

July 23, 2024

## Q1FY25 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	HOLD		ACCUMULATE	
Target Price	500		508	
Sales (Rs. m)	62,217	71,211	62,304	71,311
% Chng.	(0.1)	(0.1)		
EBITDA (Rs. m)	2,990	3,820	3,000	3,832
% Chng.	(0.3)	(0.3)		
EPS (Rs.)	4.1	12.2	4.2	12.3
% Chng.	(2.5)	(1.0)		

### Key Financials - Consolidated

Y/e Mar	FY23	FY24	FY25E	FY26E
Sales (Rs. m)	51,283	55,060	62,217	71,211
EBITDA (Rs. m)	2,598	2,290	2,990	3,820
Margin (%)	5.1	4.2	4.8	5.4
PAT (Rs. m)	263	(623)	296	880
EPS (Rs.)	3.6	(8.6)	4.1	12.2
Gr. (%)	50.2	(336.9)	(147.5)	197.5
DPS (Rs.)	2.0	2.5	2.5	2.5
Yield (%)	0.4	0.5	0.5	0.5
RoE (%)	4.7	(11.8)	5.9	16.3
RoCE (%)	9.1	2.2	9.0	18.0
EV/Sales (x)	0.8	0.7	0.6	0.5
EV/EBITDA (x)	15.1	17.3	12.7	9.2
PE (x)	140.9	(59.5)	125.2	42.1
P/BV (x)	6.6	7.5	7.3	6.5

### Key Data

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52-W High / Low	Rs.555 / Rs.347
Sensex / Nifty	80,429 / 24,479
Market Cap	Rs.37bn/ \$ 442m
Shares Outstanding	72m
3M Avg. Daily Value	Rs.143.34m

### Shareholding Pattern (%)

Promoter's	58.03
Foreign	5.51
Domestic Institution	17.51
Public & Others	18.95
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	7.9	23.4	25.7
Relative	3.6	7.9	4.2

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## B2B challenges impacts quarter

### Quick Pointers:

- B2B express business continued to witness losses on both GM (loss of Rs6 crore) and EM front (loss of Rs132mn)
- Truck utilization in the B2B segment dropped QoQ and tonnage declined ~8%

**Mahindra Logistics' (MLL) consolidated revenue was marginally lower at Rs14.2bn (PLe: Rs15.2bn) in Q1FY25, down 2% QoQ, led by sequential reduction in core 3PL (down 2% QoQ to Rs11.6bn) and B2B express (down 8% QoQ to Rs0.8bn) businesses. However, EBITDA margin expanded 80bps YoY to 4.7% (PLe: 4.1%), driven by strong performance in its 3PL business (base had a non-recurring expense of ~Rs170mn). Subsequently, consolidated EBITDA rose 17% QoQ to Rs663mn (PLe: Rs622mn). Thereby, consolidated PBT/PAT showed sequential improvement (Q1FY25 loss of Rs25mn/Rs78mn vs Q4FY24 loss of Rs92mn/Rs119mn). The stock is currently trading at 42.1x FY26E earnings. We change the rating to 'Hold' with a TP of Rs500 based on 41x FY26E P/E multiple.**

- 3PL business:** MLL standalone witnessed a degrowth of 2% YoY in Q1FY25, led by moderate demand and contract labor unavailability during the quarter. Auto wholesale and farm showed muted to weak volume growth, which was negated to an extent by better performing consumer durables (esp. fan and AC segment), FMCG, E-com and telecom segments. There was an uptick of Rs2.1bn in order intake (from usual Rs1-1.5bn runrate); however, the order conversion was impacted by longer construction period.
- B2B express business:** Revenue reduced by 8% QoQ to Rs892mn. GP/EBITDA remained lower, but losses narrowed to Rs60mn/Rs137mn vs Rs60mn/Rs148mn. The demand environment remains challenging amid high competitive intensity. Although the management remains committed towards EBITDA breakeven in Q2, we expect it to get delayed by a quarter, as revival during the quarter looks bleak for the segment.
- Others:** Freight forwarding grew 12% QoQ to Rs711mn aided by growth in demand for inbound ocean cargo. Revenue from MLL Mobility remained flattish QoQ at Rs813mn. There has been a reduction in the demand for flex warehousing since FY21-22, and the company is avoiding signing any new agreements for capital intensive warehousing.



## Exhibit 1: 1QFY25 Result Overview

Y/e March (Rs mn)	1QFY25	1QFY24	YoY gr.	4QFY24	QoQ gr.	FY24	FY23	YoY gr.
<b>Net revenue</b>	<b>14,200</b>	<b>12,932</b>	<b>9.8%</b>	<b>14,508</b>	<b>-2.1%</b>	<b>55,060</b>	<b>51,283</b>	<b>7.4%</b>
Variable cost of sales	12,140	10,894	11.4%	12,395	-2.1%	46,880	43,865	6.9%
<i>% of net sales</i>	<i>85.5%</i>	<i>84.2%</i>		<i>85.4%</i>		<i>85.1%</i>	<i>85.5%</i>	
Employee expense	1,020	992	2.8%	938	8.7%	4,047	3,546	14.1%
<i>% of net sales</i>	<i>7.2%</i>	<i>7.7%</i>		<i>6.5%</i>		<i>7.4%</i>	<i>6.9%</i>	
Other expense	378	381	-0.7%	608	-37.8%	1,842	1,275	44.5%
<i>% of net sales</i>	<i>2.7%</i>	<i>2.9%</i>		<i>4.2%</i>		<i>3.3%</i>	<i>2.5%</i>	
Total expense	13,537	12,266	10.4%	13,942	-2.9%	52,769	48,685	8.4%
<b>EBITDA</b>	<b>663</b>	<b>666</b>	<b>-0.5%</b>	<b>566</b>	<b>17.1%</b>	<b>2,290</b>	<b>2,598</b>	<b>-11.8%</b>
<i>EBITDA Margin (%)</i>	<i>4.7%</i>	<i>5.2%</i>		<i>3.9%</i>		<i>4.2%</i>	<i>5.1%</i>	
Depreciation	550	545	0.9%	513	7.2%	2,090	1,895	10.3%
<b>EBIT</b>	<b>113</b>	<b>122</b>	<b>-7.0%</b>	<b>53</b>	<b>NA</b>	<b>201</b>	<b>703</b>	<b>-71.5%</b>
Interest expense	195	178	9.6%	174	11.8%	682	516	32.2%
Other income	57	62	-8.3%	29	NA	179	159	12.9%
Extraordinary income/expense	-	-	NA	-	NA	38	-	NA
<b>PBT</b>	<b>(25)</b>	<b>6</b>	<b>NA</b>	<b>(92)</b>	<b>NA</b>	<b>(264)</b>	<b>345</b>	<b>NA</b>
Total tax	53	89	NA	27	NA	257	71	NA
<b>PAT</b>	<b>(78)</b>	<b>(83)</b>	<b>NA</b>	<b>(119)</b>	<b>NA</b>	<b>(521)</b>	<b>274</b>	<b>NA</b>
<i>PAT margin (%)</i>	<i>-0.6%</i>	<i>-0.6%</i>		<i>-0.8%</i>		<i>-0.9%</i>	<i>0.5%</i>	<i>NA</i>

Source: Company, PL

**Exhibit 2: Standalone business witnesses degrowth**

(Rs bn)	Q1FY25	Q4FY24	QoQ gr.	Q1FY24	YoY gr.
<b>MLL Standalone</b>					
Revenue	11.6	11.8	-2.2%	10.5	10.1%
EBITDA	0.7	0.6	12.1%	0.8	-13.9%
EBITDA (%)	6.2%	5.4%		7.9%	
PAT	0.1	0.1	29.1%	0.2	-55.7%
PAT(%)	0.9%	0.7%		2.2%	
<b>Lords Freight</b>					
Revenue	0.7	0.6	12.1%	0.8	-7.4%
EBITDA	0.0	0.0	120.0%	0.0	37.5%
EBITDA (%)	3.1%	1.6%		2.1%	
PAT	0.0	0.0	50.0%	0.0	12.5%
PAT(%)	2.5%	1.9%		2.1%	
<b>MLL Mobility</b>					
Revenue	0.8	0.8	0.7%	0.8	0.2%
EBITDA	0.0	0.0	-34.4%	0.0	NA
EBITDA (%)	2.6%	4.0%		-0.6%	
PAT	0.0	0.0	-26.1%	0.0	NA
PAT(%)	2.1%	2.9%		-2.2%	
<b>MLL Express</b>					
Revenue	0.9	1.0	-8.2%	0.8	5.8%
EBITDA	-0.1	-0.1	NA	-0.2	NA
EBITDA (%)	-15.4%	-15.3%		-22.1%	
PAT	-0.2	-0.3	NA	-0.3	NA
PAT(%)	-27.6%	-25.7%		-34.9%	
<b>2x2 Logistics</b>					
Revenue	0.2	0.1	3.4%	0.1	14.4%
EBITDA	0.0	0.0	18.2%	0.0	NA
EBITDA (%)	25.8%	22.6%		9.1%	
PAT	0.0	0.0	54.5%	0.0	NA
PAT(%)	11.3%	7.5%		0.8%	
<b>V-Link</b>					
Revenue	-	-	NA	-	NA
EBITDA	(0.0)	(0.0)	NA	(0.0)	NA
EBITDA (%)	NA	NA		NA	
PAT	(0.0)	(0.0)	NA	(0.0)	NA
PAT(%)	NA	NA		NA	
<b>Whizzard</b>					
Revenue	0.4	0.3	17.8%	-	NA
EBITDA	0.0	0.0	33.3%	-	NA
EBITDA (%)	0.0%	0.9%		NA	
PAT	0.0	0.0	100.0%	(0.0)	NA
PAT(%)	0.0%	0.3%		NA	

Source: Company, PL

## Conference Call Highlights:

### 3PL segment

- Demand from the automotive segment remained subdued due to heatwave across the country and general elections; the two-wheeler segment recorded the highest growth of 11% YoY, followed by PV at 6% YoY, and CV and tractors at 4% YoY each.
- Electrical consumer durables witnessed a strong quarter due to the summer season with increased demand for ACs and coolers. Strong real estate sales are expected to drive demand for the consumer durables segment in the current financial year. FMCG sector also witnessed a healthy quarter, specially in the northern region of the country due to the extreme summer.
- E-commerce has been witnessing moderate growth since the past 3-4 quarters, despite segments like hyperlocal and grocery growing at a rapid pace.

### B2B Express

- Overall volume in the quarter stood at ~68,000 ton (down 8-9% QoQ). The management is focused on generating higher volume by adding new accounts and expects volume growth of 10-15% in Q2FY25E.

### Others

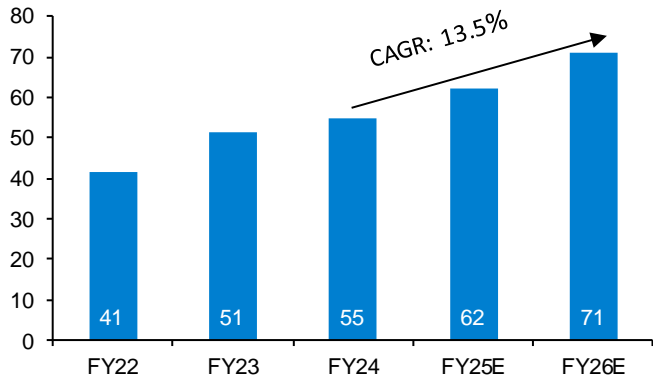
- The company expects a turnaround in E-commerce business, enabling the segment to contribute to 15-16% of the topline for FY25E.

#### Exhibit 3: Revenue/EBITDA to clock CAGR of 14%/29% over FY24-26E

(Rs mn)	FY22	FY23	FY24	FY25E	FY26E
Revenue	41408	51283	55060	62217	71211
<i>Growth</i>	<i>26.9%</i>	<i>23.8%</i>	<i>7.4%</i>	<i>13.0%</i>	<i>14.5%</i>
Gross profit	5909	7418	8180	9497	11155
<i>Gross margins</i>	<i>14.3%</i>	<i>14.5%</i>	<i>14.9%</i>	<i>15.3%</i>	<i>15.7%</i>
Operational cost	35499	43865	46880	52720	60056
<i>% of sales</i>	<i>85.7%</i>	<i>85.5%</i>	<i>85.1%</i>	<i>84.7%</i>	<i>84.3%</i>
EBITDA	1842	2598	2290	2990	3820
<i>Margins</i>	<i>4.4%</i>	<i>5.1%</i>	<i>4.2%</i>	<i>4.8%</i>	<i>5.4%</i>
<i>Growth</i>	<i>37.3%</i>	<i>41.0%</i>	<i>-11.8%</i>	<i>30.6%</i>	<i>27.8%</i>
Other income	136	159	179	239	304
Interest	298	516	682	538	471
PBT	262	345	-264	431	1211
Tax	113	71	257	108	305
PAT	175	263	-547	296	880
<i>Growth</i>	<i>-41.6%</i>	<i>50.5%</i>	<i>-308.3%</i>	<i>-154.0%</i>	<i>197.5%</i>
EPS	2.4	3.6	-7.6	4.1	12.2

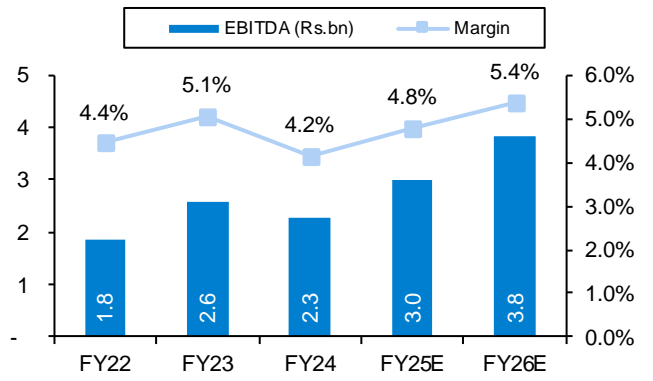
Source: Company, PL

**Exhibit 4: Revenue to grow at 13.5% CAGR FY24-26E (Rs bn)**



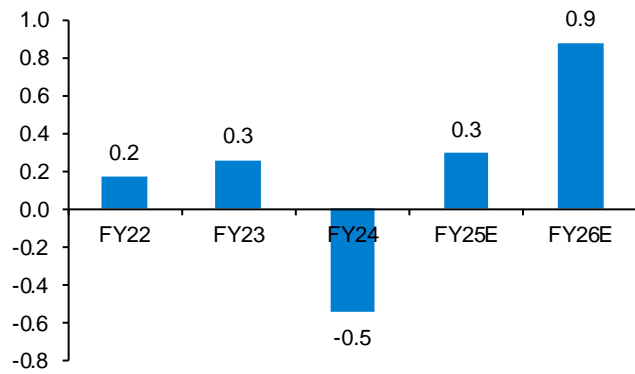
Source: Company, PL

**Exhibit 5: B2B breakeven leads to EBITDA margin expansion**



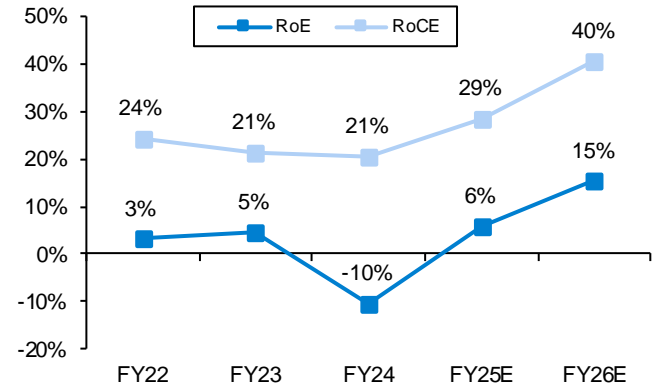
Source: Company, PL

**Exhibit 6: PAT to rebound in FY25E (Rs bn)**

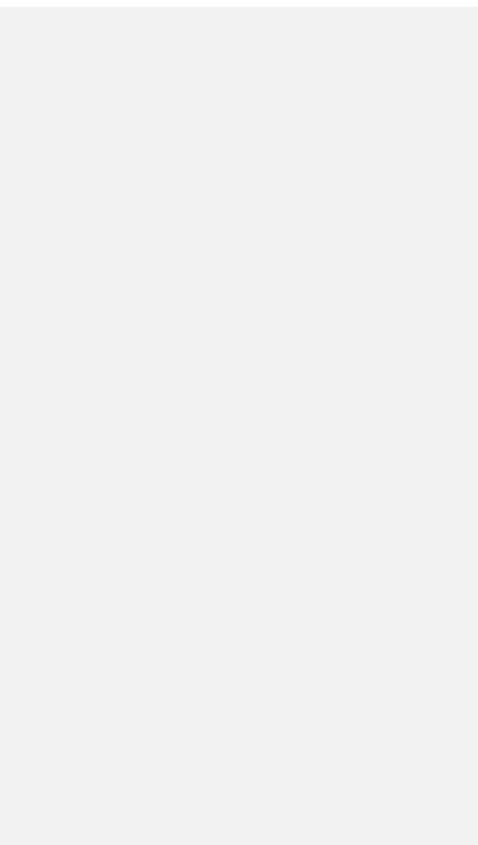


Source: Company, PL

**Exhibit 7: RoE/RoCE to witness sharp recovery from FY25E**



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Net Revenues</b>	<b>51,283</b>	<b>55,060</b>	<b>62,217</b>	<b>71,211</b>
YoY gr. (%)	23.8	7.4	13.0	14.5
Cost of Goods Sold	43,865	46,880	52,720	60,056
Gross Profit	7,418	8,180	9,497	11,155
Margin (%)	14.5	14.9	15.3	15.7
Employee Cost	3,546	4,047	4,699	5,336
Other Expenses	1,275	1,842	1,808	1,998
<b>EBITDA</b>	<b>2,598</b>	<b>2,290</b>	<b>2,990</b>	<b>3,820</b>
YoY gr. (%)	41.0	(11.8)	30.6	27.8
Margin (%)	5.1	4.2	4.8	5.4
Depreciation and Amortization	1,895	2,090	2,260	2,442
<b>EBIT</b>	<b>703</b>	<b>201</b>	<b>730</b>	<b>1,378</b>
Margin (%)	1.4	0.4	1.2	1.9
Net Interest	516	682	538	471
Other Income	159	179	239	304
<b>Profit Before Tax</b>	<b>345</b>	<b>(264)</b>	<b>431</b>	<b>1,211</b>
Margin (%)	0.7	(0.5)	0.7	1.7
Total Tax	71	257	108	305
Effective tax rate (%)	20.6	(97.3)	25.2	25.2
<b>Profit after tax</b>	<b>274</b>	<b>(521)</b>	<b>322</b>	<b>907</b>
Minority interest	(17)	17	17	17
Share Profit from Associate	(28)	(10)	(10)	(10)
<b>Adjusted PAT</b>	<b>263</b>	<b>(623)</b>	<b>296</b>	<b>880</b>
YoY gr. (%)	50.5	(337.0)	(147.5)	197.5
Margin (%)	0.5	(1.1)	0.5	1.2
Extra Ord. Income / (Exp)	-	75	-	-
<b>Reported PAT</b>	<b>263</b>	<b>(547)</b>	<b>296</b>	<b>880</b>
YoY gr. (%)	50.5	(308.3)	(154.0)	197.5
Margin (%)	0.5	(1.0)	0.5	1.2
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	263	(547)	296	880
<b>Equity Shares O/s (m)</b>	<b>72</b>	<b>72</b>	<b>72</b>	<b>72</b>
<b>EPS (Rs)</b>	<b>3.6</b>	<b>(8.6)</b>	<b>4.1</b>	<b>12.2</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>7,183</b>	<b>7,735</b>	<b>8,585</b>	<b>9,435</b>
Tangibles	4,307	4,826	5,676	6,526
Intangibles	2,876	2,909	2,909	2,909
<b>Acc: Dep / Amortization</b>	<b>2,799</b>	<b>3,463</b>	<b>4,461</b>	<b>5,578</b>
Tangibles	2,340	2,807	3,602	4,516
Intangibles	459	656	859	1,063
<b>Net fixed assets</b>	<b>4,384</b>	<b>4,272</b>	<b>4,124</b>	<b>3,857</b>
Tangibles	1,968	2,019	2,074	2,011
Intangibles	2,417	2,254	2,050	1,846
Capital Work In Progress	38	162	162	162
Goodwill	43	588	588	588
Non-Current Investments	1,410	872	915	961
Net Deferred tax assets	416	453	453	453
Other Non-Current Assets	5,416	5,022	4,416	3,677
<b>Current Assets</b>				
Investments	672	59	1,059	2,059
Inventories	4	-	-	-
Trade receivables	6,525	7,019	7,671	8,779
Cash & Bank Balance	1,262	711	841	1,359
Other Current Assets	-	-	-	-
<b>Total Assets</b>	<b>25,529</b>	<b>24,772</b>	<b>25,899</b>	<b>27,622</b>
<b>Equity</b>				
Equity Share Capital	720	721	721	721
Other Equity	4,896	4,204	4,320	5,020
<b>Total Network</b>	<b>5,617</b>	<b>4,925</b>	<b>5,040</b>	<b>5,740</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	2,236	2,236	1,736	536
Provisions	327	336	343	350
Other non current liabilities	4,327	4,007	4,762	4,996
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,778	1,150	1,149	1,150
Trade payables	10,481	11,112	11,932	13,657
Other current liabilities	778	889	950	1,077
<b>Total Equity &amp; Liabilities</b>	<b>25,529</b>	<b>24,772</b>	<b>25,899</b>	<b>27,622</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY23	FY24	FY25E	FY26E
PBT	274	(521)	322	907
Add. Depreciation	1,895	2,090	2,260	2,442
Add. Interest	516	682	538	471
Less Financial Other Income	159	179	239	304
Add. Other	78	(211)	-	-
Op. profit before WC changes	2,763	2,040	3,121	3,819
Net Changes-WC	(597)	(5)	174	686
Direct tax	(738)	-	-	-
<b>Net cash from Op. activities</b>	<b>1,427</b>	<b>2,035</b>	<b>3,295</b>	<b>4,505</b>
Capital expenditures	(623)	(617)	(850)	(850)
Interest / Dividend Income	-	-	-	-
Others	(206)	206	(1,523)	(1,179)
<b>Net Cash from Inv. activities</b>	<b>(829)</b>	<b>(411)</b>	<b>(2,373)</b>	<b>(2,029)</b>
Issue of share cap. / premium	19	0	(1,349)	-
Debt changes	3,609	(629)	(500)	(1,200)
Dividend paid	(144)	(180)	180	180
Interest paid	(516)	(682)	(538)	(471)
Others	(3,424)	(908)	1,415	(468)
<b>Net cash from Fin. activities</b>	<b>(456)</b>	<b>(2,398)</b>	<b>(792)</b>	<b>(1,959)</b>
<b>Net change in cash</b>	<b>142</b>	<b>(774)</b>	<b>130</b>	<b>518</b>
Free Cash Flow	804	1,418	2,445	3,655

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY23	FY24	FY25E	FY26E
<b>Per Share(Rs)</b>				
EPS	3.6	(8.6)	4.1	12.2
CEPS	30.0	20.4	35.5	46.1
BVPS	78.0	68.3	70.0	79.7
FCF	11.2	19.7	33.9	50.7
DPS	2.0	2.5	2.5	2.5
<b>Return Ratio(%)</b>				
RoCE	9.1	2.2	9.0	18.0
ROIC	9.6	4.8	8.8	24.2
RoE	4.7	(11.8)	5.9	16.3
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.4	0.5	0.2	(0.3)
Net Working Capital (Days)	(28)	(27)	(25)	(25)
<b>Valuation(x)</b>				
PER	140.9	(59.5)	125.2	42.1
P/B	6.6	7.5	7.3	6.5
P/CEPS	17.2	25.2	14.5	11.1
EV/EBITDA	15.1	17.3	12.7	9.2
EV/Sales	0.8	0.7	0.6	0.5
Dividend Yield (%)	0.4	0.5	0.5	0.5

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

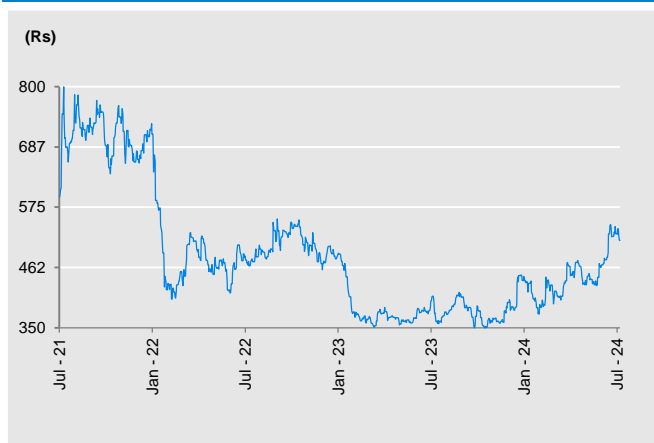
Y/e Mar	Q2FY24	Q3FY24	Q4FY24	Q1FY25
<b>Net Revenue</b>	<b>13,648</b>	<b>13,972</b>	<b>14,508</b>	<b>14,200</b>
YoY gr. (%)	2.9	5.1	14.0	9.8
Raw Material Expenses	11,644	11,947	12,395	12,140
Gross Profit	2,004	2,025	2,112	2,061
Margin (%)	14.7	14.5	14.6	14.5
<b>EBITDA</b>	<b>536</b>	<b>522</b>	<b>566</b>	<b>663</b>
YoY gr. (%)	(20.7)	(16.8)	(11.2)	(0.5)
Margin (%)	3.9	3.7	3.9	4.7
Depreciation / Depletion	518	515	513	550
<b>EBIT</b>	<b>18</b>	<b>8</b>	<b>53</b>	<b>113</b>
Margin (%)	0.1	0.1	0.4	0.8
Net Interest	165	164	174	195
Other Income	66	23	29	57
<b>Profit before Tax</b>	<b>(82)</b>	<b>(172)</b>	<b>(92)</b>	<b>(25)</b>
Margin (%)	(0.6)	(1.2)	(0.6)	(0.2)
Total Tax	73	68	27	53
Effective tax rate (%)	(89.2)	(39.7)	(29.2)	(213.6)
<b>Profit after Tax</b>	<b>(155)</b>	<b>(240)</b>	<b>(119)</b>	<b>(78)</b>
Minority interest	3	3	9	15
Share Profit from Associates	(2)	(7)	-	-
<b>Adjusted PAT</b>	<b>(159)</b>	<b>(197)</b>	<b>(128)</b>	<b>(93)</b>
YoY gr. (%)	(230.7)	(1,518.3)	1,467.1	9.0
Margin (%)	(1.2)	(1.4)	(0.9)	(0.7)
Extra Ord. Income / (Exp)	-	(53)	-	-
<b>Reported PAT</b>	<b>(159)</b>	<b>(251)</b>	<b>(128)</b>	<b>(93)</b>
YoY gr. (%)	(230.7)	(1,902.2)	1,467.1	9.0
Margin (%)	(1.2)	(1.8)	(0.9)	(0.7)
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>(159)</b>	<b>(251)</b>	<b>(128)</b>	<b>(93)</b>
Avg. Shares O/s (m)	72	72	72	72
<b>EPS (Rs)</b>	<b>(2.2)</b>	<b>(2.7)</b>	<b>(1.8)</b>	<b>(1.3)</b>

Source: Company Data, PL Research

**Key Operating Metrics**

Y/e Mar	FY23	FY24	FY25E	FY26E
Warehousing space (in mn sq)	19	20	21	23

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	05-Jul-24	Accumulate	508	520
2	23-Apr-24	Accumulate	500	452
3	12-Apr-24	Accumulate	500	467

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Delhivery	BUY	530	399
2	Mahindra Logistics	Accumulate	508	520
3	TCI Express	BUY	1,410	1,248

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly





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