

Mahindra Logistics

Estimate change



TP change



Rating change



CMP: INR516

TP: INR540 (+5%)

Neutral

Non-Auto segment driving volume growth

Improved utilization levels drive margin improvement

- MLL delivered a revenue growth of 10% YoY in 4QFY22 (6% below our estimate), driven by 25% growth in the non-Auto vertical. The Auto segment reported flattish growth YoY.
- EBITDA margin stood at 5.1%, which was higher than our estimate of 4.7%. The improvement was due to optimization of its contract workforce and improvement in utilization levels in its Warehousing business. Margin could have been better if it wasn't impacted by certain one-time costs related to the starting of some key projects.
- We raise our FY24 EPS estimate by 4% to factor in an improved margin outlook in the Supply Chain segment. The Warehousing segment is expected to see improved profitability as utilization picks up further. We maintain our Neutral rating, with revised a TP of INR540/share (35x FY24E EPS).

Volumes improve YoY; high depreciation impacts PAT

- Revenue grew 10% YoY to ~INR10.7b; 6% below our estimates. The growth was driven by the Supply Chain segment (+11% YoY; 97% of revenue), while Enterprise Mobility declined by 23% YoY (3% of revenue).
- EBITDA stood in line at INR550m, a growth of 19% YoY. EBITDA margin stood at 5.1% (up 38bp YoY and 86bp QoQ).
- PAT declined by 20% YoY to INR122m in 4QFY22, led by a higher depreciation expense. Contribution by non-MM customers to the Supply Chain segment fell to 49% in 4Q (v/s 55% in 3QFY22).

Highlights from the management commentary

- Revenue growth was driven by the non-Auto vertical. MLL saw good traction in freight forwarding and e-commerce.
- The diesel price hike has been passed on to customers as per contracts.
- Going forward, a margin improvement is expected in future quarters, with: a) startup costs related to the Bajaj Electricals project coming down from 2QFY23, and b) increase in utilization levels in the Warehousing business.
- MLL acquired Zipzap Logistics and Meru Cabs recently. Both acquisitions will help it provide better and wider services to its customers. The management expects to close the Meru Cabs transaction by mid-1QFY23.

Valuation and view

- MLL is facing headwinds, with low demand from the Auto vertical and startup costs incurred in the Bajaj Electrical project. With a gradual improvement in volume and margin in the Supply Chain segment, we expect MLL to clock a revenue/EBITDA/PAT CAGR of ~19%/24%/72% over FY22-24.
- We raise our FY24 EPS estimate by 4% to factor in a higher than expected margin in the Supply Chain segment. We maintain our Neutral rating, with a revised TP of INR540/share (35x FY24E EPS).

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	37.1 / 0.5
52-Week Range (INR)	819 / 396
1, 6, 12 Rel. Per (%)	17/-18/-22
12M Avg Val (INR M)	142

Financial Snapshot (INR b)

Y/E MARCH	FY22	FY23E	FY24E
Sales	40.8	49.7	57.6
EBITDA	2.0	2.6	3.1
Adj. PAT	0.4	0.7	1.1
EBITDA Margin (%)	4.8	5.1	5.3
Adj. EPS (INR)	5.2	10.2	15.3
EPS Gr. (%)	13.2	96.4	50.8
BV/Sh. (INR)	82.5	90.2	103.0

Ratios

Net D:E	-0.2	-0.1	-0.2
RoE (%)	6.4	11.8	15.9
RoCE (%)	9.6	14.5	17.9
Payout (%)	38.6	24.6	16.3

Valuations

P/E (x)	99.6	50.7	33.6
P/BV (x)	6.3	5.7	5.0
EV/EBITDA(x)	18.2	14.1	11.5
Div. Yield (%)	0.4	0.5	0.5
FCF Yield (%)	2.9	-2.0	2.3

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	58.2	58.2	58.3
DII	12.1	11.1	11.9
FII	20.4	21.7	20.9
Others	9.3	9.1	8.8

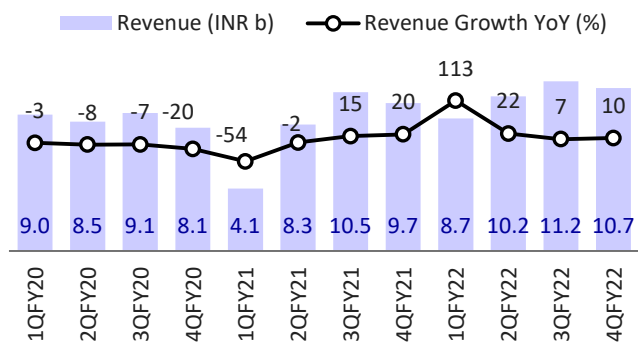
FII Includes depository receipts

Quarterly snapshot

Y/E March (INR m)	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q				
Net Sales	4,105	8,325	10,468	9,740	8,734	10,191	11,179	10,727	32,637	40,830	11,418	(6)
Change (YoY %)	-54.3	-2.3	15.3	20.0	112.8	22.4	6.8	10.1	-6.0	25.1	17.2	
EBITDA	-22	373	530	462	450	500	477	550	1,342	1,977	534	3
Margin (%)	-0.5	4.5	5.1	4.7	5.2	4.9	4.3	5.1	4.1	4.8	4.7	
Change (YoY %)	-105.5	-1.2	24.8	21.4	NA	34.1	-10.0	19.1	-15.2	47.3	15.8	
Depreciation	184	209	243	261	286	328	357	374	897	1,345	367	
Interest	46	45	55	56	62	68	75	91	201	295	78	
Other Income	28	83	18	47	19	20	26	57	175	122	22	
PBT before EO Items	-224	202	250	191	122	123	71	142	420	458	112	27
Extra-Ord. expense	0	0	0	28	0	0	0	0	28	0	0	
PBT	-224	202	250	164	122	123	71	142	392	458	112	27
Tax	-59	54	66	40	31	31	21	31	100	113	28	
Rate (%)	26.4	26.6	26.2	24.2	25.2	24.7	28.8	21.7	25.6	24.6	25.2	
PAT before MI, Associates	-165	149	184	124	91	93	51	111	292	346	83.6	
Share of associates/MI	7	1	-1	2	3	5	6	11	8	25	4	
Reported PAT	-158	150	183	126	94	98	57	122	300	371	88	39
Adj. PAT	-158	150	183	153	94	98	57	122	328	371	88	39
YoY Change (%)	-184.8	33.7	17.5	59.0	NA	-34.6	-68.9	-20.2	-40.7	13.2	-42.7	
Margin (%)	-3.9	1.8	1.7	1.6	1.1	1.0	0.5	1.1	1.0	0.9	0.8	

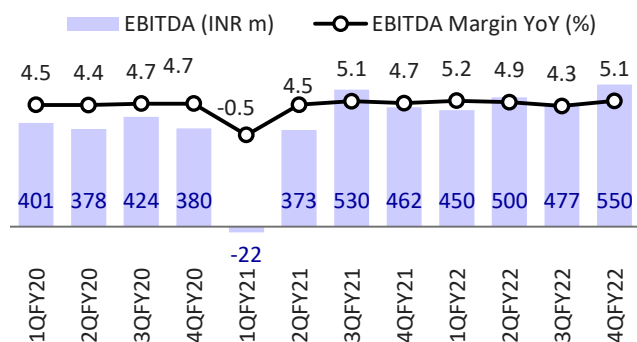
4QFY22 in charts

Exhibit 1: Revenue momentum continues to remain strong



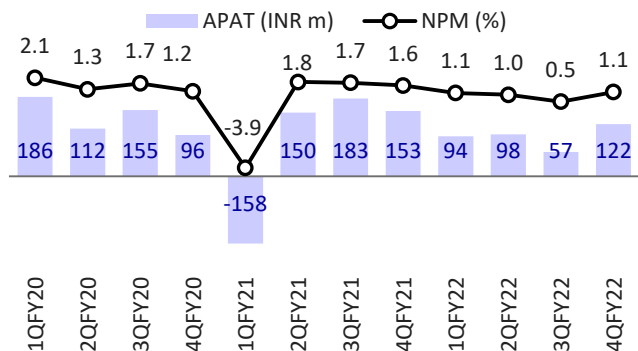
Source: Company, MOFSL

Exhibit 2: EBITDA margin improves QoQ



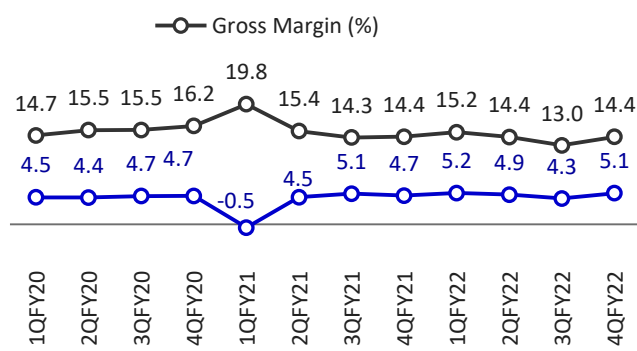
Source: Company, MOFSL

Exhibit 3: APAT down 20% YoY due to high depreciation



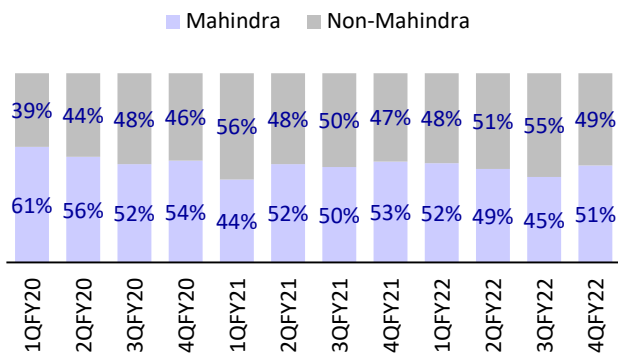
Source: Company, MOFSL

Exhibit 4: Margin improves in 4QFY22



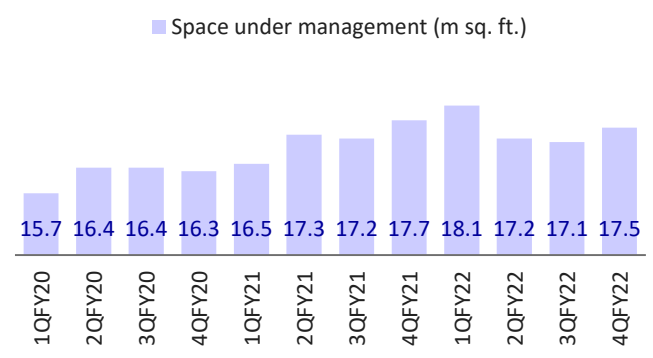
Source: Company, MOFSL

Exhibit 5: Non-MM share decreases QoQ in SCM



Source: Company, MOFSL

Exhibit 6: Space under management stable in 4QFY22



Source: Company, MOFSL



Highlights from the management commentary

Operational highlights

Industry

- The slowdown in the Auto sector continues as: a) passenger vehicle sales have a higher waiting period due to the semiconductor shortage, and b) no uptick in two-wheeler and three-wheeler sales. Commercial vehicle sales have grown well. Though the semiconductor shortage is easing slowly, the situation is expected to stabilize by 2QFY23.
- In the Farm and Agro business, the rural sector saw a slowdown due to a weaker monsoon.
- The e-commerce business remains steady. MLL is optimizing multiple footprints tactically in the e-commerce business to improve utilization.
- Consumer Durables had underperformed in the first part of 4QFY22, but saw a recovery later on. Commodity prices have been high and companies are trying hard to pass it on. Mobiles phones, laptops, and cooling appliances are seeing a growth.
- Enterprise Mobility (EM) registered a weak performance due to work from home. Enterprise customers have started returning to offices, which should aid recovery in this segment.

Business update

- Revenue rose 10% QoQ. Share of revenue from SCM/EM stood at 97%/3% in 4QFY22.
- Around 50% of the business accrued from the Mahindra group. Growth was stronger in the non-Auto businesses.
- Margin was negatively impacted due to: a) lower farm volumes, b) the EM segment, and c) challenges in the 2X2 logistics JV, which provides car carriers to Auto verticals.
- EBITDA margin for freight forwarding business rose to 5.5% in FY22 from 3.5% in FY21.
- The diesel price hike has been passed on as per contracts.
- The QoQ margin improvement was due to the optimization of a lot of contract workforce and improvement in utilization levels in the Warehousing business.

- Optimization of its network for the Bajaj project will be completed by the end of 1QFY23.

Warehousing

- Warehousing yield is improving, with a change in the warehousing mix. Non-stockyard yields are higher.
- Construction costs have increased for the new grade A warehouses drastically.
- Most new facilities will provide a higher margin due to the longer optimization window at flex facilities.
- Rise in manpower costs in flex operations is under control and may see more flexes with improving demand.
- There is a 400bp difference between Warehousing and transportation (FTL-7% and warehousing in the early to mid-teens).

Freight forwarding

- Freight forwarding, last-mile, and B2B Express combined contribute ~22% of SCM segment revenue in FY22. Freight forwarding alone contributed INR4.5b to FY22 revenue.
- Strong growth is expected in freight forwarding and last-mile, with the recent inorganic acquisitions.
- Margin to improve in freight forwarding as: a) there is a change in the mix in the product category towards more ocean traffic than air, b) pricing changes, and c) more volume growth towards Americas.
- The management does not expect prices to soften in the near term and sees margin remaining stable.
- The company doesn't have any anchor customer and its largest customer will constitute 5% of revenue.

Acquisitions

- MLL acquired Zipzap Logistics and Meru Cabs recently. Both acquisitions would help provide better and wider services to its customers.
- Around 300 EVs were added through these acquisitions.
- It expects to close the Meru Cabs transaction by mid-1QFY23.

Future growth

- Margin improvement is expected in future quarters with: a) cost related to the Bajaj Electrical project coming down from 2QFY23, b) increase in utilization levels, and c) easing of inflation.
- The company targets to add 2.3m sq. ft. of space in FY23.

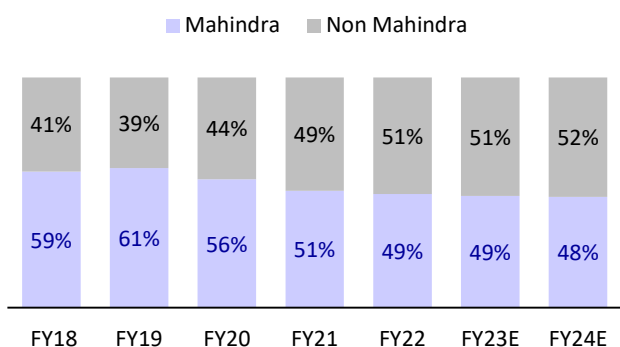
Exhibit 7: Revised forecast

(INR m)	FY23E			FY24E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net sales	49,686	49,683	0	57,551	57,057	1
EBITDA	2,555	2,505	2	3,054	2,993	2
EBITDA margin (%)	5.1	5.0	10bp	5.3	5.2	6bp
PAT	728	719	1	1,098	1,048	5
EPS (INR)	10.2	10.2	0	15.3	14.8	4

Source: Company, MOFSL

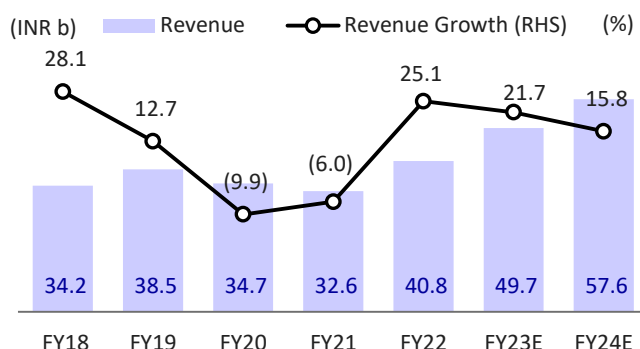
Financial story in charts

Exhibit 8: MM's share to stabilize at 50%



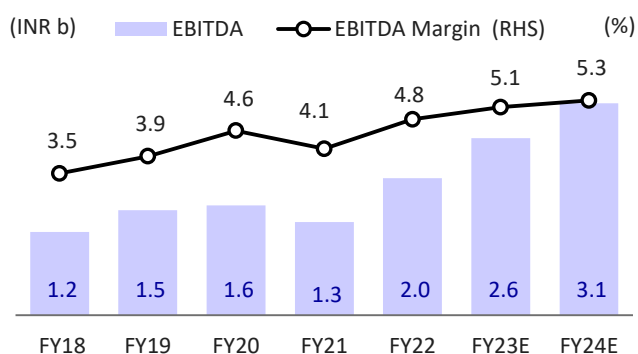
Source: Company, MOFSL

Exhibit 9: Revenue growth to be driven by the SCM segment



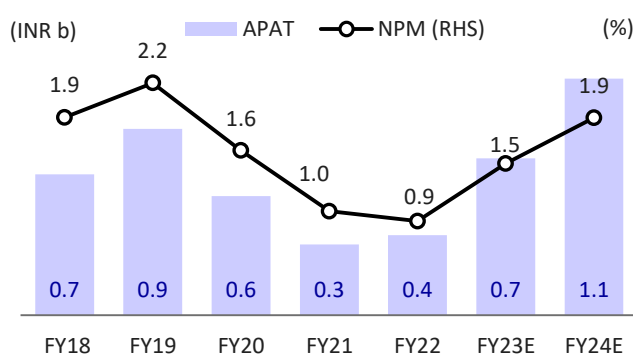
Source: Company, MOFSL

Exhibit 10: Margin to improve gradually



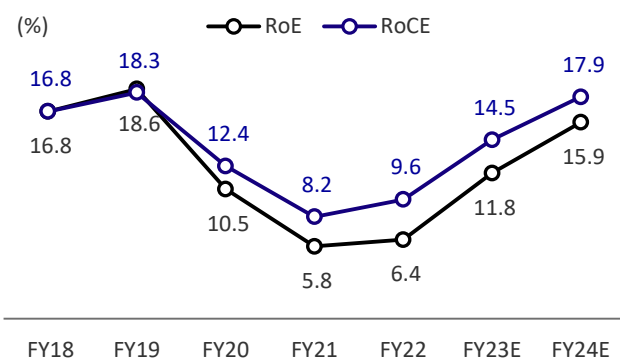
Source: Company, MOFSL

Exhibit 11: PAT to improve with an increase in margin



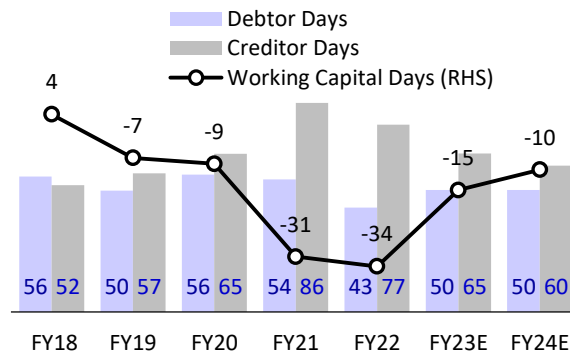
Source: Company, MOFSL

Exhibit 12: Return ratios to improve as earnings pick up



Source: Company, MOFSL

Exhibit 13: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Consolidated Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	34,161	38,513	34,711	32,637	40,830	49,686	57,551
Change (%)	28.1	12.7	-9.9	-6.0	25.1	21.7	15.8
Gross Margin (%)	12.2	12.4	15.5	15.3	14.2	14.0	14.0
EBITDA	1,197	1,512	1,583	1,342	1,977	2,555	3,054
Margin (%)	3.5	3.9	4.6	4.1	4.8	5.1	5.3
Depreciation	197	220	734	897	1,345	1,477	1,567
EBIT	1,000	1,293	848	446	631	1,078	1,488
Int. and Finance Charges	38	35	176	201	295	300	284
Other Income	59	76	140	175	122	171	239
PBT	1,021	1,334	812	420	458	949	1,443
Tax	368	468	257	100	113	239	363
Effective Tax Rate (%)	36.1	35.1	31.7	23.9	24.6	25.2	25.2
PAT before MI, Associates, and EO Items	653	867	555	319	346	710	1,080
Share of profit/(loss) of Associates and JVs	0	-3	-3	8	25	18	18
Extraordinary Items	0	0	0	28	0	0	0
Reported PAT	653	864	552	300	371	728	1,098
Adjusted PAT	653	864	552	328	371	728	1,098
Change (%)	41.5	32.4	-36.1	-40.7	13.2	96.4	50.8
Margin (%)	1.9	2.2	1.6	1.0	0.9	1.5	1.9

Consolidated Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	711	715	715	717	719	719	719
Total Reserves	3,485	4,268	4,731	4,964	5,185	5,734	6,653
Net Worth	4,196	4,982	5,447	5,681	5,904	6,453	7,372
Minority Interest	70	57	54	28	3	3	3
Deferred Tax Liabilities	-141	-187	-200	0	0	0	0
Total Loans	346	377	359	292	410	398	384
Capital Employed	4,471	5,229	5,660	6,000	6,317	6,853	7,759
Gross Block	1,126	1,361	3,594	5,520	8,235	8,735	9,235
Less: Accum. Deprn.	467	648	1,285	1,903	3,248	4,724	6,291
Net Fixed Assets	659	713	2,310	3,617	4,988	4,011	2,944
Capital WIP	6	26	150	21	4	4	4
Total Investments	501	813	31	0	0	0	0
Curr. Assets, Loans, and Adv.	8,554	10,312	11,527	13,149	14,318	17,227	20,682
Inventory	0	0	0	0	14	0	0
Account Receivables	5,200	5,251	5,356	4,856	4,794	6,806	7,884
Cash and Bank Balances	660	700	995	1,978	1,321	1,253	2,180
Cash	660	550	995	1,978	1,321	1,253	2,180
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	8,188	9,167	10,619
Current Liab. and Prov.	5,248	6,635	8,359	10,787	12,993	14,389	15,872
Account Payables	4,863	6,001	6,172	7,661	8,588	8,848	9,460
Other Current Liabilities	205	419	1,974	3,065	4,342	5,284	6,120
Provisions	180	215	213	61	63	257	292
Net Current Assets	3,306	3,677	3,169	2,362	1,324	2,838	4,810
Application of Funds	4,471	5,229	5,660	6,000	6,316	6,853	7,758

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	9.1	12.1	7.7	4.6	5.2	10.2	15.3
EPS growth (%)	41.5	32.4	-36.1	-40.7	13.2	96.4	50.8
Cash EPS	11.9	15.1	18.0	17.1	24.0	30.8	37.2
BV/Share	58.6	69.6	76.1	79.4	82.5	90.2	103.0
DPS	1.5	1.8	1.5	2.5	2.0	2.5	2.5
Payout (incl. Div. Tax, %)	19.7	17.9	19.5	59.8	38.6	24.6	16.3
Valuation (x)							
P/E	56.6	42.7	66.9	112.8	99.6	50.7	33.6
Cash P/E	43.4	34.1	28.7	30.2	21.5	16.8	13.9
EV/EBITDA	30.2	23.7	22.9	26.3	18.2	14.1	11.5
EV/Sales	1.1	0.9	1.0	1.1	0.9	0.7	0.6
P/BV	8.8	7.4	6.8	6.5	6.3	5.7	5.0
Dividend Yield (%)	0.3	0.3	0.3	0.5	0.4	0.5	0.5
Return Ratios (%)							
RoE	16.8	18.6	10.5	5.8	6.4	11.8	15.9
RoCE	16.8	18.3	12.4	8.2	9.6	14.5	17.9
RoIC	21.5	24.0	14.2	8.0	10.6	15.2	19.9
Working Capital Ratios							
Fixed Asset Turnover (x)	33.6	31.0	14.0	7.2	5.9	5.9	6.4
Asset Turnover (x)	7.6	7.4	6.1	5.4	6.5	7.3	7.4
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	56	50	56	54	43	50	50
Creditors (Days)	52	57	65	86	77	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	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,021	1,334	812	392	458	949	1,443
Depreciation	197	220	734	897	1,345	1,477	1,567
Direct Taxes Paid	-701	-419	-325	515	-627	-239	-363
(Inc.)/Dec. in WC	-483	-265	-653	838	480	-2,560	-1,333
Other Items	85	80	285	295	341	129	45
CF from Operations	119	950	854	2,937	1,997	-244	1,358
(Inc.)/Dec. in FA	-372	-342	-617	-690	-913	-500	-500
Free Cash Flow	-253	608	237	2,247	1,084	-744	858
Change in Investments	86	-258	786	-588	-597	0	0
Others	287	-347	186	198	13	534	-20
CF from Investments	1	-947	355	-1,080	-1,498	34	-520
Change in Equity	72	27	4	2	5	0	0
Inc./(Dec.) in Debt	3	23	-18	-67	93	-13	-13
Dividends Paid	0	-129	-155	-107	-179	-179	-179
Others	-37	-35	-594	-702	-1,074	334	281
CF from Fin. Activity	39	-113	-763	-875	-1,156	142	89
Inc./(Dec.) in Cash	159	-111	446	982	-656	-68	927
Opening Balance	502	660	550	995	1,978	1,321	1,253
Closing Balance	660	550	995	1,978	1,321	1,253	2,180

NOTES

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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