

Q2FY24 Result Highlights

- **Q2FY24 performance impacted by Express Logistics drag** – MAHLOG reported Q2FY24 Revenue of ₹13.6bn, a growth of 3% YoY and 5.5% QoQ with EBITDA at ₹536mn a decline of ~21% YoY and ~20% QoQ. The margin was at 3.9% (-117 bps YoY and 1-23 bps QoQ) as staff expenses and other expense grew 24.2% YoY and 47.5% YoY respectively. The modest topline growth was due to the SCM business which grew 1.2% YoY and 5.3% QoQ to ₹12.78bn. The mobility business saw strong growth during the quarter of 37.2% YoY to ₹863mn enabled by pick in B2C airport services. EBIT for the mobility business was at ₹9mn, a decline of 75% YoY with margin at 1.1% (-480 bps YoY and +315 bps QoQ). The bottomline showed a loss of ₹159mn compared to profit of ₹122mn YoY and loss of ₹86mn QoQ due to weak mix (warehousing revenues declining 11.2% YoY), foreclosure cost of a fulfillment center (20 bps margin impact) and peak cost of the festive season on E-commerce hitting earlier.
- **3PL business's profitability remained healthy aligned to FY23 levels** – Low SCM segment's revenue growth is masked by the 4% YoY growth in the 3PL business. The execution of new orders has started outstripping the business churn in the 3PL segment. Related new orders have also been healthy, breaching the ₹1bn mark for the second consecutive quarter. Visibility for a double-digit growth in business is still lacking. Exposure to the Auto segment remains high at ~68%. The 3PL business's profitability remained healthy at 11.5% (gross margin), aligned to FY23 levels. 53% of 3PL revenue came from parent group. The same should become better, as the company has recently commissioned Bhiwandi's largest warehouse facility (0.65 mn sq. ft) to manage the fulfilment and distribution for automotive, E-commerce and FMCG industries and has a near-term pipeline of 2.3 mn sq. ft in Chakan, Kolkata, Nasik, and Guwahati in next 15 months. The warehouse space under management stood at 18.1mn sq ft in the 3PL business. As per the management, in the next 2-3 yrs 3PL penetration likely to increase from 5-6% to 9-10%
- **Overhang of Network Services increases in the quarter** – The twin issues in the Network Services business (B2B Express and Freight Forwarding) continue. B2B Express's losses increased in the quarter with 3% QoQ volume growth even as the revenues and realisations were stable QoQ, as the company continued to service customers at sub-optimal utilization (sub-70% in several routes) and is still 27% away from pre-integration/breakeven volumes. It invested in getting service level back by reducing turnaround around time (TAT) while loads were not there leading to increase in transportation costs significantly. It added seven new retail partners and twelve new customers. The company is hopeful of reaching this volume base by end-FY24, while noting a six-month delay against volume projections, thus far. In the previous quarter, the related losses depressed the consolidated PAT margin of the business by 270 bps. The management expects to 20-25% volume recovery (average 4-5% MoM growth) in 2HFY24. The freight forwarding business had a tough quarter with pressure on ocean freight, high competitive intensity and deferment of volumes from Telecom sector related to 5G roll-out affected the segment. Management focus is now on volume growth. It commenced air charter services in Dubai from 01 September 2023. It expects domestic pricing bottoming out.

Important Statistics

MCAP (₹ bn)	25.6
52 Week H/L (₹)	559/347
NSE Code	MAHLOG
BSE Code	540768

Shareholding Pattern (%)	Sep'23
Promoter	58.0
DII	14.6
FII	12.1
Public & Others	15.3

Financials

Particulars	(₹ mn)		
	FY20	FY21	FY22
Revenue	34,711	32,637	41,408
EBITDA	1,597	1,342	1,843
EBITDA Margin (%)	4.6	4.1	4.5
Net Profit	551	300	176
EPS (₹)	7.7	4.2	2.4
DPS (₹)	1.5	2.5	2.0
P/E (x)	46.2	84.8	145.3
EV/EBITDA (x)	16.6	19.6	15.3
P/BV (x)	4.6	4.5	4.7
RoE (%)	10.1	5.8	3.0
RoCE (%)	12.5	5.8	5.0

Particulars	FY23	FY24E	FY25E
Revenue	51,283	54,084	61,106
EBITDA	2,598	2,689	3,559
EBITDA Margin (%)	5.1	5.0	5.8
Net Profit	263	128	647
EPS (₹)	3.7	1.8	9.0
DPS (₹)	2.5	3.0	3.5
P/E (x)	97.2	199.6	39.5
EV/EBITDA (x)	12.6	11.5	8.8
P/BV (x)	4.6	4.5	4.1
RoE (%)	4.7	3.9	9.7
RoCE (%)	6.2	4.8	10.6

Source: Company, Way2Wealth

Relative Performance

Return (%)	1 Yr	3Yr	5 Yr
MAHLOG	(34.2)	(0.3)	(35.5)
Nifty 50	6.4	58.7	88.2
Sensex	5.8	59.8	89.6

Source: Company, Way2Wealth

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- **End-user sector outlook** – Within Auto, passenger vehicles grew 9% YoY to 1.8 mn vehicles in 1HFY24 while commercial vehicles is seeing some uptick in sentiments. For consumer durables, it was a mixed quarter. Rising temperature and weaker monsoon led to RAC demand while lighting and fans remained weak. Premium kitchen appliances kept growing. In FMCG, rural market did not see significant change although it was expected to see uptick. Distribution restructuring, expanding network and rise in omnichannel presence are positive signs. E-commerce segment has been witnessing some slowdown in the recent past although greenshoots were seen in this quarter.
- **Mobility** – During 1HFY24, domestic air passenger traffic grew 142% YoY to 113 mn passengers. B2C saw strong traction in air traffic movement. Return to work from office is also aiding volumes. The company has 20-22% market share in seven cities it operates. The company operates 6000 cabs in 14 cities and has 350 business partners. The segment reported PAT positive in Q2FY24. It remains on track to achieve PAT positive for FY24 as per the management.
- MAHLOG is not looking for any inorganic acquisition. As an integrated logistics service provider, its main focus is on existing services which include contract logistics, freight forwarding, cross-border, B2B express and last-mile connectivity.

View

MAHLOG is expected to benefit from healthy momentum in its core 3PL business although near-term challenges persist in freight forwarding and express business. New order execution has started outstripping the 3PL segment’s business churn and the related margin continues to improve. It remains focused on improving volumes in its freight forwarding and Express business which would lead to an improvement in operational profitability. Express business is eyeing an EBITDA breakeven by Q4FY24 although it could get delayed if the company is not able to ramp up volume shortfall. Further, it targets to increase the share of solutions business in 3PL vertical, which would provide better margins. It remains committed on adding 2.3mn sq.ft. of warehousing capacities in the next 15 months. The Mobility business has turned around with the business including MERU likely to be profitable by the end of FY24. Management has reiterated its aspiration of reaching revenue of ₹100bn by FY26, contingent on macro environment. **Hence, we continue to maintain our ACCUMULATE stance with the stock trading at P/E 39.5x FY25E EPS of ₹9.0.**

26th October 2023

CMP – ₹354.9/-

 View – **ACCUMULATE**
FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q2FY24	Q2FY23	YoY(%)	Q1FY24	QoQ(%)	1HFY24	1HFY23	YoY(%)
Operating Income	13,648	13,263	2.9	12,932	5.5	26,580	25,262	5.2
Staff Expenditure	1,031	830	24.2	992	3.9	2,022	1,620	24.9
Freight Expenditure	11,653	11,467	1.6	10,894	7.0	22,547	21,776	3.5
Other Expenses	428	290	47.5	381	12.5	809	534	51.4
EBITDA	536	676	(20.7)	666	(19.6)	1,202	1,333	(9.8)
Other Income	66	34	96.4	62	6.5	128	64	98.1
Depreciation	518	436	18.9	545	(4.9)	1,063	845	25.8
EBIT	84	274	(69.5)	184	(54.4)	267	553	(51.7)
Interest	165	107	53.9	178	(7.0)	343	197	74.4
PBT	(82)	166	(149.1)	6	1533.3	(76)	356	(121.3)
Tax	73	47	53.8	89	17.8	162	101	60.5
Minority Interest & JV	5	(3)	267.9	3	88.0	7	(2)	550.0
PAT	(159)	122	(230.7)	(86)	86.3	(245)	257	(195.2)
EPS	(2.2)	1.7		(1.2)		(3.4)	3.6	
			BPS		BPS			BPS
Freight Cost (%)	85.4	86.5	(107)	84.2	115	84.8	86.2	(137)
Staff Cost (%)	3.1	2.2	95	2.9	19	3.0	2.1	93
EBITDA (%)	3.9	5.1	(117)	5.2	(123)	4.5	5.3	(75)
EBIT (%)	0.5	0.3	23	0.5	0	0.5	0.3	23
PBT (%)	3.8	3.3	51	4.2	(42)	4.0	3.3	65
NPM (%)	0.6	2.1	(145)	1.4	(81)	1.0	2.2	(118)
Gross Margin (%)	14.6	13.5	107	15.8	(115)	15.2	13.8	137

Source: Company, Way2Wealth

SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q2FY24	Q2FY23	YoY(%)	Q1FY24	QoQ(%)	1HFY24	1HFY23	YoY(%)
Revenue								
Supply Chain Mgmt	12,784	12,634	1.2	12,138	5.3	24,922	24,061	3.6
Enterprise Mobility	863	629	37.2	795	8.6	1,658	1,201	38.0
EBIT			YoY(%)		QoQ(%)			YoY(%)
Supply Chain Mgmt	(91)	766	(111.9)	22	(507.6)	(69)	1,515	(104.5)
Enterprise Mobility	9	37	(75.1)	(17)	155.4	(7)	76	(109.7)
EBIT Margin (%)			BPS		BPS			BPS
Supply Chain Mgmt	(0.7)	6.1	(677)	0.2	(89)	(0.3)	6.3	(657)
Enterprise Mobility	1.1	5.9	(480)	(2.1)	315	(0.4)	6.3	(677)

Source: Company, Way2Wealth

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 View – **ACCUMULATE**
SCM BREAKUP

Service type	Q2FY24	Q2FY23	YoY(%)	Q1FY24	QoQ(%)	1HFY24	1HFY23	YoY(%)
Transportation	10,324	9,865	4.7	9,760	5.8	20,084	18,636	7.8
Warehousing	2,460	2,769	(11.2)	2,380	3.4	4,840	5,425	(10.8)

Source: Company, Way2Wealth

	Q2FY24	Q2FY23	YoY(%)	Q1FY24	QoQ(%)	1HFY24	1HFY23	YoY(%)
Total SCM	12,810	12,634	1.4	12,140	5.5	24,950	24,061	3.7
3PL	10,900	10,526	3.6	10,040	8.6	20,940	19,973	4.8
3PL Gross Margin	1,250	2,108	(40.7)	1,280	(2.3)	2,530	3,158	(19.9)
Gross Margin (%)	11.5	20.0	(856)	12.7	(128)	12.1	15.8	(373)
Freight forwarding	540	1,056	(48.9)	770	(29.9)	1,310	2,148	(39.0)
Freight forwarding gross margin	60	107	(43.7)	80	(25.0)	140	211	(33.5)
Gross Margin (%)	11.1	10.1	101	10.4	72	10.7	9.8	89
Express logistics	880	505	74.3	850	3.5	1,730	970	78.4
Express logistics gross margin	(160)	(1)	15,741.6	(1,250)	(87.2)	(1,410)	(5)	28,972.2
Gross Margin (%)	(18.2)	(0.2)	(1,798)	(147.1)	12,888	(81.5)	(0.5)	(8,100)
Last mile	490	547	(10.4)	480	2.1	970	970	-
Last mile gross margin	20	2	814.1	30	(33.3)	50	20	145.5
Gross Margin (%)	4.1	0.4	368	6.3	-217	5.2	2.1	305

Source: Company, Way2Wealth

26th October 2023

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 View – **ACCUMULATE**
FINANCIALS & VALUATIONS

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
SCM Revenue	30,760	34,659	31,035	31,446	39,387	48,677	50,689	56,377
EM Revenue	3,405	3,855	3,676	1,191	2,021	2,606	3,395	4,729
Revenue	34,161	38,513	34,711	32,637	41,408	51,283	54,084	61,106
EBITDA	1,256	1,502	1,597	1,342	1,843	2,598	2,689	3,559
EBITDA Margin (%)	3.7	3.9	4.6	4.1	4.5	5.1	5.0	5.8
Net Profit	653	856	551	300	176	263	128	647
EPS (₹)	9.1	11.9	7.7	4.2	2.4	3.7	1.8	9.0
DPS (₹)	1.5	1.8	1.5	2.5	2.0	2.5	3.0	3.5
P/E (x)	39.1	29.8	46.4	85.1	145.5	97.2	199.6	39.5
EV/EBITDA (x)	20.0	16.7	16.6	19.6	15.3	12.6	11.5	8.8
P/BV (x)	6.0	5.1	4.6	4.5	4.7	4.6	4.5	4.1
RoE (%)	16.2	18.7	10.1	5.8	3.0	4.7	3.9	9.7
RoCE (%)	23.0	24.2	12.5	5.8	5.0	6.2	4.8	10.6
Net Debt/Equity (x)	(0.1)	(0.1)	0.2	0.1	0.5	1.3	1.2	1.1
Cash Balances	660	700	995	1,978	1,343	1,262	23	881
FCF	(257)	609	236	2,249	1,085	(1,906)	1,011	597

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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