

VRL Logistics

BSE SENSEX 79,454
S&P CNX 24,008



VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	41.2 / 0.5
52-Week Range (INR)	625 / 432
1, 6, 12 Rel. Per (%)	-6/-17/-23
12M Avg Val (INR M)	84
Free float (%)	39.8

Financials Snapshot (INR b)

Y/E March	2025E	2026E	2027E
Net Sales	31.8	34.0	37.8
EBITDA	5.4	5.8	6.5
Adj. PAT	1.6	1.8	2.2
EBITDA Margin (%)	16.9	16.9	17.2
Adj. EPS (INR)	18.5	20.5	25.0
EPS Gr. (%)	82.2	11.1	22.2
BV/Sh. (INR)	116.6	125.1	136.1

Ratios

Net D/E (x)	0.4	0.2	0.0
RoE (%)	16.4	17.0	19.2
RoCE (%)	15.5	15.3	18.1
Payout (%)	54.2	58.6	55.9

Valuations

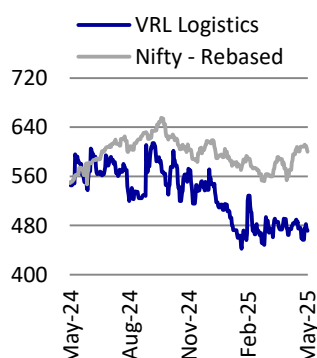
P/E (x)	25.7	23.2	19.0
P/BV (x)	4.1	3.8	3.5
EV/EBITDA (x)	8.4	7.6	6.4
Div. Yield (%)	2.1	2.5	2.9
FCF Yield (%)	0.2	7.9	8.2

Shareholding Pattern (%)

As On	Mar-25	Dec-24	Mar-24
Promoter	60.2	60.2	60.2
DII	25.3	25.6	26.6
FII	3.6	3.6	3.3
Others	10.8	10.6	9.9

FII includes depository receipts

Stock Performance (1-year)



CMP: INR471

TP: INR600 (+27%)

Buy

Price hike to support margins despite tepid volumes; branch expansion to drive volume growth

- VRL Logistics' (VRLL) management implemented a price hike of 8-10% in Jun'24, which was rolled out across customer segments. The price hike's impact on revenue became visible from 2QFY25 and is expected to sustain through 1QFY26. This, coupled with cost optimization measures—such as increasing the share of refinery-sourced fuel to ~40% in 3QFY25 (~22% in 3QFY24)—resulted in record-high margins of ~20% in 3QFY25. Management expects EBITDA margins to remain healthy at around 18% in FY26.
- Given the muted volume environment in the industry, we anticipate VRLL to achieve 5% volume growth and ~2% realization growth in FY26, resulting in a 7% growth in revenues (management expects 8-10% revenue growth in FY26). Following the recent price hike, margins are expected to remain at elevated levels.
- The company incurred a total capex of INR4b in 9MFY25, which includes property purchases in Bengaluru, Mysore, and Mangalore. Further, it plans to spend INR1.5b on vehicle capex in FY26 and FY27.
- The company is focused on expanding its branch network, targeting 80-100 new branches annually, particularly in untapped regions such as the Northeast, North, and East of India. Over the past two years, these new branches have contributed 8-10% of total tonnage.
- In the current environment, we expect volume growth to remain muted until there is a remarkable improvement in consumption demand. VRLL margins are expected to remain elevated following the recent price hike, thus supporting earnings. **We expect VRLL to clock a volume/revenue/EBITDA/PAT CAGR of 5%/9%/18%/35% over FY24-27. We reiterate our BUY rating with a TP of INR600 (based on 24x FY27 EPS).**

Price hike across customers and regions; continuous branch/hub expansion to drive volume growth and cost savings

- With price hikes now in place, VRLL is focused on generating higher volumes through existing and new branch networks.
- The company has significantly expanded its branch network, adding 82 new locations over the past year. Expansion efforts are focused on the eastern and northeastern regions, where the company currently has less exposure. As of Dec'24, VRLL's network included 1,248 branches.
- Further, the company has acquired a property in Bengaluru worth INR2.3b, funded by INR1.9b debt. The property will help reduce rental costs by ~INR150m and generate third-party rental income of INR15m annually. Management highlighted that interest costs on the newly acquired hub are lower than rental expenses previously incurred for the same location. VRLL has also purchased a property in Mysore for ~INR210m.

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One of the largest asset owners with in-house repair and maintenance infra

- VRLL is currently one of the largest fleet owners of commercial vehicles in the country (with 6,101 trucks having a total capacity of 85,950 tons as of Dec'24). This enables the company to seamlessly handle LTL cargo across India through its hub-and-spoke model.
- Further, the company has an in-house fleet maintenance facility with a tie-up for spare parts and an in-house scrapyards for disposing of the old fleet, which helps in controlling overhead costs.
- Going forward, VRLL plans to add fleets in line with volume growth. However, if volume growth falls short, it will take a conservative stance on capex.

Valuation and view

- VRLL stands out among its peers, with margins returning to normalized levels following the price hike, despite subdued volumes amid ongoing industry challenges. Volume growth is expected to pick up from 2QFY26 as economic conditions improve. Additionally, the price hike has been fully absorbed by the market, and management has guided for a sustainable EBITDA margin of around 18%.
- **We expect VRLL to clock a volume/revenue/EBITDA/PAT CAGR of 5%/9%/18%/35% over FY24-27. We reiterate our BUY rating with a TP of INR600 (based on 24x FY27 EPS).**

Exhibit 1: Investment in the Bengaluru hub to result in cost-saving

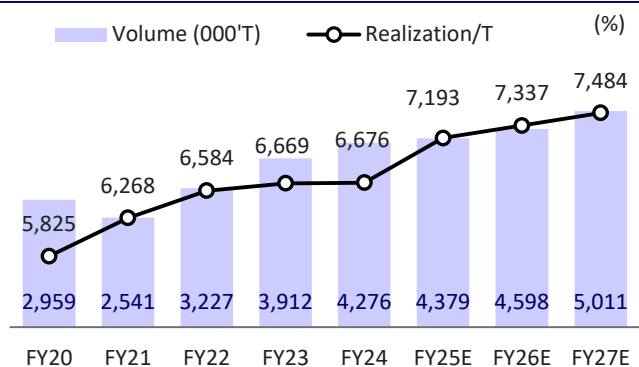
							
Property Details		Financial Benefits (₹ in lakhs)					
Total Land Area (sq mtr)	112401.36	Reduction in Annual Rent expenses (incl GST)	1571.43				
Total Building Area (sq mtr)	48221.78	Third party Rental Income	148.65				
Land Value	17819.53	Realisation of Rent Deposit	900.00				
Building Value	5292.25	Due recovery of our investments made over the years in useful amenities such as internal Road work, Fuel station, Weigh bridge, Solar installation, STP etc	330.58				
Total Investment (₹ in lakhs)	23111.78	Reduction in ROU (IND AS-116)	2744.46				
Funded through Debt (₹ in lakhs)	18500.00	Reduction in Lease Liability (IND AS-116)	2902.64				
Funded Through Internal Accruals (₹ in lakhs)	4611.78	Land value which is Non depreciable	17819.53				
		Low Cost Debt @ 8.6% p.a					

Source: Company, MOFSL

- VRLL has acquired a Bengaluru property for INR2.3b. The property is expected to reduce rental costs by ~INR150m and generate third-party rental income of INR15m annually.
- Strategically located along the Mumbai–Bengaluru (NH-4) corridor, the hub offers excellent connectivity to southern states and serves as an ideal surface logistics link to western and northern India.

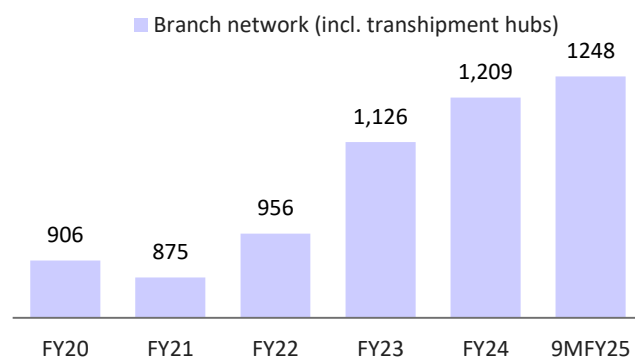
Financial story in charts

Exhibit 2: Expect volumes to clock 5% CAGR over FY24-27



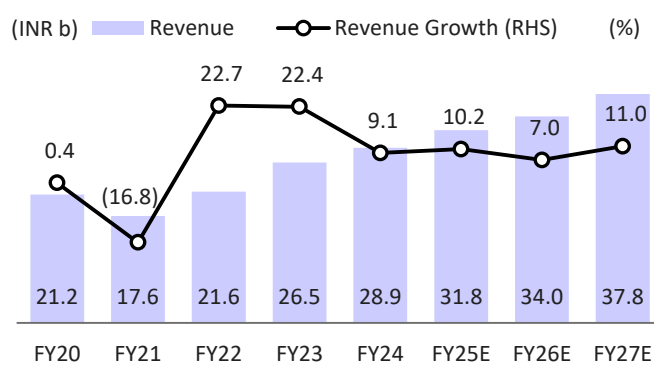
Source: Company, MOFSL

Exhibit 3: Expansion of branch network continues



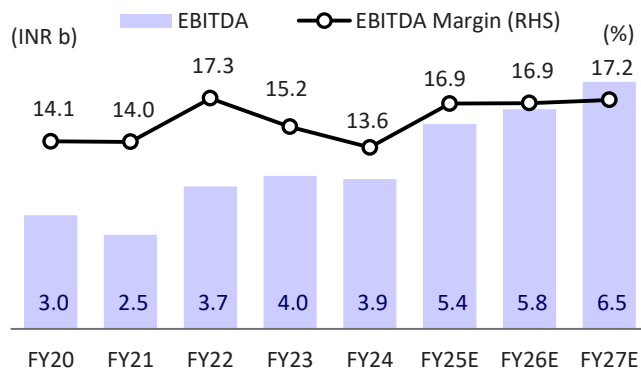
Source: Company, MOFSL

Exhibit 4: Shift to organized operators will drive revenue (%)



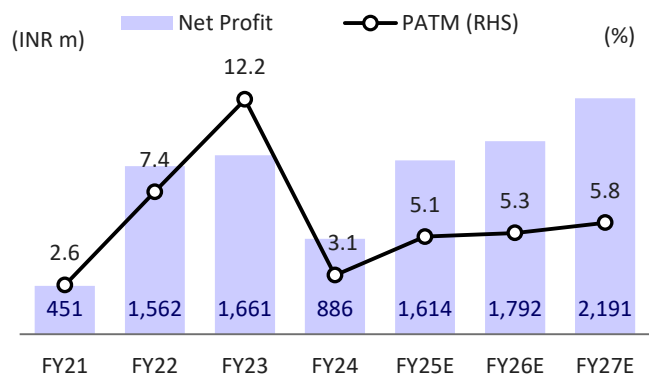
Source: Company, MOFSL

Exhibit 5: Margin to remain strong



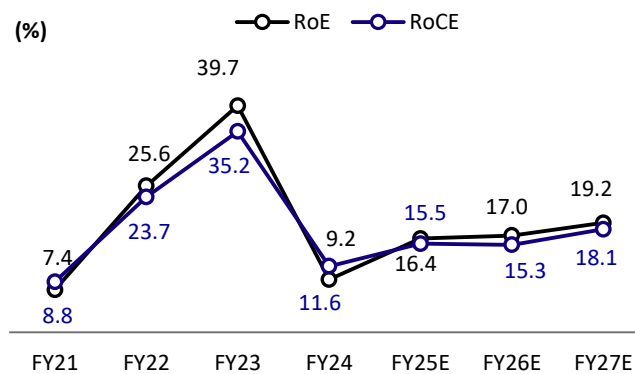
Source: Company, MOFSL

Exhibit 6: Strong operating performance to drive PAT



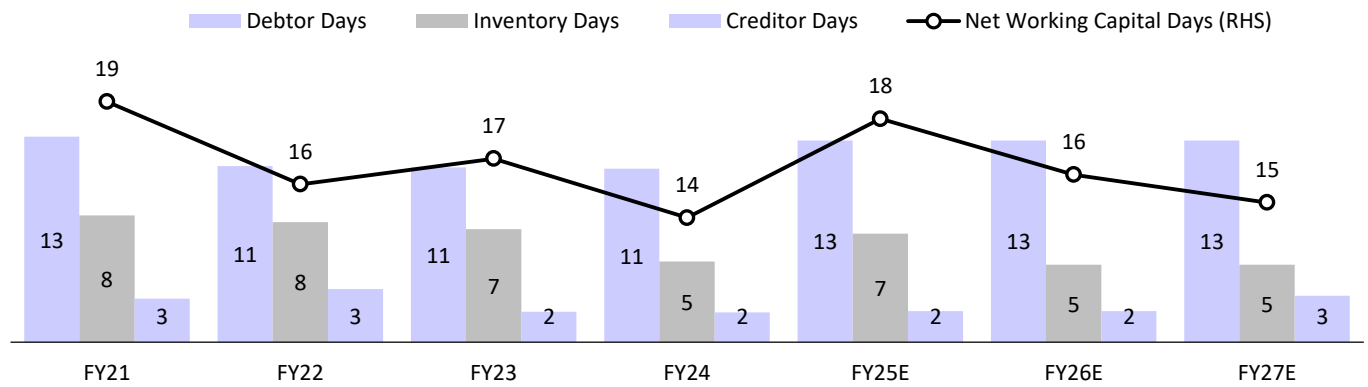
Source: Company, MOFSL

Exhibit 7: Return ratios



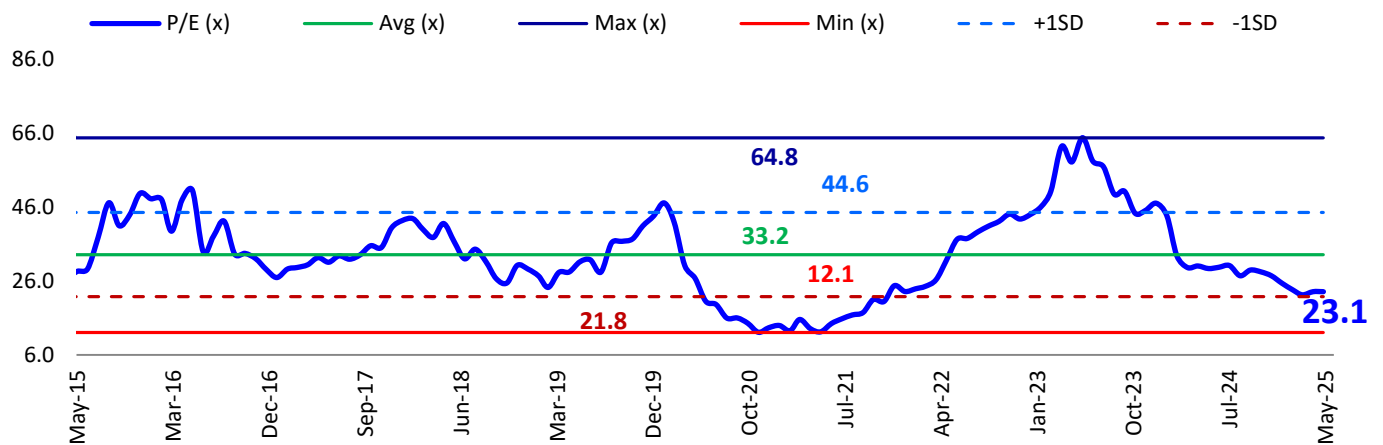
Source: Company, MOFSL

Exhibit 8: Comfortable working capital position



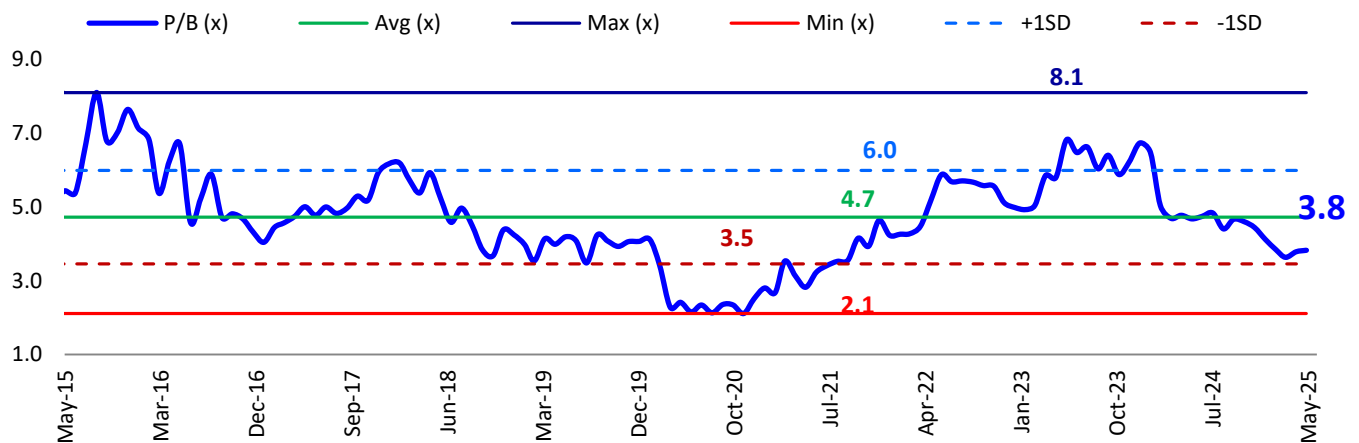
Source: Company, MOFSL

Exhibit 9: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 10: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	17,629	21,636	26,485	28,886	31,818	34,045	37,791
Change (%)	-16.8	22.7	22.4	9.1	10.2	7.0	11.0
Gross Margin (%)	33.0	34.5	32.1	31.9	35.6	36.5	37.5
EBITDA	2,475	3,745	4,017	3,935	5,382	5,770	6,495
Margin (%)	14.0	17.3	15.2	13.6	16.9	16.9	17.2
Depreciation	1,598	1,445	1,591	2,162	2,563	2,792	2,994
EBIT	877	2,300	2,425	1,773	2,819	2,978	3,501
Int. and Finance Charges	368	422	543	779	928	961	1,028
Other Income	129	168	143	211	316	380	456
PBT	637	2,047	2,025	1,205	2,208	2,396	2,929
Tax	187	485	364	319	594	604	738
Effective Tax Rate (%)	29.3	23.7	18.0	26.5	26.9	25.2	25.2
Extraordinary Items	0	-40	-1,571	-3	0	0	0
Reported PAT	451	1,601	3,232	889	1,614	1,792	2,191
Adj. PAT	451	1,562	1,661	886	1,614	1,792	2,191
Change (%)	-50.0	246.6	6.4	-46.7	82.2	11.1	22.2
Margin (%)	2.6	7.2	6.3	3.1	5.1	5.3	5.8

Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	883	883	883	875	875	875	875
Total Reserves	5,088	5,633	8,875	8,583	9,322	10,065	11,031
Net Worth	5,971	6,516	9,758	9,458	10,197	10,940	11,906
Deferred Tax Liabilities	440	386	461	672	672	672	672
Total Loans	1,196	1,712	2,071	2,793	5,743	4,543	4,043
Capital Employed	7,607	8,615	12,291	12,923	16,612	16,154	16,621
Gross Block	15,850	18,422	21,600	27,212	31,712	33,212	35,212
Less: Accum. Deprn.	6,307	7,442	6,778	8,207	10,770	13,562	16,555
Net Fixed Assets	9,544	10,980	14,822	19,005	20,942	19,650	18,657
Capital WIP	61	350	384	236	236	236	236
Total Investments	1	4	0	0	0	0	0
Curr. Assets, Loans, and Adv.	2,381	2,469	3,711	2,899	5,517	5,938	7,845
Inventory	395	459	528	412	610	466	518
Account Receivables	639	673	817	885	1,133	1,213	1,346
Cash and Bank Balances	185	140	116	183	1,970	2,330	3,839
Cash Balance	183	82	112	128	1,916	2,275	3,785
Bank Balances	1	58	4	54	54	54	54
Others	1,162	1,198	2,251	1,419	1,804	1,930	2,142
Current Liab. and Prov.	4,379	5,188	6,626	9,217	10,083	9,670	10,117
Account Payables	136	203	143	153	174	187	311
Other Current Liabilities	3,911	4,552	6,051	8,537	9,328	8,861	9,116
Provisions	332	433	433	528	581	622	690
Net Current Assets	-1,998	-2,719	-2,915	-6,318	-4,566	-3,731	-2,272
Application of Funds	7,607	8,614	12,291	12,923	16,612	16,155	16,621

Financials and valuations

Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Basic (INR)							
EPS	5.1	17.7	18.8	10.1	18.5	20.5	25.0
EPS growth (%)	-48.9	246.6	6.4	-46.1	82.2	11.1	22.2
Cash EPS	23.2	34.0	36.8	34.8	47.8	52.4	59.3
BV/Share	67.6	73.8	110.5	108.1	116.6	125.1	136.1
DPS	4.0	8.0	5.0	0.0	10.0	12.0	14.0
Payout (Incl. Div. Tax, %)	77.6	43.7	13.5	0.0	54.2	58.6	55.9
Valuation (x)							
P/E	93.1	26.9	25.3	46.9	25.7	23.2	19.0
Cash P/E	20.5	14.0	12.9	13.6	9.9	9.1	8.0
EV/EBITDA	17.2	11.5	10.8	11.2	8.4	7.6	6.4
EV/Sales	2.4	2.0	1.6	1.5	1.4	1.3	1.1
P/BV	7.0	6.4	4.3	4.4	4.1	3.8	3.5
Dividend Yield (%)	0.8	1.7	1.1	0.0	2.1	2.5	2.9
Return Ratios (%)							
RoE	7.4	25.6	39.7	9.2	16.4	17.0	19.2
RoCE	8.8	23.7	35.2	11.6	15.5	15.3	18.1
RoIC	7.9	22.7	20.0	10.7	15.3	15.9	20.0
Working Capital Ratios							
Fixed Asset Turnover (x)	1.1	1.3	1.3	1.2	1.1	1.0	1.1
Asset Turnover (x)	2.3	2.5	2.2	2.2	1.9	2.1	2.3
Inventory (Days)	8	8	7	5	7	5	5
Debtors (Days)	13	11	11	11	13	13	13
Creditors (Days)	3	3	3	2	2	2	3
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.2	0.2	0.3	0.4	0.2	0.0

Cash Flow Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OP/(Loss) before Tax	637	2,099	4,234	1,210	2,208	2,396	2,929
Depreciation	1,598	1,680	1,724	2,162	2,563	2,792	2,994
Direct Taxes Paid	-148	-581	-856	-264	-594	-604	-738
(Inc.)/Dec. in WC	294	-157	581	409	-212	-387	-332
Other Items	330	667	-2,499	722	611	582	572
CF from Operations	2,711	3,708	3,183	4,239	4,576	4,779	5,424
(Inc.)/Dec. in FA	-330	-1,933	-4,124	-2,848	-4,500	-1,500	-2,000
Free Cash Flow	2,381	1,775	-941	1,392	76	3,279	3,424
Change in Investments	15	4	4	0	0	0	0
Others	1	128	2,675	414	-6	300	322
CF from Investments	-313	-1,801	-1,445	-2,433	-4,506	-1,200	-1,678
Inc./Dec. in net worth	-632	0	-629	0	0	0	0
Inc./Dec. in Debt	-697	-1,661	-1,019	-387	2,950	-1,200	-500
Dividends Paid	0	-1,060	0	-438	-875	-1,050	-1,225
Others	-1,014	714	-61	-915	-358	-970	-512
CF from Fin. Activity	-2,344	-2,008	-1,709	-1,739	1,718	-3,220	-2,237
Inc./Dec. in Cash	54	-101	30	67	1,788	359	1,510
Opening Balance	129	183	82	62	128	1,916	2,275
Closing Balance	183	82	112	128	1,916	2,275	3,785

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