

Core business performance marred by acquisition...

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 54% of SCM revenues while the rest is contributed by non-Mahindra

Q4FY23 Results: Results were below I-direct estimates on all fronts.

- Revenues grew 17% YoY to ₹ 1272 crore, led by growth in SCM segment
- EBITDA grew 24% to ₹ 64 crore with margins at 5% (vs. expected 5%)
- However, PAT arrived at a loss of ₹ 1 crore due to higher depreciation and interest expenses (related to recent acquisition in B2B space)

What should investors do? Although MLL's core 3PL service (82% of SCM segment) is expected to remain strong on the back of higher auto sales, growing consumption in tier II/III cities; newer businesses such as B2B Express and freight forwarding are facing respective headwinds in demand and realisation, respectively

- We await improvement in PAT margins and maintain our **HOLD** rating

Target Price and Valuation: We value the stock at ₹ 410 i.e. 27x 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 30%+ 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)



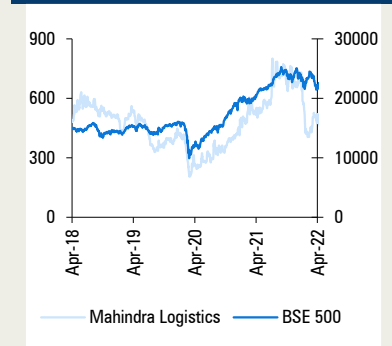
Particulars

Market Capitalisation (₹ cr)	2,617.5
Debt (FY23) (₹ cr)	401.4
Cash (FY23) (₹ cr)	126.2
EV (₹ cr)	2,892.7
52 Week High / Low (₹)	567/349
Equity Capital (₹ cr)	71.5
Face Value (₹ cr)	10.0

Shareholding pattern

(in %)	Jun-22	Sep-22	Dec-22	Mar-23
Promoter	58.1	58.1	58.1	58.1
Others	41.9	41.9	41.9	41.9

Price Chart



Recent event & key risks

- EBITDA breakeven in B2B division by Q3FY24
- Key Risk:** (i) Slowdown in auto sector, (ii) Lower diesel prices

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Key Financial Summary

₹ crore	FY21	FY22	FY23	5 Years CAGR (FY17-22)	FY24E	FY25E	2 Years CAGR
Net Sales	3,263.9	4,083.0	5,128.3	8.5%	5,905.8	6,807.2	15.2%
EBITDA	134.4	197.7	259.8	16.8%	324.8	394.8	23.3%
PAT	30.1	37.1	26.3	-16.3%	55.0	108.5	103.2%
P/E (x)	86.9	70.6	99.6		47.6	24.1	
M.Cap/Sales (x)	0.8	0.6	0.5		0.4	0.4	
RoCE (%)	18.8	26.3	22.2		25.6	30.5	
RoE (%)	5.8	6.3	4.7		9.2	15.9	

Key takeaways

Q4FY23 Results: Warehousing segment remained impacted in Q3

- Rivigo's B2B express revenues were at ₹ 77 crore but losses came in at ₹ 20 crore. The management expects to break even in Q3FY24
- Share of revenue from Mahindra was at 55% and non-Mahindra at 45%
- Warehouse space under management was at 19 mn sq ft. MLL has commenced development of 1 million sq ft warehouse at Chakan (of which 0.5 mn sq ft to be commercialised in FY24)
- Warehousing revenues (~20% of SCM revenues) de-grew 9% YoY vs. 22% growth in transportation. Restructuring of Bajaj Electricals' contracts led to lower warehousing revenues
- Freight forwarding segment saw a sharp revenue reduction due to correction in freight charges and uneven global trade patterns

Q4FY23 Earnings Conference Call highlights

- Two-wheeler sales remained impacted but three-wheeler and passenger vehicles showed strong traction
- Tractors sales could remain impacted in FY24 in anticipation of lower rains
- Consumer durables such as AC saw improved demand due to early arrival of the summer season
- On the e-commerce front, limited volume growth impacted performance
- On the freight forwarding segment, revenues impacted 35% as ocean freight has corrected 80% YoY. The management mitigated some of the impact via strong volume growth in the segment
- Cost optimisation will improve margins from Q1 onwards
- Total 70-75% of the intangibles created on b/s belongs to the recently acquired MESPL entity
- The management aims to have 2% PAT margins in 3PL segment and 3-4% margins in network services business
- Of the ₹ 400 crore borrowings, ₹ 220 crore is on account of Rivigo acquisition and ₹ 150 crore due to Meru business acquisition and others

Exhibit 1: Variance Analysis

	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	Comments
Revenue	1,272.5	1,349.3	1,088.5	16.9	1,329.6	-4.3	Revenues largely impacted due to restructuring of Bajaj Electricals' contract, price headwinds in freight forwarding segment
Operating expenses	1,073.1	1,146.9	930.8	15.3	1,134.2	-5.4	
Employee Expenses	98.1	95.8	79.5	23.5	94.5	3.9	
Other Expense	37.6	39.1	26.8	40.5	38.1	-1.3	YoY higher other expenses due to Rivigo B2B acquisition
Total Expense	1,208.8	1,281.8	1,037.1	16.6	1,266.8	-4.6	
EBITDA	63.7	67.5	51.4	23.8	62.7	1.6	Inclusive of ₹ 19 crore loss from the acquired Rivigo B2B segment
EBITDA Margin (%)	5.0	5.0	4.7	28 bps	4.7	29 bps	Margins in line, Core business margins at an all-time high ~6.9% levels
Depreciation	55.3	50.8	39.3	40.7	49.8	10.9	Higher depreciation on account of Rivigo B2B acquisition
Interest	16.9	14.2	9.1	85.4	15.0	13.1	Higher interest expense on account of Rivigo B2B acquisition
Other Income	3.8	4.0	6.3	-39.2	5.6	-31.4	
Exceptional Gain/Loss	0.0	0.0	0.0	NA	0.0	NA	
PBT	-4.6	6.5	9.4	PL	3.6	-230.4	
Total Tax	-4.8	1.9	3.1	-256.8	1.9	-356.9	
PAT	0.2	4.6	6.3	-96.8	1.7	-88.0	
Minority Interest	-0.2	-0.3	-1.1	-81.1	-0.3	-25.0	
Adjusted PAT	0.4	4.9	7.4	-94.5	2.0	-79.0	
Key Metrics	Q4FY23	Q4FY23E	Q4FY22	YoY (%)	Q3FY23	QoQ (%)	
Mahindra SCM revenues	674.0	654.8	534.6	26.1	684.0	-1.5	Automotive grew strongly
Non-Mahindra SCM revenue	523.0	625.3	510.6	2.4	580.6	-9.9	Demand from e-commerce segment remained weak
SCM revenues	1,197.0	1,280.0	1,045.2	14.5	1,264.6	-5.3	
PTS revenues	75.5	64.4	43.3	74.4	65.0	16.2	Meru consolidation benefitted PTS numbers

Source: Company, ICICI Direct Research

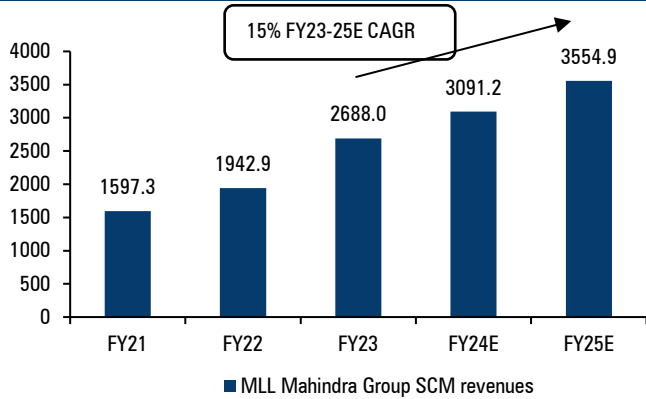
Exhibit 2: Change in estimates

	FY23		FY24E		FY25E			Comments
	New	Old	New	% Change	Old	New	% Change	
(₹ Crore)								
Gross Revenue	5,128.3	6,096.6	5,905.8	-3.1	7,159.5	6,807.2	-4.9	Revenue estimates impacted due to general weakness in e-commerce, tractor sales
EBITDA	259.8	304.8	324.8	6.6	379.5	394.8	4.0	
EBITDA Margin (%)	5.1	5.0	5.5	50 bps	5.3	5.8	50 bps	Margins saw favourable expansion during the quarter and with breakeven of B2B express, margins expected to improve
PAT	26.3	64.7	55.0	-14.9	117.5	108.5	-7.7	
EPS (₹)	3.7	9.0	7.7	-14.7	16.4	15.1	-7.8	

Source: ICICI Direct Research

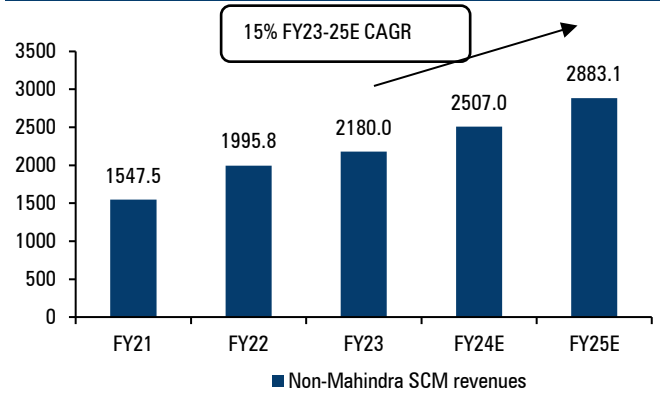
Key Metrics

Exhibit 3: Mahindra group SCM revenues



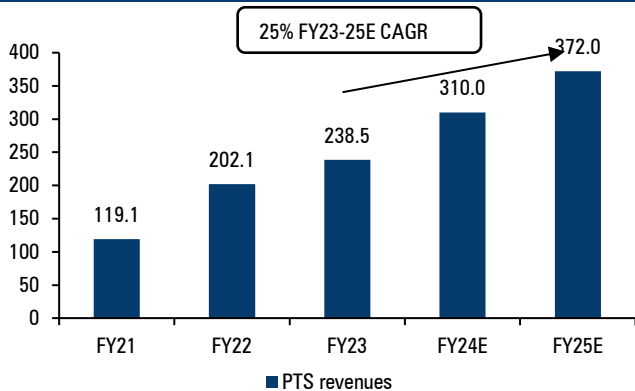
Source: ICICI Direct Research, Company

Exhibit 4: Non-Mahindra SCM revenues



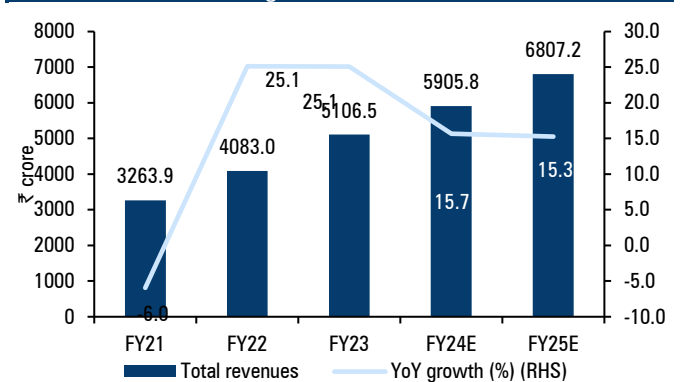
Source: ICICI Direct Research, Company

Exhibit 5: PTS revenues



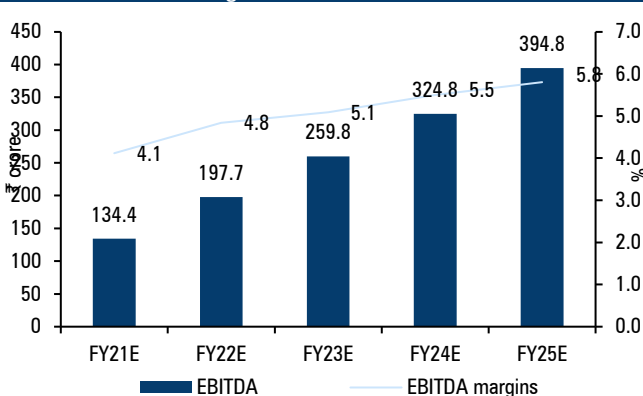
Source: ICICI Direct Research, Company

Exhibit 6: Revenues to grow at CAGR of 16% over FY23-25



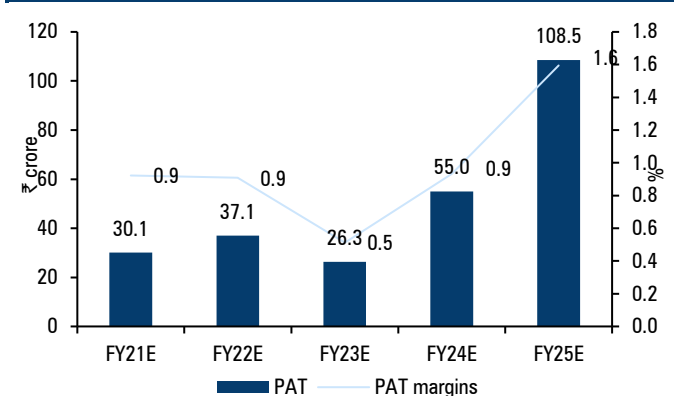
Source: ICICI Direct Research, Company

Exhibit 7: EBITDA to grow at CAGR of 23% over FY23-25



Source: Company, ICICI Direct Research

Exhibit 8: PAT to become 4x over FY23-25



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	86.9	17.8	5.8	18.8
FY22	4083.0	25.1	5.2	23.0	70.6	12.2	6.3	26.3
FY23	5128.3	25.6	3.7	-21.6	99.6	10.9	4.7	22.2
FY24E	5905.8	15.2	7.7	98.9	47.6	8.7	9.2	25.6
FY25E	6807.2	15.3	83.1	92.4	24.1	6.9	15.9	30.5

Source: ICICI Direct Research; Reuters

Financial Summary

Exhibit 10: Profit and loss statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23	FY24E	FY25E
Total Operating Income	4,083.0	5,128.3	5,905.8	6,807.2
Growth (%)	25.1	25.6	15.2	15.3
Freight Expense and Charges	3,503.9	4,386.5	5,031.7	5,786.1
Gross Profit	579.1	741.8	874.1	1,021.1
Gross Profit Margins (%)	14.2	14.5	14.8	15.0
Employee Expenses	300.0	354.6	401.6	456.1
Other Expenditure	81.5	127.5	147.6	170.2
Total Operating Expenditure	3,885.4	4,868.5	5,581.0	6,412.3
EBITDA	197.7	259.8	324.8	394.8
Growth (%)	47.1	31.4	25.0	21.5
Interest	29.5	51.6	67.7	58.7
Depreciation	134.5	189.5	199.7	210.0
Other Income	12.2	15.9	17.7	20.4
PBT before Exceptional Items	45.8	34.5	75.1	146.5
Less: Exceptional Items	0.0	0.0	0.0	0.0
PBT after Exceptional Items	45.8	34.5	75.1	146.5
Total Tax	11.3	7.1	18.9	36.9
PAT before MI	34.6	27.4	56.2	109.6
Minority Interest	-2.5	-1.7	-1.7	-1.7
PAT	37.1	29.1	57.8	111.3
EPS Growth (%)	23.0	-21.6	98.9	92.4
EPS (Adjusted)	5.2	3.7	7.7	15.1

Source: Company, ICICI Direct Research

Exhibit 11: Cash flow statement				
	₹ crore			
(Year-end March)/ (₹ crore)	FY22	FY23	FY24E	FY25E
Profit/(Loss) after taxation	37.1	26.3	55.0	108.5
Add: Depreciation & Amortization	134.5	189.5	199.7	210.0
Add: Interest Paid	29.5	51.6	67.7	58.7
Net Increase in Current Assets	-32.4	-228.2	-80.8	-116.8
Net Increase in Current Liabilities	99.2	201.5	86.1	174.5
Others	-68.2	-121.3	0.0	0.0
CF from Operating activities	199.7	119.4	327.8	434.9
(Purchase)/Sale of Fixed Assets	-91.3	-289.5	-89.8	-89.9
Long term Loans & Advances	0.0	0.0	0.0	0.0
Investments	-91.4	13.7	-100.0	-100.0
Others	-147.1	-339.4	-90.6	-94.0
CF from Investing activities	-238.5	-325.6	-190.6	-194.0
(inc)/Dec in Loan	11.1	363.9	50.0	-60.0
Dividend & Dividend tax	-16.7	-20.8	-20.8	-20.8
Less: Interest Paid	0.0	-51.6	-5.6	-5.6
Other	-21.3	-91.1	-100.4	-90.4
CF from Financing activities	-26.9	200.3	-76.9	-176.8
Net Cash Flow	-65.7	-5.9	60.3	64.0
Cash and Cash Equivalent at the beginning	197.8	132.2	126.2	186.5
Cash and Cash Equivalent at the end	132.1	126.2	186.5	250.6

Source: Company, ICICI Direct Research

Exhibit 12: Balance Sheet				
	₹ crore			
(Year-end March)	FY22	FY23	FY24E	FY25E
Equity Capital	71.9	72.0	72.0	72.0
Reserve and Surplus	518.5	489.7	523.9	611.5
Total Shareholders funds	590.4	561.7	595.9	683.5
Minority Interest	0.3	-1.4	0.3	-1.4
Total Debt	37.6	401.4	451.4	391.4
Other Non Current Liabilities	16.5	32.7	33.4	34.0
Source of Funds	644.7	994.4	1,080.9	1,107.6
Gross Block - Fixed Assets	820.2	1,113.4	1,258.4	1,403.4
Accumulated Depreciation	349.5	529.8	729.5	939.5
Net Block	470.7	583.7	528.9	463.9
Capital WIP	13.8	3.8	3.8	3.8
Fixed Assets	484.5	587.4	532.7	467.6
Intangible Assets	10.4	241.7	246.5	251.5
Investments	199.7	186.0	286.0	386.0
Goodwill on Consolidation	4.3	4.3	4.3	4.3
Deferred Tax Assets	26.9	41.6	41.6	41.6
Other non-Current Assets	89.2	153.6	156.7	159.8
Inventory	1.4	0.4	0.0	0.0
Debtors	479.4	652.5	728.1	839.2
Loans and Advances	503.0	559.2	564.7	570.4
Cash	132.2	126.2	186.5	250.6
Total Current Assets	1,116.0	1,338.3	1,479.4	1,660.2
Creditors	858.8	1,048.1	1,132.6	1,305.5
Provisions	6.3	6.9	7.0	7.2
Other Current Liabilities	421.2	503.6	526.7	550.8
Total Current Liabilities	1,286.3	1,558.5	1,666.3	1,863.5
Net Current Assets	-170.3	-220.3	-186.9	-203.3
Application of Funds	644.7	994.4	1,080.9	1,107.6

Source: Company, ICICI Direct Research

Exhibit 13: Key ratios				
(Year-end March)	FY22	FY23	FY24E	FY25E
Per share data (₹)				
Reported EPS	5.2	3.7	7.7	15.1
BV per share	82.3	78.3	83.1	95.3
Cash per Share	18.4	17.6	26.0	34.9
Dividend per share	2.3	2.9	2.9	2.9
Operating Ratios (%)				
Gross Profit Margins	14.2	14.5	14.8	15.0
EBITDA margins	4.8	5.1	5.5	5.8
PAT Margins	0.9	0.5	0.9	1.6
Inventory days	0.1	0.0	0.0	0.0
Debtor days	42.9	46.4	45.0	45.0
Creditor days	76.8	74.6	70.0	70.0
Asset Turnover	5.0	4.6	4.7	4.9
Return Ratios (%)				
RoE	6.3	4.7	9.2	15.9
RoCE	26.3	22.2	25.6	30.5
RoIC	42.2	25.9	31.7	41.0
Valuation Ratios (x)				
P/E	70.6	99.6	47.6	24.1
EV / EBITDA	12.2	10.9	8.7	6.8
EV / Net Sales	0.6	0.6	0.5	0.4
Market Cap / Sales	0.6	0.5	0.4	0.4
Price to Book Value	4.4	4.7	4.4	3.8
Solvency Ratios				
Debt / EBITDA	0.2	1.5	1.4	1.0
Debt / Equity	0.1	0.7	0.8	0.6
Current Ratio	1.1	1.1	1.1	1.0

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		FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
APSEZ	655	800	BUY	1,41,489	42.4	36.8	44.7	15.5	17.8	14.7	13.8	11.8	9.9	10.8	11.9	13.3	18.3	14.0	14.8
Container Corporation	600	700	HOLD	34,121	20.8	20.6	21.6	28.8	29.2	27.8	4.9	5.1	4.6	10.0	9.7	10.7	10.6	9.7	9.4
Transport Corp. of India	618	810	BUY	4,508	42.5	44.3	51.1	14.5	13.9	12.1	9.8	8.8	7.6	19.4	18.3	18.1	19.3	17.1	16.7
TCL Express	1,430	2,150	BUY	5,474	37.6	48.4	61.5	38.0	29.5	23.3	27.2	21.1	16.7	30.7	32.4	33.1	24.4	25.6	26.0
Mahindra Logistics	365	410	HOLD	2,617	3.7	7.7	15.1	99.6	47.6	24.1	10.9	8.7	6.8	22.2	25.6	30.5	4.7	9.2	15.9
Gateway Distriparks	64	75	HOLD	3,198	3.4	3.8	4.7	18.8	16.7	13.6	9.2	7.8	6.7	14.5	16.8	19.1	9.9	10.5	11.9

Source: ICICI Direct Research

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Sell: <-15%



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