July 7, 2021

Exim trade continues to face increased volatility…

Q1FY22 saw a dip in logistics activity QoQ due to state-wide lockdowns (but unlike a pan-India lockdown in the YoY base quarter). Although on an MoM basis, domestic surface freight activity has largely normalised (95% in June), Exim container trade continues to face challenges with respect to backlog due to six day Suez blockage, rising manufacturing consumption in the West and container shortages in the east (container imbalance due to uneven macro trade) leading to higher export charges. Inventory delays for manufacturing companies are expected to benefit the air cargo segment, which has provided logistical flexibility during uncertain times.

Revival seen in surface players due to re-opening of economy

Post the exceptional E-Way bill volume growth seen in March (~75% YoY) compared to pre-Covid 5.5 crore levels, April saw the momentum slowing (7% growth) till it reached a nadir of 27% de-growth in May and then reviving to 96% of normalised levels in June. However, green shoots continue to be seen on the e-commerce front, which typically requires higher warehousing component (higher value added services) compared to retail trade via shops and is beneficial for 3PL companies, as existing companies re-organise their supply chains to align them to the evolved buying behaviour.

Rail, ports see weak performance in Q1

Overall container volumes in APSEZ, JNPT saw a QoQ dip in performance in Q1 (9%, 6% at 2.1 million TeUs, ~1.4 mil TeUs, respectively). Also, the greater trans-shipment volumes at Indian ports, may impact the container product mix for ports (due to congestion at major transhipment ports like Colombo and Singapore port). Rail CTOs are also expected to see 7-9% QoQ de-growth in Exim and domestic trade (based on two months data). On a positive note, higher crude oil prices typically help CTOs gain market share over road players (preference over longer distances). CFS, on the other hand, could see higher utilisation due to extended waiting period for exporters.

Financial performance expected to remain mixed

In our logistics coverage universe, we expect a QoQ dip in performance, mainly due to weak capacity utilisation in April and May. However, on the operational front, Concor is expected to report strong numbers (mainly due to higher employee and LLF provisioning in Q4FY21), leading to a favourable EBITDA growth for overall coverage. On a YoY basis, the entire logistics pack is expected to report a strong performance (mainly due to weak base and a partial lockdown in the current quarter). Higher crude oil prices are expected to be a drag on topline performance (volume hit due to passing of hikes to customers). However, warehousing is expected to continue its strong run due to higher underlying demand.

Exhibit 1: Logistics- Estimates for Q1FY22E (₹ crore)

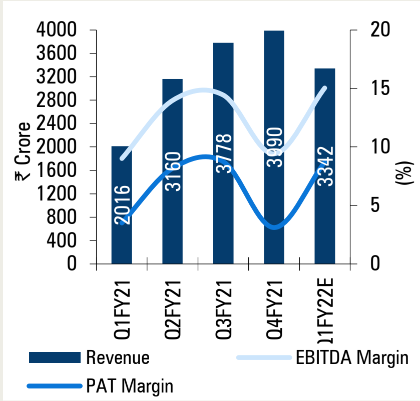
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY22E	YoY	QoQ	Q1FY22E	YoY	QoQ	Q1FY22E	YoY	QoQ
Container Corp	1,760.6	48.1	-9.2	378.5	138.0	100.3	233.8	279.1	1,344.8
TCI Express	229.4	158.5	-18.0	37.9	1,764.9	-30.4	28.2	2,965.3	-33.8
Transport Corp	590.6	80.1	-25.9	53.7	93.0	-37.2	25.9	162.4	-51.1
Mahindra Log	761.5	85.5	-21.8	32.7	LP	-29.1	2.5	LP	-79.5
Total	**3,342.0**	**65.7**	**-16.2**	**502.9**	**169.4**	**34.1**	**290.4**	**418.8**	**134.2**

Source: Company, ICICI Direct Research

Result Preview

ICICI Securities – Retail Equity Research

Topline & profitability (Coverage Universe)



Top Picks

Concor

Research Analyst

Bharat Chhoda

bharat.chhoda@icicisecurities.com

Harshal Mehta

harshal.mehta@icicisecurities.com

Exhibit 2: Liquor- Estimates for Q1FY22E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY22E	YoY	QoQ	Q1FY22E	YoY	QoQ	Q1FY22E	YoY	QoQ
United Spirits	1,545.7	50.0	-30.5	162.3	LP	-60.6	71.6	LP	-57.2
United Brewerie	1,330.6	162.5	-13.8	196.9	LP	-24.6	106.1	LP	-33.3
Total	**2,876.3**	**87.1**	**-23.7**	**359.2**	**LP**	**-46.6**	**177.7**	**LP**	**-45.5**

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific view

Company	Remarks
Container Corporation	Core revenues are expected to de-grow 9% QoQ to ₹ 1761 crore due to 11% and 9% QoQ de-growth in Exim volumes and domestic volumes, respectively (cyclical component in April de-growth and impact of lockdown). However, EBITDA margins are expected to expand 1175 bps QoQ to 21.5% (due to presence of one-offs in the base quarter). Absolute EBITDA is expected to double to ₹ 379 crore. Subsequently, PAT is expected at ₹ 234 crore vs ₹ 16 crore in Q4FY21 (base impacted by one-offs)
Transport Corporation of India	Freight segment is expected to de-grow 25% QoQ in Q1FY22E amid lowered utilisation of trucking fleet and higher crude oil prices. Supply chain segment is expected to de-grow 28% QoQ due to lower 2-W and 4-W sales. However, shipping segment revenues are expected to decline mere 15% QoQ. Resultant revenues are thereby expected to de-grow 26% QoQ to ₹ 591 crore. Subsequently, EBITDA and PAT are expected to de-grow 37% and 51% to ₹ 54 crore and ₹ 26 crore, respectively (EBITDA margins expected at 9.1% vs. 10.7% in Q1FY22)
TCI Express	Revenue is expected to de-grow 18% QoQ to ₹ 229 crore amid brief slowdown in MSME activity. Subsequently, EBITDA is expected to de-grow 30% to ₹ 38 crore (EBITDA margins expected to contract 294 bps as lower volumes will lead to lower operating leverage). Further, PAT is expected to de-grow 34% QoQ to ₹ 28 crore
Mahindra Logistics	Revenue is expected to de-grow 22% QoQ to ₹ 762 crore, mainly due to negative impact on the auto sector due to partial lockdowns (~60% of revenues) and continued weakness in the PTS/EM segment. Due to weak operating leverage, EBITDA is expected to de-grow 29% to ₹ 33 crore (EBITDA margins expected to contract 44 bps to 4.3%). Further, PAT is expected to de-grow 80% QoQ to ₹ 3 crore, as a weak operating performance is expected to be further impacted by depreciation and interest expense
United Spirits	Overall volumes are expected to grow 50% YoY (low base impact) to 14.7 million cases, leading to a similar growth in net revenues to ₹ 1546 crore, mainly due to presence of higher off-premise trade. Absolute EBITDA is expected at ₹ 162 crore (EBITDA margins at 10.5%) vs. a loss of ₹ 78 crore in the base quarter. Subsequently, PAT is expected at ₹ 72 crore vs. a loss of ₹ 215 crore in Q1FY21
United Breweries	Volumes are expected to grow 1.5x YoY to 34 million cases while net revenues are expected to grow 1.6x YoY to ₹ 1331 crore, due to better sales from off-trade channels. Absolute EBITDA is expected at ₹ 197 crore (14.8% EBITDA margins) vs. a loss of ₹ 96 crore in Q1FY21 (gross margins at 52% vs. 46.9% in Q1FY21). Subsequently, PAT is expected at ₹ 106 crore vs. a loss of ₹ 114 crore mainly due to a better operational performance

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	(₹ Cr)	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E	FY21E	FY22E	FY23E
Container Corporation	698	750	BUY	36,558	8.3	19.5	24.6	84.2	35.7	28.4	10.7	7.0	5.3	4.5	9.0	11.3	5.4	10.4	11.9
Transport Corp. of India	403	410	BUY	2,940	19.2	27.6	34.7	21.0	14.6	11.6	12.0	9.4	7.5	13.3	15.6	17.0	12.9	15.6	16.5
TCI Express	1,440	1,400	BUY	5,512	26.2	38.9	49.5	55.0	37.0	29.1	41.0	27.4	21.7	31.9	37.2	35.8	26.1	29.9	29.0
Mahindra Logistics	575	630	BUY	4,121	4.6	6.9	14.3	137.7	83.8	40.1	29.0	21.4	14.9	18.8	23.8	32.7	5.8	8.2	15.1
United Spirits	660	710	BUY	47,959	5.0	12.3	16.1	132.0	53.9	41.0	40.8	27.7	22.8	15.6	22.4	24.8	8.8	17.8	18.9
United Breweries	1,430	1,450	BUY	37,810	4.3	18.5	29.8	334.0	77.4	48.0	98.3	42.9	28.6	4.0	15.4	21.4	3.2	12.3	16.8

Source: Company, ICICI Direct Research

RATING RATIONALE

ICICI Direct endeavors to provide objective opinions and recommendations. ICICI Direct assigns ratings to its stocks according to their notional target price vs. current market price and then categorizes them as Buy, Hold, Reduce and Sell. The performance horizon is two years unless specified and the notional target price is defined as the analysts' valuation for a stock

Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
1st Floor, Akruti Trade Centre,
Road No 7, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

ANALYST CERTIFICATION

I/We, Bharat Chhoda, MBA; Harshal Mehta MTech (Biotech) , Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report. It is also confirmed that above mentioned Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months and do not serve as an officer, director or employee of the companies mentioned in the report

Terms & conditions and other disclosures:

ICICI Securities Limited (ICICI Securities) is a full-service, integrated investment banking and is, inter alia, engaged in the business of stock brokering and distribution of financial products. ICICI Securities Limited is a Sebi registered Research Analyst with SEBI Registration Number – INH000000990. ICICI Securities Limited Sebi Registration is INZ000183631 for stock broker. ICICI Securities is a subsidiary of ICICI Bank which is India's largest private sector bank and has its various subsidiaries engaged in businesses of housing finance, asset management, life insurance, general insurance, venture capital fund management, etc. ("associates"), the details in respect of which are available on www.icicibank.com

ICICI Securities is one of the leading merchant bankers/ underwriters of securities and participate in virtually all securities trading markets in India. We and our associates might have investment banking and other business relationship with a significant percentage of companies covered by our Investment Research Department. ICICI Securities generally prohibits its analysts, persons reporting to analysts and their relatives from maintaining a financial interest in the securities or derivatives of any companies that the analysts cover.

Recommendation in reports based on technical and derivative analysis centre on studying charts of a stock's price movement, outstanding positions, trading volume etc as opposed to focusing on a company's fundamentals and, as such, may not match with the recommendation in fundamental reports. Investors may visit icicidirect.com to view the Fundamental and Technical Research Reports.

Our proprietary trading and investment businesses may make investment decisions that are inconsistent with the recommendations expressed herein.

ICICI Securities Limited has two independent equity research groups: Institutional Research and Retail Research. This report has been prepared by the Retail Research. The views and opinions expressed in this document may or may not match or may be contrary with the views, estimates, rating, target price of the Institutional Research.

The information and opinions in this report have been prepared by ICICI Securities and are subject to change without any notice. The report and information contained herein is strictly confidential and meant solely for the selected recipient and may not be altered in any way, transmitted to, copied or distributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of ICICI Securities. While we would endeavour to update the information herein on a reasonable basis, ICICI Securities is under no obligation to update or keep the information current. Also, there may be regulatory, compliance or other reasons that may prevent ICICI Securities from doing so. Non-rated securities indicate that rating on a particular security has been suspended temporarily and such suspension is in compliance with applicable regulations and/or ICICI Securities policies, in circumstances where ICICI Securities might be acting in an advisory capacity to this company, or in certain other circumstances.

This report is based on information obtained from public sources and sources believed to be reliable, but no independent verification has been made nor is its accuracy or completeness guaranteed. This report and information herein is solely for informational purpose and shall not be used or considered as an offer document or solicitation of offer to buy or sell or subscribe for securities or other financial instruments. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. ICICI Securities will not treat recipients as customers by virtue of their receiving this report. Nothing in this report constitutes investment, legal, accounting and tax advice or a representation that any investment or strategy is suitable or appropriate to your specific circumstances. The securities discussed and opinions expressed in this report may not be suitable for all investors, who must make their own investment decisions, based on their own investment objectives, financial positions and needs of specific recipient. This may not be taken in substitution for the exercise of independent judgment by any recipient. The recipient should independently evaluate the investment risks. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. ICICI Securities accepts no liabilities whatsoever for any loss or damage of any kind arising out of the use of this report. Past performance is not necessarily a guide to future performance. Investors are advised to see Risk Disclosure Document to understand the risks associated before investing in the securities markets. Actual results may differ materially from those set forth in projections. Forward-looking statements are not predictions and may be subject to change without notice.

ICICI Securities or its associates might have managed or co-managed public offering of securities for the subject company or might have been mandated by the subject company for any other assignment in the past twelve months.

ICICI Securities or its associates might have received any compensation from the companies mentioned in the report during the period preceding twelve months from the date of this report for services in respect of managing or co-managing public offerings, corporate finance, investment banking or merchant banking, brokerage services or other advisory service in a merger or specific transaction.

ICICI Securities encourages independence in research report preparation and strives to minimize conflict in preparation of research report. ICICI Securities or its associates or its analysts did not receive any compensation or other benefits from the companies mentioned in the report or third party in connection with preparation of the research report. Accordingly, neither ICICI Securities nor Research Analysts and their relatives have any material conflict of interest at the time of publication of this report.

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

ICICI Securities or its subsidiaries collectively or Research Analysts or their relatives do not own 1% or more of the equity securities of the Company mentioned in the report as of the last day of the month preceding the publication of the research report.

Since associates of ICICI Securities are engaged in various financial service businesses, they might have financial interests or beneficial ownership in various companies including the subject company/companies mentioned in this report.

ICICI Securities may have issued other reports that are inconsistent with and reach different conclusion from the information presented in this report.

Neither the Research Analysts nor ICICI Securities have been engaged in market making activity for the companies mentioned in the report.

We submit that no material disciplinary action has been taken on ICICI Securities by any Regulatory Authority impacting Equity Research Analysis activities.

This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject ICICI Securities and affiliates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.