

# Logistics

## Healthy domestic volume growth

### Domestic growth favourable vs International and EXIM

B2C Ecommerce festive related volume growth expected to continue in mid teens led by sale period by platform while growth of D2C brands continues to be faster. Pricing remains competitive as companies pass on gains of economies of scale to customers. In B2B/PTL segment, expect growth to continue to be healthy despite lesser number of working days due to festivals. Shift from unorganised to organised sector continues as GST collections up 13% and E-way bill generation up 19% in 3QFYTD. Diesel prices remain stable QoQ. Domestic air cargo volumes as per DGCA is up just 1.8% FYTD and share of freighters is at 17%. Crude and ATF prices are down 7% and 8% YoY respectively. BDE pricing is benchmarked to crude prices. International air and ocean freight prices continue to be unfavourable due to slow demand and rising capacity thereby impacting cross border services revenues. Major ports volume for FY24YTD is up 5.5% led by iron ore and fertilizer growth and container growth stood at 9%. However private ports continue to witness faster growth. Trade imbalance continues leading to lower EXIM volumes and higher empty running.

### Revenue growth driven by volumes, pricing muted

For ports, ADSEZ Q3 volume was up 44% YoY to 108.4mn mt. The attacks in the red sea might result in delayed vessel arrival but not impacting the overall volumes. Expect port revenue growth of 37% YoY with port EBITDA margins at 70%. Adani logistics, we expect revenue growth of 5% YoY on the back of healthy volumes, with margins of 30%. ADSEZ consolidated revenue expected to improve by 47% YoY with EBITDA margins at 57.7%. For CCRI, blended originating volume growth expected at 8.5% YoY and realization up 3% YoY leading to revenue growth of 12% YoY and EBITDA margins at 24%. We expect EXIM volumes growth to be slower than domestic segment. In the 3PL space, expect MAHLOG revenues growth of 5% YoY aided by mixed growth both from M&M and Non-M&M, consolidated EBITDA margin are expected to witness a dip at 4.4%. The key thing to watch will be integration and ramp up of *Rivigo* acquisition. In express logistics, expect BDE tonnage up 6% YoY while realization decline due to shift from air to surface leading to muted revenues with EBITDA margins at 10%. For Allcargo Gati, expect revenue de-growth of 7% YoY and margins muted at 4%. The restructuring plan announced is expected to have operational impact on integration efforts. In surface logistics, expect revenue growth of 10% YoY in VRLL led by volume growth and EBITDA margin at 14.5% on stable diesel prices. For Delhivery, expect revenue growth of 12% YoY due to better performance in PTL & Express segment and to turn EBITDA positive vs loss YoY

**Our preferred pick in the logistics space is VRL Logistics**

Price performance (%)*	3M	6M	12M
Nifty	11.1	11.9	20.7
Adani Ports & SEZ	39.9	55.4	40.8
Container Corp of India	26.3	33.1	20.9
Delhivery	(1.9)	2.9	23.7
Blue Dart Express	10.1	2.2	(3.8)
VRL Logistics	6.5	4.4	35.4
Mahindra Logistics	18.6	15.5	(8.4)
Gati	(16.6)	1.9	(7.8)

Note: \*pricing as on 5 January 2024; Source: Bloomberg

Company	Revenue (INR mn)		
	FY24E	FY25E	FY26E
Adani Ports & SEZ	235,730	262,118	289,578
Container Corp. of India	89,204	98,673	109,393
Delhivery	82,177	95,638	109,908
Blue Dart Express	57,799	64,651	72,898
VRL Logistics*	29,643	33,832	38,783
Mahindra Logistics	56,668	64,946	73,937
Gati	19,728	22,640	26,052

Company	Adjusted PAT (INR mn)		
	FY24E	FY25E	FY26E
Adani Ports & SEZ	75,418	90,693	104,879
Container Corp. of India	12,660	14,383	16,354
Delhivery	(8,096)	(6,527)	(4,234)
Blue Dart Express	3,412	4,045	4,868
VRL Logistics*	1,854	2,192	2,622
Mahindra Logistics	225	467	757
Gati	299	446	755

Note: \*VRL Logistics YoY numbers not comparable for 3QFY24E as previous year includes bus segment revenue which are now divested, Pricing as on 5 January 2024; Source: Elara Securities Estimate

## Peer financials

Company	Revenue (INR mn)					EBITDA (INR mn)					Adjusted net profit (INR mn)				
	Q3 FY24E	Q2 FY24	Q3 FY23	QoQ (%)	YoY (%)	Q3 FY24E	Q2 FY24	Q3 FY23	QoQ (%)	YoY (%)	Q3 FY24E	Q2 FY24	Q3 FY23	QoQ (%)	YoY (%)
Adani Ports & SEZ	70,223	66,464	47,862	5.7	46.7	40,523	38,805	30,114	4.4	34.6	21,262	17,691	16,195	20.2	31.3
Container Corp of India	22,264	21,904	19,884	1.6	12.0	5,294	5,373	4,264	(1.5)	24.2	3,576	3,577	2,965	(0.0)	20.6
Delhivery	20,454	19,417	18,238	5.3	12.1	102	(156)	(733)	(165.6)	(114.0)	(891)	(1,029)	(1,957)	(13.4)	(54.5)
Blue Dart Express Ltd	13,748	13,245	13,371	3.8	2.8	1,402	1,305	1,506	7.5	(6.9)	784	713	869	9.9	(9.8)
VRL Logistics*	7,549	7,093	6,815	6.4	10.8	1,094	918	1,033	19.1	5.9	366	194	378	88.5	(3.0)
Mahindra Logistics	13,889	13,648	13,296	1.8	4.5	615	536	627	14.7	(2.0)	(45)	(159)	14	(72.0)	(420.7)
Gati	4,090	4,415	4,414	(7.4)	(7.3)	164	149	195	10.0	(16.1)	(29)	(19)	(25)	54.4	16.1

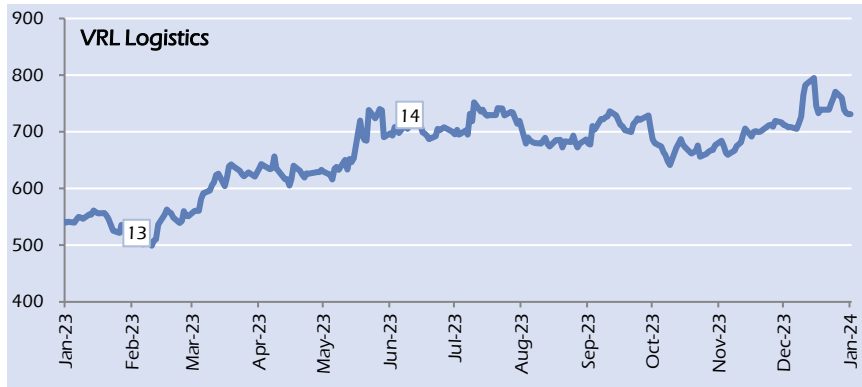
Source: Company, Elara Securities Estimate

## Peer valuations

Company	Ticker	Rating	Mcap	CMP*	Target	Upside	EV/EBITDA (x)			P/E (x)		
			(INR bn)	(INR)	(INR)	(%)	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Adani Ports & SEZ	ADSEZ IN	Buy	2,493	1,154	1,043	(9.7)	20.3	17.7	15.7	33.1	27.5	23.8
Container Corp. of India	CCRI IN	Reduce	546	896	724	(19.2)	25.3	21.8	18.8	43.1	38.0	33.4
Delhivery	DELHIVER IN	Reduce	296	403	405	0.6	387.0	90.8	29.1	-	-	166.5
Blue Dart Express	BDE IN	Accumulate	176	7,417	7,242	(2.4)	29.2	25.3	21.6	51.6	43.5	36.2
VRL Logistics*	VRL IN	Buy	64	731	890	21.8	14.7	12.5	10.6	34.5	29.2	24.4
Mahindra Logistics	MAHLOG IN	Sell	32	448	281	(37.2)	12.1	10.1	8.3	150.2	70.4	43.0
Gati	GATI IN	Accumulate	17	129	145	12.4	17.9	14.1	10.0	98.5	62.2	34.7

Note: \*VRL Logistics YoY numbers not comparable for 3QFY24E as previous year includes bus segment revenue which are now divested, Pricing as on 5 January 2024; TP and ratings as per our last published reports; Source: Elara Securities Estimate

## Coverage History



	Date	Rating	Target Price	Closing Price
12	29-Sep-2022	Buy	INR 780	INR 595
13	7-Feb-2023	Buy	INR 810	INR 510
14	1-Jun-2023	Buy	INR 890	INR743

## Guide to Research Rating

<b>BUY</b>	Absolute Return >+20%
<b>ACCUMULATE</b>	Absolute Return +5% to +20%
<b>REDUCE</b>	Absolute Return -5% to +5%
<b>SELL</b>	Absolute Return < -5%

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