

VRL Logistics

BSE SENSEX 67,519 S&P CNX 20,103

CMP: INR727 TP: INR825 (+13%) Buy



Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	63.6 / 0.8
52-Week Range (INR)	773 / 483
1, 6, 12 Rel. Per (%)	4/1/6
12M Avg Val (INR M)	141
Free float (%)	35.8

Financials Snapshot (INR b)

Y/E March	2023	2024E	2025E
Net Sales	26.5	30.9	36.7
EBITDA	4.0	4.9	6.1
Adj. PAT	1.7	1.9	2.9
EBITDA Margin (%)	15.2	16.0	16.5
Adj. EPS (INR)	18.8	22.1	33.0
EPS Gr. (%)	6.4	17.3	49.7
BV/Sh. (INR)	110.5	126.6	149.7

Ratios

Net D/E (x)	0.2	0.2	0.1
RoE (%)	39.7	18.6	23.9
RoCE (%)	35.2	18.3	22.6
Payout (%)	13.5	26.9	30.0

Valuations

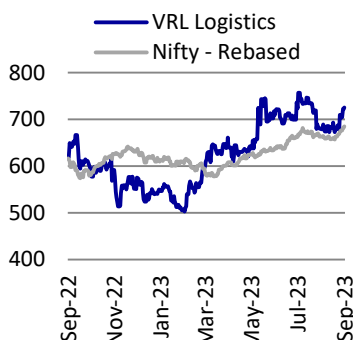
P/E (x)	38.7	33.0	22.0
P/BV (x)	6.6	5.7	4.9
EV/EBITDA (x)	16.3	13.3	10.7
Div. Yield (%)	0.7	0.8	1.4
FCF Yield (%)	-1.5	0.5	1.8

Shareholding pattern (%)

As On	Jun-23	Mar-23	Jun-22
Promoter	64.2	64.2	69.6
DII	25.1	24.2	13.6
FII	2.2	2.4	5.4
Others	8.5	9.3	11.5

FII Includes depository receipts

Stock Performance (1-year)



Focus on volume growth; aggressive branch expansion continues

- VRL Logistics (VRLL) is on track to deliver 15% volume growth in FY24E on the back of: a) growth in underlying business and b) market share gains through significant branch additions in the last couple of years. VRLL has expanded its branch network aggressively by adding 275 branches since Apr'21 (~30% additions to the network). VRLL is looking to add another 100 branches in FY24E.
- Following the sale of non-core businesses (Bus, Wind and Transportation by Air segment), VRLL is now a pure-play Goods Transport player, with focus on the highly profitable LTL segment.
- The company is also adding new trucks by incurring a capex of INR4.5b in FY24, which would raise its tonnage handling capacity by ~20%. Additionally, VRLL is also looking to add two more owned fuel pumps in Delhi and Ambala, which will complement the existing six pumps. These additions are expected to help the company in controlling fuel costs better and support margins.
- We expect VRLL to benefit from the: a) growth opportunity in the LTL business and b) extensive branch additions in new geographies. We expect VRLL to clock 15% volume growth in FY24 with 16% margin. As the share of organized players is likely to improve in the coming years, the outlook appears promising for established Pan-India players like VRL. We reiterate our BUY rating with a TP of INR825 (based on 25x FY25E EPS).

Aggressive branch network expansion continues

- VRLL has added 275 branches since Apr'21, which is expected to support a majority of the incremental growth. The branches are being added in new geographies such as North and East where it has less presence. These expansions would enable the company cater to new customers. VRLL is also providing initial discounts while opening new branches to garner volumes faster and stabilize the branch.
- VRLL would be adding 20-25 branches per quarter in FY24E. The focus of this expansion effort will primarily be on the eastern and northeastern regions.
- This strategy has allowed the company grow faster than peers as almost half of the incremental growth is coming from the market share gains owing to the new branch expansions.

Large capex plan to boost truck capacity

- In compliance with the government's vehicle scrappage policy, VRLL is expected to withdraw ~1,220 vehicles in FY24, which have been in operation for more than 15 years.
- Subsequently, it has ordered 1,667 trucks: a) 1,560 trucks from Ashok Leyland and b) 107 from Tata Motors, which will result in an addition of 30,092 MT to its capacity. The company would incur a capex of INR4.5b in FY24 for this.
- The capacity addition would allow VRLL lower its dependence on third-party vehicles and also cater to the high-growth LTL segment. As the old vehicles get replaced with the new ones, the efficiency would improve thus supporting margin performance.

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Enjoying the benefits of being one of the largest asset owners

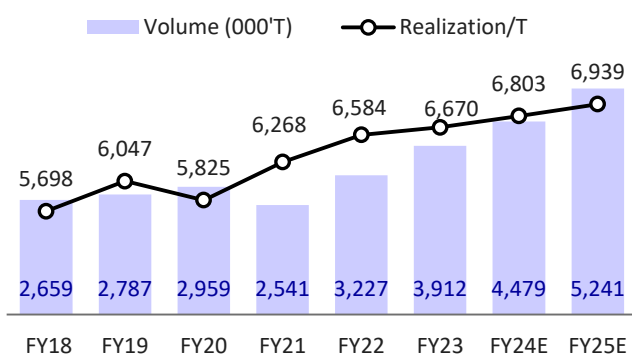
- VRL, today, is one of the largest fleet owners of commercial vehicles in the country (with 5,628 trucks having a total capacity of 81,885 tonnes as of Jun'23 vs. 73,616 tonnes in Jun'22).
- This enables the company seamlessly handle LTL cargo across India through the Hub-and-Spoke model.
- VRL is more immune to the increase in freight rates within the industry and is better able to have a tight control on its operations.

Valuation and view: Multiple growth levers at play; reiterate BUY

- VRL's transition into a pure-play GT player, integration of additional branches, enhancement of fleet capacity, growing customer base, and market share gains from less-organized competitors all position the company favorably for steady volume and sustained earnings growth.
- We expect VRL to report 16% volume CAGR over FY23-25, with faster addition of branches in untapped regions. We anticipate the company to deliver a revenue/EBITDA/PAT CAGR of 18%/23%/32% over FY23-25. **We reiterate our BUY rating with a TP of INR825 (based on 25x FY25E EPS).**

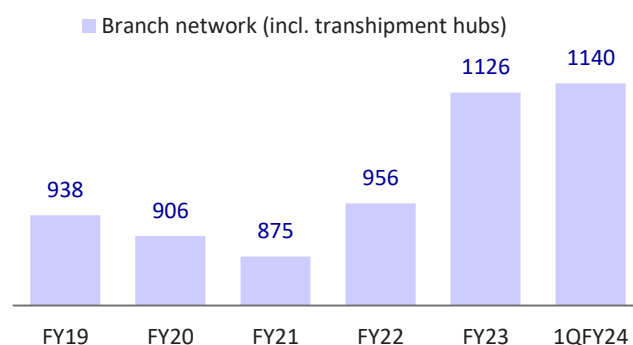
Story in charts

Exhibit 1: Expect volumes to clock 16% CAGR over FY23-25



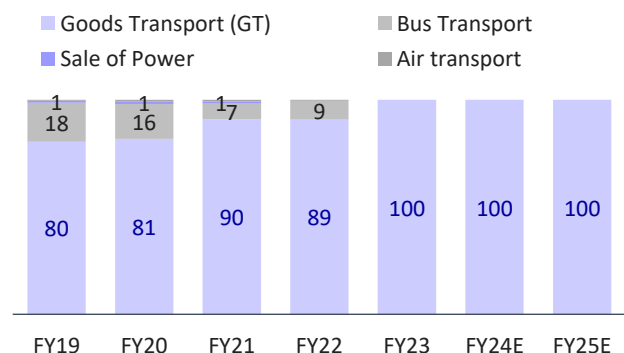
Source: Company, MOFSL

Exhibit 2: Expansion of branch network continues



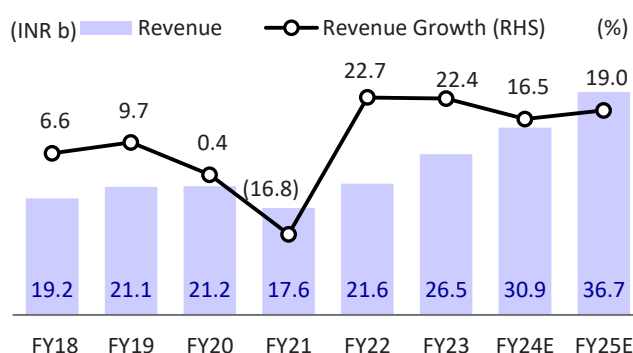
Source: Company, MOFSL

Exhibit 3: VRL is a pure-play goods transportation company (%)



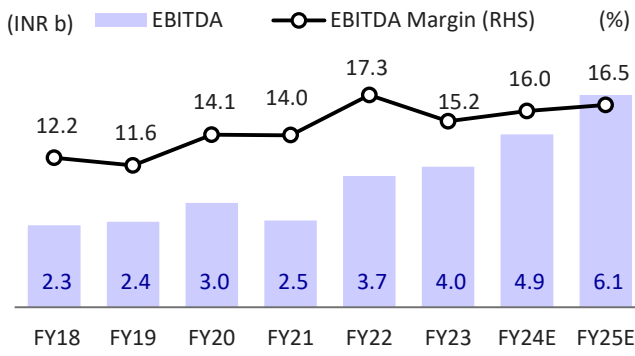
Source: Company, MOFSL

Exhibit 4: Shift to organized operators would drive revenue



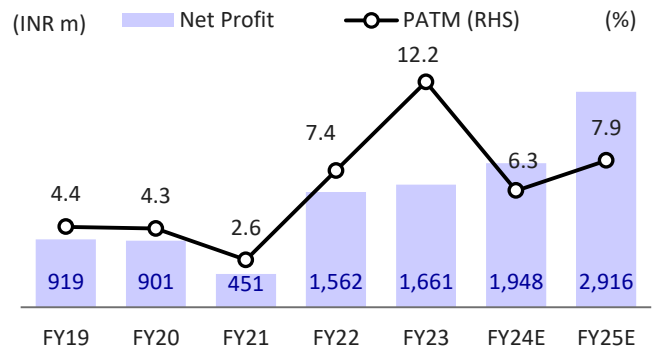
Source: Company, MOFSL

Exhibit 5: Margin to improve with higher volumes



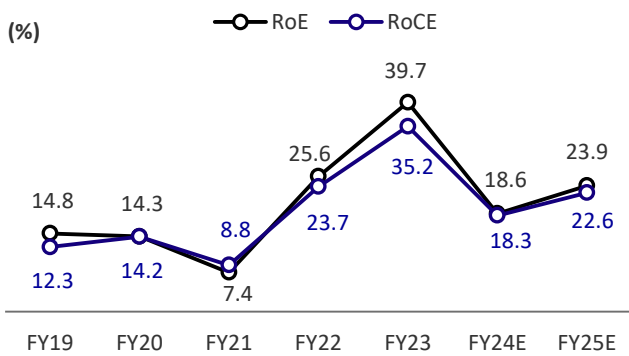
Source: Company, MOFSL

Exhibit 6: Strong operating performance to drive PAT



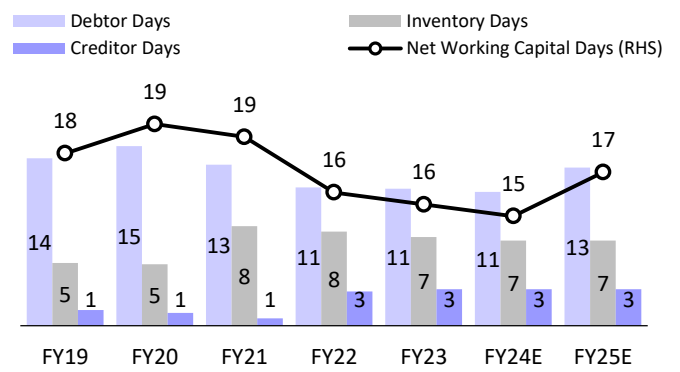
Source: Company, MOFSL

Exhibit 7: Return ratios



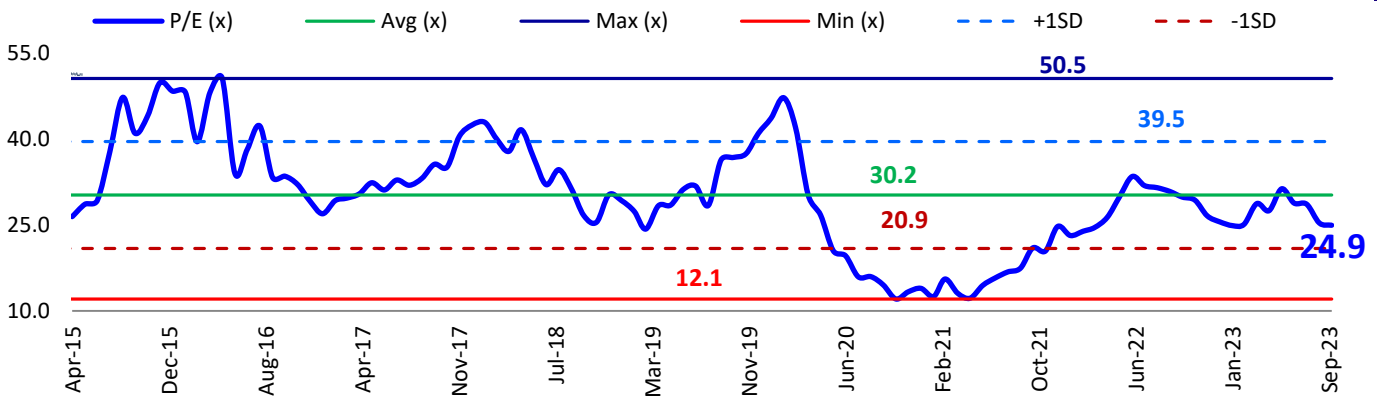
Source: Company, MOFSL

Exhibit 8: Comfortable working capital position



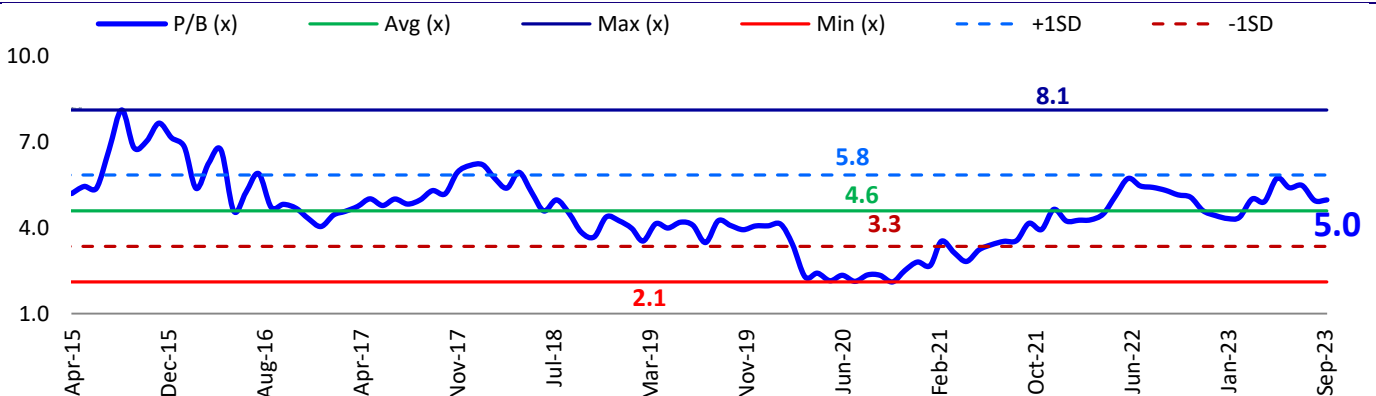
Source: Company, MOFSL

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)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Net Sales	21,095	21,185	17,629	21,636	26,485	30,855	36,718
Change (%)	9.7	0.4	-16.8	22.7	22.4	16.5	19.0
Gross Margin (%)	30.1	33.4	33.0	34.5	32.1	32.0	32.0
EBITDA	2,440	2,983	2,475	3,745	4,017	4,940	6,061
Margin (%)	11.6	14.1	14.0	17.3	15.2	16.0	16.5
Depreciation	1,006	1,675	1,598	1,445	1,591	1,982	1,925
EBIT	1,434	1,307	877	2,300	2,425	2,958	4,136
Int. and Finance Charges	109	367	368	422	543	568	495
Other Income	79	103	129	168	143	215	258
PBT	1,405	1,043	637	2,047	2,025	2,605	3,899
Tax	486	142	187	485	364	656	983
Effective Tax Rate (%)	34.6	13.6	29.3	23.7	18.0	25.2	25.2
Extraordinary Items	0	0	0	-40	-1,571	0	0
Reported PAT	919	901	451	1,601	3,232	1,948	2,916
Adj. PAT	919	901	451	1,562	1,661	1,948	2,916
Change (%)	-0.7	-2.0	-50.0	246.6	6.4	17.3	49.7
Margin (%)	4.4	4.3	2.6	7.2	6.3	6.3	7.9

Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Equity Share Capital	903	903	883	883	883	883	883
Total Reserves	5,556	5,265	5,088	5,633	8,875	10,299	12,340
Net Worth	6,459	6,169	5,971	6,516	9,758	11,182	13,224
Deferred Tax Liabilities	738	440	440	386	461	461	461
Total Loans	1,407	1,893	1,196	1,712	2,071	2,071	1,721
Capital Employed	8,604	8,502	7,607	8,615	12,291	13,714	15,406
Gross Block	10,835	15,105	15,850	18,422	21,600	25,600	29,400
Less: Accum. Deprn.	3,785	5,202	6,307	7,442	6,778	8,760	10,685
Net Fixed Assets	7,051	9,903	9,544	10,980	14,822	16,840	18,715
Capital WIP	416	44	61	350	384	384	384
Total Investments	1	1	1	4	0	0	0
Curr. Assets, Loans, and Adv.	2,311	2,304	2,381	2,469	3,711	4,315	5,358
Inventory	298	293	395	459	528	592	704
Account Receivables	795	856	639	673	817	930	1,308
Cash and Bank Balances	131	134	185	140	116	147	198
Cash Balance	126	129	183	82	112	143	194
Bank Balances	5	5	1	58	4	4	4
Others	1,086	1,021	1,162	1,198	2,251	2,646	3,148
Current Liab. and Prov.	1,174	3,750	4,379	5,188	6,626	7,824	9,051
Account Payables	61	35	136	203	143	254	302
Other Current Liabilities	849	3,368	3,911	4,552	6,051	7,065	8,148
Provisions	264	347	332	433	433	505	600
Net Current Assets	1,136	-1,445	-1,998	-2,719	-2,915	-3,509	-3,692
Application of Funds	8,604	8,502	7,607	8,614	12,291	13,715	15,406

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Basic (INR)							
EPS	10.2	10.0	5.1	17.7	18.8	22.1	33.0
EPS growth (%)	-0.7	-2.0	-48.9	246.6	6.4	17.3	49.7
Cash EPS	21.3	28.5	23.2	34.0	36.8	44.5	54.8
BV/Share	71.5	68.3	67.6	73.8	110.5	126.6	149.7
DPS	5.5	7.0	4.0	8.0	5.0	6.0	10.0
Payout (Incl. Div. Tax, %)	65.2	84.6	77.6	43.7	13.5	26.9	30.0
Valuation (x)							
P/E	71.5	72.9	142.5	41.1	38.7	33.0	22.0
Cash P/E	34.1	25.5	31.4	21.4	19.7	16.3	13.3
EV/EBITDA	26.6	21.9	26.1	17.4	16.3	13.3	10.7
EV/Sales	3.1	3.1	3.7	3.0	2.5	2.1	1.8
P/BV	10.2	10.6	10.8	9.9	6.6	5.7	4.9
Dividend Yield (%)	0.8	1.0	0.6	1.1	0.7	0.8	1.4
Return Ratios (%)							
RoE	14.8	14.3	7.4	25.6	39.7	18.6	23.9
RoCE	12.3	14.2	8.8	23.7	35.2	18.3	22.6
RoIC	12.2	13.8	7.9	22.7	20.0	17.7	22.1
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	1.6	1.1	1.3	1.3	1.3	1.3
Asset Turnover (x)	2.5	2.5	2.3	2.5	2.2	2.2	2.4
Inventory (Days)	5	5	8	8	7	7	7
Debtors (Days)	14	15	13	11	11	11	13
Creditors (Days)	1	1	3	3	3	3	3
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.3	0.2	0.2	0.2	0.2	0.1

Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OP/(Loss) before Tax	1,405	1,043	637	2,099	4,234	2,605	3,899
Depreciation	1,006	1,675	1,598	1,680	1,724	1,982	1,925
Direct Taxes Paid	-523	-431	-148	-581	-856	-656	-983
(Inc.)/Dec. in WC	-64	-94	294	-157	581	12	-119
Other Items	98	380	330	667	-2,499	353	237
CF from Operations	1,922	2,573	2,711	3,708	3,183	4,295	4,960
(Inc.)/Dec. in FA	-2,109	-1,200	-330	-1,933	-4,124	-4,000	-3,800
Free Cash Flow	-187	1,373	2,381	1,775	-941	295	1,160
Change in Investments	3	14	15	4	4	0	0
Others	15	0	1	128	2,675	39	49
CF from Investments	-2,091	-1,185	-313	-1,801	-1,445	-3,961	-3,751
Inc./Dec. in net worth	0	0	-632	0	-629	0	0
Inc./Dec. in Debt	596	485	-697	-1,661	-1,019	0	-350
Dividends Paid	-381	-980	0	-1,060	0	-525	-875
Others	-104	-889	-1,014	714	-61	222	66
CF from Fin. Activity	110	-1,384	-2,344	-2,008	-1,709	-303	-1,159
Inc./Dec. in Cash	-59	3	54	-101	30	31	51
Opening Balance	185	126	129	183	82	112	143
Closing Balance	126	129	183	82	112	143	194

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NOTES

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BUY	>=15%
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UNDER REVIEW	Rating may undergo a change
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