

BSE SENSEX 82,560 S&P CNX 25,279

CMP: INR528

TP: INR660 (+25%)

Buy



VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	46.2 / 0.6
52-Week Range (INR)	799 / 511
1, 6, 12 Rel. Per (%)	-10/-21/-52
12M Avg Val (INR M)	101
Free float (%)	39.8

Financials Snapshot (INR b)

Y/E March	2024	2025E	2026E
Net Sales	28.9	32.2	37.7
EBITDA	3.9	4.4	5.4
Adj. PAT	0.9	1.1	2.0
EBITDA Margin (%)	13.6	13.7	14.4
Adj. EPS (INR)	10.1	12.7	23.4
EPS Gr. (%)	-46.1	25.7	83.6
BV/Sh. (INR)	108.1	110.9	122.2

Ratios

Net D/E (x)	0.3	0.2	0.1
RoE (%)	9.2	11.6	20.1
RoCE (%)	11.6	13.4	20.4
Payout (%)	0.0	78.5	51.3

Valuations

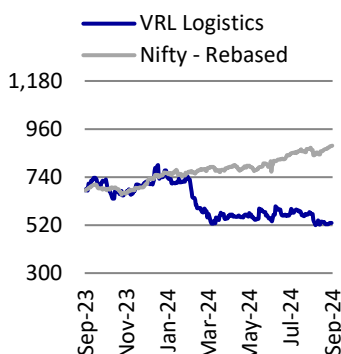
P/E (x)	52.1	41.5	22.6
P/BV (x)	4.9	4.8	4.3
EV/EBITDA (x)	12.4	10.9	8.7
Div. Yield (%)	0.0	1.9	2.3
FCF Yield (%)	3.0	4.0	4.2

Shareholding pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	60.2	60.2	64.2
DII	25.6	26.6	25.1
FII	3.8	3.3	2.2
Others	10.3	9.9	8.5

FII Includes depository receipts

Stock Performance (1-year)



Recent price hike to support margins; branch expansion to drive volume growth

We hosted VRL Logistics (VRL) for a non-deal roadshow (NDR). Following are the key highlights:

- VRL initiated a price hike of 10% in Jun'24 (blended hike of 6% implemented after negotiations). This would help to offset the cost increases caused by toll, labor charges, etc. The management expects margins to come back to 14-15% because of the price hike.
- While VRL faced growth challenges in the recent past due to elections and driver shortages, volume growth could improve going forward. Volumes picked up in Jul'24, thanks to good monsoons and easing labor shortage. The pickup in agricultural and textile commodities, which make up to 40% of total volumes, should boost volumes further. Good monsoon and a pickup in the rural economy would support volume growth in 2HFY25.
- VRL plans to focus aggressively on branch expansion, with net 36 branches added in 1QFY25. It aims to add at least 100 branches in FY25, with a focus on eastern/northeastern markets. The management plans to incur a capex of INR1.5b in FY25, which could increase if tonnage growth exceeds expectation.
- Driven by branch network expansion, the management expects volume growth of 10% in FY25 and 12-14% in FY26 (vs. 6-8% currently). We expect FY25 volume growth of 9%.
- Organized pan-India players like VRL should gain market share and new customers from the unorganized sector owing to heightened compliance. With good monsoons and a price hike, the management expects tonnage growth and margins to improve in the coming quarters. **We expect VRL to clock a CAGR of 11%/14%/18%/52% in volume/revenue/EBITDA/PAT over FY24-26. We reiterate our BUY rating with a TP of INR660 (based on 28x FY26E EPS).**

Price hike to offset the increasing costs

- After several quarters of no price hike, VRL initiated a 10% price hike for spot customers in Jun'24 (blended hike of 6% implemented after negotiations).
- This comes as a big positive as prices were unchanged despite a sharp increase in toll charges, labor costs, etc. The hike should provide a push to margins from 2QFY25 itself.

Branch additions in untapped regions to be the growth catalyst

- VRL added 560 branches and five transshipment hubs from Apr'21 to 1QFY25. It has a network of 1,245 branches and 50 transshipment hubs (as of Jun'24), along with allied warehousing. The company targets to add 100 branches (36 added in 1QFY25) in FY25 to boost volumes.
- The expansion efforts will be focused on the eastern and northeastern regions, where the company currently has less exposure. This strategy has allowed VRL to grow faster than peers, as almost half of the incremental growth is coming from market share gains owing to the expansion of new branches.

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One of the largest asset owners with in-house repair and maintenance infra

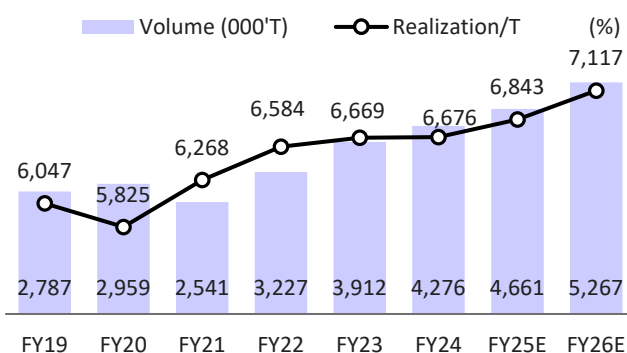
- VRL is currently one of the largest fleet owners of commercial vehicles in the country (with 6,177 trucks having a total capacity of 88,198 tons as of Jun'24). This enables the company to seamlessly handle LTL cargo across India through its hub-and-spoke model.
- Further, VRL has an in-house fleet maintenance facility with a tie-up for spare parts and an in-house scrapyards for disposing of the old fleet, which helps the company to control overhead costs.
- Going forward, VRL would add fleet in line with volume growth. It would go slow on capex incase if volume growth does not support.

Valuation and view

- While VRL faced growth challenges in the recent past due to elections and driver shortages, volume growth could improve going forward. Volumes picked up in Jul'24, and with good monsoons, the pickup in agricultural and textile commodities should boost volumes. Further, with price hikes across commodities and customers, margins should also improve going forward.
- **We expect VRL to report an 11% volume CAGR over FY24-26, with faster branch additions in the untapped regions. We estimate VRL to deliver a CAGR of 14%/18%/52% in revenue/EBITDA/PAT over FY24-26. We reiterate our BUY rating with a TP of INR660 (based on 28x FY26E EPS).**

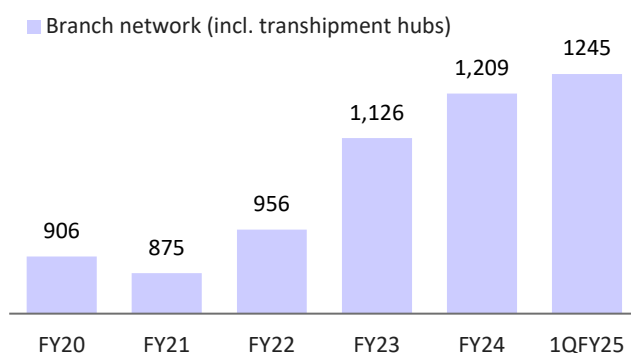
Financial story in charts

Exhibit 1: Expect volumes to clock 11% CAGR over FY24-26



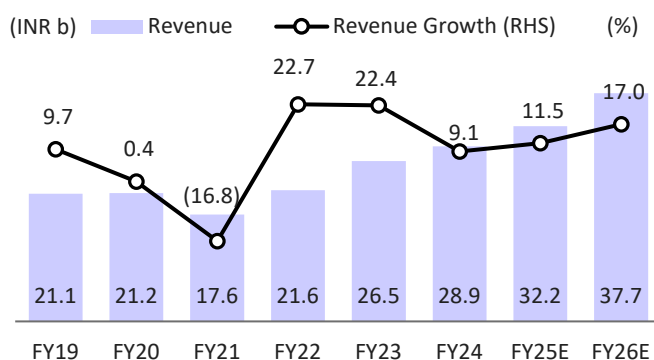
Source: Company, MOFSL

Exhibit 2: Expansion of branch network continues



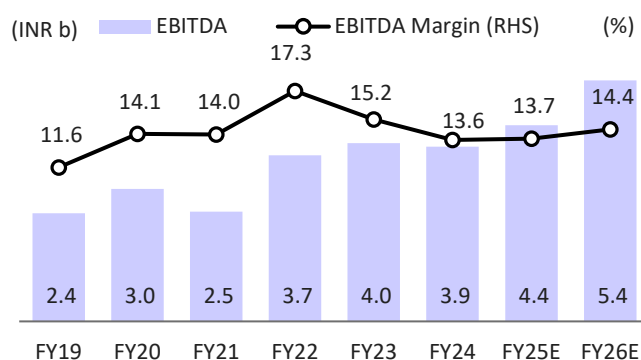
Source: Company, MOFSL

Exhibit 3: Shift to organized operators would drive revenue (%)



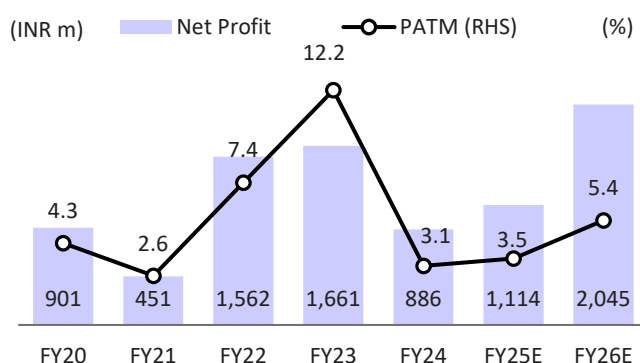
Source: Company, MOFSL

Exhibit 4: Margin to improve with higher volumes



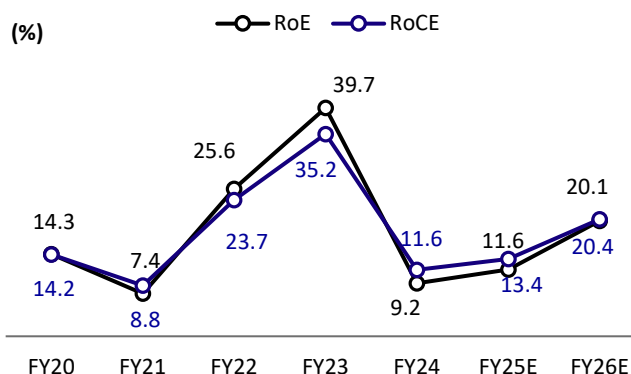
Source: Company, MOFSL

Exhibit 5: Strong operating performance to drive PAT



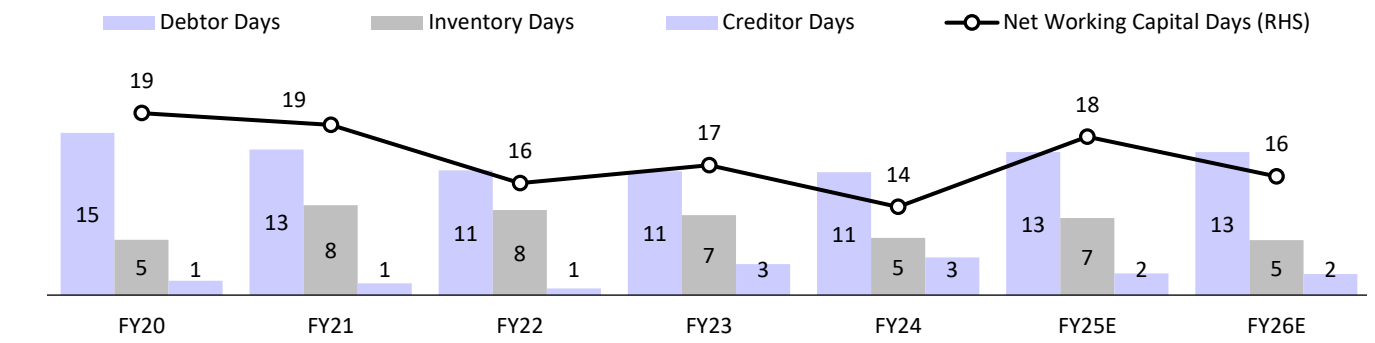
Source: Company, MOFSL

Exhibit 6: Return ratios



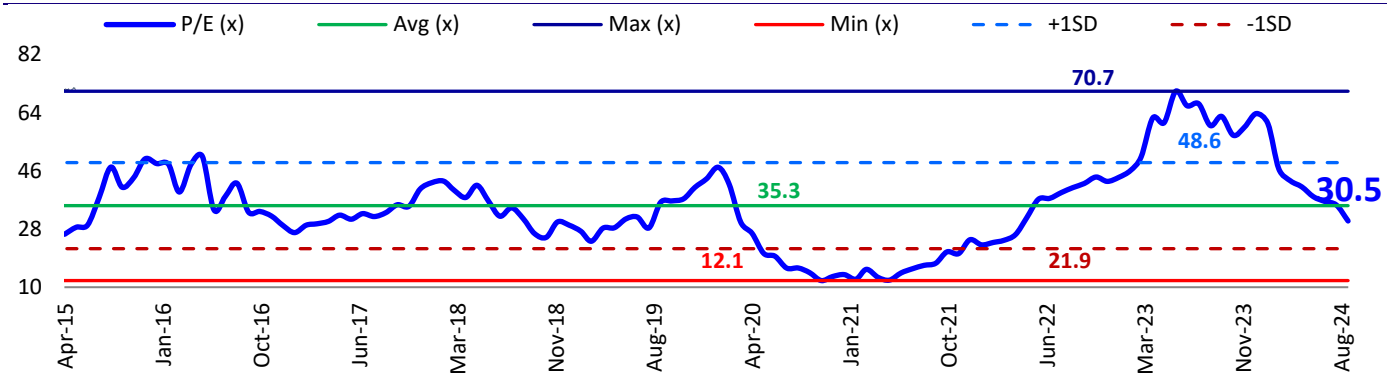
Source: Company, MOFSL

Exhibit 7: Comfortable working capital position



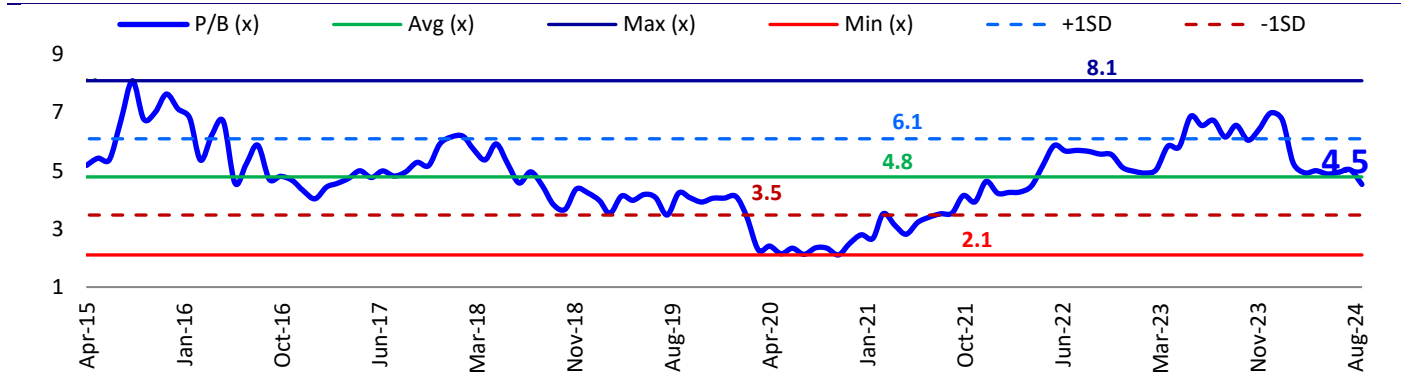
Source: Company, MOFSL

Exhibit 8: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 9: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Net Sales	21,185	17,629	21,636	26,485	28,886	32,208	37,684
Change (%)	0.4	-16.8	22.7	22.4	9.1	11.5	17.0
Gross Margin (%)	33.4	33.0	34.5	32.1	31.9	32.2	32.2
EBITDA	2,983	2,475	3,745	4,017	3,935	4,422	5,434
Margin (%)	14.1	14.0	17.3	15.2	13.6	13.7	14.4
Depreciation	1,675	1,598	1,445	1,591	2,162	2,454	2,285
EBIT	1,307	877	2,300	2,425	1,773	1,967	3,149
Int. and Finance Charges	367	368	422	543	779	820	820
Other Income	103	129	168	143	211	337	405
PBT	1,043	637	2,047	2,025	1,205	1,485	2,734
Tax	142	187	485	364	319	371	689
Effective Tax Rate (%)	13.6	29.3	23.7	18.0	26.5	25.0	25.2
Extraordinary Items	0	0	-40	-1,571	-3	0	0
Reported PAT	901	451	1,601	3,232	889	1,114	2,045
Adj. PAT	901	451	1,562	1,661	886	1,114	2,045
Change (%)	-2.0	-50.0	246.6	6.4	-46.7	25.7	83.6
Margin (%)	4.3	2.6	7.2	6.3	3.1	3.5	5.4

Balance Sheet

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Equity Share Capital	903	883	883	883	875	875	875
Total Reserves	5,265	5,088	5,633	8,875	8,583	8,822	9,817
Net Worth	6,169	5,971	6,516	9,758	9,458	9,697	10,692
Deferred Tax Liabilities	440	440	386	461	672	672	672
Total Loans	1,893	1,196	1,712	2,071	2,793	2,443	1,943
Capital Employed	8,502	7,607	8,615	12,291	12,923	12,811	13,307
Gross Block	15,105	15,850	18,422	21,600	27,212	29,212	31,712
Less: Accum. Deprn.	5,202	6,307	7,442	6,778	8,207	10,661	12,946
Net Fixed Assets	9,903	9,544	10,980	14,822	19,005	18,551	18,766
Capital WIP	44	61	350	384	236	236	236
Total Investments	1	1	4	0	0	0	0
Curr. Assets, Loans, and Adv.	2,304	2,381	2,469	3,711	2,899	4,232	5,008
Inventory	293	395	459	528	412	618	516
Account Receivables	856	639	673	817	885	1,147	1,342
Cash and Bank Balances	134	185	140	116	183	641	1,014
Cash Balance	129	183	82	112	128	587	959
Bank Balances	5	1	58	4	54	54	54
Others	1,021	1,162	1,198	2,251	1,419	1,826	2,136
Current Liab. and Prov.	3,750	4,379	5,188	6,626	9,217	10,207	10,703
Account Payables	35	136	203	143	153	176	206
Other Current Liabilities	3,368	3,911	4,552	6,051	8,537	9,442	9,808
Provisions	347	332	433	433	528	588	688
Net Current Assets	-1,445	-1,998	-2,719	-2,915	-6,318	-5,975	-5,695
Application of Funds	8,502	7,607	8,614	12,291	12,923	12,812	13,307

Financials and valuations

Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
Basic (INR)							
EPS	10.0	5.1	17.7	18.8	10.1	12.7	23.4
EPS growth (%)	-2.0	-48.9	246.6	6.4	-46.1	25.7	83.6
Cash EPS	28.5	23.2	34.0	36.8	34.8	40.8	49.5
BV/Share	68.3	67.6	73.8	110.5	108.1	110.9	122.2
DPS	7.0	4.0	8.0	5.0	0.0	10.0	12.0
Payout (Incl. Div. Tax, %)	84.6	77.6	43.7	13.5	0.0	78.5	51.3
Valuation (x)							
P/E	52.9	103.5	29.9	28.1	52.1	41.5	22.6
Cash P/E	18.5	22.8	15.5	14.3	15.2	12.9	10.7
EV/EBITDA	16.1	19.1	12.7	12.0	12.4	10.9	8.7
EV/Sales	2.3	2.7	2.2	1.8	1.7	1.5	1.3
P/BV	7.7	7.8	7.2	4.8	4.9	4.8	4.3
Dividend Yield (%)	1.3	0.8	1.5	0.9	0.0	1.9	2.3
Return Ratios (%)							
RoE	14.3	7.4	25.6	39.7	9.2	11.6	20.1
RoCE	14.2	8.8	23.7	35.2	11.6	13.4	20.4
RoIC	13.8	7.9	22.7	20.0	10.7	12.1	19.6
Working Capital Ratios							
Fixed Asset Turnover (x)	1.6	1.1	1.3	1.3	1.2	1.1	1.2
Asset Turnover (x)	2.5	2.3	2.5	2.2	2.2	2.5	2.8
Inventory (Days)	5	8	8	7	5	7	5
Debtors (Days)	15	13	11	11	11	13	13
Creditors (Days)	1	3	3	3	2	2	2
Leverage Ratio (x)							
Net Debt/Equity	0.3	0.2	0.2	0.2	0.3	0.2	0.1

Cash Flow Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
OP/(Loss) before Tax	1,043	637	2,099	4,234	1,210	1,485	2,734
Depreciation	1,675	1,598	1,680	1,724	2,162	2,454	2,285
Direct Taxes Paid	-431	-148	-581	-856	-264	-371	-689
(Inc.)/Dec. in WC	-94	294	-157	581	409	-199	-322
Other Items	380	330	667	-2,499	722	483	415
CF from Operations	2,573	2,711	3,708	3,183	4,239	3,852	4,423
(Inc.)/Dec. in FA	-1,200	-330	-1,933	-4,124	-2,848	-2,000	-2,500
Free Cash Flow	1,373	2,381	1,775	-941	1,392	1,852	1,923
Change in Investments	14	15	4	4	0	0	0
Others	0	1	128	2,675	414	1	210
CF from Investments	-1,185	-313	-1,801	-1,445	-2,433	-1,999	-2,290
Inc./Dec. in net worth	0	-632	0	-629	0	0	0
Inc./Dec. in Debt	485	-697	-1,661	-1,019	-387	-350	-500
Dividends Paid	-980	0	-1,060	0	-438	-875	-1,050
Others	-889	-1,014	714	-61	-915	-170	-211
CF from Fin. Activity	-1,384	-2,344	-2,008	-1,709	-1,739	-1,394	-1,761
Inc./Dec. in Cash	3	54	-101	30	67	459	372
Opening Balance	126	129	183	82	62	128	587
Closing Balance	129	183	82	112	128	587	959

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Investment Rating	Expected return (over 12-month)
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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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