ICICI direct Research

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Pent up demand leading to higher logistics movement

E-Way bill for April, May, June was at 7.5 crore, 7.4 crore, 7.5 crore (YoY up 28%, 85%, 36%, respectively, mainly due to low base) and 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. Bulk commodities have gathered pace on the Exim front, outpacing container growth. Although the quarter began with higher congestion at Chinese ports due to China lockdown and relocation of assets from the Baltic area (due to geo-political issues); the global supply chain has started normalising as Chinese companies resumed production output from June 1. On rail front, Dedicated Freight Corridor commercialisation has led to improved turnaround times and more double stacking for our coverage container train operators, benefiting both on the topline and EBITDA front.

Bulk commodities show higher traction

Petroleum oil products (comprise ~30% of major port traffic) have grown 15-16% YoY (up ~4% QoQ), led by higher economic activity (in spite of ~35% YoY jump in Brent crude oil prices). Thermal coal (~16% of traffic) has grown more than 40% from March onwards (although significantly costlier than domestic coal), due to domestic coal shortage amid higher power demand. However, coking coal demand remained range bound. Other segments like fertiliser (2%) and miscellaneous products (14% of traffic) saw sturdy growth. Container segment (~22% of traffic), on the other hand, stayed largely flattish in Q1. The segment has been facing multiple supply chain headwinds in medium term, which is expected to ease in few months.

Surface, rail continue positive momentum in volumes

Train operations have started at the Mehsana-Palanpur section of the DFC in Gujarat, with a speed of 55-65 kmph (double speed of freight trains running on Indian Railways network). DFCCIL expects to commercialise operations up to Sanand in a few months. Higher crude oil prices also help rail players as rail becomes more economical than road to transport freight over longer distances. Warehousing volumes (higher value added activities like sorting, bill generation, etc.) are also expected to show positive traction, led by favourable volumes from segments such as e-commerce. Higher digitisation of customers is also leading to greater D2C volumes for logistics firms.

YoY, QoQ strong uptick in demand push profitability

In our logistics coverage universe, we expect 8% YoY topline growth due to higher trucking movement, higher realisation (especially Concor). Subsequently, on operational front, we expect EBITDA, PAT to report growth largely in sync with topline, in the tune of 11%, 25% respectively (Adani ports forex loss component in base quarter). Warehousing is expected to continue its strong run due to higher underlying demand.

Exhibit 1: Estimates for Q1FY23E (₹ crore)

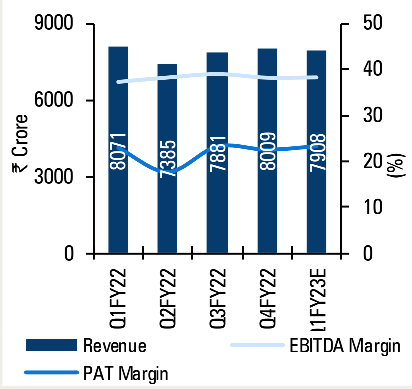
Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ
APSEZ	4,533.8	-0.5	17.9	2,874.4	9.7	20.6	1,655.9	26.7	61.7
Container Corp	2,015.9	11.5	-1.3	459.6	6.0	11.4	284.7	11.7	10.9
TCI Express	313.1	40.4	5.0	50.1	56.2	-0.2	36.4	53.2	1.0
Transport Corp	787.1	28.9	-1.4	103.1	45.1	-9.3	60.9	25.9	-16.6
Mahindra Log	1,068.1	22.3	-0.4	56.1	24.7	2.1	12.1	29.9	-0.6
Total	**8,717.9**	**8.0**	**8.2**	**3,543.4**	**10.7**	**17.6**	**2,050.1**	**24.8**	**46.2**

Source: Company, ICICI Direct Research

Result Preview

ICICI Securities – Retail Equity Research

Topline & profitability (Coverage Universe)



Top Picks

Adani Ports, Mahindra Logistics

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Exhibit 2: Estimates for Q1FY23E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ	Q1FY23E	YoY	QoQ
United Spirits	2,351.4	45.6	-3.4	341.0	103.4	-20.1	239.5	247.0	75.8
United Brewerie	1,643.5	47.0	-3.8	254.7	167.0	-2.6	157.5	410.8	-3.8
Total	**3,994.9**	**46.2**	**-3.6**	**595.7**	**126.5**	**-13.4**	**397.0**	**297.6**	**32.3**

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific view

Company	Remarks
Adani Ports and SEZ	Port revenues are expected to grow 18% QoQ, led by rebound in coal and crude volumes (20-30% range) while container volumes are expected to grow in single digits (ports congestion and geopolitical impact on global container market). Overall, consolidated revenues are expected to also grow 18% QoQ to ₹ 4534 crore, as strong port revenues will likely be supported by continued growth in logistics vertical. Similarly, EBITDA will likely increase 21% as EBITDA margins are expected to remain range bound in 63-64% (ex-forex). Further PAT is expected to grow 62% to ₹ 1656 crore (forex loss of ₹ 524 crore in base quarter)
Container Corporation	Revenues are expected to increase 12% YoY to ₹ 2016 crore due to 5% and 20% YoY growth in Exim and domestic volumes respectively (global trade remains impacted, however, domestic remains strong due to newer initiatives). Subsequently, absolute EBITDA is expected to grow 6% to ₹ 460 crore (EBITDA margins at 22.8% vs. 24% in Q1FY22). Hence,, PAT is expected to grow 12% to ₹ 285 crore
TCI Express	TCI Express' revenue will likely rise 5% QoQ to ₹ 313 crore, due to continued growth in the MSME segment and overall economy in general. However, EBITDA is expected to remain flat at ₹ 50 crore (EBITDA margins expected at 16% vs 16.8% margins in the QoQ base quarter). Further, PAT is also expected to remain flat at ₹ 36 crore
Transport Corporation of India	Consolidated revenues are expected to remain flattish QoQ, as growth in SCM segment (5%) will likely be negated by 7% de-growth in seaways segment (due to dip in ocean freight charges) while freight segment is expected to remain flattish. However, EBITDA is expected to de-grow 9% to ₹ 103 crore (EBITDA margins expected at 13.1% vs. 14.2% in Q4FY22, mainly due to lower realisation from shipping side). Subsequently, PAT is expected to de-grow 17% QoQ to ₹ 61 crore
Mahindra Logistics	Mahindra Logistics' revenue is expected to soar 22% YoY to ₹ 1068 crore, mainly due to improving volumes in the auto segment and also higher warehousing component (due to strong growth in non-auto segment). EBITDA is expected to grow 25% to ₹ 56 crore (EBITDA margins expected to remain range bound in 5-5.5% range). Further, PAT is expected to grow 30% to ₹ 12 crore
United Spirits	Overall volumes are expected to grow 24% YoY to 19.6 million cases (due to strong P&A segment sales and low base), while the net revenues are expected to grow 46% to ₹ 2351 crore, mainly due to better product mix. Absolute EBITDA is expected to double to ₹ 341 crore (EBITDA margins at 14.5% vs. 10.4% in Q1FY22, due to low operating leverage in base quarter). Subsequently, PAT is expected to grow 2.5x to ₹ 240 crore
United Breweries	UBL's volumes will likely rise 40% YoY to 41 million cases and net revenues are expected to grow 47% to ₹ 1644 crore, due to strong pick-up in off and on-trade channels as well as low base effect. However, absolute EBITDA is expected to grow 1.7x to ₹ 255 crore (15.5% EBITDA margins vs. 8.5% in Q1FY22 and gross margins at 51% vs. 52.1% in Q1FY22). Subsequently, PAT is expected at ₹ 158 crore vs. ₹ 31 crore in the base quarter

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)	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	717	900	BUY	1,45,677	21.2	35.9	44.3	29.2	31.0	20.0	19.9	20.3	14.0	12.7	9.6	13.7	16.3	11.3	16.5
Container Corporation	657	750	BUY	36,558	17.3	30.4	36.8	79.2	37.9	21.6	9.9	5.7	4.4	4.5	10.2	12.2	5.4	9.6	14.8
Transport Corp. of India	730	860	BUY	5,325	37.3	42.4	50.8	38.6	19.6	17.2	21.1	13.0	11.6	13.3	20.3	20.2	12.9	20.5	19.1
TCI Express	1,610	2,000	BUY	6,163	26.2	33.5	41.4	69.2	61.5	48.1	50.7	45.9	35.4	36.3	31.9	33.4	29.5	26.1	26.6
Mahindra Logistics	505	600	BUY	3,621	5.2	10.2	17.6	97.5	49.6	28.7	17.2	13.2	9.7	12.2	29.3	35.5	6.3	11.3	16.7
Gateway Distriparks	70	100	BUY	3,498	4.5	3.7	4.7	37.1	15.6	18.8	12.6	10.3	8.6	11.7	15.4	16.9	6.4	13.7	10.7

Source: Company, ICICI Direct Research

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