

VRL Logistics (VRL)'s Q4 print was better than our muted expectations, as EBITDA beat our estimate by 6%. Signs of volume recovery (+3% YoY), though nascent, are emerging, as the company begins to recoup tonnage lost during its deliberate exit from low-margin accounts and broader freight hikes undertaken in FY25. Buoyed by the uptick in Q4, the management remains confident about achieving 6-7% volume growth in FY27 and maintaining the current margin trajectory. However, given the current macro environment (fuel inflation) and persistent competitive intensity in the LTL segment, we model 6%/8% volume/revenue CAGR, respectively, over FY26-28E. While the management remains confident about passing on any fuel price escalations to customers, we expect the full impact of recent diesel price hikes (and more, if any) to weigh on margin trajectory going forward. Thus, we build in ~200bps EBITDA margin contraction over FY26-28E. Accordingly, we trim FY27E/FY28E EBITDA by ~2% each and trim Mar-27E TP by ~5% to Rs260 from Rs275 (DCF methodology). We retain ADD on reasonable valuations (CMP implies 17x FY28E PER vs LTA PER of 29x).

Signs of recovery emerging

Revenue grew 5% YoY to Rs8.5bn, beating our/street estimate by 1%/2%, respectively, as both volumes and realization grew 3% YoY. Volume has started stabilizing after the discontinuation of low-margin businesses (with profitability being prioritized), on the back of the influx of new customers, along with returning customers. Gross margin narrowed by 124bps YoY, as lorry hire charges and vehicle maintenance charges grew 51%/24% YoY, respectively, partially offset by a decline in fuel costs owing to lower fuel consumption. EBITDA margin narrowed by 225bps YoY to 20.6%, led by gross margin contraction and an increase in employee costs (+74bps). PAT declined 3% YoY to Rs721mn. Q4 capex was Rs1.8bn; FY26 capex came in at Rs3.0bn, including Rs2bn for buying land and buildings for setting up own premises. Net debt was Rs4.4bn in Mar-26.

Outlook and risks

Buoyed by the uptick in volumes in Q4, the management has guided for 6-7% FY27 volume growth, driven by ~2-3% contribution from new branch additions (~100 net adds) and ~4% from existing and returning customers. Inflationary trends (recent hike in diesel prices, manpower cost) would, however, curb margin expansion ahead, in our view. The management, however, remains confident about its initiatives to maintain margins at ~20% by passing through any fuel price hikes and selectively increasing freight rates. We model 8% revenue CAGR over FY26-28E and expect ~200bps of EBITDA margin contraction over this period. Healthy cash conversion and improving working capital cycle should alleviate balance sheet concerns, if any. We reiterate ADD on conservative valuations (the stock currently trades at 17x FY28E PER vs LTA of 29x). Key risks: Slowdown in the economy, rise in fuel prices, shortage of labor, and competition from unorganized players.

VRL Logistics: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	28,886	31,609	32,211	34,151	37,257
EBITDA	3,934	5,730	6,502	6,187	6,849
Adj. PAT	886	1,716	2,368	2,106	2,579
Adj. EPS (Rs)	2.5	9.8	13.5	12.0	14.7
EBITDA margin (%)	13.6	18.1	20.2	18.1	18.4
EBITDA growth (%)	(2.0)	45.6	13.5	(4.8)	10.7
Adj. EPS growth (%)	(46.7)	287.4	38.0	(11.1)	22.5
RoE (%)	9.2	16.9	21.3	16.9	17.4
RoIC (%)	11.8	17.7	19.0	14.3	15.0
P/E (x)	95.9	23.3	18.0	20.3	16.6
EV/EBITDA (x)	22.4	15.4	13.5	14.2	12.9
P/B (x)	9.0	3.9	3.7	3.2	2.7
FCFF yield (%)	0.3	(0.5)	2.7	0.3	1.8

Source: Company, Emkay Research

Target Price – 12M	Mar-27
Change in TP (%)	(5.5)
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	6.6

Stock Data	VRL IN
52-week High (Rs)	325
52-week Low (Rs)	225
Shares outstanding (mn)	174.9
Market-cap (Rs bn)	43
Market-cap (USD mn)	442
Net-debt, FY27E (Rs mn)	2,955.1
ADTV-3M (mn shares)	0.2
ADTV-3M (Rs mn)	52.7
ADTV-3M (USD mn)	0.5
Free float (%)	0.4
Nifty-50	23,618.0
INR/USD	96.5

Shareholding, Mar-26

Promoters (%)	60.2
FPIs/MFs (%)	3.0/25.0

Price Performance

(%)	1M	3M	12M
Absolute	(6.7)	(14.9)	(11.5)
Rel. to Nifty	(3.8)	(8.3)	(6.5)

1-Year share price trend (Rs)



Anshul Agrawal

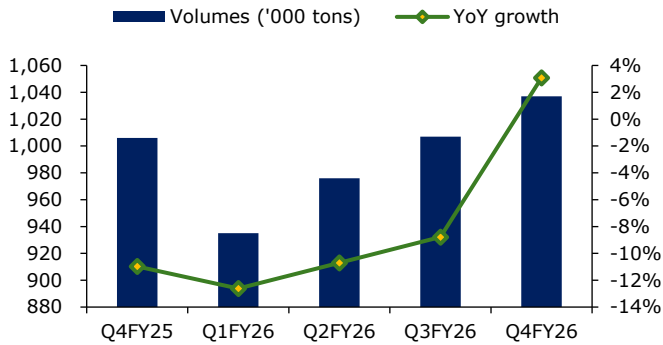
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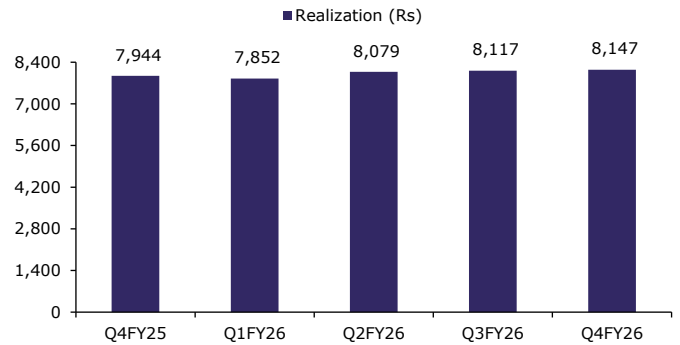
Story in charts

Exhibit 1: Volume momentum picking up on a favorable base...



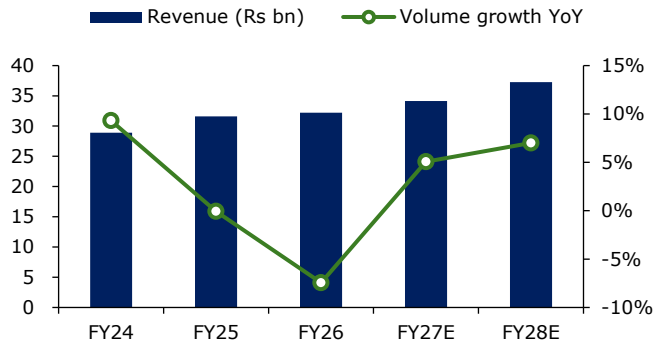
Source: Company, Emkay Research

Exhibit 2: ...with focus on only high-margin contracts, leading to uptick in realizations



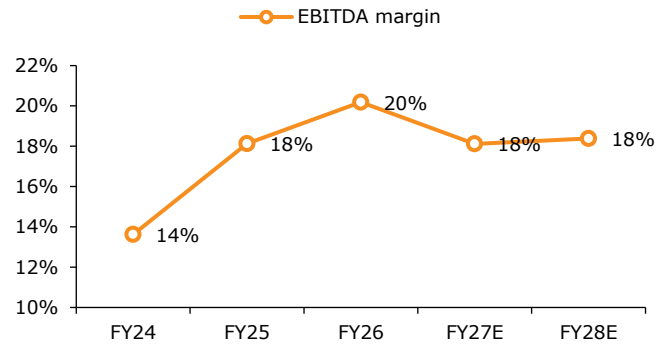
Source: Company, Emkay Research

Exhibit 3: We expect 8% revenue CAGR over FY26-28E...



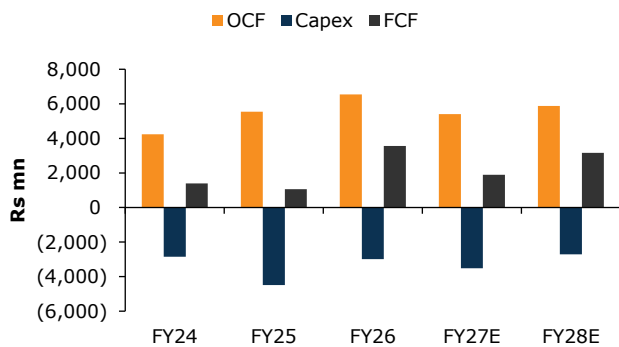
Source: Company, Emkay Research

Exhibit 4: ...and ~200bps margin contraction



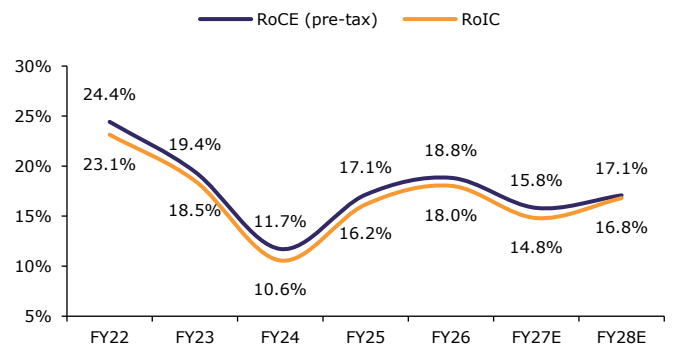
Source: Company, Emkay Research

Exhibit 5: Healthy OCF generation to sustain capex investments



Source: Company, Emkay Research

Exhibit 6: Return ratios to inch up post pickup in growth



Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 7: Summary of quarterly financials

VRL Logistics (Rs mn)	Q4FY25	Q3FY26	Q4FY26	YoY	QoQ	FY25	FY26	YoY
Net sales	8,090	8,270	8,529	5%	3%	31,609	32,211	2%
Operating expenses	6,224	6,570	6,754	9%	3%	25,880	25,709	-1%
Freight, handling, and servicing cost	4,729	4,926	5,091	8%	3%	19,994	19,225	-4%
Employee costs	1,393	1,507	1,539	10%	2%	5,452	5,874	8%
Other operating expenses	102	137	124	22%	-9%	435	610	40%
Gross profit	3,361	3,344	3,438	2%	3%	11,616	12,986	12%
EBITDA	1,866	1,700	1,775	-5%	4%	5,730	6,502	13%
- Margin	23.1%	20.6%	20.8%			18.1%	20.2%	
Depreciation	638	681	635	0%	-7%	2,536	2,610	3%
EBIT	1,228	1,019	1,140	-7%	12%	3,193	3,892	22%
Other income	25	38	64	154%	67%	141	237	68%
Interest	257	219	227	-12%	4%	948	950	0%
Extraordinary items	-	-	-			114	-	
PBT	996	838	977	-2%	16%	2,500	3,179	27%
Tax	253	191	255	1%	34%	670	810	21%
PAT	743	648	721	-3%	11%	1,830	2,368	29%
Adj PAT	743	648	721	-3%	11%	1,716	2,368	38%
EPS (Rs)	4.2	3.7	4.1	-3%	11%	10.5	13.5	29%
%	Q4FY25	Q3FY26	Q4FY26	YoY (bps)	QoQ (bps)	FY25	FY26	YoY (bps)
Gross margin	41.5%	40.4%	40.3%	-124	-13	36.7%	40.3%	357
EBITDAM	23.1%	20.6%	20.8%	-225	26	18.1%	20.2%	206
EBITM	15.2%	12.3%	13.4%	-182	104	10.1%	12.1%	198
EBTM	12.3%	10.1%	11.5%	-86	131	7.9%	9.9%	196
PATM	9.2%	7.8%	8.5%	-72	63	5.8%	7.4%	156

Source: Company, Emkay Research

Exhibit 8: Actuals vs estimates (Q4FY26)

Particulars (Rs mn)	Actual	Estimate (Emkay)	Consensus (Bloomberg)	Variation	
				Emkay	Consensus
Revenue	8,529	8,450	8,373	1%	2%
EBITDA	1,775	1,673	1,703	6%	4%
Margin	21%	20%	20%	101bps	47bps
PAT	721	566	604	27%	19%

Source: Company, Emkay Research

Exhibit 9: Change in estimates

Particulars (Rs mn)	FY27E			FY28E		
	Old	New	Change	Old	New	Change
Revenue	34,483	34,151	-1.0%	37,616	37,257	-1.0%
EBITDA	6,311	6,187	-2.0%	6,955	6,849	-1.5%
EBITDA margin (%)	18.3	18.1	-18bps	18.5	18.4	-11bps
PAT	2,075	2,106	1.5%	2,551	2,579	1.1%

Source: Company, Emkay Research

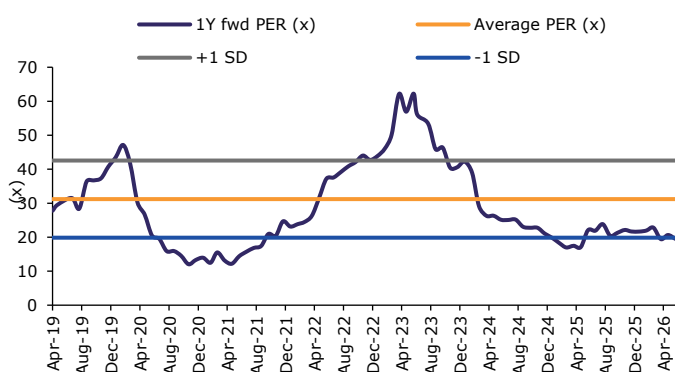
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Exhibit 10: We value VRL at Rs260

Particulars (Rs mn)	FY25	FY26	FY27E	FY28E	FY30E	FY35E
Revenue	31,609	32,211	34,151	37,257	43,668	62,178
NOPLAT	2,337	2,900	2,437	2,822	2,905	3,672
Non-cash items	2,536	2,610	2,916	3,072	2,927	4,166
Change in WC	(19)	133	(62)	(99)	(110)	(104)
Capex	(4,488)	(2,986)	(3,512)	(2,712)	(1,512)	(2,153)
FCFF	366	2,656	1,779	3,082	4,210	5,580
WACC	13%					
Terminal growth	4%					
PV of CFs (FY28-35E)	19,953					
PV of terminal value	25,073					
Total EV	45,026					
(Less) net debt	117					
Total equity value	44,910					
Total no of shares – Mar-26 (mn)	175					
Target price – Mar-27E (Rs)	260					

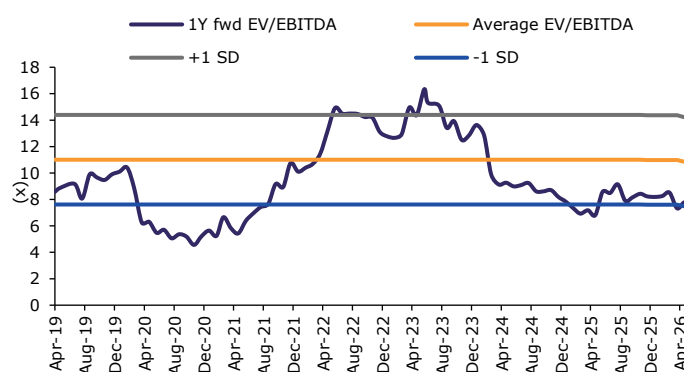
Source: Company, Emkay Research

Exhibit 11: VRL is trading slightly below its 1YF -1SD PER...



Source: Company, Emkay Research

Exhibit 12: ...and slightly below its 1YF -1SD EV/EBITDA



Source: Company, Emkay Research

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Concall highlights

- The management expects volumes to grow 6-7% in FY27, with quarterly sequential growth of 2%. For FY27, the company forecasts stable EBITDA margin of 20%.
- Fleet size as of Mar-26 stood at 5,932 (vs 6,115 in Mar-25), highlighting the company's focus on increasing optimization by way of rationalization of older/less-efficient vehicles.
- Increments to employees and driver incentives impacted EBITDA margin by ~190bps. With Q4 EBITDA margin of 20.8%, the management indicated that margin is expected to normalize at ~20% via consistent cost optimization, going forward.
- For FY27, the company has planned Rs3-3.5bn capex, of which Rs1bn is allocated to vehicles and the rest for land and buildings. For FY26, capex of Rs3bn was divided between vehicles (Rs1bn) and land and buildings (Rs2bn).
- The management believes overall depreciation should remain at similar levels.
- For FY27, the company plans to open 100 new branches, with fewer closures expected vs those in FY26. New branch tonnage is expected to contribute 2-3% to FY27 volume growth (contributed 1.5% to Q4 volume growth).
- Industry mix: Textiles – 17-18%; Agri-products – 10-11%; other segments (pharma, books, auto parts, industrial goods) – 5% each. Overall, 80% of payments made are prepaid/spot booking, 15% from account customers and the rest were FTL.
- Pricing strategy and freight rate rationalization
 - The freight rationalization exercise is complete, and customers are aware of the new pricing structure.
 - VRL charges a premium over unorganized players, but charges broadly comparable with those of organized peers.
 - Rate hikes have been taken on select routes where margins were thin or competition allowed.
 - For key account/corporate customers, a fuel surcharge clause has been introduced in contracts, linked to prevailing fuel rates.
 - Charging metrics have also been revised (eg volumetric weight increased from 8 kg/cubic foot to 9 kg/cubic foot on certain routes).
 - The management is confident that these measures will absorb the recent diesel price increases without major margin impact.

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VRL Logistics: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Revenue	28,886	31,609	32,211	34,151	37,257
Revenue growth (%)	9.1	9.4	1.9	6.0	9.1
EBITDA	3,934	5,730	6,502	6,187	6,849
EBITDA growth (%)	(2.0)	45.6	13.5	(4.8)	10.7
Depreciation & Amortization	2,162	2,536	2,610	2,916	3,072
EBIT	1,773	3,193	3,892	3,271	3,777
EBIT growth (%)	(26.9)	80.1	21.9	(16.0)	15.5
Other operating income	-	-	-	-	-
Other income	211	141	237	284	310
Financial expense	779	948	950	728	634
PBT	1,205	2,386	3,179	2,827	3,453
Extraordinary items	5	114	0	0	0
Taxes	319	670	810	721	874
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	891	1,830	2,368	2,106	2,579
PAT growth (%)	(72.4)	105.4	29.4	(11.1)	22.5
Adjusted PAT	886	1,716	2,368	2,106	2,579
Diluted EPS (Rs)	2.5	9.8	13.5	12.0	14.7
Diluted EPS growth (%)	(46.7)	287.4	38.0	(11.1)	22.5
DPS (Rs)	0	30.0	10.0	0	0
Dividend payout (%)	0	286.9	73.9	0	0
EBITDA margin (%)	13.6	18.1	20.2	18.1	18.4
EBIT margin (%)	6.1	10.1	12.1	9.6	10.1
Effective tax rate (%)	26.5	28.1	25.5	25.5	25.3
NOPLAT (pre-IndAS)	1,303	2,296	2,900	2,437	2,822
Shares outstanding (mn)	350	175	175	175	175

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
PBT (ex-other income)	994	2,245	2,942	2,543	3,143
Others (non-cash items)	-	-	-	-	-
Taxes paid	(264)	(490)	(529)	(721)	(874)
Change in NWC	1,707	404	256	(63)	(101)
Operating cash flow	4,239	5,548	6,544	5,403	5,875
Capital expenditure	(4,012)	(6,011)	(4,209)	(5,132)	(4,332)
Acquisition of business	-	-	-	0	0
Interest & dividend income	32	41	284	310	335
Investing cash flow	(2,433)	(4,298)	(2,940)	(3,512)	(2,712)
Equity raised/(repaid)	(9)	0	875	0	0
Debt raised/(repaid)	1,002	1,702	62	(1,000)	(1,150)
Payment of lease liabilities	(491)	330	327	1,620	1,620
Interest paid	(779)	(948)	(950)	(728)	(634)
Dividend paid (incl tax)	0	(5,248)	(1,749)	0	0
Others	(1,954)	(598)	(466)	(465)	(464)
Financing cash flow	(2,230)	(4,763)	(1,901)	(574)	(628)
Net chg in Cash	(425)	(3,513)	1,702	1,317	2,534
OCF	4,239	5,548	6,544	5,403	5,875
Adj. OCF (w/o NWC chg.)	2,533	5,144	6,288	5,466	5,975
FCFF	227	(463)	2,335	272	1,543
FCFE	(519)	(1,371)	1,669	(147)	1,244
OCF/EBITDA (%)	107.7	96.8	100.6	87.3	85.8
FCFE/PAT (%)	(58.3)	(74.9)	70.5	(7.0)	48.2
FCFF/NOPLAT (%)	17.4	(20.2)	80.5	11.1	54.7

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY24	FY25	FY26	FY27E	FY28E
Share capital	875	875	1,749	1,749	1,749
Reserves & Surplus	8,583	9,971	9,675	11,781	14,360
Net worth	9,458	10,846	11,424	13,530	16,110
Minority interests	-	-	-	-	-
Non-current liab. & prov.	672	778	831	831	831
Total debt	2,793	4,494	4,557	3,557	2,407
Total liabilities & equity	18,768	22,155	22,270	23,376	24,805
Net tangible fixed assets	11,982	15,542	17,068	19,283	20,543
Net intangible assets	3	3	2	2	2
Net ROU assets	7,011	6,873	5,967	4,348	2,728
Capital WIP	236	151	225	225	225
Goodwill	-	-	-	-	-
Investments [JV/Associates]	9	9	9	9	9
Cash & equivalents	183	531	156	602	2,290
Current Liab. & Prov.	3,372	3,702	3,781	3,820	3,882
NWC (ex-cash)	(656)	(954)	(1,157)	(1,094)	(993)
Total assets	18,768	22,155	22,270	23,374	24,804
Net debt	2,610	3,963	4,401	2,955	117
Capital employed	18,768	22,155	22,270	23,376	24,805
Invested capital	11,330	14,591	15,913	18,191	19,552
BVPS (Rs)	27.0	62.0	65.3	77.3	92.1
Net Debt/Equity (x)	0.3	0.4	0.4	0.2	-
Net Debt/EBITDA (x)	0.7	0.7	0.7	0.5	-
Interest coverage (x)	2.5	3.5	4.3	4.9	6.4
RoCE (%)	16.7	24.2	26.4	21.5	23.0

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY24	FY25	FY26	FY27E	FY28E
P/E (x)	95.9	23.3	18.0	20.3	16.6
EV/CE(x)	7.2	5.7	5.5	5.2	4.8
P/B (x)	9.0	3.9	3.7	3.2	2.7
EV/Sales (x)	3.0	2.8	2.7	2.6	2.4
EV/EBITDA (x)	22.4	15.4	13.5	14.2	12.9
EV/EBIT(x)	49.6	27.6	22.6	26.9	23.3
EV/IC (x)	7.8	6.0	5.5	4.8	4.5
FCFF yield (%)	0.3	(0.5)	2.7	0.3	1.8
FCFE yield (%)	(1.2)	(3.2)	3.9	(0.3)	2.9
Dividend yield (%)	0	12.3	4.1	0	0
DuPont-RoE split					
Net profit margin (%)	3.1	5.4	7.4	6.2	6.9
Total asset turnover (x)	2.5	2.3	2.0	1.9	1.8
Assets/Equity (x)	1.2	1.3	1.4	1.4	1.4
RoE (%)	9.2	16.9	21.3	16.9	17.4
DuPont-RoIC					
NOPLAT margin (%)	4.5	7.3	9.0	7.1	7.6
IC turnover (x)	2.6	2.4	2.1	2.0	2.0
RoIC (%)	11.8	17.7	19.0	14.3	15.0
Operating metrics					
Core NWC days	(8.3)	(11.0)	(13.1)	(11.7)	(9.7)
Total NWC days	(8.3)	(11.0)	(13.1)	(11.7)	(9.7)
Fixed asset turnover	1.6	1.4	1.1	1.0	1.0
Opex-to-revenue (%)	18.3	18.6	20.1	19.4	19.5

Source: Company, Emkay Research

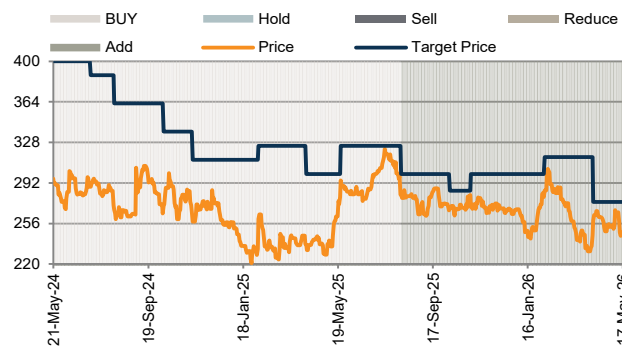
This report is intended for Team White Marque Solutions (team.emkay@whitemarqueresolutions.com)

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
09-Apr-26	259	275	Add	Anshul Agrawal
25-Feb-26	283	315	Add	Anshul Agrawal
06-Feb-26	285	315	Add	Anshul Agrawal
08-Jan-26	263	300	Add	Anshul Agrawal
21-Dec-25	268	300	Add	Anshul Agrawal
24-Nov-25	265	300	Add	Anshul Agrawal
04-Nov-25	271	300	Add	Anshul Agrawal
08-Oct-25	270	285	Add	Anshul Agrawal
23-Sep-25	287	300	Add	Anshul Agrawal
21-Aug-25	280	300	Add	Anshul Agrawal
07-Aug-25	282	300	Add	Anshul Agrawal
09-Jul-25	302	325	Buy	Anshul Agrawal
13-Jun-25	282	325	Buy	Anshul Agrawal
22-May-25	294	325	Buy	Anshul Agrawal
08-Apr-25	237	300	Buy	Anshul Agrawal
19-Feb-25	240	325	Buy	Anshul Agrawal
06-Feb-25	260	325	Buy	Anshul Agrawal
24-Nov-24	269	313	Buy	Anshul Agrawal
14-Nov-24	258	313	Buy	Anshul Agrawal
22-Oct-24	274	338	Buy	Anshul Agrawal

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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