

### Q3FY23 Result Highlights

- **Q3FY23 performance impacted by Rivigo's acquisition** – MAHLOG results for Q3FY23 were impacted by Rivigo's acquisition and demand slowdown seen across key segments such as e-commerce, consumer durable, FMCG. Consolidated revenues were flat QoQ (+17% YoY) at ₹13.3bn despite a seasonally strong quarter. SCM segment revenues were up ~18% YoY and PTS segment has also recovered from the low base of last year. Gross margin for SCM business remained strong at 9.8% for Q3FY23 and the company expects to improve these margins by 25-50 bps. EBITDA margin at 4.7% +73bps YoY and -38 bps QoQ on additional costs associated with Rivigo's acquisition. PAT declined ~22%/89% YoY/QoQ. 3PL revenue grew 18% YoY (broadly unchanged QoQ) as recovery in automotive and manufacturing sectors was offset by subdued E-Commerce and consumption sectors owing to low-key festive season sales; freight forwarding business faced significant price headwinds with surplus capacity contributing to margin decline; share of in-house business was 54% (Q2FY23: 45%); Express business performance was impacted by ₹850mn negative EBITDA contribution from Rivigo business. Q3FY23 financials include the impact of incremental revenues, higher other expenses, interest and depreciation charges for 50 days for Rivigo. Warehousing space under management moved up qoq to 19.1 mn sq. ft while yields declined QoQ as incremental space is yet to be handed over to clients. Higher interest cost at ₹149.7mn (+99.1% YoY) was due to borrowing taken to fund the Rivigo acquisition. Expect the borrowing to have peaked out organically, however, it might see lumpiness owing to varying working capital requirement.
- **Demand environment remained weak across most segments** – The company witnessed sustained demand growth momentum from automotive industry and expects the same to continue. The management expects the weakness in ecommerce-led demand to continue until Q3FY24. Other sectors such as FMCG and consumer durable too remained weak. Freight forwarding business has also seen sharp correction in prices on impact of global slowdown. Prices continue to remain weak in this segment but volumes have started recovering. Q4FY23 price trajectory is expected to be flat or slightly down QoQ, however, volumes are expected to be better In express logistics business, the company intends to focus on cost optimization post Rivigo's acquisition. In last mile delivery business, the management continues to expand in E-Commerce and is focusing on driving margin improvement.
- **Rivigo's acquisition will impact margins until 1HFY24** – Rivigo reported revenue of ₹446mn and EBITDA/PAT loss of ₹89 mn/₹110mn for 45-50 days of consolidation in Q3FY23. Losses are expected to increase in Q4FY23 on consolidation for the full quarter. The company is working on driving greater consolidation by redesigning the network, productivity improvement and optimisation of overhead costs and expects gross margins to improve to mid-teens after 1HFY24.
- **Express segment likely to be EBITDA positive by 1HFY24** mainly through driving consolidation, improvement in service levels and optimization of feeder routes. Besides, efforts are on to drive productivity improvement, achieve better utilization and bring down the consolidated overheads. The company is targeting GM margins in mid-teens from express segment in medium to long term. Furthermore, the endeavor is to Integrate express business with other offerings.

### Important Statistics

<b>MCAP (₹ bn)</b>	32.1
<b>52 Week H/L (₹)</b>	588/396
<b>NSE Code</b>	MAHLOG
<b>BSE Code</b>	540768

<b>Shareholding Pattern (%)</b>	<b>Dec'22</b>
Promoter	58.1
DII	15.5
FII	15.6
Public & Others	10.9

### Financials

	(₹ mn)			
<b>Particulars</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
<b>Revenue</b>	<b>38,513</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>
<b>EBITDA</b>	<b>1,502</b>	<b>1,597</b>	<b>1,342</b>	<b>1,843</b>
<b>EBITDA Margin (%)</b>	<b>3.9</b>	<b>4.6</b>	<b>4.1</b>	<b>4.5</b>
<b>Net Profit</b>	<b>856</b>	<b>551</b>	<b>300</b>	<b>176</b>
<b>EPS (₹)</b>	12.0	7.7	4.2	2.4
<b>DPS (₹)</b>	1.8	1.5	2.5	2.0
<b>P/E (x)</b>	37.1	58.0	106.5	182.4
<b>EV/EBITDA (x)</b>	21.1	20.5	23.4	17.5
<b>P/BV (x)</b>	6.4	5.9	5.6	5.4
<b>RoE (%)</b>	18.7	10.1	5.8	3.0
<b>RoCE (%)</b>	27.3	17.5	8.2	5.6

<b>Particulars</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Revenue</b>	<b>52,494</b>	<b>61,762</b>	<b>73,350</b>
<b>EBITDA</b>	<b>2,478</b>	<b>3,787</b>	<b>4,824</b>
<b>EBITDA Margin (%)</b>	<b>4.7</b>	<b>6.1</b>	<b>6.6</b>
<b>Net Profit</b>	<b>285</b>	<b>553</b>	<b>1,194</b>
<b>EPS (₹)</b>	4.0	7.7	16.6
<b>DPS (₹)</b>	2.5	3.0	3.5
<b>P/E (x)</b>	112.1	57.8	26.8
<b>EV/EBITDA (x)</b>	15.4	10.0	7.6
<b>P/BV (x)</b>	5.3	4.9	4.3
<b>RoE (%)</b>	9.4	15.4	17.6
<b>RoCE (%)</b>	7.7	9.6	11.3

Source: Company, Way2Wealth

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- **Freight forwarding** –The largest part of Network services saw a capacity overhang coupled with 70-75% price correction during the quarter resulting in sharp decline in revenue. However, on positive side, there was volume growth is there.Profit in business to be restored to normalcy.

## View

MAHLOG Q3FY23 was impacted by demand slowdown and Rivigo's acquisition. The management expects demand environment to remain weak for next few quarters and turn around in Rivigo after 1HFY24.The company had been on a strong earnings growth trajectory pre-acquisition of B2B express business of Rivigo. The low margin profile of Rivigo along with increased leverage to fund acquisition is likely to impact margin going ahead as the management has guided for consolidated gross margin (GM) to improve by 25-50bps p.a. and express business to become positive at EBITDA level in 1HFY24. While we remain optimistic on long-term prospects of the business and endeavour of the management to achieve ₹100bn revenue by FY26.Further, its freight forwarding business is expected to recover over the next six months due to weak demand supply dynamics in global economies. Its non-M&M SCM business is witnessing lower growth than earlier envisaged. Overall, we expect FY24 to be a year of a turnaround for its newly acquired business, while growth acceleration is expected from FY25 onwards. **Hence, we continue to maintain our *ACCUMULATE* stance with the stock trading at *P/E 26.8x* FY25E EPS of ₹16.6.**

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## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	9MFY23	9MFY22	YoY(%)
<b>Operating Income</b>	<b>13,296</b>	<b>11,360</b>	<b>17.0</b>	<b>13,263</b>	<b>0.2</b>	<b>38,558</b>	<b>30,522</b>	<b>26.3</b>
Staff Expenditure	945	803	17.6	830	13.8	2,564	2,352	9.0
Freight Expenditure	11,342	9,867	15.0	11,467	(1.1)	33,094	26,189	26.4
Other Expenses	381	236	61.2	290	31.2	940	653	44.0
<b>EBITDA</b>	<b>627</b>	<b>453</b>	<b>38.4</b>	<b>676</b>	<b>(7.2)</b>	<b>1,960</b>	<b>1,328</b>	<b>47.6</b>
Other Income	56	29	93.8	34	66.6	120	73	64.9
Depreciation	498	375	32.8	436	14.4	1,343	1,025	31.0
<b>EBIT</b>	<b>185</b>	<b>107</b>	<b>72.8</b>	<b>274</b>	<b>(32.4)</b>	<b>738</b>	<b>377</b>	<b>96.0</b>
Interest	150	75	99.1	107	39.4	346	207	67.4
<b>PBT</b>	<b>36</b>	<b>32</b>	<b>10.9</b>	<b>166</b>	<b>(78.7)</b>	<b>392</b>	<b>170</b>	<b>130.8</b>
Tax	19	21	(8.3)	47	(60.3)	120	82	46.3
Minority Interest & JV	3	(6)	(145.2)	(3)	(200.0)	1	(14)	(109.4)
<b>PAT</b>	<b>14</b>	<b>18</b>	<b>(21.5)</b>	<b>122</b>	<b>(88.6)</b>	<b>271</b>	<b>102</b>	<b>166.1</b>
EPS	0.2	0.2		1.7		3.8	1.4	
			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Freight Cost (%)	85.3	86.9	(155)	86.5	(115)	85.8	85.8	2
Staff Cost (%)	2.9	2.1	79	2.2	68	2.4	2.1	30
EBITDA (%)	4.7	4.0	73	5.1	(38)	5.1	4.4	73
EBIT (%)	0.4	0.3	17	0.3	17	0.3	0.2	7
PBT (%)	3.7	3.3	44	3.3	46	3.5	3.4	12
NPM (%)	1.4	0.9	45	2.1	(67)	1.9	1.2	68
Gross Margin (%)	14.7	13.1	155	13.5	115	14.2	14.2	(2)

Source: Company, Way2Wealth

## SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q3FY23	Q3FY22	YoY(%)	Q2FY22	QoQ(%)	9MFY23	9MFY22	YoY(%)
<b>Revenue</b>								
Supply Chain Mgmt	12,646	10,750	17.6	12,634	0.1	36,707	28,934	26.9
Enterprise Mobility	650	611	6.4	629	3.3	1,851	1,588	16.6
<b>EBIT</b>			<b>YoY(%)</b>		<b>QoQ(%)</b>			<b>YoY(%)</b>
Supply Chain Mgmt	60	578	(89.7)	766	(92.2)	1,575	1,795	(12.3)
Enterprise Mobility	(24)	39	(162.9)	37	(165.6)	52	70	(26.1)
<b>EBIT Margin (%)</b>			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Supply Chain Mgmt	0.5	5.4	(490)	6.1	(559)	4.3	6.2	(191)
Enterprise Mobility	(3.7)	6.3	(1,003)	5.9	(959)	2.8	4.4	(162)

Source: Company, Way2Wealth

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**SCM BREAKUP**

(₹ mn)

Client type	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	9MFY23	9MFY22	YoY(%)
<b>Mahindra</b>	6,840	4,838	41.4	7,085	(3.5)	20,135	14,054	43.3
<b>Non Mahindra</b>	5,806	5,912	(1.8)	5,549	4.6	16,572	14,881	11.4

Source: Company, Way2Wealth

Service type	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	9MFY23	9MFY22	YoY(%)
<b>Transportation</b>	9,669	8,024	20.5	9,865	(2.0)	28,610	22,077	29.6
<b>Warehousing</b>	2,675	2,726	(1.9)	2,769	(3.4)	8,098	6,857	18.1

Source: Company, Way2Wealth

(₹ mn)

	Q3FY23	Q3FY22	YoY(%)	Q2FY23	QoQ(%)	9MFY23	9MFY22	YoY(%)
<b>Total SCM</b>	<b>12,646</b>	<b>10,750</b>	<b>17.6</b>	<b>12,634</b>	<b>0.1</b>	<b>36,707</b>	<b>28,934</b>	<b>26.9</b>
<b>3PL</b>	10,345	8,348	23.9	10,526	(1.7)	30,317	23,169	30.9
<b>Network Services</b>	2,301	2,402	(4.2)	2,108	9.1	6,390	5,765	10.8
<b>Freight forwarding</b>	784	1,412	(44.5)	1,056	(25.8)	2,932	3,368	(12.9)
Freight forwarding gross margin	86	140	(38.6)	107	(19.4)	296	338	(12.4)
Gross Margin (%)	11.0	9.9	105	10.1	87	10.1	10.0	6
<b>Express logistics</b>	914	415	120.2	505	81.0	1,884	1,173	60.6
Express logistics gross margin	(48)	(24)	100.0	(1)	4,652.5	(53)	(30)	76.7
Gross Margin (%)	(5.3)	(5.8)	53	(0.2)	(505)	(2.8)	(2.6)	(26)
<b>Last mile</b>	603	575	4.9	547	10.2	1,573	1,224	28.5
Last mile gross margin	22	16	37.5	2	905.5	42	38	10.5
Gross Margin (%)	3.6	2.8	87	0.4	325	2.7	3.1	(43)

Source: Company, Way2Wealth

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**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
<b>SCM Revenue</b>	30,760	34,659	31,035	31,446	39,387	49,982	58,383	68,659
<b>EM Revenue</b>	3,405	3,855	3,676	1,191	2,021	2,512	3,379	4,691
<b>Revenue</b>	<b>34,161</b>	<b>38,513</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>	<b>52,494</b>	<b>61,762</b>	<b>73,350</b>
<b>EBITDA</b>	<b>1,256</b>	<b>1,502</b>	<b>1,597</b>	<b>1,342</b>	<b>1,843</b>	<b>2,478</b>	<b>3,787</b>	<b>4,824</b>
<b>EBITDA Margin (%)</b>	<b>3.7</b>	<b>3.9</b>	<b>4.6</b>	<b>4.1</b>	<b>4.5</b>	<b>4.7</b>	<b>6.1</b>	<b>6.6</b>
<b>Net Profit</b>	<b>653</b>	<b>856</b>	<b>551</b>	<b>300</b>	<b>176</b>	<b>285</b>	<b>553</b>	<b>1,194</b>
<b>EPS (₹)</b>	8.8	12.0	7.7	4.2	2.4	4.0	7.7	16.7
<b>DPS (₹)</b>	1.5	1.8	1.5	2.5	2.0	2.5	3.0	3.5
<b>P/E (x)</b>	50.6	37.1	57.9	106.4	182.4	112.1	57.8	26.8
<b>EV/EBITDA (x)</b>	26.9	21.1	20.5	23.4	17.5	15.4	10.0	7.6
<b>P/BV (x)</b>	7.6	6.4	5.9	5.6	5.4	5.3	4.9	4.3
<b>RoE (%)</b>	16.2	18.7	10.1	5.8	3.0	9.4	15.4	17.6
<b>RoCE (%)</b>	25.0	27.3	17.5	8.2	5.6	7.7	9.6	11.3
<b>Net Debt/Equity (x)</b>	(0.1)	(0.1)	0.2	0.1	0.5	1.1	1.0	0.9
<b>Cash Balances</b>	660	700	995	1,978	1,322	856	974	1,176
<b>FCF</b>	(257)	609	236	2,249	1,085	(3,185)	727	1,304

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
Way2Wealth ownership of any stock related to the information contained	NIL
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