

**Issue Highlights**

Industry	Logistics
Total Issue (Shares) - Offer for sale	19,332,346
Total Issue (Shares) Employee Reservation	125,000
<b>Net Offer to the Public</b>	<b>19,332,346</b>
Issue Size (Rs. Cr.)	821-830
Price Band (Rs.)	425-429
Offer Date	31-Oct-17
Close Date	2-Nov-17
Face Value	10
Lot Size	34

**Issue Composition In shares**

Total Issue for Sale	19,207,346
QIB	9,603,673
NIB	2,881,102
Retail	6,722,571

**Shareholding Pattern (%)**

Particulars	Pre-issue	Post-issue
Promoters & promoters group	74.64%	61.05%
QIB	25.36%	25.27%
NIB	0.00%	4.05%
Retail	0.00%	9.63%
<b>Total</b>	<b>100.00%</b>	<b>100%</b>

\*calculated on the upper price band

**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.

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

**Book Running Lead Manager**

- Axis Capital Limited
- Kotak Mahindra Capital Company

**Name of the registrar**

Link Intime India Private Ltd

**About the Company**

Incorporated in Aug 2007, Mahindra Logistics is one of the India's largest 3PL solutions providers in the Indian logistics industry. The company believes that its competitive advantage lies in "asset-light" business model. The technology enabled, "asset-light" business model allows for scalability of services as well as the flexibility to develop and offer customized logistics solutions across a diverse set of industries. The company operates in two distinct business segments, supply chain management ("SCM") and corporate people transport solutions ("PTS").

**Competitive Strengths**

- Asset-light business model which allows flexibility and scalability in operations and high capital efficiency:** Mahindra Logistics operates business primarily on basis of an 'asset-light' business mode, which allows variety of flexible, scalable, solutions and services based on client's requirements and handle complexities that are unique to the Indian logistics industry.
- Customized, technology driven logistics solutions:** Technology is integral to company business and operations. Its technology systems have enabled the company to control and command operations, undertake real-time tracking of vehicles, provide end-to-end visibility of operations and make timely corrective interventions.
- Integrated, end-to-end logistics services and solutions:** The Company's integrated, end-to-end logistics services focus on creating solutions that address the requirements of clients across its SCM and PTS businesses. Entities within the Mahindra Group together constituted largest client group and contributed 53.96 percent, 63.24 percent and 70.14 percent to total revenue from operations in FY17, FY16 and FY15, respectively.
- Presence across diverse industry verticals with long-standing client relationships:** The company provides SCM services to clients across various industry sectors. It's large client-base of over 300 clients across various industry verticals has enabled them to cross-leverage the know-how and best practices that the company have acquired from its experience with a set of clients across a wider spectrum of clients. Over the years, the company has expanded relationship by providing services in new geographies, and by adding services such as in-factory logistics. Between Fiscals 2017 and 2015, the Client Retention Rate for company's top 25 non-Mahindra Group clients in SCM business remained at 92.0%.

**Strategies**

- Continue to grow share of its business from non-Mahindra Group clients:** Over the years, the company has capitalized on expertise and experience and have expanded its operations to add non-Mahindra Group clients. The revenues from SCM business attributable to non-Mahindra Group clients increased by a CAGR of 64.45% to Rs 952.78 Cr in Fiscal 2017 from Rs 352.30 Cr in Fiscal 2015 and was Rs 299 Cr in the three month period ended June 30, 2017. The company plans to continue to focus on increasing share of its business from non-Mahindra Group clients by offering services to a higher number of new clients and leveraging its relationships with its existing clients.
- Focus on large revenue clients:** The Company intends to continue using its asset

light model to acquire large revenue clients and provide them with integrated, end-to-end solutions to address all their logistics requirements. The SCM business operates through a pan-India network comprising 24 city offices and over 350 client and operating locations as at August 31, 2017. Certain key clients for SCM business include Volkswagen India Private Limited, Vodafone India Limited, Thermax Limited, JSW Steel Limited, Ashok Leyland Limited, Siemens Limited, Bosch Limited, BMW India Private Limited, 3M India Limited, and Mercedes-Benz India Private Limited. Whereas certain key clients in India for PTS business include Tech Mahindra Limited, AXISCADES Engineering Technologies Limited and ANZ Support Services India Private Limited.

- **Leveraging on the changing logistics industry dynamics, particularly GST regime:** The GST regime is expected to significantly change the Indian logistics industry and the manner in which it conducts business. The GST regime is expected to benefit the inter-state movement of goods. The company believes that aligning its business strategy with the implementation of the GST regime will be a significant factor for growth and profitability of its business in the near future.
- **Continue to establish new multi-user warehouses:** In order to take advantage of the business expansion opportunities offered by the GST regime, the company intends to obtain leasehold or license rights over large, multi-user, integrated warehouses in certain specific well-connected and central locations in each region in India which can be termed as “logistically suitable locations”. The company is also in the process of setting up additional large format, multi-user warehouses in certain strategic locations on a long-term lease basis. The company will continue to focus on increasing the utilization rates of its new warehouses by continuing to attract new clients.
- **Continue to explore new business opportunities in new industry verticals and business segments:** The Company intends to explore opportunities for entry into certain other new industry verticals and business segments that it anticipates will experience growth in the near future, while maintaining its “asset-light” business model.

### **Risk factor**

**Depends on a limited number of clients:** The Company depends on a limited number of clients, which exposes to high risk of client concentration.

**Highly fragmented and competitive industry:** The Company operates in a highly fragmented and competitive industry and increased competition may lead to a reduction in its revenues, reduced profit margins or a loss of market share.

**Dependency on parent company:** The business and operations of the company depend significantly on its parent and promoter, Mahindra & Mahindra and the other Mahindra Group entities.

**Business is highly dependent on technology:** The Company’s business is highly dependent on technology and any disruption or failure of technology systems may affect its operations.

### **Peer comparison**

No listed peers mentioned in RHP.

### **Valuation**

Considering at an upper price band of Rs.429 , the stock is trading at P/E of 66.25 multiple on EPS of Rs. 6.48 and at a lower price band of Rs. 425 P/E multiple is 65.63. As the company is not making fresh issue of capital , networth of the company would have no impact and at an upper price band of Rs.429, Book value and P/B ratio is of Rs.49.54 and 8.66.

### **Industry Overview**

India’s GDP grew at 7.60% in Fiscal 2016, up from 5.60% in Fiscal 2013. India is expected to remain

the fastest growing major economy and become the fifth largest economy in the world by Fiscal 2020. Government is investing approximately Rs. 10.3 trillion in roads (national highways, state roads and rural roads) between Fiscals 2018 and 2022. The 3PL market in India was at Rs. 325-335 billion in Fiscal 2017, which is expected to grow at a CAGR of 19-21% to reach Rs 570-580 billion by Fiscal 2020. It is anticipated that sectors such as automobiles, e-commerce, consumer goods, organized retail and engineering are expected to have high 3PL growth potential. The PTS industry would grow at a CAGR of 8.5-9.5% to Rs. 85-95 billion in Fiscal 2020, driven by the IT and ITeS sectors. Also the Indian Government implemented a centralized goods and services tax (“GST”) in July 2017, to replace the existing tax regime. It is anticipated that implementation of GST will result in most business decisions being focused on supply chain efficiency and not on state-wise tax benefits. This in turn, may lead to an increase in business opportunities for organized service providers operating large sized warehouses in key geographies.

### Outlook

Mahindra Logistics, which is India’s largest 3PL solutions provider, follows an ‘asset-light’ business model, which has enabled the company to gain scalability of services as well as have flexibility to develop and offer customized logistics solutions across a diverse set of industries. The company also plans to focus on increasing business from Non-Mahindra Group clients, leveraging the changing industry with the implementation of GST regime with greater focus on warehousing and diversifying into other industry verticals. However, the issue looks little pricey. An investor with long term investment horizon may opt the issue.

**An Indicative timetable in respect of the Issue is set out below:**

<b>EVENT</b>	<b>INDICATIVE DATE (On or about)</b>
Bid/Offer Opens Date	October 31, 2017
Bid/Offer Closing Date	November 2, 2017
Finalisation of Basis of Allotment with the Designated Stock Exchange	November 8, 2017
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	November 9, 2017
Credit of Equity Shares to depository accounts of Allottees	November 9, 2017
Commencement of trading of the Equity Shares on the Stock Exchanges	November 10, 2017

## Annexure

### Consolidated Financials

#### Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-17 (3 Months)	Period ended 31-Mar-17 (12 Months)	Period ended 31-Mar-16 (12 Months)
Total Operating Income management fees	852.47	2,666.59	2063.93
Total expenditure	825.93	2590.34	2011.59
<b>Operating Profit</b>	<b>26.54</b>	<b>76.25</b>	<b>52.34</b>
OPM%	3.11	2.86	2.54
Other Income	1.99	9.67	13.19
<b>PBDIT</b>	<b>28.53</b>	<b>85.91</b>	<b>65.53</b>
Depreciation	4.17	14.61	8.264
<b>PBIT</b>	<b>24.36</b>	<b>71.31</b>	<b>57.27</b>
Interest	0.89	3.49	1.319
<b>PBT</b>	<b>23.47</b>	<b>67.82</b>	<b>55.95</b>
Tax	8.34	21.75	19.98
<b>Profit After Tax</b>	<b>15.13</b>	<b>46.07</b>	<b>35.97</b>

**Balance sheet is on next page**

## Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-17	As on 31-Mar-17	As on 31-Mar-16
<b>Non-current assets</b>			
Property, plant and equipments	62.72	55.95	44.72
Capital Work-in-Progress	3.47	0.70	2.42
Goodwill on consolidation	4.33	4.33	4.33
Intangible Assets	1.08	1.23	0.46
Intangible Assets Under Development	0.04	0.00	0.42
Financial Asset	12.64	10.35	16.46
Deferred Tax Assets (Net)	13.94	13.17	8.80
Income Tax Assets (Net)	61.49	54.42	27.64
Other Assets	6.34	1.02	1.79
<b>Total Non- Current Assets</b>	<b>166.03</b>	<b>141.16</b>	<b>107.05</b>
<b>Current assets</b>			
Financial Assets			
Investments	50.02	58.04	68.09
Trade Receivables	438.85	412.08	245.23
Cash and Bank Balance	45.93	50.17	23.63
Bank Balances other than (iii) above	0.00	0.00	60.00
Loans	25.00	25.00	27.00
Other Financial Assets	89.07	61.42	15.44
Other Assets	71.14	66.94	43.13
<b>Total current assets</b>	<b>720.01</b>	<b>673.65</b>	<b>482.51</b>
<b>Non-Current Assets Classified as Held for</b>	<b>1.91</b>	<b>1.91</b>	<b>1.91</b>
<b>Total Assets</b>	<b>887.95</b>	<b>816.72</b>	<b>591.47</b>
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>	0.00	0.00	0.00
<b>Borrowings</b>	24.10	19.77	20.11
<b>Other financial Liabilities</b>	0.02	0.02	1.78
<b>Provisions</b>	14.02	13.07	12.00
<b>Other Liabilities</b>	0.00	0.00	0.23
<b>Total non-current liabilities</b>	<b>38.14</b>	<b>32.87</b>	<b>34.11</b>
<b>Current liabilities</b>			
<b>Financial Liabilities</b>	463.95	418.48	243.20
Provisions	3.58	3.30	2.44
Other Liabilities	13.54	9.63	6.99
<b>Total current liabilities</b>	<b>481.07</b>	<b>431.41</b>	<b>252.63</b>
<b>Total</b>	<b>519.21</b>	<b>464.27</b>	<b>286.74</b>
<b>NET Worth</b>	<b>368.75</b>	<b>352.44</b>	<b>304.73</b>
Net worth represented by:			
Share capital	68.00	68.00	59.82
Other Equity	294.75	279.66	241.97
Equity attributable to non-controlling interests	5.99	4.79	2.94
<b>Net Worth</b>	<b>368.75</b>	<b>352.44</b>	<b>304.73</b>

## RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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