



DALAL & BROACHA
STOCK BROKING PVT. LTD.

Analyst: Kunal Bhatia/ Nidhi Babaria

Q3FY19 Result update @ Dalal & Broacha

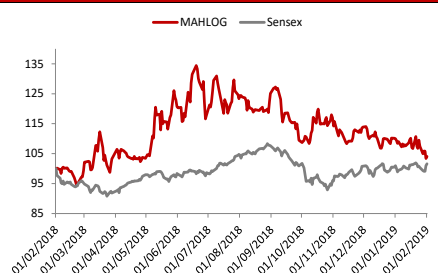
BUY

Current Price	467
52 Week Range	653/405
Target Price	615
Upside	32%

Key Share Data

Market Cap (Rs.bn)	33.33
Market Cap (US\$ mn)	464.80
No of o/s shares (mn)	71.14
Face Value	10
Monthly Avg. vol	21,782
(BSE+NSE) Nos	
BSE Code	540768
NSE Code	MAHLOG
Bloomberg	MAHLOG:IN

Price performance



% Shareholding	Dec-18	Sep-18
Promoters	58.59	61.05
Institutions	21.71	19.25
Others	19.70	19.70
Total	100	100

MLL Q3FY19 Result was in line with our estimates.

Q3FY19 Update: Revenue Increased by 17.5% Y-O-Y at Rs. 9811.2mn.

Freight cost: 76.54% v/s 77.33% Y-O-Y.

Expansion in gross margin due to operational efficiency and better revenue mix

EBITDA & EBITDA Margins: Increased by 21.7% at Rs. 359mn & Margins at 3.66% v/s 3.53% Y-O-Y mainly on account of 79bps correction in freight cost.

PAT (EXC. MI): Increased by 29.1% Y-O-Y to Rs. 191.60mn

EPS at Rs. 2.69 v/s 2.09 y-o-y.

SEGMENTS:

SCM business (90% of Revenue): Overall SCM Revenues increased by 17% YoY to Rs 8811.5mn / Gross Margins 7.7% v/s 8.1% YoY

a)Mahindra SCM (~53% of Revenues) Increased by 18% YoY to Rs 5160mn

b)Non Mahindra SCM (~37% of Revenue) Increased by 15% YoY to Rs 3650mn. Within which high margins Warehouse and value added business +33% YoY to Rs 940mn and transportation business was up by 10.3% YoY to Rs 2710mn. This was also supported by rise in e-commerce business

PTS business (~10% of Revenues): Increased by 23% YoY to Rs 999.7mn / Gross margins 10.0% v/s 8.6% YoY

9MFY19:

Revenues Increased by 12% YoY to Rs 28,366.6mn

EBITDA & EBITDA Margins: Increased by 34.5% YoY to Rs 1103.70mn & Margins at 4.4% v/s 3.3% on a/c of lower freight cost.

Freight cost 77.62% vs 78.50% YoY

PAT Increased by 43% YoY to Rs623.20mn

SEGMENTS

SCM: Revenues Increased by 12% YoY to Rs 25,486mn / Gross margins 8.00 v/s 7.62

PTS: Revenues Increased by 13% YoY to Rs 2880.60mn / Gross margins 10.76 v/s 9.04

MLL Concall KTA's:

-M&M: Non-M&M business 54.7% : 45.3% in 9MFY19

- MLL does 90% of MNM's auto and farm business.

-Mix is 74% distribution 26% warehousing for 9MFY19.

-Top 20 customer contribution gained to 67% v/s 62% Q-O-Q

Guidance: Management is confident to perform better in H2FY19 as compared to H1FY19, and would compensate to some extent for the loss of growth in H1

-Overall margin guidance maintained at 50bps improvement for next few years on a Y-O-basis

-In 9MFY19 1.3mn sqft added in warehouse with revenue growth of 28.5% y-o-y giving 100% utilization / **would add another ~1mn in FY20.**

-Retention rate at 96% for top 25 customers.

-Freight and forwarding (including JV Lords freight) currently contributing 5-6% to reach 10-15% of total revenues supported by organic and in-organic growth.

Valuations: At CMP Rs 467 MLL trades at 22.5x FY21E EPS of Rs 20.7. We upgrade our ratings to "BUY" for Mahindra Logistics.

FINANCIALS

Year	Net Sales	%growth	EBITDA	OPM%	PAT	%growth	EPS	PE(x)	RoE%	RoCE%
FY17	26,665.9	29.2	968.2	3.6	600.4	50.4	8.8	52.9	17.3	21.9
FY18	34,161.2	28.1	1,297.3	3.8	705.0	17.4	9.9	47.1	16.8	24.7
FY19E	38,730.2	13.4	1,575.3	4.1	895.4	27.0	12.6	37.1	18.1	25.6
FY20E	45,901.1	18.5	2,160.7	4.7	1,250.1	39.6	17.6	26.6	20.9	29.8
FY21E	53,309.7	16.1	2,496.4	4.7	1,475.0	18.0	20.7	22.5	20.4	28.5



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