

# Mahindra Logistics

Estimate change

TP change

Rating change



Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	26.3 / 0.3
52-Week Range (INR)	567 / 350
1, 6, 12 Rel. Per (%)	-3/-33/-28
12M Avg Val (INR M)	86

## Financial Snapshot (INR b)

Y/E MARCH	FY23	FY24E	FY25E
Sales	51.3	61.4	75.5
EBITDA	2.6	3.3	4.3
Adj. PAT	0.3	0.5	1.3
EBITDA Margin (%)	5.1	5.4	5.7
Adj. EPS (INR)	3.7	6.6	17.5
EPS Gr. (%)	49.7	81.0	163.6
BV/Sh. (INR)	78.5	82.6	97.6

## Ratios

Net D:E	0.5	0.6	0.1
RoE (%)	4.7	8.3	19.5
RoCE (%)	8.7	9.9	17.3
Payout (%)	68.1	37.6	14.3

## Valuations

P/E (x)	99.4	54.9	20.8
P/BV (x)	4.7	4.4	3.7
EV/EBITDA(x)	11.1	8.3	5.7
Div. Yield (%)	0.7	0.7	0.7
FCF Yield (%)	3.8	1.4	10.7

## Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	58.1	58.1	58.2
DII	18.7	15.5	12.1
FII	11.6	15.6	20.4
Others	11.7	10.9	9.3

FII Includes depository receipts

CMP: INR365

TP: INR350 (-4%)

Neutral

## Higher depreciation and interest expense drag profitability

### Timely turnaround of Rivigo business critical for profitable growth

- Mahindra Logistics Ltd. (MLL) reported a revenue growth of 17% YoY to INR12.7b in 4QFY23 (8% below estimates). EBITDA increased ~24% YoY to INR637m (v/s our estimate of INR 663m). EBITDA margin came in at 5.0% (v/s our estimate of 4.8%) in 4QFY23 (up 30bp YoY and QoQ). Higher M&M volumes, easing inflation, and crude prices helped MLL offset the sluggish demand in the e-commerce segment.
- MLL reported a loss of INR8.2m in 4QFY23 v/s APAT of INR74m in 4QFY22 (our estimate of APAT stood at INR53m). Higher depreciation and interest costs related to recent acquisitions drag the overall performance.
- For FY23, MLL reported a revenue of INR 51.3b (up 24% YoY), EBITDA margin 5.1% (up 60bps YoY) and APAT of INR 263m (up 50% YoY).
- Supply Chain management recorded revenues of INR 12b (up 15% YoY) and EBIT loss of INR37m. Diversified revenue portfolio across segments offset the muted growth in the Ecommerce segment for the quarter. Enterprise Mobility Services (EMS) reported revenues of INR 755m (up 6% YoY) and an EBIT loss of INR 9m. The airport-based services within the mobility business are experiencing a significant increase, fueled by a surge in travel.
- MLL Express Services Pvt Ltd (MESPL) reported a revenue of INR770m for the quarter and incurred a loss of INR217m. Excluding the impact of Rivigo acquisition, PAT for the quarter stood at INR210m, a significant increase from INR60m in the same quarter last year. The integration of Rivigo business with MLL operations is underway and MLL expects it to breakeven at EBITDA level by 3QFY24.
- We expect MLL to clock a revenue/EBITDA CAGR of 21%/29% over FY23–25E. We believe the losses incurred by the Rivigo business would decrease in the near future as the integration of Rivigo with MLL operations gathers momentum and the business achieves greater scale. We lower our FY25 PAT estimates by 18% to factor in higher-than-expected depreciation costs related to recent acquisitions. We reiterate our Neutral rating, with a revised TP of INR350 (20x FY25E EPS).

## Losses incurred by Rivigo adversely impacts consolidated performance; MLL expects break even in the next few quarters

- Management expects B2B express business (Rivigo) to achieve EBITDA breakeven by 3QFY24 and PAT breakeven by 4QFY24.
- During the quarter, MLL Express Services Pvt Ltd (MESPL) completed the acquisition of Rivigo's B2B express business along with associated brand and technology platforms.
- The acquisition expands MLL's presence to over 19,000 pin-codes across India. The integration is underway and MLL expects to start realizing cost-reduction benefits from 1QFY24.

### Sluggish demand in freight forwarding and e-commerce was offset by higher volumes from auto and consumer durables segment

- Freight forwarding business revenues were adversely impacted by downward correction in freight rates. Despite the impact of the pricing, underlying volume growth was positive in ocean exports and air imports.
- Demand for consumer durables and automotive have helped the company offset sluggish demand on the e-commerce segment.

### Highlights from management commentary

- Despite a slowdown in some end markets, MLL's core third-party logistics (3PL) business has shown positive momentum in terms of order intake and margin expansion.
- Although MLL's freight forwarding business was adversely impacted by corrections in freight prices, MLL still saw growth in volumes across all services.
- MLL is on track with the integration program for Rivigo's B2B express business, and expects to realize cost and operating synergies in the near future.
- MLL is targeting to scale up its network services and expedite the integration of recent acquisitions. The company aims to improve its revenue mix by increasing the share of Non-M&M revenues, as well as revenues from warehousing and value-added services. Additionally, MLL intends to prioritize cost optimization and enhance the efficiency and integration of its mobility business solutions.

### Valuation and view

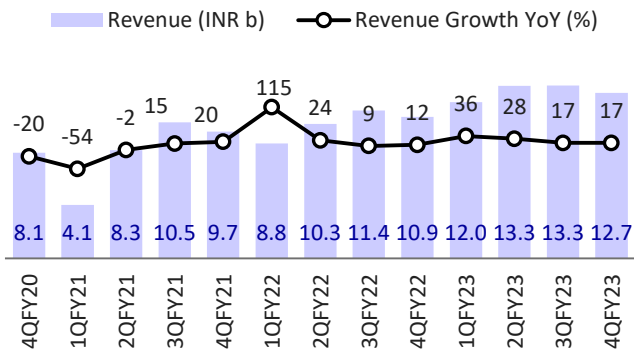
- MLL is expected to experience margin weakness in the medium term, primarily due to two factors: (a) the network services portfolio, including last-mile delivery, express logistics, and freight forwarding, and (b) an increase in competition in the 3PL business.
- We expect MLL to clock a revenue/EBITDA CAGR of 21%/29% over FY23–25E. We believe the losses incurred by the Rivigo business would decrease as the integration of Rivigo with MLL operations gains momentum and the business achieves greater scale. We lower our FY25 PAT estimates by 18% to factor in higher-than-expected depreciation costs related to recent acquisitions. We reiterate our Neutral rating, with a revised TP of INR350 (20x FY25E EPS).

#### Quarterly snapshot

Y/E March(INR m)	FY22				FY23				FY22	FY23	FY23 Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE
<b>Net Sales</b>	<b>8,832</b>	<b>10,331</b>	<b>11,360</b>	<b>10,885</b>	<b>11,999</b>	<b>13,263</b>	<b>13,296</b>	<b>12,725</b>	<b>41,408</b>	<b>51,283</b>	<b>13,769 (8)</b>
YoY Change (%)	115.2	24.1	8.5	11.8	35.9	28.4	17.0	16.9	26.9	23.8	26.5
<b>EBITDA</b>	<b>406</b>	<b>470</b>	<b>453</b>	<b>514</b>	<b>657</b>	<b>676</b>	<b>627</b>	<b>637</b>	<b>1,843</b>	<b>2,598</b>	<b>663 (4)</b>
Margins (%)	4.6	4.6	4.0	4.7	5.5	5.1	4.7	5.0	4.5	5.1	4.8
YoY Change (%)	NA	26.0	-14.4	11.5	61.8	43.8	38.4	23.8	37.3	41.0	28.9
Depreciation	303	346	375	393	409	436	498	553	1,417	1,895	497
Interest	62	69	75	91	89	107	150	169	298	516	140
Other Income	21	23	29	63	31	34	56	38	136	159	36
<b>PBT</b>	<b>61</b>	<b>78</b>	<b>32</b>	<b>94</b>	<b>190</b>	<b>167</b>	<b>36</b>	<b>-46</b>	<b>263</b>	<b>345</b>	<b>62 NA</b>
Tax	31	31	21	31	53	47	19	-48	113	71	17
Rate (%)	50.2	39.2	64.1	32.9	28.1	28.5	53.0	104.3	42.8	20.6	26.8
<b>PAT before MI, Associates</b>	<b>30</b>	<b>47</b>	<b>12</b>	<b>63</b>	<b>136</b>	<b>119</b>	<b>17</b>	<b>2</b>	<b>151</b>	<b>274</b>	<b>45.4</b>
Share of associates/ MI	3	5	6	11	-1	3	-3	-10	25	-11	7
<b>Reported PAT</b>	<b>33</b>	<b>52</b>	<b>18</b>	<b>74</b>	<b>135</b>	<b>122</b>	<b>14</b>	<b>-8.2</b>	<b>176</b>	<b>263</b>	<b>53 NA</b>
<b>Adj PAT</b>	<b>33</b>	<b>52</b>	<b>18</b>	<b>74</b>	<b>135</b>	<b>122</b>	<b>14</b>	<b>-8.2</b>	<b>176</b>	<b>263</b>	<b>53 NA</b>
YoY Change (%)	NA	-65.0	-90.3	-51.7	310.9	132.2	-21.5	-111.1	-46.4	49.7	-28.9
Margins (%)	0.4	0.5	0.2	0.7	1.1	0.9	0.1	-0.1	0.4	0.5	0.4

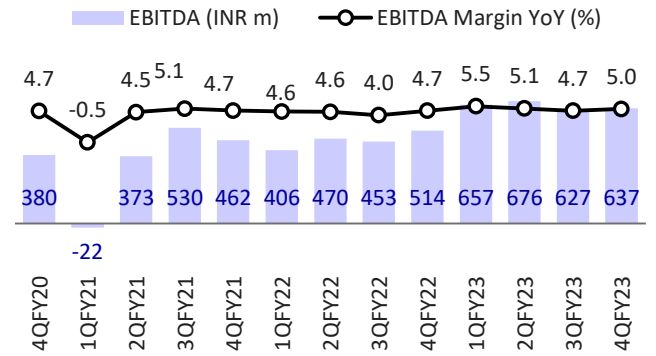
## 4QFY23 in charts

**Exhibit 1: Revenue grew 17% YoY**



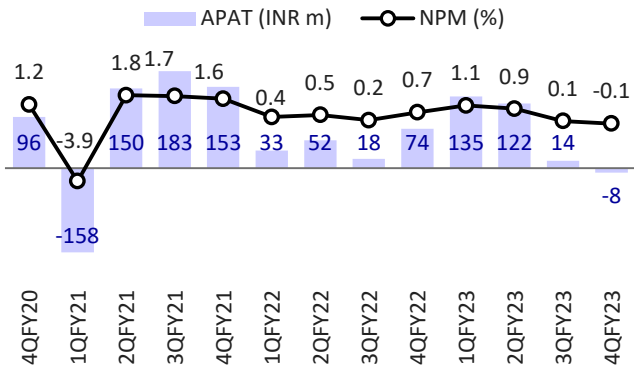
Source: Company, MOFSL

**Exhibit 2: EBITDA margin trend**



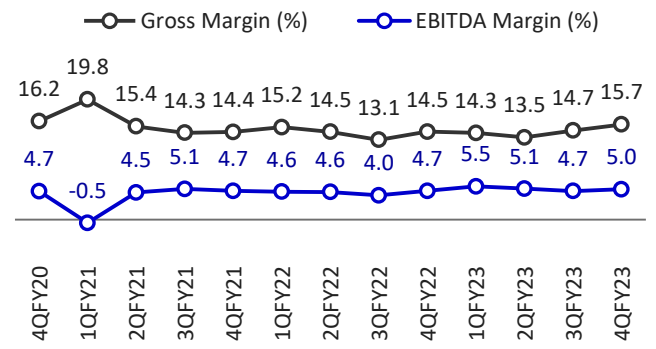
Source: Company, MOFSL

**Exhibit 3: Higher Depreciation and interest cost drag profitability**



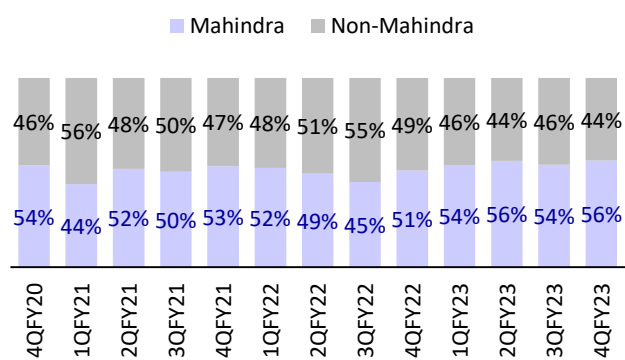
Source: Company, MOFSL

**Exhibit 4: Margins increase YoY**



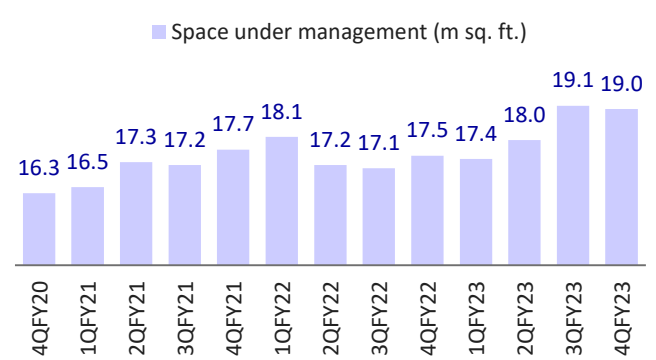
Source: Company, MOFSL

**Exhibit 5: Non-Mahindra share decreased QoQ in SCM**



Source: Company, MOFSL

**Exhibit 6: Space under management remains stable QoQ**



Source: Company, MOFSL



## Highlights from management commentary

### Operational highlights

#### Industry overview

- With improved availability of semi-conductor chips, the auto sector is seeing robust traction, led by the PV segment. However, sectors such as e-commerce have stayed soft, post the festive season.
- The consumer durable industry, particularly the air conditioning segment, witnessed a positive trend as the country experienced high temperatures.
- Management expects the e-commerce segment to grow in the range of 25-27% in the near term with faster growth expected from the smart grocery segment.

#### Business Update

- In recent times, MLL has made a host of acquisitions in different verticals, which is transforming its 3PL-focused business model into an integrated logistics solutions provider.
- In 4QFY23, freight forwarding reported revenues of 730m (down 36% YoY); express logistics reported revenue of INR 1b (up 153% YoY), and last mile reported revenue of INR 440mn (up 13% YoY).
- The contract logistics business grew 15%/26% YoY in 4QFY23 and in FY23, driven by strong demand from the automotive sector, consumption-led end markets, and continued growth in the existing accounts. Management is optimistic about future growth prospects.
- With the acquisition of Rivigo, MLL will try to gain higher market share in the B2B express logistics business and increase the share of Non-MM to overall revenue.
- The SCM segment contributed 94% and the Enterprise mobility segment contributed 6% to the revenue in 4QFY23.
- Further, the transportation segment reported a revenue of INR 9.6b and the warehousing & solutions segment reported revenues of INR 2.3b.
- The warehousing business of the company was adversely impacted by the closure of the Bajaj Electricals Ltd account during the quarter.
- The warehouse space under management stood at 19m sq. ft., including all service lines.
- Borrowings of the company stood at INR 4b as of Mar'23, a large portion of which has been utilized for the acquisition of the Rivigo's B2B express business (INR 2b). The remaining part of the borrowings has been used for working capital needs and for other acquisitions such as Meru and Whizzard.
- For FY23, MLL reported revenue of INR51.3b (up 24% YoY), EBITDA margin of 5.1% (up 60bp YoY), and APAT of INR263m (up 50% YoY).

#### Rivigo business

- Express business has been slow at industry level and the Rivigo business was also adversely impacted. However, the outlook continues to remain promising.
- As the integration of MLL operations with the Rivigo business strengthens and the scale of the business improves, the operational efficiency should increase, leading to a significant reduction in losses in the future.

- MLL expects EBITDA breakeven by 3QFY24 and PAT breakeven by 4QFY24 end.
- Once the Rivigo business stabilizes, the profitability of the consolidated business should see strong improvement.

#### Future growth

- MLL aims to achieve INR 100b topline by FY26 by capitalizing on increasing corporate focus on achieving logistics efficiency.
- The management targets to achieve a PAT margin of 2% in the 3PL business and 3% in the network services business.
- The management's prime focus is on achieving 18% RoE by FY26, while also enhancing the margin profile of various services lines.
- The company announced the development of a new 1mn sq. ft. park at Chakan
- MLL's objective is to increase its warehouse space to 20m sq. ft.(from its current 19 mn sq. ft) to further boost its warehousing and value-added services.

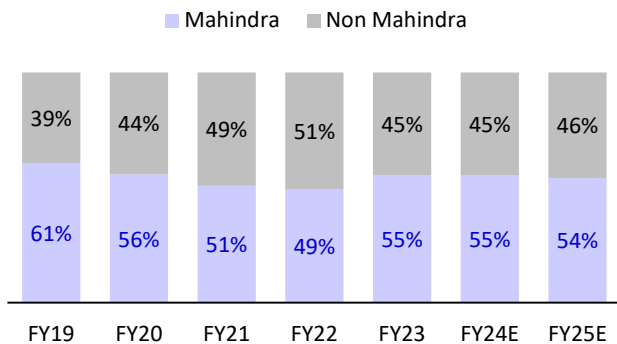
**Exhibit 7: Revised forecast**

(INR m)	FY24E			FY25E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	61,382	64,398	-5	75,467	78,274	-4
EBITDA	3,307	3,418	-3	4,319	4,193	3
EBITDA Margin (%)	5.4	5.3	8	5.7	5.4	37
PAT	476	953	-50	1,254	1,539	-18
EPS (INR)	6.6	13.3	-50	17.5	21.5	-18

Source: Company, MOFSL

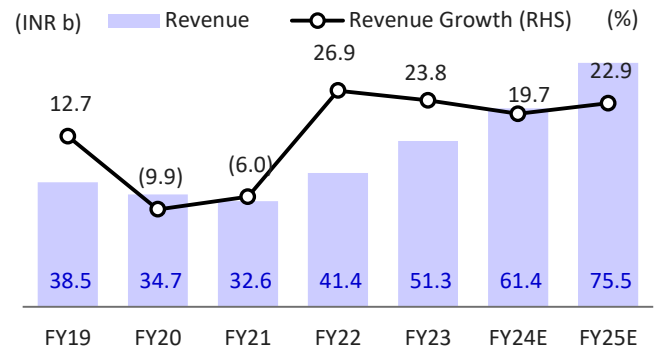
## Financial story in charts

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



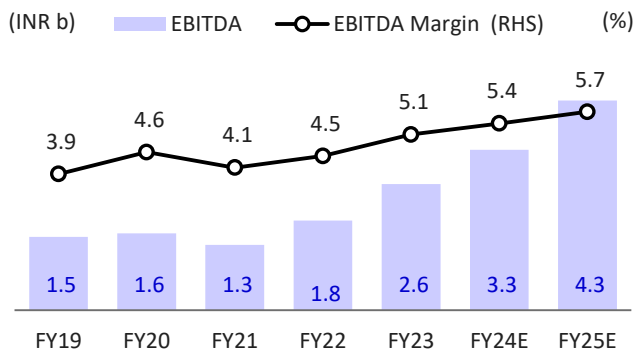
Source: Company, MOFSL

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



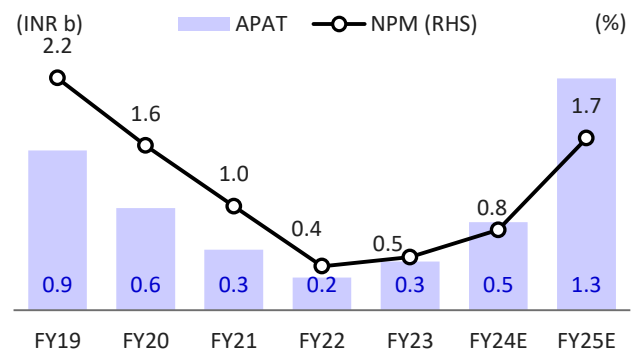
Source: Company, MOFSL

**Exhibit 10: Higher share of Non-MM to drive margins**



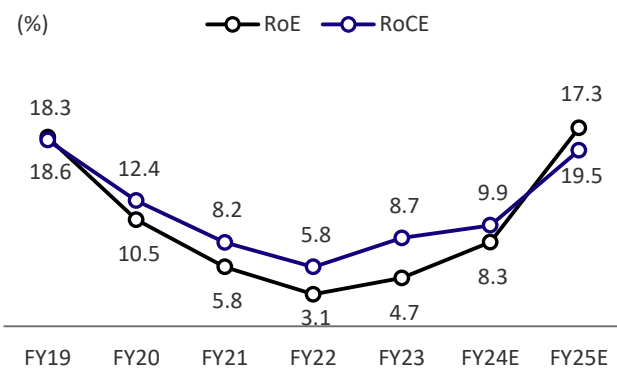
Source: Company, MOFSL

**Exhibit 11: PAT to improve with increasing margins**



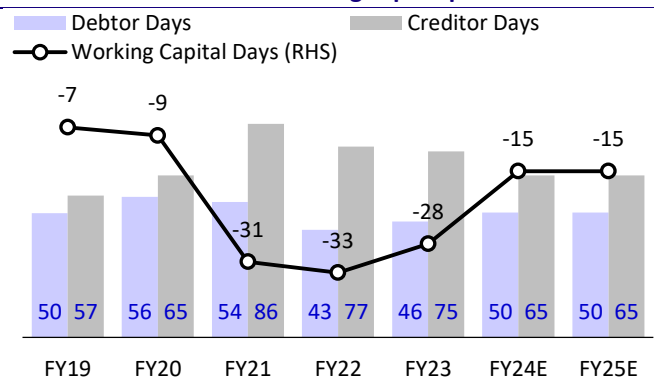
Source: Company, MOFSL

**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
<b>Net Sales</b>	<b>38,513</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>	<b>51,283</b>	<b>61,382</b>	<b>75,467</b>
Change (%)	12.7	-9.9	-6.0	26.9	23.8	19.7	22.9
Gross Margin (%)	12.4	15.5	15.3	14.3	14.5	13.8	13.5
<b>EBITDA</b>	<b>1,512</b>	<b>1,583</b>	<b>1,342</b>	<b>1,843</b>	<b>2,598</b>	<b>3,307</b>	<b>4,319</b>
Margin (%)	3.9	4.6	4.1	4.5	5.1	5.4	5.7
Depreciation	220	734	897	1,417	1,895	2,219	2,261
<b>EBIT</b>	<b>1,293</b>	<b>848</b>	<b>446</b>	<b>426</b>	<b>703</b>	<b>1,088</b>	<b>2,058</b>
Int. and Finance Charges	35	176	201	298	516	626	565
Other Income	76	140	175	136	159	166	175
<b>PBT</b>	<b>1,334</b>	<b>812</b>	<b>420</b>	<b>263</b>	<b>345</b>	<b>628</b>	<b>1,668</b>
Tax	468	257	100	113	71	158	420
Effective Tax Rate (%)	35.1	31.7	23.9	42.8	20.6	25.2	25.2
<b>PAT before MI, Associates, and EO Items</b>	<b>867</b>	<b>555</b>	<b>319</b>	<b>151</b>	<b>274</b>	<b>470</b>	<b>1,248</b>
Share of profit/(loss) of Associates and JVs	-3	-3	8	0	-28	6	6
Minority Interest	0	0	0	-25	-17	0	0
Extraordinary Items	0	0	28	0	0	0	0
<b>Reported PAT</b>	<b>864</b>	<b>552</b>	<b>300</b>	<b>176</b>	<b>263</b>	<b>476</b>	<b>1,254</b>
<b>Adjusted PAT</b>	<b>864</b>	<b>552</b>	<b>328</b>	<b>176</b>	<b>263</b>	<b>476</b>	<b>1,254</b>
Change (%)	32.4	-36.1	-40.7	-46.4	49.7	81.0	163.6
Margin (%)	2.2	1.6	1.0	0.4	0.5	0.8	1.7

### 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	5,194	6,269
<b>Net Worth</b>	<b>4,982</b>	<b>5,447</b>	<b>5,681</b>	<b>5,465</b>	<b>5,617</b>	<b>5,913</b>	<b>6,989</b>
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	3,514	3,014
<b>Capital Employed</b>	<b>5,229</b>	<b>5,660</b>	<b>6,000</b>	<b>5,873</b>	<b>9,617</b>	<b>9,414</b>	<b>9,989</b>
Gross Block	1,361	3,594	5,520	8,252	13,310	13,810	14,310
Less: Accum. Deprn.	648	1,285	1,903	3,113	5,008	7,227	9,488
<b>Net Fixed Assets</b>	<b>713</b>	<b>2,310</b>	<b>3,617</b>	<b>5,139</b>	<b>8,302</b>	<b>6,583</b>	<b>4,822</b>
Capital WIP	26	150	21	4	33	33	33
<b>Total Investments</b>	<b>813</b>	<b>31</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,250</b>	<b>2,250</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>10,312</b>	<b>11,527</b>	<b>13,149</b>	<b>14,611</b>	<b>17,195</b>	<b>17,967</b>	<b>24,284</b>
Inventory	0	0	0	14	4	0	0
Account Receivables	5,251	5,356	4,856	4,889	6,525	8,408	10,338
Cash and Bank Balances	700	995	1,978	1,343	1,262	43	2,247
Cash	550	995	1,978	1,339	1,262	43	2,247
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	9,515	11,699
<b>Current Liab. and Prov.</b>	<b>6,635</b>	<b>8,359</b>	<b>10,787</b>	<b>13,882</b>	<b>15,912</b>	<b>17,419</b>	<b>21,400</b>
Account Payables	6,001	6,172	7,661	8,684	10,481	10,931	13,439
Other Current Liabilities	419	1,974	3,065	5,126	5,363	6,419	7,892
Provisions	215	213	61	72	69	69	69
<b>Net Current Assets</b>	<b>3,677</b>	<b>3,169</b>	<b>2,362</b>	<b>729</b>	<b>1,282</b>	<b>548</b>	<b>2,884</b>
<b>Application of Funds</b>	<b>5,229</b>	<b>5,660</b>	<b>6,000</b>	<b>5,873</b>	<b>9,617</b>	<b>9,414</b>	<b>9,989</b>



## Financials and valuations

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
<b>Basic (INR)</b>							
EPS	12.1	7.7	4.6	2.5	3.7	6.6	17.5
EPS growth (%)	32.4	-36.1	-40.7	-46.4	49.7	81.0	163.6
Cash EPS	15.1	18.0	17.1	21.6	29.7	37.6	49.1
BV/Share	69.6	76.1	79.4	76.4	78.5	82.6	97.6
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	113.8	77.9	37.6	14.3
<b>Valuation (x)</b>							
P/E	30.2	47.3	79.8	148.8	99.4	54.9	20.8
Cash P/E	24.1	20.3	21.3	16.9	12.3	9.7	7.4
EV/EBITDA	16.5	16.1	18.2	13.7	11.1	8.3	5.7
EV/Sales	0.6	0.7	0.7	0.6	0.6	0.4	0.3
P/BV	5.2	4.8	4.6	4.8	4.7	4.4	3.7
Dividend Yield (%)	0.5	0.4	0.7	0.5	0.7	0.7	0.7
<b>Return Ratios (%)</b>							
RoE	18.6	10.5	5.8	3.1	4.7	8.3	19.5
RoCE	18.3	12.4	8.2	5.8	8.7	9.9	17.3
RoIC	24.0	14.2	7.8	5.7	8.7	10.6	24.5
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	31.0	14.0	7.2	6.0	4.8	4.5	5.4
Asset Turnover (x)	7.4	6.1	5.4	7.1	5.3	6.5	7.6
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	50	56	54	43	46	50	50
Creditors (Days)	57	65	86	77	75	65	65
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	-0.1	-0.1	-0.3	-0.2	0.5	0.6	0.1

### 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	628	1,668
Depreciation	220	734	897	1,417	1,895	2,219	2,261
Direct Taxes Paid	-419	-325	515	-626	-738	-158	-420
(Inc.)/Dec. in WC	-265	-653	838	507	-883	-2,278	-605
Other Items	80	285	295	348	574	460	390
<b>CF from Operations</b>	<b>950</b>	<b>854</b>	<b>2,937</b>	<b>1,910</b>	<b>1,194</b>	<b>871</b>	<b>3,294</b>
(Inc.)/Dec. in FA	-342	-617	-690	-1,559	-195	-500	-500
<b>Free Cash Flow</b>	<b>608</b>	<b>237</b>	<b>2,247</b>	<b>351</b>	<b>999</b>	<b>371</b>	<b>2,794</b>
Change in Investments	-258	786	-588	0	-3,043	-2,250	0
Others	-347	186	198	161	138	1,288	-288
<b>CF from Investments</b>	<b>-947</b>	<b>355</b>	<b>-1,080</b>	<b>-1,399</b>	<b>-3,100</b>	<b>-1,462</b>	<b>-788</b>
Change in Equity	27	4	2	5	1	0	0
Inc./(Dec.) in Debt	23	-18	-67	77	3,609	-500	-500
Dividends Paid	-129	-155	-107	-179	-144	-179	-179
Others	-35	-594	-702	-1,077	-1,637	51	378
<b>CF from Fin. Activity</b>	<b>-113</b>	<b>-763</b>	<b>-875</b>	<b>-1,175</b>	<b>1,829</b>	<b>-628</b>	<b>-301</b>
<b>Inc./(Dec.) in Cash</b>	<b>-111</b>	<b>446</b>	<b>982</b>	<b>-663</b>	<b>-77</b>	<b>-1,219</b>	<b>2,204</b>
Opening Balance	660	550	995	2,002	1,339	1,262	43
<b>Closing Balance</b>	<b>550</b>	<b>995</b>	<b>1,978</b>	<b>1,339</b>	<b>1,262</b>	<b>43</b>	<b>2,247</b>



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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