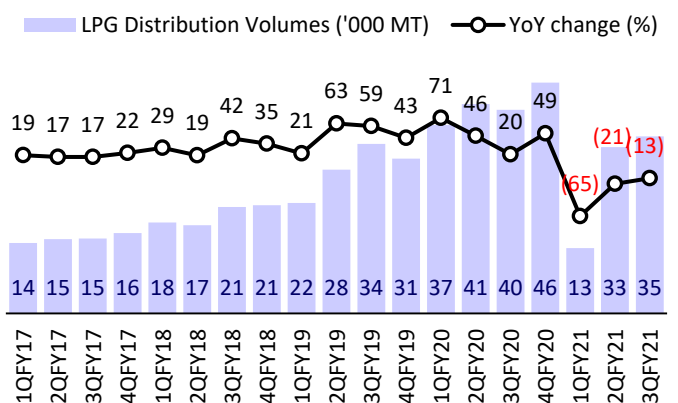
Source: Company, MOFSL

Exhibit 5: LPG sourcing volumes down 15% YoY



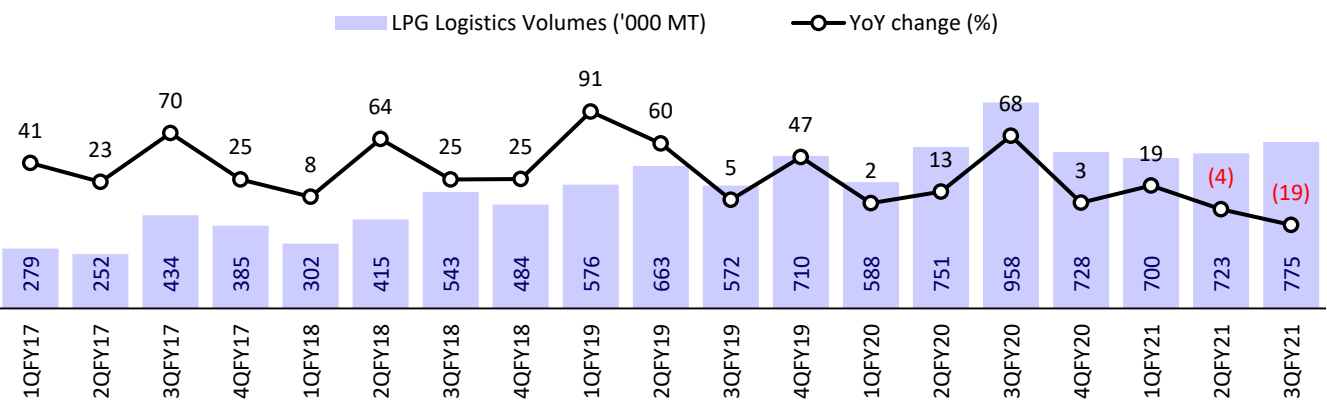
Source: Company, MOFSL

Exhibit 6: LPG distribution volumes down 13% YoY



Source: Company, MOFSL

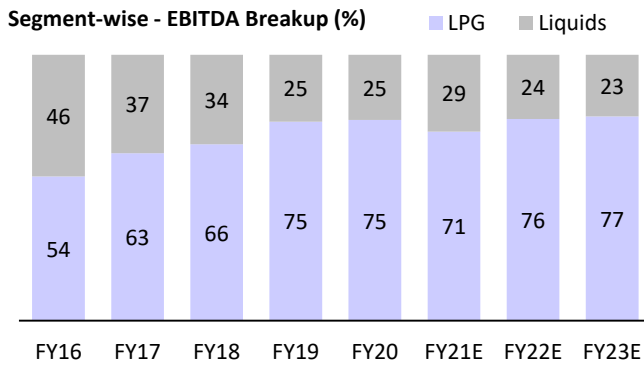
Exhibit 7: LPG logistics volumes down 19% YoY, but up 7% QoQ



Source: Company, MOFSL

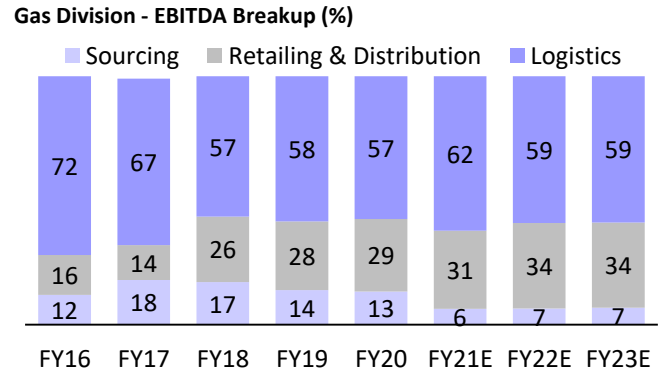
Story in charts

Exhibit 8: Gas divisions EBITDA mix to improve...



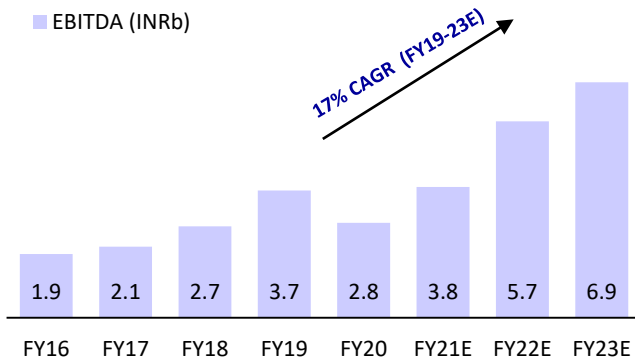
Source: Company, MOFSL

Exhibit 9: ...with logistics forming 60% of the gas business



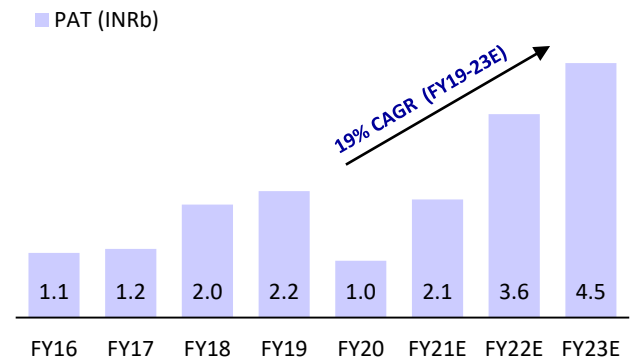
Source: Company, MOFSL

Exhibit 10: EBITDA CAGR ~17% over FY19-22E...



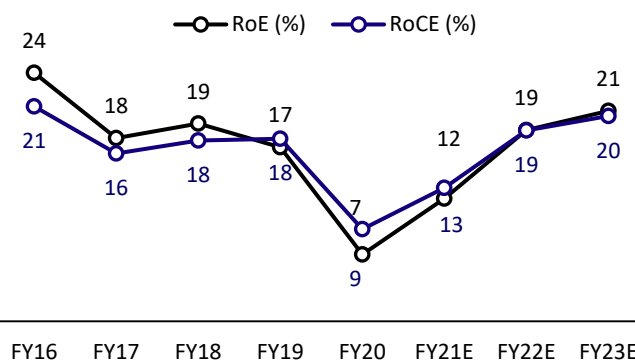
Source: Company, MOFSL

Exhibit 11: ...followed by similar PAT CAGR



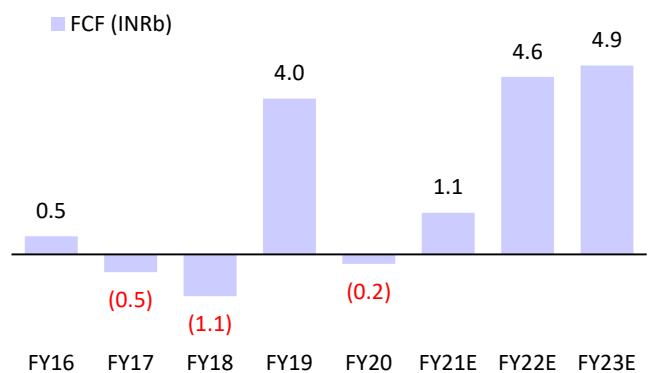
Source: Company, MOFSL

Exhibit 12: Return ratios to hover over 20%



Source: Company, MOFSL

Exhibit 13: Strong FCF yield (~11%) over FY21-23E



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Total Income from Operations	22,132	39,328	47,910	56,158	71,833	41,470	74,192	85,338
Change (%)	-43.5	77.7	21.8	17.2	27.9	-42.3	78.9	15.0
EBITDA	1,853	2,069	2,660	3,709	2,765	3,810	5,721	6,862
Margin (%)	8.4	5.3	5.6	6.6	3.8	9.2	7.7	8.0
Depreciation	234	243	343	505	687	739	760	781
EBIT	1,619	1,826	2,317	3,203	2,078	3,070	4,961	6,080
Int. and Finance Charges	177	161	152	262	331	184	181	173
Other Income	85	52	84	82	328	373	445	512
PBT bef. EO Exp.	1,527	1,717	2,248	3,023	2,076	3,260	5,225	6,420
PBT after EO Exp.	1,527	1,717	2,248	3,023	2,076	3,260	5,225	6,420
Total Tax	265	377	110	502	736	848	1,317	1,618
Tax Rate (%)	17.4	22.0	4.9	16.6	35.5	26.0	25.2	25.2
Minority Interest	128	137	160	307	344	344	344	344
Reported PAT	1,133	1,203	1,978	2,214	996	2,068	3,564	4,458
Adjusted PAT	1,133	1,203	1,978	2,214	996	2,068	3,564	4,458
Change (%)	43.4	6.1	64.5	11.9	-55.0	107.7	72.3	25.1
Margin (%)	5.1	3.1	4.1	3.9	1.4	5.0	4.8	5.2

Consolidated Balance Sheet

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
Equity Share Capital	334	334	334	334	340	340	340	340
Total Reserves	4,711	8,038	11,739	13,579	16,206	17,551	19,868	22,765
Net Worth	5,045	8,372	12,073	13,913	16,546	17,891	20,207	23,105
Minority Interest	393	292	697	748	906	906	906	906
Total Loans	1,883	2,548	2,824	1,865	2,156	2,446	2,736	3,026
Deferred Tax Liabilities	229	879	705	834	309	309	309	309
Capital Employed	7,550	12,092	16,299	17,361	19,917	21,551	24,158	27,346
Gross Block	6,951	10,078	15,756	16,728	21,116	21,116	21,116	21,116
Less: Accum. Deprn.	2,371	2,614	2,957	3,463	4,150	4,889	5,649	6,430
Net Fixed Assets	4,580	7,464	12,799	13,265	16,966	16,227	15,467	14,685
Capital WIP	734	3,127	1,256	1,207	2,201	3,134	3,821	4,458
Curr. Assets, Loans and Adv.	3,537	9,743	8,059	9,688	9,946	7,331	14,206	18,938
Inventory	115	218	260	338	421	230	417	478
Account Receivables	972	7,059	3,469	2,285	4,540	2,621	4,689	5,394
Cash and Bank Balance	967	623	1,620	4,129	2,634	3,124	6,672	10,274
Loans and Advances	1,482	1,844	2,710	2,936	2,350	1,357	2,427	2,792
Curr. Liability and Prov.	1,442	8,264	5,841	6,926	9,290	5,235	9,429	10,829
Account Payables	894	6,778	3,788	4,853	4,016	2,190	3,981	4,563
Other Current Liabilities	402	1,374	1,918	1,927	5,096	2,942	5,263	6,054
Provisions	145	112	135	146	179	104	185	213
Net Current Assets	2,095	1,480	2,218	2,762	655	2,096	4,777	8,109
Appl. of Funds	7,550	12,092	16,299	17,360	19,917	21,552	24,159	27,347

E: MOFSL estimate

Financials and Valuations

Ratios

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
EPS	3.4	3.6	5.9	6.6	3.0	6.2	10.7	13.3
Cash EPS	4.1	4.3	6.9	8.1	5.0	8.4	12.9	15.7
BV/Share	15.1	25.1	36.1	41.7	49.5	53.6	60.5	69.2
DPS	0.9	0.7	1.5	1.4	1.7	2.2	3.7	4.7
Payout (%)	31.9	22.4	28.8	24.3	65.6	35.0	35.0	35.0
Valuation (x)								
P/E	83.5	78.7	47.8	42.7	95.0	45.8	26.6	21.2
Cash P/E	69.2	65.5	40.8	34.8	56.2	33.7	21.9	18.1
P/BV	18.8	11.3	7.8	6.8	5.7	5.3	4.7	4.1
EV/Sales	4.3	2.5	2.0	1.6	1.3	2.3	1.2	1.0
EV/EBITDA	51.6	46.7	36.0	24.9	34.0	24.7	15.9	12.7
Dividend Yield (%)	0.3	0.2	0.5	0.5	0.6	0.8	1.3	1.6
FCF per share	1.4	-1.4	-3.2	12.0	-0.7	3.2	13.7	14.6
Return Ratios (%)								
RoE	24.3	17.9	19.4	17.0	6.5	12.0	18.7	20.6
RoCE	21.0	16.4	17.7	17.9	9.0	13.1	18.7	20.1
ROIC	24.0	20.1	20.3	21.1	10.0	15.0	25.8	34.8
Working Capital Ratios								
Fixed Asset Turnover (x)	3.2	3.9	3.0	3.4	3.4	2.0	3.5	4.0
Asset Turnover (x)	2.9	3.3	2.9	3.2	3.6	1.9	3.1	3.1
Inventory (Days)	2	2	2	2	2	2	2	2
Debtor (Days)	16	66	26	15	23	23	23	23
Creditor (Days)	15	63	29	32	20	19	20	20
Leverage Ratio (x)								
Current Ratio	2.5	1.2	1.4	1.4	1.1	1.4	1.5	1.7
Interest Coverage Ratio	9.2	11.3	15.2	12.2	6.3	16.7	27.4	35.2
Net Debt/Equity	0.2	0.2	0.1	-0.2	0.0	0.0	-0.2	-0.3

Consolidated Cash Flow Statement

(INR m)

Y/E March	FY16	FY17	FY18	FY19	FY20	FY21E	FY22E	FY23E
OP/(Loss) before Tax	1,527	1,691	2,248	3,023	2,076	3,260	5,225	6,420
Depreciation	234	238	343	505	687	739	760	781
Interest and Finance Charges	177	163	152	262	331	184	181	173
Direct Taxes Paid	-405	-287	-577	-624	-689	-848	-1,317	-1,618
(Inc.)/Dec. in WC	-77	14	-192	2,450	-3,083	-952	868	270
CF from Operations	1,384	1,770	1,914	5,563	1,463	2,010	5,272	5,514
(Inc.)/Dec. in FA	-916	-2,229	-2,991	-1,541	-1,708	-933	-687	-637
Free Cash Flow	467	-459	-1,077	4,022	-245	1,077	4,585	4,877
CF from Investments	-639	-2,201	-2,962	-1,547	-1,514	-560	-241	-125
Inc./(Dec.) in Debt	-298	982	175	-851	143	290	290	290
Interest Paid	-177	-205	-313	-272	-258	-184	-181	-173
Dividend Paid	-357	-310	-413	-308	-866	-724	-1,247	-1,560
CF from Fin. Activity	-832	87	2,043	-1,506	-1,444	-961	-1,482	-1,787
Inc./Dec. of Cash	-87	-343	996	2,510	-1,494	489	3,548	3,602
Opening Balance	1,054	967	623	1,620	4,129	2,635	3,124	6,672
Closing Balance	967	624	1,619	4,129	2,635	3,124	6,672	10,274

E: MOFSL estimates

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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