



Allcargo Gati Limited

Speeding In Race Of Express Logistics

3rd January 2025

BUY

CMP Rs. 90

TARGET Rs. 140 (~56%)

Allcargo Gati Limited (ACLGATI), previously known as Gati Limited, is a prominent B2B express logistics Company in India, generating 84% of its FY24 revenue from surface and air express logistics. The remaining 16% comes from supply chain management (3%) and fuel station businesses (13%). The Company operates a vast network of 5,000+ vehicles and 600+ offices, including 21 surface transshipment centers, 10 air transit hubs, 86 distribution warehouses, and nearly 700 branches. It covers 735+ cities and 99% of government-approved pincodes in India. The express logistics sector is poised for significant growth and is set to grow at ~14% CAGR from FY23 to FY28, driven by e-commerce expansion, infrastructure development, and supportive government regulatory changes and increased focus fostering an organized logistics ecosystem. ACLGATI aims to capitalize on this by establishing mega hubs, enhancing efficiency through reduced turnaround times, and leveraging digitization to accelerate growth and capture market share.

Strategic restructuring for streamlined growth and synergy

In 2021, Allcargo Logistics acquired a 50.3% stake in Gati Ltd. and implemented a transformation strategy focused on express logistics, divested non-core businesses, reduced debt, and reinvested in core operations. The strategy emphasizes digitalization through Gati Enterprise Management System 2.0 (GEMS 2.0) and sales acceleration with a dedicated inside sales team targeting MSME and retail clients for higher yields and better margins. Additionally, Allcargo announced a restructuring plan to merge its express logistics and domestic supply chain businesses into Allcargo Logistics Limited while demerging its international supply chain business into Allcargo ECU Ltd.

Infrastructure expansion for enhance cost efficiency and cost optimisation

ACLGATI is enhancing its express logistics infrastructure by expanding, consolidating, and automating surface transshipment hubs using an asset-light model. The Company has operationalized 6 mega hubs in the 1st phase and plans to add 8 more in the 2nd phase with a total spend of ~Rs. 300 Mn over 2 years for existing and new hub modernization, with all phase 2 hubs expected to be operational by H1FY26. These developments aim to improve operational efficiency, optimize costs, reduce transit times, and handle higher loads, thereby boosting the Company's logistics capabilities and service reliability.

View & Valuation

We have initiated coverage on ACLGATI with a BUY rating, assigning an EV/EBITDA multiple of 16x and a target price of ~Rs. 140, representing an upside potential of ~56% by FY27E. The establishment of mega hubs aimed at reducing turnaround times, restructuring top-level management, and a shift in the customer mix is expected to drive growth and enhance cost efficiency. We believe the Company is at a pivotal stage, with key strategic initiatives either already implemented or underway, which are likely to result in market share expansion and improvement in operating margins.

**Note: Our valuation and future growth projections do not currently account for the restructuring of the Company or the inclusion of the contract logistics business. Once the restructuring is completed and the consolidated financial statements of the merged entity become available, we will incorporate the necessary adjustments into our analysis.*

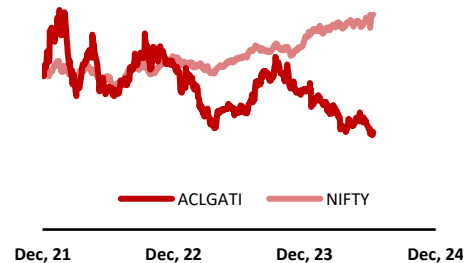
Company Data

Bloomberg Code	GTIC IN
MCAP (Rs. Mn)	13,350
O/S Shares (Mn)	147
52w High/Low	134/ 88
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	88.5

Shareholding Pattern %

	Sep-24	Jun-24	Mar-24
Promoters	46.1	46.9	52.9
FIIIs	2.0	6.9	6.9
DIIIs	3.4	4.6	1.7
Non-Institutional	48.5	41.5	44.4

ACLGATI vs Nifty



Key Financial Data

(Rs Mn)	FY24	FY25E	FY26E
Revenue	16,980	16,583	17,908
EBITDA	319	738	993
Net Profit	145	-9	199
Total Assets	12,877	12,955	12,898
ROCE (%)	0%	3%	5%

Source: Company, Keynote Capitals Ltd.

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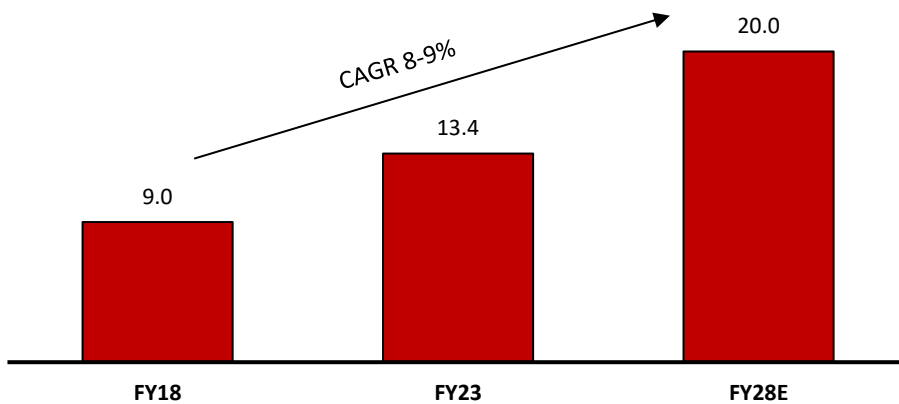
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Logistics Industry

Logistics is an integral part of any country, providing cost-effective flow of raw materials and finished goods, and facilitating transactions between the consuming and producing parts of the economy. The logistics sector encompasses various modes of transportation, enabling infrastructure and associated services that complement and enhance the competitiveness of the overall flow of goods.

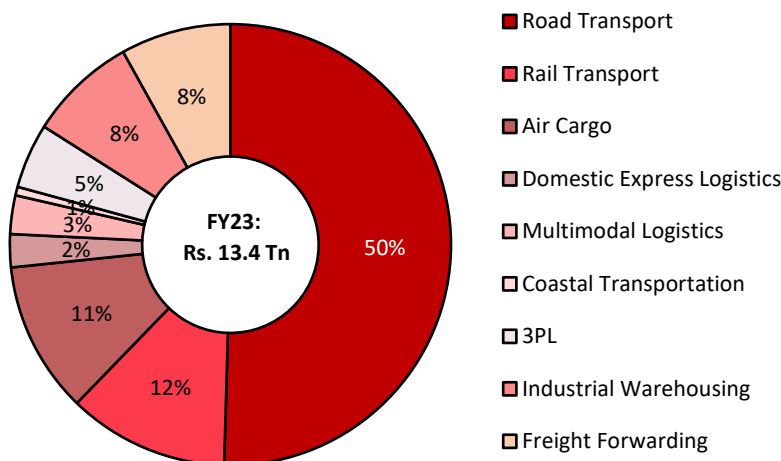
The Indian logistics sector, initially valued at ~Rs. 9 Tn in FY18, increased to ~Rs. 13.4 Tn by FY23, reflecting a CAGR of ~8% over this period. Looking ahead, the sector is expected to grow significantly, reaching an ~Rs. 20 Tn by FY28, maintaining the same growth rate. The expansion is driven by technological advancements, structural shifts, and government initiatives aimed at reducing logistics costs and enhancing infrastructure.

Indian Logistic Industry Size (Rs. in Tn)



Source: CJ Darcl Ltd., Keynote Capitals Ltd.

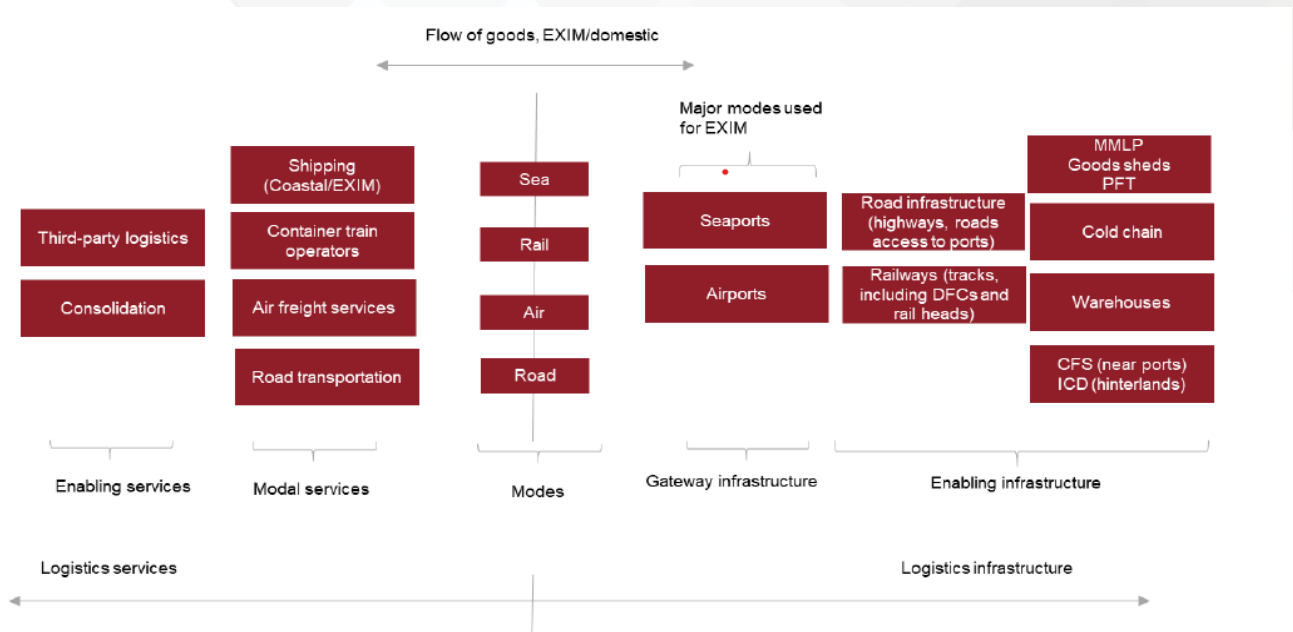
Indian Logistics Market Mix for FY23 (%)



Source: CJ Darcl Ltd., Keynote Capitals Ltd.

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Value chain - Logistics



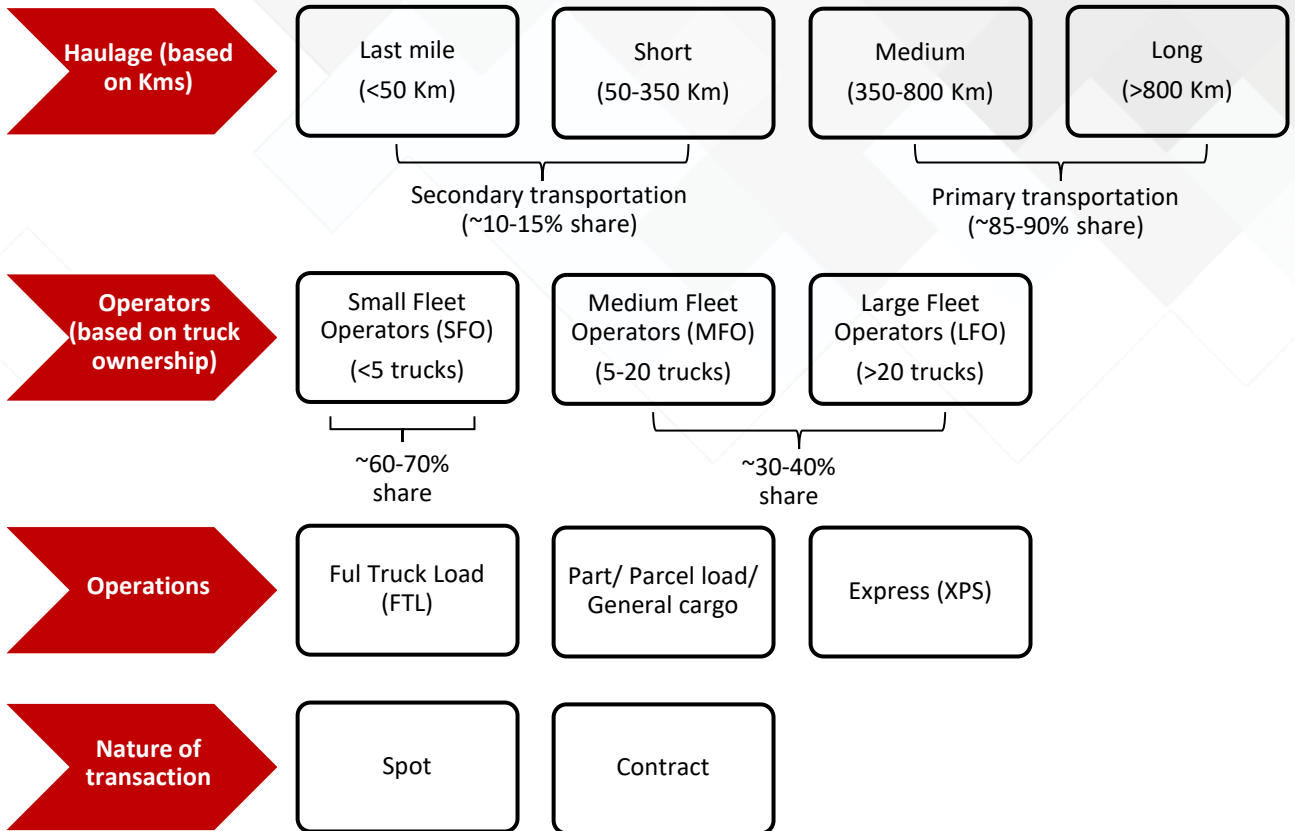
*MMLP refers to Multi-Modal Logistics Park, PFT refers to Private Freight Terminal, CFS refers to Container Freight Station, ICD refers to Inland Container Depot.

Source: CJ Darcl Ltd., Keynote Capitals Ltd.

In FY23, India's GDP was estimated at \$3.4 Tn, with the logistics sector contributing ~14%. The shift from discretionary to essential online shopping during the COVID-19 pandemic has enhanced the appeal of the e-commerce industry. The sector is set to grow at ~8-9%, outpacing GDP growth of ~6-7%, driven by government infrastructure initiatives like Bharatmala Pariyojana. Rising consumerism and a large consumer base are driving retail and e-commerce expansion in India. Comparatively, China's logistics sector accounts for about 15% of its GDP, indicating that developing nations typically see logistics contributing in the range of 14-15% to GDP.

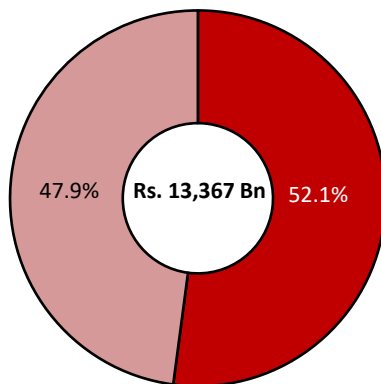
Road Transportation Market

The road transport industry is largely unorganized and fragmented, consisting of service providers and intermediaries like transport contractors, booking agents, and brokers. The road transport industry is structured based on Haulage (based on distance in kilometers), Operators (based on truck ownership), Operations and the nature of transactions, as outlined in the chart below.



Source: CJ Darcl Ltd., Keynote Capitals Ltd.

Road Transportation Market Share in FY23 (Rs. in Bn)



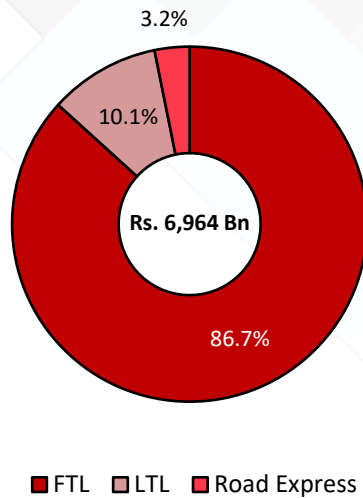
“The road transportation market encompasses both road transport services and road express distribution services. Road transport services include Less Than Truckload (LTL) and Full Truckload (FTL) options, catering to varying shipment sizes and logistical needs.”

“Road transportation market holds 52% share in total logistics market”

- Road Transportation Market (Combining Road transport and Road express)
- Other sectors (Rail, Air cargo, Multimodal Logistics, Coastal transportation, 3PL, Industrial warehousing, Freight forwarding)

Source: CJ Darcl Ltd., Keynote Capitals Ltd.

Road Transport Market Mix in FY23 (Rs. in Bn)

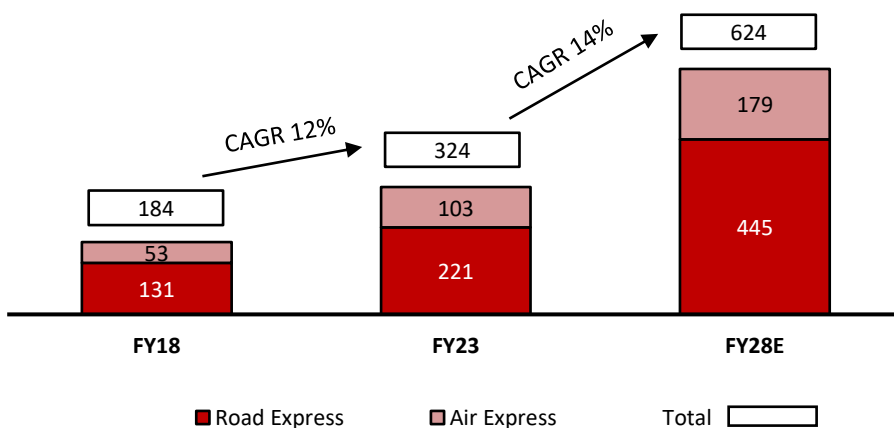


Source: CJ Darcl Ltd., Keynote Capitals Ltd.

Express Logistics Market

Express logistics services focus on the rapid and time-critical transportation of goods, ensuring fast, reliable, and efficient delivery. These services operate on a hub-and-spoke model with advanced tracking and optimized routes to meet urgent deadlines. Express logistics is one of the fastest-growing segments in India's logistics industry, driven largely by the expansion of e-retail. From FY18 to FY23, the sector's revenue grew at a CAGR of ~12%, supported by economic growth and a thriving e-commerce market. Looking forward, major players and logistics start-ups are set to leverage the e-retail surge, particularly in sectors like furniture, groceries, and medicines. In contrast, smaller traditional players may struggle due to a decline in document-related services. Companies focusing on building relationships and investing in infrastructure are well-positioned to benefit from the ongoing e-commerce expansion.

Express Logistics Market Mix (Rs. in Bn)

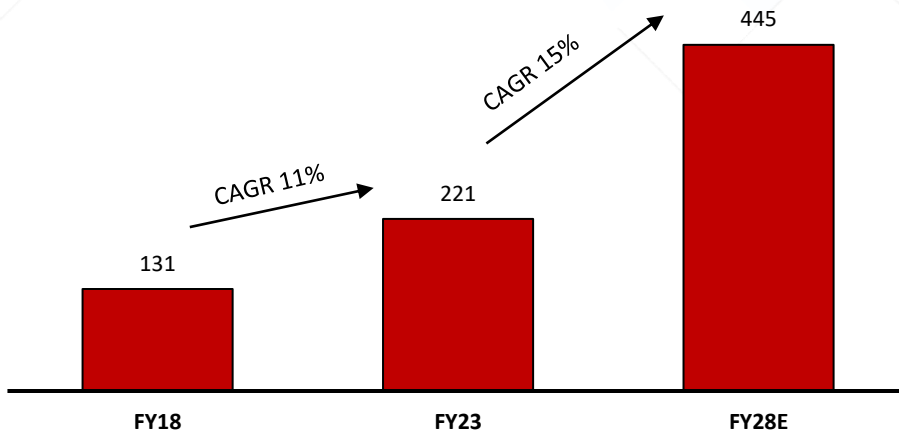


Source: CJ Darcl Ltd., Keynote Capitals Ltd.

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The road express segment is expected to be the fastest-growing component within both the express logistics market as well as road transportation market. It is projected to outpace air express, with a CAGR of 15% from FY23 to FY28, compared to air express's 12% CAGR. This rapid growth is largely driven by its cost efficiency, making it ideal for short to medium distances in cost-sensitive sectors like e-commerce. Additionally, government investments in road infrastructure, such as highways under Bharatmala Pariyojana, have enhanced efficiency and expanded network reach, driving its growth.

Road Express Logistics (Rs. in Bn)



Source: CJ Darcl Ltd., Keynote Capitals Ltd.

Reasons for boom in express logistics

1. Growth in e-commerce sector - The Indian logistics industry is experiencing significant growth, driven by a booming e-commerce market and technological advancements resulting in increase demand of express logistics. The shift towards essential online purchases during the COVID-19 pandemic has enhanced the appeal of e-commerce. This growth is supported by a strong economy, government initiatives to improve infrastructure, and a favorable business environment.
2. Infrastructure development - The Indian infrastructure sector's robust development has significantly enhanced logistics, improving reach, network, and service execution speed. The government launched the Gati Shakti-National Master Plan for integrated infrastructure development, prioritizing road projects among 81 high-impact initiatives. Key Government efforts include the Bharatmala Pariyojana to boost road sector efficiency through national highway development and multimodal logistics parks development, along with creation of dedicated freight corridors and expansion of road and rail networks to enhance connectivity and reduce travel times.
3. Regulatory changes - Regulatory changes such as the implementation of GST and the introduction of the e-way bill have significantly impacted the growth of India's road logistics sector. Post-GST, there has been an increase in smaller, direct shipments to retailers, bypassing warehouses. The e-way bill system has further boosted the sector by optimizing truck operations, reducing bottlenecks at state borders, cutting document processing time, and lowering transportation costs. These changes have led to warehouse consolidation and improved overall efficiency in logistics operations.

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About Allcargo Gati Limited

Allcargo Gati Limited (ACLGATI), formerly known as Gati Limited and founded in 1989, is a leading B2B express logistics Company in India. Specializing in both surface and air express logistics, these services account for ~84% of FY24 revenue, while the remaining 16% comes from supply chain management (3%) and fuel station businesses (13%).

The Company operates a vast network of 5000+ vehicles and 600+ offices, including 21 surface transshipment centers, 10 air transit hubs, 86 distribution warehouses, and nearly 700 branches. With this vast network, ACLGATI offers services to 19,800+ pincodes, covering over 735 cities and 99% of government-approved pincodes in India. Following Allcargo Logistics' acquisition of a 50.3% stake in 2021, the Company has undergone turnaround strategies, significant restructuring and expansion through mega hubs to enhance efficiency. It is poised to become a digitally-enabled market leader committed to contributing towards driving India's growth story forward.

History

ACLGATI, based in Hyderabad, is one of India's oldest and leading B2B express logistics Company, founded in 1989 by Mahendra Agarwal as Gati Corporation Limited. Initially offering same-day courier services between Chennai and Madurai, the Company has significantly expanded its operations over the years. Gati was the original express distribution arm of Transport Corporation of India (TCI). In year 1996, Gati Desk to Desk Cargo and Shipping division of TCI Ltd were transferred to Gati Corporation Ltd, and by 1998, Gati got demerged and TCI's assets were divided among Mahendra Agarwal and his brothers under family arrangement. The Company was renamed Gati Ltd. on October 24, 2000.

In earlier years, Gati Limited's slowdown has been attributed to Mahendra Agarwal, the promoter and former MD, shifting his focus to hydropower projects in Sikkim. He pledged his shares in Gati to invest in Amrit Jal Ventures, which oversees these energy initiatives.

In 2012, Gati Limited formed a joint venture with Kintetsu World Express (KWE), a leading Japanese logistics Company, under the name Gati-Kintetsu Express Private Limited (Gati KWE). Gati restructured its operations by transferring a significant portion of its 'Express Distribution and Supply Chain' division to the JV, retaining a 70% stake, while KWE invested ~Rs. 2,677 Mn for a 30% stake. This JV significantly bolstered Gati's leadership in India and global presence, eventually contributing 70% of the Company's revenues in FY13.

Gati and Allcargo

Allcargo Logistics Limited, a leading logistics solutions provider in India, offers integrated services across 180 countries, including supply chain management, CFS-ICD, contract logistics, and more. On December 5, 2019, Gati Limited allotted 13,333,340 equity shares to Allcargo Logistics through a ~Rs. 1 Bn preferential issue. By acquiring an additional 12,070,000 shares for ~Rs. 0.8 Bn, Allcargo held a 20.83% stake in Gati by FY20. Following an open offer for ~Rs. 2.38 Bn settled on April 8, 2020, Allcargo's stake increased to 46.86%, making it the promoter of Gati from FY21.

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In June 2021, Allcargo further invested over Rs. 0.8 Bn to acquire additional stake making Allcargo stake to 50.3% in Gati Limited, targeting the domestic logistics industry's growth potential.

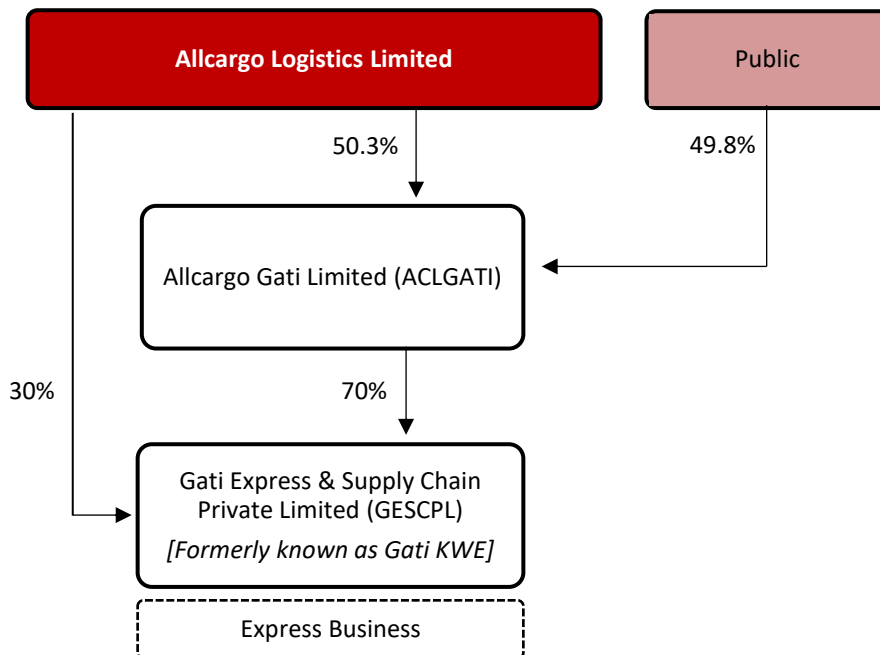
Following its acquisition by Allcargo Logistics in 2020, Gati Limited initiated a transformation strategy known as Gati 2.0, focusing on five key growth pillars:

- Digitalization through automation and GEMS 2.0;
- Sales acceleration measures;
- Infrastructure expansion via mega hubs and connectivity;
- Streamlining operations to concentrate on express logistics business. This strategy included divesting non-core businesses, adopting an asset-light model to reduce debt and strengthen the balance sheet, and utilizing freed capital for core business growth;
- Enhancing its talent pool by revamping management.

In March 2023, Allcargo Logistics Limited signed a Share Purchase Agreement (SPA) with KWE-Kintetsu World Express to acquire a 30% stake in Gati-Kintetsu Express Private Limited (Gati KWE) for ~Rs. 4.07 Bn. This acquisition, completed in June 2023, gave Allcargo 30% ownership of Gati KWE, as Gati Ltd. held the remaining 70%. Following the acquisition, Gati KWE was renamed Gati Express & Supply Chain Private Limited (GES CPL) on July 27, 2023.

Further, Gati Ltd also changed its name to Allcargo Gati Ltd. From October 19, 2023

Organisation Structure as on 26th June, 2024 - pre QIP



Source: Company, Keynote Capitals Ltd.

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Services

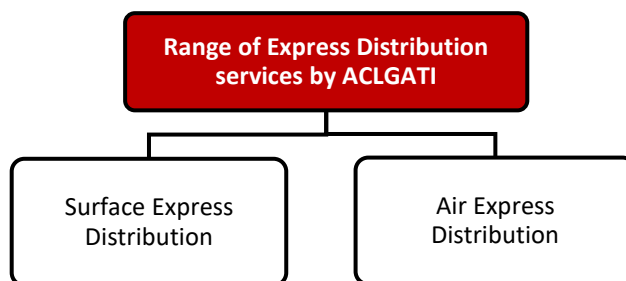
Since its founding in 1989, ACLGATI has been a pioneer in express distribution in India. Over the years, the Company has evolved from solely providing express distribution services to offering a comprehensive range of logistics and distribution solutions.

Express Distribution

ACLGATI provides a comprehensive array of multimodal express distribution services, allowing businesses to tailor solutions to their specific needs. With an excellent network coverage, Gati offers flexible, cost-effective, and time-sensitive delivery options for parcels, freight, and special cargo. Their services ensure faster delivery compared to standard surface movement, with direct route connectivity to major locations across India, enhancing both time efficiency and shipment safety.

Types of express distribution services			
Express Plus	Express	Premium Plus	Premium
A unique service that offers faster delivery compared to any average surface movement services. With direct route connectivity to major locations across India, one can save on time and ensure safety of shipments.	A cost-effective surface cargo movement for shipments that have a time-definite delivery schedule.	Specially designed service that promises delivery within 12 hours or before noon the next day, across all major ports in India.	A cost-effective service that assures delivery within 24 hours, 48 hours and more than 48 hours through multi-modal network across metros and non-metros in India.

Source: Company, Keynote Capitals Ltd.



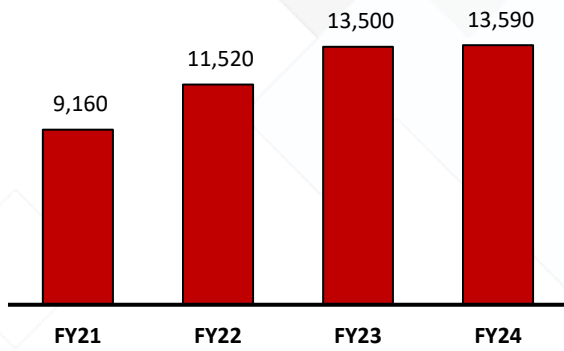
Source: Company, Keynote Capitals Ltd.

Surface Express Distribution

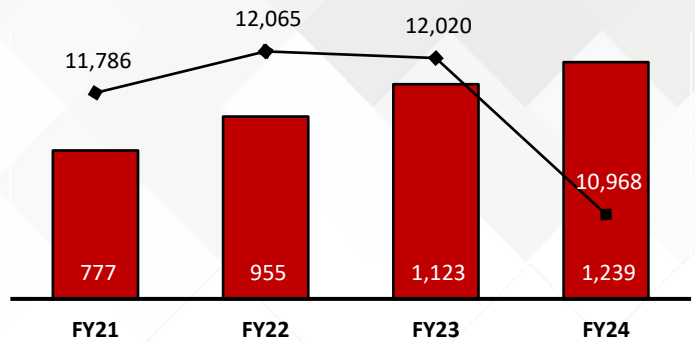
Surface express distribution is a major service provided by ACLGATI, contributing ~80% to its revenue. This service forms the core of the Company's business operations. The Company operates on asset light model for the same.

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Surface Express Revenue (Rs in Mn)



Volume & Revenue per Ton



Source: Company, Keynote Capitals Ltd.

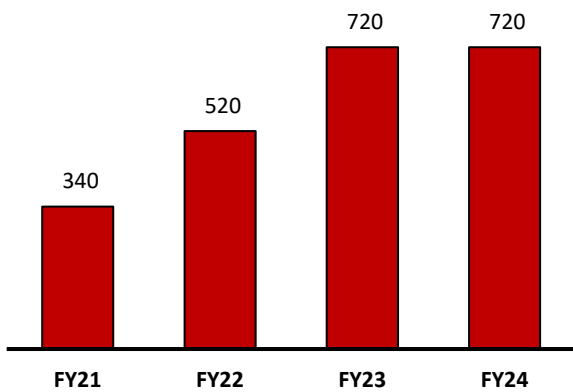
■ Surface Express Volume Handled (Ton)
 — Surface Express Revenue Per Ton

Air Express Distribution

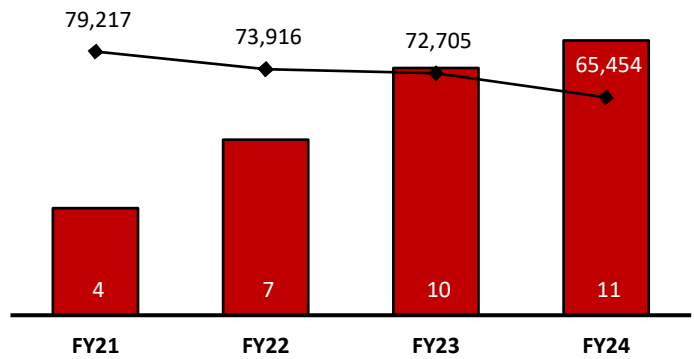
ACLGATI Air provides tailored end-to-end air freight solutions. With direct links to 34 commercial airports, 8 Air transshipment centres and partnerships with top airlines like IndiGo, they operates on belly cargo model. The Company ensures efficient and safe delivery of cargo over 5 kg across India's Tier 1 and 2 cities within 24-48 hours.

The air express business contributes minimally to revenue but offers significantly higher yields, yielding nearly 6 times more than the surface express business.

Air Express Revenue (Rs in Mn)



Volume & Revenue per Ton



Source: Company, Keynote Capitals Ltd.

■ Air Express Volume Handled (Ton)
 — Air Express Revenue Per Ton

ACLGATI is a B2B E-commerce logistics provider serving major e-commerce platforms like Amazon, Flipkart, and Reliance by distributing supplies from vendors to their warehouses, but it does not engage in B2C operations. Its dedicated e-commerce logistics vertical, Gati E-Connect, offers integrated solutions and reaches over 99% of India's districts, providing seamless last-mile delivery through its extensive network.

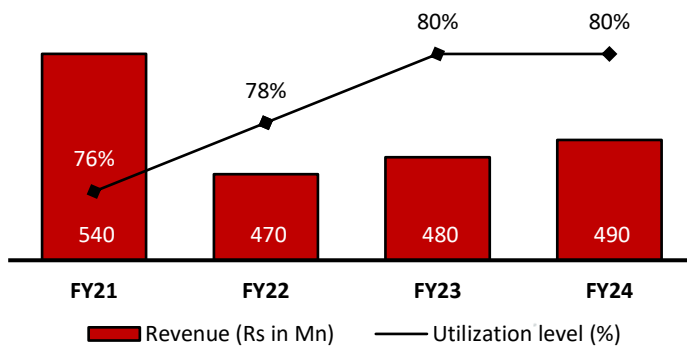
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Supply Chain Management (SCM)

Under SCM operations, ACLGATI operates 3 e-fulfillment centers and 65 warehouses across India, serving sectors like e-commerce, hospitality, healthcare, and electronics. These facilities are designed and built to global standards with advanced technologies such as shop floor automation, sophisticated racking systems, conveyor belts and world-class advanced material handling. The Company offers integrated services including inventory management, purchase order management and designed inventory-based models without incurring capital investment since all warehouses are leased. Its SCM segment is more profitable than transportation due to value-added services. However, share of SCM business in revenue mix is very minimal.

The SCM division was a key focus during Gati's joint venture with KWE. However, after Allcargo's acquisition of Gati, SCM expansion slowed as Allcargo's supply chain growth continued under its existing entity, Allcargo Supply Chain Private Limited (ASCPL).

Supply Chain Management Revenue & Utilization



Source: Company, Keynote Capitals Ltd.

Other services

ACLGATI also provides some other retail services such as:

- Premium Flexlite – Air shipments for cargo up to 5 Kg
- Surface Lite - Surface deliveries for cargo up to 5 kg
- Student Express - Hassle free movements from Home-to-hostel and Hostel-to-home
- Laabh - Surface deliveries of cargo weighing up to 20 kg
- Bike Express - Special services for moving your bike from one city to other
- Vir Express - Dedicated services for our Army Personnel

Cold chain business

Previously, the Company operated a cold chain business under Gati Kausar India Limited (India's longest established cold chain service provider), a long-established provider of temperature-sensitive logistics services. This cold chain business was sold to Mandala Capital AG Limited in 2021 as part of a strategic restructuring effort to focus on core operations.

"Proceeds of Rs. 2270 Mn from sale of non-core assets & disposal of fleet were utilized for paring off debt and clearing contingent liabilities."

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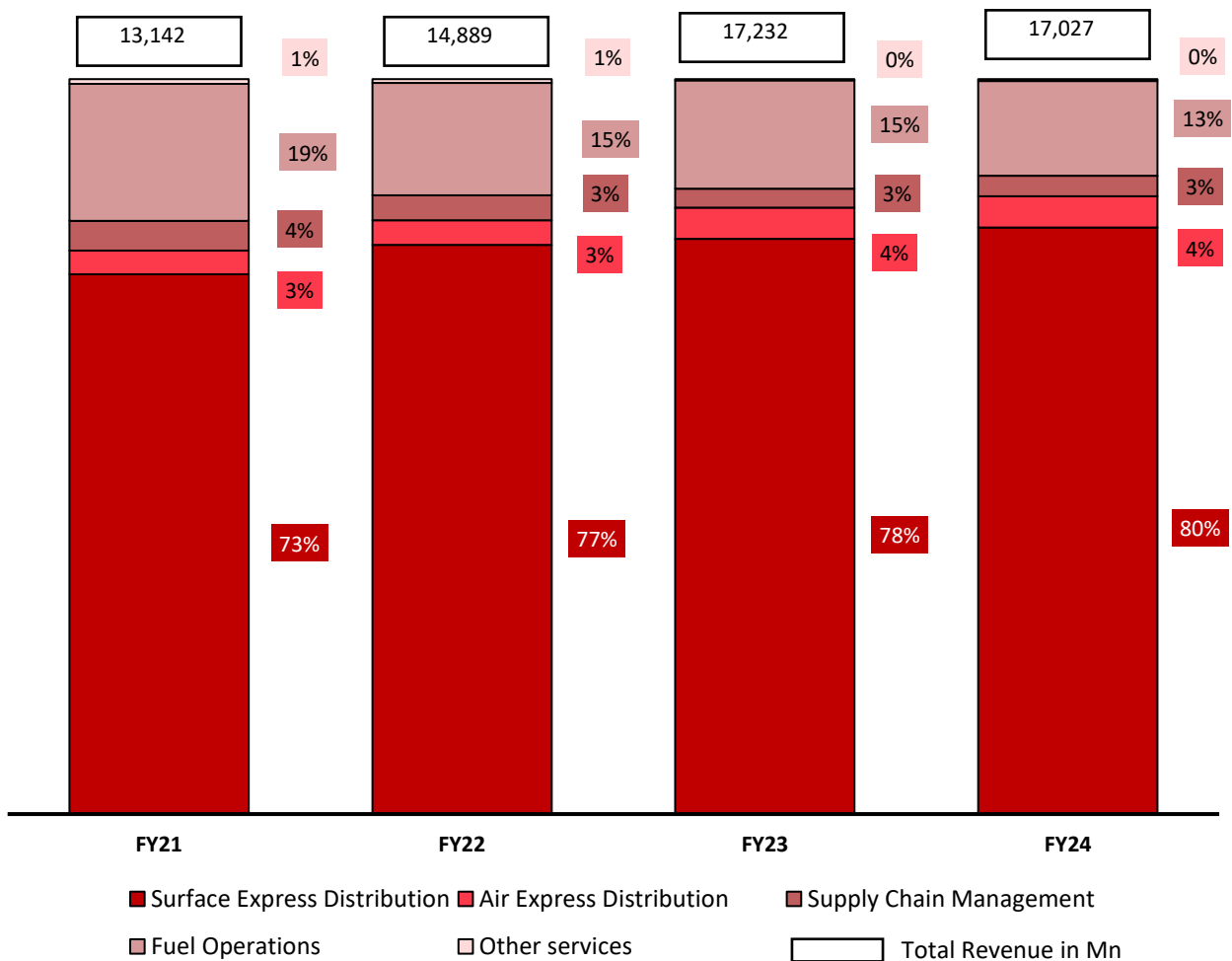
Fuel business (Non-core)

ACLGATI's fuel station business, involves operating three fuel stations. This segment has been identified as an asset held for sale in the Company's financial statements as part of a strategic restructuring to divest non-core operations and reallocate capital towards its core express logistics business. The divestment process has been initiated and is currently awaiting government approvals.

"The BOD of Company approved the sale of a 1 fuel station located in Belagavi, Karnataka, India, on December 23, 2024. The transaction, valued at Rs. 30 million, is expected to be completed by January 2025."

Revenue Mix

Services Wise Revenue Mix (%)



Source: Company, Keynote Capitals Ltd.

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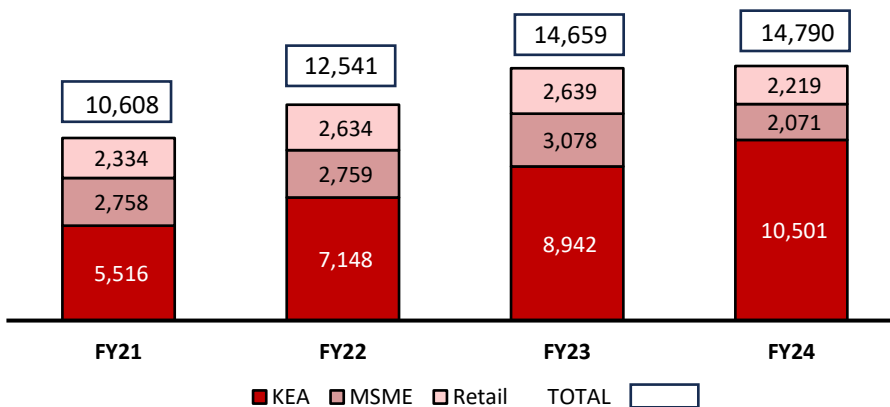
Client Mix

The customer mix for ACLGATI is divided into three main categories: Key Enterprise Accounts (KEA), Micro, Small and Medium-sized Enterprises (MSME), and Retail customers. This is a B2B model, focusing on deliveries to distributors, stockists, or companies, rather than direct-to-consumer home deliveries.

Key difference between these customer segments are:

Point of Distinction	KEA	MSME	Retail
Description	These customers are large businesses and manufacturing companies with revenue exceeding Rs. 2 Mn. They require extensive logistics and distribution services on regular basis, often involving complex supply chain solutions.	Comprising smaller businesses that manufacture components or spares for larger units, typically located in industrial areas like MIDC or GIDC. They need reliable transportation and logistics services regularly. Services are provided on 15-30 days credit.	Small enterprises or entrepreneurs working in clusters with other retailers. They require logistics support for localized distribution, especially for seasonal products, with a need for express services for timely delivery. Demand for logistics services are not on regular basis usually once or twice in a week. Services are provided on a cash-and-carry basis, not on credit.
Yield	Lower yield relative to MSME and retail customers.	~40% higher yield than KEA customers.	~40% more yield than MSME customers.
Order Size	Large order sizes but lower yield per order.	Medium-sized orders compared to KEA.	Smaller order sizes compared to both KEA and MSME customers.
Revenue Mix from Express business (FY24)	71%	14%	15%

Client Wise Revenue Mix from Express Business (Rs. In Mn)



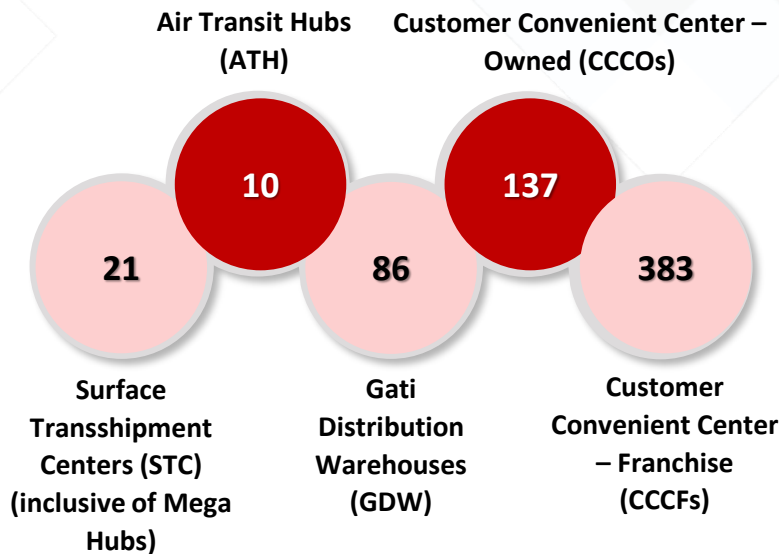
Source: Company, Keynote Capitals Ltd.

ACLGATI plans to adjust its customer mix from 67:33 in FY24 to 60:40 (KEA:MSME & Retail) by FY25, aiming to increase the share of MSME and retail customers. This strategic shift targets higher yields and margins, as MSME and retail segments offer more profitability compared to KEA. The MSME sector presents significant growth opportunities due to increased manufacturing activities in India and a transition from unorganized to organized segments. Additionally, SMEs are increasingly leveraging e-commerce platforms, creating vast opportunities for logistics providers.

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Infrastructure

Infrastructure is crucial for the growth of an express logistics business, impacting truck turnaround times and reliability. Currently, ACLGATI delivers to 99% of approved pin codes, covering 19,800 pin codes and 735 cities and is enhancing its physical infrastructure at strategic locations to improve operational efficiency, reduce transit times, and handle higher loads.



Source: Company, Keynote Capitals Ltd.

Expansion through Surface Transshipment Centers (STC)

ACLGATI is enhancing its infrastructure capabilities through the expansion, consolidation, and automation of its STCs. This development follows an asset-light model, which is part of their strategic initiative to consolidate its warehousing infrastructure by transforming existing facilities into new mega hubs and also forming new hubs. The Company has operationalized six mega hubs in the first phase and plans to add eight more in the second phase.

Operational Mega Hubs – Phase I						
Location	Commissioned	Space in Sq. Ft (Increase%)	Earlier Space	Bays (Earlier)	Vehicle Loading Time (Earlier)	Productivity per head (Earlier)
Farukh Nagar (NCR)	Q3FY22	1,13,000 (35%)	84,000 Sq. Ft in 3 different warehouse	89 (56)	Less than 3 hours (Over 4 hour)	Over 9 Tons (5.7 Tons)
Nagpur	Q2FY23	28,800 (New)	-	20	NA	NA
Bhiwandi (MMR)	Q3FY23	1,15,000 (4%)	1,11,000 Sq. Ft in 3 different warehouse	61 (27)	Less than 3 hours (Over 4 hour)	Over 9 Tons (5.7 Tons)
Guwahati	Q3FY23	30,000 (New)	-	7	NA	NA
Bangalore	Q2FY24	1,10,000 (51%)	73,000 Sq. Ft in 2 different warehouse	68 (33)	1.5 – 2 hours (3-4 hours)	9 Tons (6 Tons)
Indore	Q3FY24	NA	NA	NA	NA	NA

Source: Company, Keynote Capitals Ltd.

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Planned Mega Hubs – Phase II	
Location	Timeline / Status
Hyderabad	Q4FY25
Ahmedabad	Q4FY25
Lucknow	Q1FY26
Ranchi	Q1FY26
Dadri	Q2FY26
Guwahati	Q2FY26
Jaipur	Q2FY26
Patna	Q2FY26

Source: Company, Keynote Capitals Ltd.

Rationale behind creating Mega hubs?

- **Enhanced operational efficiency** - Previously, inefficiencies arose from operating multiple small hubs with limited docks, leading to high turnaround times due to trucks needing to load and unload at different centers. By consolidating these into large mega hubs, such as the one in Farukhnagar, has enhanced operational efficiency, reducing vehicle loading time by ~25% and increasing productivity per head by ~58%.
- **Strategic Location** - Mega hubs are strategically located across key economic zones—North, West, East, and South, ensuring comprehensive pan-India connectivity through all major national highways.
- **Automated Integration** - Designed with increased bay capacity and expanded space. They incorporate advanced automation features such as cross-docking, dock levelers, streamlined direct route operations, and efficient parking and traffic management systems. Additionally, the hubs are equipped with proper ventilation and integrated IT systems to optimize operational efficiency.

They are equipped to handle both short-haul deliveries within regions like North India and long-haul cargo movements nationwide. The integration of automation technologies enhances loading and unloading speed, boosts productivity, reduces turnaround time, and improves load factors. This consolidation provides economies of scale and enhances the quality of life for workers and drivers through initiatives like Gati Nivas.



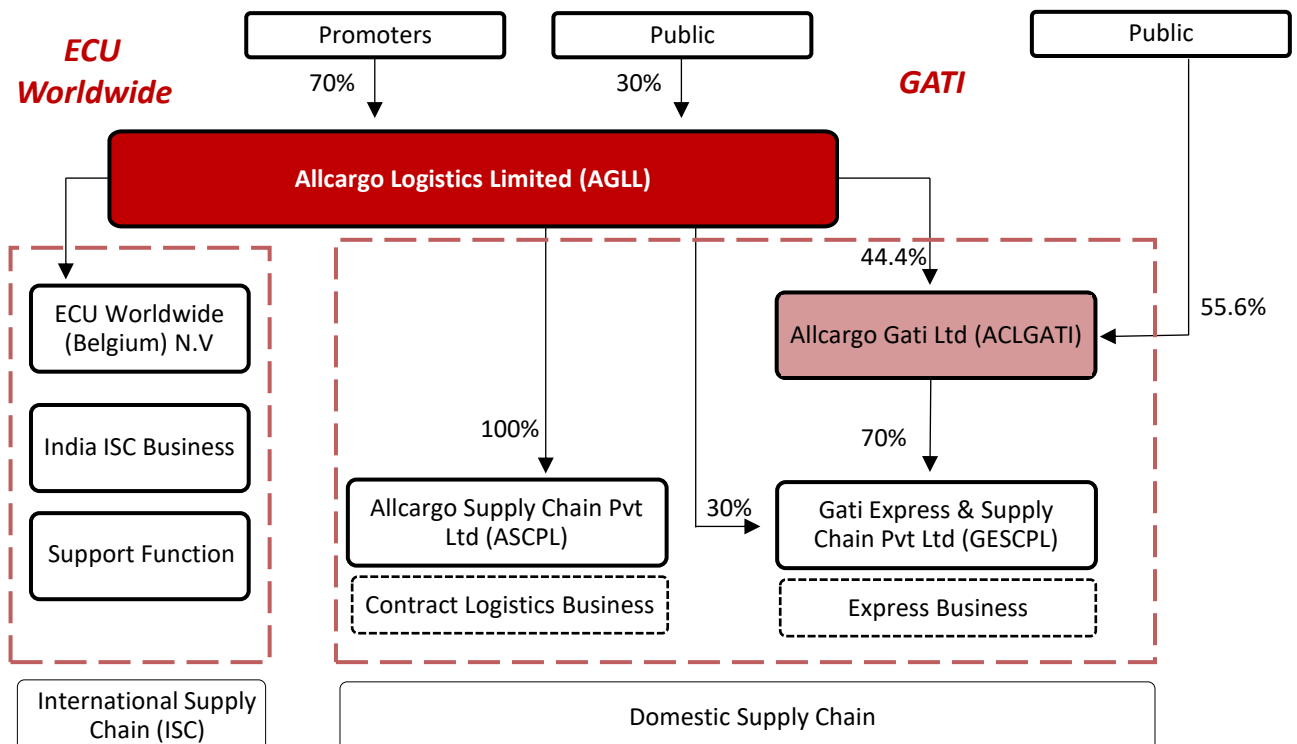
Source: Company, Keynote Capitals Ltd.

Increasing Franchisee model and EVs for first and last mile deliveries

ACLGATI is enhancing last-mile connectivity and load sourcing by developing a new franchise model across India, aimed at reducing turnaround times and costs while boosting booking loads. The Company has introduced over 100 Electric Vehicles (EVs) for first and last-mile deliveries, as part of an initial deployment phase, and has signed an MOU with Gentari Mobility to utilize 500 EVs under a vehicle-as-a-service model. This partnership allows Gati to leverage EVs without incurring upfront purchase costs, with Gentari managing fleet maintenance and charging infrastructure. Additionally, a broader branch network is expected to facilitate rapid customer acquisition.

Restructuring and Aligning Corporate Structure

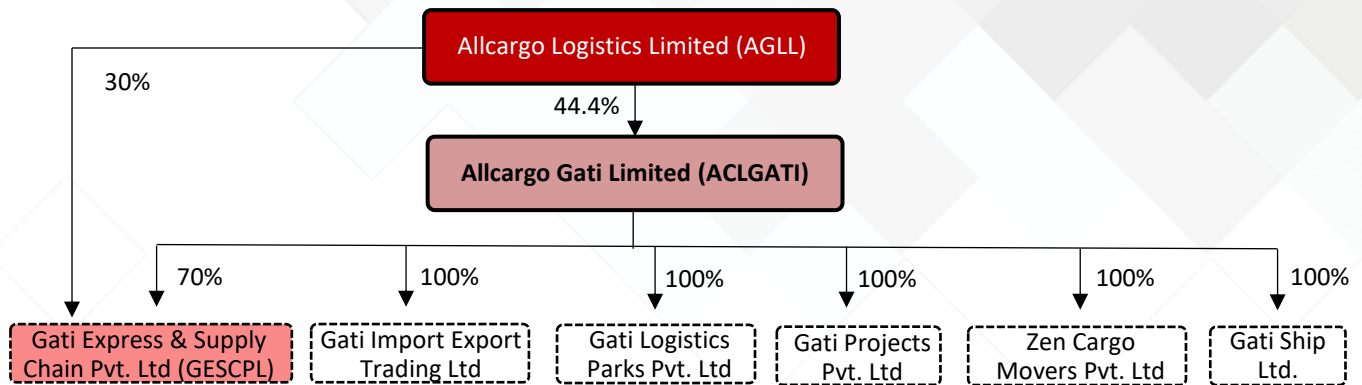
Allcargo Logistics: Existing Corporate Structure



Source: Company, Keynote Capitals Ltd.

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Allcargo Gati: Existing Corporate Structure



Source: Company, Keynote Capitals Ltd.

ACLGATI announced an elaborate scheme of arrangement on December 21, 2023. The scheme encompasses:

1. Demerges the International Supply Chain (ISC) business of Allcargo Logistics Limited (AGLL) into a separate entity naming Allcargo ECU Limited (AEL).
2. Merges the express business of ACLGATI and domestic supply chain business of Allcargo Logistics into a single entity and management.
3. Simplifies the organizational structure by eliminating cross holdings, reducing the legal entities, and unifying synergistic businesses.

Steps in the scheme of arrangement to be executed in following order:

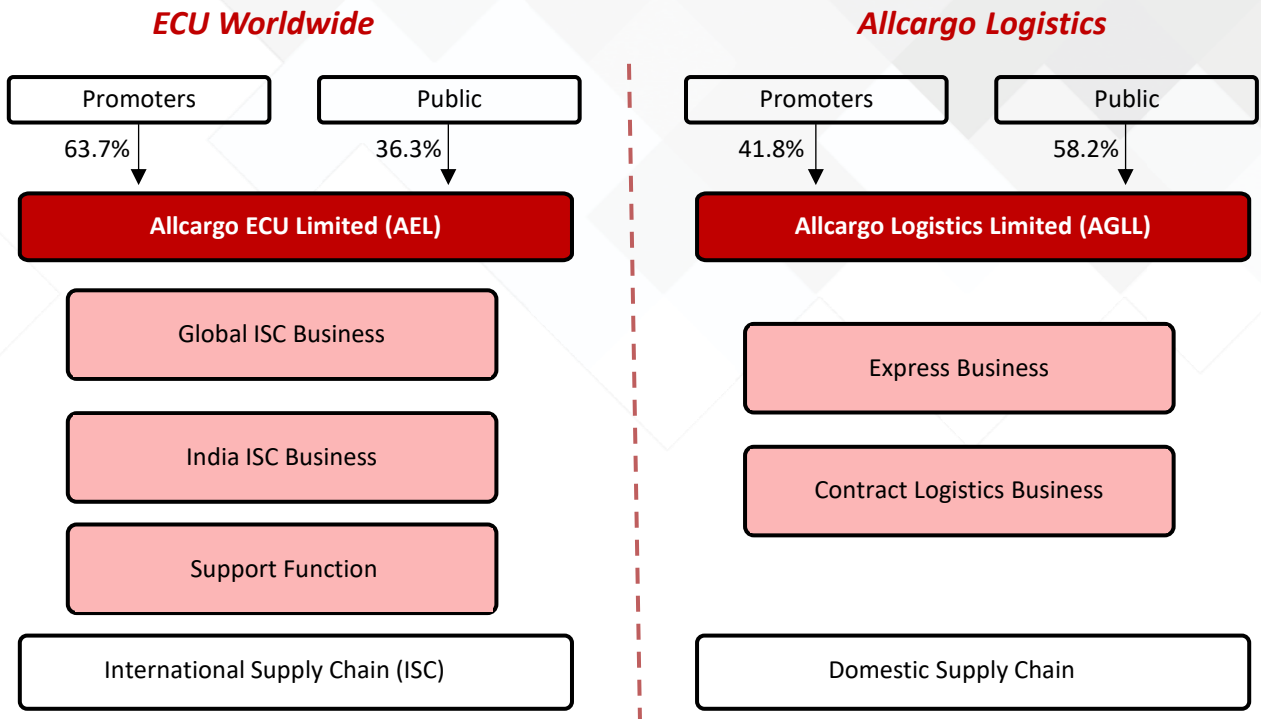
1. Issue of bonus shares by Allcargo Logistics Limited to its shareholders; (Completed)
2. Demerger of International Supply Chain business from Allcargo Logistics Limited to a new entity, Allcargo ECU Limited ;
3. Merger of contract logistics business Allcargo Supply Chain Pvt. Ltd. of Allcargo Logistics Limited with ACLGATI;
4. Merger of express logistics business Gati Express & Supply Chain Pvt. Ltd. with ACLGATI;
5. Merger of resultant ACLGATI (post-merger of Allcargo Supply Chain Pvt. Ltd. and Gati Express & Supply Chain Pvt. Ltd.) with Allcargo Logistics Limited post-demerger of ISC business.

The result will be 2 entities with no cross holdings-

- Allcargo ECU Limited (AEL) - promoter/public holding — 63.7%/ 36.3%
- Allcargo Logistics limited (AGLL) - promoter/public holding — 41.8%/ 58.2%

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Simplified Corporate Structure Post Restructuring



Source: Company, Keynote Capitals Ltd.

1.&2. Demerger of the ISC business from Allcargo Logistics Limited to new entity post-issue of bonus shares

The scheme's initial phase involves demerging the International Supply Chain (ISC) business from Allcargo Logistics Limited into a newly formed entity, Allcargo ECU Limited. This new entity will encompass the Global ISC, India ISC, and support functions. The demerger will follow a 1:1 share swap ratio, granting Allcargo Logistics Limited shareholders one Allcargo ECU Limited share for each Allcargo Logistics Limited share held, post the 3:1 bonus issue. Allcargo ECU Limited was incorporated as a wholly-owned subsidiary on August 20, 2023, and AGLL's equity shares in Allcargo ECU Limited will be cancelled as Allcargo ECU Limited issues new equity shares to Allcargo Logistics Limited shareholders in 1:1 mirror shareholding under the demerger plan.

"Allcargo Logistics Limited declared a 3:1 bonus issue on December 21, 2023, with shares credited on January 9, 2024. The total shares increased from 245.7 Mn to 982.8 Mn post-issue."

Particulars	In Mn
Number of shares (post-bonus)	~982.8
Swap ratio for demerger	1:1
Number of Allcargo ECU Limited shares to be issued to shareholders of Allcargo Logistics Limited	~982.8

Source: Company, Keynote Capitals Ltd.

3. Merger of Allcargo Supply Chain Private Limited with ACLGATI

The merger involves Allcargo Supply Chain Pvt Ltd., a wholly-owned subsidiary of Allcargo Logistics Limited, merging with ACLGATI. This integration will see Allcargo Supply Chain Pvt Ltd's domestic supply chain business, also known as the contract logistics business, combined with ACLGATI. Shareholders of Allcargo Supply Chain Pvt Ltd. will receive 2 shares of ACLGATI for every 10 shares held.

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Particulars	In Mn
Number of Allcargo Supply Chain Private Limited shares outstanding	~229.2
Swap ratio for merger	2:10
Number of ACLGATI shares to be issued to shareholders of Allcargo Supply Chain Private Limited	~45.8

Source: Company, Keynote Capitals Ltd.

4. Merger of Gati Express & Supply Chain Private Limited (GESCPL) with ACLGATI

ACLGATI, which owns 70% of Gati Express & Supply Chain Pvt. Ltd., with the balance 30% held by Allcargo Logistics Limited. Under the scheme of arrangement, ACLGATI will issue shares to acquire Allcargo Logistics Limited's stake in Gati Express & Supply Chain Pvt. Ltd., leading to the merger of Gati Express & Supply Chain Pvt. Ltd. with ACLGATI. Shareholders of Gati Express & Supply Chain Pvt Ltd. will receive 3,475 shares of ACLGATI for every 10 shares

Particulars	In Mn
Number of Gati Express & Supply Chain Pvt Ltd. shares outstanding	~0.5
Number of shares held by Allcargo Logistics Limited	~0.15 (30%)
Swap ratio for merger	3,475:10
Additional shares of ACLGATI to be issued to Allcargo Logistics Limited for its 30% holding	~52.13

Source: Company, Keynote Capitals Ltd.

5. Merger of Allcargo Gati Limited (ACLGATI) with Allcargo Logistics Limited (AGLL)

Post execution of the transactions mentioned in points '1&2.', '3.' and '4.' above, the merged entity, ACLGATI, will encompass the: i) express logistics business, ii) contract logistics business, and iii) miscellaneous businesses of fuel station and air express.

Shareholding pattern of ACLGATI post-merger of Allcargo Supply Chain Pvt. Ltd. and Gati Express & Supply Chain Pvt Ltd:

Particulars	In Mn
Number of shares outstanding as on 31 st March 2024	~130.26
Number of shares issue in QIP on 27 th June, 2024	~16.76
Number of shares issue against Employee Stock Appreciation Rights (ESARs) 2021 on 7 th November, 2024	~0.04
Number of shares outstanding pre merger	~147.06
Number of shares issued to shareholders of Allcargo Supply Chain Pvt. Ltd.	~45.84
Number of shares issued to shareholders of Gati Express & Supply Chain Pvt. Ltd.	~52.13
Total shares outstanding post-merger	~245.02

Source: Company, Keynote Capitals Ltd.

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The final step in the process is the merger of ACLGATI with the demerged Allcargo Logistics Limited. Every 10 Shareholders of ACLGATI will receive 63 shares of the demerged Allcargo Logistics Limited.

Merger of ACLGATI with AGLL:

Particulars	In Mn
Number of ACLGATI shares outstanding	~245.02
Number of shares held by public	~81.73 (33.36%)
Swap ratio	63:10
Number of Allcargo Logistics Limited shares to be issued to shareholders of ACLGATI	~514.89

Source: Company, Keynote Capitals Ltd.

Shareholding pattern of Allcargo Logistics Limited, post-merger of ACLGATI with AGLL:

Particulars	In Mn
Number of Allcargo Logistics Limited shares outstanding pre-scheme	~982.8
- Held by promoters (63.7%)	~625.63
- Held by public (36.3%)	~357.15
Add: Number of Allcargo Logistics Limited shares issued to non-promoters of ACLGATI	~514.89
Total shares outstanding post-merger	~1,497.68
- Held by promoters (41.8%)	~625.63
- Held by public (58.2%)	~872.05

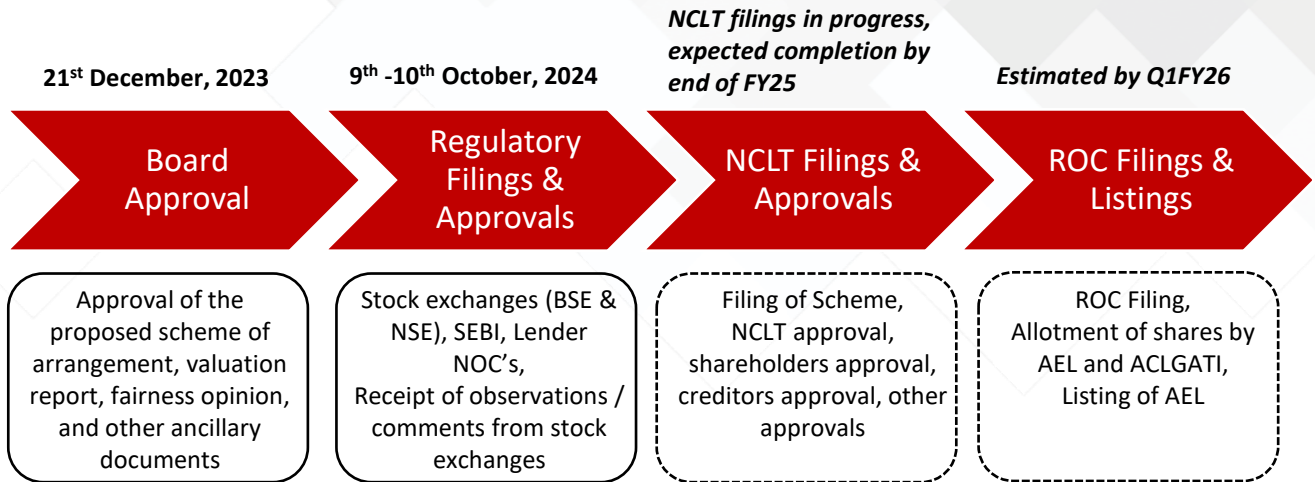
Source: Company, Keynote Capitals Ltd.

Rationale of Scheme

1. Synergy and benefit of cross-selling - The businesses involved are complementary, sharing similar strategies, markets, and growth opportunities. The merger seeks to leveraging synergies for better operational efficiency.
2. Simplification of corporate structure and Unified Management - By reducing the number of legal entities, the merger simplifies the corporate structure. This streamlining is expected to enhance management control and operational efficiency. The merger seeks to unify these businesses under a single management structure.
3. Strategic independence and financial flexibility - The merger aims to provide strategic independence and financial flexibility to distinct business segments, namely International Supply Chain, Express Logistics, and Contract Logistics. This separation allows each business to focus on its unique dynamics and requirements.

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Update on progress of scheme

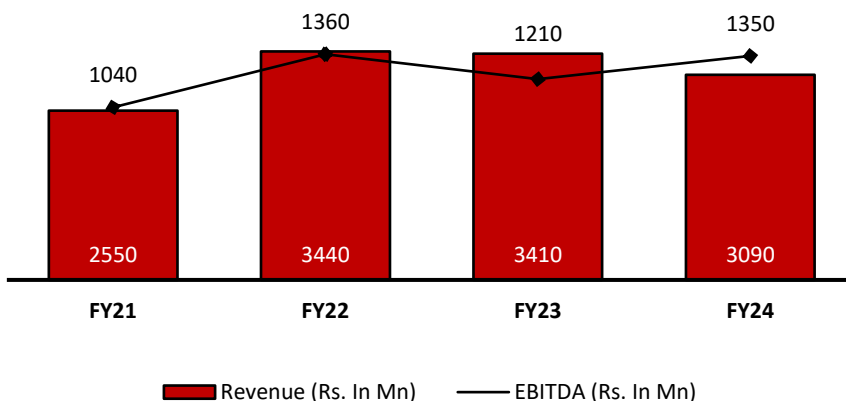


Source: Company, Keynote Capitals Ltd.

Allcargo Supply Chain Pvt Ltd. (ASCPL) – Specializes in Contract Logistics business

ASCPL a material subsidiary of AGLL, specializes in providing comprehensive supply chain solutions, focusing on contract logistics services. ASCPL is a leading pan India 3PL player with an expansive network. Their offerings include end-to-end logistics services designed to simplify complexities and enhance operational efficiency for businesses. ASCPL is the market leader in the chemical warehousing segment in India and is expanding its offerings into the e-commerce, auto and auto-ancillary, and retail sectors. Having pan India network of 60+ warehouses developed with best in-class tech-enabled warehouse capabilities. It manages one of India's largest warehousing space of more than 5mn sq. ft., with plans to double this to ~10 Mn sq. ft. in three to four years. Leveraging its expertise in chemical management and value-added services, ASCPL maintains an EBITDA margin ~28-32%, which it aims to improve moving forward.

Contract Logistics - ASCPL



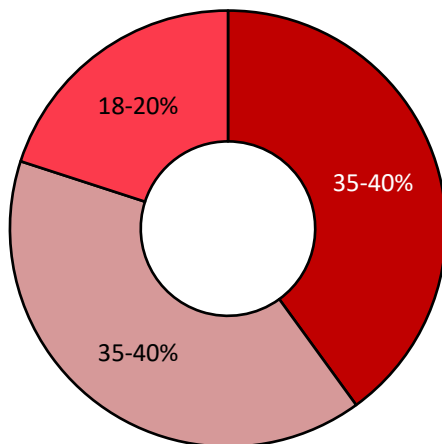
Source: Company, Keynote Capitals Ltd.

Contract Logistics Revenue Segments

Chemical, Food & Pharma	<ul style="list-style-type: none"> • Market leader in chemical warehousing segment • Drive integrated growth in chemical business by offering one stop solution for chemical clients • Equipped with skills to specially pack granules and semi liquid chemicals. • Manages ~6,000 Pallet Position Facility keeping about 4,000+ Tons of material. • Proper segregation of HAZ and Non-HAZ material as per their MSDS compatibility
E-commerce	<ul style="list-style-type: none"> • Fully and semi-automated warehouse solutions • Dedicated and shared warehouse and transport solutions • We match up to the demands of this dynamic sector • Advanced stock management system • Introduced put-to-light and pick-to-light operating models
Auto/ Industrial	<ul style="list-style-type: none"> • In-plant logistics, line-feeding and quality checks • Product line packaging and value-added service • Aftermarket distribution and reverse logistics services • Yard management, order management and machine critical order management • Finished goods warehousing and distribution centre management

Source: Company, Keynote Capitals Ltd.

Contract Logistics Revenue Mix (FY24)



■ Chemical, Food & Pharma
 ■ E-commerce
 ■ Auto/Industrial

Source: Company, Keynote Capitals Ltd.

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Management Analysis

Key Managerial Personnel

Name	Designation	Promoter / Professional	Experience with ACLGATI (Yrs.)
Mr. Shashi Kiran Shetty	Chairman and MD	Promoter	31+
Mr. Ketan Kulkarni	Deputy MD of GES CPL	Professional	-
Mr. Deepak Pareek	CFO	Professional	-
Mr. Uday Sharma	CCO of GES CPL	Professional	-
Mr. Sandeep Kulkarni	COO of GES CPL	Professional	1+
Mr. Sanjay Khiyani	CIO	Professional	-

Pirojshaw (Phil) Sarkari tendered resignation from post of MD, CEO of GES CPL & Non-Executive Non-Independent Director of Allcargo Gati Ltd with effective from 30 Nov, 2024

Source: Company, Keynote Capitals Ltd.

Compensation and Skin in the Game

Particulars	FY20	FY21	FY22	FY23	FY24
% Promoter Holding	7.78%	51.89%	51.65%	53.12%	52.95%*
Management Salary (Rs Mn)	-	-	-	-	-
As a % of PAT	-	-	-	-	-

"Chairman and MD of ACLGATI, Mr. Shashi Kiran Shetty is also a Chairman of parent AGLL. Mr. Shashi draws salary from AGLL"

() The promoter shareholding includes ~2.6% held by ex-promoters as of FY24, which is expected to get corrected further.*

Source: Company, Keynote Capitals Ltd.

Top shareholders >1%

Stakeholders	FY21	FY22	FY23	FY24
Mukul Mahavir Agrawal	5.17	5.69	5.38	5.37
Kintetsu World Express Inc	3.55	3.52	3.33	3.32
Public Sector Pension Investment Board – lifl Asset Management Limited	-	1.45	1.48	-
Jagdish N Mehta	-	1.31	1.36	-
Eq India Fund	1.03	1.02	-	-
Matthews India Fund	-	1.17	-	-

Source: Company, Keynote Capitals Ltd.

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Peer Analysis

We have considered TCI Express Ltd. and Safexpress Private Ltd. as its peer. TCI Express Limited is a leading express cargo logistics Company in India, renowned for its industry-leading speed and time-definite delivery solutions. With its own extensive network across the country, TCI Express offers a range of logistics services, including Surface Express, Domestic and International Air Express, E-Commerce, C2C Express, Pharma Cold Chain Express, and Rail Express, utilizing various modes of transport for efficient distribution.

Safexpress, India's largest logistics and supply chain Company, boasts an extensive pan-India presence and the largest fleet of GPS-enabled vehicles. It offers a comprehensive range of services, including surface and air express distribution as its core service, along with 3PL, warehousing, vendor-managed inventory, consulting services, and door-to-door logistics for both B2B and C2C segments.

Metrics	GESCPL*	TCI Express	Safexpress
Revenue (Rs. Bn)			
-FY22	12.4	10.9	24.3
-FY23	14.7	12.5	31.1
-FY24	14.8	12.6	NA
EBITDA (Rs. Bn)			
-FY22	0.4	1.8	3.3
-FY23	0.7	2.0	6.1
-FY24	0.6	1.9	NA
EBITDA Margin (%)			
-FY22	3.2%	16.5%	13.6%
-FY23	4.8%	16.0%	19.6%
-FY24	4.1%	15.1%	NA
Express Volume ('000 MT)			
-FY22	962	865	NA
-FY23	1,133	993	NA
-FY24	1,250	1,000	NA
Revenue per ton (Rs.)			
-FY22	12,065	12,601	NA
-FY23	12,020	12,568	NA
-FY24	10,968	12,610	NA
EBITDA per ton (Rs.)			
-FY22	374	2,116	NA
-FY23	635	2,034	NA
-FY24	440	1,940	NA

* GESCPL, a material subsidiary of ACLGATI, accounts for ~87% of ACLGATI's consolidated revenue for FY24 and encompasses the Company's express distribution and supply chain management operations.

Source: Company, TCI Express Ltd., Safexpress Private Ltd., Keynote Capitals Ltd.

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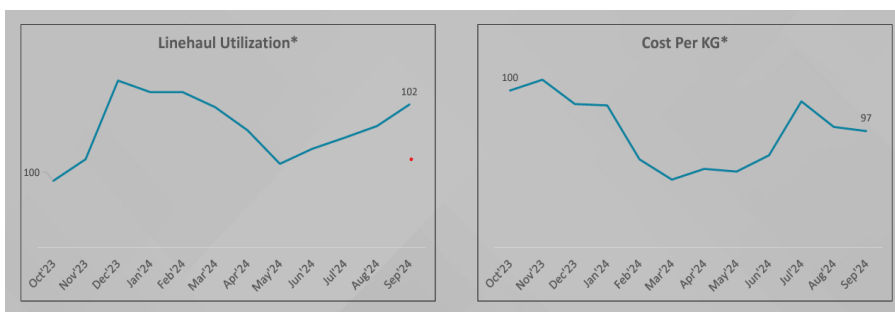
Opportunities

Industry tailwind – Express logistics thriving

Express logistics is one of the fastest-growing sectors in India's logistics industry, primarily fueled by the expansion of e-retail. From FY18 to FY23, the sector's revenue grew at a CAGR of ~12%, driven by economic growth, a burgeoning e-commerce market, and increasing demand for timely deliveries. Looking ahead, the sector is expected to grow at a 14% CAGR over the next five years. Major players and start-ups are poised to capitalize on the e-retail surge, especially in furniture, groceries, and medicines. Companies investing in relationships and infrastructure are well-positioned to benefit from this e-commerce expansion. The road express segment is projected to be the fastest-growing component within express logistics and road transportation, with a 15% CAGR from FY23 to FY28, surpassing air express's 12% CAGR. This growth is largely attributed to the booming e-commerce industry, which demands quick and reliable delivery services.

Cost reduction through improving efficiency

ACLGATI is enhancing serviceability and efficiency by consolidating multiple small warehouses into single mega warehouses at key locations, increasing load handling capacity, automating operations, and improving turnaround time. Additional warehousing space is being added at other sites on long-term leases to accommodate growth over the next 7-9 years. This strategy involves reorganizing the distribution network to boost efficiency, cut costs, and enhance service levels, optimizing space and resources for better inventory management and reduced operational expenses. While expanding hub capacity improves load handling, last-mile connectivity is crucial for load sourcing and volume. To this end, ACLGATI added ~100 franchisees in FY23 and plans further additions. It is also leasing a last-mile pickup and delivery fleet, primarily electric vehicles, to expand its branch network and rapidly acquire customers. Thus, operational diligence and a cost focus approach has led to an increase in linehaul utilization.



Source: Company, Keynote Capitals Ltd.

Improving customer mix

The Company is currently reliant on KEA clients, which yield lower revenue per kilogram and margins compared to SME and retail clients. To enhance profitability, the Company aims to increase the share of MSME and retail clients in its customer mix, as these segments offer higher yields and margins. This strategic shift also promises improved realization and efficient working capital management, given that MSMEs and retail operations typically follow a cash-and-carry model. The MSME sector presents substantial growth opportunities driven by increased manufacturing activities in India and a shift from unorganized to organized sectors.

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To shift towards a greater mix of MSME and retail clients, the Company has implemented several strategies. Previously, the lack of direct contact with MSME and retail customers hindered growth. To address this, addition of on foot employees and a dedicated inside sales team has been established to support MSME clients and solving the issues, along with regional key account managers for faster issue resolution.

The focus is on enhancing customer retention, increasing wallet share, and expanding the customer base. The Company has also revamped its SME incentive policy, initiated digital onboarding for quicker customer activation, and implemented yield management initiatives like setting a minimum selling price for new businesses. Additionally, the Company has engaged with the SME Chamber of Commerce in India as logistics knowledge partners and lead sponsors of their seminars. A consultant has been hired to redesign the franchise model to improve penetration in tier two and three cities, where retail business thrives. Franchises, located closer to SME and retail customers, facilitate business acquisition by understanding local markets and customer needs.

Management Change

ACLGATI has undergone a significant management restructuring in recent year, filling leadership roles with highly experienced professionals. This professional approach has been pivotal to the meticulous transformation under the Gati 2.0 initiative, driving strategic growth and operational improvements.

Name	Designation	Appointed since	Experience
Mr. Sandeep Kulkarni	COO of GESCPL	November, 2023	Mr. Sandeep Kulkarni comes with 22+ years of work experience. He previously worked with L&T, Amazon, Jio Mart and Indian Navy. His last role was Chief Supply Chain officer, Tata Cliq.
Mr. Uday Sharma	CCO of GESCPL	January, 2024	Mr. Uday Sharma comes with 25+ years of work experience. He previously worked with Safe Express, Skycom Express, Aramex and Spoton Logistics. His last role was Head – Sales, Delhivery Ltd.
Mr. Ketan Kulkarni	Deputy MD of GESCPL	August, 2024	Ketan Kulkarni serves as the Chief Growth Officer at Allcargo Group, India's largest integrated logistics services provider. He brings extensive experience from his roles at esteemed companies such as VIP Industries, ABD Limited, Geoffrey Manners, and Percept Advertising Ltd. Notably, he spent over 17 years as the Chief Commercial Officer at Blue Dart Express (DHL Group), where he spearheaded sustainable and strategic growth initiatives.

Source: Company, Keynote Capitals Ltd.

Digitalization

Gati is advancing its digital transformation to enhance both customer experience and operational efficiency. The Company has launched the first module of the Gati Associate Tracking Engine (GATE) for improved operational visibility and cost rationalization. A CRM system powered by Salesforce aids in managing customer relationships and make data-driven decisions.

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Gati has introduced digital tools such as the Gati Genie WhatsApp chatbot, digital payments, vehicle tracking, and an organization-wide ERP system. The launch of GEMS 2.0, in partnership with Tech Mahindra, aims to integrate business operations seamlessly and enhance digital capabilities like vehicle tracking and e-billing. Additionally, Gati has deployed GPS in all vehicles and improved dashboards for real-time data visibility. The rollout of dimensional weighing and scanning machines at select locations further reduces revenue loss from inaccurate measurements. These initiatives collectively bolster Gati's market position as a digitally-enabled enterprise.

Challenges

Intensified competition and fragmented market

ACLGATI operates in a highly competitive and fragmented road transportation market, where Small Fleet Owners (SFOs) hold a dominant 60-70% share. This fragmentation leads to intense competition and pricing pressures, as unorganized operators often offer lower rates to attract business. The entry of new players and strategic acquisitions, such as Delhivery's acquisition of Spoton as they want to make a deeper dent in the express logistics industry, further intensify the competitive landscape. Although Allcargo Gati plans a double digit price hike effective January 2025, implementing this increase is challenging in such a market. To remain competitive, larger players may need to match discounted prices offered by smaller operators, potentially increasing costs and limiting their ability to maintain operating margins and growth rates. Consequently, revenue realization per kilogram is expected to remain muted due to heightened competition.

Challenges in driving volume growth

Despite refraining from price hikes in recent years, ACLGATI continues to face challenges in driving volume growth. The Company is incurring significant expenses on initiatives like mega hub expansions and enhancing connectivity through stores. Even after taking such measures, if volume growth remains stagnant, ACLGATI risks missing out on operating leverage benefits, which could hinder its ability to achieve the planned profitability growth.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	17,232	16,980	16,583	17,908	19,404
Growth %		-1%	-2%	8%	
Raw Material Expenses	2,478	2,134	1,860	1,628	1,628
Operating expenses	10,595	11,163	10,718	11,795	12,852
Gross Profit	4,158	3,684	4,004	4,485	4,924
Margin%	24%	22%	24%	25%	25%
Employee Expenses	1,882	1,773	1,741	1,880	2,037
Other Expenses	1,685	1,592	1,526	1,612	1,746
EBITDA	592	319	738	993	1,141
Growth %		-46%	131%	35%	15%
Margin%	3.4%	1.9%	4.4%	5.5%	5.9%
Depreciation	592	689	734	761	788
EBIT	0	-370	4	232	352
Margin%	0%	-2%	0%	1%	2%
Interest Paid	294	300	248	200	200
Other Income & exceptional	347	660	120	122	125
PBT	53	-11	-124	155	277
Tax	162	-72	-31	39	69
PAT	-109	61	-93	116	208
Profit from associates	0	0	0	0	0
Minority interest	-16	-84	-84	-82	-66
Net Profit	-93	145	-9	199	274
Shares (Mn)	130.1	130.3	147.1	147.1	147.1
EPS	-0.71	1.12	-0.06	1.35	1.86

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Cash, Cash equivalents & Bank	965	1,754	2,021	2,175	2,517
Current Investments	0	0	0	0	0
Debtors	2,668	2,438	2,653	2,865	3,105
Inventory	24	22	19	16	16
Short Term Loans & Advances	494	474	474	474	474
Other Current Assets	61	82	82	82	82
Total Current Assets	4,212	4,769	5,249	5,612	6,194
Net Block & CWIP	6,845	7,136	6,733	6,313	5,874
Long Term Investments	0	0	0	0	0
Other Non-current Assets	788	838	838	838	838
Asset Held for Sale	739	135	135	135	135
Total Assets	12,584	12,877	12,954	12,898	13,041
Creditors	952	884	724	634	635
Provision	132	111	111	111	111
Short Term Borrowings	1,234	1,443	164	164	164
Other Current Liabilities	1,851	1,651	1,651	1,651	1,651
Total Current Liabilities	4,169	4,088	2,649	2,559	2,560
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	-264	-357	-357	-357	-357
Other Long Term Liabilities	1,797	2,145	2,145	2,145	2,145
Total Non Current Liabilities	1,534	1,788	1,788	1,788	1,788
Paid-up Capital	260	261	294	294	294
Reserves & Surplus	5,887	6,094	7,660	7,776	7,984
Shareholders' Equity	6,147	6,354	7,954	8,070	8,278
Non Controlling Interest	734	647	563	480	414
Total Equity & Liabilities	12,584	12,877	12,954	12,898	13,041

Source: Company, Keynote Capitals Ltd. estimates

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25E	FY26E	FY27E
Pre-tax profit	53	-11	-124	155	277
Adjustments	1,006	594	778	756	797
Change in Working Capital	-407	78	-372	-300	-238
Total Tax Paid	-71	66	31	-39	-69
Cash flow from operating Activities	582	726	313	572	767
Net Capital Expenditure	-320	-229	-332	-340	-349
Change in investments	-651	-92	0	0	0
Other investing activities	807	839	120	122	125
Cash flow from investing activities	-163	518	-212	-218	-224
Equity raised / (repaid)	525	0	1693	0	0
Debt raised / (repaid)	-278	196	-1,279	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-634	-744	-248	-200	-200
Cash flow from financing activities	-387	-547	166	-200	-200
Net Change in cash	31	697	267	154	342

Valuation Ratios

	FY23	FY24	FY25E	FY26E	FY27E
Per Share Data					
EPS	-1	1	0	1	2
Book Value Per Share	53	54	58	58	59
Return Ratios					
Return on Assets (%)	-1%	1%	0%	2%	2%
Return on Equity (%)	-1%	2%	0%	2%	3%
Return on Capital Employed (%)	3%	0%	3%	5%	6%
Turnover Ratios					
Asset Turnover (x)	1.4	1.3	1.3	1.4	1.5
Sales / Gross Block (x)	2.0	1.9	1.8	1.9	2.0
Working Capital / Sales (%)	-3%	2%	10%	16%	17%
Receivable Days	53	55	56	56	56
Inventory Days	4	4	4	4	4
Payable Days	145	157	158	153	142
Working Capital Days	-89	-98	-98	-92	-82
Liquidity Ratios					
Current Ratio (x)	1.0	1.2	2.0	2.2	2.4
Interest Coverage Ratio (x)	1.1	-0.2	0.5	1.8	2.4
Total Debt to Equity	0.2	0.2	0.0	0.0	0.0
Net Debt to Equity	0.0	0.0	-0.2	-0.2	-0.3
Valuation					
Price to Sales (x)	0.8	0.8	0.8	0.7	0.7
Price to Book (x)	2.1	2.1	1.7	1.6	1.6
EV/EBITDA (x)	22.5	39.9	19.6	14.6	12.7
EV/Sales (x)	0.8	0.7	0.9	0.8	0.7

Valuations

Particulars	FY27E
Revenue (in Rs. Mn)	19,404
EBITDA (in Rs. Mn)	1,141
EBITDA Margin %	5.9%
EV EBITDA (x)	16x
Enterprise Value (in Rs. Mn)	18,250
Net Cash (in Rs. Mn)	2,354
Market capitalization (in Rs. Mn)	20,603
Outstanding Shares (in Mn)	~147
Expected Share Price	140
Current Share Price	90
Upside / (Downside %)	~56%

Source: Company, Keynote Capitals Ltd. estimates

We anticipate a revenue growth of ~8% for FY26-27, primarily driven by an ~7-8% increase in volumes across both surface and air express logistics. With enhancements in turnaround times, we expect the Company to achieve improved gross margins in the coming years. Strategic initiatives such as the establishment of mega hubs to reduce turnaround times, restructuring of top-level management, and a shift in the customer mix are anticipated to drive growth and enhance cost efficiency. We believe the Company is at a critical juncture, with key strategic measures either implemented or in progress, which are likely to contribute to market share expansion and an improvement in operating margins. Accordingly, we have initiated coverage on Allcargo Gati Ltd with a BUY rating, assigning an EV/EBITDA multiple of 16x and a target price of ~Rs. 140, indicating an upside potential of ~56% by FY27E.

Our Recent Reports

Mangalore Chemicals and Fertilizers Ltd. | 10th December 2024

Special situation: Merger arbitrage

Mangalore Chemicals and Fertilizers Ltd. (MCF) is a subsidiary of South Chemicals Ltd. (SCL) and part of the Adani Group, a prominent fertilizer manufacturer based in Karnataka, India. The Company produces urea, urea-ammonium phosphate (UAP), urea-ammonium nitrate (UAN) and other specialty products under the brand name 'Mangal'.

MCF primarily operates in southern India and has an annual production capacity of 7.5 lakh MT for urea and 7.5 lakh MT for UAP and other specialty products. MCF is a public company listed on the BSE and NSE.

MCF is currently in a merger arbitrage situation. The Company is in the process of being acquired by Adani Group. The merger is expected to be completed by the end of 2024. The merger will result in the formation of a new entity, Adani Fertilizers and Chemicals Ltd. (AFCL). The merger is expected to be completed by the end of 2024.

Arbitrage

MCF is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the merger arbitrage opportunity. The fair value of MCF is estimated to be ₹120 per share. The current market price is ₹80 per share. This creates an arbitrage opportunity of ₹40 per share.

Merger with AFCL

On February 1, 2024, MCF announced its merger with AFCL, a prominent chemical producer of the Adani Group. The merger is expected to be completed by the end of 2024. The merger will result in the formation of a new entity, Adani Fertilizers and Chemicals Ltd. (AFCL). The merger is expected to be completed by the end of 2024.

MCF is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the merger arbitrage opportunity. The fair value of MCF is estimated to be ₹120 per share. The current market price is ₹80 per share. This creates an arbitrage opportunity of ₹40 per share.

View & Valuation

MCF is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the merger arbitrage opportunity. The fair value of MCF is estimated to be ₹120 per share. The current market price is ₹80 per share. This creates an arbitrage opportunity of ₹40 per share.

Mold-Tek Packaging Ltd. | 13th November 2024

Driving growth through expansion and diversification

Mold-Tek Packaging Limited (MPL) is a leading Indian manufacturer of rigid plastic packaging, operating in the consumer durable, consumer electronics, and industrial sectors. The company has a strong presence in the Indian market and is expanding its operations globally.

MPL is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the company's growth potential. The fair value of MPL is estimated to be ₹150 per share. The current market price is ₹100 per share. This creates an arbitrage opportunity of ₹50 per share.

BUY

MPL is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the company's growth potential. The fair value of MPL is estimated to be ₹150 per share. The current market price is ₹100 per share. This creates an arbitrage opportunity of ₹50 per share.

Keynote logo

Affle (India) Limited | 18th October 2024

Digital marketing growth with diversified revenue streams

Affle (India) Limited (Affle) is a leading Indian digital marketing company, operating in the consumer durable, consumer electronics, and industrial sectors. The company has a strong presence in the Indian market and is expanding its operations globally.

Affle is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the company's growth potential. The fair value of Affle is estimated to be ₹180 per share. The current market price is ₹120 per share. This creates an arbitrage opportunity of ₹60 per share.

BUY

Affle is currently trading at a discount to its fair value. This is due to the fact that the market is not fully aware of the company's growth potential. The fair value of Affle is estimated to be ₹180 per share. The current market price is ₹120 per share. This creates an arbitrage opportunity of ₹60 per share.

Keynote logo

Mangalore Chemicals and Fertilizers Limited

Mold-Tek Packaging Limited

Affle (India) Limited

Rating Methodology

Rating	Criteria
BUY	Expected positive return of > 10% over 1-year horizon
NEUTRAL	Expected positive return of > 0% to < 10% over 1-year horizon
REDUCE	Expected return of < 0% to -10% over 1-year horizon
SELL	Expected to fall by >10% over 1-year horizon
NOT RATED (NR)/UNDER REVIEW (UR)/COVERAGE SUSPENDED (CS)	Not covered by Keynote Capitals Ltd/Rating & Fair value under Review/Keynote Capitals Ltd has suspended coverage

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Allcargo Gati Limited | Initiating Coverage Report

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