

Mahindra Logistics

SELL

CMP Rs535

Target Rs424

Upside -21%

Result Highlights

- ✓ Mahindra logistics reported topline of Rs.9.7 bn (+20% yoy), lower than our estimate of Rs.10.5 bn.
- ✓ While Supply Chain Management (SCM) segment grew ~29% yoy, Enterprise Mobility (EM) division continued to struggle with revenue declining ~56% yoy. The performance in the EM segment was likely hit as large part of clients' employees continued to work from home (leading to lesser requirement of transportation).
- ✓ The Company reported EBITDA of Rs462 mn, (+21% yoy). Margins came flat yoy at 4.7% in Q4 FY21.
- ✓ During the quarter, the group has recognized an aggregate impairment loss of Rs. 27.5 mn related to investment in joint venture.
- ✓ The company paid Rs 2.5/share dividend for FY21

Our view: Q4 has been a mixed bag where Transportation segment has done reasonably well but warehousing segment has struggled. Going forward, we believe MLL's growth would be driven by growth in End use segments and how the new initiatives like Flex Warehousing solutions and EDEL (last mile delivery) play out. We largely retain our estimates for FY23 and retain our negative stance on the stock. While several new initiatives are being undertaken (like providing integrated solutions and value-added services), we believe the positives are priced in at current levels (trades at 40x FY23 EPS). We would await better entry point and retain SELL to target price of Rs.424.

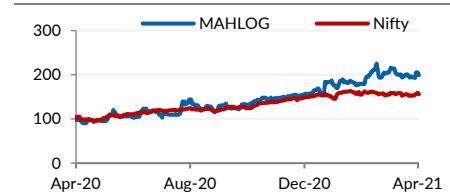
Exhibit 1: Result table

Particulars (Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Total sales	9,740	8,118	20.0	10,468	(7.0)
EBITDA	462	380	21.4	530	(12.8)
EBITDAM (%)	4.7	4.7	6 bps	5.1	-32 bps
Depreciation	261	220	18.4	243	7.3
Interest	56	57	(1.1)	55	2.6
Other income	47	31	49.5	18	164.2
PBT	191	134	42.4	250	(23.4)
Tax	40	36	9.4	66	(39.4)
Adjusted PAT	152	98	54.7	184	(17.7)
Exceptional item	28	-	NA	-	NA
Reported PAT	126	96	30.5	183	(31.1)
PATM (%)	1.6	1.2	35 bps	1.8	-20 bps
EPS (Rs)	1.8	1.3	30.5	2.6	(31.1)

Stock data (as on April 30, 2021)

Nifty	14,631
52 Week h/l (Rs)	615 / 240
Market cap (Rs/USD mn)	38301 / 517
Outstanding Shares (mn)	72
6m Avg t/o (Rs mn):	55
Div yield (%):	0.5
Bloomberg code:	MAHLOG IN
NSE code:	MAHLOG

Stock performance



	1M	3M	1Y
Absolute return	-7.9%	13.3%	105.8%

Shareholding pattern (As of Mar'21 end)

Promoter	58.34%
FII+DII	32.86%
Others	8.56%

Δ in stance

(1-Yr)	New	Old
Rating	SELL	SELL
Target Price	424	391

Financial Summary

	FY21	FY22e	FY23e
Revenue	32,637	37,524	42,305
YoY	(6.0)	15.0	12.7
EBIDTA	1,342	1,932	2,352
YoY	(15.2)	43.9	21.8
PAT	328	681	935
YoY	(40.7)	108.0	37.2
ROE	5.8	11.4	14.2
EPS	4.6	9.5	13.1
P/E	116.7	56.1	40.9

Δ in earnings estimates

	FY21	FY22e	FY23e
EPS (New)	4.6	9.5	13.1
EPS (Old)	4.6	10.1	13.0
% change	-	(5.9)	0.8

ALOK DEORA

Lead Analyst

alok.deora@ysil.in

+91 98205 13792



NISHANT SHAH, Associate

Nishant.shah@ysil.in

AMAR AMBANI, Sr. President, Head of Research

amar.ambani@ysil.in

Exhibit 2: Segmental Performance

Particulars (Rs mn)	Q4 FY21	Q4 FY20	% yoy	Q3 FY21	% qoq
Revenue (Rs. mn)					
Supply Chain	9,383	7,304	28.5	10,098	(7.1)
Enterprise Mobility	357	813	(56.1)	369	(3.3)
Revenues Mix (%)					
Supply Chain	96.3	90.0		96.5	
Enterprise Mobility	3.7	10.0		3.5	
EBIT (Rs. mn)					
Supply Chain	695	571	21.8	805	(13.6)
Enterprise Mobility	19	73	(73.4)	12	60.8
EBIT Margin (%)					
Supply Chain	7.4	7.8	(41 bps)	8.0	(56 bps)
Enterprise Mobility	5.4	8.9	(352 bps)	3.3	216 bps

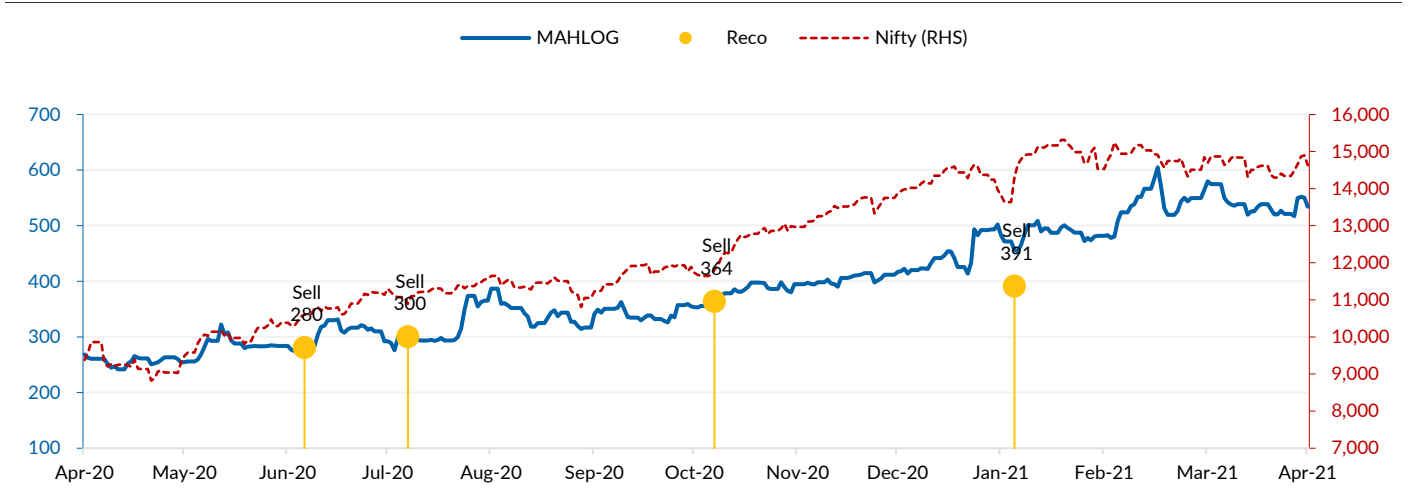
CON-CALL HIGHLIGHTS

- ✓ During Q4, the revenue growth was driven by the Supply Chain segment while the Enterprise Mobility (EM) segment continued to struggle. In terms of sectors the key drivers of growth were E-commerce, Consumer, Automotive and Freight Forwarding businesses. The EM segment was weak as Work from home continued in most of offices which reduced the transportation requirements.
- ✓ Other expenses were high during the quarter primarily due to reclassification of costs based on the type of services provided.
- ✓ Top 20 clients account for nearly 60% of the topline. There are more customers from the E-commerce and Consumer segment now as compared to earlier.
- ✓ **Transportation and Warehousing:** While the transportation segment was steady, pressure was seen in the Warehousing business. The revenue was impacted as January saw lesser than expected revenue generation. During last few years MLL has added 1.5-2 mn sq feet a year and expects strong growth in this segment. In Warehousing the Company is trying to provide more complex solutions and not just storage which would lead to higher margins.
- ✓ **E-comm:** Continue to see strong growth with focus on the digital side. Online shopping continued to be the preferred mode driven by safety issues due to COVID. The company believes that the demand will continue to be strong. While the Competition is high in this space, the industry would move towards providing more integrated service.
- ✓ **Lockdown impact:** The Warehousing segment is volatile during these times as end user demand gets impacted and hence the requirement for warehousing falls. The transport segment is relatively less volatile.
- ✓ The **Capex** for FY22 is pegged at ~Rs.800 mn and includes capex for Bajaj Electrical and Flipkart deal.
- ✓ **Integrated solutions:** Many customers are asking for integrated solutions, warehousing, sortation, inbound logistics etc. Earlier, different companies were partnered for providing different solutions which are changing over time. MLL is well positioned to provide end to end solutions and capitalize on the opportunity.

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- ✓ **Cash flow:** The company saw sharp improvement in cashflow from operations (Rs. 2.93 bn in FY21 vs Rs. 850 mn in FY20). Overall Cash improved to Rs.1.98 bn vs Rs.1 bn in FY20.
- ✓ **Growth Outlook:** Overall demand would take few weeks to rebound and currently some level of volatility persists. Certain segments like Pharma continue to remain robust. The sources of growth would be from following segments going forward a) Existing customers with basic services b) Existing customers with new solutions and c) addition of new customers. The recently added new accounts by MLL have been slow to ramp up and are expected to pick up in near term.

Recommendation Tracker



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YES Securities (India) Limited

Registered Office: Unit No. 602 A, 6th Floor, Tower 1 & 2, One International Center, Senapati Bapat Marg, Elphinstone Road, Mumbai - 400013, Maharashtra, India.

Email: research@ysil.in | Website: www.yesinvest.in

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Details of Compliance Officer: Name: Vaibhav Purohit, Email id: compliance@ysil.in, Contact No-+91-22-33479208

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