

Allcargo Gati Limited

21st May 2025

Topline growth was in-line with expectation

In Q4 FY25, Allcargo Gati Limited (ACLGATI) reported sales growth of ~9% on a YoY basis. However, gross margins and EBITDA margins contracted by 332 bps and 126 bps YoY, respectively. The Company has made a conscious decision to incur additional costs by providing incentives to business partners for pickup, delivery, and lead generation. This strategic investment is aimed at enhancing service quality, which is expected to drive margin improvement in the coming quarters. Looking ahead, management has guided for EBITDA margins in the express logistics segment to reach 6.5–7% by FY27. Furthermore, the Company plans to upgrade and automate six large hubs by the end of FY26 to improve vehicle turnaround times—an initiative expected to enhance operational efficiency and support long-term growth.

Capacity expansion

In Phase I, the Company commissioned seven super-hubs to strengthen its operational network. In Phase II, it plans to upgrade and automate six additional hubs over the next year. This strategic initiative is aimed at expanding hub capacity, increasing throughput, and optimizing manpower efficiency, which is expected to drive faster turnaround times and contribute to margin expansion.

Update on Non-core business

In addition to the sale of one fuel station at the end of 2024, the Company’s Board of Directors has approved the sale of the remaining two fuel stations, located in Bangalore and Indore, for Rs. 100 Mn and Rs. 75 Mn, respectively. The transaction is expected to be completed by the end of Q1 FY26 or Q2 FY26.

View & Valuation

We have revised our estimates and maintained our BUY rating with a target of Rs. 104 (14x FY27 EBITDA). 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.

BUY

CMP Rs. 65

TARGET Rs. 104 (+60%)

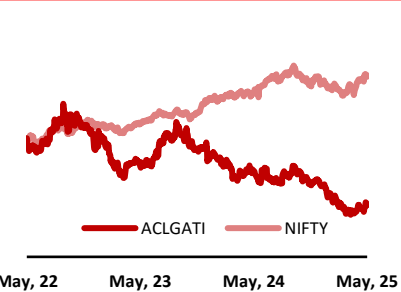
Company Data

Bloomberg Code	ACLGATI IN
MCAP (Rs. Mn)	9,589
O/S Shares (Mn)	147
52w High/Low	120/52
Face Value (in Rs.)	2
Liquidity (3M) (Rs. Mn)	~40

Shareholding Pattern %

	Mar 25	Dec 24	Sep 24
Promoters	46.1	46.1	46.1
FIIs	2.4	2.1	2.0
DIIIs	3.0	3.5	3.4
Non-Institutional	48.6	48.3	48.5

ACLGATI vs Nifty



Source: Keynote Capitals Ltd.

Key Financial Data

(Rs Mn)	FY24	FY25	FY26E
Revenue	14,788	15,099	16,067
EBITDA	494	663	803
Net Profit	145	133	41
Total Assets	12,877	13,348	13,017
ROCE (%)	-1%	3%	2%
ROE (%)	2%	2%	0%

Source: Company, Keynote Capitals Ltd.

Karan Galaiya, Research Analyst
Karan@keynotecapitals.net

*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.

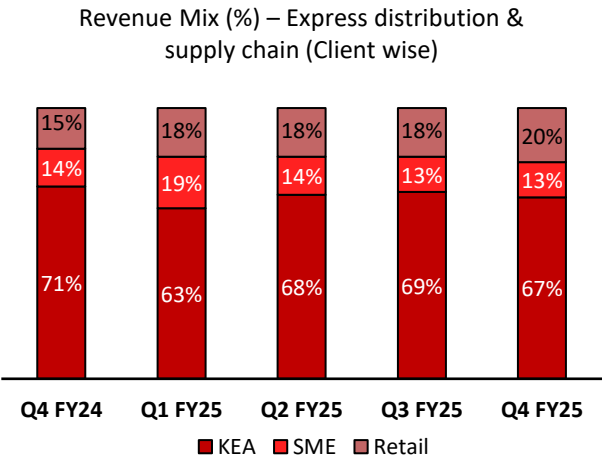
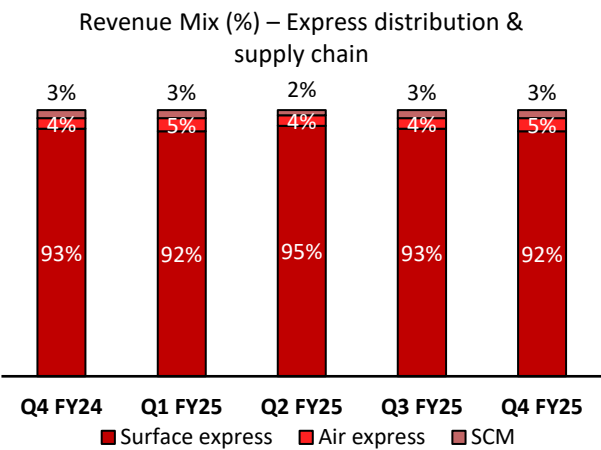
Q4 FY25 Result Update

Result Highlights (Rs. Mn)

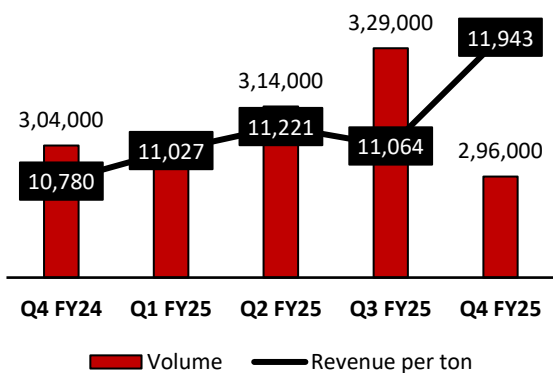
Particulars	Q4 FY25	Q4 FY24	Change % (Y-o-Y)	Q3 FY25	Change % (Q-o-Q)	FY25	FY24	Change % (Y-o-Y)
Revenue from Operation	3,854	3,550	9%	3,925	-2%	15,099	14,788	2%
Gross Profit	886	935	-5%	985	-10%	3,839	3,641	5%
Gross Profit %	23.0%	26.3%	-332 bps	25.1%	-209 bps	25.4%	24.6%	81 bps
Employee Cost	399	419	-5%	426	-6%	1,706	1,765	-3%
Other Expenses	392	382	2%	351	12%	1,470	1,382	6%
EBITDA	96	133	-28%	208	-54%	663	494	34%
EBITDA %	2.5%	3.8%	-126 bps	5.3%	-281 bps	4.4%	3.3%	105 bps
Depreciation	182	197	-8%	183	-1%	734	688	7%
EBIT	-86	-64	34%	25	-442%	-70	-194	-64%
EBIT %	-2.2%	-1.8%	-43 bps	0.6%	-286 bps	-0.5%	-1.3%	85 bps
Finance Cost	51	75	-33%	53	-4%	231	300	-23%
Other Income	218	37	484%	30	624%	306	115	167%
Exceptional Items	35	10	261%	0	-	35	345	-90%
PBT	117	-92	-	2	4572%	39	-35	-
Tax Expenses	-32	-26	-25%	1	-	-65	-72	10%
PAT	149	-66	-	1	-	104	37	181%
PAT from Discontinued Operations	-1	4	-	5	-	16	24	-35%
Minority Interest	27	-25	-	-10	-	-14	-84	83%
Profit for the period	122	-37	-	17	632%	133	145	-8%
EPS	0.83	-0.28	-	0.11	-	0.93	1.12	-

Source: Company, Keynote Capitals Ltd.

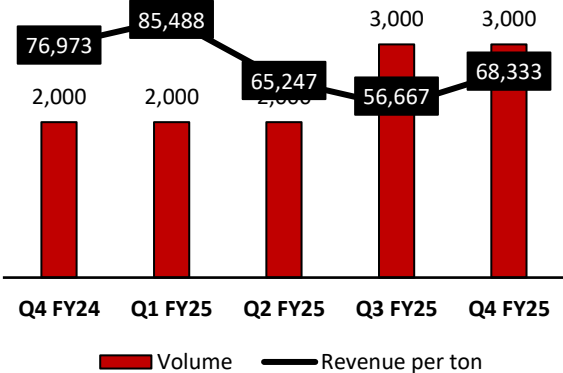
Quarterly Business Progression



Surface express: Volume (T) & Revenue per ton



Air express: Volume (T) & Revenue per ton



Source: Company, Keynote Capitals Ltd.

Q4 FY25 Conference Call Takeaways

General highlights

- The reported other income for the quarter includes a one-time income tax refund of Rs. 142 Mn.
- The Company has completed the sale of one out of three identified non-core assets (Fuel Stations). The remaining two are expected to be divested by Q1 or Q2 of FY26.
- The Company lost a major client in its air express segment during the quarter.
- Management has made a conscious decision to incur additional costs by offering incentives to business partners for pickup, delivery, and lead generation. This strategic move is intended to improve service quality in the upcoming quarters which will lead to better margins going forward.

Management Guidance

- Price and tariff increases are expected to support improvement in gross margins going forward.
- The Company has received all necessary approvals for its corporate restructuring and is currently awaiting a hearing from the NCLT, scheduled for 2nd July 2025.
- Management indicated that improved service quality is expected to drive volume growth in the coming quarters.
- Management highlighted that an increasing share of value-added services is likely to contribute to stronger yields.
- Management has set internal targets for FY26, guiding to EBITDA margins in the range of 6.5–7% and gross margins between 25.5–27%.

Financial Statement Analysis

Income Statement

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Net Sales	17,232	14,788	15,099	16,067	17,153
Growth %		-14%	2%	6%	7%
Operating expenses	13,073	11,148	11,260	11,921	12,659
Gross Profit	4,158	3,641	3,839	4,145	4,494
Margin%	24%	25%	25%	26%	26%
Employee Expenses	1,882	1,765	1,706	1,816	1,921
Other Expenses	1,685	1,382	1,470	1,526	1,595
EBITDA	592	494	663	803	978
Growth %		-17%	34%	21%	22%
Margin%	3.4%	3.3%	4.4%	5.0%	5.7%
Depreciation	592	688	734	722	745
EBIT	0	-194	-71	82	233
Margin%	0%	-1%	0%	1%	1%
Interest Paid	294	300	231	200	200
Other Income & exceptional	347	460	341	155	155
PBT	53	-35	39	36	188
Tax	162	-72	-65	9	47
PAT	-109	37	104	27	141
Profit from discontinued operations	0	24	16	0	0
Minority interest	-16	-84	-14	-14	-11
Net Profit	-93	145	133	41	152
Shares (Mn)	130.1	130.3	147.1	147.1	147.1
EPS	-0.71	1.12	0.93	0.28	1.03

Balance Sheet

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Cash, Cash equivalents & Bank	965	1,754	1,254	1,311	1,763
Current Investments	0	0	28	28	28
Debtors	2,668	2,438	2,542	2,571	2,744
Inventory	24	22	0	0	0
Short Term Loans & Advances	494	474	1,240	1,240	1,240
Other Current Assets	61	82	316	316	316
Total Current Assets	4,212	4,769	5,379	5,466	6,092
Net Block & CWIP	6,845	7,136	6,740	6,324	5,887
Long Term Investments	0	0	138	138	138
Other Non-current Assets	788	838	805	805	805
Asset Held for Sale	739	135	285	285	285
Total Assets	12,584	12,877	13,348	13,017	13,207
Creditors	952	884	1,228	884	943
Provision	132	111	117	117	117
Short Term Borrowings	1,234	1,443	194	194	194
Other Current Liabilities	1,851	1,651	1,543	1,543	1,543
Total Current Liabilities	4,169	4,088	3,081	2,737	2,797
Long Term Debt	0	0	0	0	0
Deferred Tax Liabilities	-264	-357	-385	-385	-385
Other Long Term Liabilities	1,797	2,145	1,893	1,893	1,893
Total Non Current Liabilities	1,534	1,788	1,507	1,507	1,507
Paid-up Capital	260	261	294	294	294
Reserves & Surplus	5,887	6,094	7,837	7,864	8,005
Shareholders' Equity	6,147	6,354	8,131	8,158	8,299
Non Controlling Interest	734	647	628	615	604
Total Equity & Liabilities	12,584	12,877	13,348	13,017	13,207

Cash Flow

Y/E Mar, Rs. Mn	FY23	FY24	FY25	FY26E	FY27E
Pre-tax profit	53	-11	55	36	188
Adjustments	1,006	594	743	788	814
Change in Working Capital	-407	78	-26	-373	-114
Total Tax Paid	-71	66	16	-9	-47
Cash flow from operating Activities	582	726	788	443	841
Net Capital Expenditure	-320	-229	-8	-305	-309
Change in investments	-651	-92	290	0	0
Other investing activities	807	839	-861	120	120
Cash flow from investing activities	-163	518	-579	-185	-189
Equity raised / (repaid)	525	0	1623	0	0
Debt raised / (repaid)	-278	196	-1,249	0	0
Dividend (incl. tax)	0	0	0	0	0
Other financing activities	-634	-744	-740	-200	-200
Cash flow from financing activities	-387	-547	-366	-200	-200
Net Change in cash	31	697	-157	58	452

Valuation Ratios

	FY23	FY24	FY25	FY26E	FY27E
Per Share Data					
EPS	-1	1	1	0	1
Book Value Per Share	53	54	60	60	61
Return Ratios					
Return on Assets (%)	-1%	1%	1%	0%	1%
Return on Equity (%)	-1%	2%	2%	0%	2%
Return on Capital Employed (%)	3%	-1%	3%	2%	4%
Turnover Ratios					
Asset Turnover (x)	1.4	1.2	1.2	1.2	1.3
Sales / Gross Block (x)	2.0	1.7	1.6	1.7	1.7
Working Capital / Sales (%)	-3%	2%	10%	16%	18%
Receivable Days	53	63	60	58	57
Payable Days	21	20	26	24	19
Working Capital Days	36	43	35	34	37
Liquidity Ratios					
Current Ratio (x)	1.0	1.2	1.7	2.0	2.2
Interest Coverage Ratio (x)	1.1	-0.3	1.0	1.0	1.8
Total Debt to Equity	0.2	0.2	0.0	0.0	0.0
Net Debt to Equity	0.0	0.0	-0.1	-0.1	-0.2
Valuation					
Price to Sales (x)	0.8	0.9	0.5	0.6	0.6
Price to Book (x)	2.1	2.1	1.0	1.2	1.2
EV/EBITDA (x)	22.5	25.7	10.3	11.1	9.2
EV/Sales (x)	0.8	0.9	0.5	0.6	0.5

Source: Company, Keynote Capitals Ltd.

Note: FY24 numbers are re-stated as fuel station business is now a discontinued business

KEYNOTE Rating History

Date	Rating	Market Price at Recommendation	Upside/Downside
3 rd January 2025	BUY	90	+56%
10 th February 2025	BUY	73	+75%
21 st May 2025	BUY	65	+60%

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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Compliance Officer: Mr. Jairaj Nair; Tel: 022-68266000; email id: jairaj@keynoteindia.net

Registered Office: 9th Floor, The Ruby, Senapati Bapat Marg, Dadar West, Mumbai – 400028, Maharashtra. Tel: 022 – 68266000.

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