PL Capital
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# Logistics

## Jan-Mar'25 Earnings Preview

April 9, 2025

**Exhibit 1:** PL Universe

| Companies | Rating | CMP (Rs) | TP (Rs) |
|---|---|---|---|
| Delhivery | BUY | 249 | 350 |
| Mahindra Logistics | HOLD | 270 | 274 |
| TCI Express | BUY | 636 | 924 |

*Source: PL*

### Top Picks

**Delhivery**

## *Volume challenge persists*

***For our coverage universe, we expect revenue growth of 10.0% YoY led by Mahindra Logistics amid improvement in auto volumes. However, the B2B express business continues to struggle and we expect EBITDA loss of Rs120mn for the quarter. Even TCI Express is likely to face growth challenges in the B2B express business and we expect volumes to decline for 6th quarter in a row. In the case of Delhivery, while B2C parcel volume growth is likely to be in mid-single digit, the PTL business is expected to continue its expansion journey and report 13.1% growth in 4QFY25E. On the operating profitability front, EBITDA of our coverage universe is likely to increase 32.4% YoY led by Delhivery and Mahindra Logistics as volume growth challenge is likely to put TCI's profitability growth under pressure. Overall, the demand environment on B2B express side continues to remain muted while the competitive intensity in B2C parcel segment is likely to taper off as consolidation amongst 3PL players has begun. Delhivery is our preferred pick in the sector with a TP of Rs350 (35x FY27E EBITDA).***

### 4QFY25E to be modest but E-com's acquisition to strengthen Delhivery's B2C dominance

Delhivery's topline is expected to grow by 7.5% YoY to Rs22.3bn led by 9.3%/5.6%/14.8%/14.6% YoY growth in B2B/FTL/SCM/CBS segments. EBITDA margin is expected to be at 3.7% with PAT of Rs263mn in 4QFY25E. Delhivery's B2C parcel volumes have been under considerable pressure post rising insourcing by Meesho and we believe acquisition of E-com Express (E-com) will not only aid growth but also strengthen Delhivery's B2C dominance. Brief details about the transaction and key advantages of acquiring E-com are provided below:-

**Delhivery buys E-com at 0.5x sales on FY24 financials:** Delhivery has announced the acquisition of E-com for a total consideration of Rs14,070mn. Third party logistics is a 3-player market and hence this acquisition is likely to consolidate Delhivery's leadership position in the B2C express segment. As of FY24, E-com Express had revenues of Rs26,091mn with an EBITDA margin of 4.0% and a loss of Rs2,559mn. Delhivery has acquired E-com at an EV/EBITDA multiple of 13.6x and EV/sales multiple of 0.5x on FY24 financials.

**Yield and cost structure to improve post the buy-out:** Acquisition of E-com has eliminated competition which can help improve yields as bidding war would come to an end. In FY24, E-com handled ~18% of shipments in metro and tier-1 markets. Tier 2+ markets contributed balance 82% of shipments. As Meesho is a value retailer having dominance in tier 2+ markets, if we assume some of these volumes would ultimately accrue to Valmo, Delhivery would still have strong pricing power in metro & tier-1 markets.

On the cost side, we believe the following initiatives can help improve the cost structure: -

- Line haul utilization in overlapping lanes can improve

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- Fixed cost absorption can improve as idle warehousing space will be utilized better
- Employee cost rationalization
- Rent cost can come down by giving up overlapping infrastructure in same destination provided it has no impact on volumes
- Better bargaining power with vendors

As of 1HFY25, Delhivery has cash of Rs54,880mn on the BS. Even after paying Rs14,070mn for acquisition of E-com; Delhivery will have cash balance of Rs40,810mn. Thus, the acquisition is unlikely to stretch the BS of Delhivery.

On a conservative basis, assuming Meesho's contribution in E-com's revenue pie falls to 8% by FY27E and non-Meesho volumes grow at mid-single digit with an adjusted EBITDA margin of 4%; we arrive at E-com's equity valuation of Rs23.1bn. We have incorporated E-com's valuation into our estimates and have adjusted our other income and cash balance projections of Delhivery to arrive at a revised TP of Rs350 per share (35x FY27E EBITDA; no change in target multiple). Upgrade to BUY.

## Soft volumes troubles TCI Express

TCI Express is likely to experience another quarter of subdued volumes (down 2.0% YoY), amid muted demand environment. Realization is also anticipated to decline marginally by 2.5% YoY to Rs12.0/kg. Therefore, GM is expected to be at 28.9% for the quarter. Subsequently, EBITDA/PAT is expected to decrease by ~24.0%/28.7% YoY. We have cut our EPS estimates marginally by ~1.0%/1.3%/1.2% for FY25E/FY26E/FY27E as we streamline our top-line assumptions. We maintain "BUY" rating on the stock with a TP of Rs924, but we cut our target multiple to 22x (earlier 24x) amid persistent volume growth challenges

## Mahindra Logistics' top-line to grow in double digits

Mahindra Logistics is poised for healthy growth in both revenue and operating profitability, fuelled by its performance in core 3PL segment. Consolidated revenue is expected to grow 16.7% YoY to Rs16,934mn, led by 13.3% growth in the 3PL segment. EBITDA margin is subsequently expected to improve by 70bps YoY to 4.6% with a break-even expected at the bottom-line level. We have cut our EPS estimates by 44.7%/31.2% for FY26E/FY27E as we have re-aligned our EBITDA break-even time for the express business and tweaked our depreciation and interest expense assumptions. We maintain "HOLD" rating on the stock with a TP of Rs274 (20x FY27E EPS; no change in target multiple).

**Exhibit 2: Q4FY25 Result Preview (Rs mn)**

| Company Name | | Q4FY25E | Q4FY24 | YoY gr. (%) | Q3FY25 | QoQ gr. (%) | Remark |
|---|---|---|---|---|---|---|---|
| **Delhivery** | Sales | 22,302 | 20,755 | *7.5* | 23,783 | *(6.2)* | For Delhivery, we expect revenues to increase by 7.5% YoY to Rs22,302mn leb by strong growth in the PTL business. EBITDA margin is expected to be at ~3.7% with a PAT of Rs263mn. |
| | EBITDA | 824 | 459 | *79.7* | 1,024 | *(19.5)* | |
| | *Margin (%)* | *3.7* | *2.2* | *149 bps* | *4.3* | *-61 bps* | |
| | PBT | 263 | (623) | *NA* | 260 | *0.9* | |
| | Adj. PAT | 263 | (542) | *NA* | 250 | *5.1* | |
| **Mahindra Logistics** | Sales | 16,934 | 14,508 | *16.7* | 15,942 | *6.2* | We expect Mahindra Logistics to report revenues of Rs16,934mn (up 16.7% YoY) with an EBITDA margin of 4.6% led by improvement in the core 3PL segment. Consequently, we expect a break-even at the bottom-line level. |
| | EBITDA | 785 | 566 | *38.7* | 737 | *6.6* | |
| | *Margin (%)* | *4.6* | *3.9* | *74 bps* | *4.6* | *2 bps* | |
| | PBT | 22 | (6) | *NA* | 438 | *(94.9)* | |
| | Adj. PAT | -1 | (42) | *NA* | 359 | *NA* | |
| **TCI Express** | Sales | 3,033 | 3,171 | *-4.4* | 2,963 | *2.3* | Revenue is expected to be flat at Rs3,033mn as volumes and realization is unlikley to show any improvement. GM is anticiapted at 28.9% for the quarter. EBITDA/PAT is estimated to decline by ~24%/29% YoY to Rs 341mn/225mn given flattish volumes. |
| | EBITDA | 341 | 448 | *(24.0)* | 304 | *12.1* | |
| | *Margin (%)* | *11.2* | *14.1* | *-291 bps* | *10.3* | *97 bps* | |
| | PBT | 307 | 415 | *(26.1)* | 274 | *11.9* | |
| | Adj. PAT | 225 | 316 | *(28.7)* | 207 | *8.9* | |

*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 | BUY | 249 | 350 | 183.4 | 81,415 | 89,706 | 100,276 | 114,424 | 1,266 | 3,392 | 6,280 | 9,172 | -2,264 | 1,211 | 2,732 | 5,240 | -3.1 | 1.6 | 3.7 | 7.1 | -2.5 | 1.3 | 2.9 | 5.3 | -81.0 | 151.4 | 67.1 | 35.0 |
| Mahindra Logistics | C | HOLD | 270 | 274 | 19.5 | 55,060 | 62,287 | 71,243 | 81,374 | 2,290 | 2,849 | 3,756 | 4,607 | -123 | -292 | 451 | 988 | -1.7 | -4.1 | 6.3 | 13.7 | -2.3 | -6.2 | 9.8 | 19.3 | -157.8 | -66.7 | 43.2 | 19.7 |
| TCI Express | C | BUY | 636 | 924 | 24.4 | 12,538 | 12,040 | 13,077 | 14,733 | 1,872 | 1,361 | 1,938 | 2,346 | 1,317 | 926 | 1,330 | 1,611 | 34.3 | 24.2 | 34.7 | 42.0 | 20.3 | 12.6 | 16.3 | 17.3 | 18.5 | 26.3 | 18.3 | 15.1 |

*Source: Company, PL* *UR = Under Review / 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 | BUY | HOLD | 350 | 340 | 3.0% | 89,706 | 89,706 | 0.0% | 100,276 | 100,276 | 0.0% | 1,211 | 1,211 | 0.0% | 2,732 | 3,434 | -20.4% | 1.6 | 1.6 | 0.0% | 3.7 | 4.7 | -20.4% |
| Mahindra Logistics | HOLD | HOLD | 274 | 399 | -31.2% | 62,287 | 62,413 | -0.2% | 71,243 | 71,404 | -0.2% | -292 | 129 | NA | 451 | 817 | -44.8% | -4.1 | 1.8 | NA | 6.3 | 11.3 | -44.8% |
| TCI Express | BUY | BUY | 924 | 1,021 | -9.5% | 12,040 | 12,165 | -1.0% | 13,077 | 13,211 | -1.0% | 926 | 935 | -1.0% | 1,330 | 1,347 | -1.3% | 24.2 | 24.4 | -1.0% | 34.7 | 35.1 | -1.3% |

*Source: Company, PL* *UR = Under Review / C=Current / P=Previous*

## Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---|---|---|---|---|
| 1 | Chalet Hotels | BUY | 1,064 | 767 |
| 2 | Delhivery | Hold | 340 | 315 |
| 3 | DOMS Industries | BUY | 3,370 | 2,810 |
| 4 | Imagicaaworld Entertainment | BUY | 97 | 71 |
| 5 | Indian Railway Catering and Tourism Corporation | Hold | 809 | 751 |
| 6 | InterGlobe Aviation | BUY | 5,861 | 5,087 |
| 7 | Lemon Tree Hotels | BUY | 175 | 145 |
| 8 | Mahindra Logistics | Hold | 399 | 354 |
| 9 | Navneet Education | Hold | 150 | 140 |
| 10 | Nazara Technologies | BUY | 1,117 | 921 |
| 11 | PVR Inox | Hold | 1,215 | 1,090 |
| 12 | S Chand and Company | BUY | 305 | 189 |
| 13 | Safari Industries (India) | BUY | 2,783 | 2,383 |
| 14 | TCI Express | BUY | 1,021 | 791 |
| 15 | V.I.P. Industries | BUY | 463 | 374 |
| 16 | Zee Entertainment Enterprises | Hold | 137 | 121 |

## 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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