



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/ Nidhi Babaria

Q1FY20 Result update @ Dalal & Broacha

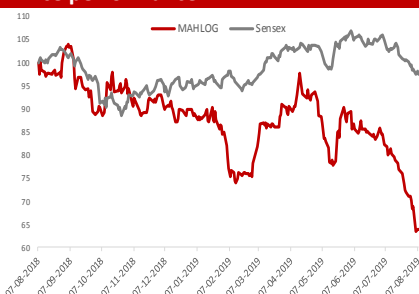
ACCUMULATE

Current Price	360
52 Week Range	653/405
Target Price	570
Upside	27%

Key Share Data

Market Cap (Rs.bn)	26.03
Market Cap (US\$ mn)	371.88
No of o/s shares (mn)	71.49
Face Value	10
Monthly Avg. vol (BSE+NSE) Nos	75,360
BSE Code	540768
NSE Code	MAHLOG
Bloomberg	MAHLOG:IN

Price performance



% Shareholding

	June-19	Marc-19
Promoters	58.59	58.59
Institutions	21.17	21.17
Others	19.24	19.24
Total	100	100

MLL Q1FY20 Result was slightly below our estimates.

Q1FY20 Update: Revenue down by 3% Y-O-Y at Rs. 8990.3mn.

Freight cost: 85.34% v/s 87.22% Y-O-Y.

EBITDA & EBITDA Margins: down by 1% at Rs. 400.6mn & Margins at 4.46% v/s 4.36% y-o-y.

PAT (EXC. MI): down by 22% Y-O-Y to Rs. 186.4mn (Under IND AS 116 company registered ~20% decline in PAT to Rs. 195.70 Mn)

SEGMENTS:

SCM business (~90% of Revenue): Overall SCM Revenues down by 4% YoY to Rs 8,009.6mn/ Gross Margins 9.70% v/s 8.5% YoY / PBIT Margins 8.01% v/s 8.04% YoY

a) Mahindra SCM (~55% of Revenues) down by 6% YoY to Rs 4,944mn

b) Non-Mahindra SCM (~35% of Revenue) down by 2% YoY to Rs 3,145mn. Within which high margins Warehouse and value-added business +25% YoY

PTS business (~10% of Revenues): Increased by 9% YoY to Rs 980.7mn / Gross margins 9.7% v/s 10.6% YoY / PBIT margins 9.7% v/s 10.6% YoY

MLL Concall KTA's:

-The management has given a cautious guidance going forward on account of Auto Slow down, double digit growth for FY20 would be difficult. However longer-term guidance is maintained.

-75% of 3PL industry is dominated by Auto worldwide, similar is the trend in India however since the GST introduction is relatively new there is demand from other sectors for better warehouses.

-Auto: Q1FY20 was expected to be better but i) domestic volume adversely impacted the business ii) increase in cost of ownership insurance iii) liquidity cost iv) **As per SIAM data Industry witnessed worst quarter with 12% volume decline Y-O-Y (not seen in last 2 decade)** v) July 2019 continued to be subdued demand

-Freight forwarding business ~5% of revenues aim to reach 10-15% margins in this is higher than SCM business

-Good monsoon and festive season will lead to some improvement.

-Mahindra: Non-Mahindra Q1FY20 56%:44%

-Non-Mahindra auto (i.e. 25% in non-MnM) was flat during quarter, whereas consumer+Pharma+ECom saw growth (**Consumer+Ecommerce business +20% growth in Q1FY20**). Ecom+FMCG contributes ~50%-55% of Non-Auto Non-M&M SCM business

-Large customer in bulk has impacted the Non-Auto business, this will be compensated by Vedanta groups new business

-Added 0.4 Mn sqft in Q1FY20 total now 15.7mn YTD

-Income tax Refund: received in this quarter of Rs. 36cr. Which is been reflected in other income.

-Financials:

EBIDTA Margins excluding IND AS 116* is at 4.04% v/s 4.67% Y-O-Y.

Gross Margins excluding IND AS is at 8.6% (8.4% in FY19)

Cash in Balance sheet as on date Rs 1720mn

Debtor Days increased by 4 days @ 59 days

-Industry positives Reducing overall logistics costs / government plans to invest Rs. 100 lac cr. On infrastructure / Jal Marg Vikas project for inland water routes / GST (E-Assessment +E-Invoicing)

-New CEO appointed Mr. Ram Praveen Swaminathan to succeed Mr. Pirojshaw Sarkar from Oct 19

Outlook and Valuations: MLL growth is expected to remain muted in the coming quarters as more than 50% dependence is on Mahindra Auto business. MNM (auto) has guided of a flat volume growth for tractors and a cautious outlook on Other auto business including CV and passenger cars.

Considering current economic scenario, we expect stock to remain under pressure for few more quarters and change our rating from Buy to **Accumulate** for Long Term perspective. At CMP 360 it trades at 36x FY20E at EPS Rs. 10 and 23x FY21E at EPS of Rs. 15.8.

FINANCIALS

Year	Net Sales	%growth	EBIDTA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	26,665.9	29.2	968.2	3.6	600.4	50.4	8.8	40.8	17	22
FY18	34,161.2	28.1	1,197.3	3.5%	705.0	17.4	9.9	36.3	17	22
FY19	38,513.7	12.7	1,512.7	3.9	859.2	21.9	12.0	29.9	17	25
FY20E	39,659.3	3.0	1,292.0	3.3	715.4	(16.7)	10.0	36.0	13	18
FY21E	46,412.5	17.0	1,883.0	4.1	1,128.2	57.7	15.8	22.8	17	23



P&L (Rs mn)	Q1FY19	Q1FY20
Operating Income	9281.9	8990.30
<i>Growth</i>		<i>-3%</i>
Operating expenses	8095.9	7672.10
<i>Growth</i>		<i>-5%</i>
%OP Income	87.2%	85.3%
Employee Cost	607	745.30
<i>Growth</i>		<i>23%</i>
%OP Income	6.5%	8.3%
Other Expenses	173.9	172.30
<i>Growth</i>		<i>-1%</i>
EBIDTA	405.10 	400.60
<i>Growth</i>		<i>-1%</i>
EBIDTA Margins	4.36%	4.46%
Depreciation	50.6	148.70
PBIT	354.50	251.90
Other income	28.8	70.10
<i>Growth</i>		<i>143%</i>
Interest	7.7	35.50
<i>Growth</i>		<i>361%</i>
PBT Before Exeptional	375.60 	286.50
<i>Growth</i>		<i>-24%</i>
Provision for tax	132.5	99.70
PAT	243.10	186.80
Minority Interest & extraordinary item	-3	-0.40
Net Profit Reported	240.10	186.40
Adjusted Net Profit	240.10	186.40
<i>Growth</i>		<i>-22%</i>
NPM	2.6%	2.1%
Equity	714.5	714.5
EPS on Adjusted PAT	3.36	2.61



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