

Mahindra Logistics Ltd : Average Issue IPO Note : Well known Mahindra Group: Low PAT Margin and IPO price looks expensive : Ranking**



Issue details

Price band (Rs)	Rs.425-429
IPO Opening Date	31/10/17
IPO Closing Date	02/11/17
Issue Size	Rs. 829.36 Cr.

Recommendation

Total revenue grew at a CAGR of **19.64%** from Rs.1939.55 Cr for the FY 2015 to Rs.2776.25 Cr for FY 2017 and Net Profit grew at a CAGR of 9.36% in the same period. Net profit grew from Rs.38.52 crore to Rs.46.07 crore. For Q1 of current fiscal it has posted net profit of Rs. 15.13 crore on total revenue of Rs. 854.45 crore. Thus it has shown constant surge in top and bottom lines. It has no listed peers to compare with. If we annualize latest earnings and attribute on fully diluted post issue equity then asking price is at a P/E of around **50.35**. The company offers shares at a P/E of **66+** on its FY17 EPS. For last three years its PATM has been **1.73%**, **1.72%** and **2.0%** for FY17, FY16 and FY15 respectively. The issue seems little bit expensive compared to other logistic stocks. **Risk savvy cash surplus investors may consider investment in this Mahindra Group company with asset light business model only for long term.**

Highlights

- Mahindra Logistics is part of Mahindra Group (M&M), one of India's leading corporate groups with operations across several industries and countries.
- Mahindra Logistics Ltd. (MLL) - is one of India's largest 3PL solutions providers in the Indian logistics industry which was estimated at Rs. 6.40 trillion in fiscal 2017
- MLL provides technology-enabled 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.
- August 31, 2017, it operated PTS business in 12 cities and over 120 client and operating locations across India. Certain key clients in India for PTS business include Tech Mahindra Limited, AXISCADES Engineering Technologies Limited and ANZ Support Services India Private Limited.

Company Introduction

Incorporated in 2008, Mahindra Logistics Limited 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



www.mahindralogistics.com

Financial Summary (Rs. In Crore)

Particulars	Qtr. Ended June 2017	FY2017	FY 2016	FY2015
Total Income	854.45	2776.25	2077.12	1939.55
Net Profit	15.16	46.07	35.97	38.52
EPS (Rs)	2.13*	6.47	5.05	5.41

*EPS not annualized

Source: RHP and ACE Equity

RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

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.

Asset-light business model

An "asset-light" business model helps MLL to reduce capital expenditure requirements, mitigate the effects of operational risks relating to direct fuel costs, maintenance costs and depreciation in addition to reducing the effect of any risks emanating from changes in laws and regulations. This also enables it to deploy and utilize capital more efficiently.

Company Promoters:

The Promoter of the Company is Mahindra & Mahindra Limited.

The object of the issue

To achieve the benefits of listing the Equity Shares on the Stock Exchanges and For the Offer for Sale.

Company will not receive any proceeds from the Offer as all the proceeds will be received by the Selling Shareholders.

IPO Issue Proceed

For providing exit route to P/Es and listing gains, MLL is coming out with a maiden IPO of 1.93 crore equity shares of Rs. 10 each via book building route with a price band of Rs. 425 - Rs. 429 to mobilize Rs. 821.62 to Rs. 829.36 crore (based on lower and upper price bands. This being secondary offers (i.e. Offer for Sale), no money is coming to company and post issue paid up equity capital remains same at Rs. 71.14 crore. Issue opens for subscription on 31.10.17 and will close on 02.11.17. Minimum application is to be made for 34 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. MLL has reserved 125000 equity shares for eligible employees and is offering a discount of Rs. 42 per share to them.

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