ICICI direct Research

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Secular growth seen in surface, rail, ports

In Q4, while surface continued its strong run; rail, port made a comeback. Retail prices of petrol, diesel stayed unchanged and remained at highs but had no bearing on domestic freight movement, likely due to higher inventory filling at retail stores, more volume led growth in FMCG companies due to lower commodity prices for certain products and higher e-commerce shipments. The quarter also saw growing footprint of ONDC network (higher onboarding of stakeholders like Amazon, Snapdeal). While primary sales from PV auto volumes remained flat during the quarter and tractor grew 23%. Ocean freight charges saw continued cool-off during the quarter to pre-pandemic levels mainly led by lower demand on Asia-EU and Asia to America trade lane. Container prices also cooled nearly 50% YoY (e.g. in China down 47% to $2284, down 55% in Singapore to $1951, etc). However, container trade within Asia has been growing strongly on the Asia-Middle East route (new services from Hapag Lloyd, Cosco, OOCL, CMA CGM Group and creation of new Asia shipping region altogether from Maersk. On the rail front, dedicated freight corridor commercialisation led to improved turnaround times and more double stacking for our coverage container train operators, benefiting both on the topline, EBITDA front. Surface logistics, on the other hand, continued to see continued elevated movement since November (8.2crore, 8.2 crore, 9.1 crore E-Way bills in January, February, March, respectively, vs. 5.5 crore pre-pandemic levels).

YoY iron ore, thermal, coking coal grow while fertiliser lags

- Petroleum oil products (comprise ~30% of major port traffic) remained flattish YoY, in spite of ~18% decline in Brent crude oil prices), led by windfall taxes on export of petroleum products
- Thermal coal (~16% of traffic), on the other hand, grew 37% YoY in Q4 due to domestic coal shortage amid higher power demand. Also, coking coal grew 30%
- Other segments like fertiliser (2%), other products (5% of traffic), miscellaneous products (14% of traffic) saw growth of (2)%, 11%, 12%, respectively
- Container segment (~22% of traffic), on the other hand, remained largely flattish in Q4. The segment had been facing multiple supply chain headwinds in the medium term, which showed signs of revival

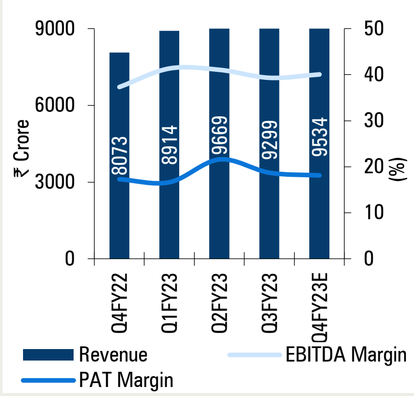
CY23 end to see major milestone in DFC connectivity

WDFC is expected to connect Dadri to Mundra Port by CY23 end. Currently, work is going on in Rewari-Dadri on northern end of WDFC, Sanand-Mundra on southern end of WDFC. Concor has seen transit times halving between Delhi and NCR & Western UP. GDL also expects 40-50% reduction in transit times between major routes by FY25. Also, Concor is expected to cross 4000 double stack trains mark in FY23. CTOs like Concor, GDL and also Adani Ports (logistics segment), with improved turnaround time, could likely improve market share over road players in medium to long term.

Record E-way volumes in March signal strength in surface

Overall, freight players saw higher fleet utilisation, due to higher stocking of inventory and increased trucking movement. Retail petrol/diesel prices also remained largely rangebound (in spite of lower crude oil prices) that will likely result in stable margins for logistics companies (passthrough of petrol/diesel prices). Warehousing volumes (higher value-added activities like sorting, bill generation, etc) is also expected to show positive traction, led by favourable volumes from segments like e-commerce. Increased digitisation of customers is also leading to greater D2C volumes for logistics firms.

Topline & profitability (Coverage Universe)



Top Picks

Adani Ports, TCI Express

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Result Preview

ICICI Securities – Retail Equity Research

Exhibit 1: Estimates for Q4FY23E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ
APSEZ	4,938.3	28.4	3.2	3,121.0	31.0	3.6	1,328.8	29.8	1.0
Container Corp	2,027.8	-0.7	2.0	466.4	13.0	9.4	280.3	9.1	-5.5
TCI Express	317.6	6.5	1.0	50.8	1.2	10.3	35.8	-0.7	11.7
Transport Corp	901.2	12.9	2.3	112.7	-0.9	3.6	79.4	8.6	-16.7
Mahindra Log	1,349.3	24.0	1.5	67.5	31.1	7.5	4.9	-34.3	148.9
Total	**9,534.2**	**18.1**	**2.5**	**3,818.3**	**26.8**	**4.5**	**1,729.1**	**23.7**	**-0.7**

Source: Company, ICICI Direct Research

Exhibit 2: Estimates for Q4FY23E (₹ crore)

Company	Revenue	Change (%)		EBITDA	Change (%)		PAT	Change (%)	
	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ	Q4FY23E	YoY	QoQ
United Spirits	2,359.6	-3.1	-15.1	290.2	-32.0	-21.9	170.0	24.8	-20.6
United Brewerie	1,830.5	7.1	13.5	219.7	-16.0	185.1	132.9	-18.8	324.5
Total	**4,190.2**	**1.1**	**-4.6**	**509.9**	**-25.9**	**13.6**	**302.9**	**1.0**	**23.4**

Source: Company, ICICI Direct Research

Exhibit 3: Company Specific view (also Includes liquor sector companies)

Company	Remarks
Adani Ports and SEZ	Port revenues are expected to grow 37% YoY, led by strong Q4 volumes growth and consolidation of numbers from Haifa Port, Sarguja rail, Gangavaram Port and ICD Tumb. Overall, consolidated revenues are expected to grow 28% YoY to ₹ 4938 crore as port revenues would be aided by a better logistics segment performance. Similarly, EBITDA will likely grow 31% as EBITDA margins are expected to remain rangebound at 62-63% levels (ex-forex). Subsequently, PAT is expected to grow 30% to ₹ 1329 crore
Container Corporation	Revenues are expected to remain flat YoY at ₹ 2028 crore due to mere single digit growth (4%, 6% YoY growth) in Exim and domestic revenues, respectively, as global container trade remained weak due to Chinese new year and weak demand from the US and European regions. However, absolute EBITDA is expected to grow 13% to ₹ 466 crore (EBITDA margins at 23% vs. 20.2% in Q4FY22, due to higher other expenses in base quarter). Hence, PAT is expected to grow 9% to ₹ 280 crore
TCI Express	TCI Express' revenue will likely rise 7% YoY to ₹ 318 crore due to likely strong growth in the MSME segment, higher utilisation in newly developed Gurugram and Pune facility and higher E-Way bill generation. However, EBITDA is expected to remain flattish at ₹ 51 crore (EBITDA margins expected to remain at 16-16.5% levels). Further, PAT is expected to also remain flattish at ₹ 36 crore
Transport Corporation of India	Consolidated revenues are expected to grow 13% YoY, led by 5% growth in freight and 10% in seaways segment (peak utilisation reached six ships) while SCM is expected to grow 25% (rebound in auto, low base effect). However, EBITDA is expected to remain flat at ₹ 113 crore as higher volume growth would likely be negated by correction in ocean freight charges (EBITDA margins to remain rangebound at 12.5% vs. 14.2% in base quarter). Subsequently, PAT is expected to grow 9% to ₹ 79 crore (lower tax rate in base quarter)
Mahindra Logistics	Mahindra Logistics' revenue is expected to grow 24% YoY to ₹ 1349 crore, led by strong growth in auto segment and consolidation of numbers from Rivigo B2B division. EBITDA margins are expected to remain rangebound at 5% (due to negative impact from loss making Rivigo B2B acquisition). Subsequently, absolute EBITDA is expected to grow 31%. However, PAT is expected to de-grow 34% as operating numbers would be negatively impacted by higher depreciation and interest expense
United Spirits	USL volumes are expected to de-grow 24% YoY to 15.7 million cases, mainly on the back of divestment of popular portfolio in Q2 end. P&A volumes are expected to grow 8% YoY to 11.8 million cases. Hence, net revenues are expected to de-grow 3% YoY as weak volume growth would likely be countered by higher realisation, led by change in product mix. However, absolute EBITDA is expected to decline 32% as better product mix is likely negated by higher COGS inflation, reversal in Delhi RTM and higher promotion expenses in Q4FY23. However, PAT is expected to grow 25% to ₹ 170 crore due to presence of an exceptional expense of ₹ 173 crore in the base quarter
United Breweries	UBL volumes are expected to grow 5% YoY to 45 million cases and net revenues are expected to grow 7% YoY to ₹ 1831 crore due to early arrival of summer season. However, absolute EBITDA is expected to de-grow 16% to ₹ 220 crore as higher operating leverage will be negated by steep inflation in prices of raw material (glass, barley, paper). Subsequently, PAT is expected to de-grow 19% to ₹ 133 crore, mainly due to weak operating 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)	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
APSEZ	655	800	BUY	1,41,489	42.4	36.8	44.7	15.5	17.8	14.7	13.8	11.8	9.9	10.8	11.9	13.3	18.3	14.0	14.8
Container Corporation	585	700	HOLD	34,121	20.8	20.6	21.6	28.1	28.4	27.1	4.7	4.9	4.5	10.0	9.7	10.7	10.6	9.7	9.4
Transport Corp. of India	618	810	BUY	4,508	42.5	44.3	51.1	14.5	13.9	12.1	9.8	8.8	7.6	19.4	18.3	18.1	19.3	17.1	16.7
TCI Express	1,500	2,150	BUY	5,742	37.6	48.4	61.5	39.9	31.0	24.4	28.5	22.2	17.5	30.7	32.4	33.1	24.4	25.6	26.0
Mahindra Logistics	380	500	HOLD	2,725	5.0	9.0	16.4	75.7	42.1	23.2	10.4	8.6	6.8	26.2	31.8	39.2	5.9	9.8	15.5
Gateway Distriparks	64	75	HOLD	3,198	3.4	3.8	4.7	18.8	16.7	13.6	9.2	7.8	6.7	14.5	16.8	19.1	9.9	10.5	11.9

Source: Company, ICICI Direct Research

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