

Aegis Logistics

| | |
|-----------------|---|
| Estimate change | ↔ |
| TP change | ↔ |
| Rating change | ↔ |

CMP: INR283 TP: INR320 (+13%) Neutral

Outlook intact amid stable performance

- Aegis Logistics (AGIS) reported in-line EBITDA of INR2.1b, though its revenue was down 43% YoY due to reduced sourcing volumes and lower LPG prices in 2QFY24. However, management does not expect any significant impact of this on the company's profit level.
- Throughput volumes surpassed the milestone of 1mmt in a single quarter for the first time in 2QFY24. Management expects throughput volumes to grow 20% YoY in FY24 driven by the ramp-up of Kandla terminal.
- A capex program of INR45b has been planned for the JV over 2023-27, which would be funded via internal accruals, debt, and some cash injections by shareholders. However, such a high and ambitious capex will burden AGIS' balance sheet, with the focus shifting away from the LPG business, which may elevate uncertainty.
- Additionally, competition from oil marketing companies as well as private players makes the ramp-up in LPG throughput challenging.
- The stock currently trades at 19.5x FY25E EPS of INR14.5. We value the stock at 22x FY25E EPS to arrive at our TP of INR320. **We maintain our Neutral rating on the stock.**

EBITDA in-line but beat on PAT

- Revenue was below our est. at INR12.3b (our est. of INR22.9b, -43% YoY).
- EBITDA was in-line with our est. at INR2.1b (+24% YoY).
- Reported PAT, at INR1.3b, was 11% above our est. (+36% YoY) due to higher-than-estimated other income of INR444m (vs. INR374m in 1QFY24) and lower tax rate.
- **For 1HFY24**, revenue stood at INR33.4b (-24% YoY), EBITDA jumped 28% YoY to INR4b. PAT was at INR2.4b (+23% YoY)

Segmental performance

- Liquids division revenue stood at INR1.2b (+10% YoY) and EBIT was at INR593m (+20% YoY) in 2QFY24.
- Gas division revenue was at INR11.2b (-45% YoY) and EBIT stood at INR1.4b (+37% YoY) for the quarter.

Valuation and view – maintain Neutral

- Construction of India's largest cryogenic LPG terminal with a capacity of 80,000MT at Mangalore is currently underway. Liquid capacity expansions of 50,000CBM at Kochi and 70,000CBM at Mangalore are also likely to be commissioned towards the end of FY24.
- With already increased penetration of LPG, the threat of PNG-domestic over the long term becomes credible. Industrial demand for LPG has several operational difficulties, and natural gas is always preferred if it is economical. Hence, long-term growth for the company remains a concern.
- The stock currently trades at 19.5x FY25E EPS of INR14.5. We value the stock at 22x FY25E EPS to arrive at our TP of INR320. **We maintain our Neutral rating on the stock.**

| | |
|-----------------------|-------------|
| Bloomberg | AGIS IN |
| Equity Shares (m) | 351 |
| M.Cap.(INRb)/(USDb) | 99.4 / 1.2 |
| 52-Week Range (INR) | 411 / 280 |
| 1, 6, 12 Rel. Per (%) | -12/-34/-14 |
| 12M Avg Val (INR M) | 269 |

Financials & Valuations (INR b)

| Y/E March | FY23 | FY24E | FY25E |
|----------------|-------|-------|-------|
| Sales | 86.3 | 90.4 | 101.4 |
| EBITDA | 7.3 | 8.0 | 8.7 |
| Adj. PAT | 5.1 | 4.6 | 5.1 |
| Adj. EPS (INR) | 14.6 | 13.2 | 14.5 |
| EPS Gr.% | 43.7 | -9.8 | 10.1 |
| BV/Sh.INR | 100.6 | 109.2 | 118.7 |

Ratios

| | | | |
|------------|------|------|------|
| Net D:E | -0.1 | -0.1 | -0.1 |
| RoE (%) | 18.0 | 12.6 | 12.8 |
| RoCE (%) | 17.8 | 13.1 | 13.0 |
| Payout (%) | 43.6 | 35.0 | 35.0 |

Valuation

| | | | |
|---------------|------|------|------|
| P/E (x) | 19.3 | 21.4 | 19.5 |
| P/BV (x) | 2.8 | 2.6 | 2.4 |
| EV/EBITDA (x) | 12.5 | 11.4 | 10.3 |
| Div. Yld (%) | 2.1 | 1.7 | 1.9 |
| FCF Yld (%) | -1.9 | 2.6 | 3.2 |

Shareholding pattern (%)

| As On | Sep-23 | Jun-23 | Sep-22 |
|----------|--------|--------|--------|
| Promoter | 58.1 | 58.1 | 58.1 |
| DII | 4.6 | 3.7 | 3.4 |
| FII | 18.9 | 18.3 | 15.5 |
| Others | 18.5 | 19.9 | 23.0 |

FII Includes depository receipts

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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, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Consolidated - Quarterly Earnings Model

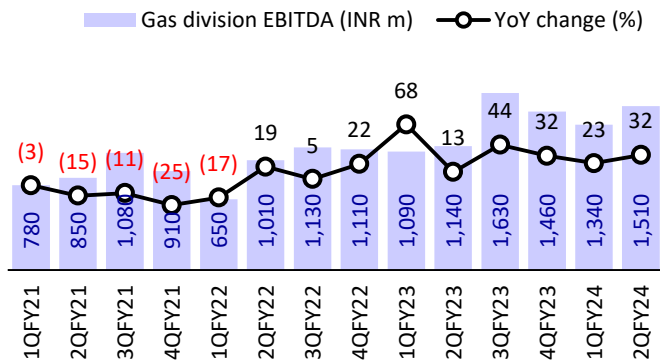
(INR m)

| Y/E March | FY23 | | | | FY24 | | | | FY23 | FY24E | FY24 | Var. (%) |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------|
| | 1Q | 2Q | 3Q | 4Q | 1Q | 2Q | 3QE | 4QE | | | 2QE | |
| Net Sales | 22,355 | 21,505 | 20,867 | 21,545 | 21,005 | 12,349 | 23,452 | 33,566 | 86,272 | 90,372 | 22,959 | -46% |
| YoY Change (%) | 229.7 | 238.5 | 71.9 | 2.4 | -6.0 | -42.6 | 12.4 | 55.8 | 86.3 | 4.8 | 6.8 | |
| EBITDA | 1,466 | 1,686 | 2,161 | 2,026 | 1,959 | 2,083 | 2,002 | 1,976 | 7,339 | 8,020 | 2,016 | 3% |
| Margin (%) | 6.6 | 7.8 | 10.4 | 9.4 | 9.3 | 16.9 | 8.5 | 5.9 | 8.5 | 8.9 | 8.8 | 8.1 |
| Depreciation | 289 | 334 | 344 | 292 | 333 | 341 | 351 | 364 | 1,258 | 1,389 | 347 | |
| Interest | 103 | 254 | 272 | 254 | 298 | 266 | 249 | 183 | 882 | 995 | 249 | |
| Other Income | 861 | 180 | 192 | 637 | 374 | 444 | 339 | 199 | 1,870 | 1,356 | 336 | |
| PBT before EO expense | 1,935 | 1,279 | 1,738 | 2,117 | 1,702 | 1,920 | 1,742 | 1,628 | 7,068 | 6,992 | 1,755 | 9% |
| Extra-Ord expense | 621 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 621 | 0 | 0 | |
| PBT | 1,314 | 1,279 | 1,738 | 2,117 | 1,702 | 1,920 | 1,742 | 1,628 | 6,448 | 6,992 | 1,755 | 9% |
| Tax | 240 | 268 | 309 | 524 | 375 | 420 | 438 | 410 | 1,341 | 1,643 | 442 | |
| Rate (%) | 18.2 | 21.0 | 17.8 | 24.7 | 22.0 | 21.9 | 25.2 | 25.2 | 20.8 | 23.5 | 25.2 | |
| MI & P/L of Asso. Cos. | 41 | 77 | 175 | 185 | 169 | 230 | 173 | 144 | 477 | 716 | 169 | 36% |
| Reported PAT | 1,034 | 934 | 1,253 | 1,409 | 1,158 | 1,270 | 1,130 | 1,074 | 4,630 | 4,633 | 1,144 | 11% |
| YoY Change (%) | 131.4 | -1.1 | 23.2 | 48.7 | -24.9 | 36.0 | -9.8 | -23.7 | 43.7 | -9.8 | 22.5 | |
| Margin (%) | 6.9 | 4.3 | 6.0 | 6.5 | 5.5 | 10.3 | 4.8 | 3.2 | 6.0 | 5.1 | 5.0 | 5.3 |

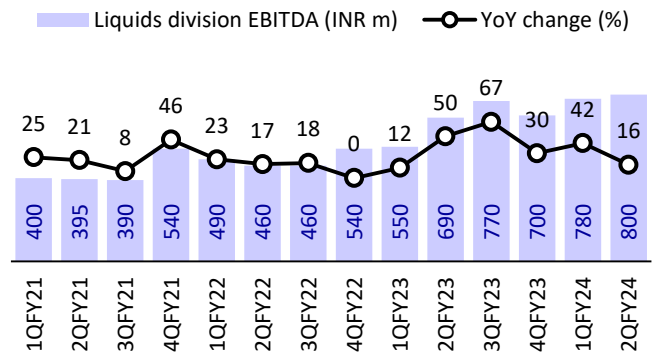
Segmental Highlights

| | 1QFY22 | 2QFY22 | 3QFY22 | 4QFY22 | 1QFY23 | 2QFY23 | 3QFY23 | 4QFY23 | 1QFY24 | 2QFY24 | YoY (%) | QoQ (%) |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| LPG logistics volumes ('000 MT) | 568 | 738 | 753 | 800 | 637 | 833 | 988 | 876 | 881 | 1,020 | 22.4 | 15.8 |
| YoY change (%) | (19.0) | 2.1 | (2.9) | 11.9 | 12.2 | 12.9 | 31.3 | 9.5 | 38.3 | 22.4 | | |
| LPG distribution volumes ('000 MT) | 31 | 36 | 42 | 51 | 85 | 116 | 156 | 136 | 159 | 131 | 12.7 | -17.6 |
| YoY change (%) | 139.1 | 9.0 | 18.6 | 50.2 | 176.3 | 224.3 | 271.6 | 165.4 | 86.4 | 12.7 | | |
| LPG sourcing volumes ('000 MT) | 100 | 60 | 126 | 270 | 230 | 228 | 200 | 237 | 226 | 174 | -23.7 | -23.0 |
| YoY change (%) | (36.8) | (58.3) | (66.4) | 39.0 | 129.9 | 282.7 | 58.9 | (12.4) | (1.7) | (23.7) | | |
| Gas division EBITDA (INR m) | 650 | 1,010 | 1,130 | 1,110 | 1,090 | 1,140 | 1,630 | 1,460 | 1,340 | 1,340 | 17.5 | 0.0 |
| YoY change (%) | (16.7) | 18.8 | 4.6 | 22.0 | 67.7 | 12.9 | 44.2 | 31.5 | 22.9 | 17.5 | | |
| Liquids division EBITDA (INR m) | 490 | 460 | 460 | 540 | 550 | 690 | 770 | 700 | 780 | 780 | 13.0 | 0.0 |
| YoY change (%) | 22.5 | 16.6 | 17.9 | - | 12.2 | 50.0 | 67.4 | 29.6 | 41.8 | 13.0 | | |

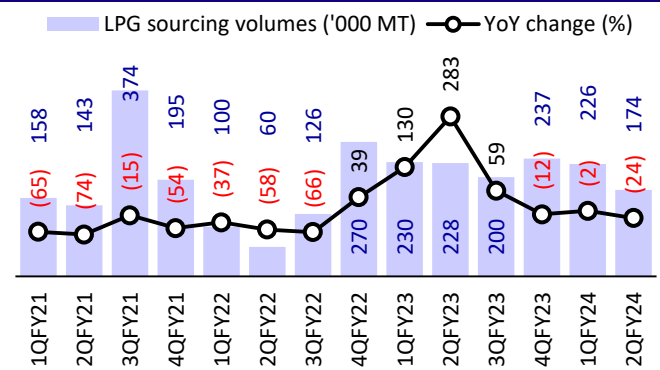
Story in charts

Exhibit 1: Gas division's EBITDA up 32% YoY to INR1.5b


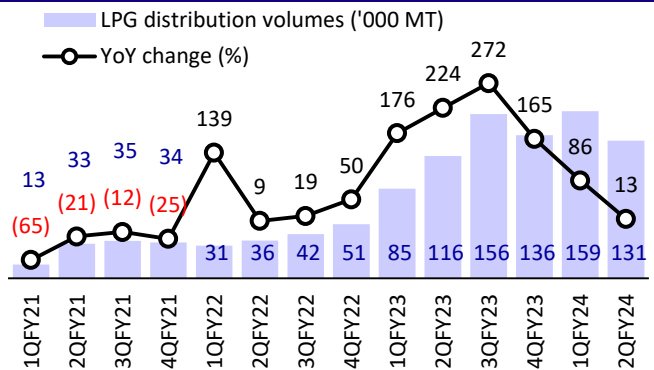
Source: Company, MOFSL

Exhibit 2: Liquids division's EBITDA up 16% YoY to INR800m


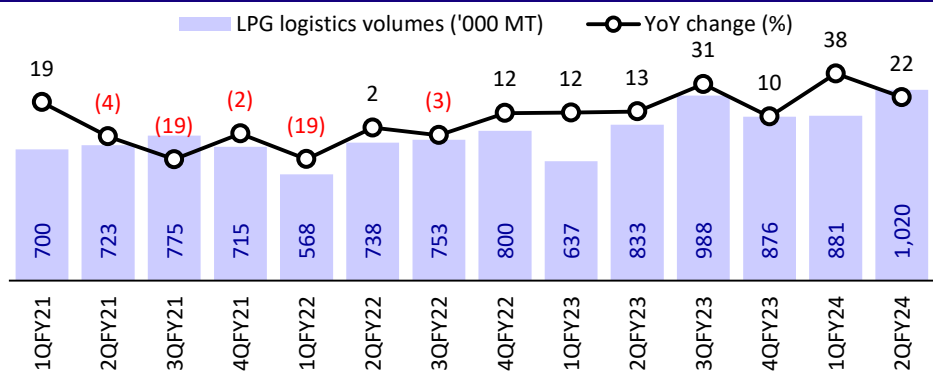
Source: Company, MOFSL

Exhibit 3: LPG sourcing volumes down 24% YoY


Source: Company, MOFSL

Exhibit 4: LPG distribution volumes up 13% YoY


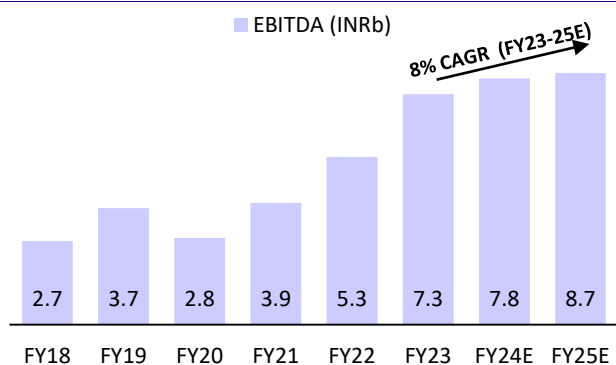
Source: Company, MOFSL

Exhibit 5: LPG logistics volumes up 22% YoY


Source: Company, MOFSL

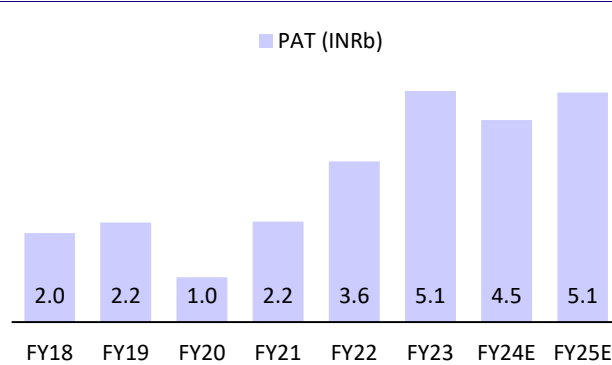
Story in charts (continued)

Exhibit 6: Expect EBITDA CAGR of ~8% over FY23-25E



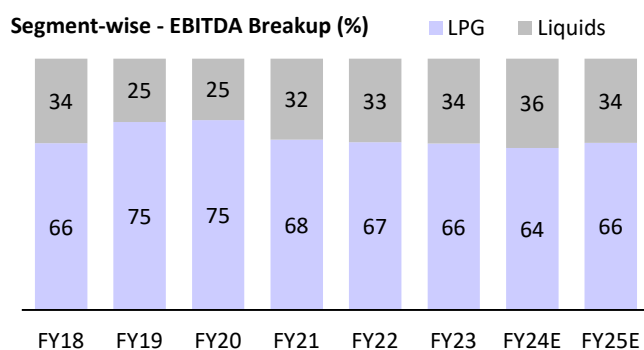
Source: Company, MOFSL

Exhibit 7: ...with PAT remaining flattish



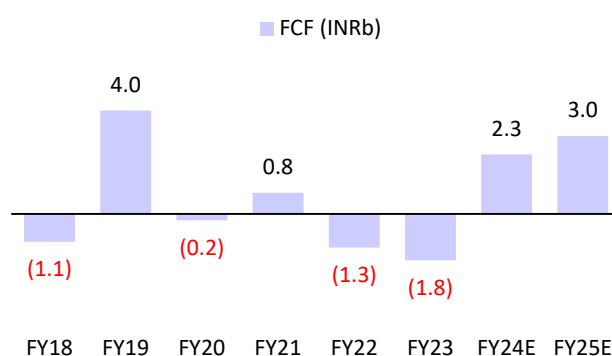
Source: Company, MOFSL

Exhibit 8: EBITDA mix for AGIS



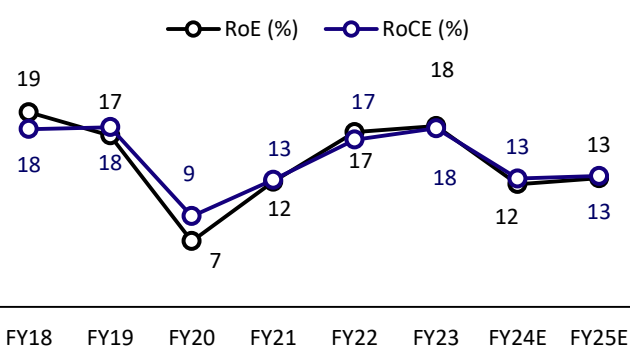
Source: Company, MOFSL

Exhibit 9: Expect FCF of ~INR5.3b over FY24-25



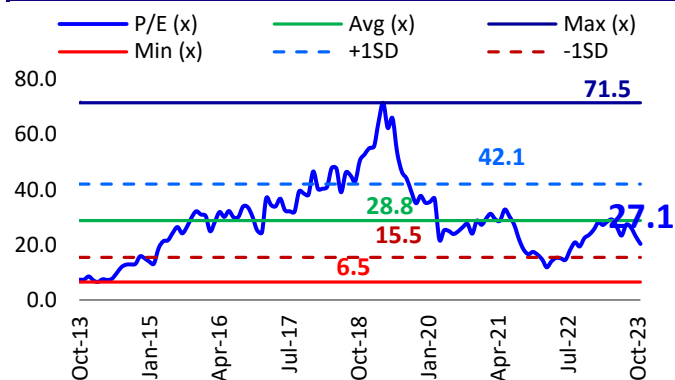
Source: Company, MOFSL

Exhibit 10: Expect return ratios to moderate below 15% from FY24



Source: Company, MOFSL

Exhibit 11: The stock trades at a 6% discount to its long-term P/E average



Source: Company, MOFSL

Financials and valuations

Consolidated - Income Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|-----------------|
| Total Income from Operations | 47,910 | 56,158 | 71,833 | 38,435 | 46,310 | 86,272 | 90,372 | 1,01,415 |
| Change (%) | 21.8 | 17.2 | 27.9 | -46.5 | 20.5 | 86.3 | 4.8 | 12.2 |
| EBITDA | 2,660 | 3,709 | 2,765 | 3,876 | 5,344 | 7,339 | 7,830 | 8,728 |
| Margin (%) | 5.6 | 6.6 | 3.8 | 10.1 | 11.5 | 8.5 | 8.7 | 8.6 |
| Depreciation | 343 | 505 | 687 | 716 | 794 | 1,258 | 1,389 | 1,446 |
| EBIT | 2,317 | 3,203 | 2,078 | 3,160 | 4,550 | 6,081 | 6,442 | 7,282 |
| Int. and Finance Charges | 152 | 262 | 331 | 173 | 218 | 882 | 995 | 896 |
| Other Income | 84 | 82 | 328 | 369 | 387 | 1,870 | 1,356 | 1,389 |
| PBT bef. EO Exp. | 2,248 | 3,023 | 2,076 | 3,356 | 4,720 | 7,068 | 6,802 | 7,775 |
| EO Items | 0 | 0 | 0 | 0 | 0 | -621 | 0 | 0 |
| PBT after EO Exp. | 2,248 | 3,023 | 2,076 | 3,356 | 4,720 | 6,448 | 6,802 | 7,775 |
| Total Tax | 110 | 502 | 736 | 864 | 871 | 1,341 | 1,598 | 1,959 |
| Tax Rate (%) | 4.9 | 16.6 | 35.5 | 25.7 | 18.4 | 20.8 | 23.5 | 25.2 |
| Minority Interest | 160 | 307 | 344 | 258 | 274 | 477 | 716 | 716 |
| Reported PAT | 1,978 | 2,214 | 996 | 2,234 | 3,575 | 4,630 | 4,487 | 5,100 |
| Adjusted PAT | 1,978 | 2,214 | 996 | 2,234 | 3,575 | 5,137 | 4,487 | 5,100 |
| Change (%) | 64.5 | 11.9 | -55.0 | 124.3 | 60.1 | 43.7 | -12.7 | 13.6 |
| Margin (%) | 4.1 | 3.9 | 1.4 | 5.8 | 7.7 | 6.0 | 5.0 | 5.0 |

Consolidated - Balance Sheet

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|--------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Equity Share Capital | 334 | 334 | 340 | 351 | 351 | 351 | 351 | 351 |
| Total Reserves | 11,739 | 13,579 | 16,206 | 19,014 | 21,447 | 34,972 | 37,889 | 41,204 |
| Net Worth | 12,073 | 13,913 | 16,546 | 19,365 | 21,798 | 35,323 | 38,240 | 41,555 |
| Minority Interest | 697 | 748 | 906 | 1,090 | 826 | 5,145 | 5,145 | 5,145 |
| Total Loans | 2,824 | 1,865 | 2,156 | 3,430 | 3,827 | 9,954 | 9,954 | 9,954 |
| Deferred Tax Liabilities | 705 | 834 | 309 | 809 | 730 | 934 | 934 | 934 |
| Capital Employed | 16,299 | 17,361 | 19,917 | 24,694 | 27,181 | 51,355 | 54,272 | 57,587 |
| Gross Block | 15,756 | 16,728 | 21,116 | 21,954 | 29,405 | 43,381 | 46,204 | 49,262 |
| Less: Accum. Deprn. | 2,957 | 3,463 | 4,150 | 4,866 | 5,659 | 6,917 | 8,306 | 9,752 |
| Net Fixed Assets | 12,799 | 13,265 | 16,966 | 17,089 | 23,746 | 36,463 | 37,898 | 39,510 |
| Capital WIP | 1,256 | 1,207 | 2,201 | 4,876 | 2,525 | 4,117 | 5,293 | 6,235 |
| Curr. Assets, Loans, and Adv. | 8,059 | 9,688 | 9,946 | 8,838 | 14,058 | 30,899 | 32,151 | 35,512 |
| Inventory | 260 | 338 | 421 | 524 | 906 | 1,475 | 1,542 | 1,732 |
| Account Receivables | 3,469 | 2,285 | 4,540 | 942 | 7,383 | 8,386 | 8,784 | 9,858 |
| Cash and Bank Balance | 1,620 | 4,129 | 2,634 | 3,356 | 1,502 | 12,651 | 13,040 | 14,064 |
| Loans and Advances | 2,710 | 2,936 | 2,350 | 4,017 | 4,267 | 8,387 | 8,785 | 9,859 |
| Curr. Liability and Prov. | 5,841 | 6,926 | 9,290 | 6,127 | 13,161 | 20,272 | 21,219 | 23,818 |
| Account Payables | 3,788 | 4,853 | 4,016 | 747 | 6,747 | 8,714 | 9,112 | 10,232 |
| Other Current Liabilities | 1,918 | 1,927 | 5,096 | 5,223 | 6,214 | 11,341 | 11,880 | 13,331 |
| Provisions | 135 | 146 | 179 | 158 | 199 | 217 | 227 | 255 |
| Net Current Assets | 2,218 | 2,762 | 655 | 2,711 | 898 | 10,627 | 10,932 | 11,694 |
| Appl. of Funds | 16,299 | 17,360 | 19,917 | 24,694 | 27,181 | 51,355 | 54,272 | 57,587 |

Financials and valuations

Ratios

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|-------------------------------|------------|------------|------------|------------|-------------|-------------|-------------|-------------|
| EPS | 5.6 | 6.3 | 2.8 | 6.4 | 10.2 | 14.6 | 12.8 | 14.5 |
| Cash EPS | 6.6 | 7.7 | 4.8 | 8.4 | 12.4 | 18.2 | 16.7 | 18.6 |
| BV/Share | 34.4 | 39.6 | 47.1 | 55.2 | 62.1 | 100.6 | 108.9 | 118.4 |
| DPS | 1.5 | 1.5 | 1.8 | 2.1 | 2.6 | 6.0 | 4.7 | 5.3 |
| Payout (%) | 28.8 | 25.5 | 69.0 | 36.2 | 28.2 | 43.6 | 35.0 | 35.0 |
| Valuation (x) | | | | | | | | |
| P/E | 50.2 | 44.9 | 99.7 | 44.5 | 27.8 | 19.3 | 22.1 | 19.5 |
| Cash P/E | 42.8 | 36.5 | 59.0 | 33.7 | 22.7 | 15.5 | 16.9 | 15.2 |
| P/BV | 8.2 | 7.1 | 6.0 | 5.1 | 4.6 | 2.8 | 2.6 | 2.4 |
| EV/Sales | 2.0 | 1.6 | 1.3 | 2.5 | 2.1 | 1.1 | 1.0 | 0.9 |
| EV/EBITDA | 36.0 | 24.9 | 34.0 | 24.4 | 18.1 | 12.5 | 11.7 | 10.4 |
| Dividend Yield (%) | 0.5 | 0.5 | 0.6 | 0.7 | 0.9 | 2.1 | 1.7 | 1.9 |
| FCF per share | -3.2 | 12.0 | -0.7 | 2.5 | -3.9 | -5.4 | 6.9 | 9.1 |
| Return Ratios (%) | | | | | | | | |
| RoE | 19.4 | 17.0 | 6.5 | 12.4 | 17.4 | 18.0 | 12.2 | 12.8 |
| RoCE | 17.7 | 17.9 | 9.0 | 12.6 | 16.6 | 17.8 | 12.8 | 13.0 |
| RoIC | 20.3 | 21.1 | 10.0 | 14.9 | 18.7 | 16.7 | 14.0 | 14.9 |
| Working Capital Ratios | | | | | | | | |
| Fixed Asset Turnover (x) | 3.0 | 3.4 | 3.4 | 1.8 | 1.6 | 2.0 | 2.0 | 2.1 |
| Asset Turnover (x) | 2.9 | 3.2 | 3.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.8 |
| Inventory (Days) | 2 | 2 | 2 | 5 | 7 | 6 | 6 | 6 |
| Debtor (Days) | 26 | 15 | 23 | 9 | 58 | 35 | 35 | 35 |
| Creditor (Days) | 29 | 32 | 20 | 7 | 53 | 37 | 37 | 37 |
| Leverage Ratio (x) | | | | | | | | |
| Current Ratio | 1.4 | 1.4 | 1.1 | 1.4 | 1.1 | 1.5 | 1.5 | 1.5 |
| Interest Coverage Ratio | 15.2 | 12.2 | 6.3 | 18.3 | 20.9 | 6.9 | 6.5 | 8.1 |
| Net Debt/Equity ratio | 0.1 | -0.2 | 0.0 | 0.0 | 0.1 | -0.1 | -0.1 | -0.1 |

Consolidated - Cash Flow Statement

(INR m)

| Y/E March | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24E | FY25E |
|------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| OP/(Loss) before Tax | 2,248 | 3,023 | 2,076 | 3,356 | 4,720 | 6,448 | 6,802 | 7,775 |
| Depreciation | 343 | 505 | 687 | 716 | 794 | 1,258 | 1,389 | 1,446 |
| Interest and Finance Charges | 152 | 262 | 331 | 173 | 218 | 882 | 995 | 896 |
| Direct Taxes Paid | -577 | -624 | -689 | -503 | -871 | -4,026 | -1,598 | -1,959 |
| (Inc.)/Dec. in WC | -192 | 2,450 | -3,083 | -71 | -1,952 | 787 | 83 | 263 |
| CF from Operations | 1,914 | 5,563 | 1,463 | 4,416 | 2,628 | 3,584 | 6,315 | 7,031 |
| (Inc.)/Dec. in FA | -2,991 | -1,541 | -1,708 | -3,588 | -3,932 | -5,379 | -4,000 | -4,000 |
| Free Cash Flow | -1,077 | 4,022 | -245 | 828 | -1,303 | -1,795 | 2,315 | 3,031 |
| CF from Investments | -2,962 | -1,547 | -1,514 | -4,280 | -1,619 | -9,310 | -2,644 | -2,611 |
| Issue of Shares | 2,393 | 0 | 6 | 11 | 0 | 0 | 0 | 0 |
| Inc./(Dec.) in Debt | 175 | -851 | 143 | 1,634 | -335 | 5,505 | 0 | 0 |
| Interest Paid | -313 | -272 | -258 | -248 | -130 | -486 | -995 | -896 |
| Dividend Paid | -413 | -308 | -866 | -486 | -2,211 | -2,145 | -1,571 | -1,785 |
| Others | 201 | -75 | -470 | -325 | -187 | 14,002 | -716 | -716 |
| CF from Fin. Activity | 2,043 | -1,506 | -1,444 | 586 | -2,864 | 16,876 | -3,282 | -3,397 |
| Inc./Dec. in Cash | 996 | 2,510 | -1,495 | 722 | -1,855 | 11,149 | 388 | 1,024 |
| Opening Balance | 623 | 1,620 | 4,129 | 2,634 | 3,356 | 1,502 | 12,651 | 13,040 |
| Closing Balance | 1,619 | 4,129 | 2,634 | 3,356 | 1,502 | 12,651 | 13,040 | 14,064 |

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

| 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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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