

Post-acquisition, recovery in PAT in medium term...

About the stock: Mahindra Logistics is an end-to-end 3PL logistics solution provider, from performing milk run to in-factory logistics, warehousing to first mile and last mile logistics.

- Serves over 400 customers via its two business segment: supply chain management [(SCM), 96% of revenues] and enterprise mobility
- Revenues from Mahindra comprise 52% of SCM revenues (FY21) while the rest is contributed by non-Mahindra

Q3FY23 Results: Results below I-direct estimates on the profitability front.

- Revenues grew 17% YoY to ₹ 1330 crore, led by in line SCM segment performance
- EBITDA grew 38% to ₹ 63 crore with margins at 4.7% (vs. expected 5%)
- However, PAT de-grew 22% to ₹ 1 crore due to higher depreciation and interest expenses

What should investors do? Along with its core 3PL business (up 24% to ₹ 1035 crore), MLL diversified into a bouquet of services called network services (down 4% to ₹ 230 crore). Network services comprise freight forwarding (down 44% to ₹ 78 crore), express (up 120% to ₹ 91 crore) and last mile (up 5% to ₹ 60 crore). Range of services would help MLL to capture a larger wallet share of its customers.

- We await improvement in PAT and change our stance from BUY to **HOLD**

Target Price and Valuation: We value the stock at ₹ 500 i.e. 30x P/E on FY25E EPS.

Key triggers for future price performance: Although auto is expected to dominate the mix in the near to medium term, continued business addition in non-auto business and higher warehousing utilisation, along with cost-control measures are expected to keep MLL's long term ambitions intact

- The above enables it to shift buying behaviour (more online shopping), leading to higher warehousing space requirement and 3PL relevance
- Asset light business model, with projected 35%+ RoCE in FY25E

Alternate Stock Idea: Apart from MLL, we remain positive on TCI Express.

- TCI Express is a leading asset light B2B (95% of revenues) express logistics company with 28 sorting centres, 800+ owned pan-India centres covering 40000 pick-up and delivery points
- We have a BUY rating on the stock & value at ₹ 2150 (35x PE on FY25E EPS)



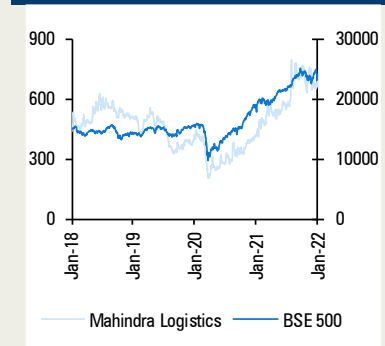
Particulars

Market Capitalisation (₹ cr)	3,191.2
Debt (FY22) (₹ cr)	37.6
Cash (FY22) (₹ cr)	132.2
EV (₹ cr)	3,096.6
52 Week High / Low (₹)	584/391
Equity Capital (₹ cr)	71.5
Face Value (₹ cr)	10.0

Shareholding pattern

(in %)	Mar-22	Jun-22	Sep-22	Dec-22
Promoter	58.2	58.1	58.1	58.1
Others	41.8	41.9	41.9	41.9

Price Chart



Recent event & key risks

- Consolidation of network and transportation with Rivigo
- Key Risk:** (i) Slowdown in auto sector, (ii) Further hardening in diesel prices

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Key Financial Summary

₹ crore	FY21	FY22	5 Years CAGR (FY17-22)	FY23E	FY24E	FY25E	3 Years CAGR
Net Sales	3,263.9	4,083.0	8.9%	5,193.8	6,096.6	7,159.5	20.6%
EBITDA	134.4	197.7	21.0%	262.3	304.8	379.5	24.3%
PAT	30.1	37.1	-4.0%	36.0	64.7	117.5	46.9%
P/E (x)	105.9	86.1		88.7	49.3	27.2	
M.Cap/Sales (x)	1.0	0.8		0.6	0.5	0.4	
RoCE (%)	18.8	12.2		26.2	31.8	39.2	
RoE (%)	5.8	6.3		5.9	9.8	15.5	

Key takeaways

Q3FY23 Results: Freight Forwarding segment sees sharp revenue reduction

- Rivigo B2B express six week's revenues were at ₹ 45 crore but losses came in at ₹ 11 crore. The management expects to break even in H1FY24
- Share of revenue from Mahindra was at 54% and non-Mahindra at 46%
- Warehouse space under management was at 19 mn sq ft, of which stockyard comprised 3.7 mn sq ft and warehousing 15.4 mn sq ft
- Warehousing revenues (~22% of SCM revenues) de-grew 2% YoY vs. 24% growth in transportation
- Freight Forwarding segment saw a sharp revenue reduction due to correction in freight charges and uneven global trade patterns

Q3FY23 Earnings Conference Call highlights

- Q3 saw far less disruption in the auto sector compared to earlier quarters
- FMCG, pharma demand remained stable whereas consumer durables were relatively slower during the festive season
- E-commerce saw weakness during the quarter in spite of being the festive season
- The management expects to stabilise Rivigo via three pronged strategy: a) driving network consolidation, b) better feeder optimisation and transportation consolidation, c) productivity improvement and overhead cost management
- MLL expects Rivigo B2B to witness mid-teen growth and higher GMs
- Freight Forwarding segment was impacted by a sharp reduction in freight charges. The management expects the situation to continue in the near to medium term
- Warehousing capacity addition occurred towards Q3 end. Hence, warehousing yield looks impacted
- The company aims to reach ₹ 10000 crore in the medium to long term, with a PAT margin of 2%

Exhibit 1: Variance Analysis

	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	Comments
Revenue	1,329.6	1,344.4	1,136.0	17.0	1,326.3	0.2	Revenues largely in line
Operating expenses	1,134.2	1,162.9	986.7	15.0	1,146.7	-1.1	
Employee Expenses	94.5	84.7	80.3	17.6	83.0	13.8	
Other Expense	38.1	29.6	23.6	61.2	29.0	31.2	Higher other expenses due to Rivigo B2B acquisition
Total Expense	1,266.8	1,277.2	1,090.7	16.2	1,258.7	0.6	
EBITDA	62.7	67.2	45.3	38.4	67.6	-7.2	
EBITDA Margin (%)	4.7	5.0	4.0	73 bps	5.1	-38 bps	Margins impacted due to Rivigo B2B consolidation, ex-Rivigo EBITDA in line
Depreciation	49.8	43.6	37.5	32.8	43.6	14.4	
Interest	15.0	10.6	7.5	99.1	10.7	39.4	
Other Income	5.6	3.4	2.9	93.8	3.4	66.6	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	3.6	16.5	3.2	PL	16.6	-78.7	
Total Tax	1.9	4.7	2.1	-8.3	4.7	-60.3	
PAT	1.7	11.8	1.1	45.2	11.9	-86.0	PAT impacted due to ₹ 11 crore loss from Rivigo B2B vertical
Minority Interest	-0.3	0.0	-0.6	-54.8	-0.9	-68.5	
Adjusted PAT	2.0	11.8	1.8	10.2	12.8	-84.8	
Key Metrics	Q3FY23	Q3FY23E	Q3FY22	YoY (%)	Q2FY23	QoQ (%)	
Mahindra SCM revenues	684.0	654.8	483.8	41.4	708.5	-3.5	Farm and auto both grew significantly
Non-Mahindra SCM revenue	580.6	625.3	591.2	-1.8	554.9	4.6	
SCM revenues	1,264.6	1,280.0	1,075.0	17.6	1,263.4	0.1	
PTS revenues	65.0	64.4	42.9	51.4	62.9	3.3	

Source: Company, ICICI Direct Research

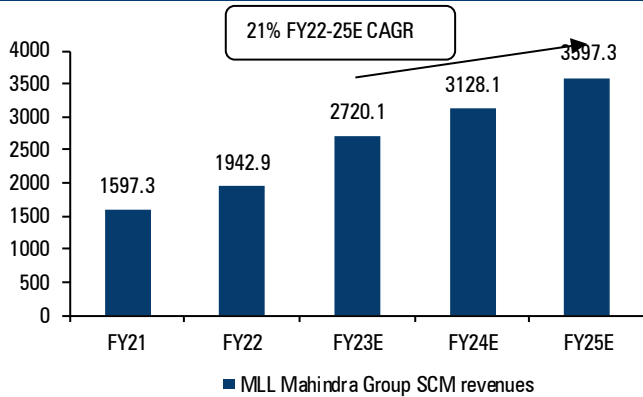
Exhibit 2: Change in estimates

	FY23E				FY24E			FY25E	Comments
(₹ Crore)	FY22	Old	New	% Change	Old	New	% Change	Introduced	
Gross Revenue	4,083.0	5,126.7	5,193.8	1.3	6,150.4	6,096.6	-0.9	7,159.5	Revenues largely in line
EBITDA	197.7	266.6	262.3	-1.6	338.3	304.8	-9.9	379.5	
EBITDA Margin (%)	4.8	5.2	5.1	-15 bps	5.5	5.0	-50 bps	5.3	Margins impacted due to Rivigo B2B losses in medium term
PAT	37.1	64.2	36.0	-43.9	106.6	64.7	-39.3	117.5	
EPS (₹)	5.2	9.0	5.0	-44.2	14.9	9.0	-39.4	16.4	

Source: ICICI Direct Research

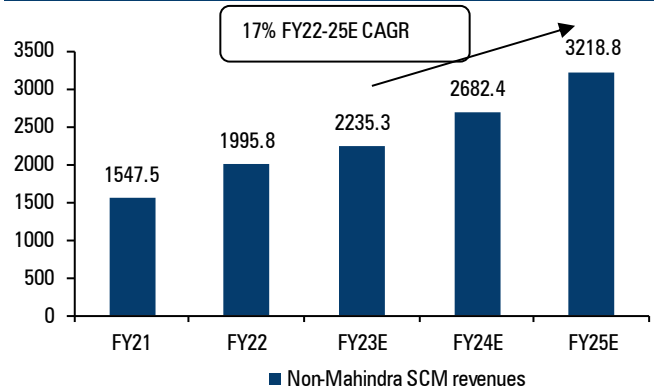
Key Metrics

Exhibit 3: Mahindra group SCM revenues



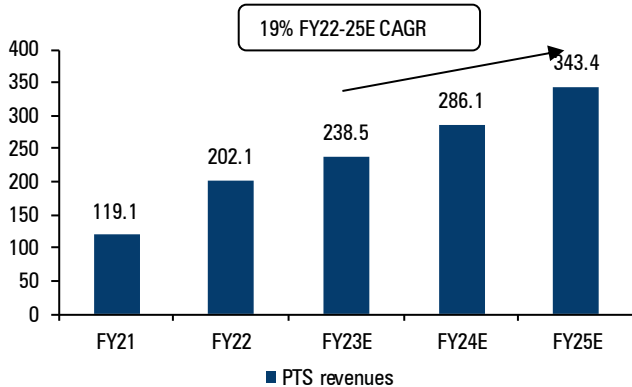
Source: ICICI Direct Research, Company

Exhibit 4: Non-Mahindra SCM revenues



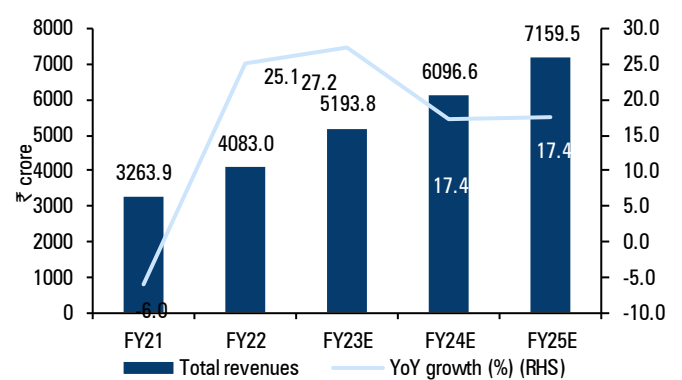
Source: ICICI Direct Research, Company

Exhibit 5: PTS revenues



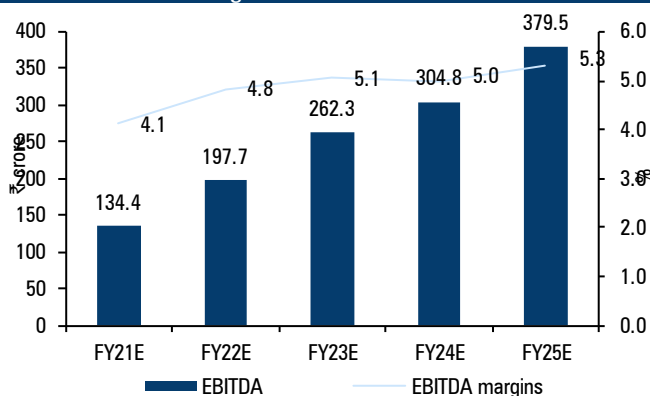
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 21% over FY22-25



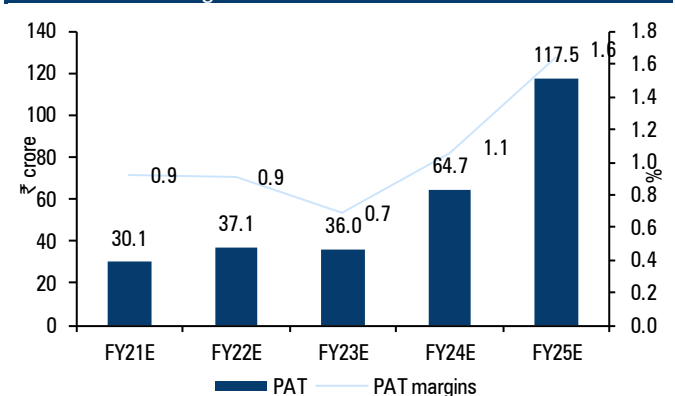
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 24% over FY22-25



Source: Company, ICICI Direct Research

Exhibit 8: PAT to grow at CAGR of 47% over FY22-25



Source: Company, ICICI Direct Research

Exhibit 9: Valuation parameters

Year	Sales (₹ cr)	Sales Gr. (%)	EPS (₹)	EPS Gr. (%)	PE (x)	EV/EBITDA (x)	RoNW (%)	RoCE (%)
FY21	3263.9	-6.0	4.2	-45.4	105.9	22.1	5.8	18.8
FY22	4083.0	25.1	5.2	23.0	86.1	15.1	6.3	12.2
FY23E	5193.8	27.2	5.0	-2.9	88.7	12.2	5.9	26.2
FY24E	6096.6	17.4	9.0	79.8	49.3	10.2	9.8	31.8
FY25E	7159.5	17.4	91.7	81.7	27.2	8.0	15.5	39.2

Source: ICICI Direct Research; Reuters

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23E	FY24E	FY25E
Total Operating Income	4,083.0	5,193.8	6,096.6	7,159.5
Growth (%)	25.1	27.2	17.4	17.4
Freight Expense and Charges	3,503.9	4,451.1	5,212.6	6,121.4
Gross Profit	579.1	742.7	884.0	1,038.1
Gross Profit Margins (%)	14.2	14.3	14.5	14.5
Employee Expenses	300.0	348.0	426.8	479.7
Other Expenditure	81.5	132.4	152.4	179.0
Total Operating Expenditure	3,885.4	4,931.5	5,791.7	6,780.0
EBITDA	197.7	262.3	304.8	379.5
Growth (%)	47.1	32.7	16.2	24.5
Interest	29.5	48.8	44.4	40.2
Depreciation	134.5	184.3	195.6	207.0
Other Income	12.2	15.6	18.3	21.5
PBT before Exceptional Items	45.8	44.8	83.1	153.7
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	45.8	44.8	83.1	153.7
Total Tax	11.3	11.3	20.9	38.7
PAT before MI	34.6	33.5	62.2	115.0
Minority Interest	-2.5	-2.5	-2.5	-2.5
PAT	37.1	36.0	64.7	117.5
EPS Growth (%)	23.0	-2.9	79.8	81.7
EPS (Adjusted)	5.2	5.0	9.0	16.4

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23E	FY24E	FY25E
Profit/(Loss) after taxation	37.1	36.0	64.7	117.5
Add: Depreciation & Amortization	134.5	184.3	195.6	207.0
Add: Interest Paid	29.5	48.8	44.4	40.2
Net Increase in Current Assets	-32.4	-296.9	-139.4	-163.3
Net Increase in Current Liabilities	99.2	138.6	174.5	205.2
Others	-68.2	0.0	0.0	0.0
CF from Operating activities	199.7	110.8	339.8	406.7
(Purchase)/Sale of Fixed Assets	-91.3	-265.0	-45.0	-45.0
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	-91.4	100.0	-100.0	-100.0
Others	-147.1	-266.5	-46.5	-46.5
CF from Investing activities	-238.5	-166.5	-146.5	-146.5
(inc)/Dec in Loan	11.1	95.0	-55.0	-55.0
Dividend & Dividend tax	-16.7	-16.7	-16.7	-16.7
Less: Interest Paid	0.0	-14.6	-1.0	-1.0
Other	-21.3	-76.1	-84.5	-187.7
CF from Financing activities	-26.9	-12.4	-157.1	-260.3
Net Cash Flow	-65.7	-68.0	36.2	-0.2
Cash and Cash Equivalent at the beginning	197.8	132.2	64.1	100.3
Cash and Cash Equivalent at the end	132.1	64.1	100.3	100.1

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23E	FY24E	FY25E
Equity Capital	71.9	71.9	71.9	71.9
Reserve and Surplus	518.5	537.8	585.9	686.7
Total Shareholders funds	590.4	609.7	657.7	758.6
Minority Interest	0.3	0.3	0.3	0.3
Total Debt	37.6	132.5	77.5	22.5
Deferred Tax Liability	0.0	0.0	0.0	0.0
Long-Term Provisions	0.0	0.0	0.0	0.0
Other Non Current Liabilities	16.5	16.8	17.1	17.5
Source of Funds	644.7	759.3	752.7	798.9
Gross Block - Fixed Assets	820.2	1,145.2	1,250.2	1,355.2
Accumulated Depreciation	339.2	523.5	719.0	817.6
Net Block	481.1	621.7	531.2	537.6
Capital WIP	13.8	13.8	13.8	13.8
Fixed Assets	494.9	635.5	545.0	551.5
Investments	199.7	99.7	199.7	299.7
Goodwill on Consolidation	4.3	4.3	4.3	4.3
Deferred Tax Assets	26.9	26.9	26.9	26.9
Other non-Current Assets	89.2	91.0	92.8	94.6
Inventory	1.4	0.0	0.0	0.0
Debtors	479.4	772.7	907.1	1,065.2
Loans and Advances	503.0	508.1	513.2	518.3
Other Current Assets	0.0	0.0	0.0	0.0
Cash	132.2	64.1	100.3	100.1
Total Current Assets	1,116.0	1,344.9	1,520.5	1,683.6
Creditors	858.8	996.1	1,169.2	1,373.1
Provisions	6.3	6.5	6.6	6.7
Other Current Liabilities	421.2	440.5	460.7	481.9
Total Current Liabilities	1,286.3	1,443.0	1,636.5	1,861.7
Net Current Assets	-170.3	-98.1	-116.0	-178.1
Application of Funds	644.7	759.3	752.6	798.9

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY22	FY23E	FY24E	FY25E
Per share data (₹)				
Reported EPS	5.2	5.0	9.0	16.4
BV per share	82.3	85.0	91.7	105.8
Cash per Share	18.4	8.9	14.0	14.0
Dividend per share	2.3	2.3	2.3	2.3
Operating Ratios (%)				
Gross Profit Margins	14.2	14.3	14.5	14.5
EBITDA margins	4.8	5.1	5.0	5.3
PAT Margins	0.9	0.7	1.1	1.6
Inventory days	0.1	0.0	0.0	0.0
Debtor days	42.9	54.3	54.3	54.3
Creditor days	76.8	70.0	70.0	70.0
Asset Turnover	5.0	4.5	4.9	5.3
Return Ratios (%)				
RoE	6.3	5.9	9.8	15.5
RoCE	12.2	26.2	31.8	39.2
RoIC	17.8	30.0	39.0	47.4
Valuation Ratios (x)				
P/E	86.1	88.7	49.3	27.2
EV / EBITDA	15.1	12.2	10.2	8.0
EV / Net Sales	0.7	0.6	0.5	0.4
Market Cap / Sales	0.8	0.6	0.5	0.4
Price to Book Value	5.4	5.2	4.9	4.2
Solvency Ratios				
Debt / EBITDA	0.2	0.5	0.3	0.1
Debt / Equity	0.1	0.2	0.1	0.0
Current Ratio	1.1	1.2	1.1	1.1

Source: Company, ICICI Direct Research

Exhibit 14: ICICI Direct coverage universe (Logistics)

Sector / Company	CMP			M Cap (₹ Cr)	EPS (₹)			P/E (x)			EV/EBITDA (x)			RoCE (%)			RoE (%)		
	(₹)	TP(₹)	Rating		FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E	FY22E	FY23E	FY24E
APSEZ	425	1,000	BUY	3,191	24.6	21.9	28.7	17.3	17.8	14.8	13.1	12.5	11.0	12.7	9.5	11.5	16.3	10.7	12.5
Container Corporation	645	700	HOLD	34,121	17.3	20.8	20.6	97.2	77.8	37.2	6.2	9.7	5.6	10.9	4.5	10.2	12.1	5.4	9.6
Transport Corp. of India	630	810	BUY	4,596	37.3	42.5	44.3	34.4	33.3	16.9	20.5	18.3	11.2	12.4	13.3	20.3	14.0	12.9	20.5
Gujarat Pipavav	94	110	BUY	4,544	4.1	5.6	6.7	23.0	16.8	14.1	8.9	7.5	6.4	12.1	15.7	18.6	8.6	11.7	13.8
TCI Express	1,435	2,150	BUY	5,493	33.5	37.6	48.4	42.9	38.1	29.6	31.5	27.3	21.2	33.4	30.7	32.4	26.6	24.4	25.6
Mahindra Logistics	445	500	HOLD	3,191	5.2	5.0	9.0	86.1	88.7	49.3	15.1	12.2	10.2	12.2	26.2	31.8	6.3	5.9	9.8
BlueDart Express	6,800	8,000	HOLD	16,157	160.9	202.8	246.8	158.7	42.3	33.5	22.9	15.3	13.6	40.7	77.5	71.2	12.8	39.7	40.8
Gateway Distriparks	66	75	HOLD	3,298	4.5	3.4	3.8	32.0	35.0	14.7	12.7	12.0	9.8	9.9	11.7	15.4	5.6	6.4	13.7

Source: ICICI Direct Research

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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