

## Q4FY23 Result Highlights

- **Q4FY23 performance impacted by Rivigo's integration** – MAHLOG results for Q4FY23 were impacted by higher costs related to Rivigo's acquisition, scaling down of Bajaj Electricals contract and continued demand slowdown seen across key segments such as e-commerce, consumer durable and FMCG. Consolidated revenues was down 4% QoQ but grew ~17% YoY to ₹12.7bn. The SCM segment's revenues grew ~15% YoY but was down 5.3% QoQ to ~₹12bn on the impact of lower volumes from key contracts and sharp decline of 35.4% YoY to ₹730mn in the freight forwarding business owing to significant decline in the prices. The PTS segment has also recovered from the low base of last year. Gross margin for the SCM business remained strong at 10.3% for Q4FY23, whereas EBIT margins in the SCM business turned negative on cost overheads related to Rivigo for the full quarter. It has also scaled down the scope of work for a large-sized contract from Bajaj Electricals, which was not yielding financial benefits. Its quarterly revenue run rate has decreased to ₹140mn from the peak of ₹320mn. Overall, debt has moved up by +107% YoY to ₹8.34bn, to fund Rivigo's acquisition to, the investment in Whizzard and working capital requirements. Warehousing space under management was flat QoQ at 19 mn sq. ft; it is adding a 0.6 mn sq. ft of new warehousing space at Chakan.
- **Non M&M SCM business grew 9% YoY in FY23 impacted by slowdown** – MAHLOG's SCM business grew 39% YoY in FY23 to ₹26.9bn, whereas the non-Mahindra SCM business grew at a much slower rate of 9% YoY for FY23 to ₹21.8bn. This was impacted by demand slowdown across e-commerce, consumer durables and FMCG during the year. The transportation business grew at ~28% YoY in FY23, whereas warehousing growth was slower at ~11% YoY. Within the SCM business, contract logistics grew ~15%/~27% YoY for Q4FY23/FY23; margins also improved. B2B express revenues have grown fast on the low base of last year, but margins remained weak on the integration of Rivigo. The freight forwarding business declined ~36%/~19% YoY for the quarter and full year due to a sharp decline witnessed in ocean freight rates. Last mile delivery revenues, which are from Whizzard, have also increased 24% YoY for FY23 to ₹2bn, but margins remained weak due to limited volume growth.
- **Express business** – Post consolidation, most of the customers have been transferred and services to most of the client have commenced. Combined express business is on the right track and is expected to generate positive EBITDA by Q3FY24 and become PAT positive by end-FY24. In 3-4 years, MAHLOG targets revenue of ₹10bn from this segment. Expect PAT margin from this segment to reach 3-4% level in steady state.
- **Rivigo likely to turn black in Q3FY24** – Rivigo had revenues of ₹770mn and EBITDA/PAT loss of ₹188mn/₹217mn for a full quarter of consolidation. The management expects to move towards positive EBITDA after 1HFY24 and expect these losses to impact overall SCM margins until 1HFY24. The company is working toward compressing line haul costs, reducing overall fixed costs, boosting volumes by shifting MHALOG's volumes on Rivigo's network and improving margins. The margin improvement is likely to be seen from FY25.

## Important Statistics

<b>MCAP (₹ bn)</b>	26.7
<b>52 Week H/L (₹)</b>	567/350
<b>NSE Code</b>	MAHLOG
<b>BSE Code</b>	540768

<b>Shareholding Pattern (%)</b>	<b>Mar'23</b>
Promoter	58.1
DII	18.7
FII	11.6
Public & Others	11.6

## 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>	<b>12.0</b>	<b>7.7</b>	<b>4.2</b>	<b>2.4</b>
<b>DPS (₹)</b>	<b>1.8</b>	<b>1.5</b>	<b>2.5</b>	<b>2.0</b>
<b>P/E (x)</b>	<b>31.2</b>	<b>48.3</b>	<b>88.6</b>	<b>151.9</b>
<b>EV/EBITDA (x)</b>	<b>17.5</b>	<b>17.3</b>	<b>20.4</b>	<b>16.0</b>
<b>P/BV (x)</b>	<b>5.3</b>	<b>4.9</b>	<b>4.7</b>	<b>4.9</b>
<b>RoE (%)</b>	<b>18.7</b>	<b>10.1</b>	<b>5.8</b>	<b>3.0</b>
<b>RoCE (%)</b>	<b>27.3</b>	<b>17.5</b>	<b>8.2</b>	<b>5.6</b>

<b>Particulars</b>	<b>FY23P</b>	<b>FY24E</b>	<b>FY25E</b>
<b>Revenue</b>	<b>51,283</b>	<b>56,485</b>	<b>64,684</b>
<b>EBITDA</b>	<b>2,598</b>	<b>3,297</b>	<b>4,491</b>
<b>EBITDA Margin (%)</b>	<b>5.1</b>	<b>5.8</b>	<b>6.9</b>
<b>Net Profit</b>	<b>263</b>	<b>330</b>	<b>1,044</b>
<b>EPS (₹)</b>	<b>3.7</b>	<b>4.6</b>	<b>14.5</b>
<b>DPS (₹)</b>	<b>2.5</b>	<b>3.0</b>	<b>3.5</b>
<b>P/E (x)</b>	<b>101.6</b>	<b>80.9</b>	<b>25.6</b>
<b>EV/EBITDA (x)</b>	<b>13.0</b>	<b>10.0</b>	<b>7.2</b>
<b>P/BV (x)</b>	<b>4.8</b>	<b>4.6</b>	<b>3.9</b>
<b>RoE (%)</b>	<b>4.7</b>	<b>7.2</b>	<b>17.4</b>
<b>RoCE (%)</b>	<b>6.2</b>	<b>6.7</b>	<b>10.8</b>

Source: Company, Way2Wealth

27<sup>th</sup> April 2023

CMP – ₹371.1/-

View – **ACCUMULATE**

- **Freight forwarding business revenue declined ~7% QoQ owing to significant decline in the prices;** however, the decline in prices was partially offset by higher volumes from air and sea products. The management is also considering the launch of charter operations from Dubai hub in Q1FY24. In this segment, the management expects volume growth of 17-18% and by FY26/FY27, overall business to reach ~₹9-10bn with PAT margin of 3%. Further, MAHLOG eyes +₹1bn quarterly revenue in this segment by 1HFY24.
- **In the Last-mile delivery business segment declined 27% QoQ, higher pricing intensity has resulted the decision to cut back on unprofitable sites, which has been offset by adding other sites in the segment.** The management followed prudent accounting policies in respect of some of penalties and damage claims with some of its customers which has resulted to an underlying favourable impact on earnings. The items are still under discussion.
- **eDel (last mile delivery by EV's) performance is consistently improving,** as of today, company is operating in more than 19 cities and have a fleet of more than 1300 vehicles. Earlier this month, company has launched 4 wheeler offering and is expecting two wheeler offering shortly.
- **2x2 business (MAHLOG's owned car carrier)** during Q4FY22 got impacted due to shrinking automotive volumes, however, Q4FY23 witnessed healthy growth of 569.2% YoY with margins at 3.4%. Company is upgrading its fleet.
- **The management expects demand environment to improve in long term with near term challenges –** The company has witnessed demand growth momentum from the automotive industry, with the easing of semiconductor chip availability. Weakness was seen in the e-commerce market, as some consolidation in e-commerce has led to site shutdowns. However, the company expects the e-commerce market to expand at a CAGR of 20% over the next 5 years. Other sectors such as consumer durables are likely good demand during the summer season as per the management.
- Capital expenditure in FY23 was at ₹710mn and likely to be ₹800-850mn in FY24.

## View

MAHLOG Q4FY23 performance was a mixed bag due to Rivigo integration and slowdown in certain key sectors while Mahindra's SCM continued its growth trajectory. The management expects demand environment to remain weak for near term with likely improvement in Consumer durables & Ecommerce along with turnaround in Rivigo after 1HFY24. The company is optimistic on the growth scenario with regards to auto sector. Further, its freight forwarding business is expected to recover over the next six months due to weak demand supply dynamics in global economies. While we remain optimistic on long-term prospects of the business and endeavour of the management to achieve ₹100bn revenue by FY26, we expect FY24 to witness 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 25.6x FY26E EPS of ₹14.5.**

27<sup>th</sup> April 2023

CMP – ₹371.1/-

View – ACCUMULATE

## FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY23	FY22	YoY(%)
<b>Operating Income</b>	<b>12,725</b>	<b>10,885</b>	<b>16.9</b>	<b>13,296</b>	<b>(4.3)</b>	<b>51,283</b>	<b>41,408</b>	<b>23.8</b>
Staff Expenditure	981	795	23.5	945	3.9	3,546	3,147	12.7
Freight Expenditure	10,731	9,308	15.3	11,359	(5.5)	43,865	35,498	23.6
Other Expenses	376	268	40.5	364	3.2	1,275	920	38.5
<b>EBITDA</b>	<b>637</b>	<b>515</b>	<b>23.8</b>	<b>627</b>	<b>1.6</b>	<b>2,598</b>	<b>1,843</b>	<b>41.0</b>
Other Income	38	63	(39.2)	56	(31.4)	159	136	16.7
Depreciation	553	393	40.7	498	10.9	1,895	1,417	33.7
<b>EBIT</b>	<b>123</b>	<b>185</b>	<b>(33.5)</b>	<b>185</b>	<b>(33.6)</b>	<b>861</b>	<b>561</b>	<b>53.4</b>
Interest	169	91	85.4	150	13.1	516	298	72.9
<b>PBT</b>	<b>(46)</b>	<b>94</b>	<b>(149.5)</b>	<b>36</b>	<b>(230.4)</b>	<b>345</b>	<b>263</b>	<b>31.3</b>
Tax	(48)	31	(256.8)	19	(356.9)	71	113	(36.7)
Minority Interest & JV	10	(11)	191.1	3	264.3	11	(25)	145.6
<b>PAT</b>	<b>(8)</b>	<b>74</b>	<b>(111.1)</b>	<b>14</b>	<b>(159.0)</b>	<b>263</b>	<b>176</b>	<b>49.7</b>
EPS	(0.1)	1.0		0.2		3.7	2.4	
			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Freight Cost (%)	84.3	85.5	(119)	85.4	(111)	85.5	85.7	(19)
Staff Cost (%)	3.0	2.5	50	2.7	21	2.5	2.2	26
EBITDA (%)	5.0	4.7	28	4.7	29	5.1	4.5	62
EBIT (%)	0.3	0.6	(28)	0.4	(12)	0.3	0.3	(2)
PBT (%)	4.3	3.6	74	3.7	60	3.7	3.4	27
NPM (%)	1.0	1.7	(73)	1.4	(43)	1.7	1.4	32
Gross Margin (%)	15.7	14.5	119	14.6	111	14.5	14.3	19

Source: Company, Way2Wealth

## SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q4FY23	Q4FY22	YoY(%)	Q3FY22	QoQ(%)	FY23	FY22	YoY(%)
<b>Revenue</b>								
Supply Chain Mgmt	11,970	10,452	14.5	12,646	(5.3)	48,677	39,387	23.6
Enterprise Mobility	755	433	74.4	650	16.2	2,606	2,021	28.9
<b>EBIT</b>			<b>YoY(%)</b>		<b>QoQ(%)</b>			<b>YoY(%)</b>
Supply Chain Mgmt	(37)	640	(105.8)	60	(162.0)	1,538	2,435	(36.8)
Enterprise Mobility	(9)	10	(189.4)	(24)	(61.6)	43	81	(47.2)
<b>EBIT Margin (%)</b>			<b>BPS</b>		<b>BPS</b>			<b>BPS</b>
Supply Chain Mgmt	(0.3)	6.1	(643)	0.5	(78)	3.2	6.2	(302)
Enterprise Mobility	(1.2)	2.4	(363)	(3.7)	249	1.6	4.0	(235)

Source: Company, Way2Wealth

27<sup>th</sup> April 2023

CMP – ₹371.1/-

View – ACCUMULATE

## SCM BREAKUP

(₹ mn)

Client type	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY23	FY22	YoY(%)
<b>Mahindra</b>	6,740	5,330	26.5	6,840	(1.5)	26,880	19,380	38.7
<b>Non Mahindra</b>	5,230	5,120	2.1	5,806	(9.9)	21,800	20,000	9.0

Source: Company, Way2Wealth

Service type	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY23	FY22	YoY(%)
<b>Transportation</b>	9,640	7,890	22.2	9,669	(0.3)	38,250	29,960	27.7
<b>Warehousing</b>	2,330	2,570	(9.3)	2,675	(12.9)	10,430	9,420	10.7

Source: Company, Way2Wealth

(₹ mn)

	Q4FY23	Q4FY22	YoY(%)	Q3FY23	QoQ(%)	FY23	FY22	YoY(%)
<b>Total SCM</b>	<b>11,970</b>	<b>10,452</b>	<b>14.5</b>	<b>12,646</b>	<b>(5.3)</b>	<b>48,677</b>	<b>39,387</b>	<b>23.6</b>
<b>3PL</b>	9,750	8,510	14.6	10,345	(5.8)	40,070	31,680	26.5
3PL Gross Margin	1,210	930	30.1	1,179	2.6	4,550	3,400	33.8
Gross Margin (%)	12.4	10.9	148	11.4	101	11.4	10.7	62
<b>Freight forwarding</b>	730	1,130	(35.4)	784	(6.9)	3,660	4,500	(18.7)
Freight forwarding gross margin	70	110	(36.4)	86	(18.6)	370	450	(17.8)
Gross Margin (%)	9.6	9.7	(15)	11.0	(138)	10.1	10.0	11
<b>Express logistics</b>	1,050	420	150.0	914	14.9	2,940	1,590	84.9
Express logistics gross margin	(70)	(10)	600.0	(48)	45.8	(120)	(40)	200.0
Gross Margin (%)	(6.7)	(2.4)	(429)	(5.3)	(142)	(4.1)	(2.5)	(157)
<b>Last mile</b>	440	390	12.8	603	(27.0)	2,010	1,620	24.1
Last mile gross margin	20	30	(33.3)	22	(9.1)	60	60	-
Gross Margin (%)	4.5	7.7	(315)	3.6	90	3.0	3.7	(72)

Source: Company, Way2Wealth

27<sup>th</sup> April 2023

CMP – ₹371.1/-

 View – **ACCUMULATE**
**FINANCIALS & VALUATIONS**

(₹ mn)

Particulars	FY18	FY19	FY20	FY21	FY22	FY23P	FY24E	FY25E
<b>SCM Revenue</b>	30,760	34,659	31,035	31,446	39,387	48,677	53,098	59,986
<b>EM Revenue</b>	3,405	3,855	3,676	1,191	2,021	2,606	3,387	4,698
<b>Revenue</b>	<b>34,161</b>	<b>38,513</b>	<b>34,711</b>	<b>32,637</b>	<b>41,408</b>	<b>51,283</b>	<b>56,485</b>	<b>64,684</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>2,598</b>	<b>3,297</b>	<b>4,491</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>5.1</b>	<b>5.8</b>	<b>6.9</b>
<b>Net Profit</b>	<b>653</b>	<b>856</b>	<b>551</b>	<b>300</b>	<b>176</b>	<b>263</b>	<b>330</b>	<b>1,044</b>
<b>EPS (₹)</b>	9.1	11.9	7.7	4.2	2.4	3.7	4.6	14.5
<b>DPS (₹)</b>	1.5	1.8	1.5	2.5	2.0	2.5	3.0	3.5
<b>P/E (x)</b>	40.9	31.2	48.5	89.0	152.1	101.6	80.9	25.6
<b>EV/EBITDA (x)</b>	21.0	17.5	17.3	20.4	16.0	13.0	10.0	7.2
<b>P/BV (x)</b>	6.3	5.3	4.9	4.7	4.9	4.8	4.6	3.9
<b>RoE (%)</b>	16.2	18.7	10.1	5.8	3.0	4.7	7.2	17.4
<b>RoCE (%)</b>	25.0	27.3	17.5	8.2	5.6	6.2	6.7	10.8
<b>Net Debt/Equity (x)</b>	(0.1)	(0.1)	0.2	0.1	0.5	1.3	1.1	0.9
<b>Cash Balances</b>	660	700	995	1,978	1,343	1,262	1,878	1,901
<b>FCF</b>	(257)	609	236	2,249	1,085	(1,906)	1,238	1,072

Source: Company, Way2Wealth

27<sup>th</sup> April 2023

CMP – ₹371.1/-

View – **ACCUMULATE**

## Disclaimer

**Analyst Certification:** I, Jayakanth Kasthuri, the research analyst and author of this report, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s), principally responsible for the preparation of this research report, receives compensation based on overall revenues of the company (Way2Wealth Brokers Private Limited, hereinafter referred to as Way2Wealth) and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

It is confirmed that Jayakanth Kasthuri, the author of this report has not received any compensation from the companies mentioned in the report in the preceding 12 months. Our research professionals are paid in part based on the profitability of Way2Wealth, which include earnings from other business. Neither Way2Wealth nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profits that may arise from or in connection with the use of the information contained in this report.

This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. Way2Wealth is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. The contents of this material are general and are neither comprehensive nor appropriate for every individual and are solely for the informational purposes of the readers. This material does not take into account the specific objectives, financial situation or needs of an individual/s or a Corporate/s or any entity/s.

This research has been prepared for the general use of the clients of the Way2Wealth and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient, you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. Way2Wealth will not treat recipients as customers by virtue of their receiving this report. The distribution of this document in other jurisdictions may be restricted by the law applicable in the relevant jurisdictions and persons into whose possession this document comes should inform themselves about, and observe any such restrictions.

The report is based upon information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up to date and it should not be relied upon as such. Way2Wealth or any of its affiliates or employees makes no warranties, either express or implied of any kind regarding any matter pertaining to this report, including, but not limited to warranties of suitability, fitness for a particular purpose, accuracy, timeliness, completeness or non-infringement. We accept no obligation to correct or update the information or opinions in it. Way2Wealth or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations. In no event shall Way2Wealth be liable for any damages of any kind, including, but not limited to, indirect, special, incidental, consequential, punitive, lost profits, or lost opportunity, whether or not Way2Wealth has advised of the possibility of such damages.

This material contains statements that are forward-looking; such statements are based upon the current beliefs and expectations and are subject to significant risks and uncertainties. Actual results may differ from those set forth in the forward-looking statements. These uncertainties include but are not limited to: the risk of adverse movements or volatility in the securities markets or in interest or foreign exchange rates or indices; adverse impact from an economic slowdown; downturn in domestic or foreign securities and trading conditions or markets; increased competition; unfavorable political and diplomatic developments; change in the governmental or regulatory policies; failure of a corporate event and such others. This is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy. No part of this material may be copied or duplicated in any form by any means or redistributed without the written consent of Way2Wealth. In no event shall any reader publish, retransmit, redistribute or otherwise reproduce any information provided by Way2Wealth in any format to anyone. Way2Wealth and its affiliates, officers, directors and employees including persons involved in the preparation or issuance of this report may from time to time have interest in securities / positions, financial or otherwise in the securities related to the information contained in this report.

To enhance transparency, Way2Wealth has incorporated a Disclosure of Interest Statement in this document. This should, however, not be treated as endorsement of the views expressed in the report.

## Disclosure of Interest Statement Mahindra Logistics Ltd. as on 27 April 2023

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
Broking relationship with company covered	NIL
Investment Banking relationship with company covered	NIL

This information is subject to change without any prior notice. Way2Wealth reserves at its absolute discretion the right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, Way2Wealth is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.