



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia 022 67141442

Result Update @ Dalal & Broacha

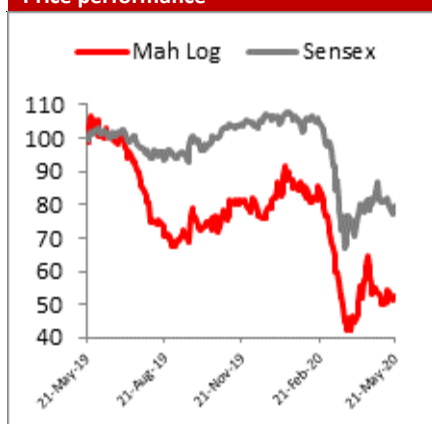
Buy on Dips

Current Price	257
52 Week Range	199/534
Target Price	300
Upside	17%

Key Share Data

Market Cap (Rs.bn)	18.38
Market Cap (US\$ mn)	243.22
No of o/s shares (mn)	71.54
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos	93.59
BSE Code	540768
NSE Code	MAHLOG
Bloomberg	MAHLOG:IN

Price performance



% Shareholding	Mar-20	Dec-19
Promoters	58.45	58.49
Institution	28.92	26.27
Others	12.63	15.24
Total	100	100

Mahindra Logistics Consolidates Q4FY20 Results were better than our expectations for Q4FY20

Revenue declined by 20% YoY to Rs 8117.6mn (-11% QoQ)

A) SCM business: Revenues were down 20% YoY to Rs 7304.3mn / PBIT margins stood at 7.82% v/s 8.04%

(this was despite the overall Mahindra volume drop of 35.6% in Q4FY20)

The drop was majorly on account of drop in transportation revenue which was down by 25% YoY however warehousing and value-added services for Q4FY20 showed a growth of 2.4% YoY on an overall basis and *(in fact in case of Non-MNM SCM business Warehouse and value-added business showed a growth of 10.2%)*

MNM contribution was 51% of revenues in FY20 v/s 56% YoY

B) PTS business : Revenue was down by 17% YoY to RS 813.3mn / PBIT margins stood at 8.9% v/s 10.35%

EBIDTA declined by 7% YoY to Rs 380.1mn / EBIDTA margins 4.68% v/s 4.03% YoY and 4.67% QoQ

Freight & OP Expenses as % to Revenue stood at 83.8% v/s 87.24% YoY and 84.46% QoQ (YoY drop is mainly on a/c of IND-AS 116), however QoQ are comparable **Employee Cost** grew by 6% YoY to Rs 755.5mn and -6% QoQ

Other Expenses as % to Revenue stood at 2.2% v/s 1.7% YoY and 2% QOQ

Depreciation cost was up by 264% YoY to Rs 220.3mn and Interest cost was up by 450% YoY to Rs 56.6mn (both due to IND-AS 116)

PBT for Q4FY20 declined by 62% YoY to Rs 134.3mn and PAT by 59% YoY to Rs 97.3mn

For full year FY20: Revenue -10% YoY to Rs 34711.4mn / EBIDTA +4.6% YoY to Rs 1582.7mn and margins 4.6% v/s 3.93% / PAT -35.6% YoY to Rs 551.2mn **The company declared dividend of Rs 1.5 for FY20**

Other KTA's and conference call update:

Non-Mahindra warehousing and value-added services (12.5% of FY20 revenues) segment recorded YoY growth of 24% in full year FY20 and 10% growth in Q4 FY20 which led to higher gross margins of 31bps (on a comparable basis). Overall too MNM + NON MNM warehousing **(17% of FY20 revenues)** grew by 2.4% in Q4FY20 and 16% for full year FY20.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY18	34,161.2	28.1	1,197.3	3.5%	705.0	17.4	9.9	25.9	17	22
FY19	38,513.7	12.7	1,512.7	3.9	856.7	21.5	12.0	21.4	17	25
FY20	34,711.0	(9.9)	1,582.3	4.6	556.9	(35.0)	7.7	33.4	10	11
FY21E	28,520.5	(17.8)	1,222.1	4.3	307.6	(44.8)	4.3	59.8	5	6
FY22E	39,026.6	36.8	1,856.8	4.8	723.8	135.3	10.1	25.4	11	12



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-Within NON MNM SCM (**37% of overall revenues**) In Q4FY20 Ecommerce, Freight Forwarding, Consumer & Pharma verticals have sustained the growth (+25% growth in Q4FY20) trajectory, driven by new business acquisitions in existing and new customers in these verticals compensating some loss of business in the bulk segment.

-**Warehouse space under management stood at 16.3mn sqft +6% YoY** growing at a CAGR of 18% over FY17, will be growing at 1 to 1.5mn sqft every year. Approximately 15mn sqft are with back to back clauses with clients, so no burden in-terms of rental and other surprise fixed cost for MLL.

-**Capex** for FY20 stood at Rs 660mn (including infra, warehouse, IT and technology)

-**MNM SCM (51% of Revenues) and auto business was impacted since Feb-2020** when Covid issue started in China and India was going through BS6 transition, since supply of various ancillary products was impacted.

-**Cash and Cash equivalents** stood at Rs 1130mn / on 2nd May 2020 the board had approved additional borrowing of upto Rs 2.5bn funds for additional working capital facilities *which is not yet utilized*.

-**Key Challenges currently:** 40-45% of drivers are not available due to COVID situation, however at the same time business too is low, 5% of the trucks are still strand and need to be bought at safe locations. This number was 95% when lockdown started.

Collections in April and May: met the required targets

Outlook:

Slow and gradual pick-up is expected in Auto, within which Farm and agri-machinery could grow faster. Ecommerce could get big-push due to life-style change. MLL will also include more customers and categories (such as grocery added) in this business.

Going forward: the logistics industry would see consolidations towards organised players such as MLL. There is definitely a lot of uncertainty over the short to medium term basis for MLL whose dependence on Mahindra and Auto business is 50% plus however looking at asset light model it possesses, it will tide over the difficult period. Within the logistics space MLL with its 3PL model has capability to diversify its NON-MNM business and be a solution-based value-add logistics company.

Valuations:

At CMP of Rs 257 the stock trades at 33x its FY20 (actual) EPS of Rs 7.7, 60x FY21e EPS of Rs 4.3 and 25x its FY22e EPS of Rs10.1.

We have revised our EPS estimates in-light of COVID situation and revise our recommendation to Buy on Dips from BUY with a target price of Rs 300 (based on our weighted average method)



Quarterly Results Snapshot

MAHLOGISTICS (Rs Mns)	Q4FY20	Q4FY19	YoY Growth	Q3FY20	QoQ Growth	FY20	FY19	YoY Growth
in MNs								
Sales	8117.60	10146.80	-20%	9079.30	-11%	34711.40	38513.40	-9.9%
Total operating Income	8117.6	10146.8	-20%	9079.3	-11%	34711.4	38513.4	-9.9%
Other income	31.1	19.10	63%	20.1	55%	139.80	76.30	83.2%
Total Revenue:	8148.70	10165.9	-20%	9099.40	-10%	34851.2	38589.7	-9.7%
Expenses:-								
Freight Expenses & Other Exps	6800.9	8852	-23%	7668.4	-11%	29341.60	33724.00	-13.0%
% to Operating Income	83.78%	87.24%		84.46%		84.5%	87.6%	
Employee benefit expenses	755.5	713.8	6%	801.5	-6%	3066.60	2637.70	16.3%
% to Operating Income	9.3%	7.0%		8.8%		8.8%	6.8%	
Other expenses	181.1	172.3	5%	185.20	-2%	720.50	639.30	12.7%
% to Operating Income	2.2%	1.7%		2.0%		2%	2%	
Total Expenses	7,737.50	9,738.10	-21%	8,655.10	-11%	33,128.70	37,001.00	-10.5%
EBITDA Margin (exc OI)	380.10	408.70	-7%	424.20	-10%	1,582.70	1,512.40	4.6%
EBITDA Margin %	4.68%	4.03%		4.67%		4.6%	3.93%	
EBITDA Margin (inc OI)	411.20	427.80	-4%	444.30	-7%	1722.50	1588.70	8.4%
Depreciation	220.3	60.5	264%	188.2	17%	734.30	219.50	234.5%
PBIT	190.90	367.30	-48%	256.10	-25%	988.20	1369.20	-27.8%
Interest	56.6	10.3	450%	42.7	33%	176.30	34.80	406.6%
PBT	134.30	357.00	-62%	213.40	-37%	811.90	1,334.40	-39.2%
Tax expenses	36.3	117.9	-69%	56.70	-36%	257.40	467.90	-45.0%
Tax Rate	27%	33%		27%		32%	35%	
PAT	98.00	239.10	-59%	156.70	-37%	554.50	866.50	-36.0%
MI	-1	2.8	-136%	-0.5	100%	-2.80	7.60	-136.8%
Share of loss of JV	-1.7	-1	70%	-1.7	0%	-6.10	-2.50	144.0%
PAT	97	235.30	-59%	155	-37%	551.20	856.40	-35.6%
NPM	1.19%	2.31%		1.71%		1.58%	2.22%	
Equity	715.4	714.5	0.1%	714.8	0%	715.4	714.5	0.1%
EPS	1.36	3.29	-59%	2.18	-37%	7.70	11.99	-35.7%
SEGMENT RESULTS								
SCM (Total A+B)	7304.30	9172.70	-20%	8168.60	-11%	31035.30	34658.70	-10.5%
<i>Non-Mahindra SCM (A)</i>	<i>3380.0</i>	<i>3731.00</i>	<i>-9%</i>	<i>3926</i>	<i>-14%</i>	<i>13740.00</i>	<i>13660.00</i>	<i>0.6%</i>
<i>Mahindra SCM (B)</i>	<i>3924.3</i>	<i>5441.70</i>	<i>-28%</i>	<i>4243.00</i>	<i>-8%</i>	<i>17295.30</i>	<i>20998.70</i>	<i>-17.6%</i>
PTS Revenue	813.3	974.1	-17%	910.7	-11%	3676.10	3854.70	-4.6%
Total Operating Income	8117.60	10146.80	-20%	9079.30	-11%	34711.40	38513.40	-9.9%
PBIT								
SCM	570.9	737.6	-23%	687.3	-17%	2529.20	2649.20	-4.5%
PBIT Margins	7.8%	8.04%		8.41%		8.1%	7.6%	
People transport solution	72.6	100.8	-28%	85.5	-15%	338.10	405.20	-16.6%
PBIT Margins	8.9%	10.35%		9.4%		9.2%	10.5%	
Total	643.5	838.4	-23%	772.8	-17%	2867.30	3054.40	-6.1%
PBIT Margins	7.9%	8.3%		8.5%		8.3%	7.9%	



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P&L (Rs mn)	FY18	FY19	FY20	FY21E	FY22E	Cash Flow St. (Rs. mn)	FY18	FY19	FY20	FY21E	FY22E
Net Sales	34,161.2	38,513.7	34,711.0	28,520.5	39,026.6	Net Profit	705.0	856.7	550.8	307.6	723.8
Freight Expenses	(30,009.7)	(33,724.0)	(29,341.6)	(24,135.0)	(32,986.6)	Add: Dep. & Amort.	197.3	219.5	734.3	794.9	875.6
Employee Cost	(2,291.2)	(2,637.7)	(3,066.6)	(2,509.8)	(3,373.3)	Cash profits	902.3	1,076.2	1,285.1	1,102.5	1,599.4
Other Expenses	(663.0)	(639.3)	(720.5)	(653.6)	(809.9)	(Inc)/Dec in					
Operating Profit	1,197.3	1,512.7	1,582.3	1,222.1	1,856.8	-Sundry debtors	(1,079.6)	(50.5)	(105.4)	668.0	(1,299.3)
Depreciation	(197.3)	(219.5)	(734.3)	(794.9)	(875.6)	-Inventories	-	-	-	-	-
PBIT	1,000.0	1,293.2	848.0	427.3	981.3	-Loans/advances	250.0	(150.0)	-	-	(15.0)
Other income	58.8	76.3	139.8	159.3	174.9	-Other Current Assets	(409.2)	(1,612.8)	(535.4)	-	(445.0)
						-Current Liab and					
Interest	(37.7)	(34.8)	(176.3)	(177.5)	(178.8)	Provisions	99.0	256.5	(127.3)	-	84.8
PBT	1,021.1	1,334.7	811.5	409.0	977.4	Sundry Creditors	870.2	1,137.5	171.1	(1,477.0)	1,179.6
Extraordinary Fixed term consultant fees	100.0	-	-	-	-	Change in working capital	(269.6)	(419.3)	(597.0)	(808.9)	(494.9)
Profit before tax (post exceptional)	921.1	1,334.7	811.5	409.0	977.4	CF from Oper. activities	632.7	656.9	688.1	293.5	1,104.4
Provision for tax	(368.4)	(467.9)	(257.4)	(102.9)	(246.0)	CF from Inv. activities	(159.6)	(606.3)	(1,878.7)	(216.5)	(422.5)
Reported PAT	552.7	866.8	554.1	306.1	731.4	CF from Fin. activities	(314.7)	(11.4)	1,486.4	130.6	(42.0)
MI	(12.6)	(7.6)	2.8	1.5	(7.6)						
Net Profit	540.1	859.2	556.9	307.6	723.8						
Adjusted Profit (excl Exceptionals)	705.0	856.7	550.8	307.6	723.8	Cash generated/(utilised)	158.4	39.2	295.8	207.6	639.9
						Cash at start of the year	502.0	660.3	699.5	995.3	1,202.9
						Cash at end of the year	660.3	699.5	995.3	1,202.9	1,842.9
							-	-	0.0	-	(0.0)
Balance Sheet	FY18	FY19	FY20	FY21E	FY22E	Ratios	FY18	FY19	FY20	FY21E	FY22E
Equity capital	711.4	714.5	715.4	715.4	715.4	OPM	3.5	3.9	4.6	4.3	4.8
CCPS	-	-	-	-	-	NPM	2.06	2.22	1.58	1.07	1.85
Reserves	3,484.6	4,267.7	4,731.1	4,988.0	5,592.3	Tax rate	(40.0)	(35.1)	(31.7)	(25.2)	(25.2)
Net worth	4,196.0	4,982.2	5,446.5	5,703.4	6,307.7	Growth Ratios (%)					
MI	69.5	57.1	54.3	52.8	60.4	Net Sales	28.1	12.7	(9.9)	(17.8)	36.8
Non Current Liabilities	328.4	252.5	1,377.0	1,377.0	1,400.5	Operating Profit	23.7	26.3	4.6	(22.8)	51.9
Current Liabilities	5,266.1	6,759.3	7,340.6	5,877.1	7,132.2	PBIT	21.6	29.3	(34.4)	(49.6)	129.7
						PAT	17.4	21.5	(35.7)	(44.2)	135.3
TOTAL LIABILITIES	9,860.0	12,051.1	14,218.4	13,010.3	14,900.8	Per Share (Rs.)					
Non Current Assets	2,018.5	2,145.4	4,221.8	3,474.0	3,012.4	Net Earnings (EPS)	9.91	11.99	7.70	4.30	10.12
Fixed Assets	621.1	695.7	2,621.4	2,043.0	1,589.9	Cash Earnings (CPS)	12.7	15.1	18.0	15.4	22.4
Goodwill	43.3	43.3	43.3	43.3	43.3	Dividend	1.5	2.0	1.5	0.8	1.8
Non Current Investments	-	37.5	31.4	31.4	31.4	Book Value	59.0	69.7	76.1	79.7	88.2
Deferred Tax Asset	141.1	187.3	199.7	199.7	144.0	Free Cash Flow	5.2	6.2	(22.6)	1.7	11.8
Long Term Loans and Advances	-	-	-	-	-	Valuation Ratios					
Other Non Current Assets	1,213.0	1,181.6	1,326.0	1,156.6	1,203.7	P/E(x)	25.9	21.4	33.4	59.8	25.4
Current Assets	7,841.5	9,905.7	9,996.6	9,536.2	11,888.4	P/B(x)	4.4	3.7	3.4	3.2	2.9
Current investments	500.5	775.2	-	-	-	EV/EBIDTA(x)	14.5	11.3	12.2	15.6	10.0
Inventories	-	-	-	-	-	Div. Yield(%)	0.6	0.8	0.6	0.3	0.7
Trade Receivables	5,200.4	5,250.9	5,356.3	4,688.3	5,987.6	FCF Yield(%)	2.0	2.4	(8.8)	0.6	4.6
Cash and Bank Balances	660.3	699.5	995.3	1,202.9	1,842.9						
Short Term Loans and Advances	-	150.0	150.0	150.0	165.0	Return Ratios (%)					
Other Current Assets	1,480.3	3,030.1	3,495.0	3,495.0	3,892.9	ROE	17%	17%	10%	5%	11%
TOTAL ASSETS	9,860.0	12,051.1	14,218.4	13,010.3	14,900.8	ROCE	22%	25%	11%	6%	12%



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