

FIRST LIGHT

RESEARCH

Mahindra Logistics | Target: Rs 315 | +22% | BUY

Inspid quarter all around

SUMMARY

Mahindra Logistics

Mahindra Logistics' (MLL) Q4FY20 print was weak on account of the national lockdown and auto industry slowdown. Consolidated revenue declined 20% YoY, with SCM/PTS revenue dropping 20%/17%. EBITDA/PBT (Ind-AS 116 adjusted) plunged 47%/61% YoY. Though some verticals may bounce back earlier, a broad-based recovery is likely to begin only in Q4FY21. Considering near-term headwinds, we reduce our FY21/FY22 EPS estimates by 31%/13% and move to a revised Mar'21 TP of Rs 315 (Rs 365 earlier). Retain BUY.

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TOP PICKS

LARGE-CAP IDEAS

Company	Rating	Target
Bajaj Finance	Buy	3,000
Cipla	Buy	690
Eicher Motors	Buy	18,100
GAIL	Buy	140
Petronet LNG	Buy	330

MID-CAP IDEAS

Company	Rating	Target
Alkem Labs	Buy	2,870
Greenply Industries	Buy	145
Laurus Labs	Buy	630
Muthoot Finance	Buy	950
Transport Corp	Buy	255

Source: BOBCAPS Research

DAILY MACRO INDICATORS

Indicator	Current	2D (%)	1M (%)	12M (%)
US 10Y yield (%)	0.68	(1bps)	4bps	(170bps)
India 10Y yield (%)	6.04	1bps	(31bps)	(122bps)
USD/INR	75.80	(0.2)	0.8	(8.8)
Brent Crude (US\$/bbl)	35.75	3.2	27.3	(49.6)
Dow	24,576	1.5	1.4	(4.7)
Shanghai	2,884	(0.5)	1.6	(0.3)
Sensex	30,819	2.1	(2.4)	(21.2)
India FII (US\$ mn)	19 May	MTD	CYTD	FYTD
FII-D	(116.8)	(2,381.3)	(13,725.0)	(3,965.5)
FII-E	(176.3)	1,087.3	(5,546.2)	1,056.7

Source: Bank of Baroda Economics Research

BOBCAPS Research

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BUY

TP: Rs 315 | ▲ 22%

MAHINDRA LOGISTICS

Logistics

21 May 2020

Inspid quarter all around

Mahindra Logistics' (MLL) Q4FY20 print was weak on account of the national lockdown and auto industry slowdown. Consolidated revenue declined 20% YoY, with SCM/PTS revenue dropping 20%/17%. EBITDA/PBT (Ind-AS 116 adjusted) plunged 47%/61% YoY. Though some verticals may bounce back earlier, a broad-based recovery is likely to begin only in Q4FY21. Considering near-term headwinds, we reduce our FY21/FY22 EPS estimates by 31%/13% and move to a revised Mar'21 TP of Rs 315 (Rs 365 earlier). Retain BUY.

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Confluence of headwinds: Multiple headwinds battered growth across most segments in Q4. Auto sales already reeling under a consumption slowdown further worsened amid the national lockdown and BS-VI transition, catalysing a 28%/19% YoY decline in anchor/non-anchor auto revenue. Non-auto, non-Mahindra revenue fell 7% YoY as non-essential goods transport was disrupted. The PTS (people transport) segment plunged 17% YoY as corporate offices closed. Management estimates that Covid-19 had a 7-8% topline impact in Q4.

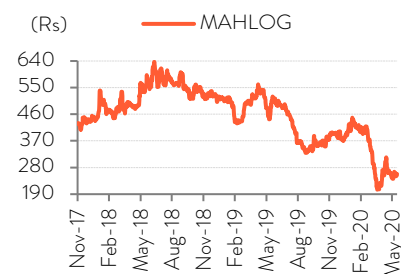
Recovery delayed: MLL expects auto recovery to begin in Q4FY21 (vs. Q2 earlier), though the farm equipment segment may recover sooner. The ecommerce, consumer and pharma verticals should improve from the festive season onwards, but retail revival may be stalled till discretionary spends revive.

Key positives: In a tumultuous quarter, healthy non-Mahindra warehousing vertical growth (+10% YoY), improved receivables (56 vs. 60 days YoY), and a strong balance sheet (net cash of Rs 0.7bn) were key positives. Growth momentum in the ecommerce, consumer and pharma verticals for FY20 (+25%) is also encouraging; we expect these verticals to rebound as consumption spends recover gradually.

Ticker/Price	MAHLOG IN/Rs 259
Market cap	US\$ 244.8mn
Shares o/s	71mn
3M ADV	US\$ 0.3mn
52wk high/low	Rs 535/Rs 195
Promoter/FPI/DII	58%/18%/11%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20P	FY21E	FY22E
Total revenue (Rs mn)	34,161	38,513	34,711	32,916	39,634
EBITDA (Rs mn)	1,197	1,512	1,583	1,522	2,120
Adj. net profit (Rs mn)	640	856	551	482	867
Adj. EPS (Rs)	9.0	12.0	7.7	6.7	12.1
Adj. EPS growth (%)	34.1	33.2	(35.7)	(12.6)	80.0
Adj. ROAE (%)	16.7	18.7	10.6	8.6	14.1
Adj. P/E (x)	28.7	21.6	33.6	38.4	21.3
EV/EBITDA (x)	14.6	11.7	11.1	11.5	8.5

Source: Company, BOBCAPS Research



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Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

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