

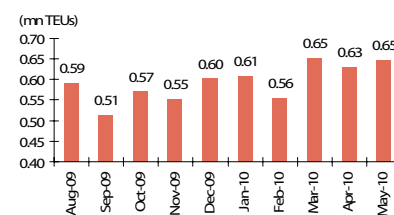
Equalweight

Economic recovery to drive momentum

We remain Equalweight on the logistics sector with a Buy rating on Aegis Logistics and Allcargo Global Logistics, Sell on Container Corporation (Concor) and Hold on Gateway Distriparks (GDL) and Transport Corporation of India (TCI). We expect container volumes to revive in FY11E, once the overall economy recovers. We estimate 8.4% volume growth (TEU terms) for FY11E and 10.5% growth for FY12E, as trade picks up.

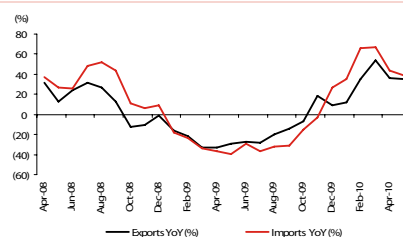
- **Container volumes buoyant...:** Container traffic remained buoyant during Q1 and registered a healthy growth of 21.3% YoY to 1.28mn TEUS in April and May. Volumes at India's largest container port JNPT grew 16.8% YoY to 0.75mn TEUs during the same period.
- **...on back of healthy EXIM trade:** India's exports and imports too improved during Q1, implying higher movement of goods and containers at the ports. While exports grew 35.7% YoY in value terms during April-May 2010, imports registered an impressive growth of 40.9% YoY during the same period.
- **Domestic industrial activity:** India's Index of Industrial Production (IIP) showed a robust growth of 17.6% in April 2010, primarily led by the manufacturing sector. We believe this robust growth would have led to increase in demand for domestic logistics services and higher movement of goods at the ports.
- **Maintain Buy on Aegis and Allcargo:** Aegis is our top pick in the overall logistics space with a Buy rating and a target of Rs430. Allcargo remains our proffered pick in the container logistics space on back of attractive valuations of 13.3x CY10E and global presence. We believe Concor is currently trading at an expensive valuation of 20.8x FY11E earnings and maintain Sell with a target of Rs1,200. We remain neutral on TCI and GDL with a Hold rating.

Container traffic at Indian ports



Source: IPA, Centrum Research

India's EXIM growth



Source: Ministry of Commerce, Centrum Research

Price Performance (%)

	1M	6M	1Yr
Aegis	41.3	74.6	219.1
Allcargo	5.5	(10.6)	7.4
Concor	17.3	10.5	47.5
GDL	(0.8)	(13.4)	31.2
TCI	8.6	29.3	110.8
NIFTY	6.2	1.0	29.9

Source: Bloomberg, Centrum Research as on 8 July 2010

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Summary Estimates

Y/E Mar (Rsmn)	Net Sales (Rsmn)				EBITDA (Rsmn)				EBITDA Margin (%)		Adj. PAT (Rsmn)			
	Q1FY11E	YoY (%)	QoQ (%)	FY11E	Q1FY11E	YoY (%)	QoQ (%)	FY11E	Q1FY11E	Q1FY10	Q1FY11E	YoY (%)	QoQ (%)	FY11E
Aegis Logistics	1,100	59.6	35.8	5,337	202	30.5	9.5	885	18.4	22.4	115	26.8	1.2	510
Allcargo Global #	5,913	13.0	1.0	24,327	714	14.4	24.9	2,938	12.1	11.9	412	(11.6)	21.1	1,712
Concor	9,871	8.8	3.8	40,931	2,689	8.5	22.2	11,100	27.2	27.3	2,137	6.4	23.7	8,824
GDL **	469	20.0	18.5	1,950	247	24.5	19.2	1,031	52.6	50.7	208	19.8	(4.2)	809
Transport Corp**	3,375	8.4	(16.1)	15,740	288	28.1	(11.1)	1,344	8.5	7.2	118	49.1	(6.1)	600

Note: **Standalone, # Y/E Dec (Data for Q2CY10)

Source: Company, Centrum Research Estimates

Aegis Logistics (Rating – Buy; Target Price – Rs430)

- We expect consolidated net sales to rise 59.6% YoY to Rs1,100mn. Revenue from the liquid logistics division is expected to increase 13.6%, while that in the gas division is likely to surge 77.0% on the back of higher volumes and better realizations.
- Though operating profit is expected to increase 30.5% YoY to Rs202mn, we estimate a 409bp YoY decline in margin to 18.4%, as profitability in the gas distribution business stabilises led by a stable global gas prices.

Allcargo Global (Rating – Buy; Target Price – Rs225)

- Consolidated revenue is likely to increase 13.0% YoY to Rs5,913mn primarily led by higher container volumes. However, we expect realisations to decline on back of higher costs and impact profitability.
- We expect operating profits to grow 14.4% YoY to Rs714mn, though margins are likely to remain stable at 12.1%, up just 15bp YoY.
- Volumes in the container freight station (CFS) business are likely to grow 39.6% YoY to 56,930 TEUs and the global MTO (multi-modal transport operation) business (ECU Line) to increase 20.7% YoY to 51,265 TEUs.

Concor (Rating – Sell; Target Price – Rs1,200)

- We expect standalone revenue to grow 8.8% YoY to Rs9,871mn, led by overall growth in both its business segments.
- The EXIM segment's volumes are likely to remain tepid with a growth of 8.0% YoY to 490,675 TEUs. Domestic business' volumes are expected to be buoyant with a 24.0% YoY growth to 152,434 TEUs.
- Operating profit is expected to increase 8.5% YoY to Rs2,689mn, while operating margins are likely to remain flat at 27.2%.

Gateway Distriparks (Rating – Hold; Target Price – Rs120)

- GDL's standalone CFS revenue is expected to grow 20% YoY to Rs469mn and net profit 19.8% YoY to Rs208mn on back of stable volumes and higher realisations.
- We expect consolidated revenue to increase 15.4% YoY to Rs1,448mn and operating profit by 20.4% to Rs409mn. Consolidated operating margin is likely improve 119bp to 28.3% YoY.
- Volumes at the Mumbai CFS are likely to increase 10.4% YoY to 59,475 TEUs due to the overall growth in port traffic. Average realisation is expected to improve 8.3% YoY to Rs8,000 per TEU.
- Rail business subsidiary, Gateway Rail Freight (GRFL), is expected to register 13.6% YoY revenue growth to Rs795mn as volumes are likely to jump 32.2% YoY to 32,112 TEUs on account of higher fleet size.

Transport Corporation (Rating – Hold; Target Price – Rs130)

- TCI's standalone revenue is expected to rise 8.4% YoY to Rs3,375mn on back of growth in the express and supply chain business
- Operating profit is likely to increase 28.1% YoY to Rs288mn, on back of a 131bp YoY improvement in operating profit margin to 8.5%. Net profit is likely to jump 49.1% YoY to Rs118mn as net margin is expected to expand 95bp YoY to 3.5%.

Summary valuations

Y/E Mar (Rsmn)	Rating	Target Price (Rs)	CMP (Rs) 7-Jul-10	Mkt Cap (Rsmn)	EPS (Rs)			P/E (x)			P/BV (x)			EV/EBITDA (x)		
					FY10A	FY11E	FY12E	FY10A	FY11E	FY12E	FY10A	FY11E	FY12E	FY10A	FY11E	FY12E
Aegis	Buy	430	397	7,471	22.7	27.1	36.3	17.5	14.7	10.9	4.0	3.4	2.7	11.8	9.1	7.2
Allcargo #	Buy	225	172	22,460	10.0	13.1	16.1	17.3	13.1	10.7	2.3	2.0	1.7	10.8	7.8	6.4
Concor	Sell	1,200	1417	184,212	59.9	67.9	74.9	23.7	20.9	18.9	4.3	3.7	3.3	16.6	14.2	12.6
GDL **	Hold	120	116	12,493	7.3	8.8	9.9	15.8	13.2	11.7	1.9	1.7	1.6	10.0	7.8	6.7
TCI **	Hold	130	121	8,758	6.1	7.1	8.1	19.8	17.0	14.8	3.1	2.7	2.4	9.8	8.3	7.4

Note: **Standalone, # Y/E Dec (Data for CY09A, CY10E and CY11E)

Source: Company, Centrum Research Estimates

Appendix A

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