



**DALAL & BROACHA**  
STOCK BROKING PVT. LTD.

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## Result Update@ Dalal and Broacha

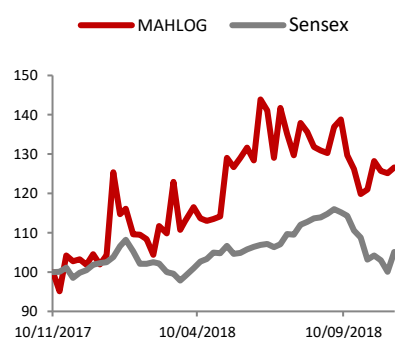
### ACCUMULATE

Current Price	525
52 Week Range	653/405
Target Price	575
Upside(12mths)	9.5%

### Key Share Data

Market Cap (Rs.bn)	37.32
Market Cap (US\$ mn)	509.08
No of o/s shares (mn)	71.14
Face Value	10
Monthly Avg. Vol(BSE+NSE)	12911
BSE Code	540768
NSE Code	MAHLOG
Bloomberg	MAHLOG:IN

### Price performance



% Shareholding	Sep-18	June-18
Promoters	61.05	61.05
Institutions	19.25	20.50
Others	19.70	18.90
<b>Total</b>	<b>100</b>	<b>100</b>

### MLL Q2FY19 Result was in line with our estimates.

**Q2FY19 Update: Revenue** Increased by 11% Y-O-Y at Rs. 9273.50mn.

**EBITDA & EBITDA Margins:** Increased by 30.6% at Rs. 339.60mn & Margins at 3.66% v/s 3.11% Y-O-Y mainly on account of lower freight cost.

Optimizations of operations lead to expansion of gross margins + better revenue mix.

**Freight cost:** 77.77% v/s 78.23% Y-O-Y.

**PAT (EXC. MI):** Increased by 37% Y-O-Y to Rs. 189.40mn

### SEGMENTS:

**SCM business (90% of Revenue):** Overall SCM Revenues increased by 10.7% YoY to Rs 8290mn / Gross Margins 7.81% v/s 7.5% YoY

a) **Mahindra SCM** (56% of Revenues) Increased by 17% YoY to Rs 5190mn

b) **Non Mahindra SCM** (33% of Revenue) Increased by 1.65% YoY to Rs 3100mn. Within which high margins Warehouse and value added business +24% YoY to Rs 850mn and transportation business has come down by 4.87% YoY to Rs 225mn

**PTS business (~10% of Revenues):** Increased by 13% YoY to Rs 981mn / Gross margins 10.98% v/s 8.2% YoY

### H1FY19:

**Revenues** Increased by 10% YoY to Rs 18,555.4mn

**EBITDA & EBITDA Margins:** Increased by 9% YoY to Rs 744.70mn & Margins at 4.01% vs 3.11% on a/c of lower freight cost.

**Freight cost** 79.19% vs 79.42% YoY

**PAT** Increased by 50% YoY to Rs 429.50mn

### SEGMENTS

**SCM:** Increased by 10% YoY to Rs 16,674mn / Gross margins 8.16 v/s 7.40

**PTS:** Increased by 9% YoY to Rs 1,880.9mn / Gross margins 10.81 v/s 9.12

### MLL Concall KTA's:

**-M&M:** Non-M&M business 55.1 v/s 57.7% in H1FY19

-Non-M&M SCM growth was impacted mainly due to i) change in product mix and market mix of one the large clients. ii) Shift in Festive season from Q2 to Q3 in FY19. iii) Truckers strike impacted general trade and in-factory logistics.

-Marque clients Non M&M SCM business added that will bring back growth to double digit for this segment in H2FY19: Marque clients added in this quarter (including large European MNC, companies in diversified aviation locomotive, Textile industry etc. companies in e-commerce front; clients for warehouse + sorting centers were also added)

-Mix is 60% distribution 40% warehousing

-Top 20 customer contribution to revenue reduced to 62% v/s 67% Q-O-Q / as one of the clients business has reduced plus other clients are also increasing business

**-Guidance:** Management is confident to get an aggressive growth in H2FY19, which would lead to double digit growth in overall H2FY19 for Non- M&M segment.

-Overall margin guidance maintained at 50bps improvement for full year

-In H1FY19 6Lac sq.ft. of warehousing was added by MLL target 1mn for FY19 this is in addition to client expansions

- Invested in ShipX and increased stake in its subsidiary "Lords" at 73.5% which will now go up to 83.7%.

-Retention rate at 96% for top 25 customers.

-Chakan warehouse at 90% utilization and wish to add another warehouse in same area due to strong demand from same area.

-Launch of National logistics Portal, push in DCF trial and other initiatives from government to boost logistics industry.

-As the Non-Mahindra SCM business in H1FY19 was below our expectations, we revise our EPS estimation from Rs. 14 to Rs.13.65 in FY19 & Rs.19.60 to Rs. 18.91 in FY20. However overall outlook remains strong with addition of marque clients

**Valuations:** @ Rs 525 38x FY19e EPS of Rs 13.65 and 28x FY20e EPS of Rs 18.91.

We recommend **Accumulate** for Long-term.



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P&L (Rs mn)	Q2FY18	Q2FY19	H1FY18	H1FY19
Operating Income	8359.2	9273.50	16883.9	18555.40
<i>Growth</i>		11%		10%
Freight Cost	6572.6	7211.90	13409.8	14507.80
<i>Growth</i>		10%		8%
<b>% OP Income</b>	78.6%	77.8%	79.4%	78.2%
Employee Cost	561	631.00	1097.7	1238.00
<i>Growth</i>		12%		13%
<b>% OP Income</b>	6.7%	6.8%	6.5%	6.7%
Other Expenses	965.5	1091.00	1850.9	2064.90
<i>Growth</i>		13%		12%
<b>EBIDTA</b>	260.10	339.60	525.50	744.70
<i>Growth</i>		31%		42%
<b>EBIDTA Margins</b>	3.11%	3.66%	3.11%	4.01%
Depreciation	49.7	51.30	91.4	101.90
PBIT	210.40	288.30	434.10	642.80
Other income	16.2	12.90	36.1	41.70
<i>Growth</i>		-20%		16%
Interest	9.2	8.10	18.1	15.80
<i>Growth</i>		-12%		-13%
<b>PBT Before Exeptional</b>	217.40	293.10	452.10	668.70
<i>Growth</i>		35%		48%
Extra Ordinary Fixed term consultant fees				
Profit before tax (post exceptional)	217.40	293.10	452.10	668.70
Provision for tax	79.2	102.20	162.8	234.70
PAT	138.20	190.90	289.30	434.00
Minority Interest	0.5	-1.50	-2.6	-4.50
Net Profit Reported	138.70	189.40	286.70	429.50
<b>Adjusted Net Profit</b>	138.70	189.40	286.70	429.50
<i>Growth</i>		37%		50%
NPM	1.7%	2.0%	1.7%	2.3%
Equity	711.4	711.4	711.4	711.4
<b>EPS on Adjusted PAT</b>	1.95	2.66	4.03	6.04



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P&L (Rs mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E	Cash Flow St. (Rs. mn)	FY16	FY17	FY18	FY19E	FY20E	FY21E
Net Sales	20,639.3	26,665.9	34,161.2	39,733.9	47,107.8	54,726.3	Net Profit	399.3	600.4	705.0	971.0	1,345.4	1,589.6
Freight Expenses	(16,554.7)	(20,939.6)	(26,785.0)	(31,151.3)	(36,744.0)	(42,686.6)	Add: Dep. & Amort.	83.0	146.0	197.3	242.5	296.7	359.9
Employee Cost	(1,508.9)	(1,883.0)	(2,291.2)	(2,634.9)	(3,030.1)	(3,545.2)	<b>Cash profits</b>	<b>482.3</b>	<b>746.4</b>	<b>902.3</b>	<b>1,213.4</b>	<b>1,642.1</b>	<b>1,949.5</b>
Other Expenses	(1,990.8)	(2,875.1)	(3,787.7)	(4,257.3)	(5,029.8)	(5,830.1)	<b>(Inc)/Dec in</b>						
<b>Operating Profit</b>	<b>585.0</b>	<b>968.2</b>	<b>1,297.3</b>	<b>1,690.3</b>	<b>2,303.8</b>	<b>2,664.5</b>	-Sundry debtors	(458.3)	(1,668.5)	(1,079.6)	(848.3)	(404.4)	(294.0)
Depreciation	(83.0)	(146.0)	(197.3)	(242.5)	(296.7)	(359.9)	-Inventories	-	-	-	-	-	-
PBIT	502.0	822.2	1,100.0	1,447.8	2,007.1	2,304.5	-Loans/advances	(170.0)	20.0	250.0	-	-	-
Other income	131.9	96.5	58.8	68.2	79.3	154.3	-Other Current Assets	(259.5)	(629.0)	(409.2)	(281.2)	(328.5)	(384.0)
							-Current Liab and						
Interest	(13.0)	(35.0)	(37.7)	(38.3)	(38.9)	(39.5)	Provisions	127.0	(32.4)	99.0	67.0	77.1	88.7
PBT	620.9	883.7	1,121.1	1,477.7	2,047.5	2,419.2	Sundry Creditors	37.4	1,764.3	870.2	257.7	919.3	626.0
Extraordinary Fixed term consultant fees	61.6	205.7	100.0	-	-	-	Change in working capital	(723.3)	(545.6)	(269.6)	(804.9)	263.5	36.8
Profit before tax (post exceptional)	559.3	678.0	1,021.1	1,477.7	2,047.5	2,419.2	<b>CF from Oper. activities</b>	<b>(241.1)</b>	<b>200.8</b>	<b>632.7</b>	<b>408.5</b>	<b>1,905.6</b>	<b>1,986.3</b>
Provision for tax	(199.8)	(217.5)	(368.4)	(487.7)	(675.7)	(798.3)	<b>CF from Inv. activities</b>	<b>75.3</b>	<b>(143.9)</b>	<b>(159.6)</b>	<b>(250.0)</b>	<b>(300.0)</b>	<b>(350.0)</b>
<b>Reported PAT</b>	<b>359.5</b>	<b>460.5</b>	<b>652.7</b>	<b>990.1</b>	<b>1,371.9</b>	<b>1,620.9</b>	<b>CF from Fin. activities</b>	<b>(18.9)</b>	<b>(391.2)</b>	<b>(314.7)</b>	<b>33.5</b>	<b>(52.4)</b>	<b>(115.5)</b>
MI	6.0	(4.8)	(12.6)	(19.1)	(26.5)	(31.3)							
Net Profit	365.5	455.7	640.1	971.0	1,345.4	1,589.6							
<b>Adjusted Profit ( excl Exceptionals)</b>	<b>399.3</b>	<b>600.4</b>	<b>705.0</b>	<b>971.0</b>	<b>1,345.4</b>	<b>1,589.6</b>	<b>Cash generated/(utilised)</b>	<b>(184.7)</b>	<b>(334.3)</b>	<b>158.4</b>	<b>192.1</b>	<b>1,553.2</b>	<b>1,520.8</b>
							Cash at start of the year	1,021.0	836.3	502.0	660.3	852.4	2,405.6
							Cash at end of the year	836.3	502.0	660.3	852.4	2,405.6	3,926.4
											(0.0)	-	-
<b>Balance Sheet</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>	<b>Ratios</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19E</b>	<b>FY20E</b>	<b>FY21E</b>
Equity capital	598.2	680.0	711.4	711.4	711.4	711.4	OPM	2.8	3.6	3.8	4.3	4.9	4.9
CCPS	408.9	-	-	-	-	-	NPM	1.92	2.24	2.06	2.44	2.85	2.90
Reserves	2,010.9	2,796.6	3,484.6	4,295.4	5,418.7	6,746.0	Tax rate	(35.7)	(32.1)	(36.1)	(33.0)	(33.0)	(33.0)
<b>Net worth</b>	<b>3,018.0</b>	<b>3,476.6</b>	<b>4,196.0</b>	<b>5,006.8</b>	<b>6,130.2</b>	<b>7,457.5</b>	<b>Growth Ratios (%)</b>						
MI	29.4	47.9	69.5	88.6	115.1	146.4	Net Sales	7	29.2	28.1	16.3	18.6	16.2
<b>Non Current Liabilities</b>	<b>341.1</b>	<b>328.6</b>	<b>328.4</b>	<b>350.6</b>	<b>376.0</b>	<b>405.3</b>	Operating Profit	(1.7)	65.5	34.0	30.3	36.3	15.7
<b>Current Liabilities</b>	<b>2,526.3</b>	<b>4,314.9</b>	<b>5,266.1</b>	<b>5,572.6</b>	<b>6,547.8</b>	<b>7,237.7</b>	PBIT	(6.2)	63.8	33.8	31.6	38.6	14.8
<b>TOTAL LIABILITIES</b>	<b>5,914.7</b>	<b>8,167.9</b>	<b>9,860.0</b>	<b>11,018.6</b>	<b>13,169.1</b>	<b>15,246.9</b>	PAT	(0.6)	50.4	17.4	37.7	38.6	18.2
<b>Non Current Assets</b>	<b>1,070.0</b>	<b>1,469.0</b>	<b>2,018.5</b>	<b>1,887.1</b>	<b>1,786.9</b>	<b>1,705.5</b>	<b>Per Share (Rs.)</b>						
Fixed Assets	480.3	578.7	621.1	628.6	631.9	622.0	Net Earnings (EPS)	6.67	8.83	9.91	13.65	18.91	22.34
Goodwill	43.3	43.3	43.3	43.3	43.3	43.3	Cash Earnings (CPS)	8.1	11.0	12.7	17.1	23.1	27.4
Non Current Investments	0.2	0.2	-	-	-	-	Dividend	-	-	1.5	1.9	2.6	3.1
Deferred Tax Asset	87.6	131.9	141.1	144.0	144.0	144.0	Book Value	50.4	51.1	59.0	70.4	86.2	104.8
Long Term Loans and Advances	-	-	-	-	-	-	Free Cash Flow	(9.0)	0.6	6.6	3.0	23.4	23.9
Other Non Current Assets	458.7	714.9	1,213.0	1,071.1	967.7	896.2	<b>Valuation Ratios</b>						
<b>Current Assets</b>	<b>4,844.6</b>	<b>6,699.0</b>	<b>7,841.5</b>	<b>9,131.5</b>	<b>11,382.2</b>	<b>13,541.4</b>	P/E(x)	<b>78.7</b>	<b>59.5</b>	<b>53.0</b>	<b>38.5</b>	<b>27.8</b>	<b>23.5</b>
Current investments	680.9	580.4	500.5	500.5	500.5	500.5	P/B(x)	10.4	10.3	8.9	7.5	6.1	5.0
Inventories	-	-	-	-	-	-	EV/EBIDTA(x)	51.5	36.0	28.1	21.5	15.1	12.5
Trade Receivables	2,452.3	4,120.8	5,200.4	6,048.7	6,453.1	6,747.1	Div. Yield(%)	-	-	0.3	0.4	0.5	0.6
Cash and Bank Balances	836.3	502.0	660.3	852.4	2,405.6	3,926.4	<b>FCF Yield(%)</b>	<b>(1.7)</b>	<b>0.1</b>	<b>1.3</b>	<b>0.6</b>	<b>4.5</b>	<b>4.6</b>
Short Term Loans and Advances	270.0	250.0	-	-	-	-	<b>Return Ratios (%)</b>						
Other Current Assets	605.2	1,245.8	1,480.3	1,729.9	2,023.0	2,367.4	ROE	13%	17%	17%	19%	22%	21%
<b>TOTAL ASSETS</b>	<b>5,914.7</b>	<b>8,167.9</b>	<b>9,860.0</b>	<b>11,018.6</b>	<b>13,169.1</b>	<b>15,246.9</b>	ROCE	15%	22%	25%	27%	31%	30%



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