

Estimate change	
TP change	
Rating change	

Bloomberg	VRL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	49.3 / 0.6
52-Week Range (INR)	651 / 432
1, 6, 12 Rel. Per (%)	-3/2/5
12M Avg Val (INR m)	96

#### Financial Snapshot (INR b)

Y/E MARCH	2025	2026E	2027E
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)	20.9	25.2	29.5
EPS Gr. (%)	106.5	20.4	17.3
BV/Sh. (INR)	124.0	134.2	146.7
<b>Ratios</b>			
Net D:E	0.4	0.3	0.1
ROE (%)	18.0	19.5	21.0
RoCE (%)	17.4	17.9	20.1
Payout (%)	71.7	59.5	57.6
<b>Valuations</b>			
P/E (x)	26.5	22.0	18.8
P/BV (x)	4.5	4.1	3.8
EV/EBITDA(x)	9.2	8.3	7.2
Div. Yield (%)	2.7	2.7	3.1
FCF Yield (%)	1.9	6.4	7.7

#### 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

**CMP: INR564**

**TP: INR710 (+26%)**

**Buy**

**In-line quarter; near-term volumes to be hit by the restructuring of operations**

**Stable margins amid volume weakness; recovery likely in 2HFY26**

- VRL Logistics (VRL)'s revenue grew 2% YoY to ~INR7.4b (-8% QoQ), in line with our estimate. Volume dipped 13% YoY to 0.93m tonnes, while realization improved 17% YoY to INR7,852/tonne, driven by price hikes. Volume drop was mainly due to contract restructuring and the exit of certain low-margin customers.
- Though volumes declined due to this restructuring, EBITDA grew 74% YoY to INR1.5b with margins at 20.4% (vs. est. 21.3%), aided by better realizations, lower fuel costs, reduced lorry hire charges, and improved procurement efficiency (refinery sourcing at 41.5% vs. 33% YoY).
- Strong operating performance led to an increase in APAT to INR500m from INR134m in 1QFY25 (in line). Capex incurred stood at INR150m in 1QFY26.
- The Board approved salary revision for the employees w.e.f. Aug'25. This would hurt the overall profitability to the tune of ~2-3% of the revenue.
- During 1Q FY26, VRL delivered a stable performance, driven by disciplined pricing and continued focus on profitability, even as volumes declined due to the strategic exit from low-margin contracts. The company demonstrated strong cost control through improved, efficient fuel procurement and reduced reliance on hired vehicles. This helped sustain healthy margins.
- Factoring in the near-term volume weakness and the impact of incremental employee costs from 2QFY26, we cut our FY26 EBITDA/APAT estimates by ~6%/7%. However, we broadly retain our FY27 estimates, as we continue to expect recovery in volumes and margin stability from 2HFY26, aided by festive demand and favorable monsoon. **We expect VRL to clock flat volumes and a revenue/EBITDA/PAT CAGR of 6%/10%/19% over FY25-27. Reiterate BUY with a revised TP of INR710 (based on 24x FY27 EPS).**

#### Highlights from the management commentary

- Management guided continued volume softness in 2QFY26 (8–9% YoY decline) but expects normalization in 3Q (flattish YoY) and an uptick in 4Q, driven by festive tailwinds and improved demand.
- Realizations are expected to remain stable, and no more pricing action is planned unless cost dynamics shift. FY26 volume growth is likely to be flattish YoY, but FY27 is poised for 7–8% growth.
- VRL's consistent 100% hub-to-hub efficiency, low attrition rate, and in-house tech infrastructure (ERP, barcoding, GPS) reinforce its position as a high-service-quality logistics player. Door-to-door revenue share has increased to ~40% (vs. 25–28% YoY), reflecting a gradual shift toward express PTL offerings. Network optimization continues, with rationalized fleet size and selective branch closures. Capex is being aligned with tonnage trends, with additional branch/hub expansion planned as volume stabilizes.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

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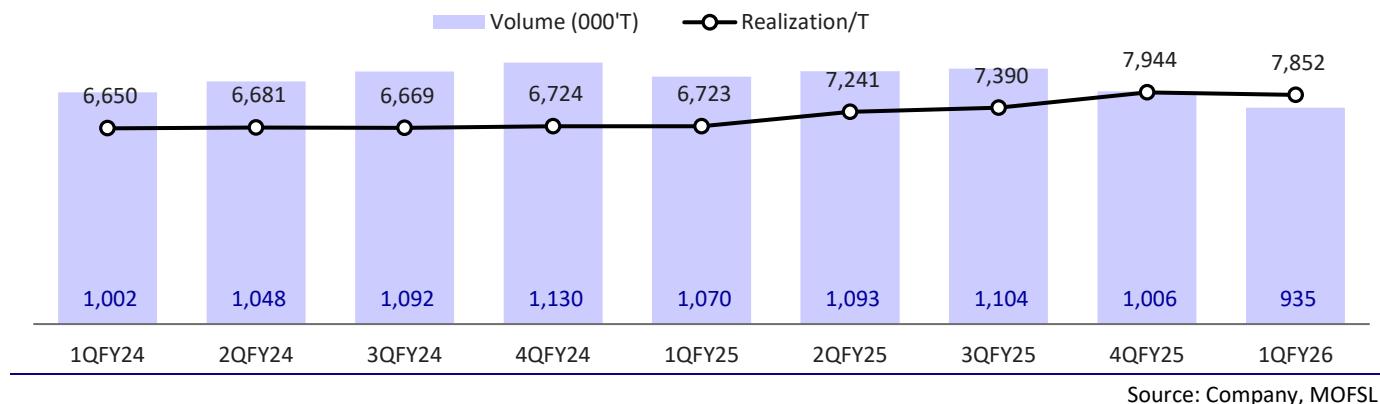
### Valuation and view

- VRL 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, VRL's approach to capacity addition, coupled with a stable pricing strategy and internal execution strengths, positions it to benefit from structural growth in India's organized surface logistics sector.
- Factoring in the near-term volume weakness and the impact of incremental employee costs from 2QFY26, we cut our FY26 EBITDA/APAT estimates by ~6%/7%. However, we broadly retain our FY27 estimates, as we continue to expect recovery in volumes and margin stability from 2HFY26, aided by festive demand and favorable monsoon. **We expect VRL to clock flat volumes and a revenue/EBITDA/PAT CAGR of 6%/10%/19% over FY25-27. Reiterate BUY with a revised TP of INR710 (based on 24x FY27 EPS).**

Y/E March (INR m)	INR m											
	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	1QE	vs Est		
<b>Net Sales</b>	<b>7,272</b>	<b>7,995</b>	<b>8,252</b>	<b>8,090</b>	<b>7,443</b>	<b>8,023</b>	<b>8,475</b>	<b>8,616</b>	<b>31,609</b>	<b>32,558</b>	<b>7,385</b>	<b>1</b>
YoY Change (%)	7.9	12.7	12.0	5.3	2.4	0.4	2.7	6.5	9.4	3.0	1.6	
<b>EBITDA</b>	<b>869</b>	<b>1,331</b>	<b>1,664</b>	<b>1,866</b>	<b>1,516</b>	<b>1,531</b>	<b>1,576</b>	<b>1,589</b>	<b>5,730</b>	<b>6,212</b>	<b>1,573</b>	<b>(4)</b>
Margins (%)	11.9	16.6	20.2	23.1	20.4	19.1	18.6	18.4	18.1	19.1	21.3	
YoY Change (%)	-14.7	44.9	76.3	77.1	74.5	15.1	-5.3	-14.8	45.6	8.4	81.0	
Depreciation	615	638	646	638	647	665	675	689	2,536	2,676	700	
Interest	226	224	241	258	262	220	220	186	948	888	225	
Other Income	148	25	57	25	65	82	72	81	255	300	70	
<b>PBT before EO expense</b>	<b>176</b>	<b>493</b>	<b>835</b>	<b>996</b>	<b>672</b>	<b>728</b>	<b>753</b>	<b>795</b>	<b>2,500</b>	<b>2,949</b>	<b>718</b>	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
<b>PBT</b>	<b>176</b>	<b>493</b>	<b>835</b>	<b>996</b>	<b>672</b>	<b>728</b>	<b>753</b>	<b>795</b>	<b>2,500</b>	<b>2,949</b>	<b>718</b>	
Tax	42	135	240	253	172	183	190	200	670	745	181	
Rate (%)	23.6	27.3	28.8	25.4	25.6	25.2	25.2	25.2	26.8	25.3	25.2	
<b>Reported PAT</b>	<b>134</b>	<b>358</b>	<b>594</b>	<b>743</b>	<b>500</b>	<b>544</b>	<b>564</b>	<b>595</b>	<b>1,829</b>	<b>2,203</b>	<b>537</b>	
<b>Adj PAT</b>	<b>134</b>	<b>358</b>	<b>594</b>	<b>743</b>	<b>500</b>	<b>544</b>	<b>564</b>	<b>595</b>	<b>1,829</b>	<b>2,203</b>	<b>537</b>	<b>(7)</b>
YoY Change (%)	-60.4	84.4	333.9	244.6	272.4	51.9	-5.2	-19.9	106.5	20.4	299.6	
Margins (%)	1.8	4.5	7.2	9.2	6.7	6.8	6.6	6.9	5.8	6.8	7.3	

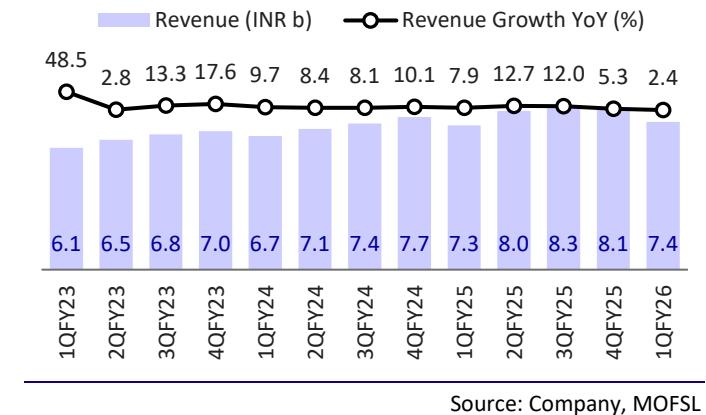
## Story in charts – 1QFY26

### Exhibit 1: Volumes declined 13% YoY



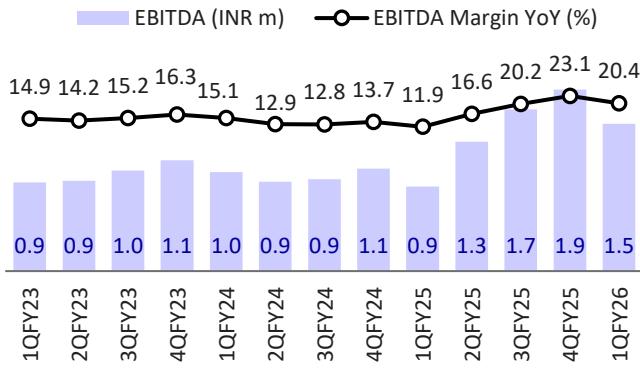
Source: Company, MOFSL

### Exhibit 2: Revenue up 2% YoY, driven by price hikes



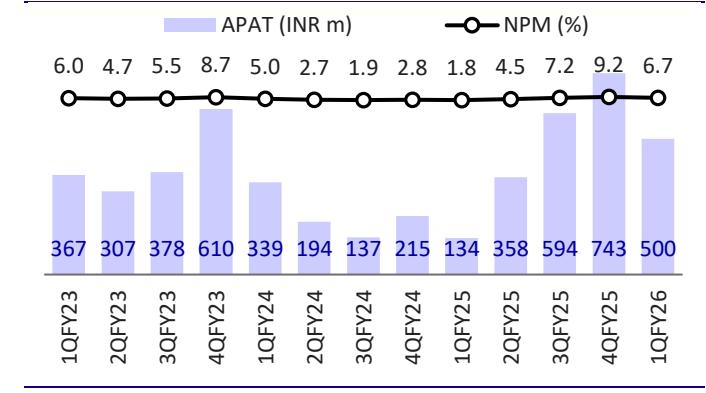
Source: Company, MOFSL

### Exhibit 3: EBITDA margin trend



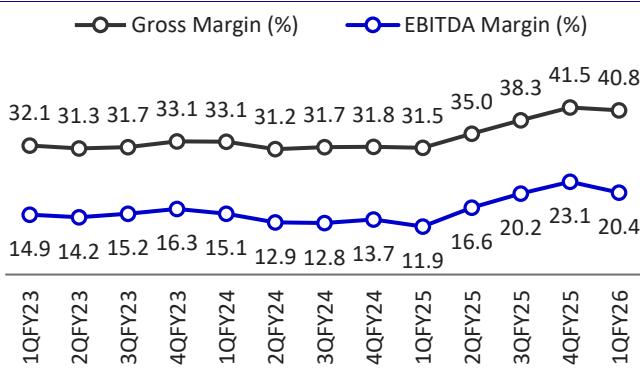
Source: Company, MOFSL

### Exhibit 4: PAT and margin trends



Source: Company, MOFSL

### Exhibit 5: Expansion in operating margins on a YoY basis



Source: Company, MOFSL



## Highlights from the management commentary

### Operational highlights

- The revenue growth was driven by improved realizations, while volumes declined by ~12–13% YoY due to the strategic exit from low-margin contracts.
- Margins remained robust despite higher administrative expenses, reflecting strong cost control.
- Internal fuel procurement improved significantly to 41.5% in 1QFY26 (vs. 33% YoY), reducing fuel cost as a percentage of revenue to 25% (from ~29%). Lorry hire charges declined from 7% to 4%, aided by higher own fleet utilization and reduced dependency on external vehicles.
- Administrative expenses rose to 2.2% of revenue (vs. 1.4% YoY), led by legal and professional fees, which are expected to persist for the next 2–3 quarters. A one-time loss on vehicle sale was also recorded, leading to higher other expenses.
- Employee costs remained stable at ~18% of revenue. A company-wide salary revision effective August 2025 was approved by the Board, which is expected to increase costs by ~2–3% of revenue in subsequent quarters.
- Capex during the quarter 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.
- VRL maintains the lowest attrition rate in the industry and continues to deliver high service levels with strong human capital and operational systems

### Operational efficiency & network expansion

- VRL sustained 100% hub-to-hub efficiency across its network, enabling reduced turnaround time and improved vehicle loading.
- Investments in proprietary in-house digital infrastructure, including GPS tracking, real-time route optimization, OTP-based vehicle unlocking, consignment barcoding, and CCTV-based security systems, have contributed to better claim ratios and cost savings.
- Door-to-door services accounted for ~38–40% of revenue in 1QFY26 (vs. 25–28% in 1QFY25), reflecting an evolving positioning toward express PTL offerings.
- A net reduction of 12 branches was recorded during the quarter (18 opened, 30 closed), part of a strategy to shut underperforming or low-utilization locations.
- While VRL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.

### Guidance

- Volume growth is expected to remain negative in 2QFY26 with a YoY decline of 8–9%, largely reflecting the lagged impact of the recently completed contract restructuring and realignment of the customer base. However, volumes are expected to stabilize in 3QFY26 due to a strong festive demand cycle and return to YoY growth in 4QFY26.
- Overall, management expects FY26 volumes to remain flat or show marginal growth, with a stronger recovery expected in FY27 (guided growth of 7–8% YoY).

- Realizations are expected to be maintained at current levels (~INR7,800/ton) in 2QFY26. Management has reiterated its stance of not changing freight rates unless there is a meaningful decline in input costs, such as fuel.
- EBITDA margin is expected to normalize to 18–19% over 2QFY26 and 3QFY26, factoring in higher administrative costs (professional/legal fees) and the salary increment effective from August 2025. Margin impact from employee cost is anticipated to be 2% in 2Q and ~3% from 3Q onwards.
- 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.

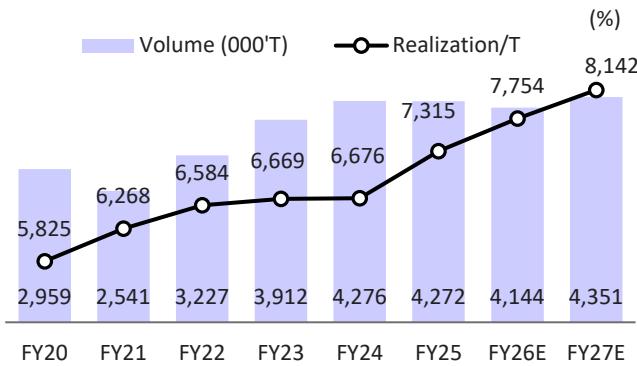
**Exhibit 6: Our revised estimates**

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	32,558	32,558	0.0	35,814	35,814	0.0
EBITDA	6,212	6,583	-5.6	6,906	7,026	-1.7
EBITDA Margin (%)	19.1	20.2	-114	19.3	19.6	-33
PAT	2,203	2,361	-6.7	2,584	2,595	-0.4
EPS (INR)	25.2	27.0	-6.7	29.5	29.7	-0.4

Source: Company, MOFSL

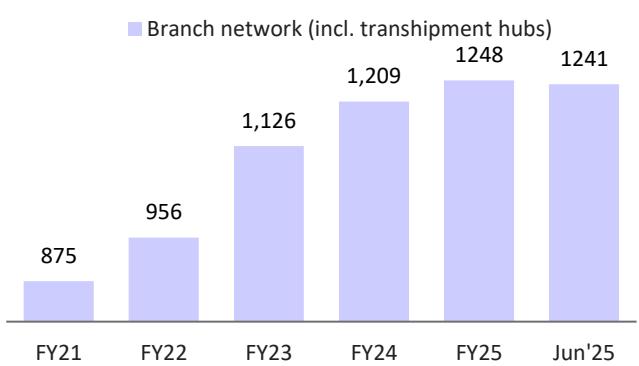
## Financial story in charts

**Exhibit 7: Expect volumes to remain flat over FY25-27**



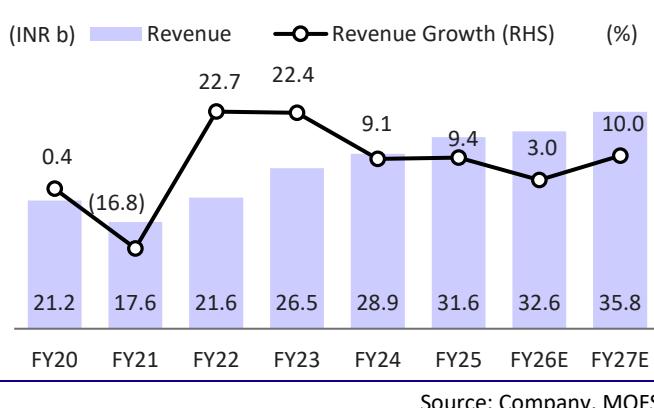
Source: Company, MOFSL

**Exhibit 8: Extensive branch network**



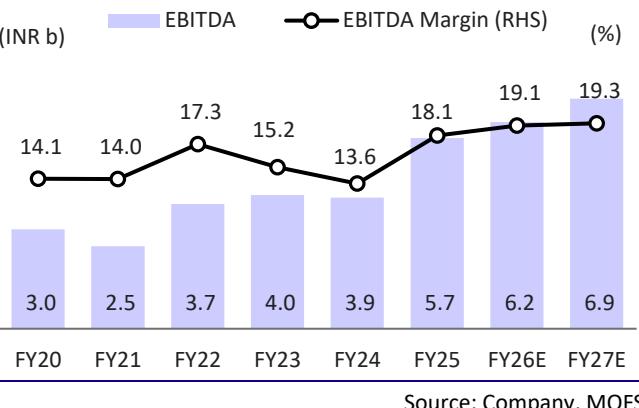
Source: Company, MOFSL

**Exhibit 9: Higher realization to drive revenue**



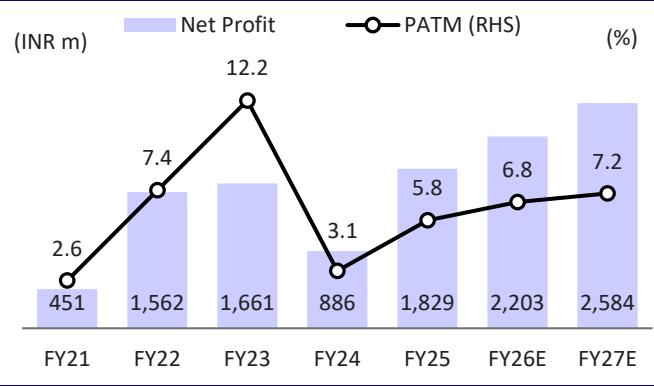
Source: Company, MOFSL

**Exhibit 10: Margin to remain strong**



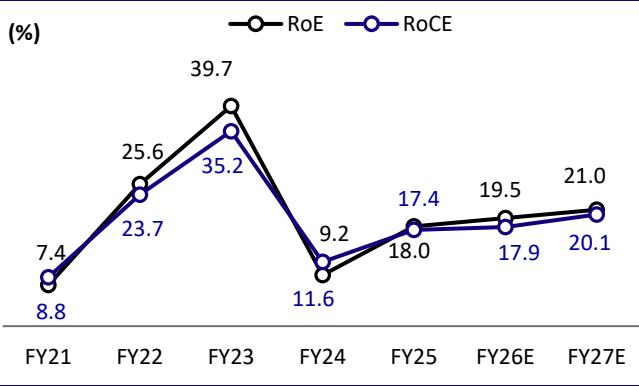
Source: Company, MOFSL

**Exhibit 11: Strong operating performance to drive PAT**



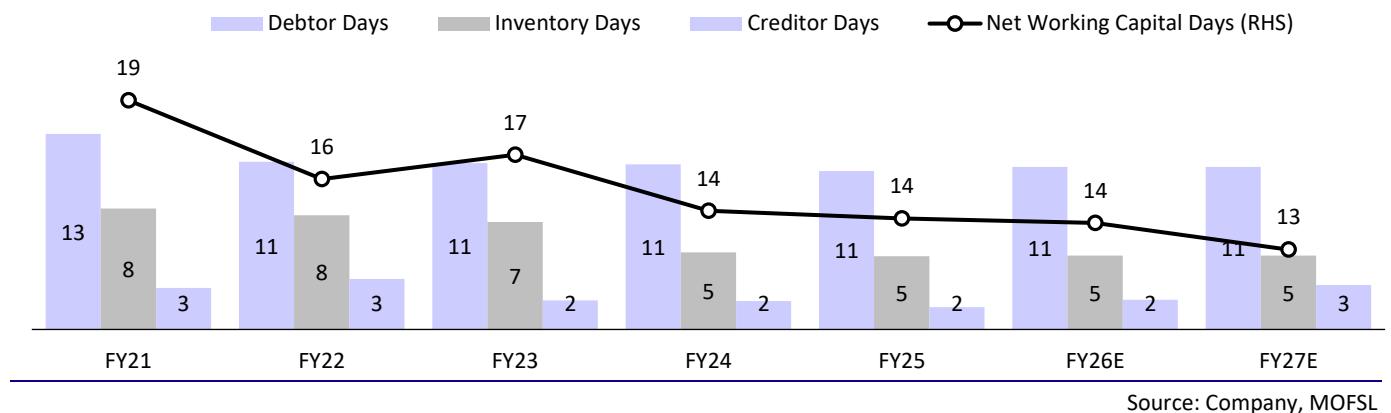
Source: Company, MOFSL

**Exhibit 12: Return ratios**



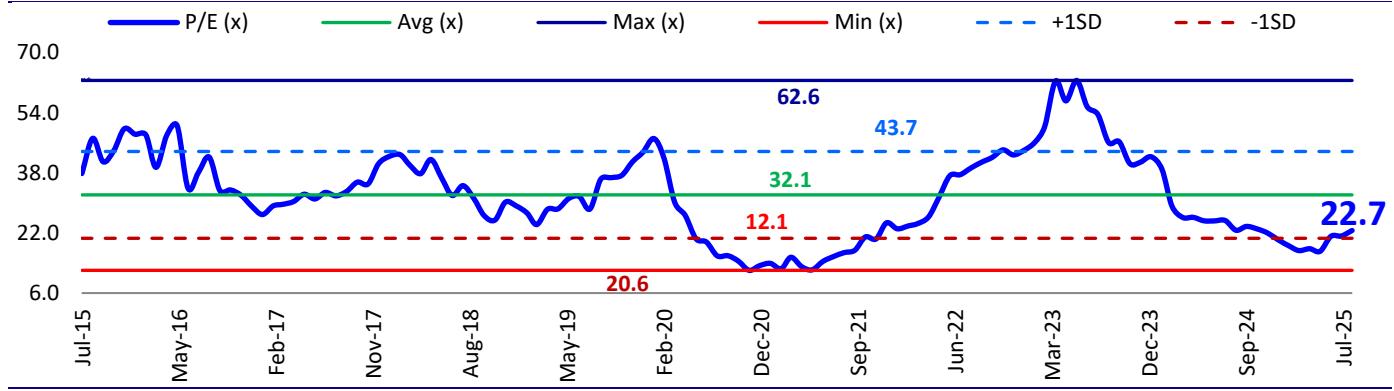
Source: Company, MOFSL

**Exhibit 13: Comfortable working capital position**



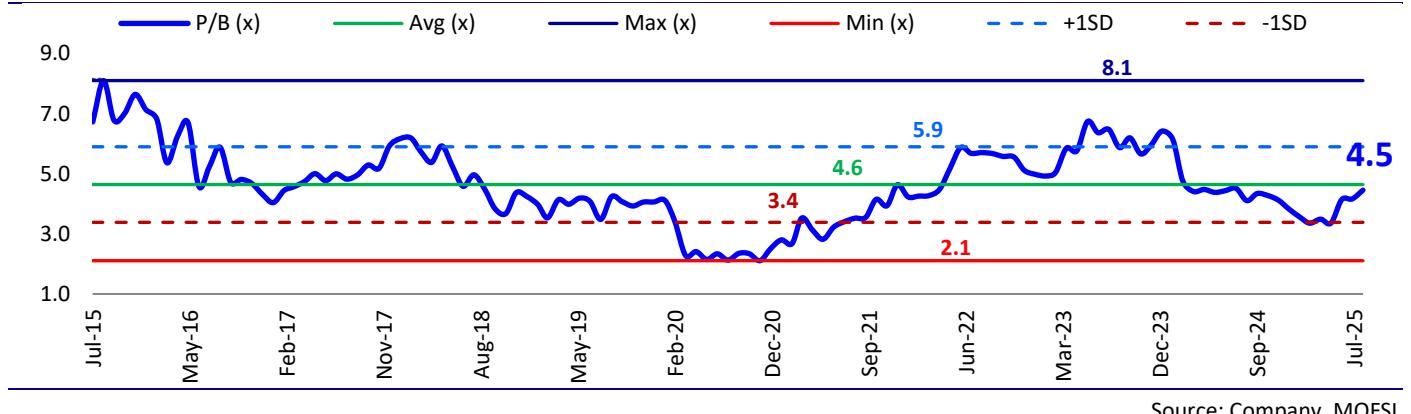
Source: Company, MOFSL

**Exhibit 14: One-year forward P/E (x)**



Source: Company, MOFSL

**Exhibit 15: One-year forward P/B (x)**



Source: Company, MOFSL

## Financials and valuations

### Income Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
<b>Net Sales</b>	<b>17,629</b>	<b>21,636</b>	<b>26,485</b>	<b>28,886</b>	<b>31,609</b>	<b>32,558</b>	<b>35,814</b>
Change (%)	-16.8	22.7	22.4	9.1	9.4	3.0	10.0
Gross Margin (%)	33.0	34.5	32.1	31.9	36.7	39.0	38.5
<b>EBITDA</b>	<b>2,475</b>	<b>3,745</b>	<b>4,017</b>	<b>3,935</b>	<b>5,730</b>	<b>6,212</b>	<b>6,906</b>
Margin (%)	14.0	17.3	15.2	13.6	18.1	19.1	19.3
Depreciation	1,598	1,445	1,591	2,162	2,536	2,676	2,955
<b>EBIT</b>	<b>877</b>	<b>2,300</b>	<b>2,425</b>	<b>1,773</b>	<b>3,193</b>	<b>3,536</b>	<b>3,951</b>
Int. and Finance Charges	368	422	543	779	948	888	862
Other Income	129	168	143	211	255	300	365
<b>PBT</b>	<b>637</b>	<b>2,047</b>	<b>2,025</b>	<b>1,205</b>	<b>2,500</b>	<b>2,949</b>	<b>3,454</b>
Tax	187	485	364	319	670	745	870
Effective Tax Rate (%)	29.3	23.7	18.0	26.5	26.8	25.3	25.2
Extraordinary Items	0	-40	-1,571	-3	0	0	0
<b>Reported PAT</b>	<b>451</b>	<b>1,601</b>	<b>3,232</b>	<b>889</b>	<b>1,829</b>	<b>2,203</b>	<b>2,584</b>
<b>Adj. PAT</b>	<b>451</b>	<b>1,562</b>	<b>1,661</b>	<b>886</b>	<b>1,829</b>	<b>2,203</b>	<b>2,584</b>
Change (%)	-50.0	246.6	6.4	-46.7	106.5	20.4	17.3
Margin (%)	2.6	7.2	6.3	3.1	5.8	6.8	7.2

### Balance Sheet

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Equity Share Capital	883	883	883	875	875	875	875
Total Reserves	5,088	5,633	8,875	8,583	9,971	10,862	11,959
<b>Net Worth</b>	<b>5,971</b>	<b>6,516</b>	<b>9,758</b>	<b>9,458</b>	<b>10,846</b>	<b>11,737</b>	<b>12,834</b>
Deferred Tax Liabilities	440	386	461	672	778	778	778
Total Loans	1,196	1,712	2,071	2,793	4,471	3,471	2,471
<b>Capital Employed</b>	<b>7,607</b>	<b>8,615</b>	<b>12,291</b>	<b>12,923</b>	<b>16,094</b>	<b>15,986</b>	<b>16,083</b>
Gross Block	15,850	18,422	21,600	27,212	33,161	34,349	36,849
Less: Accum. Deprn.	6,307	7,442	6,778	8,207	10,743	12,767	15,722
<b>Net Fixed Assets</b>	<b>9,544</b>	<b>10,980</b>	<b>14,822</b>	<b>19,005</b>	<b>22,418</b>	<b>21,581</b>	<b>21,127</b>
Capital WIP	61	350	384	236	151	151	151
<b>Total Investments</b>	<b>1</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Curr. Assets, Loans, and Adv.</b>	<b>2,381</b>	<b>2,469</b>	<b>3,711</b>	<b>2,899</b>	<b>3,288</b>	<b>3,427</b>	<b>4,700</b>
Inventory	395	459	528	412	429	446	491
Account Receivables	639	673	817	885	929	981	1,079
Cash and Bank Balances	185	140	116	183	538	193	1,142
Cash Balance	183	82	112	128	423	77	1,027
Bank Balances	1	58	4	54	116	116	116
Others	1,162	1,198	2,251	1,419	1,392	1,807	1,988
<b>Current Liab. and Prov.</b>	<b>4,379</b>	<b>5,188</b>	<b>6,626</b>	<b>9,217</b>	<b>9,762</b>	<b>9,174</b>	<b>9,895</b>
Account Payables	136	203	143	153	131	178	294
Other Current Liabilities	3,911	4,552	6,051	8,537	8,952	8,296	8,831
Provisions	332	433	433	528	679	700	770
<b>Net Current Assets</b>	<b>-1,998</b>	<b>-2,719</b>	<b>-2,915</b>	<b>-6,318</b>	<b>-6,475</b>	<b>-5,746</b>	<b>-5,195</b>
<b>Application of Funds</b>	<b>7,607</b>	<b>8,614</b>	<b>12,291</b>	<b>12,923</b>	<b>16,094</b>	<b>15,986</b>	<b>16,083</b>

## Financials and valuations

### Ratios

Y/E March	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
Basic (INR)							
EPS	5.1	17.7	18.8	10.1	20.9	25.2	29.5
EPS growth (%)	-48.9	246.6	6.4	-46.1	106.5	20.4	17.3
Cash EPS	23.2	34.0	36.8	34.8	49.9	55.8	63.3
BV/Share	67.6	73.8	110.5	108.1	124.0	134.2	146.7
DPS	4.0	8.0	5.0	0.0	15.0	15.0	17.0
Payout (Incl. Div. Tax, %)	77.6	43.7	13.5	0.0	71.7	59.5	57.6
<b>Valuation (x)</b>							
P/E	108.8	31.4	29.5	54.8	26.5	22.0	18.8
Cash P/E	23.9	16.3	15.1	15.9	11.1	9.9	8.8
EV/EBITDA	20.0	13.4	12.6	13.0	9.2	8.3	7.2
EV/Sales	2.8	2.3	1.9	1.8	1.7	1.6	1.4
P/BV	8.2	7.5	5.0	5.1	4.5	4.1	3.8
Dividend Yield (%)	0.7	1.4	0.9	0.0	2.7	2.7	3.1
<b>Return Ratios (%)</b>							
RoE	7.4	25.6	39.7	9.2	18.0	19.5	21.0
RoCE	8.8	23.7	35.2	11.6	17.4	17.9	20.1
RoIC	7.9	22.7	20.0	10.7	16.7	17.0	19.4
<b>Working Capital Ratios</b>							
Fixed Asset Turnover (x)	1.1	1.3	1.3	1.2	1.0	1.0	1.0
Asset Turnover (x)	2.3	2.5	2.2	2.2	2.0	2.0	2.2
Inventory (Days)	8	8	7	5	5	5	5
Debtors (Days)	13	11	11	11	11	11	11
Creditors (Days)	3	3	3	2	2	2	3
<b>Leverage Ratio (x)</b>							
Net Debt/Equity	0.2	0.2	0.2	0.3	0.4	0.3	0.1

### Cash Flow Statement

Y/E March (INR m)	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E
OP/(Loss) before Tax	637	2,099	4,234	1,210	2,500	2,949	3,454
Depreciation	1,598	1,680	1,724	2,162	2,536	2,676	2,955
Direct Taxes Paid	-148	-581	-856	-264	-492	-745	-870
(Inc.)/Dec. in WC	294	-157	581	409	197	-577	201
Other Items	330	667	-2,499	722	837	588	497
<b>CF from Operations</b>	<b>2,711</b>	<b>3,708</b>	<b>3,183</b>	<b>4,239</b>	<b>5,578</b>	<b>4,890</b>	<b>6,237</b>
(Inc.)/Dec. in FA	-330	-1,933	-4,124	-2,848	-4,675	-1,800	-2,500
<b>Free Cash Flow</b>	<b>2,381</b>	<b>1,775</b>	<b>-941</b>	<b>1,392</b>	<b>903</b>	<b>3,090</b>	<b>3,737</b>
Change in Investments	15	4	4	0	-31	0	0
Others	1	128	2,675	414	409	-135	249
<b>CF from Investments</b>	<b>-313</b>	<b>-1,801</b>	<b>-1,445</b>	<b>-2,433</b>	<b>-4,297</b>	<b>-1,935</b>	<b>-2,251</b>
Inc./Dec. in net worth	-632	0	-629	0	0	0	0
Inc./(Dec.) in Debt	-697	-1,661	-1,019	-387	1,678	-1,000	-1,000
Dividends Paid	0	-1,060	0	-438	-437	-1,312	-1,487
Others	-1,014	714	-61	-915	-2,173	-988	-550
<b>CF from Fin. Activity</b>	<b>-2,344</b>	<b>-2,008</b>	<b>-1,709</b>	<b>-1,739</b>	<b>-932</b>	<b>-3,300</b>	<b>-3,037</b>
<b>Inc./(Dec.) in Cash</b>	<b>54</b>	<b>-101</b>	<b>30</b>	<b>67</b>	<b>349</b>	<b>-345</b>	<b>949</b>
Opening Balance	129	183	82	62	74	423	77
<b>Closing Balance</b>	<b>183</b>	<b>82</b>	<b>112</b>	<b>128</b>	<b>423</b>	<b>77</b>	<b>1,027</b>

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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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