

Q2FY22 Result Highlights

- **Gross Margins of SCM business in Q2FY22 impacted as sharp increases in fuel costs could not be passed on** – Consolidated revenue increased by 22% YoY to ₹10.2bn. Supply chain (SCM) revenue increased by 21.7% YoY to ₹9.78bn while Enterprise mobility grew by 42% YoY to ₹407mn (EM is now only 4% of total revenue). Revenue from non-Mahindra grew by 27.7% YoY to ₹4.95bn while revenue from Mahindra group increased by 16.1% YoY to ₹4.83bn contributing 49% of SCM revenue. Revenue from auto segment increased by 16.5% YoY (+8.4% QoQ) to ₹5.6bn while revenue from non-auto grew by 29.8% YoY to 3.1bn in Q2FY22. Growth in auto was supported by growth in Agri equipment and tractor sales. Headwinds in the auto industry due to shortage of semi-conductors while focus is on designing and delivering customized integrated solutions. Warehousing and value-added revenue grew by 24.8% YoY to ₹2.1bn contributing 22% of total SCM revenue. Revenue from non-Mahindra warehousing grew by 25% YoY to ₹1.7bn contributing 34%. Gross margins of the SCM business was at 9.9% as sharp increases in fuel costs could not be passed on, as well as headwinds seen in the auto sector that impacted demand. EBITDA was at ₹500mn in Q2FY22 compared to ₹373mn in Q2FY21. EBITDA margins improved to 4.9% in Q2FY22 from 4.5% in Q2FY21 with operating leverage. PBT declined by 39% YoY to ₹123mn due to lower other income (impact of income tax refunds), higher depreciation and interest cost. PAT was at ₹98mn, declined 33.4% YOY but grew modestly ~5% QoQ. Management maintained capex guidance of ₹800-900mn in FY22. It generated operating cashflow of ₹891mn in 1HFY22 and has cash balance of ~ ₹2.3bn
- **MAHLOG is actively participating in growth in other sectors** – The company witnessed new business wins for setting up integrated warehousing solution for the consumer sector, flex solutions in e-commerce, freight-forwarding from manufacturing and pharma. It is witnessing strong demand build-up ahead of the festive season from sectors such as E-Commerce particularly from Tier 2 and Tier 3 cities, consumer segment as discretionary spending is going up, FMCG as requirement for omni-channel distribution increases and farm sector. The auto sector remains impacted by semiconductor shortage. The company continues to invest in new technology and has conducted trials of delivery of medicines by drone in the state of Telangana in partnership with Redwing Labs during the quarter
- **Focus remains on expanding offering** – Continued focus on 100% EV based last mile delivery service under 'Edel' Brand will help in achieving carbon neutral objective by 2040. It added 1.3mn sq ft of grade A warehousing capacity in Q2FY22 to 13.1mn sq ft. The company is adding 14mn sq ft warehousing capacity in NCR, Hyderabad, Chakan and Bhiwandi which will be operation by 2QFY23. The capacity addition and increase in utilization in warehousing will support the margin recovery for the company. Vaccination and relaxation in lockdown restrictions resulted in recovery in supply chain business driven by e-commerce, consumer and freight forwarding. Built up in demand for the upcoming festive season. MAHLOG remains focused on participating in the industry trends by expanding offerings, providing integrated solutions, achieving operational excellence and continuously investing in digitization and innovation. With this strategy, it intends to grow its warehousing space to 18-20 mn sq. ft over the next 4-5 years and targeting revenues of ₹30bn from warehousing and ₹ 100bn on an overall basis.

Important Statistics

MCAP (₹bn)	₹45.76
52 Week H/L (₹)	819/345
NSE Code	MAHLOG
BSE Code	540768

Shareholding pattern (%)	Sep'21
Promoter	58.4
DII	10.1
FII	20.4
Public &Others	11.1

Financials

Particulars	(₹ mn)			
	FY19	FY20	FY21	1HFY22
Revenue	38,513	34,711	32,637	18,925
EBITDA	1,502	1,597	1,342	950
EBITDA Margin (%)	3.9	4.6	4.1	5.0
Net Profit	856	551	300	191
EPS (₹)	11.9	7.7	4.2	2.7
DPS (₹)	1.8	1.5	2.5	
P/E (x)	53.1	82.7	152.1	
EV/EBITDA (x)	29.5	28.0	33.1	
P/BV (x)	9.1	8.4	8.0	
RoE (%)	18.7	10.1	5.8	
RoCE (%)	27.3	17.5	10.5	

Source: Company Filing, Way2wealth Research

View

MAHLOG scalability that its asset-light model provides, along with emerging opportunities in 3PL outsourcing and e-commerce supply chain, should spur rapid growth ahead. The contract win of Bajaj Electricals is a prime example of how large contracts for 3PL can flow in, and as scale attracts more scale, earnings can accelerate over the next five years, in our view. The company remains focused on offering integrated solutions and products across the non-auto segment and increasing its warehousing capacity. Given its capabilities and strong presence in ecommerce and consumer durables logistics, the non-M&M pie (particularly warehousing) should be the largest contributor to profit in the years ahead. There was momentum in top line in Q2FY22, and though profits disappointed, we think the lower margin scenario is behind. The company has aspirations of adding ~20mn sq.ft over the next 4–5 years, which can potentially add revenue to the business. **Hence we continue to maintain our ACCUMULATE on the stock trading at P/E 37.6x FY23E EPS of ₹17.**

1st November 2021

CMP – ₹636.7/-

 View – **ACCUMULATE**
Financial Performance

(₹ mn)

Particulars	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Operating Income	10,191	8,325	22.4	8,734	16.7	18,925	12,430	52.3
Staff Expenditure	757	726	4.3	711	6.5	1,468	1,457	0.7
Freight Expenditure	8,725	7,047	23.8	7,407	17.8	16,132	10,339	56.0
Other Expenses	209	179	16.3	165	26.3	374	283	32.3
EBITDA	500	373	34.1	450	11.2	950	351	170.8
Other Income	20	83	(76.2)	19	2.1	39	111	(64.9)
Depreciation	328	209	57.4	286	14.8	614	393	56.4
EBIT	192	247	22.5	183	4.5	375	69	444.4
Interest	68	45	10.7	62	10.7	130	90	44.0
PBT	123	202	39.0	122	1.4	245	(21)	1245.3
Tax	31	54	(43.4)	31	(0.7)	61	(5)	1300.0
Minority Interest & JV	(5)	1	(492.3)	(3)	104.0	(8)	(8)	(5.0)
PAT	98	147	(33.4)	94	4.8	191	(8)	2407.2
EPS	1.4	2.1		1.3		2.7	(0.1)	
			BPS		BPS			BPS
Freight Cost (%)	85.6	84.6	97	84.8	80	85.2	83.2	207
Staff Cost (%)	2.0	2.2	(11)	1.9	16	2.0	2.3	(30)
EBITDA (%)	4.9	4.5	43	5.2	(24)	5.0	2.8	220
EBIT (%)	0.2	1.0	(80)	0.2	(3)	0.2	0.9	(68)
PBT (%)	3.2	2.5	72	3.3	(5)	3.2	3.2	9
NPM (%)	1.9	3.0	(109)	2.1	(22)	2.0	0.6	143
Gross Margin (%)	14.4	15.4	(97)	15.2	(80)	14.8	16.8	(207)

Source: Company, Way2Wealth

Segmental Breakup

(₹mn)

Segmental	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Revenue								
Supply Chain Mgmt	9,784	8,039	21.7	8,401	16.5	18,185	11,965	52.0
Enterprise Mobility	407	287	42.0	333	22.2	740	465	59.2
EBIT			YoY(%)		QoQ(%)			
Supply Chain Mgmt	590	631	(6.5)	679	(13.1)	1,269	813	56.1
Enterprise Mobility	19	6	203.3	12	58.1	30	(1)	(5,133.3)
EBIT Margin			BPS		BPS			BPS
Supply Chain Mgmt	6.0	7.9	(182)	8.1	(205)	7.0	6.8	18.2
Enterprise Mobility	4.5	2.1	242	3.5	103	4.1	(0.1)	421.1

Source: Company, Way2Wealth

1st November 2021

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View - **ACCUMULATE**

SCM Break-Up

(₹mn)

Client type	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Mahindra	4,836	4,164	16.1	4,397	10.0	9,233	5,886	56.9
Non Mahindra	4,948	3,874	27.7	4,004	23.6	8,952	6,079	47.3

Source: Company, Way2Wealth

Service type	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Transportation	7,669	6,343	20.9	6,835	12.2	14,504	9,066	60.0
Warehousing	2,116	1,695	24.8	1,566	35.1	3,682	2,899	27.0

Source: Company, Way2Wealth

Industry type	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Auto	5,670	4,867	16.5	5,230	8.4	10,900	6,943	57.0
Non-Auto	4,115	3,171	29.8	3,171	29.8	7,286	5,022	45.1

Source: Company, Way2Wealth

Non-Mahindra SCM Break-Up

(₹mn)

Service Type	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Transportation	3,268	2,530	29.2	2,822	15.8	6,090	3,896	56.3
Warehousing & VAS	1,680	1,337	25.7	1,173	43.2	2,853	2,183	30.7

Source: Company, Way2Wealth

Industry type	Q2FY22	Q2FY21	YoY(%)	Q1FY22	QoQ(%)	1HFY22	1HFY21	YoY(%)
Auto	839	706	18.8	850	(1.3)	1,686	1,060	59.1
Non-Auto	4,109	3,168	29.7	3,205	28.2	7,266	5,019	44.8

Source: Company, Way2Wealth

Past Performance & Forecasting

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22E	FY23E
SCM Revenue	30,760	34,659	31,035	31,446	41,075	48,196
EM Revenue	3,405	3,855	3,676	1,191	2,456	3,276
Revenue	34,161	38,513	34,711	32,637	43,531	51,472
EBITDA	1,256	1,502	1,597	1,342	2,347	3,079
EBITDA Margin (%)	3.7	3.9	4.6	4.1	5.4	6.0
Net Profit	653	856	551	300	701	1,215
EPS (₹)	8.8	12.0	7.7	4.2	9.8	17.0
DPS (₹)	1.5	1.8	1.5	2.5	2.5	2.5
P/E (x)	72.4	53.1	82.7	152.1	65.1	37.6
EV/EBITDA (x)	30.8	29.5	28.0	33.1	22.8	17.8
P/BV (x)	10.8	9.1	8.4	8.0	7.2	6.3
RoE (%)	16.2	18.7	10.1	5.8	12.1	18.6
RoCE (%)	25.0	27.3	17.5	10.5	10.1	14.6
Net Debt/Equity (x)	(0.1)	(0.1)	0.2	0.1	0.3	0.2
Cash Balances	660.0	700.0	995	1,978	984	1,498

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	No
Analyst :	No
Analyst's Relative : Yes / No	No
Analyst's Associate/Firm : Yes/No	
Conflict of Interest	No
Receipt of Compensation	No
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