

Estimate change	↓
TP change	↓
Rating change	↔

Bloomberg	VRLL IN
Equity Shares (m)	87
M.Cap.(INRb)/(USDb)	51.2 / 0.6
52-Week Range (INR)	799 / 517
1, 6, 12 Rel. Per (%)	3/-30/-35
12M Avg Val (INR M)	100

## Financial Snapshot (INR b)

Y/E MARCH	2024	2025E	2026E
Sales	28.9	32.8	38.0
EBITDA	3.9	4.6	5.5
Adj. PAT	0.9	1.4	2.1
EBITDA Margin (%)	13.6	14.1	14.6
Adj. EPS (INR)	10.1	16.2	24.0
EPS Gr. (%)	-46.1	60.0	48.2
BV/Sh. (INR)	108.1	114.3	126.4
<b>Ratios</b>			
Net D:E	0.3	0.2	0.1
ROE (%)	9.2	14.6	20.0
RoCE (%)	11.6	15.0	19.4
Payout (%)	0.0	61.7	49.9
<b>Valuations</b>			
P/E (x)	57.9	36.2	24.4
P/BV (x)	5.4	5.1	4.6
EV/EBITDA(x)	13.7	11.5	9.4
Div. Yield (%)	0.0	1.7	2.0
FCF Yield (%)	2.7	2.9	4.3

## Shareholding pattern (%)

As On	Mar-24	Dec-23	Mar-23
Promoter	60.2	60.2	64.2
DII	26.6	28.1	24.2
FII	3.3	2.5	2.4
Others	9.9	9.1	9.3

FII Includes depository receipts

**CMP: INR586**

**TP: INR680 (+16%)**

**Buy**

**Performance in line, subdued growth in Southern market impact tonnage growth in FY24**

**Network expansion to play a key role in volume growth**

- VRL Logistics (VRL)'s 4QFY24 revenue grew 10% YoY/4% QoQ to ~INR7.7b (in line with our estimate). Volumes increased ~10% YoY to 1.13m tons in 4QFY24. The sluggish demand in Southern States affected volume growth during the quarter. Realization per tonne stood at INR 6,724 (+1% YoY and QoQ).
- EBITDA margins stood at 13.7%, against our estimate of 13.3%. Lower volumes and higher employee costs adversely impacted the margins. Further, increased costs have not been passed on to customers, leading to pressure on EBITDA margins. EBITDA stood at INR1.05b (in line with our estimate).
- APAT declined 65% YoY to INR 215m (in line with our estimate of INR 218m). Weak operating performance, higher depreciation, interest expense, and lower other income dragged APAT.
- During FY24, revenues grew 9% YoY to INR28.9b. EBITDA margins stood at 13.6%. APAT reported a 47% YoY decline to INR886m. Volumes increased 9% YoY to 4.2m tons in FY24, while realization per ton stood at INR 6,676 (+1% YoY).
- The performance in 4Q was largely in line with our estimates though tonnage growth in FY24 was adversely impacted by the slowdown in agro and textile commodity volume in Southern states, which contributes ~40% to tonnage. However, significant volume growth was observed from the Northern, Eastern, and North Eastern states due to the expanded branch network. Tonnage growth of 12-15% is expected in FY25. While we maintain our EBITDA estimates for FY25/26, we cut FY25/FY26 APAT estimates by ~11%/5 to factor in higher depreciation costs. We expect VRL to clock a CAGR of 13%/15%/19%/54% in volume/revenue/EBITDA/PAT over FY24-26. We retain our BUY rating with a revised TP of INR680 (based on 28x FY26 EPS).

## Highlights from the management commentary

- Within tonnage mix, Textile and cloth grew 6% YoY, agro-commodities grew 4-5% YoY, and other commodities 12-13% YoY in FY24. Textile and agro commodities make up ~40% of total tonnage, hence, slowdown in these segment led to subdued volume growth for VRL in FY24.
- Management plans to focus aggressively on branch expansion, with 40 branches already operational as of Apr-May 2024. It is targeting to add 50 branches in 1QFY25, with a concentrated focus on Eastern and Northeastern markets. Overall, the plan is to introduce 100 new branches in FY25.
- VRL incurred a capex of INR 2.9b in FY24, primarily for adding trucks and plans to invest INR 3b in FY25, majorly toward vehicle addition.
- VRL expects tonnage growth rate of 12-15% in FY25. Revenue growth is expected to be stronger in FY25 with higher freight rates.

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

MotilalOswal research is available on [www.motilaloswal.com](http://www.motilaloswal.com)/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Valuation and view

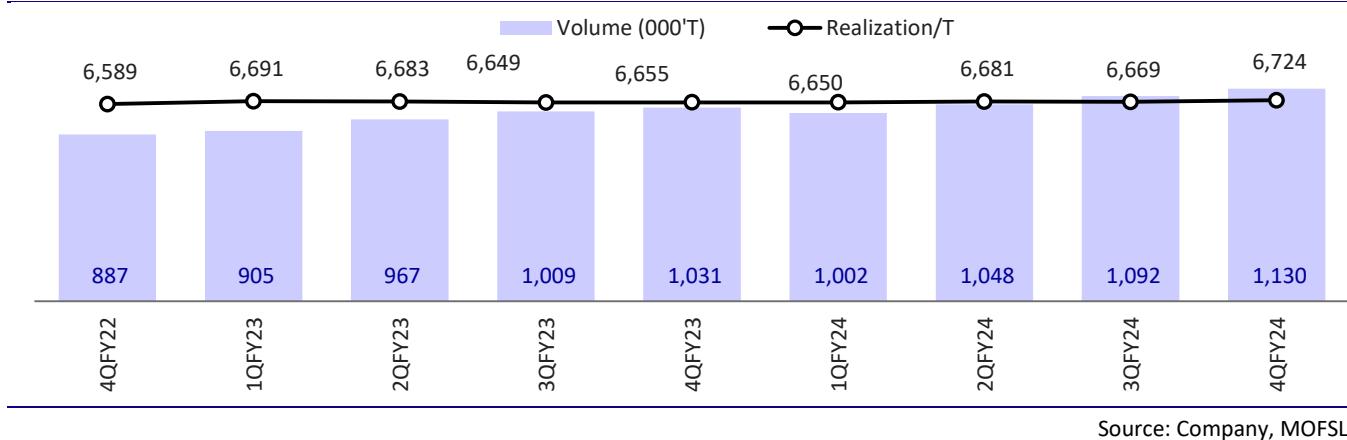
- Volumes in FY24 were affected by uneven rainfall patterns across India and subdued demand in the southern states, adversely impacting the textile and agro-commodities, which form the major product segment (~40% of total tonnage). Volumes are expected to pick up in FY25 post general elections as the management has added 40 new branches in the first two months of FY25, especially in high growth regions of East and North East.
- We expect VRL to clock a CAGR of 13%/15%/19%/54% in volume/revenue/EBITDA/PAT over FY24-26. We retain our BUY rating with a revised TP of INR680 (based on 28x FY26E EPS).

### Quarterly performance

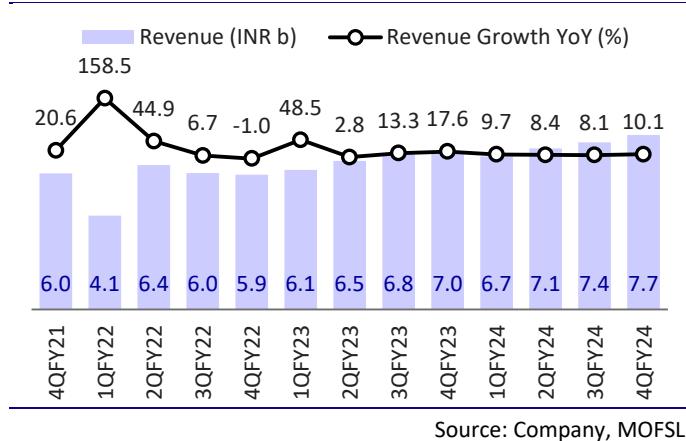
Y/E March (INR m)	INR m											
	FY23				FY24				FY23	FY24	FY24	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		4QE		vs Est
<b>Net Sales</b>	<b>6,143</b>	<b>6,545</b>	<b>6,815</b>	<b>6,982</b>	<b>6,742</b>	<b>7,093</b>	<b>7,367</b>	<b>7,684</b>	<b>26,485</b>	<b>28,886</b>	<b>7,733</b>	<b>(1)</b>
YoY Change (%)	48.5	2.8	13.3	17.6	9.7	8.4	8.1	10.1	17.9	9.1	10.8	
<b>EBITDA</b>	<b>913</b>	<b>930</b>	<b>1,033</b>	<b>1,141</b>	<b>1,019</b>	<b>918</b>	<b>944</b>	<b>1,053</b>	<b>4,017</b>	<b>3,935</b>	<b>1,028</b>	<b>2</b>
Margins (%)	14.9	14.2	15.2	16.3	15.1	12.9	12.8	13.7	15.2	13.6	13.3	
YoY Change (%)	153.0	-17.9	-12.1	-0.7	11.7	-1.3	-8.6	-7.7	5.2	-2.0	-9.9	
Depreciation	334	384	421	453	489	522	568	583	1,591	2,162	569	
Interest	120	139	151	133	163	185	213	218	543	779	210	
Other Income	30	22	45	47	89	60	24	38	143	211	42	
<b>PBT before EO expense</b>	<b>488</b>	<b>429</b>	<b>506</b>	<b>602</b>	<b>456</b>	<b>271</b>	<b>187</b>	<b>291</b>	<b>2,025</b>	<b>1,205</b>	<b>291</b>	
Extra-Ord expense	-134	0	-114	-1,322	0	-3	0	0	-1,571	-3	0	
<b>PBT</b>	<b>622</b>	<b>429</b>	<b>620</b>	<b>1,924</b>	<b>456</b>	<b>274</b>	<b>187</b>	<b>291</b>	<b>3,596</b>	<b>1,208</b>	<b>291</b>	
Tax	121	122	128	-7	117	77	50	76	364	319	73	
Rate (%)	19.5	28.4	20.7	-0.4	25.6	28.0	26.9	26.0	10.1	26.4	25.1	
<b>Reported PAT</b>	<b>501</b>	<b>307</b>	<b>492</b>	<b>1,932</b>	<b>339</b>	<b>197</b>	<b>137</b>	<b>215</b>	<b>3,232</b>	<b>889</b>	<b>218</b>	
<b>Adj PAT</b>	<b>367</b>	<b>307</b>	<b>378</b>	<b>610</b>	<b>339</b>	<b>194</b>	<b>137</b>	<b>215</b>	<b>1,661</b>	<b>886</b>	<b>218</b>	<b>(1)</b>
YoY Change (%)	NA	-37.9	-33.1	16.6	-7.5	-36.7	-63.7	-64.7	9.2	-46.7	-64.3	
Margins (%)	6.0	4.7	5.5	8.7	5.0	2.7	1.9	2.8	6.3	3.1	2.8	

## Story in charts – 4QFY24

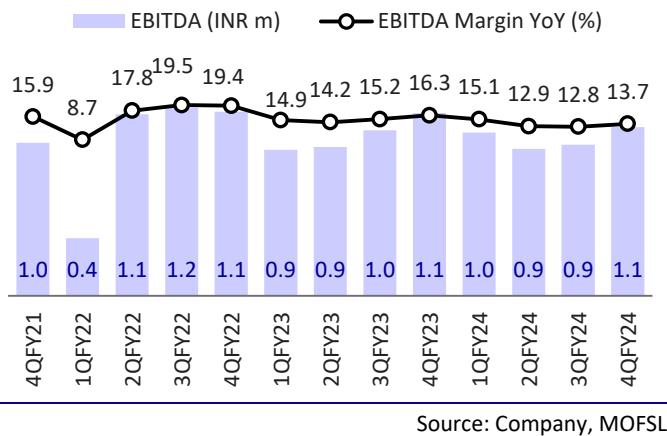
### Exhibit 1: Volumes increased 10% YoY



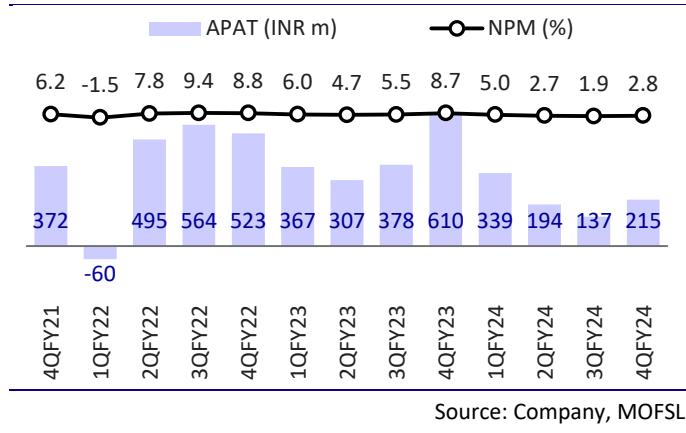
### Exhibit 2: Revenue up 10% YoY, driven by volume growth



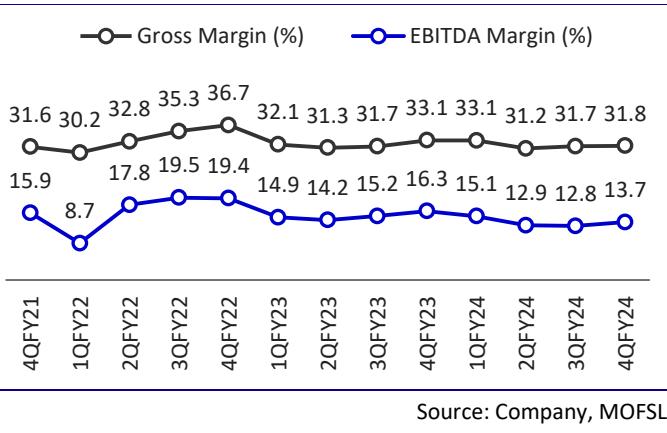
### Exhibit 3: EBITDA adversely impacted by subdued volumes growth and higher operating expenses



### Exhibit 4: PAT and margin trends



### Exhibit 5: Margins decreased YoY in 4QFY24





## Highlights from the management commentary

### Operational highlights

- VRL handled ~1.13m tons in 4QFY24 (+10% YoY, +3% QoQ). Tonnage growth primarily stemmed from the expansion of the branch network and a transition of volumes to organized players, following the implementation of GST, along with the reduction in the turnover limit for e-invoicing, etc.
- Within the tonnage mix, Textile and cloth grew 6%, agro-commodities grew 4-5%, and other commodities 12-13%. Textile and agro commodities make up ~40% of total tonnage. Hence, slowdown in Textile and agro-commodities led to subdued volume growth for VRL in FY24.
- Exponential growth was seen in tonnage growth in the Northeast due to branch network expansion.
- VRL incurred a capex of INR 2.9b in FY24, primarily for adding trucks and plans to invest INR 3b in FY25, majorly toward vehicle addition.
- The marginal increase in net debt for FY24 was due to capex on vehicle additions.
- Performance in 1QFY25 has been adversely impacted by driver shortages and loading/unloading issues; however, management expects conditions to normalize after the general elections.
- Realization per ton stood at INR 6,724 (+1% YoY and QoQ). Increase in other costs has not been passed on to the customers, resulting in pressure on EBITDA margins.
- Continued shift of customer base to VRL from the unorganized sector as a result of increase in compliance requirements under GST has increased the company's customer base to ~0.9m as of Mar'24 from 0.8m as of Mar'23.
- EBITDA margin before IND-AS stands 4% lower for FY23 and FY24. Margin Improvement is possible if the expected volume growth of 12-15% is achieved.

### GT segment

- The number of GT vehicles stood at 5,957 as of Mar'24 with a carrying capacity of 86,405 tons.
- VRL opened net 83 branches in 4QFY23, taking the total branch network to 1,209 as of Mar'24. The new branches added during 4Q contributed around ~3% to total tonnage in 4Q.
- The 183 new branches added in FY23 contributed ~7% to total tonnage in FY24.
- 891 new vehicles were added in FY24 and 128 new vehicles were added in 4QFY24.
- VRL is currently operating with 216 trailers, which is expected to increase gradually. The trailers cover 300-400km per day and are expected to constitute 10% of overall capacity, servicing 15-20 hubs. The introduction of trailers into the fleet has helped reduce turnaround time.
- Diesel consumption increased 4.8% YoY due to the addition of new vehicles and their increased mileage. The average procurement cost per liter of diesel decreased ~1% YoY to INR 87.73 in 4QFY24 from INR 88.78 in 3QFY23.
- Procurement from refineries as a percentage of total quantity increased by ~4% to 31.5% in 4QFY24 from 28.1% in 4QFY23.
- The company will continue to focus on newer branches and interstate movements, which are already yielding positive results.

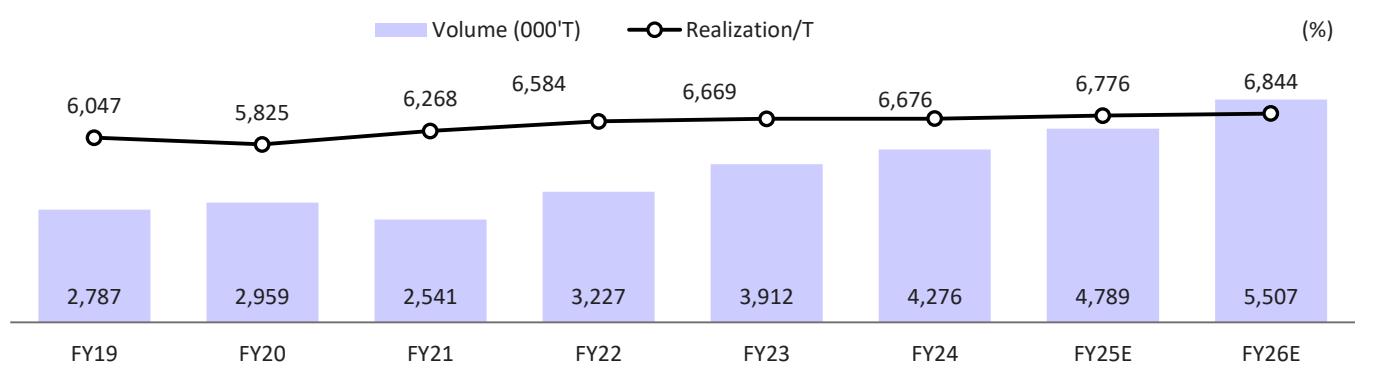
**Guidance**

- Volume growth in FY25 is expected to be 12-15%, driven by branch addition in eastern and North East regions.
- Management plans to open most of its branches in 1QFY25. With 40 branches already operational as of Apr-May 2024, the aim is to reach 50 branches by the end of 1QFY25, focusing on Eastern and Northeastern markets. A total of 100 new branches are expected to be added in FY25.
- The textile sector is expected to grow 7-10%, while the agro-commodities sector is expected to grow in double digits in FY25.
- Capex in FY25 is expected to be INR 3b, primarily allocated to vehicle addition. Despite this investment, debt levels are not expected to rise due to strong cash flows. The focus of vehicle additions in FY25 will predominantly be those with a carrying capacity of 15-20 tons.
- VRL did not increase the freight rate as retail fuel prices remained stable in India for more than a year. However, management expects fuel prices to fluctuate following the general elections, providing an opportunity to implement freight price increases.

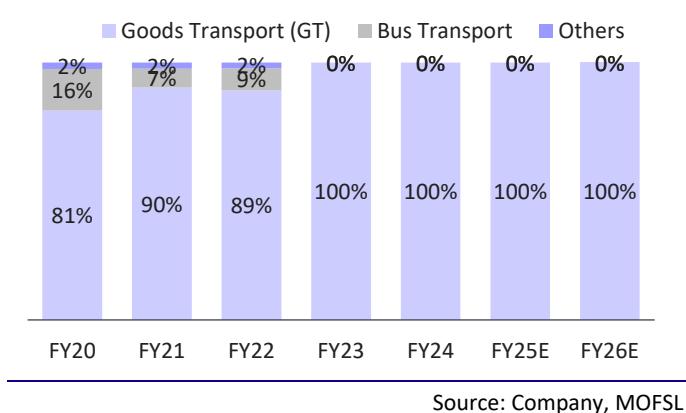
**Exhibit 6: Our revised forecasts**

(INR m)	FY25E			FY26E		
	Rev	Old	Chg(%)	Rev	Old	Chg(%)
Net Sales	32,786	32,841	-0.2	38,032	38,096	-0.2
EBITDA	4,618	4,612	0.1	5,541	5,551	-0.2
EBITDA Margin (%)	14.1	14.0	4	14.6	14.6	0
PAT	1,418	1,594	-11.1	2,102	2,217	-5.2

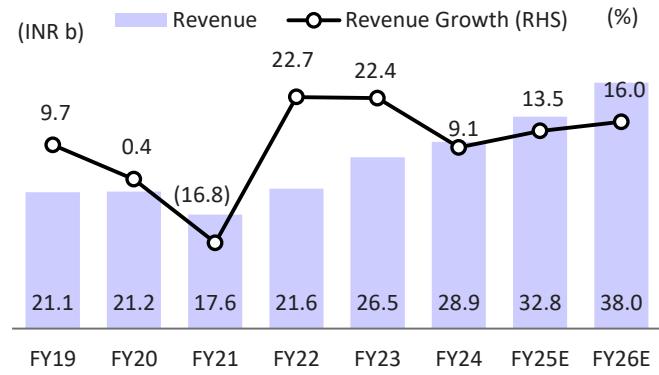
Source: Company, MOFSL

**Financial story in charts****Exhibit 7: Expect volumes to clock 13% CAGR over FY24-26**

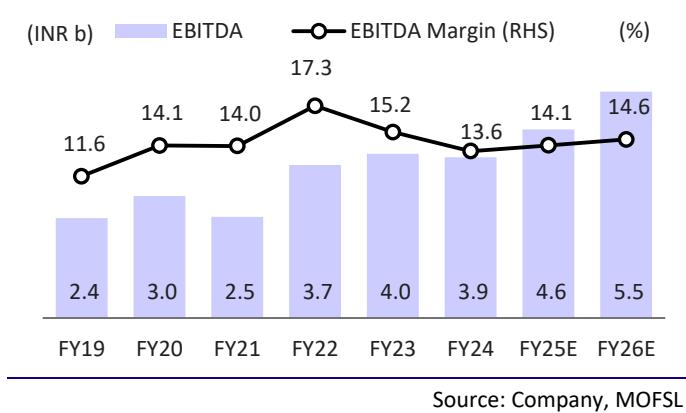
Source: Company, MOFSL

**Exhibit 8: VRL is a pure play goods transportation company**

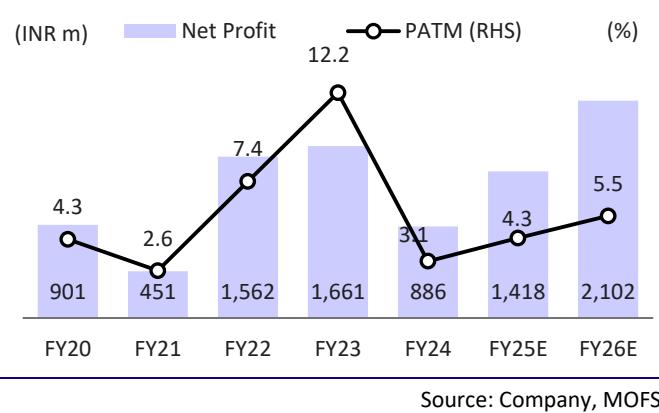
Source: Company, MOFSL

**Exhibit 9: Shift to organized operators to drive revenue**

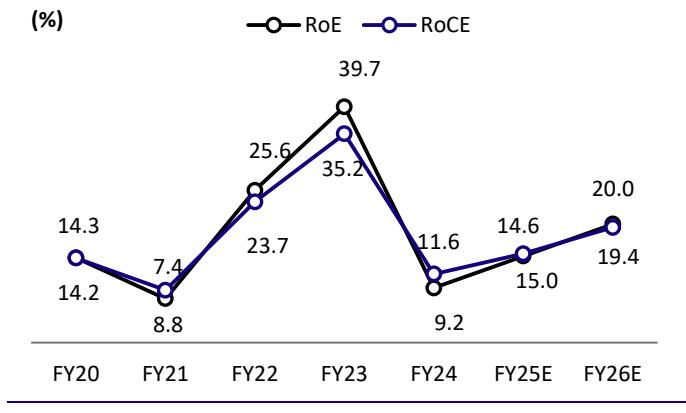
Source: Company, MOFSL

**Exhibit 10: Margin to improve with higher volumes**

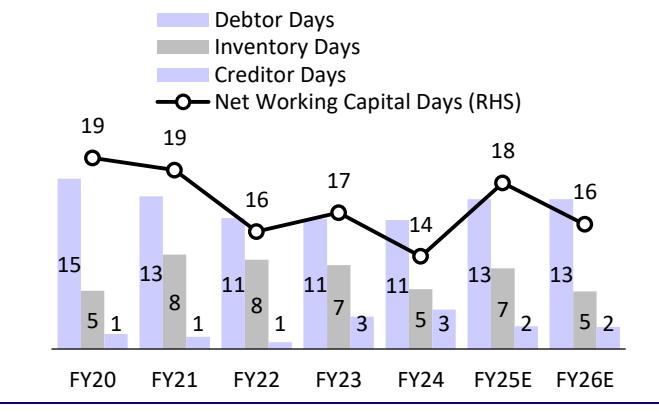
Source: Company, MOFSL

**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)

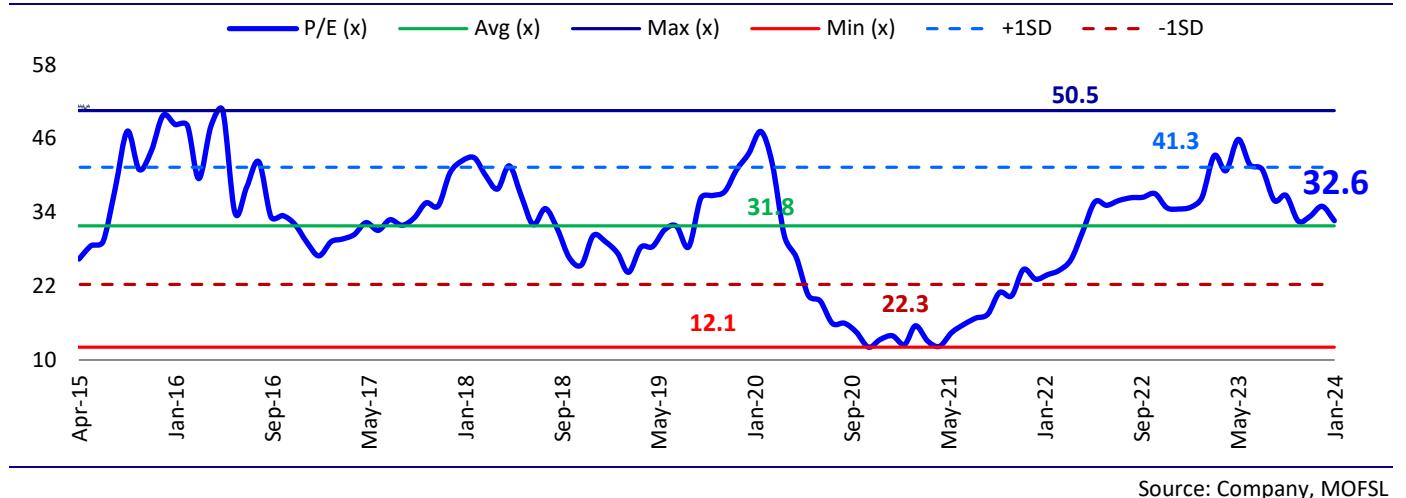
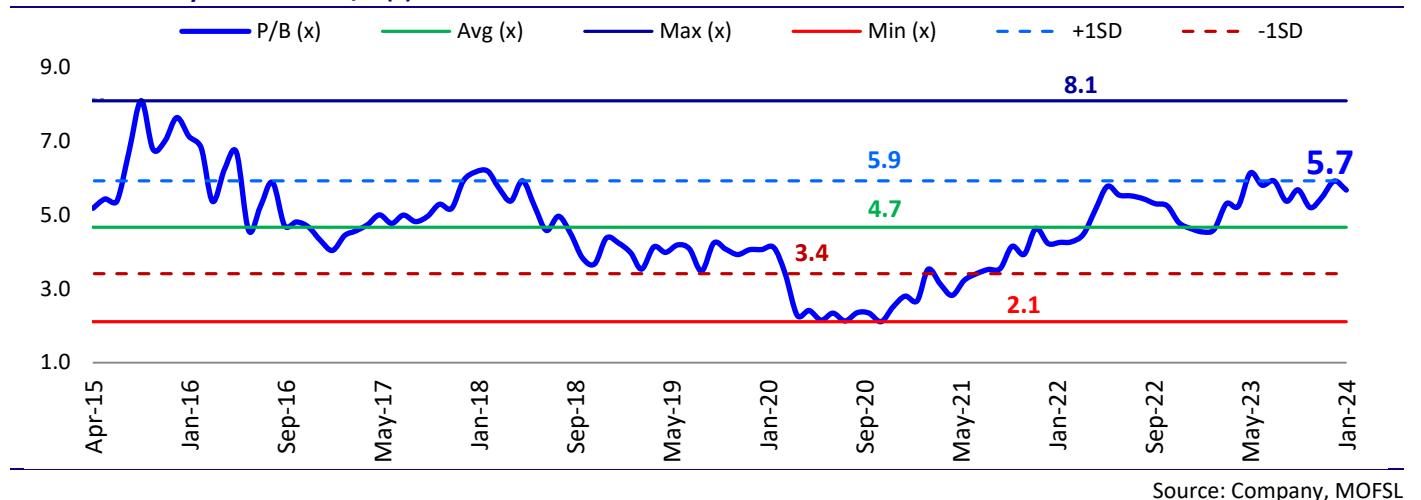


Exhibit 15: One-year forward P/B (x)



## Financials and valuations

### Income Statement

Y/E March (INR m)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Net Sales</b>	<b>21,185</b>	<b>17,629</b>	<b>21,636</b>	<b>26,485</b>	<b>28,886</b>	<b>32,786</b>	<b>38,032</b>
Change (%)	0.4	-16.8	22.7	22.4	9.1	13.5	16.0
Gross Margin (%)	33.4	33.0	34.5	32.1	31.9	32.3	32.2
<b>EBITDA</b>	<b>2,983</b>	<b>2,475</b>	<b>3,745</b>	<b>4,017</b>	<b>3,935</b>	<b>4,618</b>	<b>5,541</b>
Margin (%)	14.1	14.0	17.3	15.2	13.6	14.1	14.6
Depreciation	1,675	1,598	1,445	1,591	2,162	2,262	2,369
<b>EBIT</b>	<b>1,307</b>	<b>877</b>	<b>2,300</b>	<b>2,425</b>	<b>1,773</b>	<b>2,356</b>	<b>3,173</b>
Int. and Finance Charges	367	368	422	543	779	713	667
Other Income	103	129	168	143	211	253	304
<b>PBT</b>	<b>1,043</b>	<b>637</b>	<b>2,047</b>	<b>2,025</b>	<b>1,205</b>	<b>1,895</b>	<b>2,810</b>
Tax	142	187	485	364	319	478	708
Effective Tax Rate (%)	13.6	29.3	23.7	18.0	26.5	25.2	25.2
Extraordinary Items	142	187	-40	-1,571	-3	0	0
<b>Reported PAT</b>	<b>901</b>	<b>451</b>	<b>1,601</b>	<b>3,232</b>	<b>889</b>	<b>1,418</b>	<b>2,102</b>
<b>Adj. PAT</b>	<b>901</b>	<b>451</b>	<b>1,562</b>	<b>1,661</b>	<b>886</b>	<b>1,418</b>	<b>2,102</b>
Change (%)	-2.0	-50.0	246.6	6.4	-46.7	60.0	48.2
Margin (%)	4.3	2.6	7.2	6.3	3.1	4.3	5.5

### 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	9,126	10,178
<b>Net Worth</b>	<b>6,169</b>	<b>5,971</b>	<b>6,516</b>	<b>9,758</b>	<b>9,458</b>	<b>10,001</b>	<b>11,053</b>
Deferred Tax Liabilities	440	440	386	461	672	672	672
Total Loans	1,893	1,196	1,593	2,071	2,793	2,443	1,943
<b>Capital Employed</b>	<b>8,502</b>	<b>7,607</b>	<b>8,496</b>	<b>12,291</b>	<b>12,923</b>	<b>13,116</b>	<b>13,668</b>
Gross Block	15,105	15,850	18,422	21,600	27,933	30,433	32,733
Less: Accum. Deprn.	5,202	6,307	7,442	6,778	8,939	11,201	13,570
<b>Net Fixed Assets</b>	<b>9,903</b>	<b>9,544</b>	<b>10,980</b>	<b>14,822</b>	<b>18,993</b>	<b>19,232</b>	<b>19,163</b>
Capital WIP	44	61	350	384	236	236	236
<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>2,482</b>	<b>3,711</b>	<b>2,911</b>	<b>4,038</b>	<b>5,071</b>
Inventory	293	395	459	528	412	629	521
Account Receivables	856	639	673	817	885	1,168	1,355
Cash and Bank Balances	134	185	140	116	183	383	1,040
Cash	129	183	82	112	128	329	985
Bank Balance	5	1	5	5	54	54	54
Others	1,021	1,162	1,211	2,251	1,431	1,859	2,156
<b>Current Liab. and Prov.</b>	<b>3,750</b>	<b>4,379</b>	<b>5,307</b>	<b>6,626</b>	<b>9,217</b>	<b>10,390</b>	<b>10,802</b>
Account Payables	35	136	203	143	153	180	208
Other Current Liabilities	3,368	3,911	4,671	6,051	8,537	9,611	9,899
Provisions	347	332	433	433	528	599	695
<b>Net Current Assets</b>	<b>-1,445</b>	<b>-1,998</b>	<b>-2,825</b>	<b>-2,915</b>	<b>-6,306</b>	<b>-6,352</b>	<b>-5,731</b>
<b>Application of Funds</b>	<b>8,502</b>	<b>7,607</b>	<b>8,508</b>	<b>12,291</b>	<b>12,923</b>	<b>13,116</b>	<b>13,668</b>

## Financials and valuations

### Ratios

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E
<b>Basic (INR)</b>							
EPS	10.0	5.1	17.7	18.8	10.1	16.2	24.0
EPS growth (%)	-2.0	-48.9	246.6	6.4	-46.1	60.0	48.2
Cash EPS	28.5	23.2	34.0	36.8	34.8	42.1	51.1
BV/Share	68.3	67.6	73.8	110.5	108.1	114.3	126.4
DPS	7.0	4.0	8.0	5.0	0.0	10.0	12.0
Payout (Incl. Div. Tax, %)	84.6	78.4	43.7	13.5	0.0	61.7	49.9
<b>Valuation (x)</b>							
P/E	58.7	114.9	33.1	31.2	57.9	36.2	24.4
Cash P/E	20.5	25.3	17.2	15.9	16.8	13.9	11.5
EV/EBITDA	17.8	21.1	14.1	13.2	13.7	11.5	9.4
EV/Sales	2.5	3.0	2.4	2.0	1.9	1.6	1.4
P/BV	8.6	8.7	7.9	5.3	5.4	5.1	4.6
Dividend Yield (%)	1.2	0.7	1.4	0.9	0.0	1.7	2.0
<b>Return Ratios (%)</b>							
RoE	14.3	7.4	25.6	39.7	9.2	14.6	20.0
RoCE	14.2	8.8	23.9	35.2	11.6	15.0	19.4
RoIC	13.8	7.9	22.8	20.0	10.7	14.1	19.1
<b>Working Capital Ratios</b>							
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	13	11	11	13	13
Creditors (Days)	1	3	3	3	2	2	2
<b>Leverage Ratio (x)</b>							
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	1,895	2,810
Depreciation	1,675	1,598	1,680	1,724	2,162	2,262	2,369
Direct Taxes Paid	-431	-148	-581	-856	-264	-478	-708
(Inc.)/Dec. in WC	-94	294	-157	581	409	-178	-334
Other Items	380	330	667	-2,499	722	460	363
<b>CF from Operations</b>	<b>2,573</b>	<b>2,711</b>	<b>3,708</b>	<b>3,183</b>	<b>4,239</b>	<b>3,962</b>	<b>4,499</b>
(Inc.)/Dec. in FA	-1,200	-330	-1,933	-4,124	-2,848	-2,500	-2,300
<b>Free Cash Flow</b>	<b>1,373</b>	<b>2,381</b>	<b>1,775</b>	<b>-941</b>	<b>1,392</b>	<b>1,462</b>	<b>2,199</b>
Change in Investments	14	15	4	4	0	0	0
Others	0	1	128	2,675	414	-92	117
<b>CF from Investments</b>	<b>-1,185</b>	<b>-313</b>	<b>-1,801</b>	<b>-1,445</b>	<b>-2,433</b>	<b>-2,592</b>	<b>-2,183</b>
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	55	-110
<b>CF from Fin. Activity</b>	<b>-1,384</b>	<b>-2,344</b>	<b>-2,008</b>	<b>-1,709</b>	<b>-1,739</b>	<b>-1,169</b>	<b>-1,659</b>
<b>Inc.-(Dec.) in Cash</b>	<b>3</b>	<b>54</b>	<b>-101</b>	<b>30</b>	<b>67</b>	<b>201</b>	<b>656</b>
Opening Balance	126	129	183	82	62	128	329
<b>Closing Balance</b>	<b>129</b>	<b>183</b>	<b>82</b>	<b>112</b>	<b>128</b>	<b>329</b>	<b>985</b>

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NOTES

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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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