

VRL Logistics

BSE SENSEX 81,549
S&P CNX 25,006



Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	175
M.Cap.(INRb)/(USDb)	47.5 / 0.5
52-Week Range (INR)	325 / 216
1, 6, 12 Rel. Per (%)	-7/5/-11
12M Avg Val (INR M)	81
Free float (%)	39.8

Financials Snapshot (INR b)

Y/E March	2025	2026E	2027E
Net Sales	31.6	32.6	35.8
EBITDA	5.7	6.2	6.9
Adj. PAT	1.8	2.2	2.6
EBITDA Margin (%)	18.1	19.1	19.3
Adj. EPS (INR)	10.5	12.6	14.8
EPS Gr. (%)	106.5	20.6	17.4
BV/Sh. (INR)	62.0	69.6	74.4

Ratios

Net D/E (x)	0.4	0.2	0.1
RoE (%)	18.0	19.2	20.6
RoCE (%)	17.4	17.7	19.8
Payout (%)	71.7	39.6	67.5

Valuations

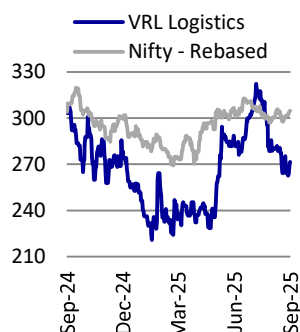
P/E (x)	26.0	21.6	18.4
P/BV (x)	4.4	3.9	3.7
EV/EBITDA (x)	9.0	8.1	7.0
Div. Yield (%)	2.8	1.8	3.7
FCF Yield (%)	1.9	6.7	7.8

Shareholding Pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	60.2	60.2	60.2
DII	24.6	25.3	25.6
FII	4.0	3.6	3.8
Others	11.2	10.8	10.3

FII includes depository receipts

Stock Performance (1-year)



CMP: INR272 TP: INR350 (+29%)

Buy

Focus on profitable growth ahead; recent reduction in GST to support volumes

- VRL Logistics' (VRLL) management implemented a price hike of 8-10% in Jun'24, which was rolled out across customer segments. The impact of the hike was still visible in 1QFY26, with volume dipping 13% YoY to 0.93m tons, while realization improved 17% YoY to INR7,852/tons.
- Though volumes declined due to this restructuring, EBITDA grew 74% YoY to INR1.5b, with margins at 20.4%, aided by better realizations, lower fuel costs, reduced lorry hire charges, and improved procurement efficiency (refinery sourcing at 41.5% vs. 33% YoY).
- Realizations are expected to remain stable, and no more pricing action is planned unless cost dynamics shift. FY26 volume growth is likely to remain flattish YoY, but FY27 is poised for 7-8% growth.
- The Board has approved salary revision for employees w.e.f. Aug'25. This will hurt the overall profitability to the tune of ~2-3% of the revenue.
- Capex during 1QFY26 stood at INR150m, largely toward vehicle purchases. Fleet size stood at 5,949 vehicles (vs. 6,127 YoY), reflecting improved asset utilization and selective scrapping of high-maintenance vehicles.
- Branch additions are expected to pick up pace later in the fiscal year. The company had earlier guided for 80-100 new branches annually, but actual additions in FY26 are likely to be lower as the focus remains on price stabilization and profitability-led expansion.
- VRLL would continue to focus on maintaining high margins despite a slowdown in volume growth. The recent GST cuts across commodities should help decline some of the volume in the near term. **We expect VRLL to clock flat volumes and a revenue/EBITDA/PAT CAGR of 6%/10%/19% over FY25-27. Reiterate BUY with a TP of INR350 (based on 24x FY27 EPS).**

GST reduction to support volumes

- The government recently reduced GST across products in an attempt to improve consumption across the economy. The improvement in consumption will support volumes for logistics companies like VRLL.
- The GST on logistics services provided by VRLL is expected to remain unchanged, as the company is already availing 5% GST with no input tax credit.

Underperforming branches rationalized; careful expansion in new geographies to support sustainable growth

- A net reduction of 12 branches was recorded during the quarter (18 opened, 30 closed), as part of the strategy to shut underperforming branches.
- While VRLL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.
- Further, the company 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.

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 5,949 trucks having a total capacity of 80,722 tons as of Jun'25). 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 is well-positioned for long-term growth, supported by its strategic focus on profitable contracts, operational efficiency, and strong service reliability. The company's investment in technology, disciplined cost management, and robust hub-to-hub network create a strong foundation to scale operations as demand recovers.
- While near-term headwinds persist, VRLL's approach to capacity addition, GST reduction (to support volumes), and a stable pricing strategy positions it to benefit from structural growth in India's organized surface logistics sector.
- **We expect VRLL to clock flat volumes and a revenue/EBITDA/PAT CAGR of 6%/10%/19% over FY25-27. Reiterate BUY with a TP of INR350 (based on 24x FY27 EPS).**