



Mahindra Logistics Limited

About the company

Incorporated in 2008, Mahindra Logistics Limited (MLL) is end-to-end logistics solution and service provider. Mahindra Logistics is part of Mahindra Group (M&M), one of India's leading corporate groups with operations across several industries and countries. Before 2008 the logistics business of M&M was operated as a division of M&M serving the transportation and distribution, warehousing and in-factory logistics requirements of M&M. The logistics solution of the company includes transportation and distribution, warehousing, in-factory logistics and value added services to its clients. Company also provide people transportation solutions and services across India to over 100 domestic and multinational companies operating in the IT, ITeS, business process outsourcing, financial services, consulting and manufacturing industries in 12 cities and over 120 clients. Company's subsidiary, 2X2 Logistics, provides logistics and transportation services to OEMs to carry finished automobiles from the manufacturing locations to stockyards or directly to the distributors through specially designed vehicles. Company's other subsidiary, Lords, provides international freight forwarding services for exports and imports, customs brokerage operations, project cargo services and charters.

Issue Details

Issue Opens	31 Oct'17
Issue Closes	2 Nov'17
Issue Size (Rs Cr.)	821.62 to 829.36
Face Value(Rs)	10
Price Band(Rs)	425-429
Market Lot	34 shares and in multiple thereafter
Listing	NSE,BSE

Financial Highlights

Y/E March (Rs in Cr)	FY2014	FY2015	FY2016	FY2017
Net sales	1,751	1,931	2,064	2,667
Net Profit	37	39	36	46
EPS(Rs)	5.9	6.6	5.3	6.6
P/E (x)	83.4	79.2	84.9	66.2
P/BV	24.5	11.5	10.1	8.8
Adj RoE (%)	29.4	15.2	13.2	17.3
EV/EBITDA	57.8	52.7	58.3	39.7

Investment Rationale

- Mahindra Logistics operates their business primarily on the basis of an "asset-light" business model which enables them to offer a variety of flexible, scalable, solutions and services based on their client's requirements and handle complexities that are unique to the Indian logistics industry. This business model also allows them to manage any fluctuations in demand more efficiently and minimize any adverse effects resulting from cyclical movements.
- Technology is integral to company's business and operations. They have focused significantly on technologies which have enabled them to offer cost-efficient and customized logistics solutions to their clients. The technology systems have also enabled them to control and command operations, undertake real-time tracking of vehicles, provide end-to-end visibility of operations and make timely corrective interventions



- The integrated, end-to-end logistics services focus on creating solutions that address the requirements of the clients across their SCM(Supply Chain Management) and PTS (People Transport solution) businesses. As part of their SCM business, Mahindra Logistics offer a wide range of solutions including transportation and distribution, warehousing, in-factory logistics and other value added services. In domestic transportation, the company offers short, medium and long haul transportation as well as in-city distribution services. The company offers international freight forwarding services through their subsidiary, Lords.
- The Mahindra Logistics provide their SCM services to clients across various industry sectors such as automotive, engineering, consumer goods, pharmaceuticals, e-commerce and bulk. In their PTSbusiness, they primarily serve the IT, ITeS, business process outsourcing, financial services, consulting and manufacturing industries. This approach has also helped them gain increased business from existing clients and expand their relationship with them. The growing presence across several industry verticals has helped them reduce their dependence on the Mahindra Group as well as on the automotive industry. Over the years, Mahindra Logistics has expanded their relationship by providing services in new geographies, and by adding services such as in-factory logistics. Between Fiscals 2017and 2015, the Client Retention Rate for the top 25 non-Mahindra Group clients in the SCM business remained at 92%.

Peer Comparison	MCap (Rs Mn)	Revenue (Rs Mn)	EBITDA (Rs Mn)	EBITDA Margin (%)	PAT (Rs Mn)	PAT Margin (%)	ROE (%)	PE (x)
Blue Dart Express	99042.8	26895	3678.9	13.68%	1398.4	5.20%	34.47%	71
Gati Ltd	12475.2	16909.9	1249.5	7.39%	372.9	2.21%	6.63%	34
TCI Express	21556.6	7538.7	682	9.05%	407.1	5.40%	29.57%	54
Mahindra Logistics Ltd	30519.89	26665.87	762.49	2.86%	455.9	1.71%	12.9%	65

Risks

- The company depends significantly on clients in the automotive industry and is highly dependent on the performance of the automotive industry. A loss of, or a significant decrease in business from clients in the automotive industry could adversely affect their business and profitability.
- The company depends on a limited number of clients, which exposes them to a high risk of client concentration. Fluctuations in the performance of the industries in which their clients operate may result in a loss of clients, a decrease in the volume of work the company undertake or the price at which they offer their services.
- The company's business and operations depend significantly on their parent and Promoter, Mahindra & Mahindra Limited and the other Mahindra Group entities.
- The company operates in a highly fragmented and competitive industry and increased competition may lead to a reduction in their revenues, reduced profit margins or a loss of market share.
- The company may not be able to manage the growth of their business effectively or continue to grow their business at a rate similar to what they have experienced in the past.

Outlook

At the upper end of the price band (Rs 425-429), the issue is priced at 66.2x and 50.8x of its reported and adj. FY2017 earnings. Based on its growth story, diversification strategy, strong parent repute and post GST attractiveness of the logistics sector, one can subscribe to the issue with medium to long term view.

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