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## Revival in economy, low base favourably impacting Q4

In Q4, our logistics coverage universe is expected to benefit from changing consumer ordering habits post pandemic, greater adoption of digital technology by MSME customers, YoY upswing in auto sales and higher movement of Exim via rail. Core segments like auto, pharma, e-commerce, MSMEs continued to see a good pick-up in demand with record E-Way bill generation during March (6.6 crore till March 28 vs. pre-pandemic 5.5 crore levels) and any signs of a slowdown in freight activity due to intermittent lockdown/curfew in a few bigger states are yet to be visible.

## Higher crude, global port congestion benefitting Indian rail, port

Indian ports saw an up-surge in volumes in Q4FY21 (January, February saw growth of 7% and 16% YoY, respectively, overall 11%), helped by a rise in demand by the general economy, congestion in major ports like Colombo (higher turnaround times and shortage of containers) and a low base YoY. However, the greater trans-shipment volumes at Indian ports, may impact the container product mix for ports. Cargo at Adani Mundra and GPPL saw growth of 6% and 22%, respectively. Indian rail (Exim), on the other hand, saw even higher growth in container volumes (15%, 11% YoY in January, Feb, respectively, overall 13%), indicating market share gain for rail CTOs from road players. Domestic rail container continued to see strong volumes (23%+ in January and February), helped by higher containerisation of domestic cargo. Higher crude prices will continue to benefit rail players over road (greater efficiency of rail to carry long haul cargo).

## Road freight also sees timely volume revival

For January, February and March, E-Way bill generation saw a continued up-move in performance compared to pre-Covid volumes (double digit growth). March saw exceptional growth (~65% YoY), mainly due to a low base and MoM improvement in fleet utilisation. Supply chain segment benefitted due to revival in 2-W, 4-W volumes, leading to a general upsurge in sales, assisted by inventory de-stocking by dealers towards the end of year (was not visible in the base quarter). Express division, helped by the changed consumer behaviour (higher ordering via digital channels) and general up-tick in MSME activity are expected to post strong YoY numbers.

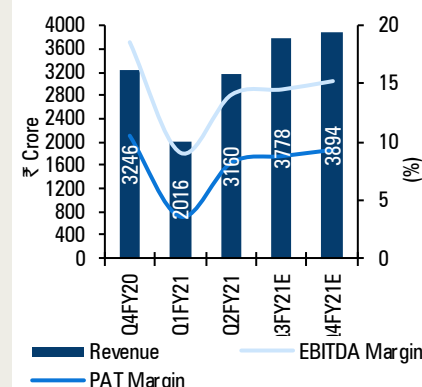
## Financial performance expected to remain mixed

In our logistics coverage universe, we expect strong double digit YoY topline performance. However, on the operational front, Concor is expected to stay muted (mainly due to higher LLF charges), dragging down the strong performance of overall coverage (notable standout performance is expected from Mahindra Logistics due to lower base and revival in the auto sector). However, on a QoQ basis, Concor is expected to post the best operational numbers compared to the overall muted performance by other logistics companies (higher crude prices in spite of expected partial passage to customers and higher transportation compared to warehousing, could be a drag on performance).

Exhibit 1: Estimates for Q4FY21E								(₹ crore)	
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ
Container Corp	1,914.6	22.1	9.2	434.6	-8.4	16.9	277.6	-5.7	16.7
TCI Express	273.6	15.0	4.2	44.3	66.1	-2.2	32.5	71.1	-3.2
Transport Corp	705.1	12.7	-1.4	64.2	10.7	-14.9	36.6	16.9	-8.7
Mahindra Log	1,000.3	22.9	-4.4	47.0	118.8	-11.2	14.4	40.3	-21.8
Total	3,893.6	20.0	3.1	590.1	1.6	8.2	361.1	1.7	9.4

Source: Company, ICICI Direct Research

### Topline & profitability (Coverage Universe)



### Top Picks

TCI Express, United Spirits

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**Exhibit 2: Estimates for Q4FY21E**

Company	Revenue			Change (%)			EBITDA			Change (%)			PAT			Change (%)		
	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ	Q4FY21	YoY	QoQ
United Spirits	1,991.2	-0.1	-20.0				318.6	17.4	-17.0				176.6	638.9	-23.2			
United Breweries	1,380.0	-3.1	7.0				190.4	44.0	9.8				100.1	143.0	40.2			
<b>Total</b>	<b>3,371.3</b>	<b>-1.4</b>	<b>-10.8</b>				<b>509.0</b>	<b>26.1</b>	<b>-8.7</b>				<b>276.7</b>	<b>325.1</b>	<b>-8.2</b>			

Source: Company, ICICI Direct Research

**Exhibit 3: Company Specific view**

Company	Remarks
Container Corporation	Core revenues are expected to grow 22% YoY to ₹ 1915 crore due to 10% YoY growth in Exim volumes and 15% growth in domestic volumes. However, EBITDA margins are expected to contract 755 bps YoY to 22.7% (mainly due to higher land license fee). Absolute EBITDA is expected to de-grow 8% YoY to ₹ 435 crore. Subsequently, PAT is expected to de-grow 6% to ₹ 278 crore, mainly due to exceptional expense of ₹ 21 crore (due to impairment of subsidiary) in the base quarter
Transport Corporation of India	Freight segment is expected to grow 5% YoY in Q4FY21E amid the continued MoM improvement in volumes seen since Q3. Supply chain segment is expected to grow 30% YoY due to low base and stronger YoY rebound in 2-W and 4-W sales (partly due to inventory push by dealers towards the end of year, which was not seen previous year). However, shipping segment revenues are expected to remain flat YoY. Resultant revenues are thereby expected to grow 13% YoY at ₹ 705 crore. Subsequently, EBITDA, PAT are expected to grow 11%, 17% to ₹ 64 crore, ₹ 37 crore, respectively (EBITDA margins expected at 9.1% vs. 9.3% in Q4FY21)
TCI Express	Revenue is expected to grow 15% YoY to ₹ 274 crore amid a pick-up in MSME activity and low base in Q4FY20. Subsequently, EBITDA is expected to grow 66% to ₹ 44 crore (EBITDA margins expected to expand 500 bps due to greater operational efficiencies and higher volumes leading to better operating leverage). Further, PAT is expected to grow 71% to ₹ 33 crore
Mahindra Logistics	Revenue is expected to grow 23% YoY to ₹ 1000 crore, in spite of the weakness in the PTS/EM segment, mainly due to strong uptick in the YoY auto volumes and low base. Due to greater operating leverage, EBITDA is expected to double (2.2x) to ₹ 47 crore (EBITDA margins expected to expand 206 bps to 4.7%). Further, PAT is expected to grow 40% to ₹ 14 crore
United Spirits	Overall volumes are expected to remain flat YoY at 18 million cases. We expect flat net revenues at ₹ 1991 crore, in spite of low base, mainly due to presence of higher on-premise trade and Andhra Pradesh sales in the base quarter (also lower West Bengal sales impact in current quarter). However, EBITDA margins are expected to expand 240 bps to 16%, due to better product mix (premiumisation due to higher home consumption, sales in duty free shops), leading to absolute EBITDA growth of 17% to ₹ 319 crore. Subsequently, PAT is expected to grow ~6x to ₹ 177 crore, due to exceptionally high tax rate (85%) in base quarter
United Breweries	Volumes are expected to de-grow 5% YoY to 29.7 million cases while net revenues are expected to de-grow 3% YoY to ₹ 1380 crore, due to lower physical occupancy in the on-trade channels. However, absolute EBITDA is expected to grow 44% to ₹ 190 crore, mainly due to higher gross margins and lower other expenses (margins expected to expand 451 bps to 13.8%). Subsequently, PAT is expected to double (2.4x) to ₹ 100 crore mainly due to higher operational performance and lower depreciation

Source: Company, ICICI Direct Research

**Exhibit 3: Valuation Summary**

Sector / Company	CMP			M Cap	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Container Corporation	590	560	BUY	27,297	12.9	18.4	23.4	45.9	32.1	25.2	7.9	6.2	4.8	6.5	9.4	11.2	7.1	9.4	11.0
Transport Corp. of India	265	320	BUY	1,933	20.4	28.0	34.5	13.0	9.5	7.7	8.1	6.6	5.2	13.3	15.1	16.2	13.4	15.7	16.2
TCI Express	930	1,150	BUY	3,560	22.9	33.6	41.1	40.5	27.7	22.6	29.5	20.4	16.8	29.2	34.2	32.4	23.5	27.6	26.5
Mahindra Logistics	570	550	BUY	4,068	3.8	9.7	15.6	151.2	59.0	36.6	31.6	20.7	15.4	18.1	27.0	32.9	4.9	11.5	16.0
United Spirits	558	710	BUY	40,547	5.2	14.2	17.6	106.8	39.4	31.7	46.0	25.5	21.5	13.9	24.3	25.3	9.2	20.0	19.9
United Breweries	1,238	1,490	BUY	32,733	5.8	22.9	30.2	212.5	54.0	41.0	90.9	30.1	24.2	3.5	18.4	20.7	4.3	14.7	16.5

Source: Company, ICICI Direct Research

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