

Supply Chain Management (SCM) and Financial Performance of Mahindra Logistics Ltd

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Abstract: - Effective supply chain management (SCM) has become a potentially valuable way to secure competitive advantage and improve organizational performance, as competition is no longer between organizations, but between supply chains. This research conceptualizes Mahindra Logistics Ltd.'s SCM management and the relationships between SCM practices, competitive advantage, and organizational performance. The results indicate that higher levels of SCM management can lead to improved competitive advantage and better organizational performance. Additionally, competitive advantage can have a direct and positive impact on organizational performance. The research is based on secondary data acquired from various sources and discussed about the financial performance of the company.

Keywords : Mahindra Logistics, 3PL, Supply Chain Management (SCM), Business.

I. INTRODUCTION

The Mahindra Group is a US \$ 20.7 billion business alliance that enables people to grow, promote rural prosperity, improve urban life, foster new businesses and foster communities through innovative mobility solutions. It holds a leading position in utility vehicle, information technology, financial services and vacation ownership in India and is the largest tractor company in the world. It also has a strong presence in agribusiness, components, commercial vehicles, consulting services, energy, industrial equipment, logistics, real estate, steel, aerospace, defense and motorcycles. Headquartered in India, Mahindra employs more than 200,000 people in 100 countries.

Mahindra Logistics Limited (MLL) is an integrated “**Third-Party Logistics (3PL) Service**” provider specializing in supply chain management and enterprise mobility. Founded over a decade ago, MLL serves more than 400 corporate customers in a variety of industries including automotive, engineering, consumer goods and e-commerce. The company pursues an “asset light” business model, offering customized technology-enabled solutions that span the supply chain and human transportation operations. MLL is part of the Mahindra Group's mobility services sector.

Supply Chain Management: The company provides clients with customized end-to-end logistics solutions and services. This includes transportation and distribution, warehousing, factory logistics, and value-added services. Mahindra Logistics operates through a pan-India network

that manages more than 13 million square feet of warehouse space, operates in-factory stores and line feeds at more than 35 manufacturing sites, and operates in several industries in India, including automotive and engineering. It serves more than 200 domestic and multinational companies operating in Consumer Goods, Pharmaceuticals, E-Commerce and Bulk.

People Transport Solutions: Mahindra Logistics delivers technology-enabled personnel across India to more than 100 national and multinational companies operating in the Information Technology (IT), Information Technology Services (ITeS), Business Process Outsourcing, Financial Services, Consulting and Manufacturing industries. It provides solutions and services. .. Served through a fleet of vehicles provided by a large network of more than 500 business partners, it operates in 11 cities with more than 120 clients and operating locations throughout India.

Business Strategy:

- Continue to grow your business share from external clients.
- Focus on large revenue clients by providing an integrated end-to-end solution and continue to provide additional services to existing clients.
- Continue to diversify revenues from industries such as consumer goods, pharmaceuticals, e-commerce and bulk.
- They will continue to focus on enhancing technology that leverages the changing dynamics of the logistics industry, especially with the implementation of GST and E-way Bill.
- Continue to establish new multi-user warehouse • India's

macroeconomic situation and growth in the 3PL logistics industry are estimated to experience a CAGR of approximately 20%.

- The automotive sector is growing steadily. Car sales are increasing, supported by rising demand in the city center and the promotion of government infrastructure. Motorcycles are experiencing double-digit growth, supported by huge demand in rural areas and Tier II and III cities. In addition, tractor manufacturers expect sales to recover from the third quarter.
- Pan-Indian presence-improves scalability and flexibility.
- Solution-driven features – Technology-driven implementations – Cost-effective solutions.
- Company rely heavily on our clients in the automotive industry and on the performance of the automotive industry.
- Company rely on a limited number of clients, including parent companies and promoters, Mahindra & Mahindra Limited, and other Mahindra Group entities. This increases the risk of customer concentration.
- The competition in this segment is very fierce and leads to a high degree of fragmentation. This space is highly dominated by unorganized players. To mitigate this, we create value through integrated technology-based solutions, transport network-based solutions, and employee skill development.

II. LITERATURE REVIEW

“Performance measurement is an important topic which should be considered in any supply chain”. (Rahiminezhad Galankashi and Helmi, 2016)[1].

“Supply chain performance measurement is important as today’s competition is no more between companies” (Sahay, 2003)[2]. “In other words, with the progress of competition in markets, supply chains are competing to satisfy customers and absorb a bigger portion of the available demand (Thirumalai and Sinha, 2005)”[3]. Therefore, “it is critical to improve the performance of whole supply chain instead of single components (Behrouzi and Wong, 2013)”[4].

“Recent studies on supply chain performance measurement have highlighted the importance of considering nonfinancial metrics along with financial issues (Skrinjar et al., 2008)”[5]. “However, although it is recommended to see both financial and nonfinancial measures using balanced approaches (Dossi and Patelli, 2010)[6], this is not really happening in real world problems”.

“This fact is more significant in majority of developing countries where financial perspectives are considered as market winners (Bascom, 2016)”[7]. Therefore, “although performance measurement concept has been vastly investigated in previous studies (Taticchi et al., 2015)[8], only a very few research studies have been conducted on

financial performance measurement of supply chains (Tangen, 2004)”[9]. “In other words, the majority of previous studies have discussed the necessity of shifting from “cost” to other metrics to assess the performance (Lawton and Solomko, 2005)”[10]. “However, they have neglected to concentrate on essential financial metrics which are necessary for financial performance measurement of supply chains (Neely et al., 1997)”[11].

“According to performance measurement concept, applying appropriate metrics is necessary to assess the performance (Galankashiet al., 2018)”[12]. “In this regard, developing, recognizing, quantifying and applying the appropriate and applicable measures to assess the performance of supply chains from financial perspective is essential to be more investigated (Ritchie and Kolodinsky, 2003)”.

“There are numerous financial performance measures to be investigated in supply chains, they are mostly limited to cost in previous literature (Lawton and Solomko, 2005)”[13].

“Previous studies on supply chain performance measurement have highlighted the importance of shifting from financial to nonfinancial performance assessment of supply chains (Hernaus et al., 2012)”[14]. “However, these studies have neglected to discuss the specific measures of financial performance management and how they are different. In addition, according to previous studies, although the synchronizing and optimizing process of information and material flows have been significantly improved in previous literature (Lehmann, 2011)[15], the elaboration of financial flows is not practically clarified by supply chain managers (Friemann et al., 2012) [16]. This is mainly due to the inherent complexities linked with financial performance measures (Lu and Shang, 2017)”[17].

“With the advent of SCM and increasing demand for quality, fast deliveries and other important issues of today’s competitive markets, supply chain performance measurement is a necessary consideration (Beamon, 1999)”[18].

“According to an old definition, performance measurement aims to identify and quantify the performance measures, indicators or metrics (Galankashi and Helmi, 2016)”[19]. “In other words, it aims to show the extent in which the desired goals of supply chains including quality, time, cost, etc. are achieved (Galankashi et al., 2019)”[20].

“Performance measurement is a useful approach as it can be applied to assess the achievement of supply chain components using different perspectives (Gabler, 2014)”[21].

“As a shorter definition, performance measurement describes the process of quantifying the effectiveness and efficiency of an action (Tangen, 2004)”[22].

“A performance measure is a metric which is applied to quantify the effectiveness and efficiency of an action

(Galankashi et al., 2018)”[23].

“Finally, performance measurement system is defined as a combination of different measures applied to quantify the effectiveness and efficiency of actions (Neely et al., 1995; Seiler, 2016)”.

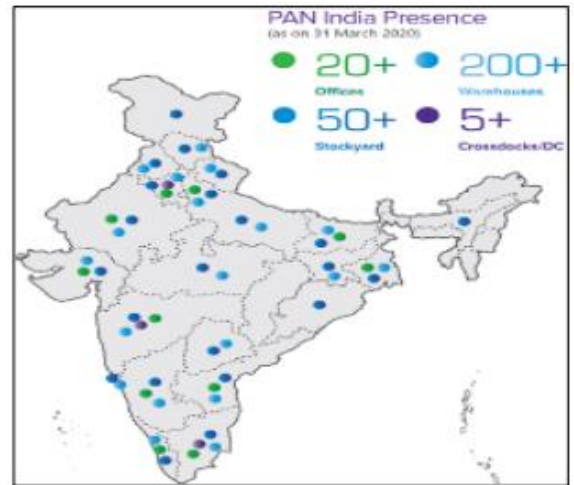
III. METHODOLOGY

Secondary data are collected from the selected companies records, magazines, journals, Annual reports, and company web site as well as from some books and reports. Collected data are analysed to study the impact of integration on performance of supply chain and its monetary benefits to the company.

IV. RESEARCH ANALYSIS

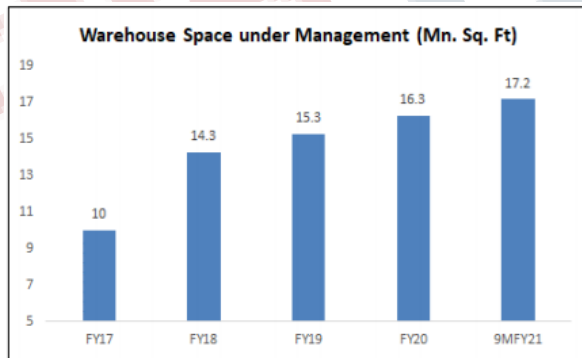
SCM Business

One of India's Largest 3PL Players MLL is one of India's largest 3PL players with over 15,000 employees (fully integrated operations from warehousing to transportation). More than 10,000 vehicles are deployed each month, 17,000 PIN codes are provided, more than 50 factory and line feed operating locations, more than 350 operating locations and a network of 25 offices with 20 network hubs. The warehouse spans 17 million square feet (capacity to operate a single warehouse up to 0.4 million square feet), with in-factory stores and line feeds in more than 35 manufacturing sites and more than 50 stockyards in India.



Source – Company, Mahindra Logistic

As part of its SCM business, MLL provides supply chain consulting and design for clients, from transportation, warehousing, international freight transportation and other value-added services. Gross shipping profit is 6% -8% compared to the 10-18% seen for warehousing. In the case of transportation, gross profit depends on the size of the business. In other words, the driver's salary and insurance are fixed, so a higher vehicle will drive with the optimum load. Providing a wide range of services through presence in multiple industries and expanding customer base The company offers a wide range of logistics services in multiple industries. This allows companies to diversify their revenue streams and reduce their reliance on M & M.



Source – Company, Mahindra Logistic

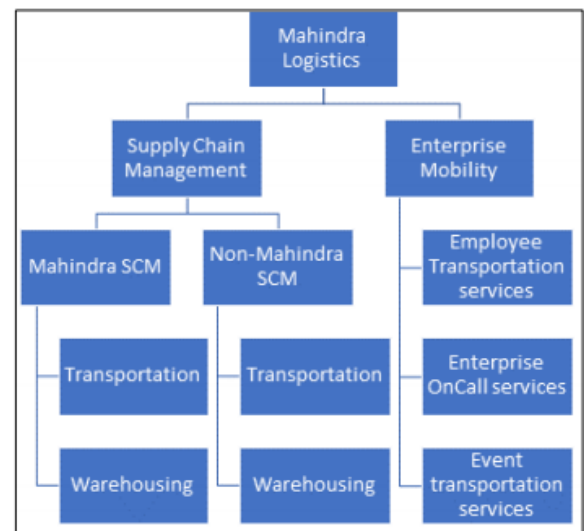


Figure 1: Mahindra SCM Business

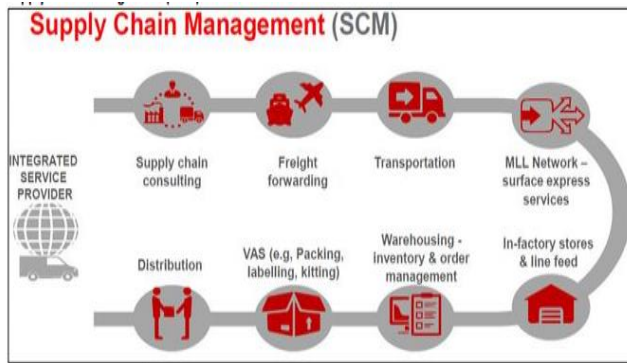


Figure 2: Supply Chain Management (SCM) - ~89% revenue contribution as on FY20

The SCM business, which contributes nearly 90% to MLL's revenue, provides clients with customized end-to-end logistics solutions and services such as transportation and distribution, warehousing, factory logistics and value-added services. The company operates in 14 cities and serves more than 500 clients and offices. We have a large network of over 1,450 business partners providing vehicles, warehouses and other assets and services. Its asset light business model can serve more than 400 domestic and multinational companies, including JSW, 3M, Bosch, Siemens, Thermax, Mercedes and Volkswagen.

MLL provides scalable and customizable solutions for warehousing, store and line feed, yard management, contract workforce management, just-in-time services, aftermarket logistics, layout and process design support, return processing and distribution. Developed expertise. It currently manages over 16 million square feet of warehouse space, spanning multi-user built-in suit warehouses, stockyards, network hubs and cross-dock networks throughout India. MLL operates in-factory stores and line feeds at more than 50 manufacturing sites. In addition, its express network offers over 17,000 PIN codes through 35 hubs across India. The current scenario favours the growth of the domestic 3PL logistics business (after the implementation of GST), and MLL now employs a large workforce of 7,000 (including third-party associates). It set the vision of becoming an entity of Rs 10,000 by 2026. It grew from Rs 2,064 in 2015-16 to Rs 3,851 in 2018-19 and dropped to Rs 3,471 in 2019-20, due to macro and micro economic challenges.

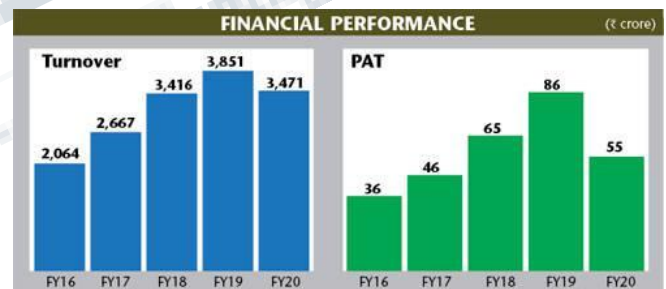
“Though, in the initial five-six years (the first phase), they had limited ourselves to the Mahindra group, as also the auto/manufacturing space, during the last few years, in the second phase, they have been ramping up our capabilities in a big way”.

“On the supply chain management front, they have built up our offerings across various segments of the business and

are in a position to provide end-to-end solutions to various industries. Today, they service a diverse set of clients in multiple sectors. Looking at the surge in opportunities, they have increased our exposure to consumer-facing businesses including e-commerce and FMCG. While doing all this, our approach is to follow an asset-light model and offer scalable and tech-enabling solutions, which can add value to the customer's business. All in all, our new strategy is quite robust and balanced and will drive our growth going forward.”

Over the last few years, the company's strategy of diversifying its customers has already begun to emerge. They aim to reduce their exposure to group companies and the automotive / manufacturing industry to less than 60% and to less than 40% in the next 5-6 years. The contribution of high-growth sectors such as FMCG and e-commerce to the entire business is expanding rapidly. In 2019-20, MLL's e-commerce business grew 26%, while the consumer business showed more than 32% traction.

MLL's freight business has grown into a key part of integrated cross-border solutions over the last few years, growing 18% between 2019-20. The warehousing and other value-added services businesses grew 16% as the company sought to expand its value chain.



Source – Company, Mahindra Logistic

Showing resilience

This all happened when the company faced an overall economic slowdown, especially a decline in demand in the automotive segment. Still, accounting revenue fell by about 9% to Rs 3,471, and PAT contracted. 55 rupees, up about 35%. “During the year, company performance was impacted by volatility in fuel prices, coupled with a downturn in the manufacturing, auto-and-farm as well as commodity sectors, “However, company have shown a great deal of resilience and grit, keeping in mind long-term vision. They continued focus on the consumer, pharma and e-commerce segments, which are showing green shoots of growth, ensured that we are still investing in key growth sectors and aggressively pursue our long-term goals”.

Over the years, MLL has gradually raised its stake in this freight forwarding entity and now holds 99 per cent stake in the company, which continues to function as a separate entity or wholly-owned subsidiary. In 2019-20, the MLL subsidiary closed a turnover of about Rs204 crore – up from about Rs20 crore in 2014-15.

**Comparison of Financial Performance of MLL:
Q4 FY21 performance compared with Q4 FY20**

- Revenue Rs. 974 crores as compared to Rs. 812 crores last year
- EBITDA Rs. 51 crores as compared to Rs. 41 crores last year
- PBT Rs. 16 crores as compared to Rs. 13 crores last year
- PAT (before Exceptional Item) Rs 14 crores, compared to Rs. 10 crores last year
- Reported PAT Rs. 12 crores as compared to Rs 10 crores last year
- EPS (Diluted) Rs. 1.74 as compared to Rs. 1.35 last year FY21

FY21 performance compared with FY20

- Revenue Rs. 3,264 crores as compared to Rs. 3,471 crores last year
- EBITDA Rs. 152 crores as compared to Rs. 172 crores last year
- PBT Rs. 39 crores as compared to Rs. 81 crores last year
- PAT (before Exceptional Item) Rs 31 crores as compared to Rs. 55 crores last year
- Reported PAT Rs. 29 crores as compared to Rs. 55 crores last year
- EPS (Diluted) Rs. 4.16 as compared to Rs. 7.67 last year

V. RESULT & DISCUSSION

- Overall quarterly revenue growth was 20%, despite continued softening of the enterprise mobility segment due to lower Covid-related sales.
- Supply chain segment growth of 28% year-over-year in the quarter, supported by higher volume of transactions across the end market.
- Revenue from warehousing services and solutions increased 12% compared to the same period last year, continuing to focus on a solution-driven approach to customer requirements.
- Positive traction observed after the launch of “E Del”’: Electric last mile delivery solution. Company see a strong demand environment where we have the opportunity to continue deploying our fleet.

“They delivered continuing growth in Q4, FY20-21, driven by market recovery and execution of our strategy of providing customized, integrated solutions to our customers. Company revenue growth was driven by E-commerce, Consumer, Automotive and Freight Forwarding businesses. Strong momentum in Supply Chain has offset the continuing softness in the Enterprise Mobility segment, which remains impacted by the Covid-19 pandemic. They continue to expand and grow our service lines. During the quarter,

‘Edel’, our 100% electric powered vehicles solution, commenced operations in the last mile delivery services. They are again witnessing a significant increase in the spread of the Covid-19 pandemic. In this challenging environment, they are focused on safety & health of our employees and partners. They are also partnering with local authorities and supporting Covid-19 relief activities across multiple regions.”

VI. CONCLUSION

The Indian Automobile Industry has been very competitive and will further get more competitive. Continuous innovations in supply chain and logistics management will contribute positively to the overall efficiency of the entire chain of suppliers and will offer many benefits to all. “They continue to see improving performance, driven by market recovery and execution of their strategy of providing customized, integrated solutions to our customers. In FY20-21 company delivered highest-ever quarterly revenue, with significant contribution from E-commerce, Automotive and Freight Forwarding businesses. Strong momentum in Supply Chain has offset the continuing softness in the Enterprise Mobility segment, which remains impacted by the Covid-19 pandemic. During the quarter, they launched Last mile delivery service, ‘Edel’ which uses 100% electric powered vehicles. The service has been launched in 6 cities; to be expanded to 14 cities in coming 12 months. The business environment is improving and evolving at the same time. They look forward to stronger revival in economic environment and with it, the improving demand across end-markets will create more opportunities for growth.”

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