

20 February 2008

Accumulate

Price	Target Price
Rs694	Rs959

Sensex	18,048
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Price Performance

(%)	1M	3M	6M	12M
Absolute	(20)	(26)	(19)	(41)
Rel. to Sensex	(15)	(19)	(35)	(53)

Source: Capitaline

Stock Details

Sector	Logistics
Reuters	ALGL.BO
Bloomberg	AGLL@IN
Equity Capital (Rs mn)	203
Face Value (Rs)	10
52 Week H/L	Rs1, 198/610
Market Cap (Rs bn)	14.1
Daily Avg Vol. (No of shares)	29802
Daily Avg Turnover (US\$mn)	0.6

Shareholding Pattern (%)

(31st Dec.'07)	
Promoters	79.6
FII/NRI	8.2
Institutions	4.2
Private Corp.	4.0
Public	4.1

Allcargo Global Logistics Limited

Company Update

Funding for growth plans

Allcargo Global Logistics Limited (Allcargo) has announced that to part fund its capex program of Rs4.2 bn for acquiring equipments in its crane division and setting up 8 ICDS, the company has decided to issue Fully Compulsory Convertible Debentures (FCCD) and warrants to the tune of Rs.2.4bn to Blackstone Advisors and its affiliates. This will entail an equity dilution of 10.2%. We believe the fund raising exercise will take care of the company's capex plan over the next two years. We expect the company to report net profit of Rs.969mn in CY08 and Rs.1.2bn in CY09. We are revising our EPS estimates to Rs.42.4 in CY08 and Rs.53.5 in CY09. We are also revising our target price from Rs.1,115 to Rs.959 taking into account the equity dilution. We maintain Accumulate rating on the stock.

Allcargo to raise Rs2.4 bn- issue FCCDs and warrant to Blackstone

Allcargo intends to undertake capex of Rs.1bn for acquiring equipment in its crane hiring division. Further the company plans to invest Rs.3.2bn for setting up ICDS at 8 different locations across the country. In order to part finance this capex, Allcargo has to issue mix of FCCDs and warrants to Blackstone Advisors and its affiliates and raise Rs.2.4bn.

Blackstone to have 10.2% stake in Allcargo post conversion

Post the conversion of the FCCDs and warrants Blackstone group will have 10.2% stake in the company. Following are details of the instruments to be issued to Blackstone.

	Units	Price	Amount raised (in mn)
Equity share	1000	934	0.934
FCCDs	1081081	934	1009.73
Warrants*	1513510	934-1284	1413-1943

*Conversion of the warrants at specified price will be based on the EBITDA that the company reports in CY08.

EBITDA in Rs. bn	Conversion price
<1.9	934
1.9-2.0	1109
2-2.1	1209
>2.1	1284

Revising target price to Rs.959 - Maintain Accumulate

Given strong growth outlook on Indian logistics industry and Allcargo significant presence in logistic value chain, we are positive on the long term growth story of the company. However since the company is in a massive investment phase for next two years, we believe that substantial growth would start kicking in only from CY10 onwards. We expect Allcargo to report net profit of Rs.969mn in CY08 and Rs.1.2bn in CY09. However on account of the above mentioned equity dilution, we are revising our EPS estimates to Rs.42.4 in CY08 and Rs.53.5 in CY09. Consequently we are also revising our target price from Rs.1,115 to Rs.959 and maintain accumulate rating on the stock.

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