Logistics

April 10, 2022

Exim exit run rate slows down while surface speeds up

Q4 has been a mixed quarter. For Exim containers (on both ports, rail front) January saw growth at 4-7% range (MMT, YoY) while February reported a flattish performance (on a high base). March, on the other hand, reported 0-10% de-growth in volumes (higher end-de-growth for port sector). Overall, Exim container volumes saw a flattish performance both on the port and rail front (YoY). However, domestic containers, on the other hand, reported 25% volume growth, led by newer initiatives taken by Concor. However, leading the march was the surface sector, which grew 9% (E-Way bills) and showed secular growth during the quarter. Air cargo segment continues to remain a beneficiary of continued strong growth in sectors like e-commerce, pharmaceuticals, etc.

Geopolitical events, port congestion impact Exim

Major ports posted 2% decline in overall volumes in Q4FY22, as decline of -32%, -23%, -8%, -2% in iron ore, coking coal, finished fertiliser, container was negated by growth of 17%, 12%, 7%, 3%, 2% in miscellaneous, thermal coal, others, raw fertiliser, petroleum products, respectively. While commodity prices were largely impacted by higher international prices, supply disruptions, container shipping saw mixed triggers with respect to relocations of ships from Baltic Sea towards other countries, congestions at major ports (Los Angeles, Colombo) & higher ocean freight. For FY22, Adani Ports clocked container volumes of 8.2 million TeUs – up 14% YoY (Mundra handled 6.5 mn TeUs – up 15%), while JNPT reported 5.7 mn TeUs – up 22%.

Road continues strong run

E-Way bills for January, February, March were at 6.9 crore, 6.9 crore, 7.8 crore (YoY up 9%, 8%, 10%, respectively), substantially above pre-Covid levels of 5.5 crore bills. Overall, freight players saw higher fleet utilisation due to higher stocking of inventory and increased trucking movement. Retail petrol/diesel prices also remained flat (despite rising crude oil prices), which led to stable margins for logistics companies (also lower impact on volumes due to passage of petrol/diesel prices). Warehousing volumes (higher value added activities like sorting, bill generation, etc) continued to show positive traction, led by favourable volumes from segments such as e-commerce. Increased digitisation of customers is also leading to greater D2C volumes for logistics firms.

Higher profitability on account of lower base of Concor

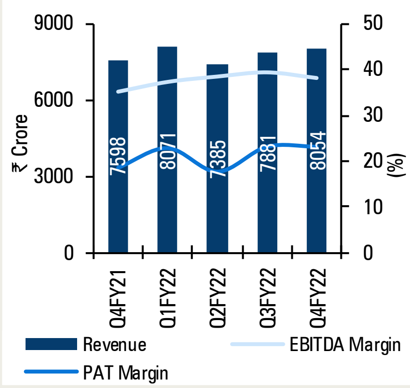
In our logistics coverage universe, we expect 6% topline growth due to higher trucking movement and higher realisation (especially Concor). Subsequently, on the operational front, we expect EBITDA, PAT to see growth of 15%, 29%, respectively, led by higher margins and also, one-offs in the base quarter (related to Concor's higher LLF charges and exceptional expense related to suspended terminals). On the other hand, warehousing is expected to continue its strong run due to higher underlying demand.

Exhibit 1: Estimates for Q4FY22E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ
APSEZ	3,724.0	3.2	-1.9	2,361.0	3.2	-2.9	1,443.0	8.7	1.4
Container Corp	2,188.8	12.9	14.0	496.9	162.9	9.0	312.9	NA	9.2
TCI Express	304.1	8.7	6.0	48.7	-10.5	3.1	36.2	-15.1	2.9
Transport Corp	824.3	3.5	8.6	108.0	26.2	1.0	73.1	38.4	-5.7
Mahindra Log	1,012.9	4.0	-9.4	43.6	-5.6	-8.6	2.3	-81.4	-54.6
Total	**8,054.2**	**6.0**	**2.2**	**3,058.1**	**14.9**	**-1.0**	**1,867.5**	**28.7**	**2.2**

Source: Company, ICICI Direct Research

Topline & profitability (Coverage Universe)



Top Picks

Adani Ports, TCI

Research Analyst

Bharat Chhoda
bharat.chhoda@icicisecurities.com

Harshal Mehta
harshal.mehta@icicisecurities.com

Exhibit 2: Estimates for Q4FY22E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ	Q4FY22E	YoY	QoQ
United Spirits	2,452.0	10.2	-15.0	367.8	-10.8	-25.0	209.0	24.5	-28.3
United Brewerie	1,588.2	2.9	0.5	174.7	-33.1	0.7	91.1	-5.8	0.6
Total	**4,040.3**	**7.2**	**-9.5**	**542.5**	**-19.5**	**-18.3**	**300.1**	**13.4**	**-21.4**

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific view

Company	Remarks
Adani Ports and SEZ	Port revenues are expected to remain flattish in the ₹ 2600 crore range, led by higher commodity prices, ports congestion and geo-political impact on the global container market. Overall, revenues are expected to remain flat YoY at ₹ 3724 crore, impacted mainly by lower coal offtake (elevated international prices and higher supply of domestic coal). Similarly, EBITDA is expected to remain flat as EBITDA margins are expected to remain range bound in 63-64% (ex-forex). Further, PAT is expected to grow 8% YoY
Container Corporation	Revenues are expected to grow 13% YoY to ₹ 2189 crore due to 5% and 15% YoY growth in Exim and domestic volumes, respectively (global trade remains impacted but domestic remains strong due to newer initiatives). However, absolute EBITDA is expected to grow 2.6x to ₹ 497 crore, due to higher LLF charges and employee provisioning in the base quarter (EBITDA margins at 22.7% vs 9.7% in Q4FY21). Subsequently, PAT is expected to grow 3x to ₹ 313 crore
TCI Express	TCI Express' revenue is expected to grow 9% YoY to ₹ 304 crore, due to higher MSME activity and contribution from newer offerings. However, EBITDA is expected to de-grow 11% to ₹ 48 crore (EBITDA margins expected at 16% vs exceptional margins of 19.4% margins in the base quarter). Further, PAT is expected to de-grow 15% to ₹ 36 crore
Transport Corporation of India	TCI's freight segment is expected to report 8% growth in topline amid higher utilisation of trucking fleet. However, supply chain segment is expected to de-grow 10% YoY due to lower auto sales. Shipping segment revenues are expected to grow 15% due to elevated realisation on the coastal shipping front. Hence, resultant revenues are expected to remain flat YoY (up 3.5%) to ₹ 824 crore. However, EBITDA is expected to grow 26% to ₹ 108 crore (EBITDA margins expected at 13.1% vs 10.7% in Q4FY21, mainly due to higher realisation from shipping side)
Mahindra Logistics	Mahindra Logistics' revenue is expected to grow mere 4% YoY to ₹ 1013 crore, mainly due to YoY weakness in the auto segment but higher warehousing component (due to positive product mix) lowered revenue impact, to a certain extent. PTS segment continued to witness weak traction due to local lockdowns/night curfews during January. However, EBITDA is expected to de-grow 6% to ₹ 44 crore (EBITDA margins expected to contract 40 bps to 4.3%, mainly due to lower operating leverage). Further, PAT is expected to remain at ₹ 2-3 crore levels vs. ₹ 13 crore in Q4FY21
United Spirits	Overall volumes are expected to grow 3% YoY to 20.3 million cases (due to weak January) while net revenues are expected to grow 10% to ₹ 2542 crore, mainly due to a better product mix. Absolute EBITDA is expected to de-grow 10% to ₹ 368 crore (EBITDA margins at 15% vs. 18.5% in Q4FY21, mainly due to higher ENA and glass prices). However, PAT is expected to grow 25% to ₹ 209 crore, due to an exceptional expense of ₹ 76 crore in the base quarter
United Breweries	UBL's volumes are expected to grow mere 5% YoY to 36 million cases while net revenues are expected to stay largely flat at ₹ 1588 crore, due to weakness in the off and on-trade channels in January. However, absolute EBITDA is expected to de-grow 33% to ₹ 175 crore (11% EBITDA margins, led by gross margins at 50% vs. 52% in Q4FY21). However, PAT is expected to de-grow mere 6% to ₹ 91 crore due to an exceptional expense of ₹ 62 crore in the base quarter

Source: Company, ICICI Direct Research

Exhibit 3: Valuation Summary

Sector / Company	CMP (₹)	TP(₹)	Rating	M Cap (₹ Cr)	EPS (₹) FY22E	EPS (₹) FY23E	EPS (₹) FY24E	P/E (x) FY22E	P/E (x) FY23E	P/E (x) FY24E	EV/EBITDA (x) FY22E	EV/EBITDA (x) FY23E	EV/EBITDA (x) FY24E	RoCE (%) FY22E	RoCE (%) FY23E	RoCE (%) FY24E	RoE (%) FY22E	RoE (%) FY23E	RoE (%) FY24E
APSEZ	840	900	BUY	1,70,667	23.1	37.2	46.1	34.2	33.5	22.6	22.8	19.6	15.2	12.7	11.4	14.2	16.3	11.8	16.6
Container Corporation	706	780	BUY	38,020	21.6	29.3	37.6	85.2	32.7	24.1	10.8	6.2	4.8	4.5	10.3	12.5	5.4	11.3	13.5
Transport Corp. of India	665	860	BUY	4,851	32.0	40.1	49.3	35.1	20.8	16.6	19.3	13.3	10.7	13.3	17.9	19.2	12.9	18.0	18.7
TCI Express	1,900	2,300	BUY	7,273	26.2	34.0	45.8	81.6	72.6	55.9	59.9	54.2	41.5	36.3	31.9	33.1	29.5	26.1	26.8
Mahindra Logistics	520	560	BUY	3,729	5.6	10.3	17.5	93.2	50.4	29.6	17.5	13.8	10.1	25.4	32.3	39.6	6.8	11.5	16.8
BlueDart Express	6,500	6,300	BUY	15,444	93.1	125.0	NA	69.8	52.0	NA	18.0	15.3	NA	63.4	63.4	NA	29.7	29.5	NA

Source: Company, ICICI Direct Research

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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

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