

July 13, 2020

MoM revival seen in ports, road, rail sector...

While April saw a disruption in the operations of all logistics players due to the nationwide lockdown, May saw an improvement in traffic as the economy began to open-up phase-wise. June, on the other hand, saw increased momentum towards normalisation of operations. Although during the lockdown, essential services were allowed by GoI, it represented only a fraction of revenues of logistics players. India's major port container volumes for April-June 2020 have de-grown 32% while rail Exim container volumes have de-grown ~16% YoY for the same period, indicating a gain in market share for rail from road players. Overall rail cargo volumes have de-grown by 21% for April-June 2020.

Road sector activity seeing a faster normalisation

Due to Covid-19 related restrictions on movement of men and materials, the road sector was one of the worst hit in April, owing to multiple reasons. Some key reasons were trucks being stranded at various hubs, highways due to imposition of lockdown at state-borders, drivers returning to native places due to Covid-19 threat, etc. Ports faced an unprecedented challenge in clearing cargo owing to shortage of trucking capacity. The situation has gradually improved with a revival of economic activity with easing of restrictions that were imposed during the lockdown. Post April, E-way bill generation saw a healthy pick-up in volumes, indicating greater utilisation of trucking fleet. E-Way bill generation for April and May hovered at 16% and 46% levels, respectively, of the average 5.5 crore bills (pre-Covid levels) while June saw bill generation reaching ~80% levels.

Financial performance expected to remain under pressure

Revenues of our logistics coverage universe are expected to de-grow 46% YoY to ₹ 1839 crore owing to lower scale of operations and under-utilisation of fleet. On the profitability front, we expect all companies in our coverage universe to report losses (except Concor) at the EBITDA level owing to negative operating leverage. Subsequently, profitability at the PAT level is expected to remain meagre.

Exhibit 1: Estimates for Q1FY21E

Company	Revenue Change (%)			EBITDA Change (%)			PAT Change (%)		
	Q1FY21E	YoY	QoQ	Q1FY21E	YoY	QoQ	Q1FY21E	YoY	QoQ
Container Corporation of India	1,168.4	-28.7	-25.5	245.4	-39.2	-48.3	126.5	-44.5	-57.0
Mahindra Logistics	300.9	-66.5	-63.0	-30.1	PL	PL	-41.6	PL	PL
TCI Express	102.5	-60.0	-56.9	-8.2	PL	PL	-10.1	PL	PL
Transport Corp	267.3	-56.3	-57.3	-1.3	PL	PL	-24.2	PL	PL
Total	1,839.1	-46.0	-43.3	205.8	-61.1	-64.6	50.6	-82.8	-85.8

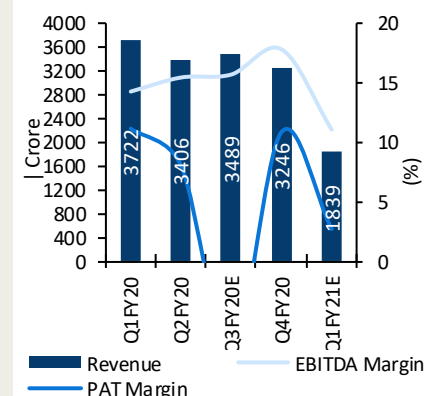
Source: Company, ICICI Direct Research

Exhibit 2: Estimates for Q1FY21E

Company	Revenue Change (%)			EBITDA Change (%)			PAT Change (%)		
	Q1FY21E	YoY	QoQ	Q1FY21E	YoY	QoQ	Q1FY21E	YoY	QoQ
United Spirits	699.1	-68.5	-64.9	-69.9	PL	PL	-179.2	PL	PL
United Breweries	602.3	-70.6	-57.7	-36.1	PL	PL	-124.1	PL	PL
Others total	1,301.4	-69.5	-61.9	-106.0	PL	PL	-303.3	PL	PL

Source: Company, ICICI Direct Research

Topline & profitability (Coverage Universe)



Top Picks

TCI Express, TCI

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Exhibit 3: Company Specific view

Company	Remarks
Container Corporation	Core revenues are expected to de-grow 29% YoY to ₹ 1168 crore due to 20% YoY de-growth in Exim volumes and 25% de-growth in domestic volumes. EBITDA margins are expected to contract 361 bps YoY to 21% (low operating leverage). Absolute EBITDA is expected to de-grow 39% YoY to ₹ 245 crore. Subsequently, PAT is expected to decline 45% YoY to ₹ 127 crore owing to lower other income
Transport Corporation of India	Freight segment is expected to de-grow 50% YoY in Q1FY21E as the situation continued to stay weak in April and May, while June saw some recovery in volumes. Supply chain and shipping segment revenues are expected to de-grow 70% and 40% YoY, respectively, due to lower fleet utilisation. Hence, resultant revenues are expected to de-grow 56% YoY to ₹ 267 crore. EBITDA is expected to report a loss of ₹ 1 crore vs. a profit of ₹ 56 crore in Q1FY20. Subsequently, PAT is expected to report a loss of ₹ 24 crore vs. a profit of ₹ 30 crore in Q1FY20
TCI Express	Revenue is expected to de-grow 60% YoY to ₹ 103 crore amid lockdown of various MSME businesses in April and May. Subsequently, EBITDA and PAT are expected to report a loss of ₹ 8 crore and ₹ 10 crore, respectively
Mahindra Logistics	Revenue is expected to de-grow 67% YoY amid subdued auto numbers. Therefore, due to negative operating leverage in spite of an improved product mix, EBITDA is expected to report a loss of ₹ 30 crore vs. a profit of ₹ 40 crore in Q1FY21. Further, PAT is also expected to report a loss of ₹ 42 crore vs. a profit of ₹ 19 crore in Q1FY21
United Spirits	Overall volumes are expected to de-grow 70% YoY to 5.7 million cases. We expect 69% de-growth in net revenues to ₹ 699 crore. Hence, due to negative operating leverage and adverse product mix, absolute EBITDA and PAT are expected to report a loss of ₹ 70 crore and ₹ 179 crore, respectively
United Breweries	Volumes are expected to de-grow 70% to 17.6 million cases while net revenue is expected to de-grow 71% YoY to ₹ 602 crore. Subsequently, absolute EBITDA is likely to report a loss of ₹ 36 crore vs. a profit of ₹ 329 crore. PAT is expected to arrive at a loss of ₹ 124 crore vs. a profit of ₹ 165 crore in Q1FY20

Source: Company, ICICI Direct Research

Exhibit 3: Valuation Summary

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	CMP			M Cap	EPS (₹)			P/E(x)			EV/EBITDA(x)			P/B(x)			RoE (%)		
Company	(₹)	TP(₹)	Rating	(₹crore)	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22	FY20	FY21	FY22
Concor	435	520	Buy	21,204	20.0	15.3	21.0	21.7	28.5	20.7	11.3	13.9	10.3	2.6	2.5	2.3	12.1	8.6	10.9
Mahindra Logisti	330	300	Buy	2,355	8.5	7.2	9.8	38.9	46.0	33.6	22.2	23.7	18.2	4.3	4.1	3.8	11.2	8.9	11.2
TCI Express	664	850	Buy	664	23.3	21.7	29.6	28.5	30.6	22.4	20.6	21.9	16.2	7.5	6.3	5.1	26.4	20.5	22.6
Transport Corp	169	200	Buy	1,233	16.6	10.8	15.6	10.2	15.7	10.8	6.5	7.3	5.8	1.3	1.2	1.0	14.0	9.8	11.9
United Spirits	638	650	Buy	46,360	8.6	11.5	16.5	74.3	55.5	38.7	30.5	32.8	24.8	12.4	10.2	8.0	16.9	18.3	20.8
United Brewerie	1,030	1,200	Buy	27,234	16.2	11.6	22.8	63.6	89.1	45.1	31.0	36.8	24.5	7.7	7.3	6.4	12.2	8.2	14.1

Source: Company, ICICI Direct Research

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