

Logistics

Monthly Update – May'24

June 10, 2024

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Delhivery	BUY	390	530
Mahindra Logistics	Acc	470	500
TCI Express	BUY	1,098	1,410

Source: PL Acc=Accumulate

Ocean freight rates heading to record highs

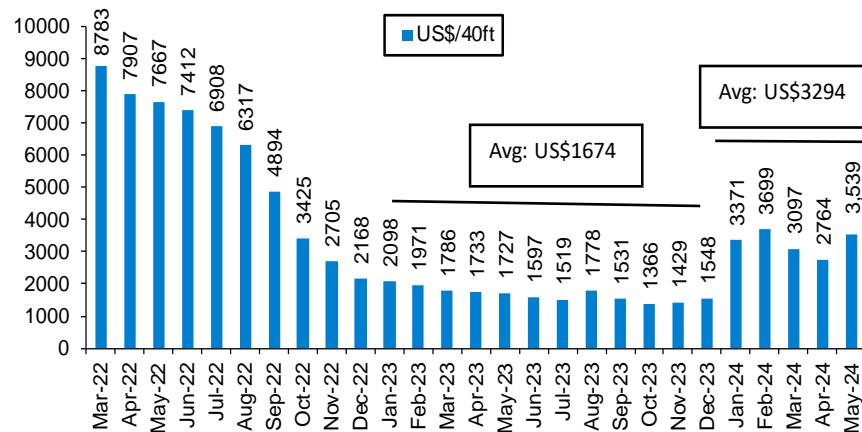
Volatility in container freight rates continues to rise: Global events like the Red Sea crisis, port congestion (especially in the Middle East and Asia), container repositioning imbalance (higher number of empty containers in Colombo and the Gulf region, instead of China) and strong container demand have led to a spike in the ocean freight charges . The Drewry index is up ~2x YoY in YTDCY24. Further, as per some estimates (Freightos, Xeneta, Container xChange), Jun'24 spot rates have already crossed 3-4x levels (\$6000-10000/40ft). As a result, shipping companies such as Maersk have raised their annual EBITDA guidance for CY24 by 50-75%.

Indian private ports ended FY24 on a high note: APSEZ cargo reached 408mmt in FY24, up 20% YoY, and JSW Infra reached 107mmt, up 15% YoY. Together, APSEZ and JSW Infra command ~34% of all-India cargo. Over the past 3 years, they have significantly outpaced major ports in growth, with APSEZ growing 18% and JSW Infra, 32%, compared to the 5% growth seen in major ports. This highlights their increasing importance in the maritime logistics sector.

APSEZ has begun FY25 with a 5% volume growth. Adani Ports continues to outpace major ports by 2.5% (APSEZ grew 5% YoY in YTDFY25), despite the Gangavaram Port shutdown (adjusted growth: 13% YoY).

Surface logistics companies to recover after underperformance: Surface freight indicators like e-way bills remained at record highs in Apr'24, at 97mn (up 15% YoY). Surface logistics companies (B2B/B2C) have been posting muted volume growth since H2FY23, led by higher inventory buildup, higher base effect and weak manufacturing numbers. With industrial production on the rise (Apr and May PMI at 58.8 and 57.5, respectively), we expect surface transport firms to witness recovery in volume growth in H2FY25E.

Exhibit 2: Drewry WCI container index: exports to become costlier



Source: Drewry, PL

CY24 has begun with Drewry index at ~\$3300/40ft, up ~2x, vs an average of ~\$1670/40ft in CY23, led by the Red Sea crisis. At the start of Jun'24, the index was at \$4716, due to cost escalation and higher container demand from the West

Harshal Mehta

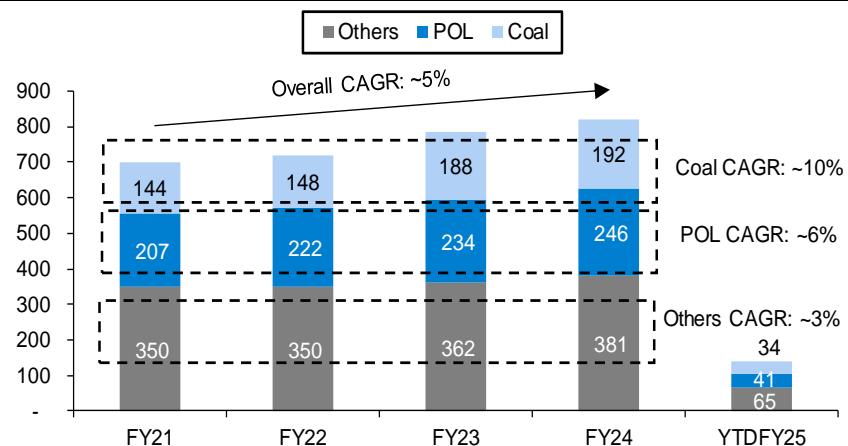
harshalmehta@plindia.com | 91-22-66322365

Het Patel

hetpatel@plindia.com | 91-22-66322214

Coal has grown 2-3x (10% CAGR) over the last 3 years, compared to other commodities handled at major ports. It constitutes 24% of major ports' cargo mix. However, FY25 has begun with muted growth (YTD: 2% YoY) for the commodity. POL has also grown marginally below the previous 3 year CAGR (4.3% YoY vs 6% CAGR)

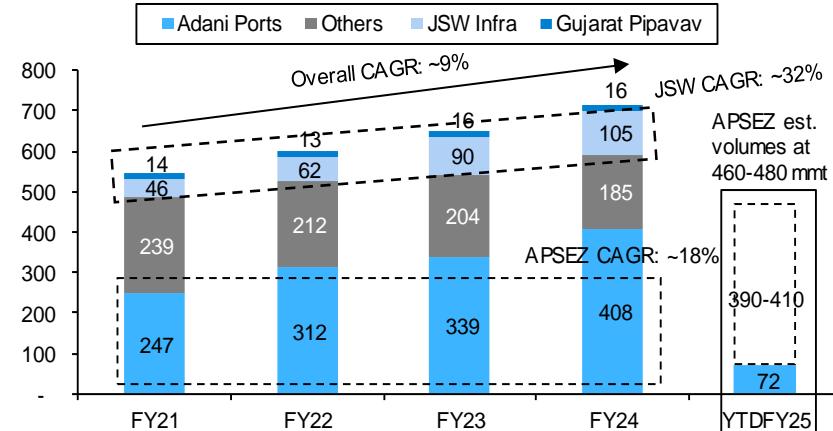
Exhibit 3: Major ports report muted growth (2.5%) in YTDF25 (mmt)



Source: Company, PL

Volume movement at private ports has outpaced overall ports, with APSEZ leading at a CAGR of 18% over the last 3 years. APSEZ has seen 5% volume growth in YTDFY25, which is expected to increase further once Gangavaram operations resume

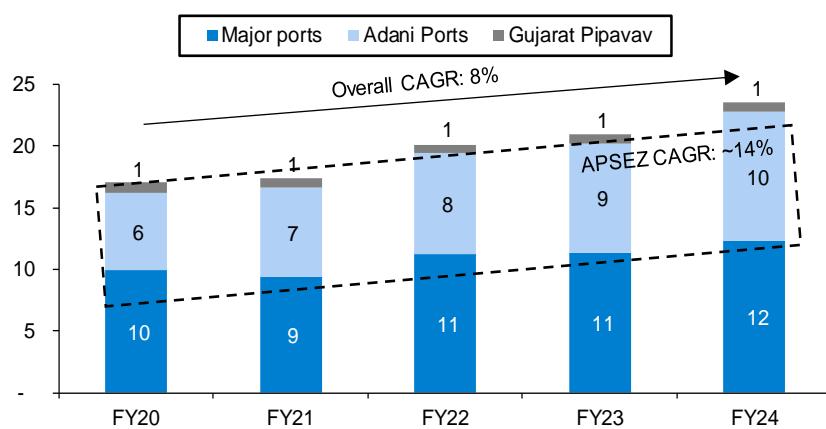
Exhibit 4: APSEZ drives growth in private ports (mmt)



Source: Company, PL

Container cargo represents 18-19% of all-India cargo, totaling 280-300mmt. In terms of container volumes, APSEZ leads with a CAGR of 14% over the last 3 years. Further, its market share has improved from ~36% in FY20 to ~43% in FY24

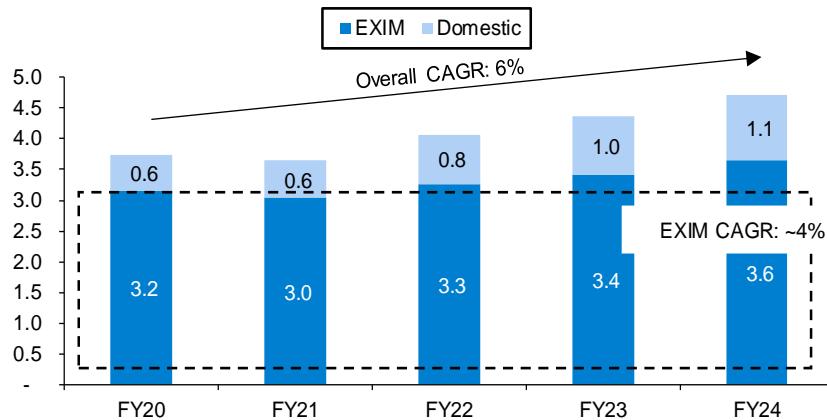
Exhibit 5: APSEZ dominates container segment (mn TEUs)



Source: Company, PL

Rail transports 30% of the overall ~23 mn EXIM containers. In FY24, Concor reportedly handled 3.6mn TEUs, securing an estimated 55-60% share of the rail container market. Concor domestic container volumes with a CAGR of 16% have outpaced EXIM container volumes at 4% CAGR over the last 4 years

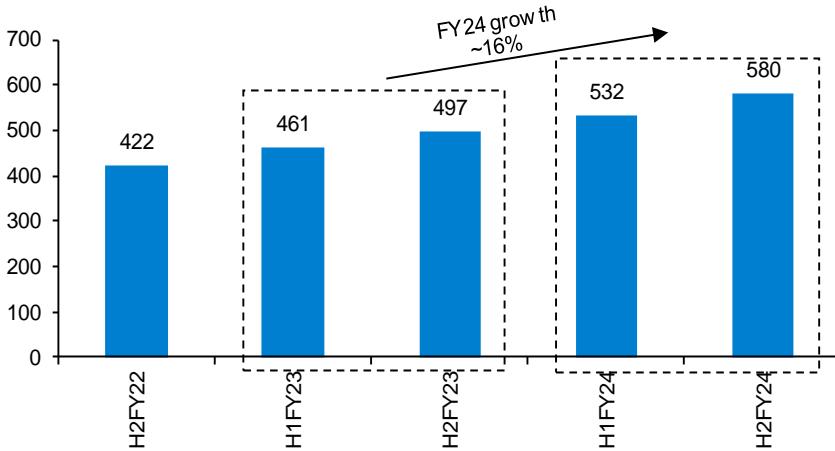
Exhibit 6: Concor upgrades FY25 EXIM/Dom guidance to 15%/25% (mn TEUs)



Source: Company, PL

E-way bill is an indicator of surface freight activity. With improvement in the manufacturing index, we expect a revival in volume growth for express players in H2FY25

Exhibit 7: E-way bills hitting new highs (mn)



Source: Company, PL

Key Events / Announcements

Adani Ports:

- Adani Ports has secured 4 berths (95% stake) at Dar es Salaam port in Tanzania for 30 years (acquired 20mmt capacity at \$39.5mn).
- As per media sources, Adani Ports has allocated \$3bn for acquiring 3 assets in the India-Europe corridor and plans to take the capacity to 800mmt in the next 2 years (from ~627mmt currently).
- Vizhinjam Port has received the nod for operating as India's first transshipment port.
- Adani Ports recorded 35.8mmt of cargo volumes in May'24 (flat YoY), despite the Gangavaram Port shutdown (~3mmt monthly vol).

Our view: These developments are in line with the APSEZ 2030 target of handling 1bn mmt of cargo (vs 420mmt in FY24).

CT2 terminal at Dar es Salaam will add ~14mmt to APSEZ's existing 627mmt capacity (inclusive of Gopalpur and under-construction ports).

On the domestic front, Gangavaram Port has halted its operations (~3mmt cargo monthly run rate) due to a workers' strike (demanding wage hikes) since Apr'24.

Major ports:

- JNPT will begin port expansion by Apr'25 to increase its capacity from 6.5mn TEUs to 10mn TEUs.
- Cargo traffic across major ports rose over 3.75% in May'24 to 72mmt.
- Major ports improved TT by 9% YoY in FY24 to 48 hours against earlier 52.9 hours.
- India has signed an MoU with Iran to operate Chabahar Port for 10 years.

Our view: JNPT has been operating at nearly 100% utilization (FY24 volume at 6.4mn TEUs). Expected DFC connectivity by FY26 would require much higher port capacity. Thus, the planned port expansion will handle the projected near-to-medium term growth in cargo volumes.

Improvement in the TT of major ports will make them competitive vs private ports (for comparison, APSEZ TT is less than 17 hours).

Chabahar connectivity could lead to an alternate East-West route and thus help India navigate the Red Sea crisis.

JSW Infra:

- JSW Infra management plans to expand port capacity to 400mmt by 2030 from current 170mmt.

Our view: *With the GoI's ambitious target of reaching 10000mmt of cargo volumes by 2047 (Maritime Amrit Kaal Vision), i.e., ~4x from current capacity, private players such as APSEZ and JSW Infra have been aggressive on their plans to add capacity. JSW Infra has recently acquired PNP Port (~50%) and plans to acquire terminals on major ports.*

Surface freight

- MoRTH has completed 72kms of the 6-lane expressway between Bengaluru and Pune.

Our view: *Improvement in connectivity between major lanes is leading to lesser wear and tear of trucks, optimized usage of fuel, and better TT for surface logistics players and, thus, makes them competitive compared to rail networks on these routes.*

- Seino Holdings has formed a 50:50 JV with Mahindra Logistics to create a Rs10bn business model over the next 5 years.

Our view: *The JV is to be incorporated in 4-5 months and targets to reach Rs10bn in 5 years. MLL has invested Rs22mn in the JV and expects to ramp it up as the JV takes shape. It will have auto dominated operations with Japanese OEMs.*

Others

- Flipkart has closed a funding round of ~\$1bn that includes \$350mn from Google.
- Reliance Industries will enter quick commerce (q-commerce) by Jul'24 with plans to fulfill deliveries in under 30 minutes.
- Amazon has infused Rs16bn to prepare for e-commerce competition.
- Meesho has secured \$275mn in a \$600mn round.

Our view: *Entry of Flipkart and Reliance into q-commerce is expected to diversify the q-commerce model from under 10 minutes to under 30 minutes, allowing for inclusion of multiple non-grocery items (electronics, consumer durables, etc.). We expect q-commerce to cannibalize traditional e-commerce market in the near to medium term. Logistics players such as Delhivery are less likely to be impacted as a dominant portion of their volumes are from non-metro areas (whereas q-commerce is concentrated in the metros).*

Fund raising by Meesho (primary and secondary mix) will facilitate the exit of its early investors and help build cash for competitive reasons.

Exhibit 8: Delhivery achieved EBITDA breakeven in FY24 at consol level

(Rs mn)	Delhivery				Shadowfax			Amazon Transportation Services		
	FY21	FY22	FY23	FY24	FY21	FY22	FY23	FY21	FY22	FY23
Revenue from Operations	36,465	68,823	72,253	81,311	4,639	9,970	14,657	40,524	45,714	45,430
Growth (%)		89%	5%	13%		115%	47%		13%	-1%
EBITDA	-1,229	-4,719	-4,516	744	-1,461	NA	NA	2,273	3,382	NA
Growth (%)		NA	NA	NA		NA	NA		49%	NA
PAT	-4,162	-10,114	-10,082	-2,815	-1,328	-1,760	-1,426	-687	-950	-860
Incremental revenue		32,358	3,430	9,058	1,411	5,331	4,687	11,015	5,190	-284
Incremental net assets		3,846	1,725	1,993	297	NA	NA	5,934	4,871	NA
Incremental net assets to incremental revenue		8.4	2.0	4.5	4.7	NA	NA	1.9	1.1	NA
RoE	-16.1%	-17.0%	-11.0%	-3.2%	-44%	NA	NA	-11%	-10%	NA
RoCE	-7.5%	-13.3%	-9.8%	-1.9%	-46%	NA	NA	-2%	-1%	NA

Source: Company, PL

Exhibit 9: Ecom Express and XpressBees are direct 3PL competitors to Delhivery, are nearly half its B2C size

(Rs mn)	Ekart (Flipkart)			Ecom Express			XpressBees		
	FY21	FY22	FY23	FY21	FY22	FY23	FY21	FY22	FY23
Revenue from Operations	65,820	1,03,412	1,27,874	16,291	21,273	25,818	10,048	18,556	24,319
Growth (%)		57%	24%		31%	21%		85%	31%
EBITDA	-11,975	-8,341	8,801	1,324	383	NA	-638	275	-1,122
Growth (%)		-0	-2		NA	NA		NA	NA
PAT	-19,095	-19,692	-3,246	434	-914	-4,725	-655	-188	-1,747
Incremental revenue	2,476	8,508	5,762	3,937	4,982	4,545	2,476	8,508	5,762
Incremental net assets	2,993	26,053	25,894	2,240	2,668	NA	70	226	875
Incremental net assets to incremental revenue	6.3	1.4	0.9	1.8	1.9	NA	35.5	37.6	6.6
RoE	-315%	-81%	-15%	4%	-10%	NA	-11%	-2%	-14%
RoCE	-115%	-19%	21%	3%	-7%	NA	-10%	2%	-8%

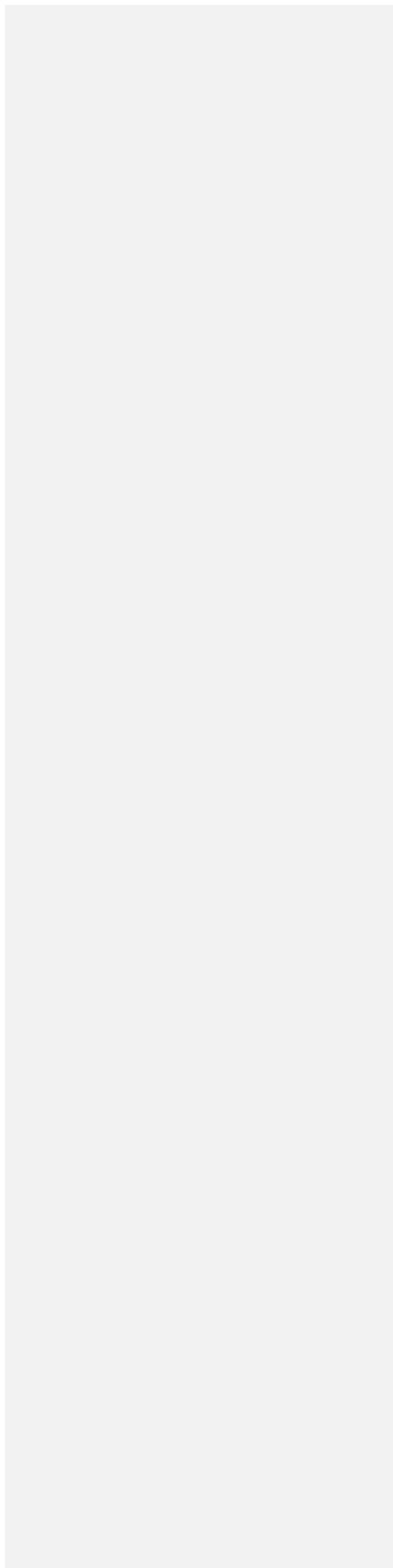
Source: Company, PL

Exhibit 10: 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)			
						FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E	FY23	FY24E	FY25E	FY26E
Delhivery	C	BUY	390	530	287.4	72,253	81,415	94,672	1,10,067	-4,516	1,266	3,320	6,602	-10,082	-2,262	-1,106	211	-13.8	-3.1	-1.5	0.3	-13.3	-2.5	-1.2	0.2	NA	NA	NA	NA
Mahindra Logistics	C	Acc	470	500	33.8	51,283	55,060	62,031	71,006	2,598	2,290	2,967	3,793	263	-547	290	875	3.6	-7.6	4.0	12.1	4.7	-10.4	5.8	16.3	128.8	-61.8	116.6	38.7
TCI Express	C	BUY	1,098	1,410	42.1	12,410	12,538	13,872	15,769	1,945	1,872	2,187	2,661	1,393	1,317	1,531	1,863	36.4	34.4	39.9	48.6	24.6	20.3	20.0	20.6	30.2	31.9	27.5	22.6

Source: Company, PL

Acc=Accumulate / S=Standalone / C=Consolidated



Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	BUY	530	431
2	Mahindra Logistics	Accumulate	500	452
3	TCI Express	BUY	1,410	1,105

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

ANALYST CERTIFICATION

(Indian Clients)

We/I Mr. Harshal Mehta- M.Tech (Bio Tech), PGDM Finance, Mr. Het Patel- CA Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Harshal Mehta- M.Tech (Bio Tech), PGDM Finance, Mr. Het Patel- CA Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

www.plindia.com