

Mahindra Logistics

Estimate change

TP change

Rating change



Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	26.5 / 0.3
52-Week Range (INR)	559 / 347
1, 6, 12 Rel. Per (%)	-3/-6/-40
12M Avg Val (INR M)	78

Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	51.3	58.0	71.4
EBITDA	2.6	2.7	3.7
Adj. PAT	0.3	-0.1	0.9
EBITDA Margin (%)	5.1	4.6	5.2
Adj. EPS (INR)	3.7	-1.7	12.4
EPS Gr. (%)	49.7	-146.6	-825.4
BV/Sh. (INR)	78.5	74.3	84.2

Ratios

Net D:E	0.5	0.7	0.3
RoE (%)	4.7	-2.2	15.7
RoCE (%)	8.7	-15.2	14.2
Payout (%)	68.1	0.0	20.1

Valuations

P/E (x)	98.6	-211.4	29.1
P/BV (x)	4.6	4.9	4.3
EV/EBITDA(x)	11.0	10.3	6.9
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	3.9	1.6	7.1

Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	58.0	58.0	58.1
DII	14.6	17.0	15.6
FII	12.1	11.5	15.8
Others	15.3	13.5	10.5

FII Includes depository receipts

CMP: INR369

TP: INR330 (-10%)

Neutral

MLL Express's weak show hurts overall performance

- Mahindra Logistics (MLL)'s 2QFY24 revenue grew ~3% YoY to INR13.6b (in line). EBITDA margin came in at 3.9% (vs. est. of 5.1%) in 2QFY24 (-117bp YoY and -120bp QoQ). EBITDA declined 21% YoY to INR536m (vs. est. of INR718m) during the quarter.
- The company posted a net loss of INR159m in 2QFY24 vs. APAT of INR122m in 2QFY23 (our PAT estimate was INR29m). Weak operating performance and high tax outgo impacted PAT adversely during 2QFY24.
- The company's EBITDA and PAT were hit by MLL Express's weak performance (Rivigo B2B express business). The division reported an operating loss of INR244m during 2QFY24.
- A slower-than-expected volume recovery in the express business led to higher operating loss on a QoQ basis. MLL now expects EBITDA breakeven by end-FY24 (earlier target of 3QFY24). We cut our EBITDA margin estimates for FY24 and FY25 by 40bp and 20bp, respectively, to factor in the extended losses in the express business. We expect MLL to clock a revenue/EBITDA CAGR of 18%/19% over FY23-25. We reiterate our Neutral rating with a revised TP of INR330 (premised on 26x FY25E EPS).

MLL's express business yet to stabilize amid slowdown; management expects volume to pick-up

- In the B2B express business, 2QFY24 saw a mere 4% volume growth on a QoQ basis. MLL has been focusing on integrating the business of Rivigo with its network and has lost certain customers in 1QFY24 due to the integration exercise. MLL is now attempting to regain these lost volumes and expects better growth ahead.
- The express business is witnessing a robust pipeline in both corporate and retail segments. Additionally, there has been an expansion in infrastructure and coverage footprints during 2QFY24.
- The company expects losses to reduce as volumes ramp-up. It expects ~5% MoM growth in volumes in 2HFY24. Management is targeting a breakeven at EBITDA level by end-FY24.

Highlights from the management commentary

- The 3PL Contract Logistics business grew 4% YoY driven by robust auto volumes from M&M. Auto and manufacturing constituted around 68-70% of the contract logistics business. The contract logistics business secured an order intake of ~INR1b during the quarter. There was a capacity consolidation in the mid-mile segment.
- Enterprise Mobility Services (EMS) reported a revenue of INR863m (+37% YoY) and EBIT of ~INR9m. Domestic air passenger travel surged ~140% to nearly 113m passengers over Apr-Sep'23, indicating a robust upswing. With the ongoing festival season, an even greater increase in traffic is anticipated.

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- The B2B express business delivered a subpar performance in 2QFY24. MLL plans to achieve an EBITDA breakeven as volume growth improves. It is targeting a 5% MoM volume growth through 2HFY24.
- Warehouse space under management stood at 19.6m sq. ft. in the 3PL business, and expansions in Chakan, Kolkata, Nasik, and Guwahati are on track.

Valuation and view

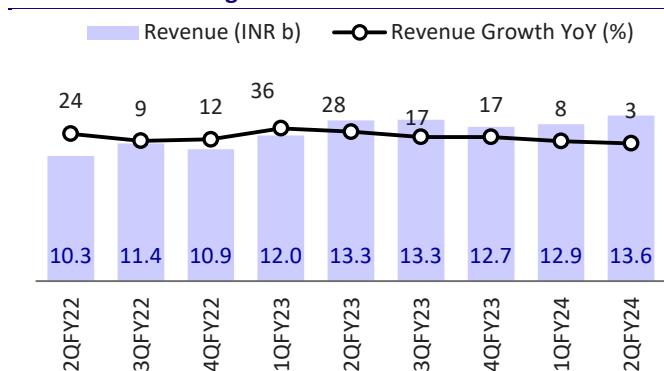
- MLL anticipates margin challenges, primarily due to: a) lower volumes in express logistics, b) depressed ocean freight rates, c) escalating competition in the 3PL business, and c) a slowdown in the E-commerce industry.
- Given slower-than-expected recovery in the express logistics segment, we cut our revenue/EBITDA/PAT estimates for FY25 by 1%/5%/13%. We estimate MLL to achieve a revenue/EBITDA CAGR of 18%/ 19% over FY23-25. **We reiterate our Neutral rating with a revised TP of INR330 (premised on 26x FY25E EPS).**

Quarterly snapshot

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
Net Sales	11,999	13,263	13,296	12,725	12,932	13,648	15,608	15,788	51,283	57,976	14,084	(3)
YoY Change (%)	35.9	28.4	17.0	16.9	7.8	2.9	17.4	24.1	23.8	13.1	6.2	
EBITDA	657	676	627	637	666	536	695	759	2,598	2,656	718	(25)
Margins (%)	5.5	5.1	4.7	5.0	5.2	3.9	4.5	4.8	5.1	4.6	5.1	
YoY Change (%)	61.8	43.8	38.4	23.8	1.4	-20.7	10.7	19.1	41.0	2.2	6.3	
Depreciation	409	436	498	553	545	518	510	515	1,895	2,088	550	
Interest	89	107	150	169	178	165	180	197	516	720	180	
Other Income	31	34	56	38	62	66	50	44	159	222	48	
PBT	190	167	36	-46	6	-82	55	91	345	70	36	
Tax	53	47	19	-48	89	73	14	23	71	198	9	
Rate (%)	28.1	28.5	53.0	104.3	1,556.1	-89.2	25.2	25.2	20.6	284.2	25.2	
PAT before MI, Associates	136	119	17	2	-83	-155	41	68	274	-128.5	27.1	
Share of associates/ Minority Interest	-1	3	-3	-10	-3	-5	2	11	-11	6	2	
Reported PAT	135	122	14	-8.2	-85.5	-159	43	79	263	-123	29	
Adj PAT	135	122	14	-8.2	-85.5	-159	43	79	263	-123	29	NM
YoY Change (%)	310.9	132.2	-21.5	-111.1	NA	NM	207.9	LP	49.7	-146.6	-76.1	
Margins (%)	1.1	0.9	0.1	-0.1	-0.7	-1.2	0.3	0.5	0.5	-0.2	0.2	

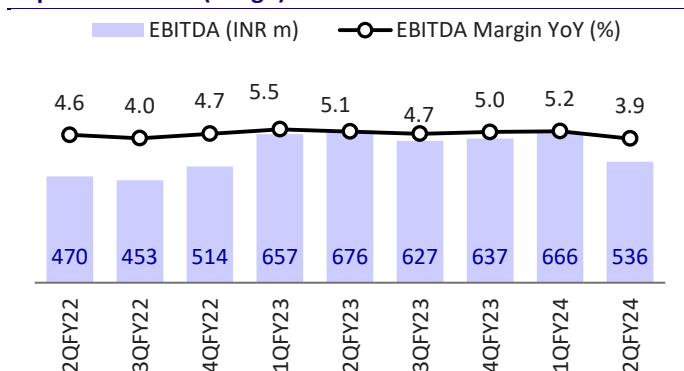
Result in charts: 2QFY24

Exhibit 1: Revenue grew 3% YoY

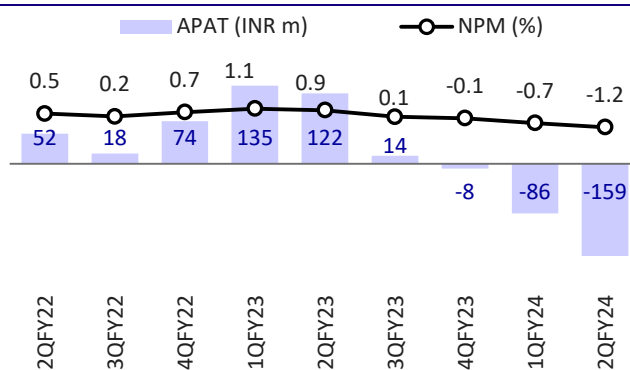


Source: Company, MOFSL

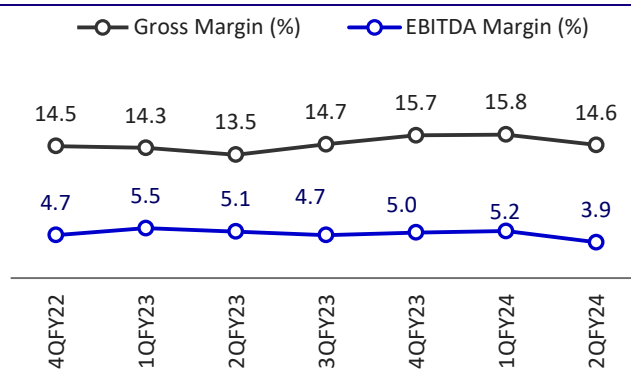
Exhibit 2: EBITDA margin hit by higher operating loss in MLL express business (Rivigo)



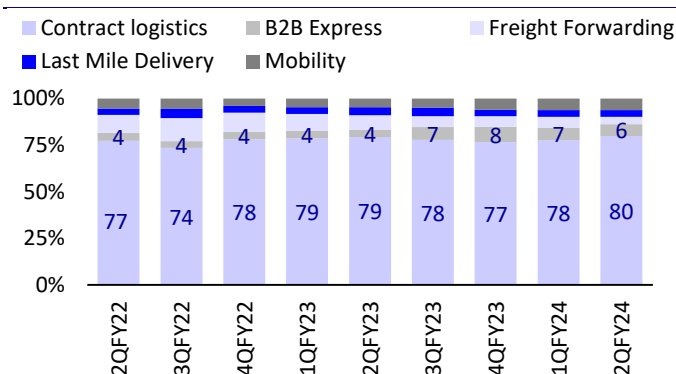
Source: Company, MOFSL

Exhibit 3: Weak operating performance dragged profitability

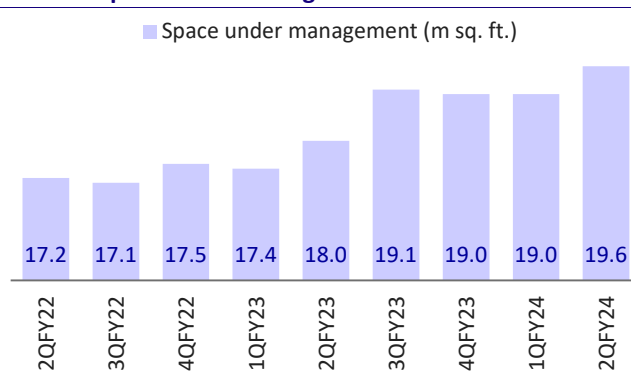
Source: Company, MOFSL

Exhibit 4: Gross margin flattish YoY

Source: Company, MOFSL

Exhibit 5: Contract logistics and express formed ~85% of the revenue

Source: Company, MOFSL

Exhibit 6: Space under management

Source: Company, MOFSL



Highlights from the management commentary

Operational highlights

Industry overview

- E-com volumes remained weak during the quarter. However, activity levels picked up towards the end of the quarter and volumes are expected to improve.
- The consumer durables industry had a mixed quarter. The demand in the lighting segment was weak, as well as in the kitchenware market.

Business update

- SCM segment contributed 94% and Enterprise mobility segment contributed 6% to the company's revenue in 2QFY24.
- Supply Chain management recorded revenue of ~INR12.8b (+1% YoY) and an EBIT loss of INR91m. Volumes in the MLL express business rose 4% YoY in 2Q.
- During 2QFY24, Freight Forwarding reported revenue of INR540m (-49% YoY). The freight forwarding business continued to face pressure due to lower ocean freight prices. Telecom business contracts were deferred by the customer during the quarter, but this business is expected to accrue to the company in 2HFY24. Further, some price increases in cross-border logistics are expected.
- Express Logistics posted revenue of INR880m (+74% YoY). Revenue streams remained stable during the quarter, with a stable realization. MLL Express signed some new contracts during the quarter. Volume growth was lower than the expected recovery plan outlined in the last quarter. Management's primary

focus throughout the quarter was on improving service levels and utilization levels. As volumes increase in coming months, the losses would reduce.

- Last Mile Delivery clocked a revenue of INR490m (+11% YoY).
- During 2QFY24, the 3PL Contract Logistics business grew 4% YoY, driven by robust auto volumes from M&M. Auto and manufacturing constituted around 68-70% of the contract logistics business. The contract logistics business secured an order intake of ~INR1b during the quarter. There was a consolidation of capacity in the mid-mile segment.
- EMS reported revenues of INR863m (+37% YoY) and EBIT of ~INR9m. The mobility business is witnessing a significant increase in airport-based services. Domestic air passenger travel surged ~140% to nearly 113m passengers over Apr-Sep'23, indicating a robust upswing. With the ongoing festival season, an even greater increase in traffic is anticipated.
- The EMS segment witnessed a notable increase in BFSI clientele. MLL is well-positioned in the mobility sector, holding over 22% market share in the seven cities it serves.

Other highlights

- Commercial operations for air charter services were initiated in Dubai, with an anticipated uptick in this business in 2HFY24. The aviation traffic volume is expected to grow by 17%, which will positively impact the company's airport service business.
- Warehouse space under management stood at 19.6m sq. ft. in the 3PL business, and expansions in Chakan, Kolkata, Nasik, and Guwahati are on track.
- MLL launched 0.65m sq. ft. multi-client warehouse in Bhiwandi, Mumbai during the quarter to manage the fulfilment and distribution for automotive, e-commerce and FMCG industries.

Future growth

- The B2B express business delivered a subpar performance in 2QFY24. MLL plans to achieve an EBITDA breakeven as volume growth improves. It is targeting a 5% MoM volume growth through 2HFY24.
- Management expects the e-commerce segment to grow in the range of 25-27% in the near term with faster growth likely from the smart grocery segment.
- MLL aims for a revenue of INR100b and RoE of 18% by FY26, with a focus on growing the 3PL business in the mid-teens. This involves generating INR65b of revenue from the 3PL business as well as rapidly expanding its network services.

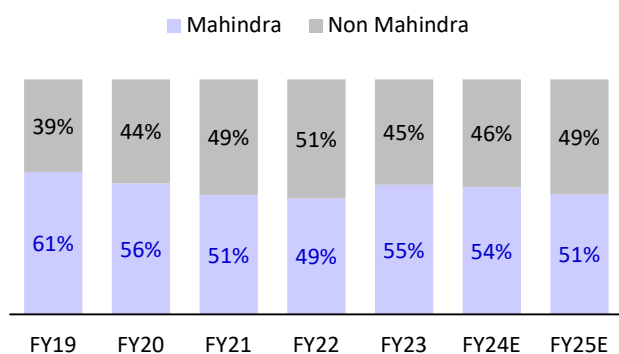
Exhibit 7: Our revised forecasts

(INR m)	FY24E			FY25E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	57,976	58,412	-1	71,407	71,982	-1
EBITDA	2,656	2,912	-9	3,689	3,901	-5
EBITDA Margin (%)	4.6	5.0	-40	5.2	5.4	-25
PAT	-123	128	PL	889	1,020	-13
EPS (INR)	-1.7	1.8	PL	12.4	14.3	-13

Source: Company, MOFSL

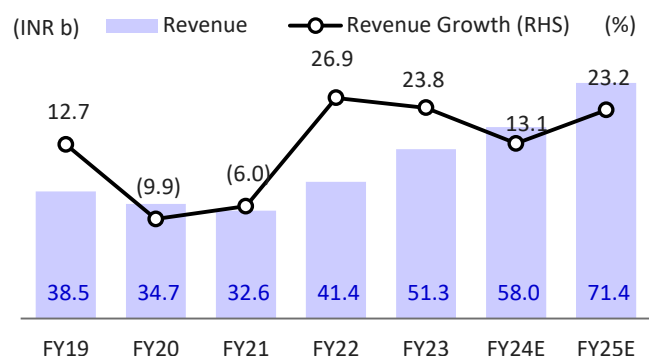
Financial story in charts

Exhibit 8: Non-MM's share to increase gradually



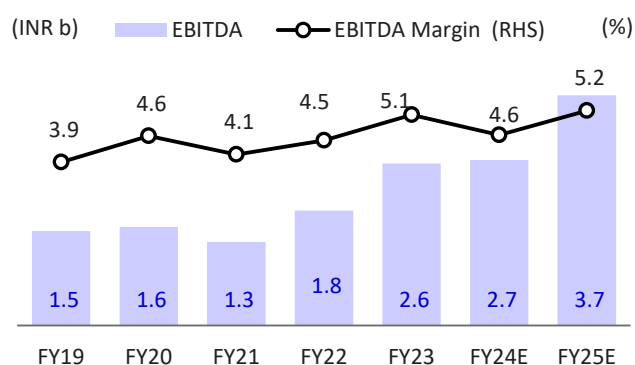
Source: Company, MOFSL

Exhibit 9: Revenue growth to be driven by SCM segment



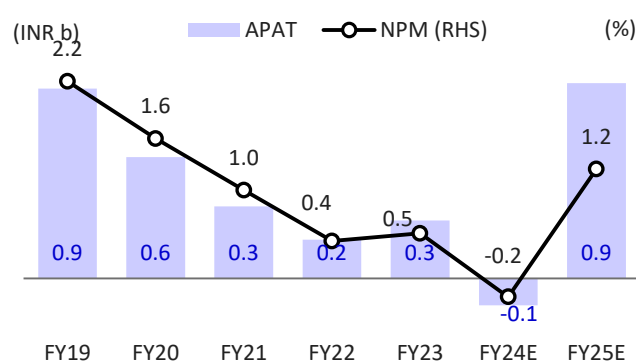
Source: Company, MOFSL

Exhibit 10: Higher share of non-MM to drive margins



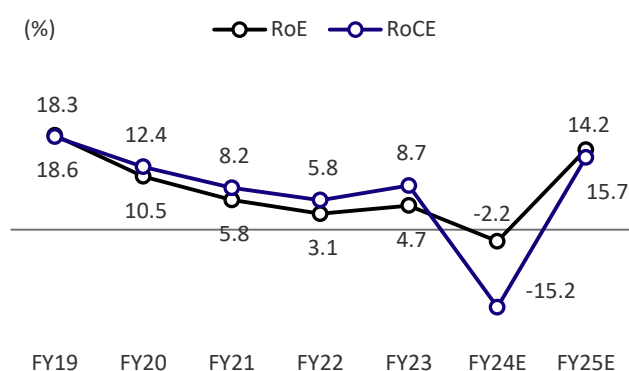
Source: Company, MOFSL

Exhibit 11: PAT to improve with increasing margins



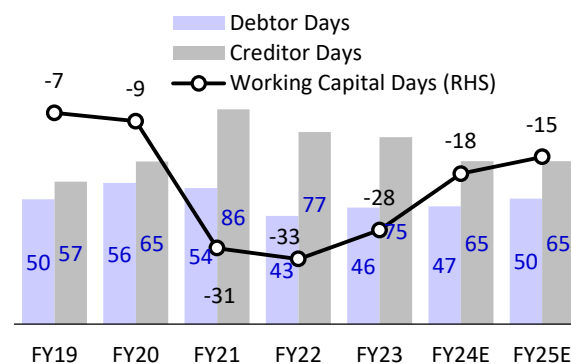
Source: Company, MOFSL

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)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	38,513	34,711	32,637	41,408	51,283	57,976	71,407
Change (%)	12.7	-9.9	-6.0	26.9	23.8	13.1	23.2
Gross Margin (%)	12.4	15.5	15.3	14.3	14.5	13.4	13.4
EBITDA	1,512	1,583	1,342	1,843	2,598	2,656	3,689
Margin (%)	3.9	4.6	4.1	4.5	5.1	4.6	5.2
Depreciation	220	734	897	1,417	1,895	2,088	2,123
EBIT	1,293	848	446	426	703	568	1,566
Int. and Finance Charges	35	176	201	298	516	720	619
Other Income	76	140	175	136	159	222	233
PBT	1,334	812	420	263	345	70	1,180
Tax	468	257	100	113	71	198	297
Effective Tax Rate (%)	35.1	31.7	25.6	42.8	20.6	284.2	25.2
PAT before MI, Associates, and EO Items	867	555	319	151	274	-129	883
Share of profit/(loss) of Associates and JVs	-3	-3	8	0	-28	6	6
Extraordinary Items	0	0	28	0	0	0	0
Reported PAT	864	552	300	176	263	-123	889
Adjusted PAT	864	552	328	176	263	-123	889
Change (%)	32.4	-36.1	-40.7	-46.4	49.7	-146.6	-825.4
Margin (%)	2.2	1.6	1.0	0.4	0.5	-0.2	1.2

Consolidated – Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	715	715	717	719	720	720	720
Total Reserves	4,268	4,731	4,964	4,746	4,897	4,595	5,305
Net Worth	4,982	5,447	5,681	5,465	5,617	5,315	6,025
Minority Interest	57	54	28	3	-14	-14	-14
Deferred Tax Liabilities	-187	-200	0	0	0	0	0
Total Loans	377	359	292	405	4,014	4,114	3,614
Capital Employed	5,229	5,660	6,000	5,873	9,617	9,416	9,625
Gross Block	1,361	3,594	5,520	8,252	12,704	13,104	13,604
Less: Accum. Deprn.	648	1,285	1,903	3,113	4,402	6,490	8,613
Net Fixed Assets	713	2,310	3,617	5,139	8,302	6,614	4,991
Capital WIP	26	150	21	4	33	33	33
Total Investments	813	31	0	0	0	2,250	2,250
Curr. Assets, Loans, and Adv.	10,312	11,527	13,149	14,611	17,195	16,975	22,604
Inventory	0	0	0	14	4	0	0
Account Receivables	5,251	5,356	4,856	4,889	6,525	7,465	9,782
Cash and Bank Balances	700	995	1,978	1,343	1,262	522	1,753
Cash	550	995	1,978	1,343	1,262	522	1,753
Bank Balance	150	0	0	0	0	0	0
Loans and Advances	150	150	0	0	0	0	0
Others	4,212	5,026	6,315	8,364	9,404	8,987	11,070
Current Liab. and Prov.	6,635	8,359	10,787	13,882	15,912	16,456	20,253
Account Payables	6,001	6,172	7,661	8,684	10,481	10,324	12,716
Other Current Liabilities	419	1,974	3,065	5,126	5,363	6,063	7,468
Provisions	215	213	61	72	69	69	69
Net Current Assets	3,677	3,169	2,362	729	1,282	518	2,352
Application of Funds	5,229	5,660	6,000	5,873	9,617	9,416	9,625

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	12.1	7.7	4.6	2.5	3.7	-1.7	12.4
EPS growth (%)	32.4	-36.1	-40.7	-46.4	49.7	-146.6	-825.4
Cash EPS	15.1	18.0	17.1	22.3	30.1	27.5	42.1
BV/Share	69.6	76.1	79.4	76.4	78.5	74.3	84.2
DPS	1.8	1.5	2.5	2.0	2.5	2.5	2.5
Payout (incl. Div. Tax, %)	17.9	19.5	59.8	81.5	68.1	-146.0	20.1
Valuation (x)							
P/E	30.0	46.9	79.1	147.5	98.6	-211.4	29.1
Cash P/E	23.9	20.1	21.2	16.3	12.0	13.2	8.6
EV/EBITDA	16.4	15.9	18.0	13.6	11.0	10.3	6.9
EV/Sales	0.6	0.7	0.7	0.6	0.6	0.5	0.4
P/BV	5.2	4.8	4.6	4.7	4.6	4.9	4.3
Dividend Yield (%)	0.5	0.4	0.7	0.6	0.7	0.7	0.7
Return Ratios (%)							
RoE	18.6	10.5	5.8	3.1	4.7	-2.2	15.7
RoCE	18.3	12.4	8.2	5.8	8.7	-15.2	14.2
RoIC	24.0	14.2	7.8	5.7	8.7	-14.0	19.2
Working Capital Ratios							
Fixed Asset Turnover (x)	31.0	14.0	7.2	6.0	4.9	4.5	5.3
Asset Turnover (x)	7.4	6.1	5.4	7.1	5.3	6.2	7.4
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	50	56	54	43	46	47	50
Creditors (Days)	57	65	86	77	75	65	65
Leverage Ratio (x)							
Net Debt/Equity	-0.1	-0.1	-0.3	-0.2	0.5	0.7	0.3

Consolidated – Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,334	812	392	263	345	70	1,180
Depreciation	220	734	897	1,417	1,895	2,088	2,123
Direct Taxes Paid	-419	-325	515	-626	-738	-198	-297
(Inc.)/Dec. in WC	-265	-653	838	507	-883	-1,655	-1,054
Other Items	80	285	295	348	574	498	386
CF from Operations	950	854	2,937	1,910	1,194	802	2,338
(Inc.)/Dec. in FA	-342	-617	-690	-1,559	-195	-400	-500
Free Cash Flow	608	237	2,247	351	999	402	1,838
Change in Investments	-258	786	-588	0	-3,043	-2,250	0
Others	-347	186	198	161	138	1,455	-209
CF from Investments	-947	355	-1,080	-1,399	-3,100	-1,195	-709
Change in Equity	27	4	2	5	1	0	0
Inc./(Dec.) in Debt	23	-18	-67	77	3,609	100	-500
Dividends Paid	-155	-155	-107	-179	-144	-179	-179
Others	-8	-594	-702	-1,073	-1,641	-269	280
CF from Fin. Activity	-113	-763	-875	-1,171	1,825	-348	-399
Inc./(Dec.) in Cash	-111	446	982	-659	-81	-740	1,231
Opening Balance	660	550	995	2,002	1,343	1,262	522
Closing Balance	550	995	1,978	1,343	1,262	522	1,753

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 be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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