

MAHINDRA LOGISTICS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	358
12 month price target (INR)	400
52 Week High/Low	501/217
Market cap (INR bn/USD bn)	26/0.3
Free float (%)	67.5
Avg. daily value traded (INR mn)	66.1

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	58.0%	58.0%	58.0%
FII	4.8%	5.2%	5.0%
DII	37.2%	36.9%	37.0%
Pledge	0%	0%	0%

FINANCIALS

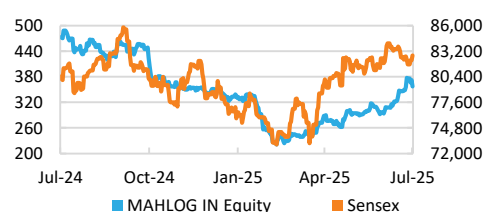
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	61,048	70,289	75,780	81,990
EBITDA	2,841	3,677	4,474	4,905
Adjusted profit	(359)	430	1,070	1,290
Diluted EPS (INR)	(5.0)	4.3	10.8	13.0
EPS growth (%)	49.5	nm	(34.6)	nm
RoAE (%)	5.7	(6.7)	(2.9)	3.2
P/E (x)	84.9	nm	nm	71.5
EV/EBITDA (x)	9.8	7.9	6.2	4.7
Dividend yield (%)	0.9	1.3	1.4	1.1

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	70,289	75,780	3.2	1.4
EBITDA	3,677	4,474	0.9	0.9
Adjusted profit	430	1,070	42.6	48.6
Diluted EPS (INR)	4.3	10.8	3.7	8.1

PRICE PERFORMANCE



Change in the offing

Mahindra Logistics (MLL) reported revenue/EBITDA growth of 14%/15% YoY in Q1FY26 with continued losses at the PAT level. SCM revenue expanded 15% with contract logistics up 18% and B2B express up 11%. Warehousing capacity remains flat (21 mn sq ft).

The company announced a rights issue of INR7.5bn, most of which would be utilised for retiring its INR5.6bn debt. New leadership is likely to drive a change in strategy by: i) filling whitespaces in warehousing; ii) improving yield on the B2B express business; and iii) razor-sharp focus on profitability metrics of various business. We believe these are steps in the right direction. Maintain 'HOLD' with a revised target price of INR400 (earlier INR325), based on 8x Jun-27E EV/EBITDA.

Growth in the right direction; bottom line remains key

Consolidated revenue expanded 14% YoY on the back of growth in last-mile delivery (+58%), MLL standalone (+16%) and express (+13% YoY; crossed INR1bn milestone for the first time), broadly in-line with our estimates. EBITDA expanded 15% YoY with flat margins YoY at 4.7%. However, losses continues at the bottom line level at INR107m (versus loss of INR93m YoY) due to high interest cost. Contract logistics revenue expanded 18% YoY with gross margin at 11%. Warehousing capacity remains flat (21 mn sq ft) with management's sharp focus now on utilising the white spaces first and thereafter increase capacity. Auto/non-auto revenue share remain at 63%/37% with Mahindra group contribution remaining at 56% in Q1FY26.

Change in strategy underway

With the recent appointment of Hemant Sikka as MD & CEO, MLL is embarking on a change in strategy to boost performance. Strategy changes being made are: i) Utilise white spaces in warehouses with no additions in the near term. ii) Consumer and manufacturing verticals to be operated as different verticals to boost performance. iii) Wizzard and last mile delivery to be merged, to control cost and boost efficiencies. iv) Focus on yield enhancement in the B2B express business and not just volumes. These would lead to an improvement in business and enhance profitability. Moreover, the rights issue (INR7.5bn) shall be utilised to repay debt of INR5.6bn.

In wait-and-watch mode; 'HOLD' maintained

While our EBITDA estimates remain broadly unchanged, we are substantially revising PAT as we bake in a rights issue (INR7.5bn) and corresponding lower interest cost/higher other income. Maintain 'HOLD' for a revised TP of INR400 (earlier INR325), based on 9x Jun-27E EV/EBITDA. We believe execution of new strategy shall drive a re-rating of the multiple (five-year median EV/EBITDA multiple of 11x).

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	16,246	14,200	14.4	15,695	3.5
EBITDA	763	663	15.0	777	(1.9)
Adjusted Profit	(108)	(93)	15.5	(68)	58.9
Diluted EPS (INR)	(1.5)	(1.3)	15.5	(0.9)	58.9

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	61,048	70,289	75,780	81,990
Gross profit	8,439	9,770	10,761	11,643
Employee costs	4,036	4,157	4,282	4,539
Other expenses	1,563	1,936	2,005	2,199
EBITDA	2,841	3,677	4,474	4,905
Depreciation	2,263	2,619	2,776	2,915
Less: Interest expense	812	585	446	490
Add: Other income	158	260	280	336
Profit before tax	(77)	732	1,532	1,835
Prov for tax	223	238	391	468
Less: Other adjustment	0	0	0	0
Reported profit	(359)	430	1,070	1,290
Less: Excp.item (net)	0	0	0	0
Group adjusted profit	(359)	430	1,070	1,290
Diluted shares o/s	72	99	99	99
Adjusted diluted EPS	(5)	4	11	13
DPS (INR)	4.3	3.3	0	0
Tax rate (%)	20.6	82.2	291.1	32.5

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	5.1	4.2	4.7	5.2
Other Exp (% of rev)	2.5	3.3	2.6	2.8
Net profit margin (%)	0.5	(1.0)	(0.6)	0.6
Revenue growth (% YoY)	23.8	7.4	10.9	15.1
EBITDA growth (% YoY)	41.0	(11.8)	24.0	29.4
COGS (% of rev)	85.5	85.1	86.2	86.1
Adj. profit growth (%)	49.7	nm	(34.5)	nm
Employee cost (% rev)	6.9	7.4	6.6	5.9

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.3	6.3	6.3	6.3
Repo rate (%)	5.3	5.3	5.3	5.3
USD/INR (average)	82.0	82.0	82.0	82.0

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	84.9	nm	nm	71.5
Price/BV (x)	5.1	1.9	1.7	2.2
EV/EBITDA (x)	9.8	7.9	6.2	4.7
Dividend yield (%)	0.9	1.3	1.4	1.1

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	721	992	992	992
Reserves	3,658	11,029	11,792	12,754
Shareholders funds	4,379	12,021	12,784	13,746
Minority interest	164	228	299	376
Borrowings	4,242	0	0	0
Trade payables	10,997	14,443	15,571	16,847
Other liabs & prov	5,471	6,327	7,151	8,061
Total liabilities	25,251	33,019	35,804	39,030
Net block	8,708	9,991	11,424	13,050
Intangible assets	588	588	588	588
Capital WIP	458	458	458	458
Total fixed assets	9,753	11,037	12,469	14,095
Non current inv	226	226	226	226
Cash/cash equivalent	760	3,953	4,538	4,616
Sundry debtors	6,251	8,666	8,720	9,434
Loans & advances	8,261	9,138	9,851	10,659
Other assets	0	0	0	0
Total assets	25,251	33,019	35,804	39,030

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	(77)	797	1,603	1,913
Add: Depreciation	2,263	2,619	2,776	2,915
Interest (net of tax)	764	325	166	154
Others	(116)	64	71	78
Changes in WC	346	391	500	(88)
Operating cash flow	3,432	3,958	4,725	4,505
Less: Capex	(1,809)	(800)	(800)	(800)
Free cash flow	1,623	3,158	3,925	3,705

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	5.7	(6.7)	(2.9)	3.2
RoCE (%)	10.0	3.6	5.8	9.7
Receivable days	47	49	52	47
Payable days	92	99	104	98
Cash conversion cycle	(45)	(50)	(52)	(51)
Working cap (% sales)	3.8	2.9	1.8	1.6
Gross debt/equity (x)	0.9	0	0	0
Net debt/equity (x)	0.8	(0.3)	(0.3)	(0.3)
Interest coverage (x)	1.4	0.3	0.7	1.8

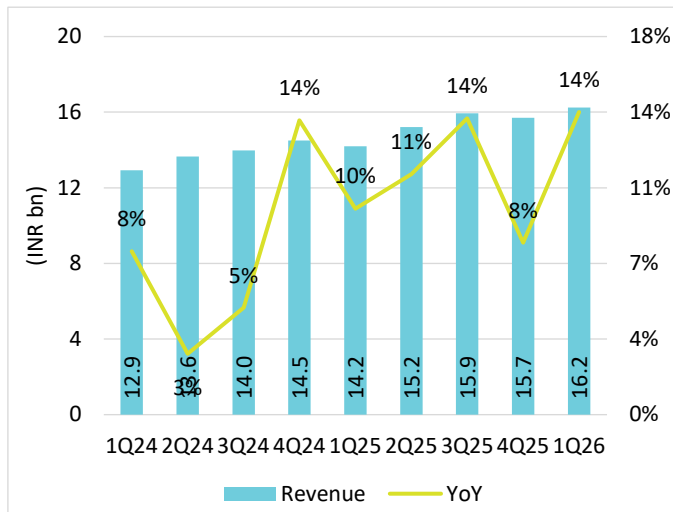
Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	49.5	nm	(34.6)	nm
RoE (%)	5.7	(6.7)	(2.9)	3.2
EBITDA growth (%)	41.0	(11.8)	24.0	29.4
Payout ratio (%)	74.1	nm	nm	76.2

Q1FY26 conference call: Key takeaways

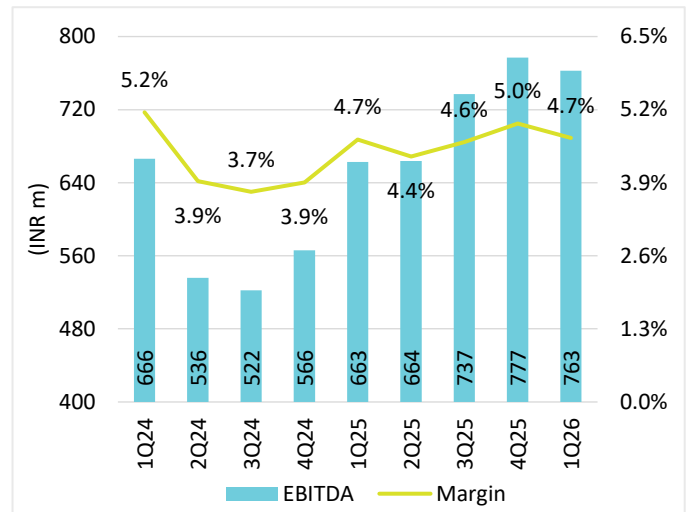
- **Express**
 - Crossed milestone of INR1bn in revenue in Q1FY26 with tonnage growth of 10% QoQ.
 - Focus on improving yields and taking a short-term impact on volumes.
 - The company plans to give up sub-par yielding volumes to enhance the quality of volumes and yields, which shall benefit in the medium to long term.
 - Commands 3% market share in the B2B express business. Focus to expand customer base and garner growth.
- **Warehousing**
 - The company remains focused on filling the gaps in capacity. While Q2FY26 is likely to report a continuance of the status quo, white space is likely to reduce Q3FY26 onwards.
 - Hence, with no near term additions, we reckon better utilisation of warehousing capacities, thus driving revenue growth and margin improvement for the company. Capacity addition is likely H2FY26 onwards, with Q2FY26 remaining flat.
- **Rights issue:** The company has approved a INR7.5bn right issue, the proceeds of which will be utilised towards debt repayment (to the tune of INR5.6bn) and balance towards general corporate purpose. The debt repayment shall lead to saving of INR400–500mn towards finance cost yearly.
- **Others**
 - Consumer and manufacturing verticals shall be led by separate teams under different leadership. This shall lead to an improvement in performance.
 - Wizzard and LMD vertical shall be merged to reduce cost and enhance the customer experience.
 - Upcoming festivals to boost e-commerce growth.
 - The company derives 63% of revenue from auto and 37% from non-auto customers. Moreover, Mahindra Group contributes 56% of revenue while non-Mahindra revenues are to the tune of 44%.
 - 3PL growth remains robust at 135% QoQ.
 - Capex likely to be in the range of 1.5% of revenue.

Exhibit 1: Revenue trends



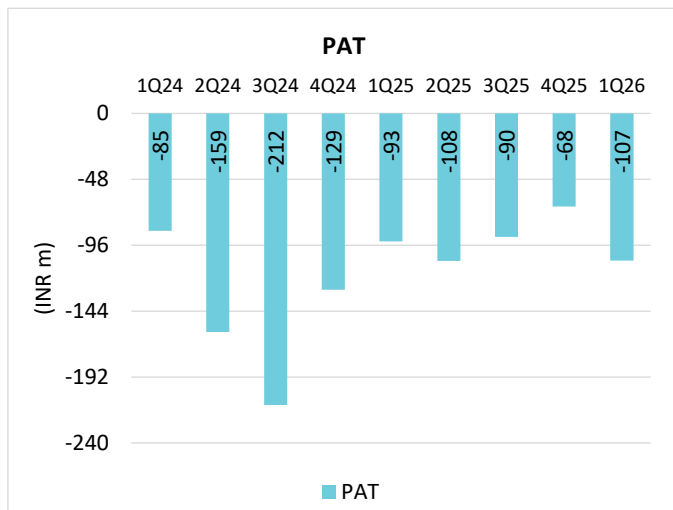
Source: Company, Nuvama Research

Exhibit 2: EBITDA and margin trends



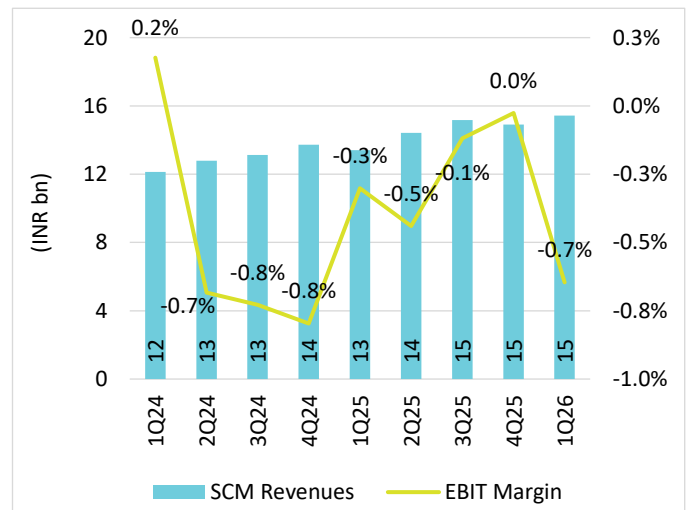
Source: Company, Nuvama Research

Exhibit 3: PAT trends



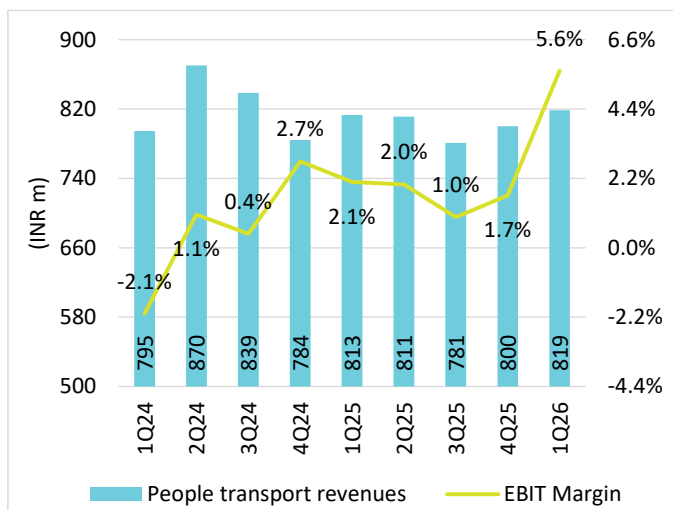
Source: Company, Nuvama Research

Exhibit 4: SCM revenue and margin trends



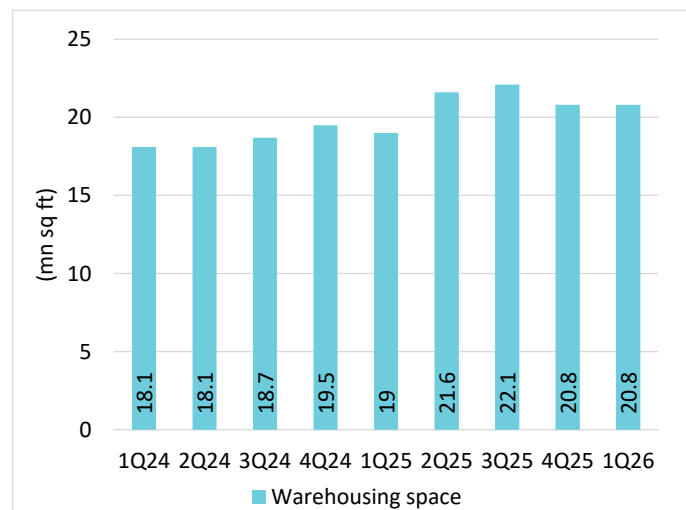
Source: Company, Nuvama Research

Exhibit 5: People transport revenues and margin trends



Source: Company, Nuvama Research

Exhibit 6: Warehousing space



Source: Company, Nuvama Research

Exhibit 7: Segmental performance

INR m	1Q24	2Q24	3Q24	4Q24	1Q25	2Q25	3Q25	4Q25	1Q26
<u>Contract Logistics</u>									
Revenue	10,050	10,880	11,000	11,310	10,930	11,630	12,550	12,330	12,890
Gross margins	1,280	1,250	1,240	1,230	1,200	1,210	1,290	1,320	1,370
% margin	12.7%	11.5%	11.3%	10.9%	11.0%	10.4%	10.3%	10.7%	10.6%
<u>B2B Express</u>									
Revenue	850	880	960	970	870	920	870	930	970
Gross margins	(130)	(160)	(130)	(60)	(60)	(50)	(50)	(40)	(40)
% margin	-15.3%	-18.2%	-13.5%	-6.2%	-6.9%	-5.4%	-5.7%	-4.3%	-4.1%
<u>Cross Border</u>									
Revenue	770	540	600	630	710	870	720	760	740
Gross margins	80	60	60	60	70	80	70	70	70
% margin	10.4%	11.1%	10.0%	9.5%	9.9%	9.2%	9.7%	9.2%	9.5%
<u>Last Mile delivery</u>									
Revenue	480	480	580	810	890	1,000	1,030	890	850
Gross margins	30	20	20	50	70	70	70	60	40
% margin	6.3%	4.2%	3.4%	6.2%	7.9%	7.0%	6.8%	6.7%	4.7%
<u>Mobility</u>									
Revenue	790	860	840	780	800	800	770	790	800
Gross margins	90	90	90	90	80	90	80	80	90
% margin	11.4%	10.5%	10.7%	11.5%	10.0%	11.3%	10.4%	10.1%	11.3%

Source: Company, Nuvama Research

Exhibit 8: Quarterly performance

INR mn	1Q25	1Q26	YoY	6yr CAGR	4Q25	QoQ	1Q26E	Var
Net Sales	14,200	16,246	14%	10%	15,695	4%	16,097	1%
Operating expense	12,140	14,074	16%	11%	13,588	4%	13,924	1%
% of sales	85.5%	86.6%			86.6%		86.5%	10 bps
Gross Profit	2,061	2,172	5%	9%	2,108	3%	2,173	0%
Gross Margin	14.5%	13.4%	-110 bps		13.4%	-10 bps	13.5%	-10 bps
Employee cost	1,020	1,045	2%	6%	956	9%	1,070	-2%
% of sales	7.2%	6.4%			6.1%	30 bps	6.7%	-20 bps
Other expenses	378	365	-4%		374	-3%	354	3%
% of sales	2.7%	2.2%			2.4%	-10 bps	2.2%	0 bps
Total Expenditure	13,537	15,483	14%	10%	14,918	4%	15,348	1%
% of sales	95.3%	95.3%			95.0%		95.3%	0 bps
EBITDA	663	763	15%	11%	777	-2%	749	2%
EBITDA margin	4.7%	4.7%	0 bps		5.0%	-30 bps	4.7%	0 bps
Depreciation	550	646	17%		584	11%	596	8%
EBIT	113	117			193	-40%	154	-24%
Other Income	57	51	-11%		22	134%	30	69%
PBIT	170	168			215	-22%	184	-9%
Interest	195	225	16%		206	10%	210	7%
PBT	-25	-58	131%		9	NM	-26	122%
Tax Expense	53	36	-32%		62	-42%	39	-6%
Tax Rate	-213.6%	-62.6%			671.0%		-148.4%	8580 bps
XO Exp/-Inc	0	0			0		0	
Reported Net Profit	-93	-107	15%	NM	-68	58%	-75	43%

Source: Company, Nuvama Research

Exhibit 9: Segmental performance

INR mn	1Q25	1Q26	YoY	6yr CAGR	4Q25	QoQ	1Q26E	Var
Revenue	14,200	16,246	14%	10%	15,695	4%	16,097	1%
Supply Chain Management	13,400	15,443	15%	12%	14,905	4%	15,260	1%
People transport	813	819	1%	-3%	800	2%	837	-2%
Segmental EBIT	-25	-58	131%		9	-722%	-60	-3%
Supply Chain Management	-42	-104	147%		-4	2495%	-76	36%
People transport	17	46	171%		13	246%	17	175%
EBIT Margins	-0.2%	-0.4%	-20 bps		0.1%	-40 bps	-0.4%	0 bps
Supply Chain Management	-0.3%	-0.7%	-40 bps		0.0%	-60 bps	-0.5%	-20 bps
People transport	2.1%	5.6%	350 bps		1.7%	400 bps	2.0%	360 bps

Source: Company, Nuvama Research

Company Description

MLL, a subsidiary of M&M, is a third party logistics (3PL) provider operating in the supply chain management (SCM) and enterprise mobility (EM) businesses. MLL's SCM business includes supply chain consultancy, warehousing, stores and line feeding, transportation and freight forwarding. Its EM business provides customisable and technology-enabled employee transportation services to corporate enterprises. The company commenced operations from December 2000 as a division of M&M to handle the captive logistics and supply chain requirements of the Group. Subsequently, the division began operating for external clients across the country. MLL was spun off as a 100% subsidiary of M&M, with effect from April 1, 2008. MLL concluded its initial public offering (IPO) in November 2017 and was listed on the Bombay Stock Exchange and the National Stock Exchange.

Investment Theme

MLL ranks highly on all key success parameters that go on to make a very successful 3PL business model in India, in our view. Its focus on high growth verticals and scaling up its business through an asset light approach are critical success enablers. Using its track record for M&M, MLL is ramping up fast on its non-Mahindra business and it is a stated strategy to grow this segment. Volumes have been impacted given the slower than anticipated recovery and general softness across existing customers. However, we believe the expansion will aid volume growth and aid performance. Hence wait and watch mode, for volumes recovery to actually reflect in the performance.

Key Risks

The automobile sector accounts for a lion's share of 3PL sales in India. Any large slowdown in this sector would adversely impact MLL's growth. Our growth assumptions are based on MLL aggressively growing its non-Mahindra business.

Additional Data

Management

CEO	Hemant Sikka
CFO	Saurabh Taneja

Holdings – Top 10*

	% Holding	% Holding
Nippon Life	5.45	
Kotak MF	3.14	
Steinberg Funds	2.83	
UTI Funds	2.01	
Tata Funds	1.72	

*Latest public data

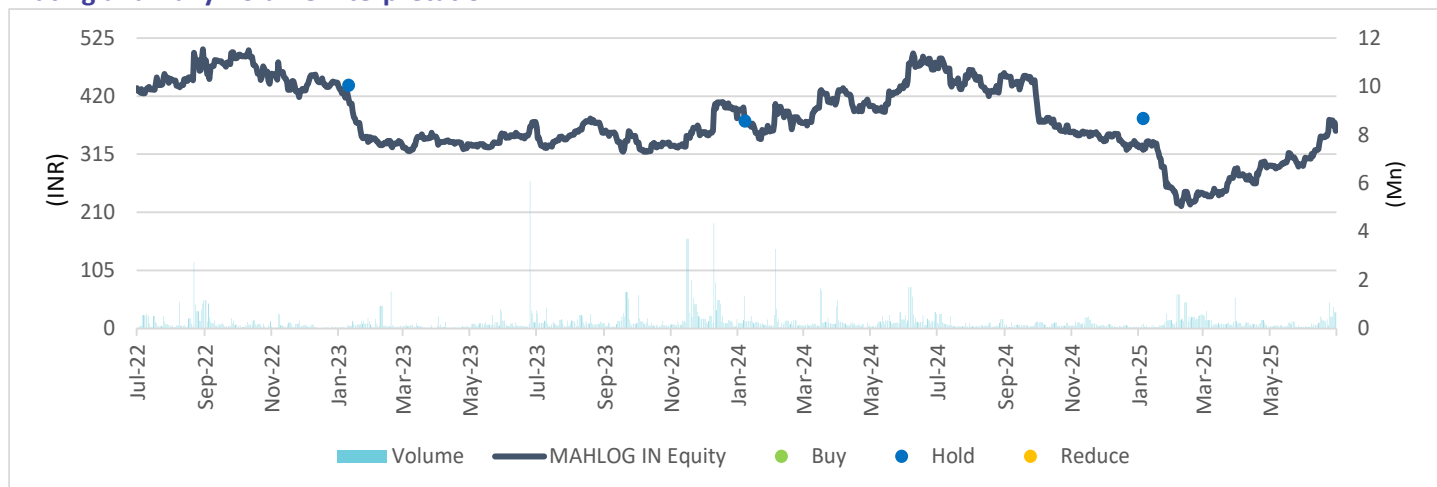
Recent Company Research

Date	Title	Price	Reco
21-Apr-25	Mixed performance; <i>Result Update</i>	307	Hold
28-Jan-25	Express continues to drag overall result; <i>Result Update</i>	358	Hold
23-Oct-24	Mahindra Logistics (MAHLOG IN, INR 465, ; <i>Result Update</i>	465	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
25-Jun-25	Logistics	Strong growth in container cargo at port; <i>Sector Update</i>
31-May-25	TCI Express	Weakness persists; <i>Result Update</i>
29-May-25	Blue Dart Express	Muted quarter; hopeful of margin recover; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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