

# Mahindra Logistics

Estimate change

TP change

Rating change



Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	30 / 0.4
52-Week Range (INR)	499 / 347
1, 6, 12 Rel. Per (%)	8/6/-31
12M Avg Val (INR M)	114

## Financial Snapshot (INR b)

Y/E MARCH	FY24E	FY25E	FY26E
Sales	55.1	67.1	82.7
EBITDA	2.3	3.2	4.2
Adj. PAT	-0.5	0.5	1.2
EBITDA Margin (%)	4.2	4.7	5.1
Adj. EPS (INR)	-6.5	7.1	17.1
EPS Gr. (%)	-276.3	-209.3	141.8
BV/Sh. (INR)	70.0	74.6	89.2

## Ratios

Net D:E	0.8	0.5	0.0
RoE (%)	-8.7	9.8	20.9
RoCE (%)	8.5	10.7	17.8
Payout (%)	-42.1	35.3	14.6

## Valuations

P/E (x)	-64.4	59.0	24.4
P/BV (x)	6.0	5.6	4.7
EV/EBITDA(x)	13.6	9.5	6.5
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	0.5	5.2	8.8

## Shareholding pattern (%)

As On	Dec-23	Sep-23	Dec-22
Promoter	58.0	58.0	58.1
DII	15.7	14.6	15.5
FII	5.9	12.1	15.6
Others	20.3	13.5	10.9

FII Includes depository receipts

CMP: INR417

TP: INR380 (-9%)

Neutral

## MLL Express's subpar performance negatively impacts the overall performance

- Mahindra Logistics (MLL)'s 3QFY24 revenue grew ~5% YoY to INR13.9b (6% below estimates). EBITDA margin came in at 3.7% (vs. est. of 4.4%) in 3QFY24 (down 100bp YoY and down 20bp QoQ). EBITDA declined ~17% YoY to INR522m (vs. est. of INR646m) during the quarter.
- The company posted a net loss of INR212m in 3QFY24 vs. APAT of INR14m in 3QFY23 (our loss estimate was INR3m).
- The company's EBITDA and PAT were adversely impacted by MLL Express's weak performance (Rivigo B2B express business) and high tax outgo. The division reported elevated EBITDA loss of INR224m in 3QFY24.
- Due to high competition and slower volume growth, the express business continued to report elevated loss at operating level. MLL now expects EBITDA breakeven by end-1HFY25 and PAT breakeven by the end of FY25 for the MLL Express business (Rivigo). We cut our EBITDA margin estimates for FY24/FY25/FY26 by 30bp/20bp/10bp to factor in the extended losses in the express business. We expect MLL to clock a revenue/EBITDA CAGR of 17%/18% over FY23-26. We reiterate our Neutral rating with a revised TP of INR380 (premised on 22x FY26E EPS).

## MLL's express business to see delayed EBITDA breakeven than initially expected; funding infused to support losses

- Express Logistics posted a revenue of INR956m (up 5% YoY). For Rivigo, EBITDA breakeven is now expected by 1HFY25, and PAT breakeven is anticipated by the end of FY25. Earlier, the EBITDA breakeven was expected by the end of FY24.
- In 3QFY24, Rivigo received funding of INR 500m to support the EBITDA loss of INR 224m during the quarter and address some working capital needs.

## Highlights from the management commentary

- In 3QFY24, the 3PL Contract Logistics business grew 6% YoY. The contract logistics business secured an order intake of ~INR1.5b during the quarter.
- Enterprise Mobility Services (EMS) reported revenues of INR 839m (up 29% YoY) and EBIT of ~INR 4m. MLL achieved a successful turnaround in the mobility sector. The market is experiencing recovery with consolidation in the B2B segment, and there is a notable shift in B2C toward EVs.
- Warehouse space under management stood at 18.7m sq. ft. in the 3PL business, and the company's multi-client warehousing expansion is progressing as per plan, with new expansion announcements totaling 1.1m sq. ft.

## Valuation and view

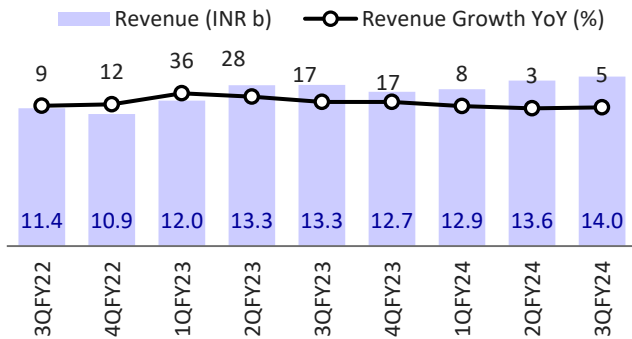
- Though the B2B express business continues to drag overall profitability, management remains optimistic regarding turnaround of the business in the next few quarters. The other businesses are also expected to improve going ahead, in line with improved industry outlook.
- Given slower-than-expected recovery in the express logistics segment, we cut our revenue/EBITDA/PAT estimates for FY26 by 1%/3%/11%. We estimate MLL to achieve a revenue/EBITDA CAGR of 17%/ 18% over FY23-26. **We reiterate our Neutral rating with a revised TP of INR380 (premised on 22x FY26E EPS).**

## Quarterly snapshot

Y/E March (INR m)	FY23				FY24E				FY23	FY24E	INR m	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE			FY24	Var.
											3QE	vs Est
<b>Net Sales</b>	<b>11,999</b>	<b>13,263</b>	<b>13,296</b>	<b>12,725</b>	<b>12,932</b>	<b>13,648</b>	<b>13,972</b>	<b>14,504</b>	<b>51,283</b>	<b>55,056</b>	<b>14,849</b>	<b>(6)</b>
YoY Change (%)	35.9	28.4	17.0	16.9	7.8	2.9	5.1	14.0	23.8	7.4	11.7	
<b>EBITDA</b>	<b>657</b>	<b>676</b>	<b>627</b>	<b>637</b>	<b>666</b>	<b>536</b>	<b>522</b>	<b>584</b>	<b>2,598</b>	<b>2,308</b>	<b>646</b>	<b>(19)</b>
Margins (%)	5.5	5.1	4.7	5.0	5.2	3.9	3.7	4.0	5.1	4.2	4.4	
YoY Change (%)	61.8	43.8	38.4	23.8	1.4	-20.7	-16.8	-8.3	41.0	-11.1	3.0	
Depreciation	409	436	498	553	545	518	515	531	1,895	2,109	522	
Interest	89	107	150	169	178	165	164	161	516	668	180	
Other Income	31	34	56	38	62	66	23	69	159	219	50	
<b>PBT before EO Items</b>	<b>190</b>	<b>167</b>	<b>36</b>	<b>-46</b>	<b>6</b>	<b>-82</b>	<b>-134</b>	<b>-40</b>	<b>345</b>	<b>-249</b>	<b>-6</b>	<b>(194)</b>
Extra-Ord expense	0	0	0	0	0	0	-38	0	0	-38	0	
<b>PBT</b>	<b>190</b>	<b>167</b>	<b>36</b>	<b>-46</b>	<b>6</b>	<b>-82</b>	<b>-96</b>	<b>-40</b>	<b>345</b>	<b>-211</b>	<b>-6</b>	
Tax	53	47	19	-48	89	73	68	-10	71	220	-2	
Rate (%)	28.1	28.5	53.0	104.3	1,556.1	-89.2	-71.4	25.4	20.6	-104.0	25.2	
<b>PAT before MI, Associates</b>	<b>136</b>	<b>119</b>	<b>17</b>	<b>2</b>	<b>-83</b>	<b>-155</b>	<b>-164</b>	<b>-29</b>	<b>274</b>	<b>-431.3</b>	<b>-4.5</b>	
Share of associates/ MI	-1	3	-3	-10	-3	-5	-10	23	-11	6	2	
<b>Reported PAT</b>	<b>135</b>	<b>122</b>	<b>14</b>	<b>-8.2</b>	<b>-85.5</b>	<b>-159</b>	<b>-174</b>	<b>-6</b>	<b>263</b>	<b>-425</b>	<b>-3</b>	
<b>Adj PAT</b>	<b>135</b>	<b>122</b>	<b>14</b>	<b>-8.2</b>	<b>-85.5</b>	<b>-159</b>	<b>-212</b>	<b>-6</b>	<b>263</b>	<b>-463</b>	<b>-3</b>	<b>NM</b>
YoY Change (%)	310.9	132.2	-21.5	-111.1	NA	PL	PL	NA	49.7	-276.3	-118.3	
Margins (%)	1.1	0.9	0.1	-0.1	-0.7	-1.2	-1.5	0.0	0.5	-0.8	0.0	

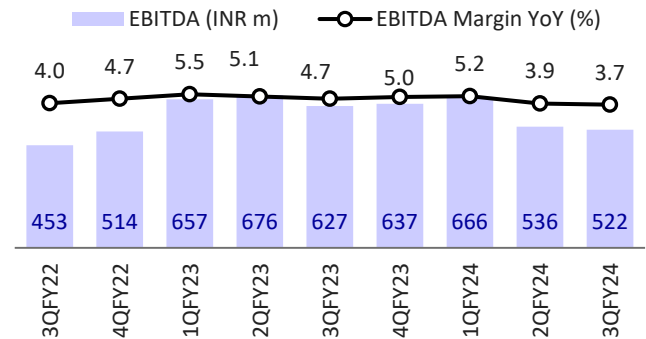
## Result in charts: 3QFY24

**Exhibit 1: Revenue grew 3% YoY**



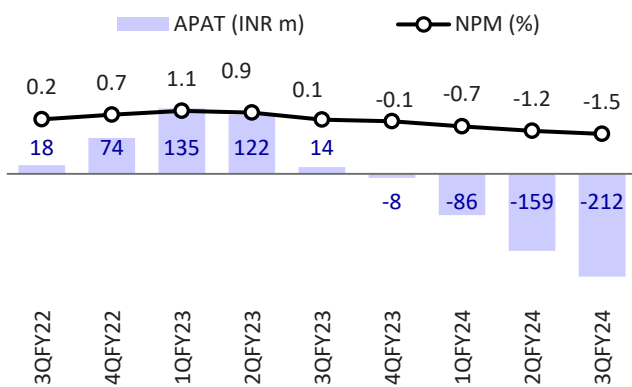
Source: Company, MOFSL

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



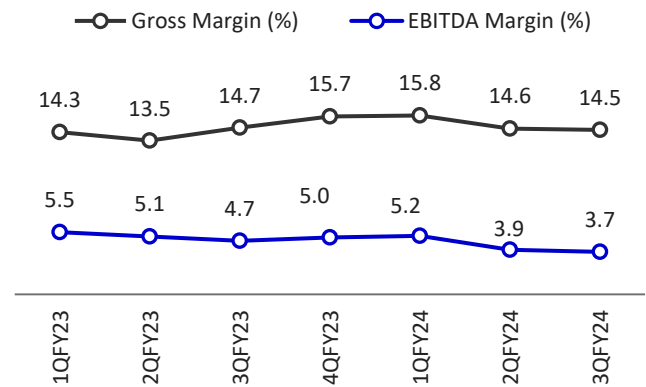
Source: Company, MOFSL

**Exhibit 3: Weak operating performance dragged profitability**



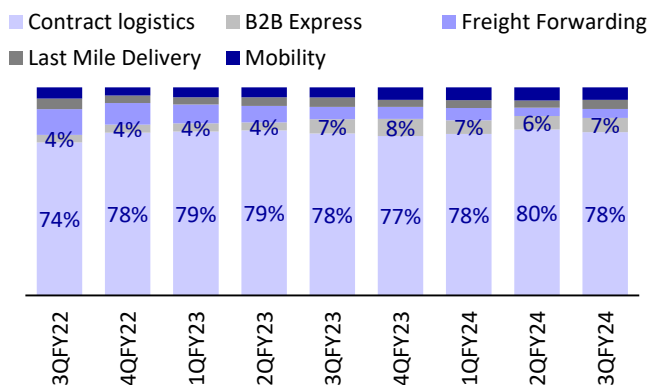
Source: Company, MOFSL

**Exhibit 4: Gross margin flattish YoY**



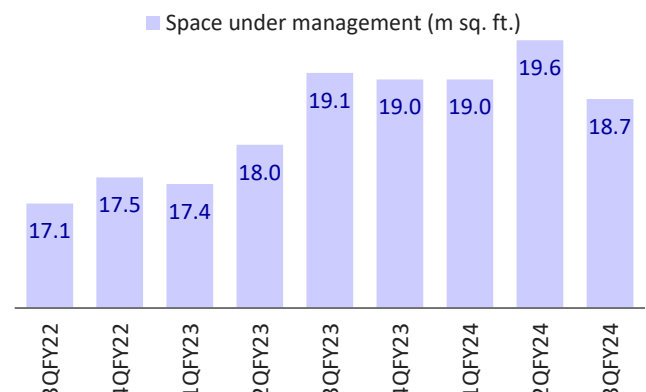
Source: Company, MOFSL

**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

- The quarter witnessed a period of moderate demand, where sustained growth in the engineering and FMCG sectors was offset by sluggish expansion in other markets.
- Although the festive season saw an increase in volume, it was negatively impacted by reduced volumes due to capacity consolidation and heightened shutdowns, particularly in E-commerce and certain Automotive OEM customers.

#### Business update

- The SCM segment contributed and the Enterprise mobility segment contributed 94% and 6%, respectively, to the company's revenue in 3QFY24.
- Supply Chain management recorded revenues of ~INR 13.1b (up 3.9% YoY) and EBIT loss of INR 99m.
- Enterprise Mobility Services (EMS) reported revenues of INR 839m (up 29% YoY) and EBIT of ~INR 4m. MLL achieved a successful turnaround in the mobility sector. The market is experiencing recovery with consolidation in the B2B segment, and there is a notable shift in B2C towards EVs.
- In 3QFY24, the 3PL Contract Logistics business grew 6% YoY. The contract logistics business secured an order intake of ~INR1.5b during the quarter.
- In 3QFY24, Freight Forwarding reported a revenue of INR600m (down 24% YoY). MLL reported ocean freight volume of ~2,362 TEU's and air freight volume of ~1,610 tons in 3QFY24. Significant volatility was observed in cross-border freight prices during the quarter. Additionally, the Charter Broking entity (VLink) executed three charters during the reported period.
- Express Logistics posted revenue of INR956m (up 5% YoY). There is a robust pipeline in both corporate and retail sectors, accompanied by an improvement in service levels. The primary focus of the management is on achieving volume recovery and enhancing utilization. As volumes increase in the coming months, the losses would reduce.
- Last Mile Delivery clocked a revenue of INR610m (up 1% YoY), led by enhanced operating performance in Whizzard. The management is focused on growing the non-e-commerce business and optimizing fleet utilization.
- Revenue from warehousing solutions amounted to ~INR 2.8b in 3QFY24. Higher seasonal labor and start-up costs adversely impacted yields in the warehousing solutions business in 3QFY24, but stabilization is expected in the coming quarters.
- Nine new facilities were opened during the quarter, adversely impacting margins due to pre-operational costs.

#### Other highlights

- For MLL Express Business (Rivigo), EBITDA breakeven is now expected by 1HFY25, and PAT breakeven is anticipated by the end of FY25, due to integration issues.
- Rivigo received funding of INR 500m to support the EBITDA loss of INR 224m in 3QFY24 and address working capital needs.

- Warehouse space under management stood at 18.7m sq. ft. in the 3PL business, and the company's multi-client warehousing expansion is progressing as per plan, with new expansion announcements totaling 1.1m sq. ft.

#### Future growth

- The management remained optimist regarding robust growth, fueled by order intake across businesses, ongoing enhancements in the express business, and the integration of the Rivigo acquisition in the coming quarters.
- B2B express (Rivigo) is focusing on business turnaround, having successfully completed integration and adding 23 new accounts. Fleet utilization is currently operating at sub-optimal levels.
- 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.

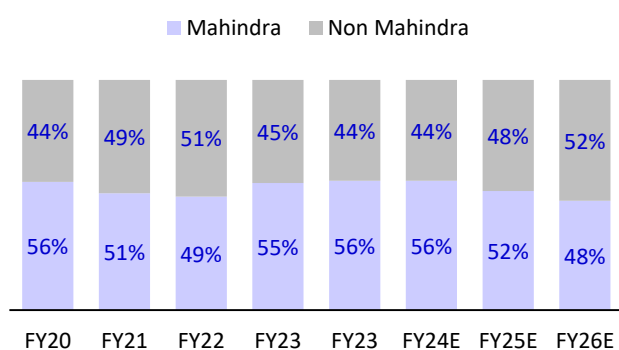
Exhibit 7: Our revised forecasts

(INR m)	FY24E			FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	55,056	57,104	-4	67,101	68,684	-2	82,738	83,934	-1
EBITDA	2,308	2,552	-10	3,181	3,368	-6	4,221	4,358	-3
EBITDA Margin (%)	4.2	4.5	-28 bps	4.7	4.9	-16 bps	5.1	5.2	-9 bps
PAT	-463	-216	NM	506	648	-22	1,224	1,371	-11
EPS (INR)	-6.5	-3.0	NM	7.1	9.1	-22	17.1	19.2	-11

Source: Company, MOFSL

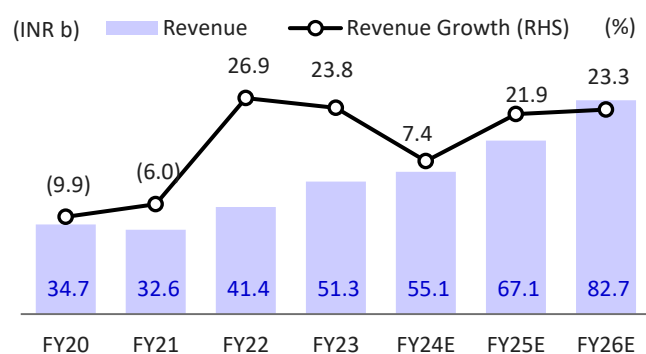
## Financial story in charts

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



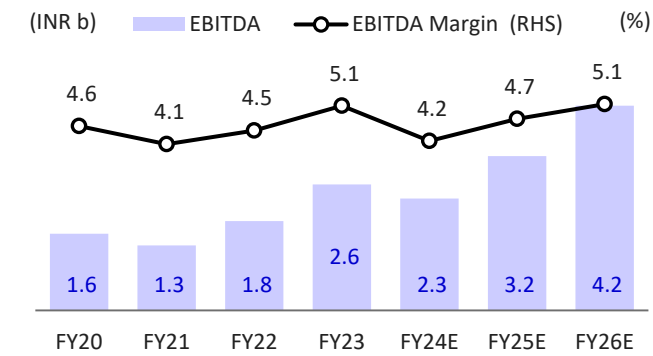
Source: Company, MOFSL

Exhibit 9: Revenue growth to be driven by SCM segment



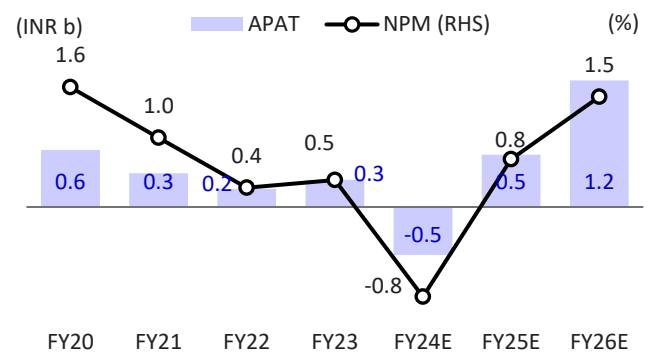
Source: Company, MOFSL

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



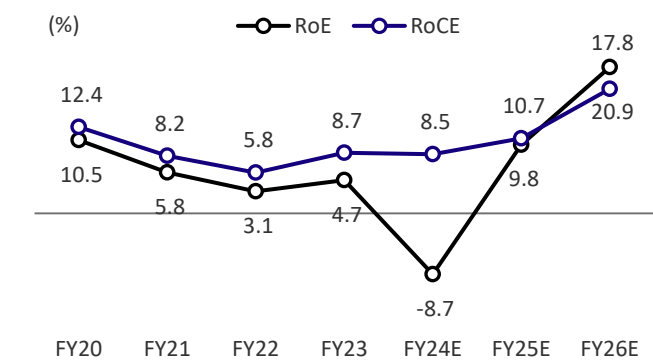
Source: Company, MOFSL

Exhibit 11: PAT to improve with increasing margins



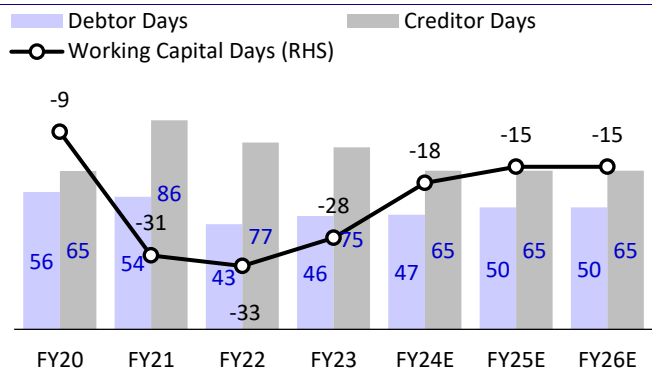
Source: Company, MOFSL

Exhibit 12: Return ratios to improve as earnings pick up



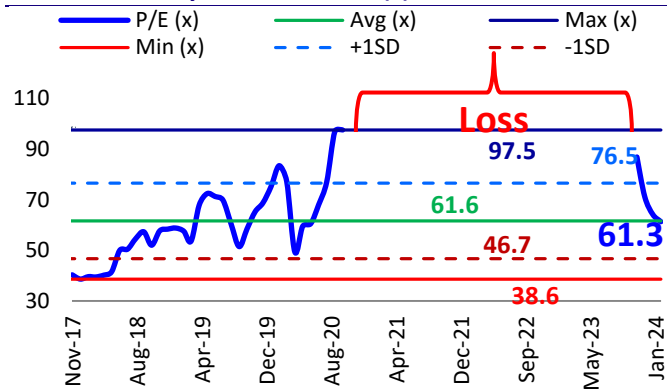
Source: Company, MOFSL

Exhibit 13: Comfortable working capital position



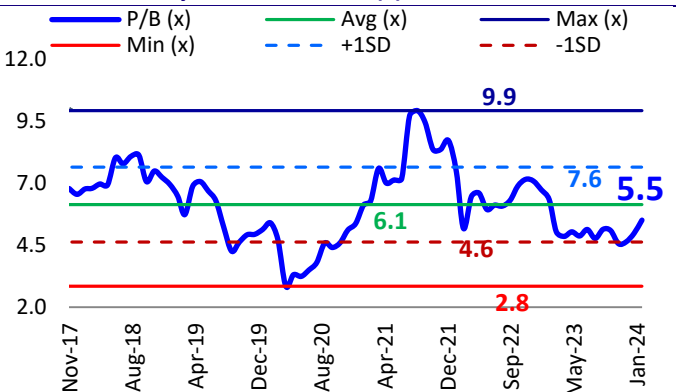
Source: Company, MOFSL

Exhibit 14: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 15: One-year forward P/B (x)



Source: Company, MOFSL

## Financials and valuations

### Consolidated – Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>	<b>51,283</b>	<b>55,056</b>	<b>67,101</b>	<b>82,738</b>
Change (%)	-9.9	-6.0	26.9	23.8	7.4	21.9	23.3
Gross Margin (%)	15.5	15.3	14.3	14.5	13.4	13.4	13.0
<b>EBITDA</b>	<b>1,583</b>	<b>1,342</b>	<b>1,843</b>	<b>2,598</b>	<b>2,308</b>	<b>3,181</b>	<b>4,221</b>
Margin (%)	4.6	4.1	4.5	5.1	4.2	4.7	5.1
Depreciation	734	897	1,417	1,895	2,109	2,123	2,278
<b>EBIT</b>	<b>848</b>	<b>446</b>	<b>426</b>	<b>703</b>	<b>200</b>	<b>1,058</b>	<b>1,944</b>
Int. and Finance Charges	176	201	298	516	668	619	557
Other Income	140	175	136	159	219	230	241
<b>PBT</b>	<b>812</b>	<b>420</b>	<b>263</b>	<b>345</b>	<b>-249</b>	<b>668</b>	<b>1,628</b>
Tax	257	100	113	71	220	168	410
Effective Tax Rate (%)	31.7	25.6	42.8	20.6	-88.1	25.2	25.2
<b>PAT before MI, Associates, and EO Items</b>	<b>555</b>	<b>319</b>	<b>151</b>	<b>274</b>	<b>-469</b>	<b>500</b>	<b>1,218</b>
Share of profit/(loss) of Associates and JVs	-3	8	0	-28	6	6	6
Extraordinary Items	0	28	0	0	-38	0	0
<b>Reported PAT</b>	<b>552</b>	<b>300</b>	<b>176</b>	<b>263</b>	<b>-425</b>	<b>506</b>	<b>1,224</b>
<b>Adjusted PAT</b>	<b>552</b>	<b>328</b>	<b>176</b>	<b>263</b>	<b>-463</b>	<b>506</b>	<b>1,224</b>
Change (%)	-36.1	-40.7	-46.4	49.7	-276.3	-209.3	141.8
Margin (%)	1.6	1.0	0.4	0.5	-0.8	0.8	1.5

### Consolidated – Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	715	717	719	720	720	720	720
Total Reserves	4,731	4,964	4,746	4,897	4,293	4,620	5,665
<b>Net Worth</b>	<b>5,447</b>	<b>5,681</b>	<b>5,465</b>	<b>5,617</b>	<b>5,012</b>	<b>5,340</b>	<b>6,385</b>
Minority Interest	54	28	3	-14	-14	-14	-14
Deferred Tax Liabilities	-200	0	0	0	0	0	0
Total Loans	359	292	405	4,014	4,114	3,614	3,114
<b>Capital Employed</b>	<b>5,660</b>	<b>6,000</b>	<b>5,873</b>	<b>9,617</b>	<b>9,113</b>	<b>8,940</b>	<b>9,485</b>
Gross Block	3,594	5,520	8,252	12,704	13,104	13,604	14,104
Less: Accum. Deprn.	1,285	1,903	3,113	4,402	6,511	8,634	10,912
<b>Net Fixed Assets</b>	<b>2,310</b>	<b>3,617</b>	<b>5,139</b>	<b>8,302</b>	<b>6,594</b>	<b>4,970</b>	<b>3,193</b>
Capital WIP	150	21	4	33	33	33	33
<b>Total Investments</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,250</b>	<b>2,250</b>	<b>2,250</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>11,527</b>	<b>13,149</b>	<b>14,611</b>	<b>17,195</b>	<b>15,868</b>	<b>20,723</b>	<b>27,465</b>
Inventory	0	0	14	4	0	0	0
Account Receivables	5,356	4,856	4,889	6,525	7,089	9,192	11,334
Cash and Bank Balances	995	1,978	1,343	1,262	243	1,129	3,305
Cash	995	1,978	1,343	1,262	243	1,129	3,305
Bank Balance	0	0	0	0	0	0	0
Loans and Advances	150	0	0	0	0	0	0
Others	5,026	6,315	8,364	9,404	8,535	10,402	12,826
<b>Current Liab. and Prov.</b>	<b>8,359</b>	<b>10,787</b>	<b>13,882</b>	<b>15,912</b>	<b>15,631</b>	<b>19,036</b>	<b>23,456</b>
Account Payables	6,172	7,661	8,684	10,481	9,805	11,949	14,734
Other Current Liabilities	1,974	3,065	5,126	5,363	5,758	7,017	8,653
Provisions	213	61	72	69	69	69	69
<b>Net Current Assets</b>	<b>3,169</b>	<b>2,362</b>	<b>729</b>	<b>1,282</b>	<b>236</b>	<b>1,687</b>	<b>4,010</b>
<b>Application of Funds</b>	<b>5,660</b>	<b>6,000</b>	<b>5,873</b>	<b>9,617</b>	<b>9,112</b>	<b>8,940</b>	<b>9,485</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	7.7	4.6	2.5	3.7	-6.5	7.1	17.1
EPS growth (%)	-36.1	-40.7	-46.4	49.7	-276.3	-209.3	141.8
Cash EPS	18.0	17.1	22.3	30.1	23.0	36.7	48.9
BV/Share	76.1	79.4	76.4	78.5	70.0	74.6	89.2
DPS	1.5	2.5	2.0	2.5	2.5	2.5	2.5
Payout (incl. Div. Tax, %)	19.5	59.8	81.5	68.1	-42.1	35.3	14.6
<b>Valuation (x)</b>							
P/E	54.1	91.1	170.0	113.6	-64.4	59.0	24.4
Cash P/E	23.2	24.4	18.7	13.8	18.1	11.4	8.5
EV/EBITDA	18.4	21.0	15.7	12.5	13.6	9.5	6.5
EV/Sales	0.8	0.9	0.7	0.6	0.6	0.4	0.3
P/BV	5.5	5.3	5.5	5.3	6.0	5.6	4.7
Dividend Yield (%)	0.4	0.6	0.5	0.6	0.6	0.6	0.6
<b>Return Ratios (%)</b>							
RoE	10.5	5.8	3.1	4.7	-8.7	9.8	20.9
RoCE	12.4	8.2	5.8	8.7	8.5	10.7	17.8
RoIC	14.2	7.8	5.7	8.7	5.0	13.1	30.9
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	14.0	7.2	6.0	4.9	4.3	5.0	6.0
Asset Turnover (x)	6.1	5.4	7.1	5.3	6.0	7.5	8.7
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	56	54	43	46	47	50	50
Creditors (Days)	65	86	77	75	65	65	65
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.1	-0.3	-0.2	0.5	0.8	0.5	0.0

### Consolidated – Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	812	392	263	345	-249	668	1,628
Depreciation	734	897	1,417	1,895	2,109	2,123	2,278
Direct Taxes Paid	-325	515	-626	-738	-220	-168	-410
(Inc.)/Dec. in WC	-653	838	507	-883	-1,554	-970	-672
Other Items	285	295	348	574	449	389	316
<b>CF from Operations</b>	<b>854</b>	<b>2,937</b>	<b>1,910</b>	<b>1,194</b>	<b>535</b>	<b>2,043</b>	<b>3,140</b>
(Inc.)/Dec. in FA	-617	-690	-1,559	-195	-400	-500	-500
<b>Free Cash Flow</b>	<b>237</b>	<b>2,247</b>	<b>351</b>	<b>999</b>	<b>135</b>	<b>1,543</b>	<b>2,640</b>
Change in Investments	786	-588	0	-3,043	-2,250	0	0
Others	186	198	161	138	1,548	-166	-273
<b>CF from Investments</b>	<b>355</b>	<b>-1,080</b>	<b>-1,399</b>	<b>-3,100</b>	<b>-1,102</b>	<b>-666</b>	<b>-773</b>
Change in Equity	4	2	5	1	0	0	0
Inc./(Dec.) in Debt	-18	-67	77	3,609	100	-500	-500
Dividends Paid	-155	-107	-179	-144	-179	-179	-179
Others	-594	-702	-1,073	-1,641	-373	188	489
<b>CF from Fin. Activity</b>	<b>-763</b>	<b>-875</b>	<b>-1,171</b>	<b>1,825</b>	<b>-452</b>	<b>-491</b>	<b>-190</b>
<b>Inc./(Dec.) in Cash</b>	<b>446</b>	<b>982</b>	<b>-659</b>	<b>-81</b>	<b>-1,019</b>	<b>885</b>	<b>2,177</b>
Opening Balance	550	995	2,002	1,343	1,262	243	1,129
<b>Closing Balance</b>	<b>995</b>	<b>1,978</b>	<b>1,343</b>	<b>1,262</b>	<b>243</b>	<b>1,129</b>	<b>3,305</b>

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Explanation of Investment Rating	
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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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