



## VRL LOGISTICS LTD

### Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	68.5 / 0.8
52-Week Range (INR)	790 / 483
1, 6, 12 Rel. Per (%)	6/-6/20
12M Avg Val (INR M)	112
Free float (%)	39.8

### Financials Snapshot (INR b)

Y/E March	2024E	2025E	2026E
Net Sales	29.8	35.2	41.1
EBITDA	4.3	5.3	6.6
Adj. PAT	1.4	2.2	3.1
EBITDA Margin (%)	14.4	15.2	16.0
Adj. EPS (INR)	15.3	24.9	34.7
EPS Gr. (%)	-18.4	62.3	39.4
BV/Sh. (INR)	119.9	134.9	157.7

### Ratios

Net D/E (x)	0.2	0.1	0.1
RoE (%)	13.3	19.5	23.7
RoCE (%)	14.4	18.3	22.3
Payout (%)	38.7	39.8	34.2

### Valuations

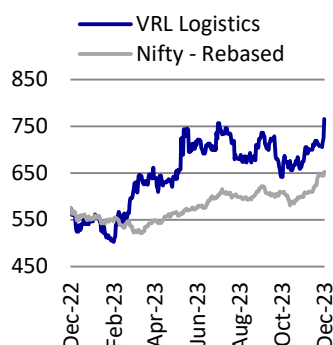
P/E (x)	50.8	31.3	22.5
P/BV (x)	6.5	5.8	4.9
EV/EBITDA (x)	16.4	13.0	10.6
Div. Yield (%)	0.8	1.3	1.5
FCF Yield (%)	0.5	2.9	3.9

### Shareholding pattern (%)

As On	Sep-23	Jun-23	Sep-22
Promoter	60.2	64.2	69.6
DII	29.0	25.1	14.4
FII	2.2	2.2	5.8
Others	8.6	8.5	10.2

FII Includes depository receipts

### Stock Performance (1-year)



# VRL Logistics

**CMP: INR780**

**TP: INR910 (+16%)**

**Buy**

## Branch expansion and formalization of the sector to drive volume growth

- VRL Logistics (VRLL)'s tonnage growth is likely to be driven by: a) new branch additions that would lead to higher contributions from new geographies (net annual addition of 120 branches as of Sep'23 contributed ~4.5% to tonnage in 2QFY24); b) market share gains from the unorganized sector owing to heightened compliance, and c) new customer wins due to the ongoing demand for a pan-India service provider.
- VRLL is adding new trucks by investing INR3.5b in FY24 (capex cut from INR4.5b earlier), which would increase its tonnage handling capacity by ~20%. The company's capacity increased to 84,726 tons in Sep'23 from 75,084 tons in Sep'22.
- Further, VRLL's healthy operating efficiency is projected to improve with in-house fleet maintenance linked to spare parts supply, in-house scrapyard for disposal of old fleet, CNG vehicles for last mile delivery, and procurement of diesel from refinery, which should sustain its profitability in a competitive environment.
- VRLL's 16%/18% revenue/EBITDA CAGR over FY23-26 is anticipated to be driven by: 1) a shift in market share from unorganized to organized LTL operators, b) adherence to compliance by SMEs and rationalization of vendors, and c) tailwinds from the country's economic growth. VRLL is well positioned to capitalize on its dominant position in the LTL segment given its strong network and diversified customer base.
- We roll forward our multiple to FY26E EPS. We reiterate our BUY rating with a TP of INR910 (based on 26x FY26E EPS).

## Aggressive branch additions in untapped regions to be the growth catalyst

- VRLL has added 480 branches and four trans-shipment hubs in FY22, FY23 and 1HFY24, bringing the total count to 1,165 branches and 49 trans-shipment hubs as of Sep'23. This is expected to support future growth as the full impact of these investments begins to materialize.
- The focus of the expansion effort will primarily be on the eastern and northeastern regions, where the company currently has less exposure. This strategy has allowed the company to grow faster than peers, as almost half of the incremental growth is coming from the market share gains owing to the expansion of new branches.
- During FY23 and 1HFY24, VRL has divested all its non-core businesses to concentrate solely on its high-margin goods transport business, which has also bolstered its credit profile.

## 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 5,782 trucks having a total capacity of 84,726 tonnes as of Sep'23 vs. 81,885 tonnes in Jun'23). This enables the company to seamlessly handle less-than-truckload (LTL) cargo across India through the hub-and-spoke model.

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

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

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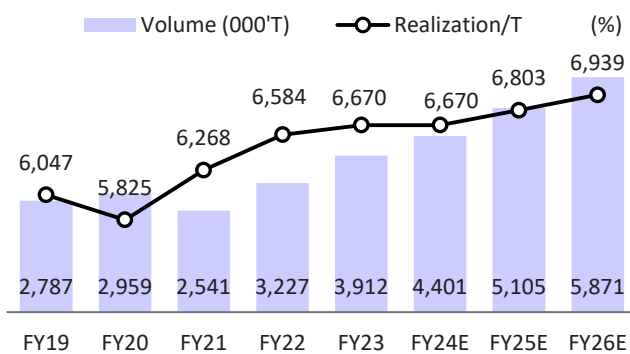
- Further, VRLL has an in-house fleet maintenance facility with a tie-up for spare parts and an in-house scrapyard for disposing of the old fleet, which helps in maintaining control over overhead costs.
- Due to softer-than-expected performance in FY24 thus far, the company has slightly reduced its capex program. It is now expecting to incur a capex of INR3.5b for FY24 (vs. INR4.5b earlier). It anticipates FY25 to be much better and expects incurring a capex of INR2.5b to expand the truck fleet.

### Valuation and view

- VRLL's transition into a pure-play GT player, integration of additional branches, expansion of fleet capacity, growing customer base, and market share gains from less-organized competitors position the company favorably for a steady volume and sustainable earnings growth.
- We expect VRLL to report 14% volume CAGR over FY23-26, with faster addition of branches in untapped regions. We anticipate the company to deliver a revenue/EBITDA/PAT CAGR of 16%/18%/23% over FY23-26. **We reiterate our BUY rating with a TP of INR910 (based on 26x FY26E EPS).**

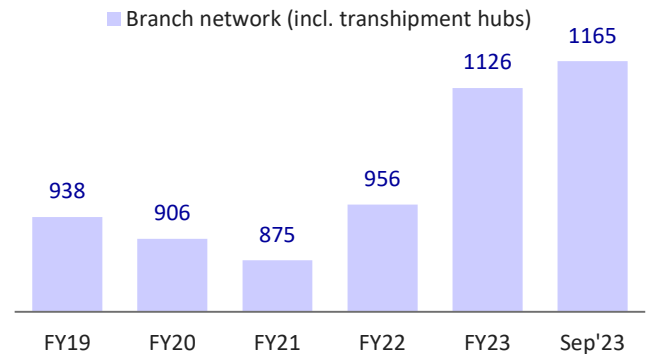
## Story in charts

Exhibit 1: Expect volumes to clock 14% CAGR over FY23-26



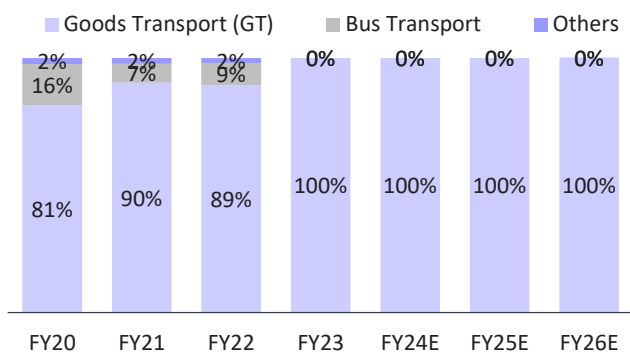
Source: Company, MOFSL

Exhibit 2: Expansion of branch network continues



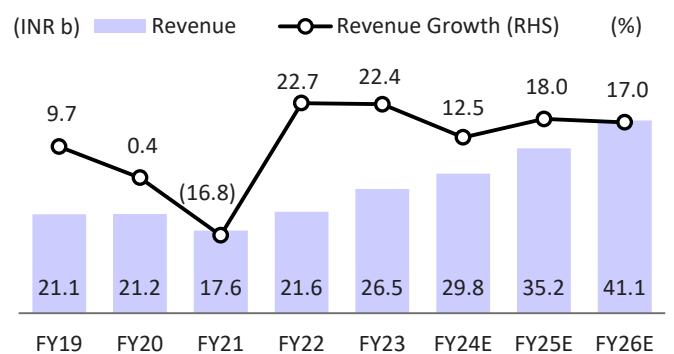
Source: Company, MOFSL

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

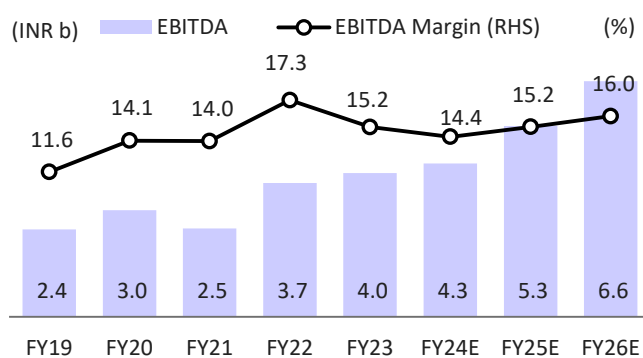


Source: Company, MOFSL

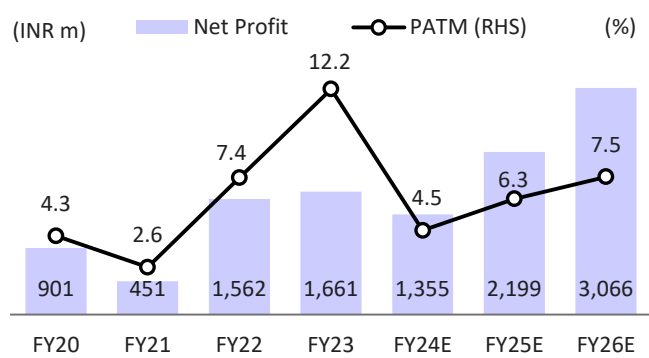
Exhibit 4: Shift to organized operators would drive revenue



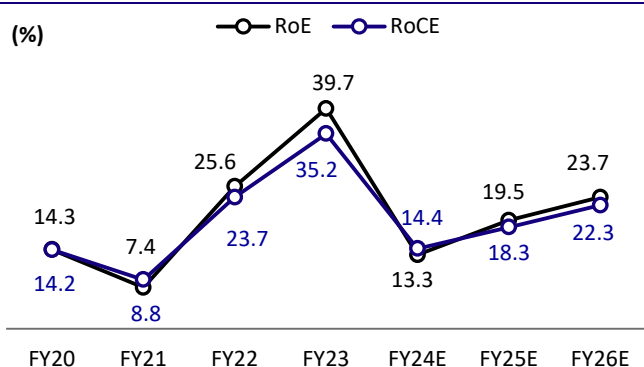
Source: Company, MOFSL

**Exhibit 5: Margin to improve with higher volumes**

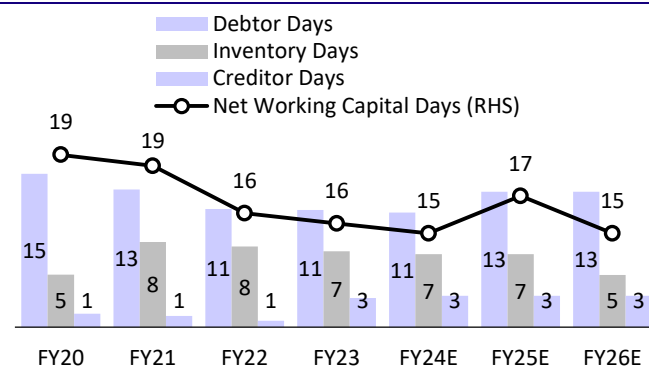
Source: Company, MOFSL

**Exhibit 6: Strong operating performance to drive PAT**

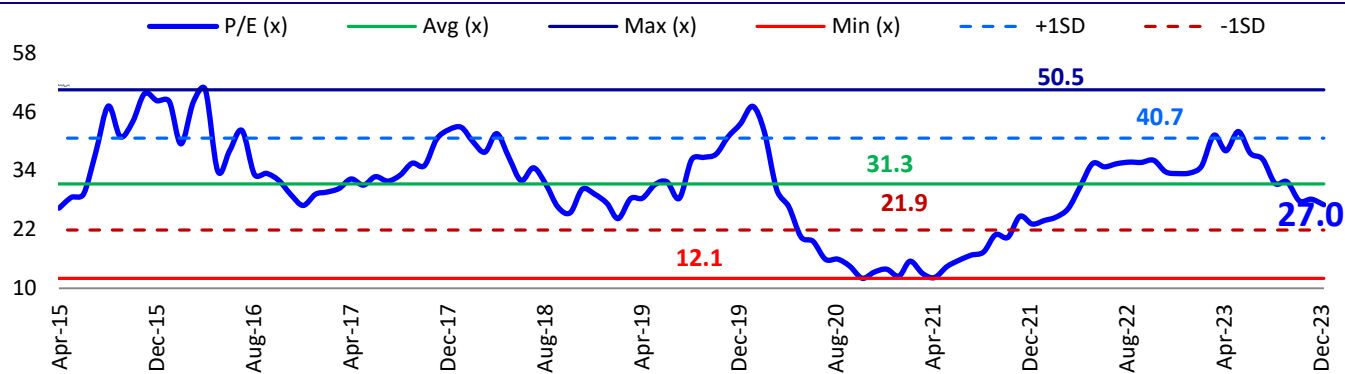
Source: Company, MOFSL

**Exhibit 7: Return ratios**

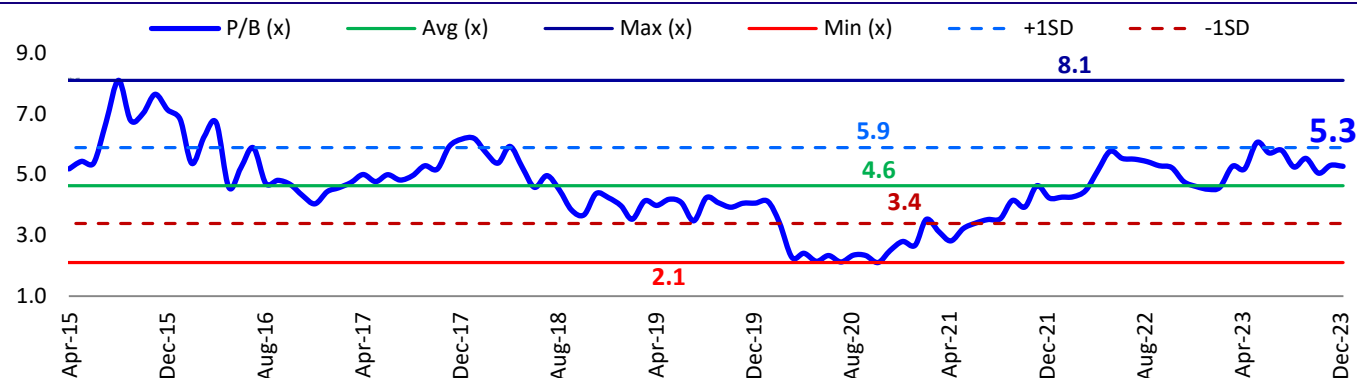
Source: Company, MOFSL

**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)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
<b>Net Sales</b>	<b>21,185</b>	<b>17,629</b>	<b>21,636</b>	<b>26,485</b>	<b>29,796</b>	<b>35,159</b>	<b>41,136</b>
Change (%)	0.4	-16.8	22.7	22.4	12.5	18.0	17.0
Gross Margin (%)	33.4	33.0	34.5	32.1	31.0	31.3	32.0
<b>EBITDA</b>	<b>2,983</b>	<b>2,475</b>	<b>3,745</b>	<b>4,017</b>	<b>4,286</b>	<b>5,335</b>	<b>6,594</b>
Margin (%)	14.1	14.0	17.3	15.2	14.4	15.2	16.0
Depreciation	1,675	1,598	1,445	1,591	2,055	2,174	2,308
<b>EBIT</b>	<b>1,307</b>	<b>877</b>	<b>2,300</b>	<b>2,425</b>	<b>2,231</b>	<b>3,161</b>	<b>4,286</b>
Int. and Finance Charges	367	368	422	543	706	565	600
Other Income	103	129	168	143	287	344	413
<b>PBT</b>	<b>1,043</b>	<b>637</b>	<b>2,047</b>	<b>2,025</b>	<b>1,812</b>	<b>2,940</b>	<b>4,098</b>
Tax	142	187	485	364	457	741	1,033
Effective Tax Rate (%)	13.6	29.3	23.7	18.0	25.2	25.2	25.2
Extraordinary Items	0	0	-40	-1,571	-5	0	0
<b>Reported PAT</b>	<b>901</b>	<b>451</b>	<b>1,601</b>	<b>3,232</b>	<b>1,360</b>	<b>2,199</b>	<b>3,066</b>
<b>Adj. PAT</b>	<b>901</b>	<b>451</b>	<b>1,562</b>	<b>1,661</b>	<b>1,355</b>	<b>2,199</b>	<b>3,066</b>
Change (%)	-2.0	-50.0	246.6	6.4	-18.4	62.3	39.4
Margin (%)	4.3	2.6	7.2	6.3	4.5	6.3	7.5

### Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Equity Share Capital	903	883	883	883	883	883	883
Total Reserves	5,265	5,088	5,633	8,875	9,710	11,034	13,050
<b>Net Worth</b>	<b>6,169</b>	<b>5,971</b>	<b>6,516</b>	<b>9,758</b>	<b>10,593</b>	<b>11,918</b>	<b>13,934</b>
Deferred Tax Liabilities	440	440	386	461	461	461	461
Total Loans	1,893	1,196	1,712	2,071	2,771	2,421	2,371
<b>Capital Employed</b>	<b>8,502</b>	<b>7,607</b>	<b>8,615</b>	<b>12,291</b>	<b>13,826</b>	<b>14,800</b>	<b>16,766</b>
Gross Block	15,105	15,850	18,422	21,600	25,100	27,600	30,100
Less: Accum. Deprn.	5,202	6,307	7,442	6,778	8,832	11,006	13,314
<b>Net Fixed Assets</b>	<b>9,903</b>	<b>9,544</b>	<b>10,980</b>	<b>14,822</b>	<b>16,267</b>	<b>16,594</b>	<b>16,786</b>
Capital WIP	44	61	350	384	384	384	384
<b>Total Investments</b>	<b>1</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,304</b>	<b>2,381</b>	<b>2,469</b>	<b>3,711</b>	<b>4,726</b>	<b>6,490</b>	<b>6,495</b>
Inventory	293	395	459	528	571	674	564
Account Receivables	856	639	673	817	898	1,252	1,465
Cash and Bank Balances	134	185	140	116	702	1,548	939
Cash Balance	129	183	82	112	702	1,549	940
Bank Balances	5	1	58	4	0	0	0
Others	1,021	1,162	1,198	2,251	2,555	3,015	3,527
<b>Current Liab. and Prov.</b>	<b>3,750</b>	<b>4,379</b>	<b>5,188</b>	<b>6,626</b>	<b>7,551</b>	<b>8,666</b>	<b>6,898</b>
Account Payables	35	136	203	143	245	289	338
Other Current Liabilities	3,368	3,911	4,552	6,051	6,819	7,802	5,887
Provisions	347	332	433	433	487	575	673
<b>Net Current Assets</b>	<b>-1,445</b>	<b>-1,998</b>	<b>-2,719</b>	<b>-2,915</b>	<b>-2,825</b>	<b>-2,177</b>	<b>-403</b>
<b>Application of Funds</b>	<b>8,502</b>	<b>7,607</b>	<b>8,614</b>	<b>12,291</b>	<b>13,826</b>	<b>14,800</b>	<b>16,766</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
Basic (INR)							
EPS	10.0	5.1	17.7	18.8	15.3	24.9	34.7
EPS growth (%)	-2.0	-48.9	246.6	6.4	-18.4	62.3	39.4
Cash EPS	28.5	23.2	34.0	36.8	38.6	49.5	60.8
BV/Share	68.3	67.6	73.8	110.5	119.9	134.9	157.7
DPS	7.0	4.0	8.0	5.0	6.0	10.0	12.0
Payout (Incl. Div. Tax, %)	84.6	77.6	43.7	13.5	38.7	39.8	34.2
Valuation (x)							
P/E	78.2	152.9	44.1	41.5	50.8	31.3	22.5
Cash P/E	27.4	33.6	22.9	21.2	20.2	15.8	12.8
EV/EBITDA	23.5	28.0	18.6	17.5	16.4	13.0	10.6
EV/Sales	3.3	3.9	3.2	2.6	2.4	2.0	1.7
P/BV	11.4	11.5	10.6	7.1	6.5	5.8	4.9
Dividend Yield (%)	0.9	0.5	1.0	0.6	0.8	1.3	1.5
Return Ratios (%)							
RoE	14.3	7.4	25.6	39.7	13.3	19.5	23.7
RoCE	14.2	8.8	23.7	35.2	14.4	18.3	22.3
RoIC	13.8	7.9	22.7	20.0	13.6	18.5	22.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.6	1.1	1.3	1.3	1.3	1.3	1.4
Asset Turnover (x)	2.5	2.3	2.5	2.2	2.2	2.4	2.5
Inventory (Days)	5	8	8	7	7	7	5
Debtors (Days)	15	13	11	11	11	13	13
Creditors (Days)	1	3	3	3	3	3	3
Leverage Ratio (x)							
Net Debt/Equity	0.3	0.2	0.2	0.2	0.2	0.1	0.1

### Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E
OP/(Loss) before Tax	1,043	637	2,099	4,234	1,812	2,940	4,098
Depreciation	1,675	1,598	1,680	1,724	2,055	2,174	2,308
Direct Taxes Paid	-431	-148	-581	-856	-457	-741	-1,033
(Inc.)/Dec. in WC	-94	294	-157	581	18	-107	-409
Other Items	380	330	667	-2,499	420	221	187
<b>CF from Operations</b>	<b>2,573</b>	<b>2,711</b>	<b>3,708</b>	<b>3,183</b>	<b>3,848</b>	<b>4,487</b>	<b>5,152</b>
(Inc.)/Dec. in FA	-1,200	-330	-1,933	-4,124	-3,500	-2,500	-2,500
<b>Free Cash Flow</b>	<b>1,373</b>	<b>2,381</b>	<b>1,775</b>	<b>-941</b>	<b>348</b>	<b>1,987</b>	<b>2,652</b>
Change in Investments	14	15	4	4	0	0	0
Others	0	1	128	2,675	148	153	200
<b>CF from Investments</b>	<b>-1,185</b>	<b>-313</b>	<b>-1,801</b>	<b>-1,445</b>	<b>-3,352</b>	<b>-2,347</b>	<b>-2,300</b>
Inc./Dec. in net worth	0	-632	0	-629	0	0	0
Inc./(Dec.) in Debt	485	-697	-1,661	-1,019	700	-350	-50
Dividends Paid	-980	0	-1,060	0	-525	-875	-1,050
Others	-889	-1,014	714	-61	-86	-69	-2,361
<b>CF from Fin. Activity</b>	<b>-1,384</b>	<b>-2,344</b>	<b>-2,008</b>	<b>-1,709</b>	<b>89</b>	<b>-1,294</b>	<b>-3,461</b>
<b>Inc./(Dec.) in Cash</b>	<b>3</b>	<b>54</b>	<b>-101</b>	<b>30</b>	<b>586</b>	<b>847</b>	<b>-609</b>
Opening Balance	126	129	183	82	117	702	1,549
<b>Closing Balance</b>	<b>129</b>	<b>183</b>	<b>82</b>	<b>112</b>	<b>702</b>	<b>1,549</b>	<b>940</b>

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NOTES

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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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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