

VRL Logistics

BSE SENSEX

61,764

S&P CNX

18,264



VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	87.47
M.Cap.(INRb)/(USD\$)	55.1 / 0.7
52-Week Range (INR)	719 / 483
1, 6, 12 Rel. Per (%)	-6/4/1
12M Avg Val (INR M)	171
Free float (%)	35.8

Financials Snapshot (INR b)

Y/E March	2023E	2024E	2025E
Net Sales	27.4	29.6	34.3
EBITDA	4.2	5.0	5.8
Adj. PAT	1.6	2.2	2.7
Adj. EPS (INR)	18.8	25.1	30.7
EPS Gr. (%)	3.8	33.3	22.5
BV/Sh. (INR)	103.8	122.9	143.6

Ratios

Net D/E (x)	0.0	0.0	-0.2
RoE (%)	45.5	22.1	23.0
RoCE (%)	39.9	21.5	22.7
Payout (%)	0.0	23.9	32.6

Valuations

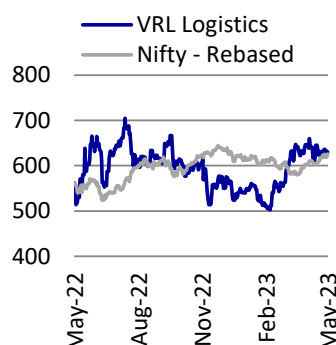
P/E (x)	33.4	25.1	20.5
P/BV (x)	6.1	5.1	4.4
EV/EBITDA (x)	13.0	11.0	9.2
Div. Yield (%)	0.0	1.0	1.6
FCF Yield (%)	2.2	2.3	4.8

Shareholding pattern (%)

As On	Mar-23	Dec-22	Mar-22
Promoter	64.2	64.2	69.6
DII	24.2	20.8	15.1
FII	2.4	4.2	3.6
Others	9.3	10.9	11.7

FII Includes depository receipts

Stock Performance (1-year)



CMP: INR630

TP: INR770 (+22%)

Buy

Sale of bus business boosts prospects; fleet addition and branch expansion to drive growth

- Following the recent sale of its bus business, VRLL has transformed into a pure play goods transport (GT) player that focuses on the highly profitable less-than-truckload (LTL) segment. VRLL's goods transport segment's tonnage growth is expected to be driven by multiple factors. Firstly, the addition of new branches (127 new branches added in 9MFY23) will contribute to tonnage growth, particularly in new geographies. Branches added in FY22 and in 9MFY23 contributed ~12% of total tonnage in 3QFY23. Secondly, there will be an increase in the number of customers as there is a growing need for a pan-India service provider, which will contribute to tonnage growth. Additionally, VRLL is likely to gain market share from smaller unorganized competitors due to increasing compliance requirements.
- As of Mar'23, VRLL owned 5,717 units of GT vehicles. VRLL has recently ordered 1,667 trucks for INR 6.97b, as part of its fleet expansion strategy and in compliance with the vehicle scrappage policy. This acquisition will increase their gross capacity to ~30,092MT. Although the Capex amounts to INR6.97b as per the list price of trucks, the actual capex is expected to be lower. Also, we believe the Capex would be spread over 1.5 years and the entire new fleet would be in operation by mid FY25.
- Further, we believe the sale of the bus segment and the wind segment would be a positive for VRL as it would be able to better focus on the high growth GT business. Also, the cash accruing to VRL with this sale (~INR 2.0b post tax) would be used to partially fund the capex of truck fleet addition. VRLL also completed a buyback worth INR612m.
- Going forward, we believe VRLL to benefit from the growth opportunity in the LTL business and from the extensive branch additions in new geographies. We expect VRL to clock a revenue/EBITDA/PAT CAGR of ~12%/17%/28% over FY23-25. The stock trades at 20x FY25E EPS. We reiterate our Buy rating, with a TP of INR770 (25x FY25E EPS).

Fleet expansion to aid market share gains and bring in operational efficiency

- Implementation of Vehicle Scrapping Policy envisages replacing existing older vehicles. In FY24, VRLL is expected to withdraw ~1,220 vehicles, which have been in operation for more than 15 years. Subsequently, VRL has ordered 1,667 trucks with Ashok Leyland (1,560 trucks) and Tata Motors (107 trucks) for INR 6.97b, which will result in an addition of 30,092 MT to its capacity.
- We expect the capex to be spread over 1.5 years and the entire new fleet would be operational by mid FY25.
- The proposed capex is expected to help the company meet its business demand in due course and reduce some dependence on hired vehicles. This would also help increase efficiency as new vehicles are technologically more advanced and fuel efficient.

Alok Deora - Research analyst (Alok.Deora@motilaloswal.com)

Saurabh Dugar - Research analyst (Saurabh.Dugar@motilaloswal.com)

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Fleet addition to drive growth and market share gains

Exhibit 1: Capex underway for fleet expansion

Vendor	Make	Vehicles Ordered
Ashok Leyland Ltd	3120	1200
Ashok Leyland Ltd	1415	100
Ashok Leyland Ltd	CNG 1922	20
Ashok Leyland Ltd	1920	150
Ashok Leyland Ltd	4620	50
Tata Motors Ltd	LPT 1412	50
Tata Motors Ltd	SFC 610	57
Ashok Leyland Ltd	4420	40
Total Vehicles Ordered		1667

Source: Company, MOFSL

Exhibit 2: Status of earlier announced capex

Vendor	Make	Vehicles Ordered	Vehicles Purchased till Mar'23	Comments
Tata Motors Ltd	LPT 2818	1000	500	❖ Restricted to 500 vehicles
Tata Motors Ltd	LPT 1412	200	250	❖ Additional 50 vehicles purchased including 5 CNG vehicles
Tata Motors Ltd	SFC 610	100	43	❖ Balance vehicles are being added in FY24
Ashok Leyland Ltd	1920	200	300	❖ Additional vehicles purchased
Ashok Leyland Ltd	CNG 1922	0	30	❖ Additional vehicles purchased
Ashok Leyland Ltd	4420	100	60	❖ Balance vehicles are being added in FY24
Ashok Leyland Ltd	1415 Ecomet	0	16	❖ Additional vehicles purchased
Total		1600	1199	

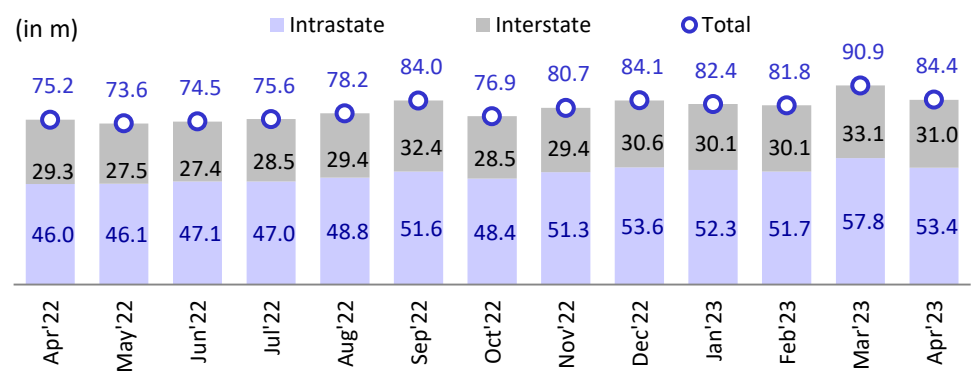
Source: Company, MOFSL

*Note: The pending 400 vehicles are included in new capex plan detailed in **Exhibit 1**.*

VRL plans to acquire the truck chassis from Ashok Leyland Ltd and TATA Motors Limited, while the truck bodies will be built in-house or by external parties if feasible.

Logistics activity remains robust

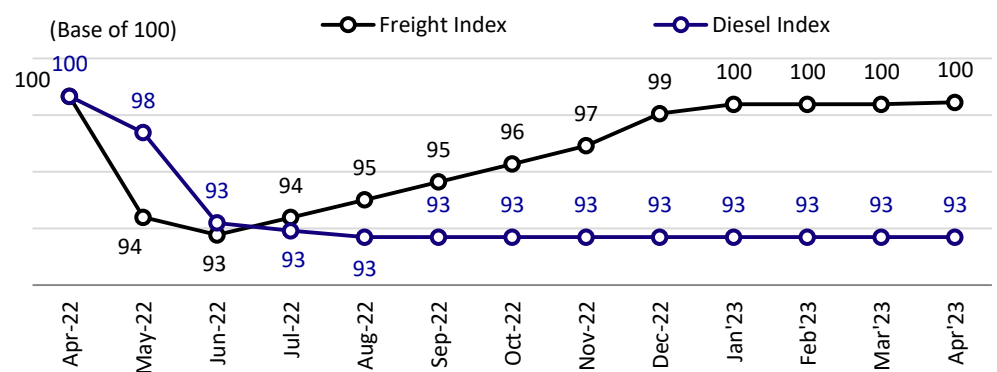
Exhibit 3: Total e-way bill generation



Source: GSTN, MOFSL

- E-way bill generation rises 12% YoY (down ~7% MoM) in Apr'23, after registering more than 90m E-way bills generation (the highest in a month since implementation) in Mar'23.
- For FY23, a total of 958m E-way bills were generated, recording a 24% YoY growth over FY22.
- High level of business activity supported by higher compliances is beneficial for organized players such as VRLL which will help garner market share gains from unorganized players.

Exhibit 4: Freight rates remain firm with improvement in demand



Source: IFTRT, MOFSL

- The sustained high level of logistics activity suggests that demand for transportation services remains strong, which in turn has helped support freight rates. As a result, even with increasing costs such as tolls, labor, and vehicle maintenance, the stability of freight rates suggests that the industry is able to maintain profitability while meeting demand.

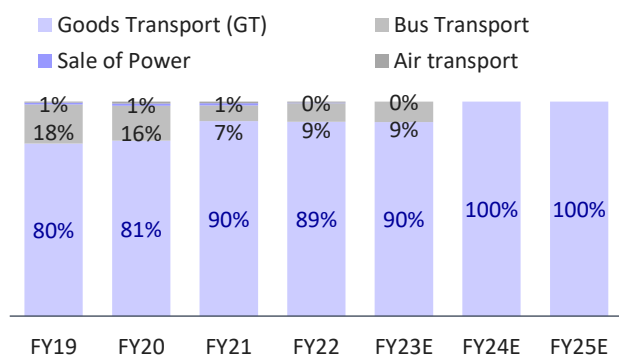
Exhibit 5: Segmental performance

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23
Segment Revenue (INR m)								
Goods Transport	5,358	3,848	5,688	5,961	5,876	6,089	6,500	6,751
Bus Operations	561	176	503	748	622	979	732	873
Sale of Power	21	55	86	21	90	49	31	0
Transport of passengers by air	29	35	37	16	23	0	0	0
Net segment Revenue	5,969	4,114	6,314	6,747	6,611	7,116	7,263	7,624
Growth YoY (%)								
Goods Transport	28.6	159.6	39.5	19.0	9.7	58.2	14.3	13.3
Bus Operations	-20.5	231.8	199.5	43.6	10.7	457.0	45.6	16.7
Sale of Power	6.6	15.7	13.5	-33.0	332.0	-11.4	-64.3	-100.0
Transport of passengers by air	-30.9	225.7	-1.6	-59.9	-22.2	-100.0	-100.0	-100.0
Net segment Revenue	21.0	158.1	44.9	20.4	10.7	73.0	14.8	13.3
Revenue Share								
Goods Transport	90	94	90	88	89	86	89	89
Bus Operations	9	4	8	11	9	14	10	11
Sale of Power	0	1	1	0	1	1	0	0
Transport of passengers by air	0	1	1	0	0	0	0	0
Total Revenue Share	100	100	100	100	100	100	100	100
Segment Results (EBIT) - (INR m)								
Goods Transport	696	145	793	927	841	695	662	728
Bus Operations	-92	-71	-28	78	9	170	2	157
Sale of Power	-23	12	42	-23	44	5	15	-
Transport of passengers by air	-4	-10	4	-20	3	-	-	-
Total Segment Results	577	76	811	962	897	871	679	679
Segmental EBIT Margin (%)								
Goods Transport	13.0	3.8	13.9	15.6	14.3	11.4	10.2	10.8
Bus Operations	-16.5	-40.5	-5.7	10.4	1.5	17.4	0.3	18.0
Sale of Power	-107.6	21.5	48.9	-109.5	48.8	10.3	48.3	NA
Transport of passengers by air	-14.0	-27.3	11.6	-123.5	13.5	-	-	NA
Total	9.7	1.8	12.8	14.3	13.6	12.2	9.3	9.3

Source: Company, MOFSL

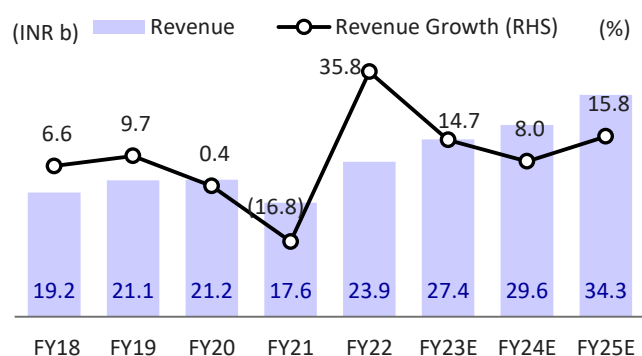
Financial story in charts

Exhibit 6: VRLL transforms to a pure-play GT player

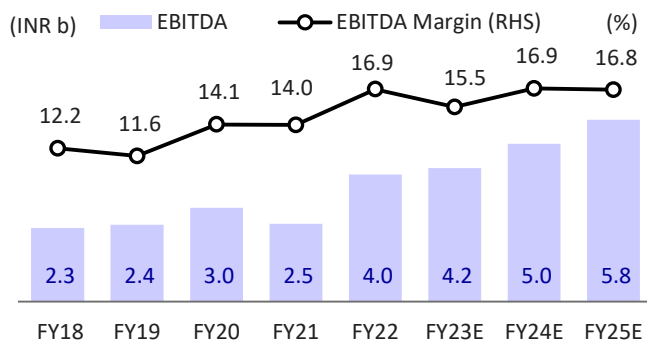


Source: Company, MOFSL

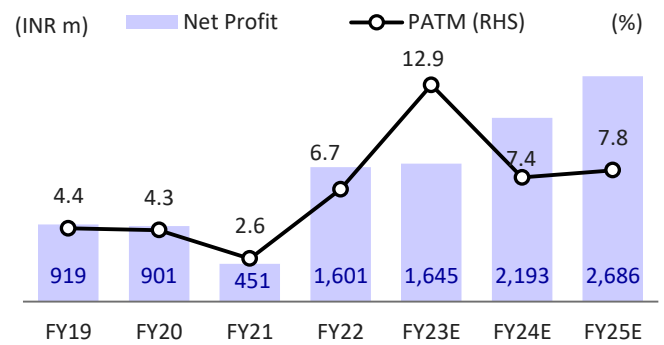
Exhibit 7: Shift to organized operators to drive revenue



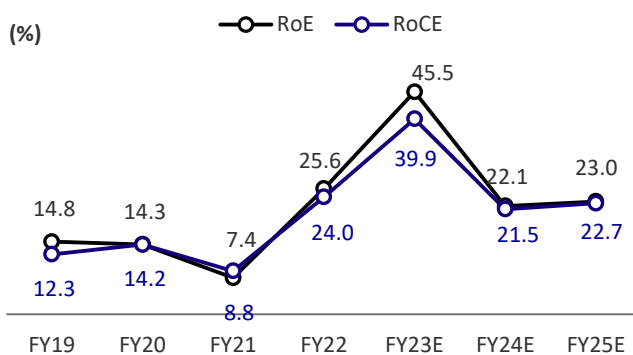
Source: Company, MOFSL

Exhibit 8: Margins to improve post sale of Bus division

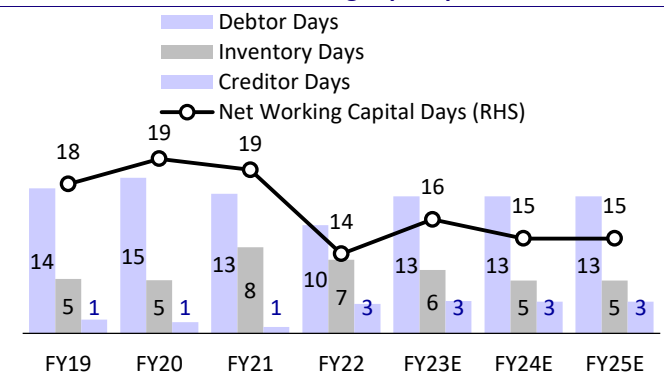
Source: Company, MOFSL

Exhibit 9: Strong operating performance to drive PAT

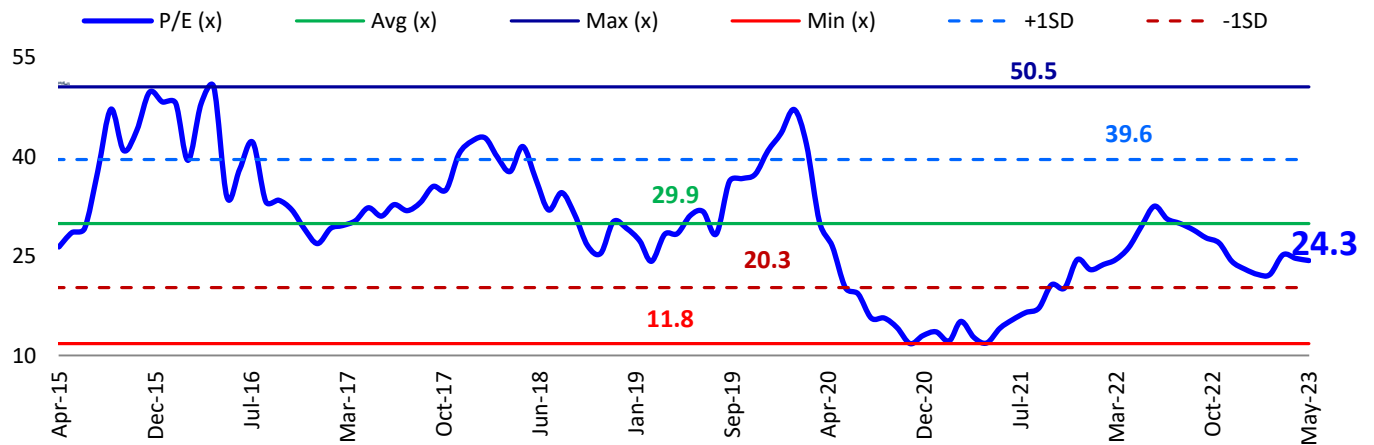
Source: Company, MOFSL

Exhibit 10: Return ratios to be elevated

Source: Company, MOFSL

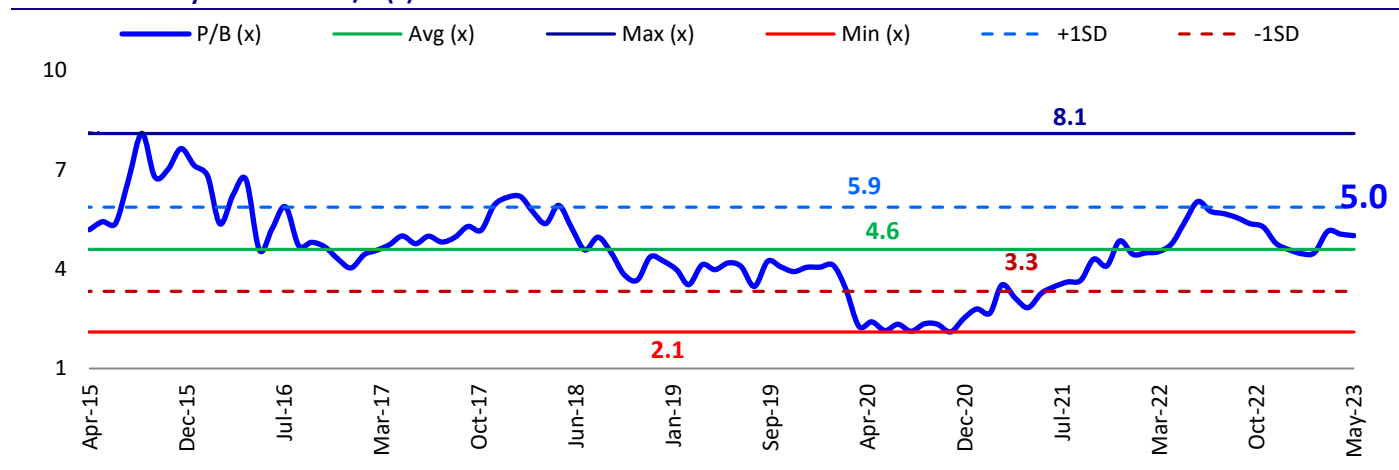
Exhibit 11: Comfortable working capital position

Source: Company, MOFSL

Exhibit 12: One-year forward P/E (x)

Source: Company, MOFSL

Exhibit 13: One-year forward P/B (x)



Source: Company, MOFSL

Valuation and view

- VRL is well positioned to take advantage of its dominant position in the LTL segment, given its strong network and diversified customer base.
- The growth in revenue is expected to be propelled by the increasing acceptance of hub-and-spoke model, optimization of vendors, a transition of volumes from the unorganized sector to the organized.
- We also believe the sale of the bus and wind segment and the recent price increase (~5%) in the GT segment are positive for VRL. We expect VRL to clock a revenue/EBITDA/PAT CAGR of ~12%/17%/28% over FY23-25E. The stock trades at 20x FY25E EPS. We reiterate our Buy rating on the stock, with a TP of INR770 (25x FY25E EPS).

Financials and valuations

Income Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Net Sales	21,095	21,185	17,629	23,937	27,443	29,646	34,315
Change (%)	9.7	0.4	-16.8	35.8	14.7	8.0	15.8
Gross Margin (%)	30.1	33.4	33.0	33.5	31.8	33.5	33.5
EBITDA	2,440	2,983	2,475	4,042	4,245	5,022	5,779
Margin (%)	11.6	14.1	14.0	16.9	15.5	16.9	16.8
Depreciation	1,006	1,675	1,598	1,680	1,632	1,781	1,985
EBIT	1,434	1,307	877	2,362	2,613	3,241	3,794
Int. and Finance Charges	109	367	368	431	525	484	413
Other Income	79	103	129	168	135	175	210
PBT	1,405	1,043	637	2,099	2,222	2,932	3,591
Tax	486	142	187	498	577	739	905
Effective Tax Rate (%)	34.6	13.6	29.3	23.7	26.0	25.2	25.2
Extraordinary Items	0	0	0	0	-1,900	0	0
Reported PAT	919	901	451	1,601	3,545	2,193	2,686
Adj. PAT	919	901	451	1,601	1,645	2,193	2,686
Change (%)	-0.7	-2.0	-50.0	255.3	2.8	33.3	22.5
Margin (%)	4.4	4.3	2.6	6.7	6.0	7.4	7.8

Balance Sheet

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Equity Share Capital	903	903	883	883	875	875	875
Total Reserves	5,556	5,265	5,088	5,633	8,208	9,876	11,688
Net Worth	6,459	6,169	5,971	6,516	9,083	10,751	12,563
Deferred Tax Liabilities	738	440	440	386	386	386	386
Total Loans	1,407	1,893	1,196	1,593	1,743	1,443	893
Capital Employed	8,604	8,502	7,607	8,496	11,212	12,581	13,842
Gross Block	10,835	15,105	15,850	18,967	20,907	23,607	26,009
Less: Accum. Deprn.	3,785	5,202	6,307	7,987	9,074	10,854	12,839
Net Fixed Assets	7,051	9,903	9,544	10,980	11,833	12,752	13,170
Capital WIP	416	44	61	350	350	350	350
Total Investments	1	1	1	1	1	1	1
Curr. Assets, Loans, and Adv.	2,311	2,304	2,381	2,473	4,338	4,443	6,339
Inventory	298	293	395	459	451	406	470
Account Receivables	795	856	639	673	977	1,056	1,222
Cash and Bank Balances	131	134	185	145	1,433	1,386	2,801
Cash	126	129	183	140	1,428	1,381	2,796
Bank Balance	5	5	1	5	5	5	5
Others	1,086	1,021	1,162	1,197	1,476	1,594	1,846
Current Liab. and Prov.	1,174	3,750	4,379	5,307	5,308	4,965	6,016
Account Payables	61	35	136	201	226	244	282
Other Current Liabilities	849	3,368	3,911	4,673	4,586	4,185	5,114
Provisions	264	347	332	433	496	536	621
Net Current Assets	1,136	-1,445	-1,998	-2,834	-971	-522	322
Application of Funds	8,604	8,502	7,607	8,496	11,213	12,581	13,842

Financials and valuations

Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
Basic (INR)							
EPS	10.2	10.0	5.1	18.1	18.8	25.1	30.7
EPS growth (%)	-0.7	-2.0	-48.9	255.3	3.8	33.3	22.5
Cash EPS	21.3	28.5	23.2	37.1	37.5	45.4	53.4
BV/Share	71.5	68.3	67.6	73.8	103.8	122.9	143.6
DPS	5.5	7.0	4.0	8.0	0.0	6.0	10.0
Payout (Incl. Div. Tax, %)	65.2	84.6	78.4	44.1	0.0	23.9	32.6
Valuation (x)							
P/E	61.8	63.1	123.3	34.7	33.4	25.1	20.5
Cash P/E	29.5	22.1	27.1	16.9	16.8	13.8	11.8
EV/EBITDA	23.1	19.0	22.6	14.0	13.0	11.0	9.2
EV/Sales	2.7	2.7	3.2	2.4	2.0	1.9	1.5
P/BV	8.8	9.2	9.3	8.5	6.1	5.1	4.4
Dividend Yield (%)	0.9	1.1	0.6	1.3	0.0	1.0	1.6
Return Ratios (%)							
RoE	14.8	14.3	7.4	25.6	45.5	22.1	23.0
RoCE	12.3	14.2	8.8	24.0	39.9	21.5	22.7
RoIC	12.2	13.8	7.9	23.5	22.2	23.9	26.4
Working Capital Ratios							
Fixed Asset Turnover (x)	2.1	1.6	1.1	1.4	1.4	1.3	1.4
Asset Turnover (x)	2.5	2.5	2.3	2.8	2.4	2.4	2.5
Inventory (Days)	5	5	8	7	6	5	5
Debtors (Days)	14	15	13	10	13	13	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	-0.1	-0.1

Cash Flow Statement

Y/E March (INR m)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OP/(Loss) before Tax	1,405	1,043	637	2,099	2,222	2,932	3,591
Depreciation	1,006	1,675	1,598	1,680	1,632	1,781	1,985
Direct Taxes Paid	-523	-431	-148	-581	-577	-739	-905
(Inc.)/Dec. in WC	-64	-94	294	157	2	-316	184
Other Items	98	380	330	353	391	309	203
CF from Operations	1,922	2,573	2,711	3,708	3,670	3,968	5,057
(Inc.)/Dec. in FA	-2,109	-1,200	-330	-1,808	-2,485	-2,700	-2,402
Free Cash Flow	-187	1,373	2,381	1,899	1,185	1,268	2,655
Change in Investments	3	14	15	4	0	0	0
Others	15	0	1	6	-81	96	44
CF from Investments	-2,091	-1,185	-313	-1,798	-2,566	-2,604	-2,359
Inc./Dec. in net worth	0	0	-632	0	-979	0	0
Inc./Dec. in Debt	596	485	-697	239	150	-300	-550
Dividends Paid	-381	-980	0	-1,060	0	-525	-875
Others	-104	-889	-1,014	-1,132	1,013	-586	140
CF from Fin. Activity	110	-1,384	-2,344	-1,953	184	-1,411	-1,284
Inc./Dec. in Cash	-59	3	54	-43	1,288	-47	1,414
Opening Balance	185	126	129	183	140	1,428	1,381
Closing Balance	126	129	183	140	1,428	1,381	2,796

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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www.motilaloswal.com. Correspondence Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad (West), Mumbai- 400 064. Tel No: 022 71881000.

Details of Compliance Officer: Neeraj Agarwal, Email Id: na@motilaloswal.com, Contact No.:022-40548085.

Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com

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