27th July 2023 | CMP – ₹379.9/- | View – **ACCUMULATE**

Q1FY24 Result Highlights

- **Q1FY24 performance impacted by Express Logistics drag –** MAHLOG results for Q1FY24 were impacted by support to the Rivigo business and partly to provision of ₹20mn provided for receivables for Go First. Consol Revenue/ EBITDA grew ~8% /1.4% YoY to ₹12.9bn/₹666mn. The weakness in the EBITDA front was more driven by growing QoQ losses (from ₹70mn to ₹1.3bn) in the Rivigo business (gross margin declined QoQ from 6.7% to 147.1%). Depreciation and Interest cost grew 33.2%/99.1% YoY to ₹545mn/₹178mn lead to PBT of ₹6mn degrowth of 34.2% YoY but improvement from loss of ₹46mn QoQ.Higher tax expense of 66% YoY/5% QoQ resulted in loss of ₹86mn for the quarter. The SCM business grew 6.2% YoY/1.4% QoQ to ₹12.1bn with automotive (M&M and non-M&M) and manufacturing have led ~13-14% growth YoY; the volume was impacted due to churn on ECommerce side and also on account of shift in Bajaj Electric contract. Within SCM, the warehousing business declined 10.4% yoy (+2% QoQ) to ₹2.4bn, impacted by scale-down of operations from a large client and lower demand from ECommerce clients. 19mn sqft of managed space, includes 1.3 mn sqft which has not directly turned into revenue, (used in express business). On track for expansion. 100k sqft expansion in Nashik on track (by Q3FY24), two large facilities in Guwahati, which is the largest in north-east, one upcoming facility in Lucknow and one in Kolkata. Chakan facility of 0.5mnsqft is also expected to come on line in H2FY24. SCM - Mahindra : Non- Mahindra Mix for the quarter was at 54.3%/45.7%. Sector mix for contract logistics. Automotive 50-51%, FMCG, durables etc 35% and 15% others. In Q3FY24, share of ECom is likely to increase led by festive demand.
- **Business churn offseted the health order intake –** MAHLOG reported a healthy ₹1.3bn of new orders won in the contract logistics business compared to~₹1bn in Q4FY23. It is targeting ₹5bn of new orders for the year. The management viewd the business churn in select segments as both temporary and strategic as e-commerce customers are going for consolidation of facilities, which led to 0.5 mn sq. ft of idle warehousing space for MLL and B2B express business of Rivigo saw business churn on declining service levels during the first quarter of integration with MLL's existing B2B offering
- **Rivigo likely to breakeven in Oct-Nov'23 –** The management attributed the sharp 25% QoQ decline in the express business volumes to deteriorating service levels as MAHLOG integrated the hub-and-spoke network of Rivigo with its mesh network. It highlighted improvement in business volumes seen in Jul'23 and expects the trend to gain momentum. It, however, shared large ~35-50% growth requirement for EBITDA breakeven and thus guided for improvement in second half of Q3FY24.
- **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, Automobiles and Tractors segements are likely to witness good demand from 2HFY24 as per the management.

Important Statistics

MCAP (₹ bn)	27.4
52 Week H/L (₹)	567/350
NSE Code	MAHLOG
BSE Code	540768

Shareholding Pattern (%)	Jun'23
Promoter	58.0
DII	17.0
FII	11.5
Public &Others	13.5

Financials

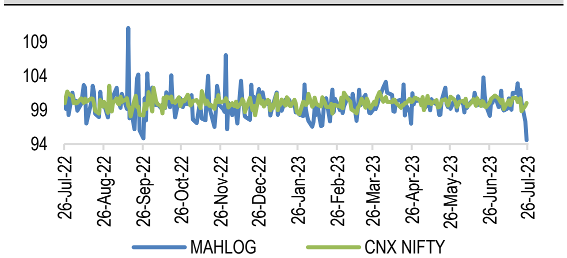
(₹ mn)

Particulars	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)	49.4	90.8	155.5
EV/EBITDA (x)	17.7	20.9	16.3
P/BV (x)	5.0	4.8	5.0
RoE (%)	10.1	5.8	3.0
RoCE (%)	12.5	5.8	5.0

Particulars	FY23	FY24E	FY25E
Revenue	**51,283**	**54,746**	**61,858**
EBITDA	**2,598**	**3,213**	**4,388**
EBITDA Margin (%)	*5.1*	*5.9*	*7.1*
Net Profit	**263**	**201**	**892**
EPS (₹)	3.7	2.8	12.4
DPS (₹)	2.5	3.0	3.5
P/E (x)	104.1	136.0	30.7
EV/EBITDA (x)	13.3	11.2	8.1
P/BV (x)	4.9	4.6	4.1
RoE (%)	4.7	4.3	15.8
RoCE (%)	6.2	5.8	8.9

Source: Company, Way2Wealth

Relative Performance



Source: Company, Way2Wealth

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W2W Lighthouse - A Quick Perspective

View

MAHLOG Q1FY24 performance was impacted by the business churn in e-commerce and Rivigo's Express B2B business which could have an impact of growing order intake seen in the contract logistics business and thus limit revenue growth for FY24.Margin will likely to see the impact in the near term given the volume decline in Rivigo business.The management expects demand environment to improve from Sep-Oct'23 with turnaround in Rivigoin middle of Q3FY24. The company is optimistic on the growth scenario with regards to auto and Consumer durable sector. While we remain optimistic on long-term prospects of the business and endeavour of the management to achieve ₹100bn revenue by FY26, we expect 2HFY24 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 30.7x* FY25E EPS of ₹12.4.**

FINANCIAL PERFORMANCE

(₹ mn)

Particulars	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Operating Income	**12,932**	**11,999**	**7.8**	**12,725**	**1.6**	**51,283**	**41,408**	**23.8**
Staff Expenditure	992	790	25.6	981	1.0	3,546	3,147	12.7
Freight Expenditure	10,894	10,284	5.9	10,731	1.5	43,865	35,498	23.6
Other Expenses	381	268	41.9	376	1.3	1,275	920	38.5
EBITDA	**666**	**657**	**1.4**	**637**	**4.6**	**2,598**	**1,843**	**41.0**
Other Income	62	31	100.0	38	61.4	159	136	16.7
Depreciation	545	409	33.2	553	(1.4)	1,895	1,417	33.7
EBIT	**184**	**279**	**(34.2)**	**123**	**49.2**	**861**	**561**	**53.4**
Interest	178	89	99.1	169	5.0	516	298	72.9
PBT	**6**	**190**	**(97.0)**	**(46)**	**112.3**	**345**	**263**	**31.3**
Tax	89	53	66.4	(48)	283.6	71	113	(36.7)
Minority Interest & JV	3	1	(108.3)	10	(75.5)	11	(25)	145.6
PAT	**(86)**	**135**	**(163.2)**	**(8)**	**942.7**	**263**	**176**	**49.7**
EPS	(1.2)	1.9		(0.1)		3.7	2.4	
			BPS		**BPS**			**BPS**
Freight Cost (%)	84.2	85.7	(147)	84.3	(9)	85.5	85.7	(19)
Staff Cost (%)	2.9	2.2	71	3.0	(1)	2.5	2.2	26
EBITDA (%)	5.2	5.5	(32)	5.0	14	5.1	4.5	62
EBIT (%)	0.5	0.3	22	0.3	18	0.3	0.3	(2)
PBT (%)	4.2	3.4	80	4.3	(13)	3.7	3.4	27
NPM (%)	1.4	2.3	(91)	1.0	45	1.7	1.4	32
Gross Margin (%)	15.8	14.3	147	15.7	9	14.5	14.3	19

Source: *Company, Way2Wealth*

SEGMENTAL BREAKUP

(₹ mn)

Segmental	Q1FY24	Q1FY23	YoY(%)	Q4FY22	QoQ(%)	FY23	FY22	YoY(%)
Revenue								
Supply Chain Mgmt	12,138	11,427	6.2	11,970	1.4	48,677	39,387	23.6
Enterprise Mobility	795	572	39.0	755	5.2	2,606	2,021	28.9
EBIT			**YoY(%)**		**QoQ(%)**			**YoY(%)**
Supply Chain Mgmt	22	750	(97.0)	(37)	(160.3)	1,538	2,435	(36.8)
Enterprise Mobility	(17)	39	(142.6)	(9)	78.5	43	81	(47.2)
EBIT Margin (%)			**BPS**		**BPS**			**BPS**
Supply Chain Mgmt	0.2	6.6	(638)	(0.3)	49	3.2	6.2	(302)
Enterprise Mobility	(2.1)	6.8	(891)	(1.2)	(86)	1.6	4.0	(235)

Source: *Company, Way2Wealth*

SCM BREAKUP

(₹ mn)

Client type	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Mahindra	6,595	6,164	7.0	6,740	(2.1)	26,880	19,380	38.7
Non Mahindra	5,542	5,263	5.3	5,230	6.0	21,800	20,000	9.0

Source: *Company, Way2Wealth*

Service type	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Transportation	9,760	8,771	11.3	9,640	1.2	38,250	29,960	27.7
Warehousing	2,380	2,656	(10.4)	2,330	2.1	10,430	9,420	10.7

Source: *Company, Way2Wealth*

(₹ mn)

	Q1FY24	Q1FY23	YoY(%)	Q4FY23	QoQ(%)	FY23	FY22	YoY(%)
Total SCM	**12,140**	**11,427**	**6.2**	**11,970**	**1.4**	**48,677**	**39,387**	**23.6**
3PL	10,040	9,447	6.3	9,750	3.0	40,070	31,680	26.5
3PL Gross Margin	1,280	1,050	21.9	1,210	5.8	4,550	3,400	33.8
Gross Margin (%)	*12.7*	*11.1*	*163*	*12.4*	*34*	*11.4*	*10.7*	*62*
Freight forwarding	770	1,092	(29.5)	730	5.5	3,660	4,500	(18.7)
Freight forwarding gross margin	80	104	(23.0)	70	14.3	370	450	(17.8)
Gross Margin (%)	*10.4*	*9.5*	*88*	*9.6*	*80*	*10.1*	*10.0*	*11*
Express logistics	850	465	82.8	1,050	(19.0)	2,940	1,590	84.9
Express logistics gross margin	(1,250)	(4)	32,452.1	(70)	1,685.7	(120)	(40)	200.0
Gross Margin (%)	*(147.1)*	*(0.8)*	*(14,623)*	*(6.7)*	*(14,039)*	*(4.1)*	*(2.5)*	*(157)*
Last mile	480	423	13.5	440	9.1	2,010	1,620	24.1
Last mile gross margin	30	20	50.0	20	50.0	60	60	-
Gross Margin (%)	*6.3*	*4.7*	*152*	*4.5*	*170*	*3.0*	*3.7*	*(72)*

Source: *Company, Way2Wealth*

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	51,351	57,129
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**	**54,746**	**61,858**
EBITDA	**1,256**	**1,502**	**1,597**	**1,342**	**1,843**	**2,598**	**3,213**	**4,388**
EBITDA Margin (%)	*3.7*	*3.9*	*4.6*	*4.1*	*4.5*	*5.1*	*5.9*	*7.1*
Net Profit	**653**	**856**	**551**	**300**	**176**	**263**	**201**	**892**
EPS (₹)	9.1	11.9	7.7	4.2	2.4	3.7	2.8	12.4
DPS (₹)	1.5	1.8	1.5	2.5	2.0	2.5	3.0	3.5
P/E (x)	41.9	31.9	49.6	91.1	155.7	104.1	136.0	30.7
EV/EBITDA (x)	21.5	17.9	17.7	20.9	16.3	13.3	11.2	8.1
P/BV (x)	6.4	5.4	5.0	4.8	5.0	4.9	4.6	4.1
RoE (%)	16.2	18.7	10.1	5.8	3.0	4.7	4.3	15.8
RoCE (%)	23.0	24.2	12.5	5.8	5.0	6.2	5.8	8.9
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	1,912	1,681
FCF	(257)	609	236	2,249	1,085	(1,906)	1,116	909

Source: *Company, Way2Wealth*

Disclosure of Interest Statement Mahindra Logistics Ltd. as on 27 July 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 : Analyst's Relative : Yes / No Analyst's Associate/Firm : Yes/No	No 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

W2W Lighthouse - A Quick Perspective