

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

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

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Ocean freight rates heading to record highs

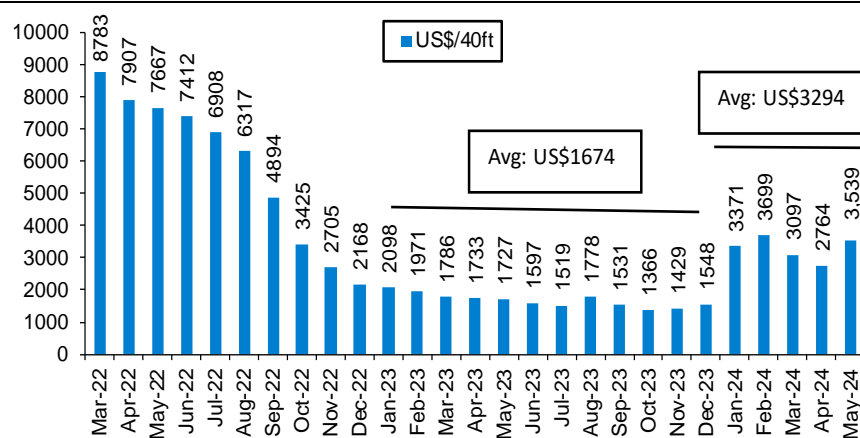
Volatility in container freight rates continues to rise: Global events like the Red Sea crisis, port congestion (especially in the Middle East and Asia), container repositioning imbalance (higher number of empty containers in Colombo and the Gulf region, instead of China) and strong container demand have led to a spike in the ocean freight charges. The Drewry index is up ~2x YoY in YTD CY24. 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 YTD FY25), 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



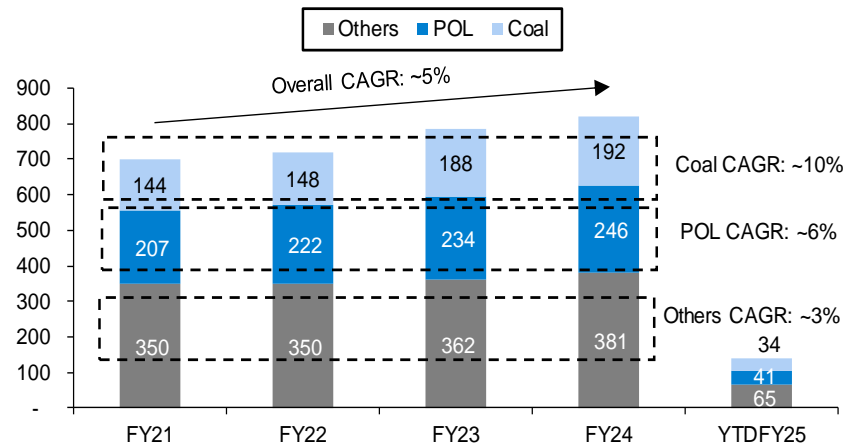
Source: Drewry, PL

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)

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 YTD FY25, which is expected to increase further once Gangavaram operations resume

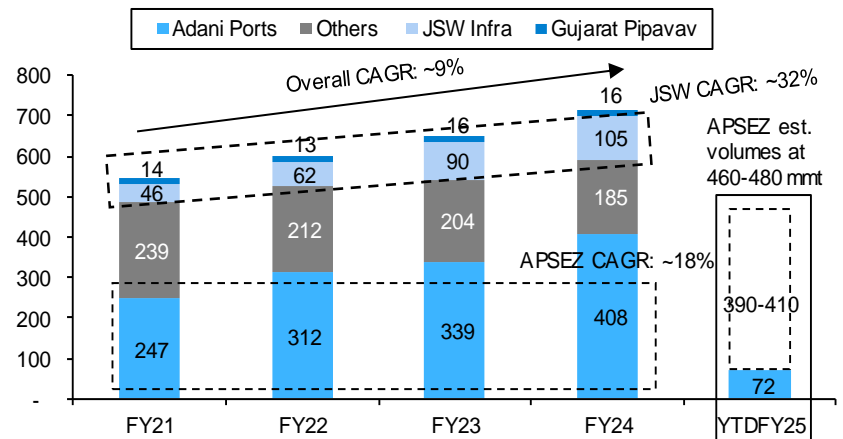
Container cargo represents 18-19% of all-India cargo, totaling 280-300mmt. In terms of container volumes, APSEZ leads with a CAGR of 14% over the last 3 years. Further, its market share has improved from ~36% in FY20 to ~43% in FY24

Exhibit 3: Major ports report muted growth (2.5%) in YTD FY25 (mmt)



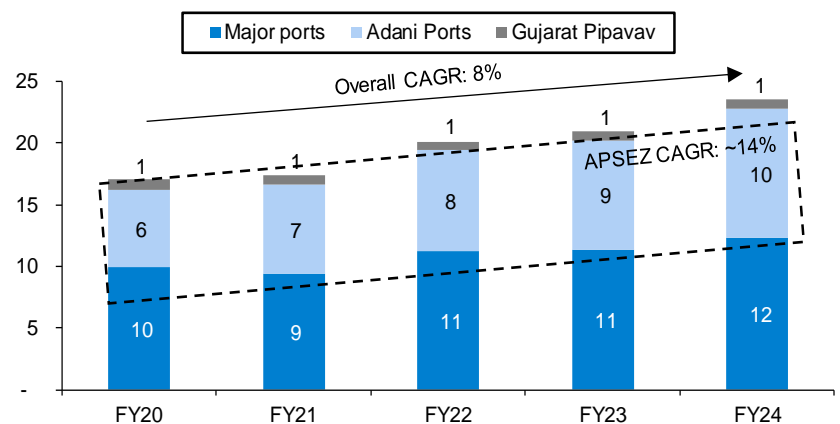
Source: Company, PL

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



Source: Company, PL

Exhibit 5: APSEZ dominates container segment (mn TEUs)

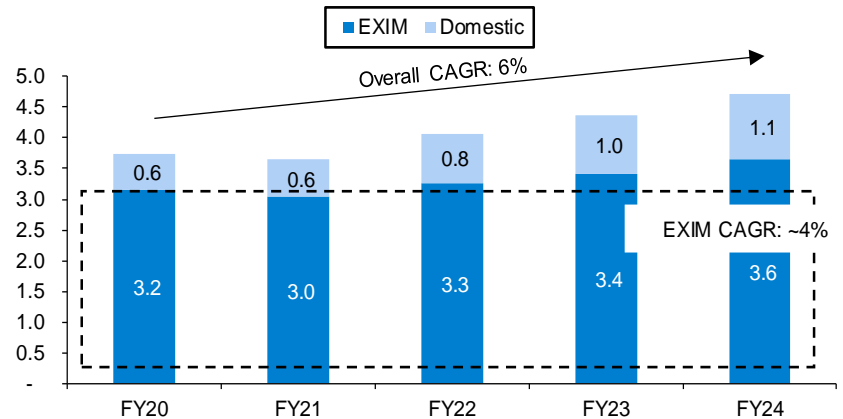


Source: Company, PL

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

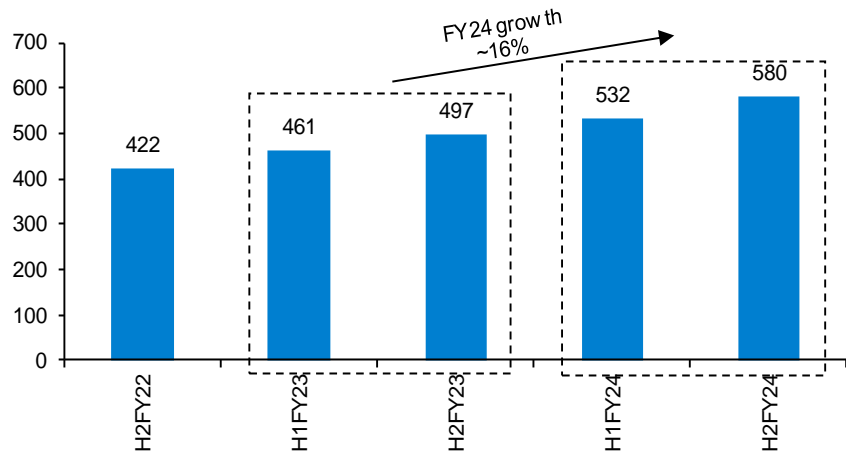
E-way bill is an indicator of surface freight activity. With improvement in the manufacturing index, we expect a revival in volume growth for express players in H2FY25

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



Source: Company, PL

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 Govt'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

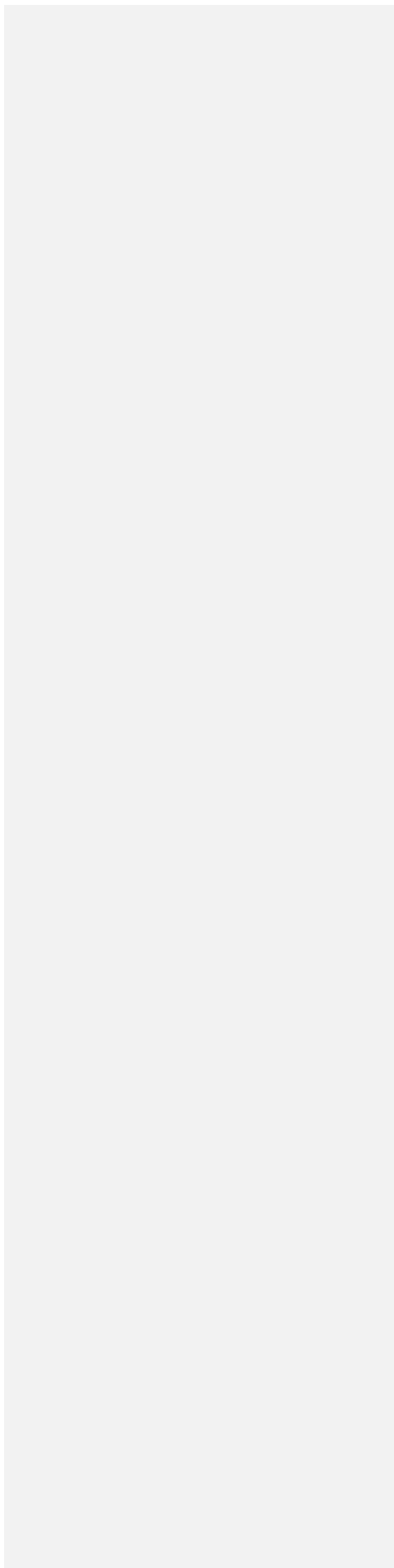


Exhibit 10: Valuation Summary

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

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