

Q4FY24 Result Highlights

➤ **Q4FY24 witnessed volume recovery and strong momentum seen especially in 3PL and Last Mile business** – MAHLOG reported Q4FY24 revenue of ₹14.51bn, a growth of 14.1% YoY and 3.8% QoQ driven by the 3PL business which grew 15% YoY to ₹11.1bn on the strength seen in the automotive segment especially in PVs while CVs and farm equipments remained sluggish. Consumer, FMCG and pharma sector witnessed muted demand since past 3-4 quarters, however with the rising economy, consumer spends are expected to increase and as a result these sectors are expected to witness recovery. E-Commerce has been a challenging segment for the company since past 3 quarters. In the current quarter, the company saw strong uptake in the hyperlocal and special product segment. The Last Mile business grew 100% YoY to ₹880mn with 50% of revenue contribution from ZipZap Logistics Private Limited (Whizzard) and the rest from M&M. Automotive segment (M&M and non-M&M) contributed 60% of total revenue in Q4FY24, while the remaining 40% came from non-automotive segment. The EBITDA was at ₹566mn a decline of 11.2% YoY and +8.4% QoQ. Excluding Rivigo, B2B express acquisition, EBITDA declined 17% YoY from ₹864mn in Q4FY23 to ₹713mn. The margin was at 3.9% (-111 bps YoY and +16 bps QoQ) as operating expenses and other expense grew 15.5% YoY and 61.8% YoY respectively. The overall SCM business grew 14.6% YoY and 4.5% QoQ to ₹13.72bn. The mobility business witnessed YoY growth of 3.9% YoY to ₹784mn as there was a shift towards using multiple vendors for airport services, with a priority given to EVs. EBIT for the mobility business was at profit of ₹22mn v/s Loss of ₹9mn YoY and profit ₹4mn QoQ. There was a one-off expense amounting to ₹120mn including software expense of ₹20mn for completion of its cloud-based architecture and ~₹100mn as costs booked as bad receivables of customers with an inferior margin profile, which also partly reflected in the sequential decline in PAT margin for the standalone entity across quarters in FY24. Consolidated PAT witnessed a loss of ₹128mn compared to loss of ₹8mn YoY and loss of ₹174mn QoQ. As per the management, the focus continues to be on cost optimisation through digitisation and leveraging resources across the entire chain. The management declared final dividend of ₹2.5 per share (F.V of ₹10/-) for FY24.

➤ **Express business likely to be EBITDA breakeven in Q2FY25** – 3PL Contract logistics business faced higher start-up and manpower costs. However, order intake was strong at ~₹1.6bn, with a focus on speeding up execution. One-time charges impacted the PAT of the 3PL business which declined YoY from ₹125mn to ₹79mn. Freight Forwarding reported revenue of ₹630mn (down 13.7% YoY but was +15% QoQ due to improved realisation despite muted volumes). The business was hurt by geopolitical movements, affecting cross-border prices. There was a mixed impact on volumes, with air volumes remaining flat and a recovery seen in ocean volumes QoQ. Express Logistics posted revenue of ₹970mn (down 7.6% YoY). In the B2B express business, service levels are on track. 12 new customers were added. There is a focus on cost and network optimisation (85%- line haul utilisation), particularly load optimisation in the south and east regions. Rivigo's focus on improving capacity utilisation and sales efforts led to a marginal improvement on a QoQ basis, with tonnage growth at 3.5%. Truck utilisation in B2B segment has improved drastically to ~80% from early 60%, with largely flattish volumes (25,000 Tonnes monthly). The management expects the express business to be EBITDA positive by Q2FY25 in the short term and a PAT margin of 4% (-25.6% in Q4FY24) in

Important Statistics

Nifty	22,365
Sensex	73,761
MCAP (₹ bn)	33.4
52 Week H/L (₹)	493/347
NSE Code	MAHLOG
BSE Code	540768
Bloomberg Code	MAHLOG:IN

Shareholding Pattern (%) Mar'24

Promoter	58.0
DII	17.4
FII	5.8
Public & Others	18.8

Financials

Particulars	₹ mn		
	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	3.6
DPS (₹)	2.5	2.0	2.5
P/E (x)	111.4	190.3	127.2
EV/EBITDA (x)	25.4	19.6	15.6
P/BV (x)	5.9	6.1	6.0
RoE (%)	5.8	3.0	4.7
RoCE (%)	5.8	5.0	6.2

Particulars	₹ mn		
	FY24P	FY25E	FY26E
Revenue	55,060	62,806	71,265
EBITDA	2,290	3,124	4,032
EBITDA Margin (%)	4.2	5.0	5.7
Net Profit	(547)	489	1,086
EPS (₹)	(7.6)	6.8	15.1
DPS (₹)	2.5	3.0	3.5
P/E (x)	(61.1)	68.3	30.8
EV/EBITDA (x)	17.5	12.1	9.3
P/BV (x)	6.6	6.3	5.4
RoE (%)	(10.9)	9.6	18.8
RoCE (%)	8.4	9.4	18.6

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
MAHLOG	28.4	(10.3)	(10.7)
Nifty 50	25.9	54.4	92.1
Sensex	22.7	52.4	90.4

Source: Company, Way2Wealth

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25th April 2024

CMP – ₹463.9/-

View – **ACCUMULATE**

the long term enabled by further 5-10% improvement in truck utilisation, 10-15% increase in monthly volumes, 18-20% cost reduction in delivery and pick up of B2B volumes and in leveraging the site operations. In the Last mile business, the management is focusing on growing the non-ecommerce business and optimising fleet utilisation. Currently 67% of top 100 customers are consuming atleast 2 services of MAHLOG there by enabling growth in 3PL and LMD business, along with providing additional value add offering to its customers. The completion of the second tranche of investment in ZipZap Logistics in Dec'23 will enable the company consolidate further and offer a wider range of services for last-mile delivery and micro-fulfillment.

- Warehousing revenue was impacted QoQ which declined 8.2% to ₹2.9mn due to higher start-up costs and unused space, but it is expected to stabilise in the next two quarters with reduction in white space and planned addition of ~2.5mn sq ft. Warehouse space under management stood at 19.6m sq. ft. in the 3PL business from 13.3mn in Q1FY23. The company's multi-client warehousing expansion is progressing on expected lines.
- Capex likely to be at ₹0.8-1bn in FY25 similar to last year.

View

MAHLOG aims for a revenue of ₹100bn and RoE of 18% by FY26 with 3PL business growth guidance of 15% while the other services to grow at much faster pace on the expectation of express business reaching positive PAT sooner than later. Going forward, the Express business losses are likely to decline as volumes improve (as seen in previous quarters), which should result in improvement in overall EBITDA. The management sounds confident on growth prospects enabled by strong order inflows and ongoing cost optimisation in the express business which is to be continued for the next six months along with consolidated operations of networks and infrastructure. The company's asset-light model along with emerging opportunities in 3PL outsourcing, should spur growth ahead. **Hence, we continue to maintain our ACCUMULATE stance with the stock trading at P/E 30.8x FY26E EPS of ₹15.1.**

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FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Operating Income	14,508	12,725	14.0	13,972	3.8	55,060	51,283	7.4
Staff Expenditure	938	981	(4.4)	1,078	(13.0)	4,047	3,546	14.1
Freight Expenditure	12,395	10,731	15.5	11,947	3.8	46,880	43,865	6.9
Other Expenses	608	376	61.8	425	43.1	1,842	1,275	44.5
EBITDA	566	637	(11.2)	522	8.4	2,290	2,598	(11.8)
Other Income	29	38	(24.8)	23	27.4	179	159	12.9
Depreciation	513	553	(7.2)	515	(0.3)	2,090	1,895	10.3
EBIT	82	123	(33.3)	30	171.0	379	861	(55.9)
Interest	174	169	3.0	164	6.2	682	516	32.2
PBT	(92)	(46)	99.1	(96)	3.7	(264)	345	(176.4)
Tax	27	(48)	(155.7)	68	60.6	257	71	260.7
Minority Interest & JV	9	10	7.8	10	(6.9)	27	11	(134.2)
PAT	(128)	(8)	1467.1	(174)	(26.2)	(547)	263	(308.3)
EPS	(1.8)	(0.1)		(2.4)		(7.6)	3.7	
			BPS		BPS		BPS	BPS
Freight Cost (%)	85.4	84.3	111	85.5	(6)	85.1	85.5	(39)
Staff Cost (%)	4.2	3.0	124	3.0	115	3.3	2.5	86
EBITDA (%)	3.9	5.0	(111)	3.7	16	4.2	5.1	(91)
EBIT (%)	0.2	0.3	(10)	0.2	4	0.3	0.3	2
PBT (%)	3.5	4.3	(81)	3.7	(15)	3.8	3.7	10
NPM (%)	0.6	1.0	(40)	0.2	35	0.7	1.7	(99)
Gross Margin (%)	14.6	15.7	(111)	14.5	6	14.9	14.5	39

Source: Company, Way2Wealth

SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q4FY24	Q4FY23	YoY(%)	Q3FY24	QoQ(%)	FY24	FY23	YoY(%)
Revenue								
Supply Chain Mgmt	13,723	11,970	14.6	13,134	4.5	51,779	48,677	6.4
Enterprise Mobility	784	755	3.9	839	(6.5)	3,281	2,606	25.9
EBIT			YoY (%)		QoQ (%)			YoY (%)
Supply Chain Mgmt	(114)	(37)	207.3	(99)	14.4	(282)	1,538	(118.3)
Enterprise Mobility	22	(9)	331.2	4	481.1	18	43	58.1
EBIT Margin (%)			BPS		BPS		BPS	BPS
Supply Chain Mgmt	(0.8)	(0.3)	(52)	(0.8)	(7)	(0.5)	3.2	(370)
Enterprise Mobility	2.7	(1.2)	397	0.4	230	0.5	1.6	(109)

Source: Company, Way2Wealth

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SCM BREAKUP

Service type	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Transportation	10,823	9,640	12.3	9,974	8.5	40,878	38,250	6.9
Warehousing	2,901	2,330	24.5	3,160	(8.2)	10,901	10,430	4.5

Source: Company, Way2Wealth

(₹ mn)

Particulars	Q4FY24	Q4FY23	YoY (%)	Q3FY24	QoQ (%)	FY24	FY23	YoY (%)
Total SCM	13,723	11,970	14.6	13,134	4.5	51,779	48,677	6.4
3PL	11,190	9,750	14.8	10,964	2.1	43,100	40,070	7.6
3PL Gross Margin	1,230	1,210	1.7	1,240	(0.8)	5,000	4,550	9.9
Gross Margin (%)	11.0	12.4	(142)	11.3	(32)	11.6	11.4	25
Freight forwarding	630	730	(13.7)	600	5.0	2,540	3,660	(30.6)
Freight forwarding gross margin	60	70	(14.3)	60	-	250	370	(32.4)
Gross Margin (%)	9.5	9.6	(7)	10.0	(48)	9.8	10.1	(27)
Express logistics	970	1,050	(7.6)	960	1.0	3,650	2,940	24.1
Express logistics gross margin	(60)	(70)	(14.3)	(130)	(53.8)	(480)	(120)	300.0
Gross Margin (%)	(6.2)	(6.7)	48	(13.5)	736	(13.2)	(4.1)	(907)
Last mile	880	440	100.0	610	44.3	2,450	2,010	21.9
Last mile gross margin	50	20	150.0	20	150.0	120	60	100.0
Gross Margin (%)	5.7	4.5	114	3.3	240	4.9	3.0	191

Source: Company, Way2Wealth

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FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY19	FY20	FY21	FY22	FY23	FY24P	FY25E	FY26E
SCM Revenue	34,659	31,035	31,446	39,387	48,677	51,779	59,098	66,994
EM Revenue	3,855	3,676	1,191	2,021	2,606	3,281	3,708	4,271
Revenue	38,513	34,711	32,637	41,408	51,283	55,060	62,806	71,265
EBITDA	1,502	1,597	1,342	1,843	2,598	2,290	3,124	4,032
EBITDA Margin (%)	3.9	4.6	4.1	4.5	5.1	4.2	5.0	5.7
Net Profit	856	551	300	176	263	(547)	489	1,086
EPS (₹)	11.9	7.7	4.2	2.4	3.7	(7.6)	6.8	15.1
DPS (₹)	1.8	1.5	2.5	2.0	2.5	2.5	3.0	3.5
P/E (x)	39.0	60.7	111.4	190.3	127.2	(61.1)	68.3	30.8
EV/EBITDA (x)	22.0	21.5	25.4	19.6	15.6	17.5	12.1	9.3
P/BV (x)	6.6	6.1	5.9	6.1	6.0	6.6	6.3	5.4
RoE (%)	18.7	10.1	5.8	3.0	4.7	(10.9)	9.6	18.8
RoCE (%)	24.2	12.5	5.8	5.0	6.2	8.4	9.4	18.6
Net Debt/Equity (x)	(0.1)	0.2	0.1	0.5	1.3	1.3	1.2	1.1
Cash Balances	700	995	1,978	1,343	1,262	711	1,283	2,254
FCF	609	236	2,249	1,085	(1,906)	1,559	1,835	2,039

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
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