



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia (022) 67141442

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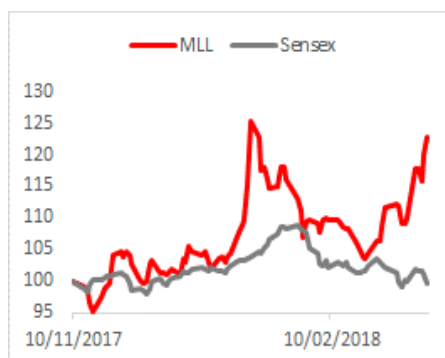
ACCUMULATE

Current Price	483
52 Week Range	559/405

Key Share Data

Market Cap (Rs.bn)	34.3
Market Cap (US\$ mn)	530
No of o/s shares (mn)	71.14
Face Value	10
Monthly Avg. Vol(BSE+NSE) 000's	108
BSE Code	540768
NSE Code	MAHLOG
Bloomberg	MAHLOG:IN

Price performance



% Shareholding	Dec-17	Sept-17
Promoters	61.05	61.05
Institutions	21.81	25.05
Others	17.14	13.10
Total	100	100

MAHINDRA LOGISTICS- MLL

Rs 325bn Opportunity growing at 19-20%: Total Logistics market size in India is Rs 6.4 trillion of which 3PL business is ~6% at Rs 325bn (relevant to MLL) expected to grow at CAGR of 19-20% over FY17-20. Mahindra Logistics at Rs 27bn has a long way to go.

MLL Strengths: Revenue of Rs 26bn+ for FY17; 13900+ workforce; network of 24 offices with 350+ operating locations and 15 Network Hub; Warehouse spread across 12mn sqft (with the ability to run a single warehouse as large as 0.4mn sqft) and 50+ stockyards; all the above makes MLL one of the largest 3PL players in India.

Non- MNM business to grow to 50%, will aid to sustain revenue growth and increase scope of margin improvement: MLL's non-Mahindra SCM business is spread across Auto Engineering, consumer & pharma, e-Commerce & bulk having equivalent revenue contribution. Mahindra business which was at 90% in FY09 has reduced to ~54% by FY18 and expected to reduce further to 50% in next 2-3-year period. We believe this will help the company to diversify from core auto parental business to others and increase scope of margin expansion.

Gross Margins Expansion: Rise in Non-Mahindra business, increasing of solutions with existing clients, rise in warehouse space (which has higher margins) along with full utilization of existing space from March-2018 (Gurgaon 2lac sqft now fully utilized) would lead to improvement in margins.

Enough room for growth in top 20 Clients contributing ~70% of Non- MNM business: Revenue contribution from top-20 clients is ~70% as MLL is a solution provider rather than just services. The current penetration is at 50% with these and hence the scope of revenue expansion from these existing clients at least 80%.

Asset Light Business Model with low capex requirement: MLL has a unique 'Asset-light services led' business model, pursuant to which assets necessary for operations such as vehicles, warehouses and manpower are provided by business partners. This enables MLL to offer a variety of flexible scalable solutions and services based on client's requirement and handle complexities that are unique to the Indian logistics industry.

Introduction of GST and Infra Status key benefits for growth: Introduction of GST would gradually lead to a shift from organized to unorganized and consolidation of go-downs to large warehouse to be managed by players like MLL. Infra Status would help to decrease cost of funding for more REIT's to invest in Warehouse. MLL's is expected to grow at a CAGR of 20%+ over next few years with MNM business growing at 12-13% CAGR and other business growing at average CAGR of 20-30%.

Based on our first cut estimates at CMP of Rs 483 MLL trades at 33x its FY19e EPS of Rs 14.5 and 23x its FY20e EPS of Rs 21. We recommend investors to **ACCUMULATE** the stock for Long-term.



P&L (Rs mn)	FY13	FY14	FY15	FY16	FY17	9MFY17	9MFY18
Operating Income	15320.50	17506.96	19308.96	20639.33	26665.87	18888.2	23824.8
<i>Growth</i>		14%	10%	7%	29%		26%
Freight Cost	13111.12	14874.43	15888.84	16554.68	20939.59	15064.4	18902.5
<i>Growth</i>		13%	7%	4%	26%		25%
% OP Income	85.6%	85.0%	82.3%	80.2%	78.5%	79.8%	79.3%
Employee Cost	687.67	882.01	1228.34	1508.85	1882.98	1326.1	1621.5
<i>Growth</i>		28%	39%	23%	25%		22%
% OP Income	4.5%	5.0%	6.4%	7.3%	7.1%	7.0%	6.8%
Other Expenses	1157.06	1237.47	1596.74	1990.84	2875.12	1995.9	2581.6
<i>Growth</i>		7%	29%	25%	44%		29%
EBIDTA	364.65	513.05	595.04	584.96	968.18	501.80	719.20
<i>Growth</i>		41%	16%	-2%	66%		43%
EBIDTA Margins	2.4%	2.9%	3.1%	2.8%	3.6%	2.66%	3.02%
Depreciation	30.7	32.22	60	83	146	59	93.7
PBIT	333.95	480.83	535.04	501.96	822.18	442.80	625.50
Other income	34.65	62.70	86.59	131.95	96.65	74.3	42.6
<i>Growth</i>		81%	38%	52%	-27%		-43%
Interest	6.96	0.55	4	13	35	1.5	2.7
<i>Growth</i>		-92%	627%	225%	169%		80%
PBT Before Exceptional	361.64	542.98	617.63	620.91	883.83	515.60	665.40
<i>Growth</i>		50%	14%	1%	42%		29%
Extra Ordinary Fixed term consultant fees	0	0	25.28	61.57	205.69		
Profit before tax (post exceptional)	361.64	542.98	592.35	559.34	678.14	515.60	665.40
Provision for tax	117.39	176.82	207.09	199.80	217.50	180.2	243
PAT	244.25	366.16	385.26	359.54	460.64	335.40	422.40
Minority Interest	0	0	-7	-6	4.804	0	0
Net Profit Reported	244.25	366.16	392.26	365.54	455.84	335.40	422.40
Adjusted Net Profit	244.25	366.16	401.68	399.26	600.41	335.40	422.40
<i>Growth</i>		50%	10%	-1%	50%		26%
NPM	1.6%	2.1%	2.1%	1.9%	2.2%	1.8%	1.8%
Equity	577	591	598.22	598.22	679.99	711.4	711.4
EPS on Adjusted PAT	4.23	6.20	6.71	6.67	8.83	4.71	5.94
ROE	28%	29%	15%	13%	17%		
ROCE	39%	39%	20%	15%	22%		



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