

## Q3FY24 Result Highlights

- **Q3FY24 performance impacted by express business loss and high tax outgo** – MAHLOG reported Q3FY24 Revenue of ₹13.6bn, a growth of 5.1% YoY and 2.4% QoQ with EBITDA at ₹522mn a decline of ~17% YoY and ~3% QoQ. The margin was at 3.7% (-98 bps YoY and -19 bps QoQ) as staff expenses and other expense grew 14.1% YoY and 11.6% YoY respectively. The modest topline and EBITDA growth was adversely impacted by MLL Express weak performance (Rivigo B2B express business) and high tax outgo (~4x YoY to ₹68mn). Due to high competition and slower revenue growth the Express business continued to report losses at operating level. The division reported elevated EBITDA loss of ₹224mn in Q3FY24. The overall SCM business grew 3.9% YoY and 2.7% QoQ to ₹13.13bn. The mobility business saw strong YoY growth of 29% YoY to ₹839mn. EBIT for the mobility business was at profit ₹4mn v/s Loss of ₹24mn YoY and profit ₹9mn QoQ. It has 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 as per the management. Consolidated PAT witnessed a loss of ₹174mn compared to profit of ₹14mn YoY and loss of ₹159mn.
- **Express likely to be EBITDA breakeven in 1HFY25 and PAT breakeven in FY25** – 3PL Contract logistics stood out with a 6% YoY growth (to ₹10.96bn) and gross margin at 11.3% while other businesses continue to report weak results. B2B Express business growth is still mid-single-digit. Fleet utilization is currently operating at sub-optimal levels. Focus on business turnaround, having successfully completed integration and adding 23 new accounts. The management expects EBITDA breakeven in 1HFY25 and PAT breakeven in FY25, as it views 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. Rivigo received funding of ₹500mn to support EBITDA loss.
- Last mile delivery business has stagnated on a YoY basis (+1% YoY to ₹610mn) and gross margin are stabilising at low single-digit levels. The management is focused on growing the non-ecommerce business and optimizing fleet utilisation.
- Freight Forwarding reported a revenue of ₹600m (down 24% YoY). It 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.
- Warehousing (part of contract logistics) yields are stable YoY and gross margin at ~13% isn't much different from the segmental margin, with the white space at 6-7% levels versus 3.3% levels earlier. Revenue from warehousing solutions amounted to ~₹3.16bn in Q3FY24. Higher seasonal labor and start-up costs adversely impacted yields in the warehousing solutions business in Q3FY24, but stabilisation is expected in the coming quarters. Warehouse space under management stood at 20m sq. ft. in the 3PL business, and the company's multi-client warehousing expansion is progressing as per plan. Nine new facilities were opened during the quarter, adversely impacting margins due to pre-operational costs.

## Important Statistics

Nifty	21,756
Sensex	71,749
MCAP (₹bn)	29.9
52 Week H/L (₹)	499/347
NSE Code	MAHLOG
BSE Code	540768
Bloomberg Code	MAHLOG:IN

Shareholding Pattern (%)	Dec'23
Promoter	58.0
DII	15.7
FII	5.9
Public & Others	20.3

## Financials

(₹ mn)

Particulars	FY21	FY22	FY23
Revenue	32,637	41,408	51,283
EBITDA	1,342	1,843	2,598
EBITDA Margin (%)	4.1	4.5	5.1
Net Profit	300	176	263
EPS (₹)	4.2	2.4	3.7
DPS (₹)	2.5	2.0	2.5
P/E (x)	99.8	170.5	113.9
EV/EBITDA (x)	22.8	17.7	14.2
P/BV (x)	5.2	5.5	5.3
RoE (%)	5.8	3.0	4.7
RoCE (%)	5.8	5.0	6.2

Particulars	FY24E	FY25E	FY26E
Revenue	54,084	61,096	69,386
EBITDA	2,355	3,491	4,483
EBITDA Margin (%)	4.4	5.7	6.5
Net Profit	(168)	503	1,097
EPS (₹)	(2.3)	7.0	15.2
DPS (₹)	3.0	3.5	4.0
P/E (x)	(178.2)	59.5	27.3
EV/EBITDA (x)	17.7	12.0	9.3
P/BV (x)	5.3	4.9	4.3
RoE (%)	(1.3)	10.1	17.8
RoCE (%)	1.4	7.2	11.4

Source: Company, Way2Wealth

## Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
MAHLOG	(9.6)	(7.0)	(12.1)
Nifty 50	26.8	52.3	99.7
Sensex	20.2	47.6	96.7

Source: Company, Way2Wealth

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01<sup>st</sup> February 2024

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## View

MAHLOG aims for a revenue of ₹100bn and RoE of 18% by FY26 (contingent on macro environment), with a focus on growing the 3PL business in the mid-teens. This involves generating ₹65bn of revenue from the 3PL business as well as rapidly expanding its network services. Q3FY24 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. 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. **Hence, we continue to maintain our *ACCUMULATE* stance with the stock trading at P/E 27.3x FY26E EPS of ₹15.2.**

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## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	9MFY24	9MFY23	YoY(%)
<b>Operating Income</b>	<b>13,972</b>	<b>13,296</b>	<b>5.1</b>	<b>13,648</b>	<b>2.4</b>	<b>40,552</b>	<b>38,558</b>	<b>5.2</b>
Staff Expenditure	1,078	945	14.1	1,031	4.6	3,109	2,564	21.2
Freight Expenditure	11,947	11,342	5.3	11,653	2.5	34,485	33,094	4.2
Other Expenses	425	381	11.6	428	(0.7)	1,234	940	31.3
<b>EBITDA</b>	<b>522</b>	<b>627</b>	<b>(16.8)</b>	<b>536</b>	<b>(2.5)</b>	<b>1,724</b>	<b>1,960</b>	<b>(12.0)</b>
Other Income	23	56	(59.5)	66	(65.7)	150	120	25.0
Depreciation	515	498	3.3	518	(0.6)	1,577	1,343	17.5
<b>EBIT</b>	<b>30</b>	<b>185</b>	<b>(83.6)</b>	<b>84</b>	<b>(63.8)</b>	<b>297</b>	<b>738</b>	<b>(59.7)</b>
Interest	164	150	9.7	165	(0.7)	507	346	46.4
<b>PBT</b>	<b>(96)</b>	<b>36</b>	<b>(369.6)</b>	<b>(82)</b>	<b>(17.1)</b>	<b>(172)</b>	<b>392</b>	<b>(143.8)</b>
Tax	68	19	263.3	73	6.3	230	120	92.4
Minority Interest & JV	10	3	(260.7)	5	114.9	17	1	1230.8
<b>PAT</b>	<b>(174)</b>	<b>14</b>	<b>(1352.5)</b>	<b>(159)</b>	<b>9.3</b>	<b>(419)</b>	<b>271</b>	<b>(254.6)</b>
EPS	(2.4)	0.2		(2.2)		(5.8)	3.8	
			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Freight Cost (%)	85.5	85.3	20	85.4	12	85.0	85.8	(79)
Staff Cost (%)	3.0	2.9	18	3.1	(9)	3.0	2.4	61
EBITDA (%)	3.7	4.7	(98)	3.9	(19)	4.3	5.1	(83)
EBIT (%)	0.2	0.4	(26)	0.5	(32)	0.4	0.3	6
PBT (%)	3.7	3.7	(6)	3.8	(11)	3.9	3.5	41
NPM (%)	0.2	1.4	(118)	0.6	(40)	0.7	1.9	(118)
Gross Margin (%)	14.5	14.7	(20)	14.6	(12)	15.0	14.2	79

Source: Company, Way2Wealth

## SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	9MFY24	9MFY23	YoY(%)
<b>Revenue</b>								
Supply Chain Mgmt	13,134	12,646	3.9	12,784	2.7	38,056	36,707	3.7
Enterprise Mobility	839	650	29.0	863	(2.9)	2,496	1,851	34.9
<b>EBIT</b>			<b>YoY(%)</b>		<b>QoQ(%)</b>			<b>YoY(%)</b>
Supply Chain Mgmt	(99)	60	(266.5)	(91)	9.4	(168)	1,575	(110.7)
Enterprise Mobility	4	(24)	115.3	9	59.8	(4)	52	(107.1)
<b>EBIT Margin (%)</b>			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Supply Chain Mgmt	(0.8)	0.5	(123)	(0.7)	(5)	(0.4)	4.3	(473)
Enterprise Mobility	0.4	(3.7)	417	1.1	(62)	(0.1)	2.8	(295)

Source: Company, Way2Wealth

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## SCM BREAKUP

Service type	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	9MFY24	9MFY23	YoY(%)
Transportation	9,974	9,628	3.6	9,909	0.7	30,056	28,264	6.3
Warehousing	3,160	3,018	4.7	2,901	8.9	8,000	8,443	(5.2)

Source: Company, Way2Wealth

	Q3FY24	Q3FY23	YoY(%)	Q2FY24	QoQ(%)	9MFY24	9MFY23	YoY(%)
<b>Total SCM</b>	<b>13,134</b>	<b>12,646</b>	<b>3.9</b>	<b>12,810</b>	<b>2.5</b>	<b>38,056</b>	<b>36,707</b>	<b>3.7</b>
<b>3PL</b>	10,964	10,345	6.0	10,900	0.6	31,905	30,318	5.2
3PL Gross Margin	1,240	1,179	5.2	1,250	(0.8)	3,780	3,340	13.2
Gross Margin (%)	11.3	11.4	(9)	11.5	(16)	11.8	11.0	83
<b>Freight forwarding</b>	600	784	(23.5)	540	11.1	1,910	2,932	(34.9)
Freight forwarding gross margin	60	86	(30.2)	60	-	190	297	(35.9)
Gross Margin (%)	10.0	11.0	(97)	11.1	(111)	9.9	10.1	(17)
<b>Express logistics</b>	960	914	5.0	880	9.1	2,480	1,850	34.1
Express logistics gross margin	(130)	(48)	170.8	(160)	(18.8)	(290)	(53)	448.7
Gross Margin (%)	(13.5)	(5.3)	(829)	(18.2)	464	(11.7)	(2.9)	(884)
<b>Last mile</b>	610	603	1.2	490	24.5	1,570	1,573	(0.2)
Last mile gross margin	20	22	(9.1)	20	-	70	42	65.2
Gross Margin (%)	3.3	3.6	(37)	4.1	(80)	4.5	2.7	177

Source: Company, Way2Wealth

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**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>SCM Revenue</b>	34,659	31,035	31,446	39,387	48,677	50,689	56,377	62,817
<b>EM Revenue</b>	3,855	3,676	1,191	2,021	2,606	3,395	4,719	6,569
<b>Revenue</b>	<b>38,513</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>	<b>51,283</b>	<b>54,084</b>	<b>61,096</b>	<b>69,386</b>
<b>EBITDA</b>	<b>1,502</b>	<b>1,597</b>	<b>1,342</b>	<b>1,843</b>	<b>2,598</b>	<b>2,355</b>	<b>3,491</b>	<b>4,483</b>
<b>EBITDA Margin (%)</b>	<b>3.9</b>	<b>4.6</b>	<b>4.1</b>	<b>4.5</b>	<b>5.1</b>	<b>4.4</b>	<b>5.7</b>	<b>6.5</b>
<b>Net Profit</b>	<b>856</b>	<b>551</b>	<b>300</b>	<b>176</b>	<b>263</b>	<b>(168)</b>	<b>503</b>	<b>1,097</b>
<b>EPS (₹)</b>	11.9	7.7	4.2	2.4	3.7	(2.3)	7.0	15.2
<b>DPS (₹)</b>	1.8	1.5	2.5	2.0	2.5	3.0	3.5	4.0
<b>P/E (x)</b>	35.0	54.3	99.8	170.5	113.9	(178.2)	59.5	27.3
<b>EV/EBITDA (x)</b>	19.7	19.3	22.8	17.7	14.2	17.7	12.0	9.3
<b>P/BV (x)</b>	5.9	5.4	5.2	5.5	5.3	5.3	4.9	4.3
<b>RoE (%)</b>	18.7	10.1	5.8	3.0	4.7	(1.3)	10.1	17.8
<b>RoCE (%)</b>	24.2	12.5	5.8	5.0	6.2	1.4	7.2	11.4
<b>Net Debt/Equity (x)</b>	(0.1)	0.2	0.1	0.5	1.3	1.2	1.1	1.0
<b>Cash Balances</b>	700	995	1,978	1,343	1,262	34	765	1,017
<b>FCF</b>	609	236	2,249	1,085	(1,906)	535	391	974

Source: Company, Way2Wealth

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Name of the Security	Mahindra Logistics Ltd
Name of the analyst	Jayakanth Kasthuri
Analysts' ownership of any stock related to the information contained	
Financial Interest	
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	No
Conflict of Interest	No
Receipt of Compensation	No
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