Mahindra Logistics

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	MAHLOG IN
Equity Shares (m)	72
M.Cap.(INRb)/(USDb)	33.5 / 0.4
52-Week Range (INR)	555 / 347
1, 6, 12 Rel. Per (%)	-2/-5/-3
12M Avg Val (INR M)	135

Financial Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	62.2	77.7	94.7
EBITDA	3.0	4.0	5.2
Adj. PAT	0.3	1.2	2.1
EBITDA Margin (%)	4.9	5.2	5.5
Adj. EPS (INR)	3.6	17.3	29.2
EPS Gr. (%)	-143.7	384.6	68.6
BV/Sh. (INR)	69.9	84.7	111.5
Ratios			
Net D:E	0.3	0.1	-0.3
RoE (%)	5.0	22.0	29.3
RoCE (%)	7.5	19.6	26.2
Payout (%)	69.9	14.4	8.5
Valuations			
P/E (x)	130.2	26.9	15.9
P/BV (x)	6.7	5.5	4.2
EV/EBITDA(x)	11.4	8.4	5.9
Div. Yield (%)	0.5	0.5	0.5
FCF Yield (%)	5.6	3.3	9.9

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	58.0	58.0	58.0
DII	17.5	17.4	17.0
FII	5.5	5.8	11.5
Others	19.0	18.8	13.5

FII Includes depository receipts

CMP: INR465 TP: INR440 (-5%) Neutral

Revenue in line; express business volumes weak

- Mahindra Logistics (MLL)'s revenue grew ~11% YoY to INR15.2b in 2QFY25, in line with our estimate.
- EBITDA margin came in at 4.4% (+40bp YoY and -30bp QoQ) vs. our estimate of 5.1%. EBITDA rose 24% YoY to INR664m, vs. our estimate of INR795m.
- The company reported adjusted net loss of INR107m in 2QFY25 vs. adjusted net loss of INR159m in 2QFY24 (our estimate: INR123m profit).
- The supply chain management recorded revenue of INR14.4b (+12.7% YoY) and an EBIT loss of INR66m during the quarter. Enterprise mobility services (EMS) reported revenue of INR797m (-7.7% YoY) and an EBIT of INR16m.
- During 1HFY25, revenue stood at INR29.4b (+11% YoY), EBITDA came in at INR1.3b (+10% YoY), EBITDA margin was 4.5%, and adj. loss stood at INR201m (vs. loss of INR245m YoY).
- Despite a muted demand environment, 2QFY25 witnessed healthy order intake of INR2b in the contract logistics business. The express business faced challenges due to slower customer volumes in the B2B segment. Management is targeting a turnaround in express business by the end of FY25. The growth in cross-border business was mainly driven by a rise in ocean freight rates in 2Q, though pricing remains volatile. Consolidation of Whizzard led to a growth in revenue in the last-mile delivery business.
- While 2Q has been weak, volumes are expected to recover from 3QFY25 as the festive season-linked demand picks up. While MLL's revenue was in line, the express business, which has been struggling, should witness improved tonnage growth. This would help reduce losses and turn MLL EBITDA positive in the coming quarters. We cut our EBITDA estimates by 6%/4% in FY25/FY26 to factor in the weak performance and delayed breakeven in the express business. We estimate a 20%/32% CAGR in revenue/EBITDA over FY24-27. **Reiterate Neutral with a revised TP of INR440 (premised on 15x FY26E EPS).**

Volume pickup in express logistics business weaker than expected; last mile and contract logistics continue to perform well

- The soft demand adversely impacted the express business with 2% sequential growth in volumes handled during 2QFY25. The express business faced challenges due to slower customer volumes in the B2B segment.
- MLL's contract logistics segment secured orders worth INR2b. Ahead of the 3QFY25 peak season, the company increased capacity in contract logistics and last-mile delivery.
- Last mile delivery reported revenue of INR1b, +107% YoY, primarily due to the consolidation of Whizzard. Debt increased due to the purchase of 75 new car carriers. With major capex completed, the focus shifts to optimizing returns. The company generated INR1.4b cash flow in 1H FY25, directed toward capex and equity funding.

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- Management expanded transportation and green logistic offerings while strengthening network infrastructure, especially in the East, to support warehousing, last-mile, and express services for future growth.

Highlights from the management commentary

- For festive season-linked demand in 3QFY25, the company increased capacity and resources in contract logistics and last-mile delivery. This has adversely impacted operating earnings in 2Q.
- Volume in B2B Express Business growth was impacted by customer churn and a lower-than-expected win ratio. The planned impact of cost-saving measures fell short due to negative volume leverage.
- The growth in cross border business was mainly driven by a rise in ocean freight rates in 2Q, though pricing remains volatile. Consolidation of Whizzard led to revenue growth in the last-mile delivery business.
- Debt rose during the quarter due to the purchase of 75 new car carriers. With the major capex for contract logistics completed, focus now shifts to optimizing returns.

Valuation and view

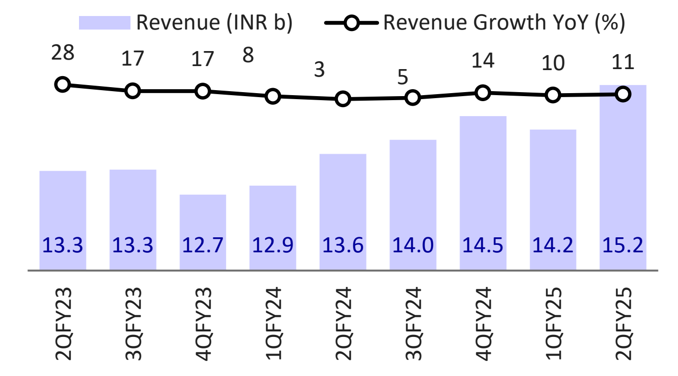
- Express business losses are expected to decline as volumes improve, which should boost overall EBITDA for MLL. With improvement in capacity utilization in the B2B Express business and strong order intake in 3PL, the growth outlook seems promising in the long term.
- We cut our EBITDA estimates by 6% and 4% for FY25 and FY26, respectively, due to weak performance and delayed breakeven in the express logistics business. We estimate a 20% revenue and 32% EBITDA CAGR from FY24-27. We reiterate our Neutral rating with a revised TP of INR440 (premised on 15x FY27E EPS).

Quarterly snapshot **INR m**

Y/E March (INR m)	FY24				FY25E				FY24	FY25E	FY25	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			2QE	vs Est
Net Sales	**12,932**	**13,648**	**13,972**	**14,508**	**14,200**	**15,211**	**15,846**	**16,916**	**55,060**	**62,173**	**15,652**	**(3)**
YoY Change (%)	7.8	2.9	5.1	14.0	9.8	11.5	13.4	16.6	7.4	12.9	14.7	
EBITDA	**666**	**536**	**522**	**566**	**663**	**664**	**792**	**913**	**2,290**	**3,032**	**795**	**(17)**
Margins (%)	5.2	3.9	3.7	3.9	4.7	4.4	5.0	5.4	4.2	4.9	5.1	
YoY Change (%)	1.4	-20.7	-16.8	-11.2	-0.5	23.9	51.7	61.4	-11.8	32.4	48.4	
Depreciation	545	518	515	513	550	540	530	515	2,090	2,134	525	
Interest	178	165	164	174	195	191	150	123	682	659	155	
Other Income	62	66	23	29	57	17	60	81	179	215	40	
PBT before EO Items	**6**	**-82**	**-134**	**-92**	**-25**	**-50**	**172**	**357**	**-302**	**455**	**155**	
Extra-Ord expense	0	0	-38	0	0	0	0	0	38	0	0	
PBT	**6**	**-82**	**-96**	**-92**	**-25**	**-50**	**172**	**357**	**-340**	**455**	**155**	
Tax	89	73	68	27	53	46	34	70	257	205	39	
Rate (%)	1,556.1	-89.2	-71.4	-29.2	-213.6	-93.4	20.0	19.7	-75.5	45.0	25.2	
PAT before MI, Associates	**-83**	**-155**	**-164**	**-119**	**-78**	**-96**	**138**	**287**	-597	250	116.1	
Share of associates/ Minority Interest	-3	-5	-10	-9	-15	-11	7	25	-27	6	7	
Reported PAT	**-86**	**-159**	**-174**	**-128**	**-93**	**-107**	**145**	**312**	**-624**	**256**	**123**	
Adj PAT	**-86**	**-159**	**-212**	**-128**	**-93**	**-107**	**145**	**312**	**-586**	**256**	**123**	**NA**
YoY Change (%)	NA	PL	PL	NA	NA	NA	NA	NA	NA	NA	NA	
Margins (%)	-0.7	-1.2	-1.5	-0.9	-0.7	-0.7	0.9	1.8	-1.1	0.4	0.8	

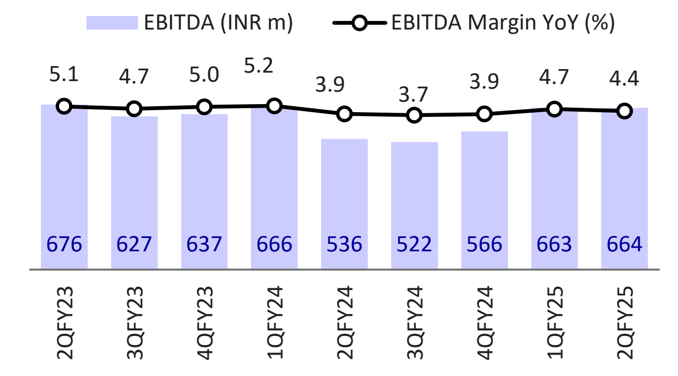
Story in charts: 2QFY25

Exhibit 1: Revenue grew ~11% YoY



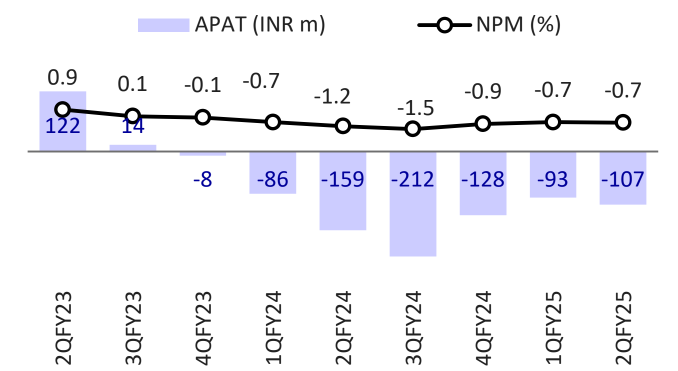
Source: Company, MOFSL

Exhibit 2: EBITDA margin improved YoY



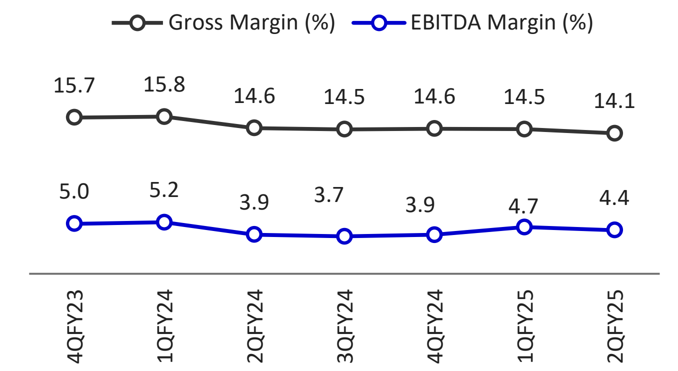
Source: Company, MOFSL

Exhibit 3: High operational costs in B2B express dragged profitability



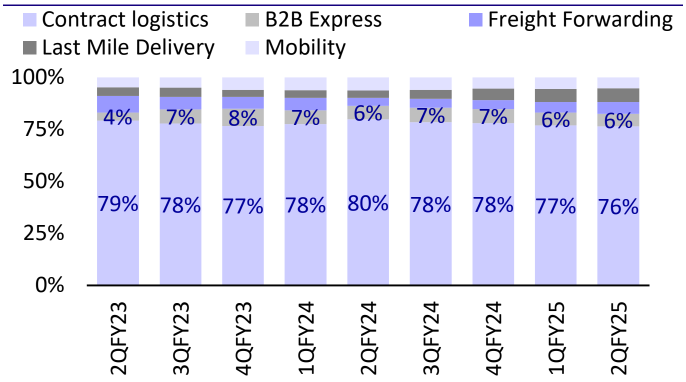
Source: Company, MOFSL

Exhibit 4: Gross margin contracted YoY



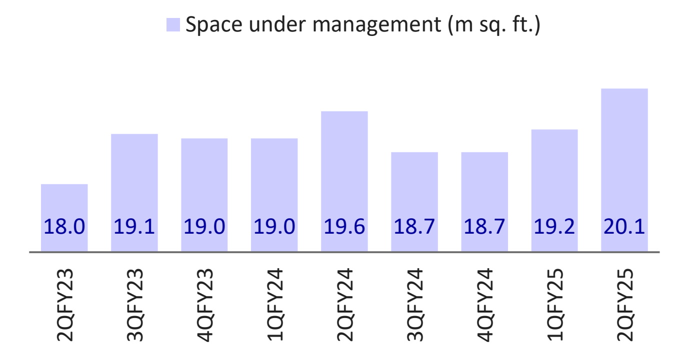
Source: Company, MOFSL

Exhibit 5: Contract logistics and express formed ~80% of revenue



Source: Company, MOFSL

Exhibit 6: Space under management



Source: Company, MOFSL

CONFERENCE CALL

Highlights from the management commentary

Business update:

- In 2QFY25, MLL achieved strong revenue growth, with an 11.5% YoY increase.
- Key segments such as 3PL contract logistics, cross-border operations, and last-mile delivery experienced robust growth, driven by new account acquisitions, expanded service offerings, and stable cross-border pricing.
- During the quarter, management broadened its transportation and green logistics offerings while continuing to strengthen network infrastructure, particularly in the east, to support warehousing, last-mile, and express services, positioning us for future growth.
- For festive season linked demand in 3QFY25, the company has increased capacity and resources in contract logistics and last-mile delivery. This has impacted operating earnings in 2Q.
- Soft demand conditions affected the express business. However, volumes grew 2% sequentially despite weather and holiday disruptions.
- Debt rose during the quarter due to the purchase of 75 new car carriers. With the major capex for contract logistics completed, focus now shifts to optimizing returns.
- The company generated INR1.4b in cash flow during 1HFY25, which was directed toward capex and equity funding towards the express business.

Segment-wise performance and overview:

- **Contract logistics business:** Overall revenue was INR11.6b, (+7% YoY). However, gross margin contracted 4% YoY and remained flat sequentially, largely due to higher manpower costs driven by pre-festivity peak hiring and wage revisions. Warehousing and solutions revenue saw robust growth, up 13% YoY. MLL's contract logistics segment secured orders worth INR 2b, with new contracts in the cosmetics industry. Management plans to launch four new centers in the next six months, expanding the company's logistics capabilities.
- **B2B Express Business:** Revenue was at INR 920m with growth of 5% YoY. However, volume growth was impacted by customer churn and a lower-than-expected win ratio. The planned impact of cost-saving measures fell short due to negative volume leverage. Volumes handled during 2Q FY25 stood at 66,000 mt which was minor growth QoQ. This is expected to improve significantly in 3Q driven by festive season demand. The express business faced challenges due to slower customer volumes in the B2B segment. Management is targeting a turnaround by the end of FY25, aiming for 30,000t per month of volumes to reach breakeven. The company has initiated work on developing the air express and regional distribution product offerings to enhance its wallet share.
- **Cross border:** Revenue stood at INR870m (+60% YoY). Gross margin improved 42% YoY and 21% QoQ. The growth was mainly driven by a rise in ocean freight rates in 2QFY25, though pricing remains volatile. Air freight prices remained relatively stable during the quarter. The focus is now on improving branch-level productivity and ramping up field sales.
- **Last mile delivery:** Revenue reached INR 1b, registering growth of 107% YoY, primarily due to the consolidation of Whizzard. Gross margin improved 220bp YoY. There was an increase in non-e-commerce revenue share and growth in the

micro-fulfillment center (MFC) business. The focus is now on enhancing fleet utilization and turning around underperforming sites.

- **Mobility:** The segment generated revenue of INR 800m (-8% YoY). This decrease was primarily due to lower-than-expected demand. Supply shortages continue to pose a significant challenge for the business. However, there is growing interest from large multinational corporations (MNCs) in deploying electric vehicle (EV) fleets as part of their sustainability initiatives.
- **Warehousing:** Warehousing remains a key growth driver. MLL is on track to add 1m sq. ft. of capacity in Guwahati, Kolkata, and Agartala, with Agartala expected to go live in 4QFY25, supporting the company's logistics growth.

Guidance:

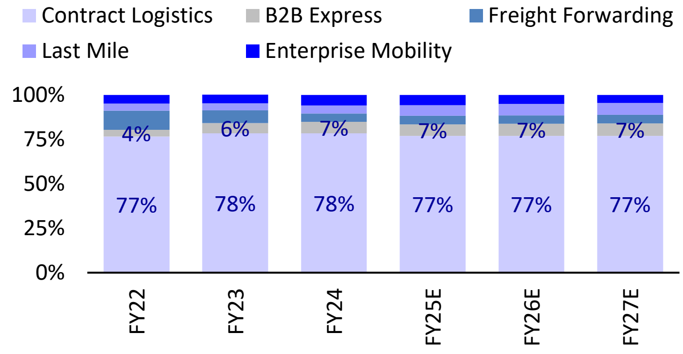
- Management remains cautiously optimistic as the company heads into 3QFY25, with the festive season expected to boost demand in personal care and consumer durables.
- The automotive sector continued to drive growth, led by the two-wheeler segment. The FMCG sector is recovering, and although demand has yet to fully rebound, management is cautiously optimistic for the upcoming festive season, particularly in personal care products.
- The telecom sector remained a strong performer, driven by tariff hikes and investments in 5G infrastructure. These developments should positively impact asset utilization and upcoming results.
- Quick commerce and grocery segments remain strong growth areas.
- While the express business faces demand challenges,
- Management anticipates 15-18% growth in the coming quarters.

Exhibit 7: Changes to our estimates

(INR m)	FY25E			FY26E			FY27E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	62,173	63,056	-1	77,745	79,160	-2	94,741	94,871	0
EBITDA	3,032	3,240	-6	4,028	4,200	-4	5,219	5,235	0
EBITDA Margin (%)	**4.9**	**5.1**	**-26**	**5.2**	**5.3**	**-12**	**5.5**	**5.5**	**-1**
PAT	256	474	-46	1,241	1,377	-10	2,093	2,105	-1
EPS (INR)	**3.6**	**6.6**	**-46**	**17.3**	**19.2**	**-10**	**29.2**	**29.4**	**-1**

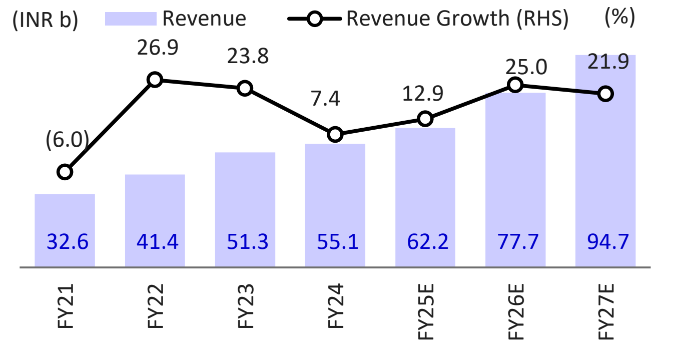
Financial story in charts

Exhibit 8: Revenue bifurcation (%) – Business segment wise



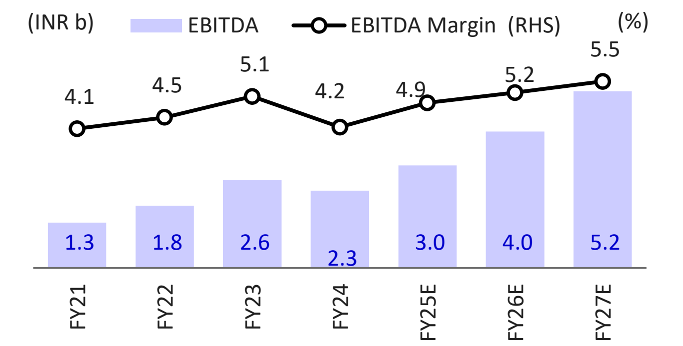
Source: Company, MOFSL

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



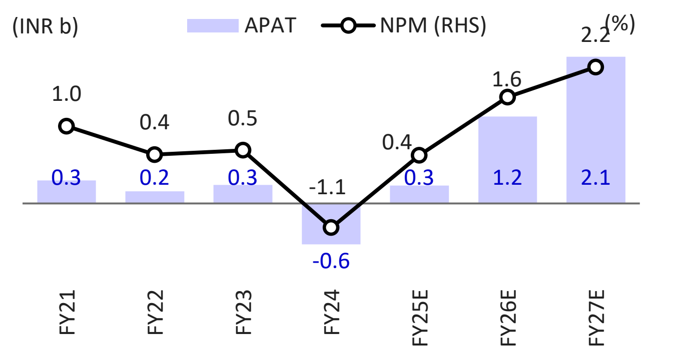
Source: Company, MOFSL

Exhibit 10: Margin to improve as express business ramps up



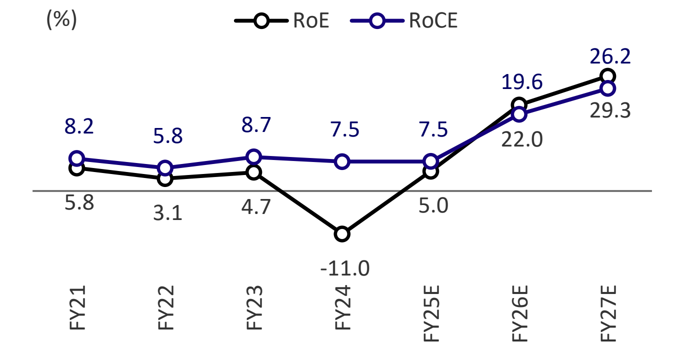
Source: Company, MOFSL

Exhibit 11: PAT to improve with expanding margin



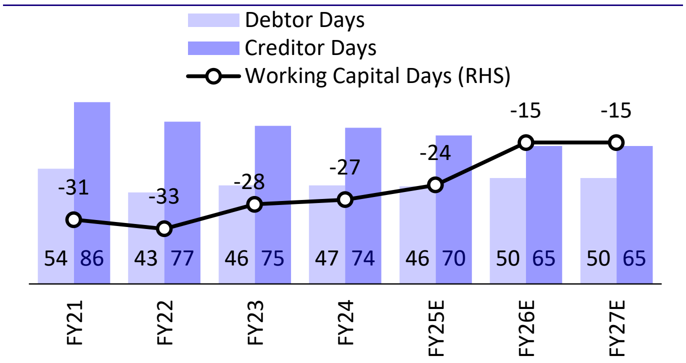
Source: Company, MOFSL

Exhibit 12: Return ratios to improve as earnings pick up



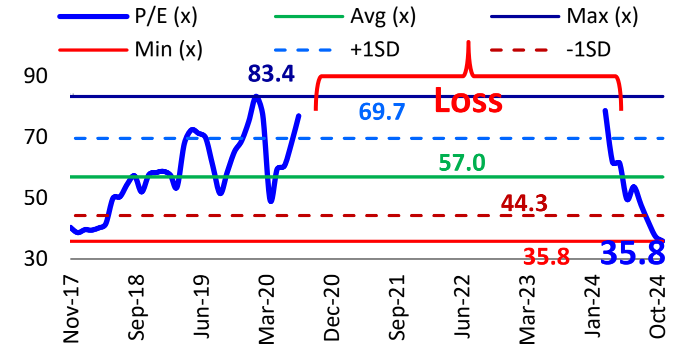
Source: Company, MOFSL

Exhibit 13: Comfortable working capital position



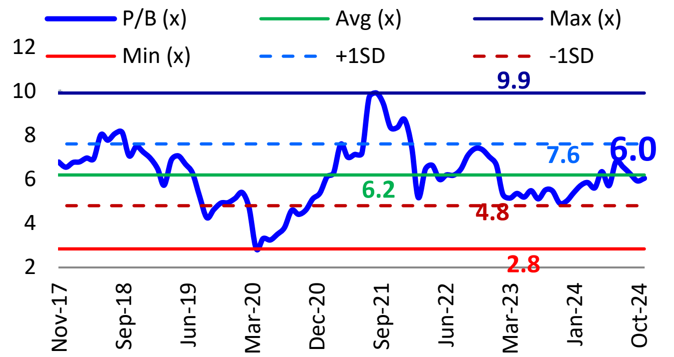
Source: Company, MOFSL

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)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**32,637**	**41,408**	**51,283**	**55,060**	**62,173**	**77,745**	**94,741**
Change (%)	-6.0	26.9	23.8	7.4	12.9	25.0	21.9
Gross Margin (%)	15.3	14.3	14.5	14.9	14.4	13.8	13.4
EBITDA	**1,342**	**1,843**	**2,598**	**2,290**	**3,032**	**4,028**	**5,219**
Margin (%)	4.1	4.5	5.1	4.2	4.9	5.2	5.5
Depreciation	897	1,417	1,895	2,090	2,134	2,094	2,220
EBIT	**446**	**426**	**703**	**201**	**899**	**1,933**	**2,999**
Int. and Finance Charges	201	298	516	682	659	508	447
Other Income	175	136	159	179	215	226	237
PBT	**420**	**263**	**345**	**-302**	**455**	**1,651**	**2,789**
Tax	100	113	71	257	205	415	702
Effective Tax Rate (%)	25.6	42.8	20.6	-85.0	45.0	25.2	25.2
PAT before MI, Associates, and EO Items	**319**	**151**	**274**	**-559**	**250**	**1,235**	**2,087**
Share of profit/(loss) of Associates and JVs	8	0	-28	-10	6	6	6
Extraordinary Items	28	0	0	38	0	0	0
Reported PAT	**300**	**176**	**263**	**-624**	**256**	**1,241**	**2,093**
Adjusted PAT	**328**	**176**	**263**	**-586**	**256**	**1,241**	**2,093**
Change (%)	-40.7	-46.4	49.7	-322.8	-143.7	384.6	68.6
Margin (%)	1.0	0.4	0.5	-1.1	0.4	1.6	2.2

Consolidated – Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	717	719	720	720	720	720	720
Total Reserves	4,964	4,746	4,897	4,204	4,282	5,344	7,258
Net Worth	**5,681**	**5,465**	**5,617**	**4,925**	**5,002**	**6,064**	**7,978**
Minority Interest	28	3	-14	118	118	118	118
Deferred Tax Liabilities	0	0	0	0	0	0	0
Total Loans	292	405	4,014	3,386	2,886	2,386	1,886
Capital Employed	**6,000**	**5,873**	**9,617**	**8,428**	**8,005**	**8,567**	**9,982**
Gross Block	5,520	8,252	12,704	14,856	14,177	14,777	15,577
Less: Accum. Deprn.	1,903	3,113	4,402	6,492	7,447	9,541	11,762
Net Fixed Assets	**3,617**	**5,139**	**8,302**	**8,364**	**6,730**	**5,236**	**3,816**
Capital WIP	21	4	33	161	161	161	161
Total Investments	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Curr. Assets, Loans, and Adv.	**13,149**	**14,611**	**17,195**	**16,248**	**18,935**	**24,368**	**31,817**
Inventory	0	14	4	0	0	0	0
Account Receivables	4,856	4,889	6,525	7,019	7,836	10,650	12,978
Cash and Bank Balances	1,978	1,343	1,262	711	1,627	1,873	4,404
Cash	1,978	1,343	1,262	227	1,143	1,388	3,920
Bank Balance	0	0	0	0	0	0	0
Loans and Advances	0	0	0	0	0	0	0
Others	6,315	8,364	9,404	8,518	9,473	11,845	14,434
Current Liab. and Prov.	**10,787**	**13,882**	**15,912**	**16,344**	**17,820**	**21,197**	**25,811**
Account Payables	7,661	8,684	10,481	11,112	11,924	13,845	16,872
Other Current Liabilities	3,065	5,126	5,363	5,144	5,809	7,264	8,852
Provisions	61	72	69	88	88	88	88
Net Current Assets	**2,362**	**729**	**1,282**	**-96**	**1,115**	**3,171**	**6,005**
Application of Funds	**6,000**	**5,873**	**9,617**	**8,428**	**8,005**	**8,567**	**9,982**

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	4.6	2.5	3.7	-8.2	3.6	17.3	29.2
EPS growth (%)	-40.7	-46.4	49.7	-322.8	-143.7	384.6	68.6
Cash EPS	17.1	22.3	30.1	21.0	33.4	46.6	60.3
BV/Share	79.4	76.4	78.5	68.8	69.9	84.7	111.5
DPS	2.5	2.0	2.5	2.5	2.5	2.5	2.5
Payout (incl. Div. Tax, %)	59.8	81.5	68.1	-28.7	69.9	14.4	8.5
Valuation (x)							
P/E	101.8	189.9	126.9	-57.0	130.2	26.9	15.9
Cash P/E	27.2	20.9	15.5	22.2	14.0	10.0	7.7
EV/EBITDA	23.6	17.6	13.9	15.7	11.4	8.4	5.9
EV/Sales	1.0	0.8	0.7	0.7	0.6	0.4	0.3
P/BV	5.9	6.1	5.9	6.8	6.7	5.5	4.2
Dividend Yield (%)	0.5	0.4	0.5	0.5	0.5	0.5	0.5
Return Ratios (%)							
RoE	5.8	3.1	4.7	-11.0	5.0	22.0	29.3
RoCE	8.2	5.8	8.7	7.5	7.5	19.6	26.2
RoIC	7.8	5.7	8.7	4.7	7.2	22.7	37.6
Working Capital Ratios							
Fixed Asset Turnover (x)	7.2	6.0	4.9	4.2	4.5	5.4	6.2
Asset Turnover (x)	5.4	7.1	5.3	6.5	7.8	9.1	9.5
Inventory (Days)	0	0	0	0	0	0	0
Debtors (Days)	54	43	46	47	46	50	50
Creditors (Days)	86	77	75	74	70	65	65
Leverage Ratio (x)							
Net Debt/Equity	-0.3	-0.2	0.5	0.5	0.3	0.1	-0.3

Consolidated – Cash Flow Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	392	263	345	-264	455	1,651	2,789
Depreciation	897	1,417	1,895	2,090	2,134	2,094	2,220
Direct Taxes Paid	515	-626	-738	-129	-205	-415	-702
(Inc.)/Dec. in WC	838	507	-883	-312	-468	-1,907	-408
Other Items	295	348	574	884	444	283	210
CF from Operations	**2,937**	**1,910**	**1,194**	**2,269**	**2,360**	**1,705**	**4,109**
(Inc.)/Dec. in FA	-690	-1,559	-195	-81	-500	-600	-800
Free Cash Flow	**2,247**	**351**	**999**	**2,188**	**1,860**	**1,105**	**3,309**
Change in Investments	-588	0	-3,043	-152	0	0	0
Others	198	161	138	-310	-7	-542	-601
CF from Investments	**-1,080**	**-1,399**	**-3,100**	**-543**	**-507**	**-1,142**	**-1,401**
Change in Equity	2	5	1	0	0	0	0
Inc./(Dec.) in Debt	-67	77	3,609	-655	-500	-500	-500
Dividends Paid	-107	-179	-144	-180	-179	-179	-179
Others	-702	-1,073	-1,641	-1,926	-258	362	503
CF from Fin. Activity	**-875**	**-1,171**	**1,825**	**-2,761**	**-937**	**-317**	**-176**
Inc./(Dec.) in Cash	**982**	**-659**	**-81**	**-1,036**	**916**	**246**	**2,531**
Opening Balance	995	2,002	1,343	1,262	227	1,143	1,388
Closing Balance	**1,978**	**1,343**	**1,262**	**227**	**1,143**	**1,388**	**3,920**

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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