



Issue Details	
Issue Opens	31 st Oct, 2017
Issue Type	2 nd Nov, 2017
Offer Price (at higher band)	Rs. 429/-
Pre-issue Shares outstanding (cr)	7.03
Shares offered in IPO (entire OFS) (cr)	1.93
Nos. of shares post issue (cr)	7.03
IPO size (Rs.cr)	Rs. 828.0 cr
Promoter Holding pre-IPO	72.4%
Promoter Holding post-IPO	58.7%
FY17 PAT (Adj.)	60.0
TTM P/E at Upper Band	50.0X

About the Company:

Mahindra Logistics Ltd. (MLL) is one of India's largest 3PL solutions providers in India. Company operates in two distinct business segments viz., Supply Chain Management ("SCM") and Corporate People Transport Solutions ("PTS"). Company operates on an 'asset light' business model and it has over 1,000 business partners providing them with vehicles, warehouses and the other assets and services for SCM business. As at end o FY17, around 65% of MLL's revenues came from Mahindra Group.

SCM segment: MLL offers customized and end-to-end logistics solutions including transportation and distribution, warehousing, in-factory logistics and value added services to its clients.

PTS Segment: Here the Company provides people transportation solutions and services across India to companies operating in the IT, business process outsourcing, financial services, consulting and manufacturing industries.

	FY15	FY16	FY17
SCM	1628.9	1793.6	2345.7
% of Total Sales	86.6%	87.8%	88.8%
PTS	252.0	250.1	295.1
% of Total Sales	13.4%	12.2%	11.2%
Total Sales	1880.9	2043.7	2640.8

Objects of the issue:

The objects of the Offer are to achieve the benefits of listing the Equity Shares on the Stock Exchanges and for the Offer for Sale by promoter group and other existing shareholders. Company is not issuing any fresh equity and it will not receive any proceeds from the Offer.

Core strength and triggers of the company:

- Asset Light business model allows them flexibility and scalability of operations
MLL primarily operates on asset light model which enables them to offer a variety of flexible and scalable solutions based on their client's requirements. Company has a diversified vendor base of more than 1000 vendors which makes it easier for them to arrange for vehicle or warehouse space on short notice. Due to low capex, company's adjusted RoEs are healthy at 39.9% and 33.8% during FY16 and FY17 respectively.
- Mahindra Brand and business support from group
Being from Mahindra group, company enjoys good brand perception from all the business entities. Further, business from the Mahindra group constitutes 65% of company's revenues and with the parent group having business interests in many industries it would assure increasing and long term revenues.



- Implementation of GST to bring structural change to the industry
The long awaited implementation of GST will bring about the required shift of logistical activities from company's end to 3PL players. GST will lead to consolidation of warehouses and manufacturers who currently operate their own warehouses will reduce the same and move to larger warehouses operated by 3PL players.
- End to End Logistics services widens addressable market:
MLL's gamut of services spans across all the verticals of logistics. It provides all the services right from procuring raw material to factory, in house factory management, warehousing of finished products and its ultimate transportation and distribution. MLL also provides customizable solutions to its clients if some one needs only transportation or warehousing or combination of other services. It has also forayed into eFulfillment centres to capture fast growing eCommerce industry.
- Technology oriented company
MLL focuses extensively on technology to ensure complete control over at all stages of Supply Chain. Company has also developed several industry specific systems which helps them cater to cater the specific needs of the particular industry.
- Presence across diverse industry verticals with long-standing client relationships
MLL provides SCM services to clients across various industry sectors such as automotive, engineering, consumer goods, pharmaceuticals, e-commerce and bulk. Company has successfully added incremental clients from various industry which is visible from the fact that its non-Mahindra revenues have grown at a CAGR of 64.5% from 352 cr in FY15 to 952 cr in FY17.

Risks and Concerns

- Dependency on outside vehicles can put pressure on margins
Nearly all of company's assets are sourced from outside vendors which may put pressure on margins as during peak seasons the vendors tend to increase their rentals. Further, company might have to continue to incur lease rentals over the contract period even if the demand is weak. However, having a huge vendor base and strong brand would given some negotiating power to the company and mitigate the risk to some extent.
- High dependency on Auto clients:
MLL depends significantly on clients operating in the automotive industry as it contributed 60.8% of company's revenues in FY17. So any significant slowdown in auto industry would also have a direct bearing on company's business. To mitigate this risk company has been adding more clients in different industries and increasing its service offerings

Valuation and Recommendation

- At upper price band of Rs. 429, the stock is valued at trailing P/E of 50X which is at slightly premium to its peers TCI Express and VRL Logistics. We believe that the valuations are expensive and the stock is priced to perfection at the offer price of Rs. 429.
- Though we like the business but we would wait for a better entry point to invest in the stock.
- Given the above, we believe that the stock is fairly valued and one can AVOID the issue at offer price.

**Financial Summary****Statement of Profit & Loss:**

Mahindra Logistics Ltd Profit And Loss [INR-Crore]			
DESCRIPTION	FY15	FY16	FY17
Operating Income (Net)	1964.4	2083.9	2666.6
Employee Cost	122.7	150.9	188.3
Operating Expenses	1707.0	1785.0	2269.1
General and Administration Expenses	76.4	96.6	133.0
Total Expenditure	1906.2	2032.5	2590.3
EBITDA (Ex OI)	58.2	51.4	76.2
EBITDA Margin	3.0%	2.5%	2.9%
Depreciation	6.0	8.4	14.6
EBIT	52.3	43.0	61.6
Other Income	8.2	13.5	9.7
Interest	0.2	1.2	3.5
PBT	60.2	55.3	67.8
Provision for Tax	21.0	19.5	21.8
Profit After Tax	39.2	35.9	46.1
Minority Interest	0.7	0.6	-0.5
Consolidated Net Profit	40.0	36.4	45.6
Earnings Per Share	6.7	6.1	6.7

Cash Flow Statement

Mahindra Logistics Ltd Cash Flow - [INR-Crore]			
DESCRIPTION	FY15	FY16	FY17
Profit Before Tax	60.22	55.32	67.82
Adjustment	-1.35	-0.67	14.08
Changes In working Capital	-17.07	-64.53	-58.85
Cash Flow after changes in Working Capital	41.79	-9.87	23.04
Tax Paid	-15.00	-38.02	-52.35
Cash From Operating Activities	26.79	-47.89	-29.31
Cash Flow from Investing Activities	-114.78	19.01	53.41
Cash from Financing Activities	102.92	18.41	2.43
Net Cash Inflow / Outflow	14.93	-10.47	26.54
Opening Cash & Cash Equivalent	87.17	102.10	23.63
Closing Cash & Cash Equivalent	102.10	91.63	50.17



Balance Sheet

Mahindra Logistics Ltd Balance Sheet [INR-Crore]			
DESCRIPTION	FY15	FY16	FY17
Share Capital	100.7	100.7	68.0
Share Warrants & Outstandings	0.0	0.0	2.5
Total Reserves	164.6	201.1	277.2
Shareholder's Funds	265.3	301.8	347.7
Minority Interest	3.5	2.9	4.8
Long-Term Borrowings	0.1	20.1	19.8
Deferred Tax Assets / Liabilities	-6.8	-8.8	-12.8
Other Long Term Liabilities	11.1	14.0	13.1
Total Non-Current Liabilities	4.5	25.4	20.0
Current Liabilities			
Trade Payables	221.8	225.8	385.8
Other Current Liabilities	16.6	26.4	37.3
Short Term Borrowings	3.9	3.5	8.2
Total Current Liabilities	242.3	255.6	431.4
Total Liabilities	515.6	585.7	803.9
Net Block	26.1	52.4	62.2
Other Non Current Assets	7.6	10.3	11.4
Total Non-Current Assets	33.6	62.7	73.6
Currents Investments	110.1	68.0	58.0
Inventories	2.8	2.9	1.2
Sundry Debtors	200.5	245.5	412.1
Cash and Bank	102.1	91.6	50.2
Other Current Assets	66.4	115.0	208.8
Total Current Assets	481.9	523.1	730.3
Total Assets	515.6	585.7	803.9



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