Logistics

Jul-Sep'24 Earnings Preview

October 8, 2024

Exhibit 1: **PL Universe**

Companies	Rating	CMP (Rs)	TP (Rs)
Delhivery	Acc	417	430
Mahindra Logistics	Hold	480	500
TCI Express	Acc	1,040	1,250

Source: PL *Acc=Accumulate*

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Riding on pre-festive stock-up expectations

During 2QFY25E, green shoots were visible for logistics sector with pre-festive stocking and surge in e- and q-commerce demand. Also, domestic e-way bill numbers are at an all-time high, with 319mn e-way bills generated during Jul-Sep'24 vs 273mn during Jul-Sep'23 (up 17%). Exit run-rate for the bills increased 19% YoY in Sep'24 to 109mn (vs 97mn in Sep'23), indicating a sharp surge in goods movement. As for global trends, Drewry Index has been increasing and more than tripled YoY to 5157/40ft for 2QFY25 vs 1609/40ft during 1QFY24.

Overall, we expect the revenue/EBITDA of our universe to grow by 9.4%/2.6x YoY at Rs39,663mn/Rs1,258mn, primarily led by Delhivery turning EBITDA and PAT positive. Industry-level profitability will likely remain at Rs726mn vs loss of Rs833mn YoY.

B2B segment: Volume growth in 2QFY25E is expected to remain muted for TCI Express (decline of 1% YoY) due to continued weak demand from sectors such as textiles and electronics, leading to lower fleet utilization. Realizations are also expected to decline by Rs0.8/kg (-6.1%) YoY to Rs11.9/kg. Margins will likely stay range bound at 30% levels (180bps YoY contraction), due to lower operating leverage. Subsequently, EBITDA/PAT is expected to decrease by ~23%/25% YoY.

B2C segment: Consolidated revenues of Delhivery are expected to grow ~12% YoY, led by ~19%/12%/40%/12% YoY growth anticipated in B2B/FTL/SCM/CB segmental revenues, whereas the B2C segment is expected to stay subdued (up ~6%). EBITDA margins are likely to stay in the positive territory (4%) led by better fleet utilization (higher B2B loads), despite muted B2C volumes. PAT is likely stay in the positive territory (Rs414mn) with a margin of ~2%. As per the change in depreciation policy (intimated during the last earnings call), we have re-aligned our assumptions resulting in a PAT upgrade of 54%/32% for FY25E/FY26E respectively.

3PL segment: Mahindra Logistics is expected to witness steady QoQ improvement in both topline and operating profitability, led by likely improvement in core 3PL segment performance and lower losses in the B2B segment. Revenues are expected to grow ~5% QoQ, led by 3-9% growth in the 3PL/Lords/Mobility/B2B segments. EBITDA margins are subsequently expected to improve 10bps QoQ to 4.8%. Thereby, absolute EBITDA is expected to grow ~8%, while PAT could reach breakeven levels.

Exhibit 2: Q2FY25 Result Preview (Rs mn)

Company Name		Q2FY25E	Q2FY24	YoY gr. (%)	Q1FY25	QoQ gr. (%)	Remark
Delhivery	Sales	21,716	19,418	*11.8*	21,723	*(0.0)*	For Delhivery, we expect revenues to increase by 11.8% YoY to Rs21,716mn with a EBITDA margin of ~4.0% due to better fleet utilization. We expect PAT of Rs414mn.
	EBITDA	869	(156)	*NA*	971	*(10.5)*	
	Margin (%)	*4.0*	*-0.8*	*480 bps*	*4.5*	*-47 bps*	
	PBT	412	(1,052)	*NA*	593	*(30.6)*	
	Adj. PAT	414	(1,029)	*NA*	596	*(30.6)*	
Mahindra Logistics	Sales	14,971	13,648	*9.7*	14,200	*5.4*	We expect Mahindra Logistics to report revenues of Rs.14,971mn (up 9.7% YoY) with an EBITDA margin of 4.8% led by improvement in 3PL segment and lower losses in B2B segment. We expect PAT of Rs46mn versus a loss of Rs159mn in 2QFY24.
	EBITDA	719	536	*34.1*	663	*8.4*	
	Margin (%)	*4.8*	*3.9*	*87 bps*	*4.7*	*13 bps*	
	PBT	61	(82)	*NA*	(25)	*NA*	
	Adj. PAT	46	(159)	*NA*	(93)	*NA*	
TCI Express	Sales	2,976	3,200	*-7.0*	2,930	*1.6*	We expect topline to decline 7% YoY led by a volume decline of 1%. Overall, EBITDA/PAT is expected to decline 23%/25% YoY to Rs390mn/Rs266mn respectively.
	EBITDA	390	505	*(22.7)*	335	*16.2*	
	Margin (%)	*13.1*	*15.8*	*-267 bps*	*11.4*	*165 bps*	
	PBT	356	472	*(24.4)*	305	*16.9*	
	Adj. PAT	266	356	*(25.1)*	231	*15.3*	

Source: Company, PL

Exhibit 3: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
						FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E	FY24	FY25E	FY26E	FY27E
Delhivery	C	Acc	417	430	309.7	81,415	90,738	1,02,809	1,18,487	1,266	3,422	6,019	9,464	-2,264	1,796	3,087	6,192	-3.1	2.4	4.1	8.2	-2.5	1.9	3.3	6.2	-135.7	172.4	101.1	50.8
Mahindra Logistics	C	Hold	480	500	34.6	55,060	62,052	71,019	80,650	2,290	2,972	3,798	4,626	-623	282	862	1,530	-8.6	3.9	12.0	21.2	-11.8	5.7	16.1	24.0	-55.5	122.9	40.1	22.6
TCI Express	C	Acc	1,040	1,250	39.9	12,538	13,108	14,901	16,940	1,872	1,747	2,298	2,964	1,289	1,201	1,590	2,072	33.6	31.3	41.5	54.0	19.8	16.0	18.5	20.5	31.0	33.2	25.1	19.2

Source: Company, PL *Acc=Accumulate / S=Standalone / C=Consolidated*

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY25E			FY26E			FY25E			FY26E			FY25E			FY26E		
	C	P	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.	C	P	% Chng.
Delhivery	Acc	Acc	430	450	-4.5%	90,738	90,862	-0.1%	1,02,809	1,02,948	-0.1%	1,796	1,169	53.7%	3,087	2,323	32.9%	2.4	1.6	53.7%	4.1	3.1	32.9%
Mahindra Logistics	Hold	Hold	500	500	0.0%	62,052	62,217	-0.3%	71,019	71,211	-0.3%	282	296	-4.8%	862	880	-2.0%	3.9	4.1	-4.8%	12.0	12.2	-2.0%
TCI Express	Acc	Acc	1,250	1,250	0.0%	13,108	13,108	0.0%	14,901	14,901	0.0%	1,201	1,201	0.0%	1,590	1,590	0.0%	31.3	31.3	0.0%	41.5	41.5	0.0%

Source: Company, PL *Acc=Accumulate / C=Current / P=Previous*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	887	836
2	Imagicaaworld Entertainment	BUY	116	79
3	Indian Railway Catering and Tourism Corporation	Reduce	822	925
4	InterGlobe Aviation	Accumulate	4,958	4,493
5	Lemon Tree Hotels	BUY	159	126
6	Navneet Education	Hold	164	143
7	Nazara Technologies	BUY	1,185	982
8	PVR Inox	Hold	1,474	1,430
9	S Chand and Company	BUY	312	211
10	Safari Industries (India)	BUY	2,476	2,237
11	V.I.P. Industries	Hold	454	451
12	Zee Entertainment Enterprises	Hold	157	149

PL's Recommendation Nomenclature

Buy : > 15%
Accumulate : 5% to 15%
Hold : +5% to -5%
Reduce : -5% to -15%
Sell : < -15%
Not Rated (NR) : No specific call on the stock
Under Review (UR) : Rating likely to change shortly

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