

Mahindra Logistics

Estimate change 

TP change 

Rating change 

CMP: INR451

TP: INR420 (-7%)

Neutral

In-line performance; improved Express performance enhances EBITDA

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USD\$b)	32.5 / 0.4
52-Week Range (INR)	493 / 347
1, 6, 12 Rel. Per (%)	9/6/-8
12M Avg Val (INR M)	132

Financial Snapshot (INR b)

Y/E MARCH	FY24	FY25E	FY26E
Sales	55.1	67.6	83.9
EBITDA	2.3	3.2	4.3
Adj. PAT	-0.6	0.5	1.3
EBITDA Margin (%)	4.2	4.7	5.1
Adj. EPS (INR)	-8.2	6.4	18.0
EPS Gr. (%)	-322.8	-177.7	183.7
BV/Sh. (INR)	68.8	72.7	88.2

Ratios

Net D:E	0.5	0.2	0.0
RoE (%)	-11.0	8.8	22.0
RoCE (%)	7.5	10.6	19.6
Payout (%)	-28.7	39.3	13.9

Valuations

P/E (x)	NA	70.9	25.0
P/BV (x)	6.6	6.2	5.1
EV/EBITDA(x)	15.3	10.4	7.5
Div. Yield (%)	0.6	0.6	0.6
FCF Yield (%)	6.8	6.4	4.1

Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	58.0	58.0	58.1
DII	17.4	15.7	18.7
FII	5.8	5.9	11.6
Others	18.8	20.3	11.7

FII Includes depository receipts

- Mahindra Logistics (MLL)'s 4QFY24 revenue grew by ~14% YoY to INR14.5b (in line). EBITDA margin came in at 3.9% (in line), down 100bp YoY and up 20bp QoQ. EBITDA decreased 11% YoY to INR566m (in line). MLL posted a net loss of INR128m vs. INR8m in 4QFY23 (our estimate of INR6m loss).
- EBITDA was impacted by one-time charges relating to IT integration and provisions. APAT was hit by higher tax outgo. Losses in the Express business narrowed as capacity utilization improved in 4Q.
- The 4Q performance was largely in line with our estimates. Going forward, Express business losses are expected to decline as volumes improve, which should result in improvement in overall EBITDA for MLL. Strong order intake in the 3PL business should also support growth in the near to medium term. We marginally increase our FY26 EBITDA/PAT estimates by 2%/6% on an improved earnings outlook. We estimate a CAGR of 23%/37% in revenue/EBITDA over FY24-26. We reiterate our Neutral rating with a revised TP of INR420 (premised on 23x FY26E EPS).

Higher utilization in Express business improves EBITDA; targets EBITDA breakeven by 1HFY25 end

- B2B Express business (Rivigo) reported revenue of INR972m (-7% YoY) and EBITDA loss of INR148m (vs. EBITDA loss of INR224m in 4QFY23). Express business has ramped up its capacity utilization to 80%. A pickup in volumes and the benefits of network redesigning boosted EBITDA.
- The Express industry is expected to face challenges in the near term due to slow activity at ground level.
- The management remains optimistic about achieving EBITDA breakeven by the end of 1HFY25, and PAT breakeven is anticipated by the end of FY25.

Highlights from the management commentary

- Supply Chain Management (SCM) recorded revenues of ~INR13.7b (up 14.6% YoY) and EBIT loss of INR114m. Enterprise Mobility Services (EMS) reported revenues of INR784m (up 3.9% YoY) and EBIT of ~INR21.5m.
- In 4QFY24, the 3PL Contract Logistics business grew 15% YoY. Some operations faced higher start-up and manpower costs. However, order intake was strong at ~INR1.6b, with a focus on speeding up execution. One-time charges impacted the PAT of the 3PL business.
- In the B2B Express business, service levels are on track. The focus is on cost and network optimization, particularly load optimization in the south and east regions. Rivigo's focus on improving capacity utilization and sales efforts in 4Q led to margin improvement QoQ, with tonnage growth at 3.5% in 4Q.

Alok Deora - Research analyst (Alok.Deora@motilalosal.com)

Saurabh Dugar - Research analyst (Saurabh.Dugar@motilalosal.com)

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Valuation and view

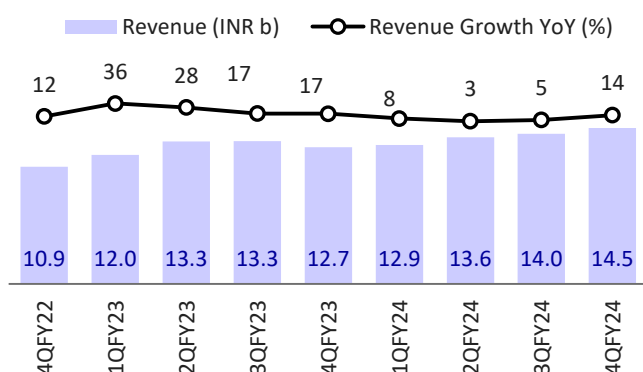
- With improvement in capacity utilization in the B2B Express business and strong order intake in 3PL, the growth outlook seems promising in the long term.
- We marginally increase our FY 26 EBITDA/PAT estimates 2%/6% on an improved earnings outlook. We estimate a CAGR of 23%/37% in revenue/EBITDA over FY24-26. We reiterate our Neutral rating with a revised TP of INR420 (premised on 23x FY26E EPS).

Quarterly snapshot

Y/E March (INR m)	FY23				FY24				FY23	FY24	FY24	INR m
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	Var. vs Est
Net Sales	11,999	13,263	13,296	12,725	12,932	13,648	13,972	14,508	51,283	55,060	14,504	0
YoY Change (%)	35.9	28.4	17.0	16.9	7.8	2.9	5.1	14.0	23.8	7.4	14.0	
EBITDA	657	676	627	637	666	536	522	566	2,598	2,290	584	(3)
Margins (%)	5.5	5.1	4.7	5.0	5.2	3.9	3.7	3.9	5.1	4.2	4.0	
YoY Change (%)	61.8	43.8	38.4	23.8	1.4	-20.7	-16.8	-11.2	41.0	-11.8	-8.3	
Depreciation	409	436	498	553	545	518	515	513	1,895	2,090	531	
Interest	89	107	150	169	178	165	164	174	516	682	161	
Other Income	31	34	56	38	62	66	23	29	159	179	69	
PBT before EO Items	190	167	36	-46	6	-82	-134	-92	345	-302	-40	
Extra-Ord expense	0	0	0	0	0	0	-38	0	0	38	0	
PBT	190	167	36	-46	6	-82	-96	-92	345	-340	-40	
Tax	53	47	19	-48	89	73	68	27	71	257	-10	
Rate (%)	28.1	28.5	53.0	104.3	1,556.1	-89.2	-71.4	-29.2	20.6	-75.5	25.2	
PAT before MI, Associates	136	119	17	2	-83	-155	-164	-119	274	-597	-29.6	
Share of associates/ MI	-1	3	-3	-10	-3	-5	-10	-9	-11	-27	23	
Reported PAT	135	122	14	-8	-85.5	-159	-174	-128	263	-624	-6	
Adj PAT	135	122	14	-8	-85.5	-159	-212	-128	263	-586	-6	NM
YoY Change (%)	310.9	132.2	-21.5	-111.1	NA	PL	PL	NA	49.7	-322.8	-23.5	
Margins (%)	1.1	0.9	0.1	-0.1	-0.7	-1.2	-1.5	-0.9	0.5	-1.1	0.0	

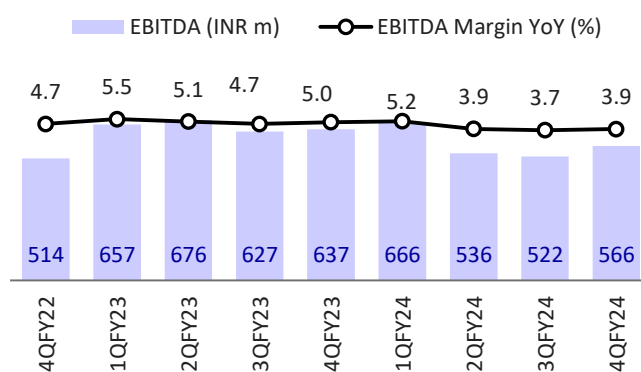
Result in charts: 4Q FY24

Exhibit 1: Revenue grew 14% YoY



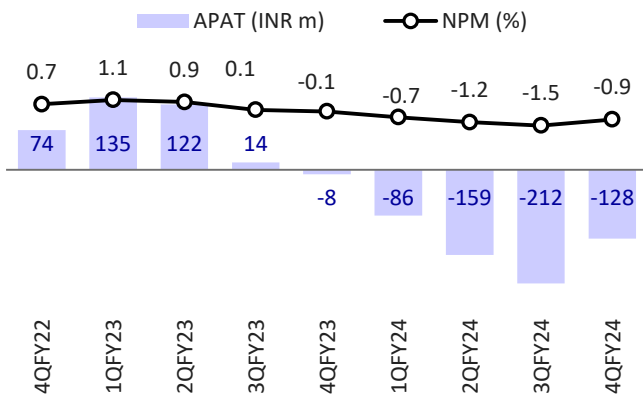
Source: Company, MOFSL

Exhibit 2: YoY EBITDA margin hit by losses in MLL Express business (Rivigo)



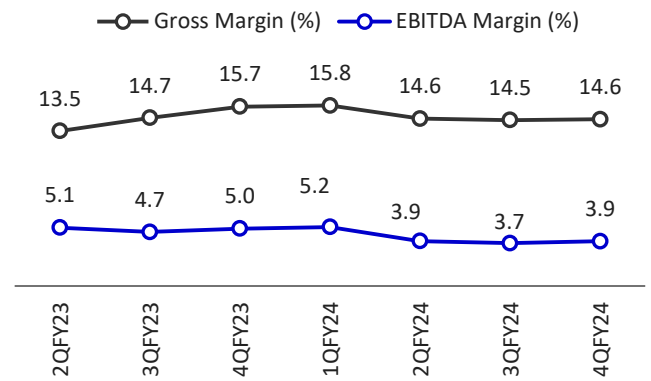
Source: Company, MOFSL

Exhibit 3: Weak operating performance dragged profitability



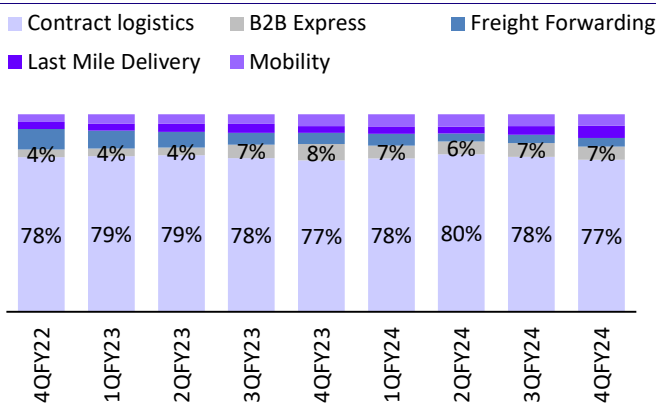
Source: Company, MOFSL

Exhibit 4: Gross margin flat QoQ



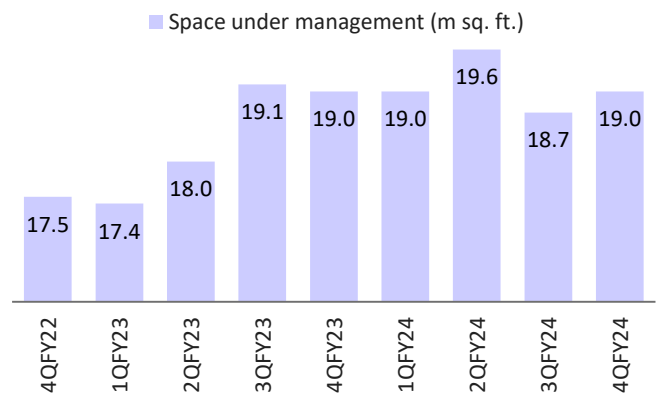
Source: Company, MOFSL

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



Source: Company, MOFSL

Exhibit 6: Space under management



Source: Company, MOFSL



Highlights from the management commentary

Business update

- 4Q saw an uptick in volume recovery and growth, with positive momentum seen across businesses, particularly in the 3PL and EMS segments.
- The SCM and EMS segments contributed 95% and 5%, respectively, to the company's total revenue in 4QFY24. SCM recorded revenues of ~INR13.7b (up 14.6% YoY) and EBIT loss of INR114m.
- EMS reported revenues of INR784m (up 3.9% YoY) and EBIT of ~INR21.5m. In the Mobility business, there is a shift toward using multiple vendors for airport services, with a priority given to EVs. There is also a focus on cost optimization through digitization and leveraging resources across the entire chain.
- Automotive segment (Mahindra and non-Mahindra) contributed 60% of revenue in 4Q, while the remaining 40% came from non-automotive segment.
- In 4Q, the 3PL business grew 15% YoY. Some operations faced higher start-up and manpower costs. However, order intake was strong at ~INR 1.6b, with a focus on speeding up execution. One-time charges impacted the PAT of the 3PL business.
- The IT transition also had a one-time impact of INR20m at the PAT level. Other expenses in the standalone business increased, largely due to one-time charges.

- MLL achieved 75,000 tons in volumes in 4Q, slightly below the target in the Express business.
- In 4QFY24, Freight Forwarding reported revenue of INR630m (down 14% YoY). The business was hurt by geopolitical movements, affecting cross-border prices. There was a mixed impact on volumes, with air volumes remaining flat and a recovery seen in ocean volumes QoQ.
- Express Logistics posted revenue of INR972m (down 8% YoY). In the B2B express business, service levels are on track. There is a focus on cost and network optimization, particularly load optimization in the south and east regions. Rivigo's focus on improving capacity utilization and sales efforts in 4Q led to a marginal improvement on a QoQ basis, with tonnage growth at 3.5%.
- Last-mile delivery reported revenue of INR910m (up 107% YoY and 50% QoQ). The management focuses on growing the non-ecommerce business and optimizing fleet utilization.
- The warehousing business has been affected by higher start-up costs and unused space, but it is expected to stabilize in the next two quarters.

Other highlights

- Excluding one-time charges in FY24, earnings from core 3PL and other businesses were stable or improving. The completion of the second tranche of investment in Zip Zap Logistics will help the company consolidate further and offer a wider range of services for last-mile delivery and micro-fulfillment.
- For MLL Express business, EBITDA breakeven is expected by the end of 1HFY25, and PAT breakeven is anticipated by the end of FY25.
- Express business has ramped up its capacity utilization to 80%. There would be a further pick-up in utilization levels as networks have been redesigned.
- For the Express industry, 1HFY25 is expected to be challenging due to the expectation of slow activity at ground level.
- Warehouse space under management stood at 19.6m sq. ft. in the 3PL business, and the company's multi-client warehousing expansion is progressing as planned.

Future growth

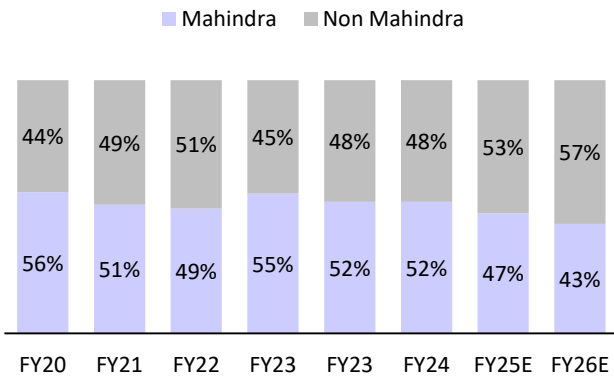
- The management remained optimistic regarding robust growth, fueled by order intake across businesses and ongoing enhancements in the Express business.
- MLL aims for revenue of INR100b and RoE of 18% by FY26, with a focus on growing the 3PL business in the mid-teens. This involves generating INR65b of revenue from the 3PL business as well as rapidly expanding its network services.

Exhibit 7: Revised estimates

(INR m)	FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	67,597	67,101	1	83,939	82,738	1
EBITDA	3,186	3,181	0	4,319	4,221	2
EBITDA Margin(%)	4.7	4.7	-3	5.1	5.1	4
PAT	455	506	-10	1,291	1,224	6
EPS (INR)	6.4	7.1	-10	18.0	17.1	6

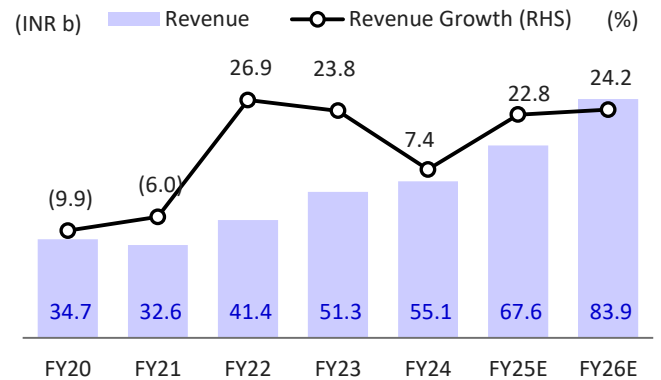
Financial story in charts

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



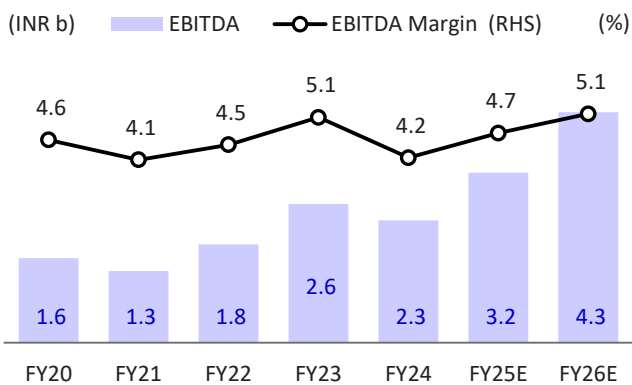
Source: Company, MOFSL

Exhibit 9: Revenue growth to be driven by SCM segment



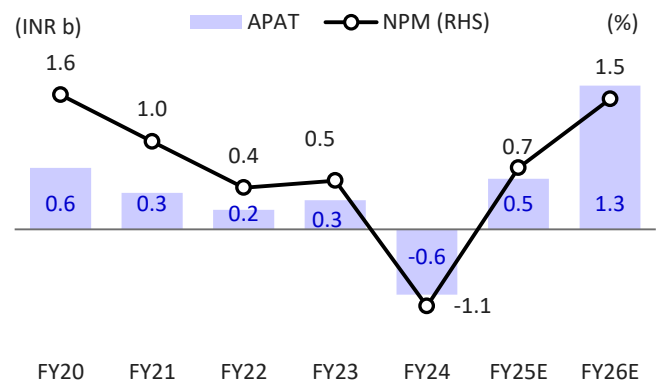
Source: Company, MOFSL

Exhibit 10: Margins to improve as Express business ramps up



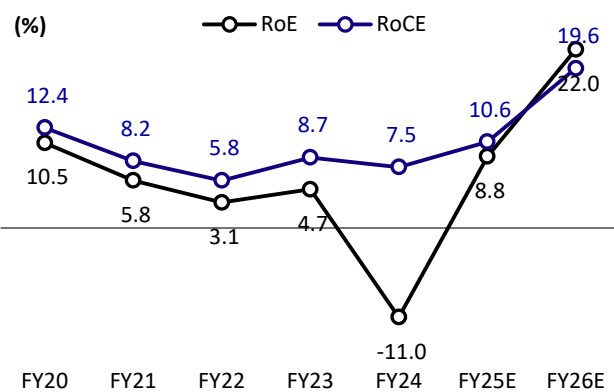
Source: Company, MOFSL

Exhibit 11: PAT to improve with increasing margins



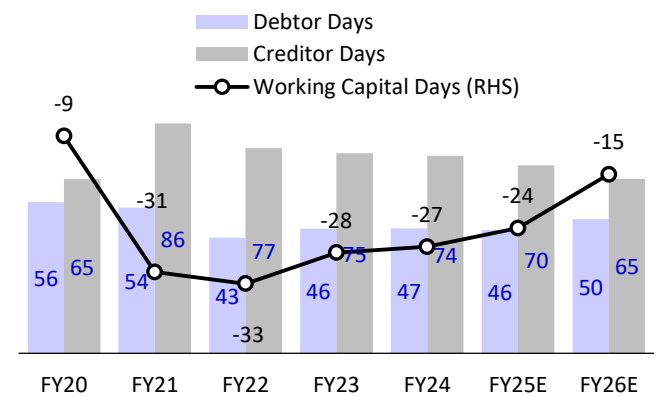
Source: Company, MOFSL

Exhibit 12: Return ratios to improve as earnings pick up



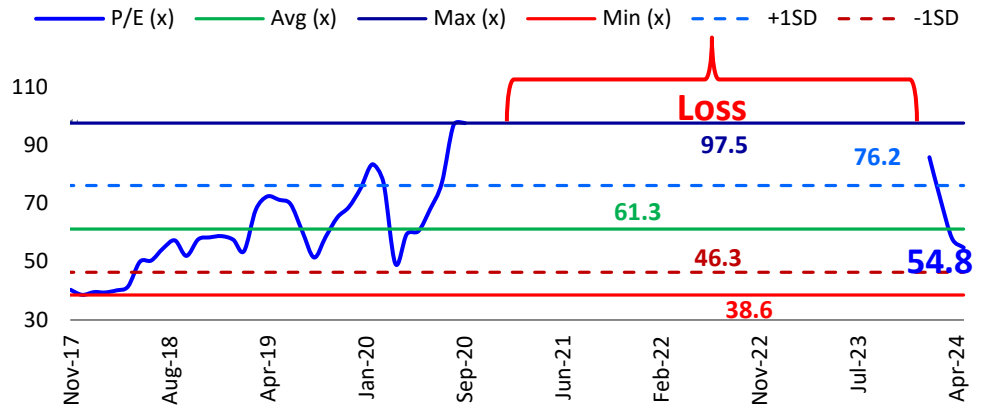
Source: Company, MOFSL

Exhibit 13: Comfortable working capital position



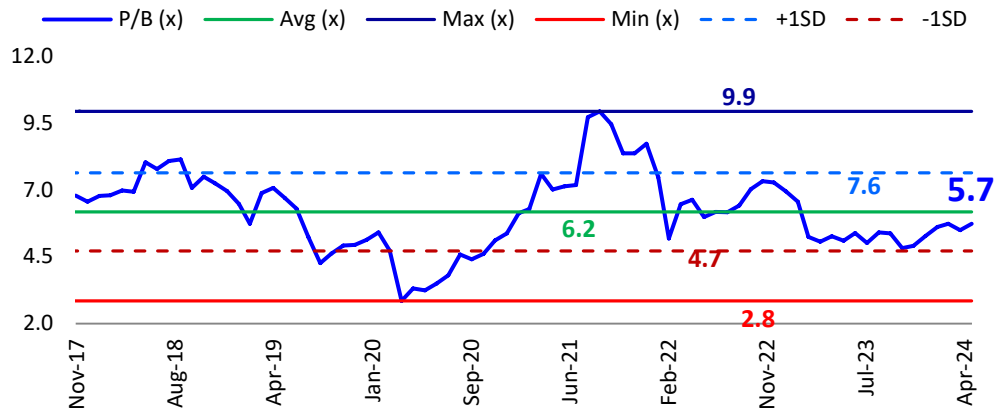
Source: Company, MOFSL

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	FY24	FY25E	FY26E
Net Sales	34,711	32,637	41,408	51,283	55,060	67,597	83,939
Change (%)	-9.9	-6.0	26.9	23.8	7.4	22.8	24.2
Gross Margin (%)	15.5	15.3	14.3	14.5	14.9	13.6	13.2
EBITDA	1,583	1,342	1,843	2,598	2,290	3,186	4,319
Margin (%)	4.6	4.1	4.5	5.1	4.2	4.7	5.1
Depreciation	734	897	1,417	1,895	2,090	2,207	2,297
EBIT	848	446	426	703	201	979	2,021
Int. and Finance Charges	176	201	298	516	682	570	508
Other Income	140	175	136	159	179	192	205
PBT	812	420	263	345	-302	600	1,718
Tax	257	100	113	71	257	151	432
Effective Tax Rate (%)	31.7	25.6	42.8	20.6	-85.0	25.2	25.2
PAT before MI, Associates, and EO Items	555	319	151	274	-559	449	1,285
Share of profit/(loss) of Associates and JVs	-3	8	0	-28	-10	6	6
Extraordinary Items	0	28	0	0	38	0	0
Reported PAT	552	300	176	263	-624	455	1,291
Adjusted PAT	552	328	176	263	-586	455	1,291
Change (%)	-36.1	-40.7	-46.4	49.7	-322.8	-177.7	183.7
Margin (%)	1.6	1.0	0.4	0.5	-1.1	0.7	1.5

Consolidated – Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	715	717	719	720	720	720	720
Total Reserves	4,731	4,964	4,746	4,897	4,204	4,481	5,593
Net Worth	5,447	5,681	5,465	5,617	4,925	5,201	6,314
Minority Interest	54	28	3	-14	118	118	118
Deferred Tax Liabilities	-200	0	0	0	0	0	0
Total Loans	359	292	405	4,014	3,386	2,886	2,386
Capital Employed	5,660	6,000	5,873	9,617	8,428	8,204	8,817
Gross Block	3,594	5,520	8,252	12,704	14,856	15,356	15,856
Less: Accum. Deprn.	1,285	1,903	3,113	4,402	6,492	8,699	10,996
Net Fixed Assets	2,310	3,617	5,139	8,302	8,364	6,657	4,859
Capital WIP	150	21	4	33	161	161	161
Total Investments	31	0	0	0	0	0	0
Curr. Assets, Loans, and Adv.	11,527	13,149	14,611	17,195	16,248	20,754	26,675
Inventory	0	0	14	4	0	0	0
Account Receivables	5,356	4,856	4,889	6,525	7,019	8,519	11,498
Cash and Bank Balances	995	1,978	1,343	1,262	711	1,937	2,388
Cash	995	1,978	1,343	1,262	227	1,452	1,904
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	8,518	10,299	12,789
Current Liab. and Prov.	8,359	10,787	13,882	15,912	16,344	19,367	22,878
Account Payables	6,172	7,661	8,684	10,481	11,112	12,964	14,948
Other Current Liabilities	1,974	3,065	5,126	5,363	5,144	6,316	7,843
Provisions	213	61	72	69	88	88	88
Net Current Assets	3,169	2,362	729	1,282	-96	1,387	3,797
Application of Funds	5,660	6,000	5,873	9,617	8,428	8,204	8,817

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	7.7	4.6	2.5	3.7	-8.2	6.4	18.0
EPS growth (%)	-36.1	-40.7	-46.4	49.7	-322.8	-177.7	183.7
Cash EPS	18.0	17.1	22.3	30.1	21.0	37.2	50.1
BV/Share	76.1	79.4	76.4	78.5	68.8	72.7	88.2
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	-28.7	39.3	13.9
Valuation (x)							
P/E	58.5	98.6	183.8	122.8	-55.1	70.9	25.0
Cash P/E	25.1	26.4	20.3	15.0	21.5	12.1	9.0
EV/EBITDA	20.0	22.8	17.0	13.5	15.3	10.4	7.5
EV/Sales	0.9	0.9	0.8	0.7	0.6	0.5	0.4
P/BV	5.9	5.7	5.9	5.7	6.6	6.2	5.1
Dividend Yield (%)	0.3	0.6	0.4	0.6	0.6	0.6	0.6
Return Ratios (%)							
RoE	10.5	5.8	3.1	4.7	-11.0	8.8	22.0
RoCE	12.4	8.2	5.8	8.7	7.5	10.6	19.6
RoIC	14.2	7.8	5.7	8.7	4.7	10.7	24.4
Working Capital Ratios							
Fixed Asset Turnover (x)	14.0	7.2	6.0	4.9	4.0	4.5	5.4
Asset Turnover (x)	6.1	5.4	7.1	5.3	6.5	8.2	9.5
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	56	54	43	46	47	46	50
Creditors (Days)	65	86	77	75	74	70	65
Leverage Ratio (x)							
Net Debt/Equity	-0.1	-0.3	-0.2	0.5	0.5	0.2	0.0

Consolidated – Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	812	392	263	345	-264	600	1,718
Depreciation	734	897	1,417	1,895	2,090	2,207	2,297
Direct Taxes Paid	-325	515	-626	-738	-129	-151	-432
(Inc.)/Dec. in WC	-653	838	507	-883	-312	-465	-2,059
Other Items	285	295	348	574	884	378	303
CF from Operations	854	2,937	1,910	1,194	2,269	2,570	1,827
(Inc.)/Dec. in FA	-617	-690	-1,559	-195	-81	-500	-500
Free Cash Flow	237	2,247	351	999	2,188	2,070	1,327
Change in Investments	786	-588	0	-3,043	-152	0	0
Others	186	198	161	138	-310	-298	-601
CF from Investments	355	-1,080	-1,399	-3,100	-543	-798	-1,101
Change in Equity	4	2	5	1	0	0	0
Inc.)/(Dec.) in Debt	-18	-67	77	3,609	-655	-500	-500
Dividends Paid	-155	-107	-179	-144	-180	-179	-179
Others	-594	-702	-1,073	-1,641	-1,926	132	405
CF from Fin. Activity	-763	-875	-1,171	1,825	-2,761	-547	-274
Inc.)/(Dec.) in Cash	446	982	-659	-81	-1,036	1,226	452
Opening Balance	550	995	2,002	1,343	1,262	227	1,452
Closing Balance	995	1,978	1,343	1,262	227	1,452	1,904

Investment in securities market are subject to market risks. Read all the related documents carefully before investing

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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Nainesh

Email: nainesh.raiani@motilaloswal.com

Contact: (+65) 8328 0276

Rajani

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Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000. Details of Compliance Officer: Neeraj Agarwal,

Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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