ADD VRL Logistics

1Q bolstered by rate hikes; volume trajectory remains key

Logistics & Ports ▸ Result Update ▸ **August 05, 2026**

CMP (Rs): 280 | TP (Rs): 290

VRL Logistics (VRL)'s 1Q print was better than our expectations, as revenue grew 18% yoy, largely on the back of freight rate hikes taken due to an increase in fuel prices. Operating leverage from volume growth (9% yoy) led to EBITDA margin expanding by ~90bps yoy, despite inflationary cost pressures. The management remains confident of sustaining volume trajectory, buoyed by new customer/branch additions and regaining lost wallet share of customers last year owing to freight-rate hikes. This, in addition to fuel prices remaining elevated, results in an increase in our FY27E/FY28E revenue by 6%/5%, respectively. We raise our EBITDA margin estimates by 180-220bps over FY28-29, on the back of improving volume trajectory and ensuing operating leverage. This results in an upward revision of 16%/17% to our FY28/FY29 EBITDA estimates. We raise our Jun-27E TP by ~12% to Rs290 from Rs260 (DCF methodology), implying 14x FY28E PER, and retain ADD.

Strong print in a challenging environment

Revenue grew 18% yoy to Rs8.8bn, beating our/street estimate by 13%/9%, as both volumes and realization grew 9% 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 (contributing 6-7% to volume growth), along with returning customers (2-3%). Fuel price increase led to freight rates being hiked by ~5%. Gross margin narrowed marginally yoy, as fuel costs/lorry hire charges/vehicle maintenance charges grew 18%/33%/40% yoy, respectively. EBITDA margin, however, expanded by 86bps yoy to 21.2% (+273/211bps vs our/street estimates), led by a moderate increase in employee costs (+13% yoy) and flat operating expenses. PAT grew 61% yoy to Rs805mn as depreciation/interest costs declined 4%/13% yoy. Net debt was Rs3.9bn in Jun-26. The company announced a buyback of 8.75mn shares at a price of Rs320/share (buyback size: Rs2.8bn). Capex for 1Q was Rs760mn.

Outlook and risks

Buoyed by the uptick in volumes in 1Q (+9% yoy, driven by ~2–3% contribution from existing and returning customers and the balance from new branch additions), the management has revised its FY27 volume growth guidance upward to 8%. The management stated that volume growth will remain at 7-8% over the next 3-4 years, on the back of current branch expansion. While fuel prices remain volatile, the management indicated that no further rate rationalization is planned, and remains confident of maintaining margins at ~20-21% by passing through any fuel-price hikes and improving freight mix. We model 9% revenue CAGR over FY26-29E on the back of 7% volume CAGR over the same period. We await the sustainability of volume trajectory, in the absence of which sustaining current margins would be difficult, in our view. Despite elevated capex (owing to purchasing hubs), healthy cash conversion (FY26 OCF/EBITDA: 101%) should alleviate balance-sheet concerns, if any. We reiterate ADD. Key risks: Slowdown in the economy, rise in fuel prices, shortage of labor, and competition from unorganized players.

Target Price – 12M	Jun-27
Change in TP (%)	**11.5**
Current Reco.	ADD
Previous Reco.	ADD
Upside/(Downside) (%)	3.6

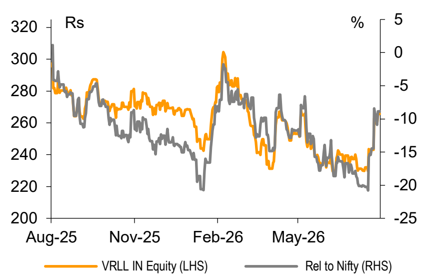
Stock Data	**VRLL IN**
52-week High (Rs)	313
52-week Low (Rs)	225
Shares outstanding (mn)	174.9
Market-cap (Rs bn)	49
Market-cap (USD mn)	514
Net-debt, FY27E (Rs mn)	4,769.9
ADTV-3M (mn shares)	0.3
ADTV-3M (Rs mn)	82.3
ADTV-3M (USD mn)	0.9
Free float (%)	0.4
Nifty-50	24,624.7
INR/USD	95.1

Shareholding,Jun-26	
Promoters (%)	60.2
FPIs/MFs (%)	2.7/24.9

Price Performance

(%)	**1M**	**3M**	**12M**
Absolute	17.8	11.2	(6.2)
Rel. to Nifty	16.1	8.5	(6.1)

1-Year share price trend (Rs)



VRL Logistics: Financial Snapshot (Consolidated)

Y/E March (Rs mn)	**FY25**	**FY26**	**FY27E**	**FY28E**	**FY29E**
Revenue	31,609	32,211	36,512	39,418	42,153
EBITDA	5,730	6,502	7,473	7,899	7,985
Adj. PAT	1,716	2,368	3,104	3,466	3,543
Adj. EPS (Rs)	9.8	14.3	18.7	20.9	21.3
EBITDA margin (%)	18.1	20.2	20.5	20.0	18.9
EBITDA growth (%)	45.6	13.5	14.9	5.7	1.1
Adj. EPS growth (%)	287.4	45.3	31.1	11.7	2.2
RoE (%)	16.9	21.3	26.8	27.4	24.5
RoIC (%)	17.7	19.0	21.4	20.7	19.9
P/E (x)	26.7	19.6	15.0	13.4	13.1
EV/EBITDA (x)	9.2	7.8	6.8	6.4	6.4
P/B (x)	4.5	4.1	4.0	3.4	3.0
FCFF yield (%)	(0.9)	4.6	3.4	4.6	7.2

Source: Company, Emkay Research

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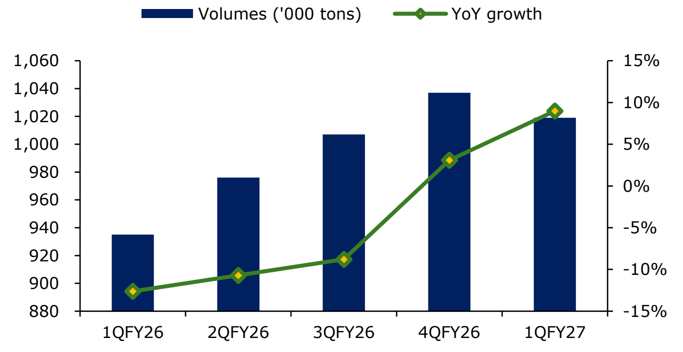
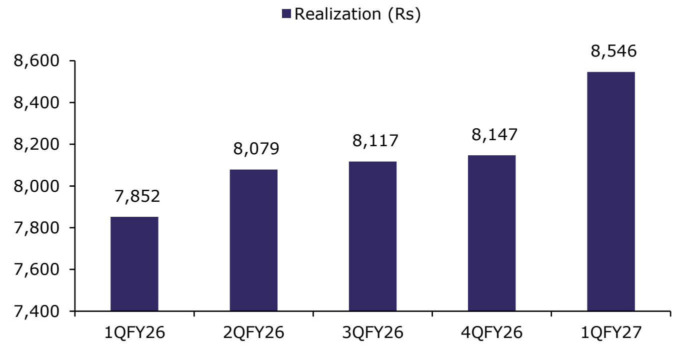
Story in charts

Exhibit 1: 1Q saw improving volume trajectory…



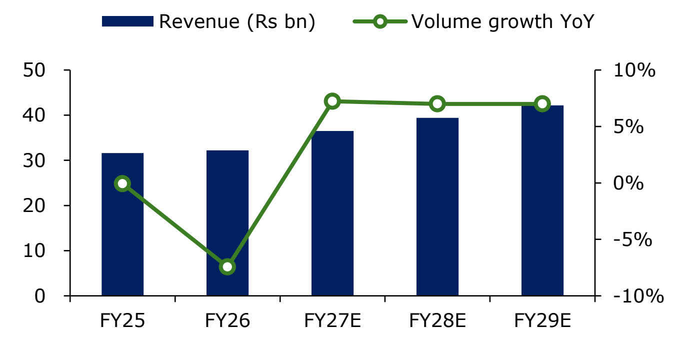
Source: Company, Emkay Research

Exhibit 2: …in addition to uptick in realizations on account of freight rate hikes



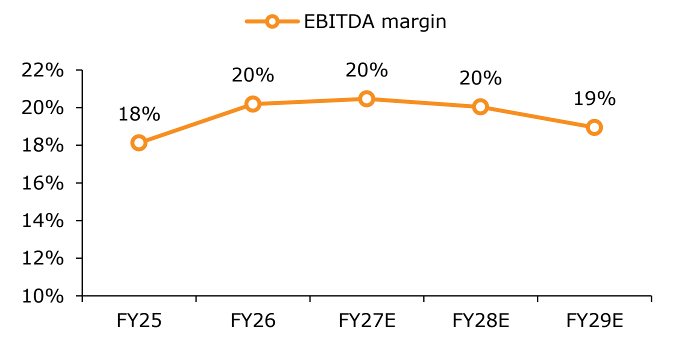
Source: Company, Emkay Research

Exhibit 3: We expect 9% revenue CAGR over FY26-29E…



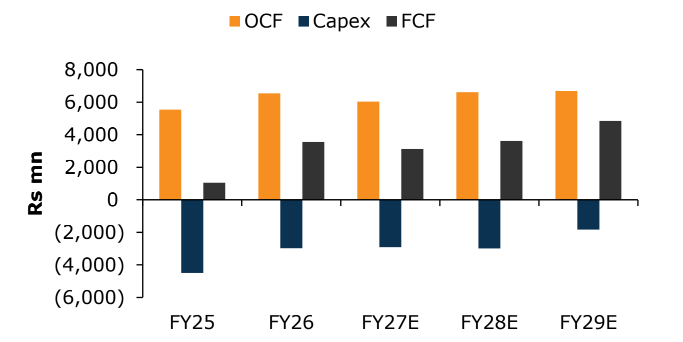
Source: Company, Emkay Research

Exhibit 4: …and 125bps margin contraction



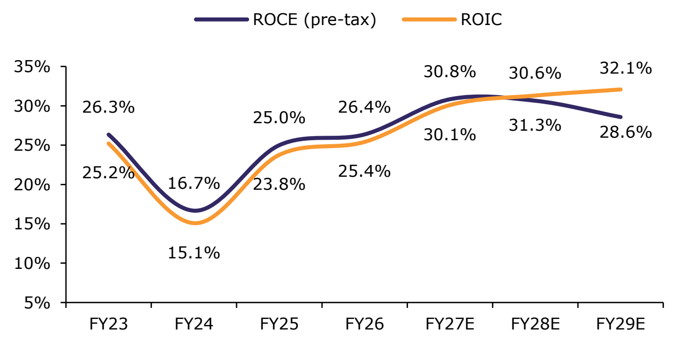
Source: Company, Emkay Research

Exhibit 5: Healthy OCF generation to sustain capex investments



Source: Company, Emkay Research

Exhibit 6: Healthy return ratios following pickup in profitability



Source: Company, Emkay Research

Exhibit 7: Summary of quarterly financials

VRL Logistics (Rs mn)	1QFY26	4QFY26	1QFY27	yoy	qoq	FY25	FY26	yoy
Net sales	**7,443**	**8,529**	**8,788**	18%	3%	31,609	32,211	2%
Operating expenses	**5,927**	**6,754**	**6,923**	17%	3%	25,880	25,709	**-1%**
Freight, handling, and servicing costs	4,404	5,091	5,220	19%	3%	19,994	19,225	-4%
Employee costs	1,357	1,539	1,536	13%	0%	5,452	5,874	8%
Other operating expenses	166	124	166	0%	34%	435	610	40%
Gross profit	3,039	3,438	3,569	17%	4%	11,616	12,986	12%
EBITDA	**1,516**	**1,775**	**1,866**	**23%**	**5%**	**5,730**	**6,502**	**13%**
- Margin	*20.4%*	*20.8%*	*21.2%*			*18.1%*	*20.2%*	
Depreciation	647	635	624	-4%	-2%	2,536	2,610	3%
EBIT	**869**	**1,140**	**1,242**	43%	9%	**3,193**	**3,892**	**22%**
Other income	65	64	60	-8%	-6%	141	237	68%
Interest	262	227	227	-13%	0%	948	950	0%
Extraordinary items	-	-	-			114	-	
PBT	**672**	**977**	**1,075**	60%	10%	**2,500**	**3,179**	**27%**
Tax	172	255	270	57%	6%	670	810	21%
PAT	**500**	**721**	**805**	61%	12%	**1,830**	**2,368**	**29%**
Adj PAT	500	721	805	61%	12%	1,716	2,368	38%
EPS (Rs)	**2.9**	**4.1**	**4.6**	61%	12%	**10.5**	**13.5**	**29%**
%	**1QFY26**	**4QFY26**	**1QFY27**	**yoy (bps)**	**qoq (bps)**	**FY25**	**FY26**	**yoy (bps)**
Gross margin	40.8%	40.3%	40.6%	-22	29	36.7%	40.3%	357
EBITDAM	20.4%	20.8%	21.2%	86	42	18.1%	20.2%	206
EBITM	11.7%	13.4%	14.1%	245	77	10.1%	12.1%	198
EBTM	9.0%	11.5%	12.2%	320	78	7.9%	9.9%	196
PATM	6.7%	8.5%	9.2%	244	70	5.8%	7.4%	156

Source: Company, Emkay Research

Exhibit 8: Actuals vs estimates (1QFY27)

Particulars	Actual	Estimate	Consensus	Variation	
(Rs mn)		(Emkay)	(Bloomberg)	Emkay	Consensus
Revenue	8,788	7,801	8,083	13%	9%
EBITDA	1,866	1,443	1,546	29%	21%
Margin	*21%*	*19%*	*19%*	*273bps*	*211bps*
PAT	805	482	527	67%	53%

Source: Company, Emkay Research

Exhibit 9: Change in estimates

Particulars	FY27E			FY28E			FY29E		
	Old	New	% Change	Old	New	% Change	Old	New	% Change
Revenue	34,390	36,512	6.2%	37,516	39,418	5.1%	40,515	42,153	4.0%
EBITDA	6,187	7,473	20.8%	6,828	7,899	15.7%	6,793	7,985	17.6%
EBITDA Margin, %	18.0	20.5	248 bps	18.2	20.0	184 bps	16.8	18.9	218 bps
PAT	2,217	3,104	40.0%	2,675	3,466	29.6%	2,832	3,543	25.1%

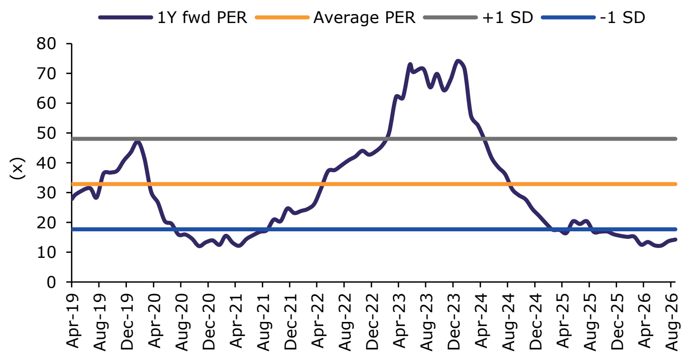
Source: Company, Emkay Research

Exhibit 10: We value VRL at Rs290/share

Particulars (Rs mn)	FY25	FY26	FY27E	FY28E	FY30E	FY35E
Revenue	31,609	32,211	36,512	39,418	45,527	63,260
NOPLAT	2,337	2,900	3,624	3,909	3,787	4,789
Non-cash items	2,536	2,610	2,610	2,666	2,765	4,238
Change in WC	(19)	133	(368)	(111)	(129)	(137)
Capex	(4,488)	(2,986)	(2,912)	(2,992)	(1,962)	(2,726)
FCFF	**366**	**2,656**	**2,954**	**3,472**	**4,460**	**6,164**
WACC	13%					
Terminal growth	5%					
PV of CFs (FY28-35E)	22,817					
PV of terminal value	27,660					
Total EV	50,477					
(Less) net debt	3,404					
Total equity value	47,073					
Total no of shares (mn)	166					
Target price – Jun-27E (Rs)	290					

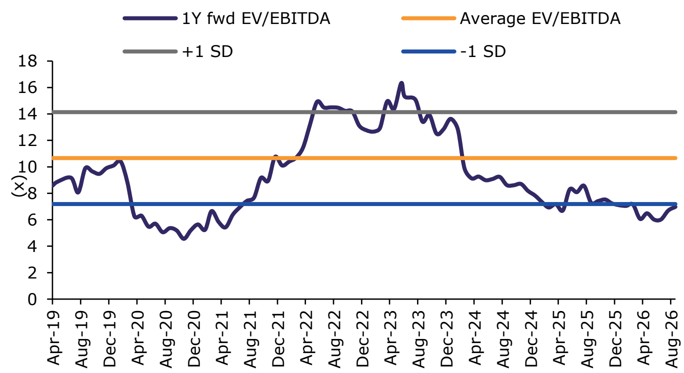
Source: Company, Emkay Research

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



Source: Company, Emkay Research

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



Source: Company, Emkay Research

Concall highlights

- The company registered 9% volume growth in 1Q; 2-3% of the growth was attributable to lost customers that have come back, while the balance was due to branch additions. The management revised its volume growth guidance to 8% for FY27 (earlier: 6-7%).
- Realization in 1Q grew 9% yoy, with 5% increase attributable to fuel-price hikes. The management highlighted that realization remains tied to fuel costs – an increase in fuel costs will improve realizations, while a decline will lead to a rollback in hiked realization. Receivable days were one of the lowest in the industry (10-12 days).
- Bulk/refinery purchasing was suspended during the quarter, because bulk price ran ~Rs15/liter above the retail (government-subsidized) price; VRL will resume bulk buying if the spread narrows to Rs2-3/liter.
- Driver incentives increased in 1Q to maintain utilization levels, while lorry hire charges too increased as the number of vehicles reduced and VRL had to hire vehicles to cater to the high volumes. There has been minimal impact of the new wage code, as the company's minimum wage is already above the minimum wage required by law.
- Fleet size as of Jun-26 stood at 5,981 (vs 5,949 in Jun-25), with the company's focus on increasing optimization by way of rationalization of older/less-efficient vehicles.
- For FY27, the company has planned Rs2.4bn capex, of which Rs1.4bn is allocated to vehicles and the rest for land and buildings. With a forecasted OCF of Rs5bn, the management plans to utilize the FCF for buyback worth Rs2.8bn. The management stated that debt will not increase from current levels.
- Regional mix for 1Q volumes: South – ~42% of tonnage (+5% yoy); West – ~25% (+15%); North – ~21% (+10%); East/Northeast – ~10% (+22-25% off a smaller base).
- With total branches at 1.3k+ (as on Jun-26), the management stated that the breakeven period for new branches has compressed from 9-12 months to 5-6 months due to the expanded network base.
- With branch expansion largely complete, the management plans to distribute the cash flows (post capex) as payouts to shareholders going forward.
- The management noted that 70% of the addressable market is still unorganized; VRL does not have M&A/consolidation plans – the management stated that it prefers organic branch/geography expansion.
- Agriculture-linked freight in 1Q was ~10-11% of volumes; no impact yet from weak monsoon, but the management flagged it as a possible 2Q drag.

VRL Logistics: Consolidated Financials and Valuations

Profit & Loss

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Revenue	**31,609**	**32,211**	**36,512**	**39,418**	**42,153**
Revenue growth (%)	9.4	1.9	13.4	8.0	6.9
EBITDA	**5,730**	**6,502**	**7,473**	**7,899**	**7,985**
EBITDA growth (%)	45.6	13.5	14.9	5.7	1.1
Depreciation & Amortization	2,536	2,610	2,610	2,666	2,670
EBIT	**3,193**	**3,892**	**4,863**	**5,233**	**5,315**
EBIT growth (%)	80.1	21.9	24.9	7.6	1.6
Other operating income	-	-	-	-	-
Other income	141	237	266	287	307
Financial expense	948	950	964	879	879
PBT	**2,386**	**3,179**	**4,165**	**4,641**	**4,743**
Extraordinary items	114	0	0	0	0
Taxes	670	810	1,061	1,174	1,200
Minority interest	0	0	0	0	0
Income from JV/Associates	0	0	0	0	0
Reported PAT	**1,830**	**2,368**	**3,104**	**3,466**	**3,543**
PAT growth (%)	105.4	29.4	31.1	11.7	2.2
Adjusted PAT	**1,716**	**2,368**	**3,104**	**3,466**	**3,543**
Diluted EPS (Rs)	**9.8**	**14.3**	**18.7**	**20.9**	**21.3**
Diluted EPS growth (%)	287.4	45.3	31.1	11.7	2.2
DPS (Rs)	**30.0**	**10.5**	**0**	**10.0**	**10.0**
Dividend payout (%)	**286.9**	**73.9**	**0**	**47.9**	**46.9**
EBITDA margin (%)	18.1	20.2	20.5	20.0	18.9
EBIT margin (%)	10.1	12.1	13.3	13.3	12.6
Effective tax rate (%)	28.1	25.5	25.5	25.3	25.3
NOPLAT (pre-IndAS)	**2,296**	**2,900**	**3,624**	**3,909**	**3,970**
Shares outstanding (mn)	175	166	166	166	166

Source: Company, Emkay Research

Balance Sheet

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
Share capital	875	1,749	1,741	1,741	1,741
Reserves & Surplus	9,971	9,675	9,987	11,792	13,673
Net worth	**10,846**	**11,424**	**11,728**	**13,533**	**15,414**
Minority interests	-	-	-	-	-
Non-current liab. & prov.	778	831	831	831	831
Total debt	**4,494**	**4,557**	**5,557**	**5,207**	**5,207**
Total liabilities & equity	**22,155**	**22,270**	**23,574**	**25,028**	**26,909**
Net tangible fixed assets	15,542	17,068	18,770	20,380	20,710
Net intangible assets	3	2	2	2	2
Net ROU assets	6,873	5,967	4,566	3,282	2,115
Capital WIP	151	225	225	225	225
Goodwill	-	-	-	-	-
Investments [JV/Associates]	9	9	9	9	9
Cash & equivalents	**531**	**156**	**787**	**1,803**	**4,416**
Current assets (ex-cash)	2,748	2,624	3,080	3,251	3,411
Current Liab. & Prov.	3,702	3,781	3,867	3,925	3,980
NWC (ex-cash)	**(954)**	**(1,157)**	**(787)**	**(675)**	**(569)**
Total assets	**22,155**	**22,270**	**23,572**	**25,027**	**26,908**
Net debt	3,963	4,401	4,770	3,404	791
Capital employed	22,155	22,270	23,574	25,028	26,909
Invested capital	**14,591**	**15,913**	**17,985**	**19,708**	**20,144**
BVPS (Rs)	62.0	68.7	70.6	81.4	92.7
Net Debt/Equity (x)	0.4	0.4	0.4	0.3	0.1
Net Debt/EBITDA (x)	0.7	0.7	0.6	0.4	0.1
Interest coverage (x)	3.5	4.3	5.3	6.3	6.4
RoCE (%)	**24.2**	**26.4**	**30.8**	**30.6**	**28.6**

Source: Company, Emkay Research

Cash flows

Y/E March (Rs mn)	FY25	FY26	FY27E	FY28E	FY29E
PBT (ex-other income)	2,245	2,942	3,899	4,353	4,436
Others (non-cash items)	-	-	-	-	-
Taxes paid	(490)	(529)	(1,061)	(1,174)	(1,200)
Change in NWC	404	256	(370)	(113)	(106)
Operating cash flow	**5,548**	**6,544**	**6,042**	**6,612**	**6,679**
Capital expenditure	(6,011)	(4,209)	(4,313)	(4,276)	(2,999)
Acquisition of business	-	-	0	0	0
Interest & dividend income	41	266	287	307	332
Investing cash flow	**(4,298)**	**(2,940)**	**(2,912)**	**(2,992)**	**(1,832)**
Equity raised/(repaid)	0	875	(9)	0	0
Debt raised/(repaid)	1,702	62	1,000	(350)	0
Payment of lease liabilities	330	327	1,401	1,284	1,167
Interest paid	(948)	(950)	(964)	(879)	(879)
Dividend paid (incl tax)	(5,248)	(1,749)	0	(1,662)	(1,662)
Others	(598)	(466)	(465)	(464)	(464)
Financing cash flow	**(4,763)**	**(1,901)**	**963**	**(2,071)**	**(1,838)**
Net chg in Cash	(3,513)	1,702	4,093	1,549	3,009
OCF	5,548	6,544	6,042	6,612	6,679
Adj. OCF (w/o NWC chg.)	5,144	6,288	6,412	6,725	6,785
FCFF	(463)	2,335	1,729	2,336	3,680
FCFE	(1,371)	1,651	1,053	1,764	3,132
OCF/EBITDA (%)	96.8	100.6	80.8	83.7	83.6
FCFE/PAT (%)	(74.9)	69.7	33.9	50.9	88.4
FCFF/NOPLAT (%)	**(20.2)**	**80.5**	**47.7**	**59.8**	**92.7**

Source: Company, Emkay Research

Valuations and key Ratios

Y/E March	FY25	FY26	FY27E	FY28E	FY29E
P/E (x)	26.7	19.6	15.0	13.4	13.1
EV/CE(x)	3.4	3.2	2.9	2.7	2.5
P/B (x)	4.5	4.1	4.0	3.4	3.0
EV/Sales (x)	1.7	1.6	1.4	1.3	1.2
EV/EBITDA (x)	9.2	7.8	6.8	6.4	6.4
EV/EBIT(x)	16.6	13.1	10.5	9.7	9.6
EV/IC (x)	3.6	3.2	2.8	2.6	2.5
FCFF yield (%)	(0.9)	4.6	3.4	4.6	7.2
FCFE yield (%)	(2.8)	3.4	2.2	3.6	6.4
Dividend yield (%)	10.7	3.8	0	3.6	3.6
DuPont-RoE split					
Net profit margin (%)	5.4	7.4	8.5	8.8	8.4
Total asset turnover (x)	2.3	2.0	2.1	1.9	1.8
Assets/Equity (x)	1.3	1.4	1.5	1.6	1.6
RoE (%)	**16.9**	**21.3**	**26.8**	**27.4**	**24.5**
DuPont-RoIC					
NOPLAT margin (%)	7.3	9.0	9.9	9.9	9.4
IC turnover (x)	2.4	2.1	2.2	2.1	2.1
RoIC (%)	**17.7**	**19.0**	**21.4**	**20.7**	**19.9**
Operating metrics					
Core NWC days	(11.0)	(13.1)	(7.9)	(6.2)	(4.9)
Total NWC days	**(11.0)**	**(13.1)**	**(7.9)**	**(6.2)**	**(4.9)**
Fixed asset turnover	1.4	1.2	1.2	1.1	1.1
Opex-to-revenue (%)	18.6	20.1	19.8	19.6	19.8

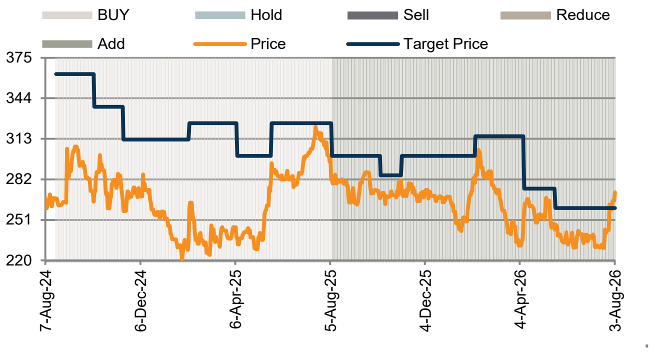
Source: Company, Emkay Research

RECOMMENDATION HISTORY - DETAILS

Date	Closing Price (Rs)	TP (Rs)	Rating	Analyst
08-Jul-26	231	260	Add	Anshul Agrawal
19-May-26	245	260	Add	Anshul Agrawal
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

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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