

4th February 2021

CMP – ₹465.1/-

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Quarterly Result Highlights

- **Strong Auto recovery and benefits out of FY20 orders** – Mahindra Logistics' (MAHLOG) Q3FY21 consolidated revenue grew by a strong 15% YoY to ₹10,467mn led by SCM (+24%YoY) while the mobility segment lagged (-60% YoY). The revenue were driven by recovery in auto, mainly tractor demand, benefit of new contract wins – contribution of top-20 clients now below 60%, support of festive demand and further sustained growth in non-M&M side despite some impact of supply-chain disruption in the cross-border consumer durables and electronics business. The company continued to witness strong order intake for built-to-suit warehouses and bagged orders for expanding distribution system for a leading pharma company in North India, expanded into groceries, commissioned a large fulfillment center in East India and also added industry majors in consumer durable and defence sectors. Operating leverage benefits stemming from sturdy topline growth lifted EBITDA margin by 39bps YoY to 5.2%, despite a 45bps contraction in gross margin to 9.9%. Supply-side challenges – higher fuel cost, liquidity issues of transporters – added to cost pressure and dented gross margins. Net Profit rose 18% YoY to ₹183mn.
- **SCM segment prints stellar recovery** – Both M&M (~+20%YoY) and Non-M&M (+~28%YoY) verticals brightened in Q3FY21, a first in several quarters, catalyzing strong SCM growth. The non-Auto, non-M&M segment grew 30% YoY due to festive season-led demand uptick in key client verticals (e-com, consumer), deeper penetration at existing clientele and traction in new accounts. Cyclical volume recovery in the anchor client's tractor and auto verticals boosted auto segment growth (+20% YoY). New initiatives – B2B express (+40% YoY) and freight forward (+90%) – continue to gather steam. The company also witnessed higher ton-mile coverage and strong growth due to good Kharif output. The company also saw some of its gains getting erased by higher diesel prices and stress in the enterprise mobility segment.
- **Increased digital footprints** – Post pandemic, companies (FMCG, consumer durable, etc) are reviewing their supply chains and increasingly looking at Omni-channel presence & B2C models. Specialised 3PL companies in such environments can provide reduced logistics costs, better turnaround time to each client on greater efficiency, lower capex, better utilisation level compared to each company's internal logistics operations. Given the company's strong B2B and B2C expertise in warehousing, first-mile, last-mile, line-haul, the changing situation presents a good opportunity to expand its relation with existing clients as well as win newer clients.
- **Opportunity from Covid vaccine distribution.** The company remains focused on building long-term cross-border solutions for vaccine storage and distribution as it presents good opportunities across warehousing, transportation logistics and last mile delivery
- **Mobility business remained impacted by pandemic** and the company added a few accounts in manufacturing and ecommerce to offset the impact of slowdown seen in IT and financial services for the mobility segment.

Important Statistics

MCAP (₹bn)	₹33.33
52 Week H/L (₹)	544/199
NSE Code	MAHLOG
BSE Code	540768

Financials

Particulars	₹ mn			
	FY18	FY19	FY20	9MFY21
Revenue	34,161	38,513	34,711	22,897
EBITDA	1,256	1,502	1,597	881
EBITDA Margin (%)	3.7	3.9	4.6	3.8
Net Profit	653	856	551	174
Diluted EPS (₹)	8.8	12.0	7.7	2.4
DPS (₹)	1.5	1.8	1.5	
P/E (x)	52.8	38.8	60.4	
EV/EBITDA (x)	26.3	20.5	20.1	
P/BV (x)	7.9	6.7	6.1	
RoNW (%)	16.2	18.7	10.6	
RoCE (%)	25.5	18.0	12.2	

Source: Company Filing, Way2wealth Research

Shareholding pattern (%)

Shareholding pattern (%)	Dec'20
Promoter	58.4
DII	10.1
FII	20.4
Public & Others	11.1

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- **Sustained efforts to improve margins by offering warehousing led service offering** – The company has rationalised a lot of extra costs across business and expects to improve gross margins by 50 bps in a year and 100 bps in two years. This will be driven by improved operating leverage as volumes improve, mix improvement in favor of more warehousing led service offering along with increased usage of technology.

View

MAHLOG's focus on offering an integrated solutions basket is bearing fruit, as evident from steady new client wins and strong traction in new initiatives. In the near to medium term, Auto upscale bounds well for the company both from the M&M and Non-M&M segments along with externalities providing impetus to restructuring of existing supply chains. The company has been strengthening its cash position during the pandemic. Also, with a changing client profile (addition of non-auto clients), it has been able to leverage the situation by enhancing high margin warehousing, value-added services component in its revenue mix. **The company is likely to sustain its growth momentum in the auto and non-auto segments, hence we view it as an ACCUMULATE.**

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Key Performance Parameters

Particulars	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Net revenues	10,467	9,080	15.3	8,326	25.7	22,897	26,594	(13.9)
Gross margin	1034	939	10.1	824	25.5	2,257	2,680	(15.8)
Gross Margin (%)	9.9	10.3		9.9		9.9	10.1	
EBITDA	547	424	29.0	373	46.6	881	1,203	(26.8)
EBITDA Margin (%)	5.2	4.7		4.5		3.8	4.5	
Net Profit	183	155	18.1	150	22.0	174	454	(61.7)
Diluted EPS (₹)	2.6	2.2		2.1		2.4	6.3	

Segmental	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
SCM	10,098	8,169	23.6	8,039	25.6	22,063	23,731	(7.0)
Gross Profit	1,008	853	18.2	808	24.8	2,221	2,414	(8.0)
Gross Margin (%)	10.0	10.4		10.1		10.1	10.2	
Enterprise Mobility	369	911	(59.5)	287	28.6	834	2,863	(70.9)
Gross Profit	26	86	(69.8)	16	62.5	35	266	(86.8)
Gross Margin (%)	7.0	9.4		5.6		4.2	9.3	
Total	10,467	9,080	15.3	8,326	25.7	22,897	26,594	(13.9)

Source: Company Filing, Way2wealth Research

SCM Revenue breakup	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ(%)	9MFY21	9MFY20	YoY(%)
Mahindra	5,084	4,243	19.8	4,165	22.1	10,970	13,370	(18.0)
Non-Mahindra	5,015	3,926	27.7	3,874	29.5	11,094	10,362	7.1
Total	10,098	8,169	23.6	8,039	25.6	22,063	23,731	(7.0)

Source: Company Filing, Way2wealth Research

SCM Revenue by Service breakup	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ(%)	9MFY21	9MFY20	YoY(%)
Transportation	8,084	6,537	23.7	6,344	27.4	17,150	19,119	(10.3)
Warehousing & VAS	2,015	1,632	23.5	1,695	18.9	4,914	4,613	6.5
Total	10,098	8,169	23.6	8,039	25.6	22,063	23,731	(7.0)

Source: Company Filing, Way2wealth Research

SCM Revenue by Industry breakup	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ(%)	9MFY21	9MFY20	YoY(%)
Auto	5,971	4,997	19.5	4,868	22.7	12,914	15,497	(16.7)
Non-Auto	4,127	3,172	30.1	3,171	30.1	9,149	8,235	11.1
Total	10,098	8,169	23.6	8,039	25.6	22,063	23,731	(7.0)

Source: Company Filing, Way2wealth Research

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NON-MAHINDRA SCM BREAKUP

SCM Non-Mahindra Service Wise Break-up (%)	Q3FY21	Q3FY20	Q2FY21
Warehousing	33	31	35
Transportation	67	69	65

SCM Non-Mahindra Industry Wise Break-up (%)	Q3FY21	Q3FY20	Q2FY21
Non-Auto	82	78	83
Auto	18	22	17

Source: Company Filing, Way2wealth Research

(₹mn)

Non M&M - SCM Revenue by Service breakup	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ (%)	9MFY21	9MFY20	YoY (%)
Transportation	3,376	2,707	24.7	2,530	33.4	7,261	7,041	3.1
Warehousing & VAS	1,639	1,219	34.5	1,344	21.9	3,833	3,321	15.4
Total	5,015	3,926	27.7	3,874	29.5	11,094	10,362	7.1

Source: Company Filing, Way2wealth Research

(₹mn)

Non M&M- SCM Revenue by Industry breakup	Q3FY21	Q3FY20	YoY (%)	Q2FY21	QoQ(%)	9MFY21	9MFY20	YoY(%)
Auto	891	4,997	(82.2)	706	26.2	1,952	2,318	(15.8)
Non-Auto	4,124	3,172	30.0	3,168	30.2	9,142	8,044	13.6
Total	5,015	8,169	(38.6)	3,874	29.5	11,094	10,362	7.1

Source: Company Filing, Way2wealth Research

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Disclosure of Interest Statement Mahindra Logistics Ltd. as on 04 February 2021

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