

Mahindra Logistics

BSE SENSEX

57,685

S&P CNX

17,246



Stock Info

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	31.7 / 0.4
52-Week Range (INR)	819 / 396
1, 6, 12 Rel. Per (%)	2/-36/-34
12M Avg Val (INR M)	142
Free float (%)	41.8

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	32.6	41.5	49.7
EBITDA	1.3	2.0	2.5
Adj. PAT	0.3	0.4	0.7
Adj. EPS (INR)	4.6	4.9	10.2
EPS Gr. (%)	-40.7	7.0	108.8
BV/Sh. (INR)	79.4	81.8	89.5

Ratios

Net D/E (x)	-0.3	-0.2	-0.1
RoE (%)	5.8	6.0	11.9
RoCE (%)	8.2	9.2	14.4
Payout (%)	59.8	51.1	24.5

Valuations

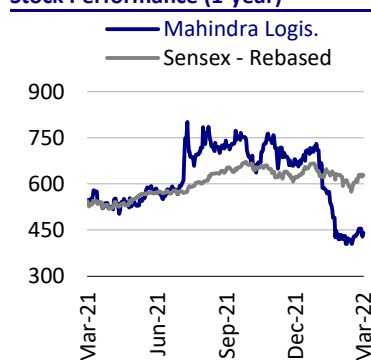
P/E (x)	96.4	90.1	43.2
P/BV (x)	5.6	5.4	4.9
EV/EBITDA (x)	22.3	15.5	12.3
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	7.1	-1.7	-0.8

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	58.2	58.3	58.4
DII	11.1	10.9	11.1
FII	21.7	21.8	20.4
Others	9.1	9.0	10.2

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR441
TP: INR500 (+13%)
Neutral

Eyes revenue of INR100b in five years; near term challenges remain

We attended MLL's investor meet, wherein the management reiterated its vision of achieving a revenue of INR100b over the next five years. It also touched upon the near term challenges: a) slowdown in the Farm segment, b) increase in fuel prices, and c) start-up costs related to the Bajaj contract. Key highlights from the meet are:

- **Demand environment:** While the Auto segment has seen an improvement over the last few months, the Farm segment has been weak. Recovery in the Farm segment is expected by 2HFY23. Segments like FMCG and Pharma have been picking up well, while the Electronics segment has been impacted due to semiconductor shortages.
- **Revenue growth for MLL** over the last few quarters has been driven by new client acquisition. Growth within existing clients has been lower than expected.
- The **e-commerce** segment has seen subdued growth in the last few months. Around 70% of this market is driven by Electronics, Groceries, Durables, and Apparel. These segments have seen muted growth in recent times.
- **Business areas:** MLL focuses on three key verticals: a) Core 3PL, where the client is acquired first and then a network is built for the client; b) Network Services (includes freight forwarding and B2B Express) where the network is first built and clients are acquired later; and c) Enterprise Mobility. Core 3PL is the largest business for MLL with 75% revenue, followed by Network Services (20%) and Enterprise Mobility.
- **Fuel price impact:** All contracts have a fuel cost pass through clause and don't see a major impact. There may be a timing issue where the fuel price hike is not passed on for a few months, but is eventually passed on to customers.
- **Long-term revenue target at INR100b:** MLL aims to achieve INR100b in revenue over the next five years. While the industry itself will grow, there will be a strong business shift towards organized players. The share of 3PL will also increase. Revenue from the Core 3PL business may double to INR60b, whereas the Network Services business may see exponential growth on the current low base and touch INR30b.
- **Margin Improvement over the long term:** Margin is expected to improve, with increasing share of Warehousing going forward within the Core 3PL segment. In the Network Services business, improving scale will usher operational efficiencies, leading to higher profitability.
- **Business from Bajaj:** Profitability was impacted in 3QFY22 as there were start-up costs linked to the Bajaj contract. The project is big and will stabilize over the next few months.
- **The acquisition of Whizzard** will help enhance MLL's presence and capabilities in the last-mile delivery and fulfillment services. It will also accelerate technology adoption and geographical coverage. MLL will acquire 60% stake in a staggered manner for a total consideration of ~INR710 m.

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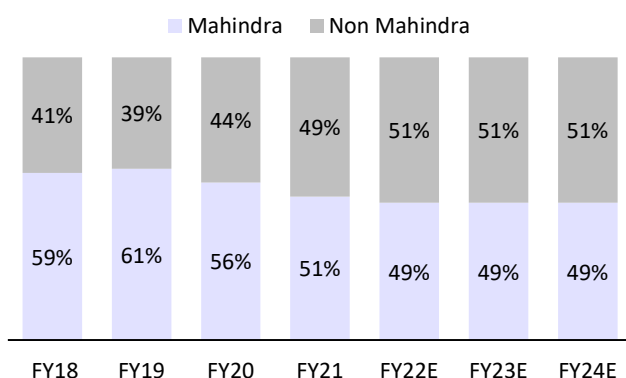
- **Share of Auto and non-Auto verticals:** The share of the Auto vertical has fallen to 50% at present from 70% earlier. The management is continuously focusing on diversifying its sectoral mix. Out of the non-MM business, 20% would be Auto and the balance others.
- **Growth in the Logistics industry:** The fastest growing segment in Logistics is B2C Express, followed by B2B Express, freight forwarding, and Warehousing services.

Valuation and view

- The long-term strategic roadmap is in place to becoming a sizeable name in the Logistics industry, with revenue of ~INR100b. Strategic acquisitions, presence in value-added segments, and new customer wins augur well for MLL. In the near term, challenges with respect to: a) slowdown in Farm segment, b) increase in fuel prices, and c) start-up costs related to the Bajaj account remain.
- We expect MLL to clock a revenue/EBITDA/PAT CAGR of ~20%/31%/48% over FY21-24. We retain our Neutral rating with a TP of INR500/share (34x FY24E EPS).

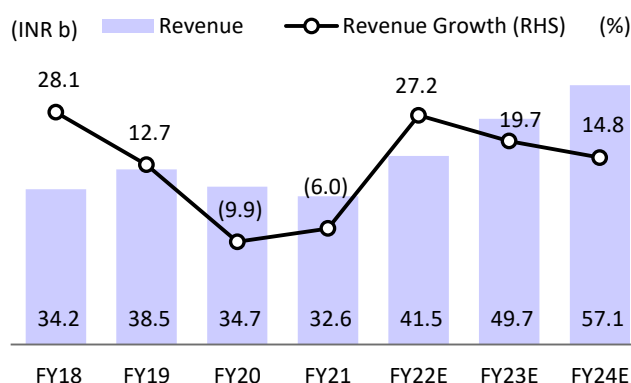
Financial story in charts

Exhibit 1: SCM segment | MM's share to stabilize at 50%



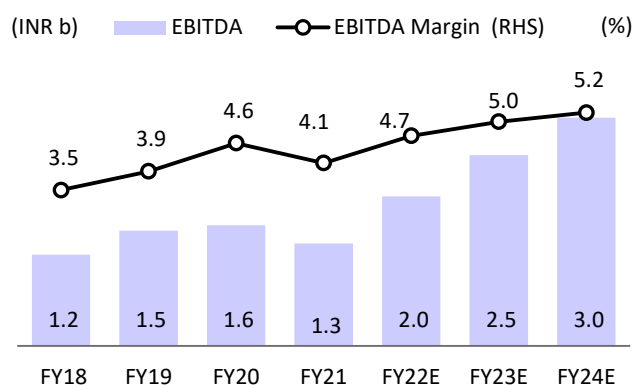
Source: Company, MOFSL

Exhibit 2: Revenue growth to be driven by the SCM segment



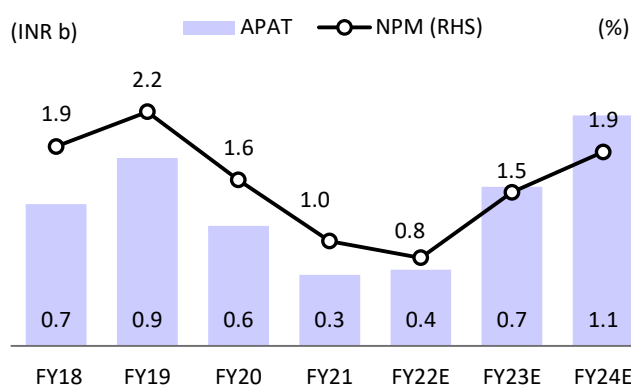
Source: Company, MOFSL

Exhibit 3: Margin to remain strong



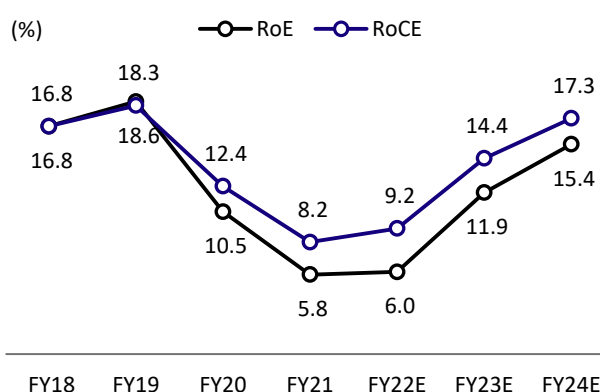
Source: Company, MOFSL

Exhibit 4: Strong operating performance to drive PAT growth



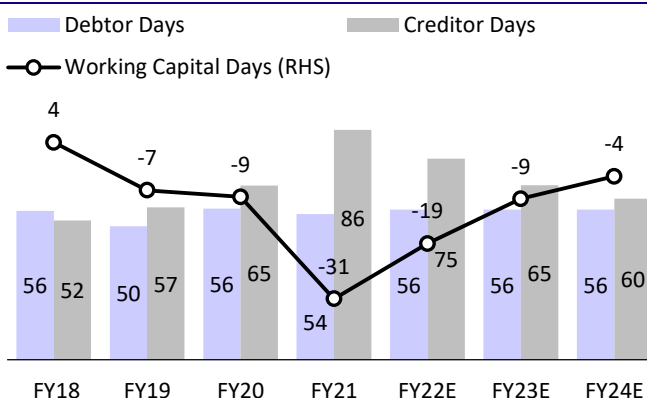
Source: Company, MOFSL

Exhibit 5: Return ratios to improve with strong earnings



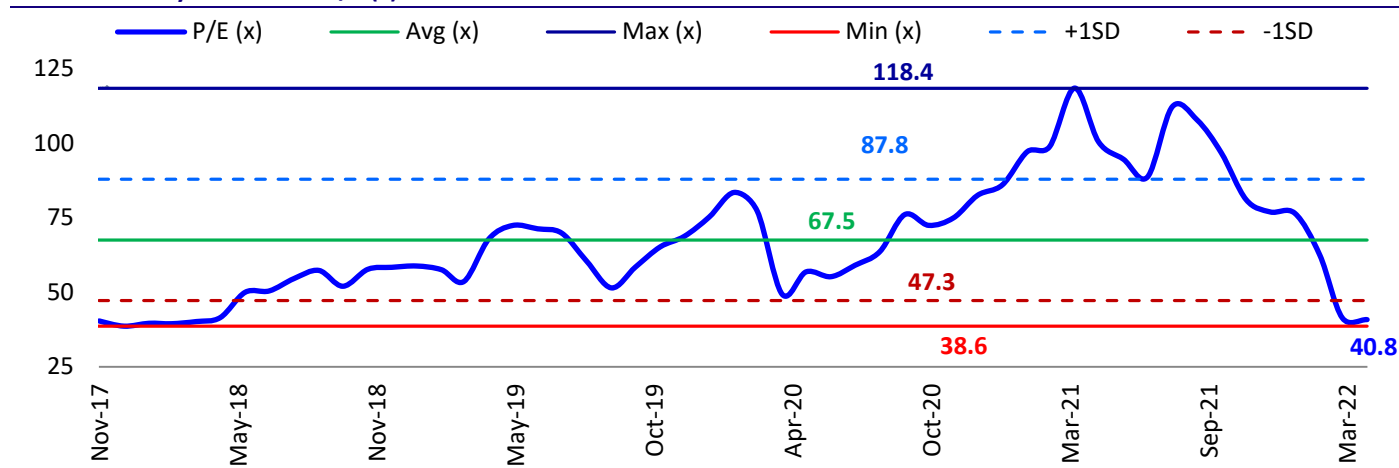
Source: Company, MOFSL

Exhibit 6: Comfortable working capital position



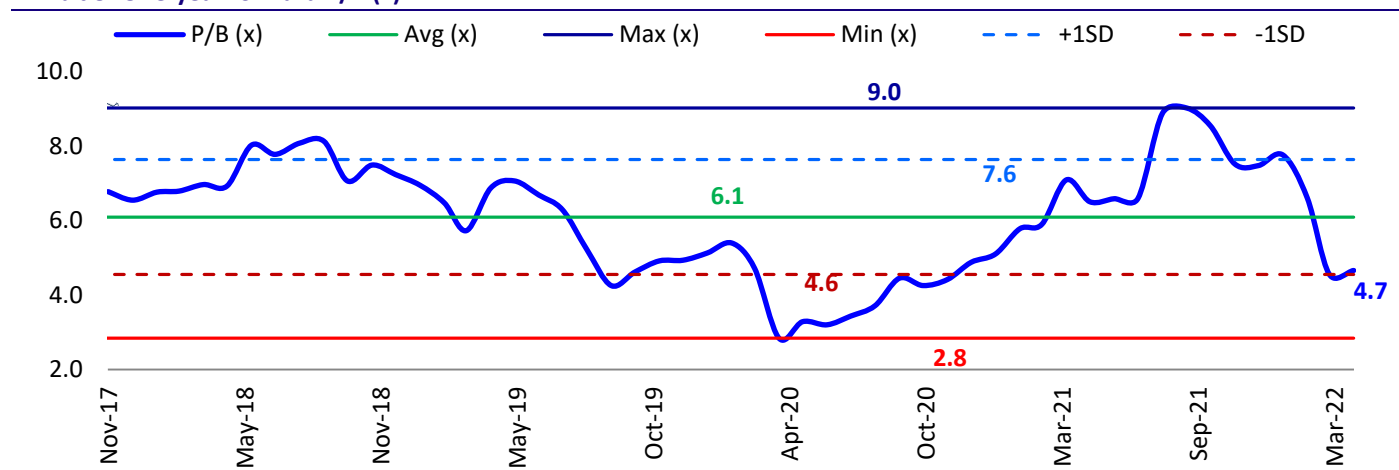
Source: Company, MOFSL

Exhibit 7: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 8: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	34,161	38,513	34,711	32,637	41,522	49,683	57,057
Change (%)	28.1	12.7	-9.9	-6.0	27.2	19.7	14.8
Gross Margin (%)	12.2	12.4	15.5	15.3	14.0	13.9	14.0
EBITDA	1,197	1,512	1,583	1,342	1,961	2,505	2,993
Margin (%)	3.5	3.9	4.6	4.1	4.7	5.0	5.2
Depreciation	197	220	734	897	1,338	1,407	1,528
EBIT	1,000	1,293	848	446	623	1,098	1,465
Int. and Finance Charges	38	35	176	201	282	259	235
Other Income	59	76	140	175	87	122	171
PBT	1,021	1,334	812	420	428	961	1,401
Tax	368	468	257	100	108	242	353
Effective Tax Rate (%)	36.1	35.1	31.7	23.9	25.2	25.2	25.2
PAT before MI, Associates, and EO Items	653	867	555	319	320	719	1,048
Share of profit/(loss) of Associates and JVs	0	-3	-3	8	12	12	12
Extraordinary Items	0	0	0	28	0	0	0
Reported PAT	653	864	552	300	350	731	1,060
Adjusted PAT	653	864	552	328	350	731	1,060
Change (%)	41.5	32.4	-36.1	-40.7	7.0	108.8	45.0
Margin (%)	1.9	2.2	1.6	1.0	0.8	1.5	1.9

Consolidated Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	711	715	715	717	717	717	717
Total Reserves	3,485	4,268	4,731	4,964	5,135	5,688	6,569
Net Worth	4,196	4,982	5,447	5,681	5,852	6,405	7,286
Minority Interest	70	57	54	28	28	28	28
Deferred Tax Liabilities	-141	-187	-200	0	0	0	0
Total Loans	346	377	359	292	279	266	253
Capital Employed	4,471	5,229	5,660	6,000	6,159	6,699	7,566
Gross Block	1,126	1,361	3,594	5,520	6,320	6,920	7,420
Less: Accum. Deprn.	467	648	1,285	1,903	3,241	4,647	6,175
Net Fixed Assets	659	713	2,310	3,617	3,079	2,272	1,244
Capital WIP	6	26	150	21	21	21	21
Total Investments	501	813	31	0	75	150	225
Curr. Assets, Loans, and Adv.	8,554	10,312	11,527	13,149	15,642	18,026	21,106
Inventory	0	0	0	0	0	0	0
Account Receivables	5,200	5,251	5,356	4,856	6,370	7,623	8,754
Cash and Bank Balances	660	700	995	1,978	1,280	840	1,369
Cash	660	550	995	1,978	1,280	840	1,369
Bank Balance	0	150	0	0	0	0	0
Loans and Advances	0	150	150	0	0	0	0
Others	2,693	4,212	5,026	6,315	7,992	9,563	10,983
Current Liab. and Prov.	5,248	6,635	8,359	10,787	12,658	13,771	15,029
Account Payables	4,863	6,001	6,172	7,661	8,532	8,848	9,379
Other Current Liabilities	205	419	1,974	3,065	3,899	4,666	5,358
Provisions	180	215	213	61	227	257	292
Net Current Assets	3,306	3,677	3,169	2,362	2,985	4,256	6,076
Application of Funds	4,471	5,229	5,660	6,000	6,159	6,699	7,566

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)							
EPS	9.1	12.1	7.7	4.6	4.9	10.2	14.8
EPS growth (%)	41.5	32.4	-36.1	-40.7	7.0	108.8	45.0
Cash EPS	11.9	15.1	18.0	17.1	23.6	29.9	36.2
BV/Share	58.6	69.6	76.1	79.4	81.8	89.5	101.8
DPS	1.5	1.8	1.5	2.5	2.5	2.5	2.5
Payout (incl. Div. Tax, %)	19.7	17.9	19.5	59.8	51.1	24.5	16.9
Valuation (x)							
P/E	48.4	36.5	57.2	96.4	90.1	43.2	29.8
Cash P/E	37.1	29.1	24.5	25.8	18.7	14.8	12.2
EV/EBITDA	25.7	20.1	19.5	22.3	15.5	12.3	10.1
EV/Sales	0.9	0.8	0.9	0.9	0.7	0.6	0.5
P/BV	7.5	6.3	5.8	5.6	5.4	4.9	4.3
Dividend Yield (%)	0.3	0.4	0.3	0.6	0.6	0.6	0.6
Return Ratios (%)							
RoE	16.8	18.6	10.5	5.8	6.0	11.9	15.4
RoCE	16.8	18.3	12.4	8.2	9.2	14.4	17.3
RoIC	21.5	24.0	14.2	7.8	10.6	15.7	18.8
Working Capital Ratios							
Fixed Asset Turnover (x)	33.6	31.0	14.0	7.2	7.0	7.5	8.0
Asset Turnover (x)	7.6	7.4	6.1	5.4	6.7	7.4	7.5
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	56	50	56	54	56	56	56
Creditors (Days)	52	57	65	86	75	65	60
Leverage Ratio (x)							
Net Debt/Equity ratio	-0.1	-0.1	-0.1	-0.3	-0.2	-0.1	-0.2

Consolidated Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	1,021	1,334	812	392	428	961	1,401
Depreciation	197	220	734	897	1,338	1,407	1,528
Direct Taxes Paid	-701	-419	-325	515	-108	-242	-353
(Inc.)/Dec. in WC	-483	-265	-653	838	-1,593	-1,931	-1,491
Other Items	85	80	285	295	195	136	64
CF from Operations	119	950	854	2,937	261	332	1,149
(Inc.)/Dec. in FA	-372	-342	-617	-690	-800	-600	-500
Free Cash Flow	-253	608	237	2,247	-539	-268	649
Change in Investments	86	-258	786	-588	-75	-75	-75
Others	287	-347	186	198	-172	-146	-71
CF from Investments	1	-947	355	-1,080	-1,047	-821	-646
Change in Equity	72	27	4	2	0	0	0
Inc./(Dec.) in Debt	3	23	-18	-67	-12	-13	-14
Dividends Paid	0	-129	-155	-107	-179	-179	-179
Others	-37	-35	-594	-702	279	242	219
CF from Fin. Activity	39	-113	-763	-875	88	50	26
Inc./(Dec.) in Cash	159	-111	446	982	-698	-439	528
Opening Balance	502	660	550	995	1,978	1,280	840
Closing Balance	660	550	995	1,978	1,280	840	1,369

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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