

# Shubh Nivesh



CMP: ₹ 374

Target: ₹ 450 (20%)

Target Period: 6-12 months

Sep 18, 2023

**BUY (HIGH CONVICTION IDEA)**

## Profitability turnaround nearing, as expected losses on the B2B front lowers down...

**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

### Investment Rationale:

- Integration with the acquired Rivigo B2B vertical expected to improve overall volumes and lower losses:** The company saw a volume drop in Q1 (25-30%), due to ongoing integration with the Rivigo vertical (integration began in Q4FY23 end). However, synergies such as transportation cost reduction and consolidation of facilities and infra is on track, while the management is actively clawing back lost volumes and expects Q3 to witness positive traction.
- Festive season expected to normalise E-Commerce sales, higher warehousing utilisation:** As per Redseer report, the festive season has begun with a strong sales figure (up 16%), due to festive season sale and accessible financing options (FY24 has witnessed demand moderation on the E-Commerce front). Although these are initial trends (higher premiumisation seen), it reinforces belief in normalisation of positive Indian consumption story. E-Commerce typically utilises higher warehousing component and hence is beneficial on both volumes and margins front.
- Asset light business model, with projected 15%+ RoE in FY25E:** The management has targeted a RoE of 18% by FY26 and expects mid-teen growth each year in the 3PL business and other business (Last mile, MESPL etc) are also expected to follow suit and provide differentiated services. MLL range of services alongwith its integrated tailored services to clients, would help it to capture a larger wallet share of its customers.

### Rating and Target Price

- Although auto is expected to dominate the mix in the near to medium term, continued business addition in nonauto business and higher warehousing utilisation, along with cost-control measures are expected to keep MLL's long term ambitions intact.
- Assigning a PE multiple of 30x FY25E, we ascribe target of ₹ 450 per share and a **BUY** rating



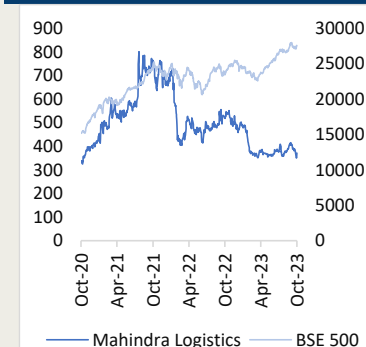
#### Particulars

Market Capitalisation (  cr)	2,682.0
Debt (FY23) (  cr)	401.4
Cash (FY23) (  cr)	126.2
EV (  cr)	2,957.2
52 Week High / Low ( )	559/349
Equity Capital (  cr)	71.5
Face Value (  cr)	10.0

#### Shareholding pattern

(in %)	Dec-22	Mar-23	Jun-23	Sep-23
Promoter	58.1	58.1	58.0	58.0
Others	41.9	41.9	42.0	42.0

#### Price Chart



#### Recent Event & Key risks

- The management targets to deliver 18% RoE by FY26
- Key Risk:** (i) Slowdown in the auto sector, (ii) Elevated diesel prices

#### Research Analyst

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### Key Financial Summary

crore	FY21	FY22	FY23	5 Years CAGR (FY17-23)	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%	56.2	108.5	103.2%
P/E (x)	89.0	72.4	102.1		47.8	24.7	
M.Cap/Sales (x)	0.8	0.7	0.5		0.5	0.4	
RoCE (%)	18.8	26.3	22.2		25.5	30.5	
RoE (%)	5.8	6.3	4.7		9.2	15.8	

Source: Company, ICICI Direct Research

## RATING RATIONALE

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Buy: >15%

Hold: -5% to 15%;

Reduce: -15% to -5%;

Sell: <-15%



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