VRL LOGISTICS

RESULT UPDATE

nuvama institutional equities

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	560
12 month price target (INR)	770
52 Week High/Low	651/432
Market cap (INR bn/USD bn)	49/0.6
Free float (%)	0.0
Avg. daily value traded (INR mn)	137.2

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	60.24%	60.24%	60.24%
FII	3.98%	3.62%	3.65%
DII	35.77%	36.15%	36.12%
Pledge	0%	0%	0%

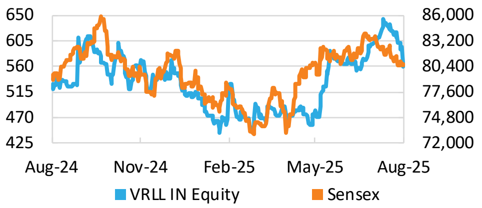
FINANCIALS (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	31,609	31,765	34,970	38,146
EBITDA	5,730	6,088	6,718	7,261
Adjusted profit	1,830	1,921	2,397	2,815
Diluted EPS (INR)	20.9	22.0	27.4	32.2
EPS growth (%)	105.4	5.0	24.8	17.4
RoAE (%)	18.0	16.7	18.4	19.0
P/E (x)	29.6	28.1	22.5	19.2
EV/EBITDA (x)	11.3	10.5	9.3	8.4
Dividend yield (%)	0.8	1.0	1.3	1.7

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	31,765	34,970	0%	0%
EBITDA	6,088	6,718	-1%	-1%
Adjusted profit	1,921	2,397	0%	0%
Diluted EPS (INR)	22.0	27.4	0%	0%

PRICE PERFORMANCE



Margins sustain; base to normalise in Q4

VRL Logistics (VRLL) posted revenue growth of 2% in Q1FY26 largely due to realisation growth (up 17%), which was offset by 13% volume decrease (VRLL's strategy of cutting down on low-margin cargo; LFL growth of 4–5% YoY in Q1). Gross profit surged 33% YoY while EBITDA soared 74% as margins rose 930bp YoY to 20.4% notwithstanding legal and professional charges along with loss on sale of scrap vehicles.

We remain positive on the stock given: i) strong gross profit growth suggests actions are yielding results; ii) the base would normalise in Q4FY26 (guides for 7–8% growth in the medium term); and iii) robust RoCE profile. We are broadly maintaining estimates, yielding Jun-26E TP of INR770 (earlier INR750); maintain 'BUY'.

Volumes decrease given focus on exiting low-margin business

VRLL's revenue inched up 2% (in-line with our estimate) on the back of realisation growth of 17% YoY while volume dropped 13% YoY (-7% QoQ on seasonality) as the company initiated a strategy of exiting low-margin cargo business in Q4FY25 (part of this has already come back to VRLL) to protect margins. Focus on cost control is providing benefits with gross margin expanding 930bp to 40.8% while EBITDA margins expanded 840bp to 20.4% notwithstanding certain legal as well as professional fees and loss on sale of scrap vehicles. EBITDA soared 74% (5% above our estimates) while PAT shot up 271% YoY to INR501mn (11% above our estimates).

Profitable growth remains key

VRLL has discontinued low-margin business agreements (since mid-Feb'25); it is now focused on garnering volumes with better realisation/margins contracts. H1FY26 is likely to be marked by softness in volumes, followed by a scale-up from Q3 on the back of branch additions and partial return of discontinued contracts as it believes low-cost unorganised players are unlikely to match VRLL's efficiency. VRLL had shut down 30 branches (due to consolidation to bigger branches and also closing inefficient branches) and added 16 branches. Capex remains modest (INR150mn in Q1) due to sufficient capacity to meet the ongoing demand. Healthy cash flow shall fund any further capex requirement and keep debts at manageable levels.

Strong growth trajectory; 'BUY' maintained

We remain positive on the stock given: i) strong gross profit growth suggests actions are yielding results; ii) the base would normalise in Q4 (guides for 7–8% growth in the medium-term); and iii) robust RoCE profile (more than 20%). We are broadly maintaining estimates, yielding Jun-26E TP of INR770 (earlier INR750); retain '**BUY**'.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	7,443	7,272	2.4	8,090	(8.0)
EBITDA	1,516	869	74.4	1,866	(18.8)
Adjusted Profit	501	135	271.0	743	(32.6)
Diluted EPS (INR)	5.7	1.5	271.0	8.5	(32.6)

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VRL LOGISTICS

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	31,609	31,765	34,970	38,146
Gross profit	11,616	12,706	13,988	15,258
Employee costs	5,452	6,106	6,716	7,388
Other expenses	435	513	554	609
EBITDA	5,730	6,088	6,718	7,261
Depreciation	2,536	2,688	2,769	2,824
Less: Interest expense	948	900	800	720
Add: Other income	255	150	158	165
Profit before tax	2,500	2,649	3,307	3,882
Prov for tax	670	729	909	1,068
Less: Other adjustment	0	0	0	0
Reported profit	1,830	1,921	2,397	2,815
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,830	1,921	2,397	2,815
Diluted shares o/s	88	87	87	87
Adjusted diluted EPS	21	22	27	32
DPS (INR)	4.9	6.3	8.3	10.3
Tax rate (%)	26.8	27.5	27.5	27.5

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	875	875	875	875
Reserves	9,971	11,344	13,019	14,930
Shareholders funds	10,846	12,219	13,893	15,804
Minority interest	0	0	0	0
Borrowings	4,471	3,271	2,771	2,271
Trade payables	129	130	143	156
Other liabs & prov	10,411	10,131	10,289	10,445
Total liabilities	25,857	25,750	27,096	28,677
Net block	15,554	14,700	14,308	13,904
Intangible assets	6,873	7,560	8,316	8,732
Capital WIP	151	200	200	200
Total fixed assets	22,577	22,460	22,824	22,836
Non current inv	1	1	1	1
Cash/cash equivalent	538	554	1,260	2,556
Sundry debtors	929	870	958	1,045
Loans & advances	1,383	1,429	1,574	1,717
Other assets	429	435	479	523
Total assets	25,857	25,750	27,096	28,677

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	18.1	19.2	19.2	19.0
PBT growth (% YoY)	(7.7)	0	0	0
Net profit margin (%)	5.8	6.0	6.9	7.4
Revenue growth (% YoY)	9.4	0.5	10.1	9.1
EBITDA growth (% YoY)	45.6	6.2	10.4	8.1
Asset turnover (X)	1.6	0	0	0
Adj. profit growth (%)	105.4	5.0	24.8	17.4
EBIT margin (%)	5.4	0	0	0

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	2,500	2,649	3,307	3,882
Add: Depreciation	2,536	2,688	2,769	2,824
Interest (net of tax)	948	750	643	555
Others	(111)	0	0	0
Changes in WC	197	(274)	(105)	(104)
Operating cash flow	5,578	5,085	5,704	6,090
Less: Capex	(4,302)	(1,049)	(1,500)	(1,500)
Free cash flow	1,276	4,036	4,204	4,590

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	6.0	6.0	6.0	6.0
Repo rate (%)	4.0	4.0	4.0	4.0
USD/INR (average)	72.0	72.0	72.0	72.0

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	18.0	16.7	18.4	19.0
RoCE (%)	25.0	23.0	25.5	26.5
Receivable days	10	10	10	10
Payable days	2	1	1	1
Cash conversion cycle	14	14	13	13
Working cap (% sales)	2.4	3.3	3.3	3.3
Gross debt/equity (x)	0.4	0.3	0.2	0.1
Net debt/equity (x)	0.4	0.2	0.1	0
Interest coverage (x)	3.4	3.8	4.9	6.2

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	29.6	28.1	22.5	19.2
Price/BV (x)	5.0	4.4	3.9	3.4
EV/EBITDA (x)	11.3	10.5	9.3	8.4
Dividend yield (%)	0.8	1.0	1.3	1.7

Source: Company and Nuvama estimates

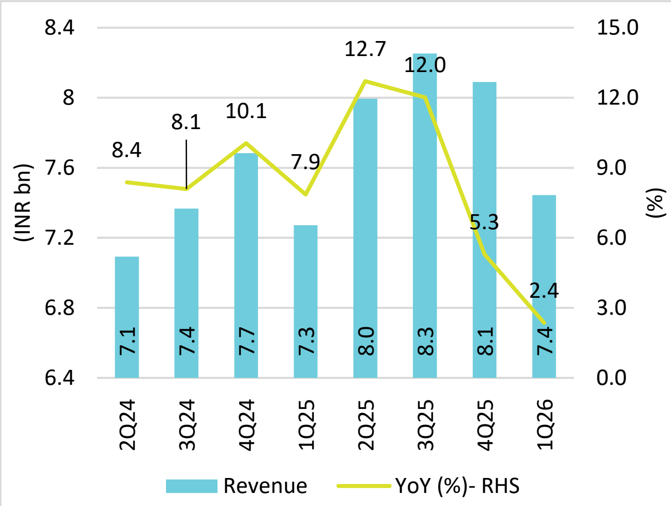
Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	105.4	5.0	24.8	17.4
RoE (%)	18.0	16.7	18.4	19.0
EBITDA growth (%)	45.6	6.2	10.4	8.1
Payout ratio (%)	23.4	28.5	30.1	32.1

Q1FY26 conference call: Key takeaways

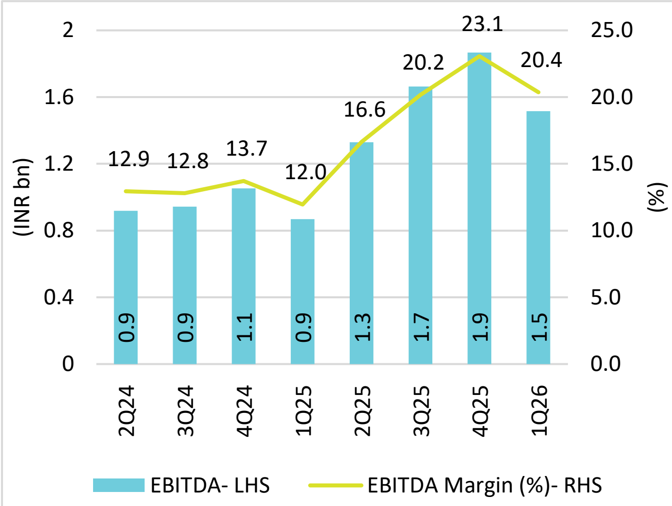
- **Volumes:** Volumes decreased 13% YoY/7% QoQ on account of exit from low-margin contracts. Furthermore, Q2FY26 shall clock a decrease of 8–9% with flat growth in Q3FY26 and recovery Q4 onwards. Furthermore, the company has witnessed some discontinued customers coming back as they do not have alternate solutions. Hence, on an overall basis, volumes shall remain flat in FY26 with expectation of 7–8% in FY27. Given robust monsoons and ensuing rural recovery, the company expects an improvement in outlook for volume growth.
- **Industry:** Unorganised players are gradually becoming uncompetitive compared with organised players. Inter-state movement has seen higher benefit of shift from unorganised to organised.
- The company has increased the share of in-house fuel supply to 41.5% in Q1FY26 (versus 33.3% YoY) to reduce fuel cost. This led the fuel cost to reduce to 28.7% of revenue in Q1FY26 (versus 29.8% YoY).
- **Employee cost:** Employee cost inched up 3% in Q1. However, Q2 employee cost shall be elevated on account of appraisals and awards to employees (likely 200–300bp impact on margins). VRLL boasts of lowest attrition rate in the industry.
- Administrative expenses included legal and professional fees to the tune of INR25–30mn during the quarter (likely to continue in Q2). It also included loss on scrap sale of vehicles to the tune of INR30mn (one-time cost) during the quarter.
- The bar-code tagging introduced for vehicles is yielding benefits. The claim ratio is mere INR20–30mn (less than 0.1% of revenue), lowest in the industry.
- Within state movement accounts for 50–55% of the total tonnage.
- Express PTL yields INR10–11/kg. Door-to-door pickup accounts for 30–35% of total revenue (20–25% earlier).
- **Capex:** The company incurred a capex of INR150mn (of which INR80–90m is on vehicles) in Q1. The capex remains lower given sufficient capacity. Moreover, they evaluate it on an ongoing basis for vehicles to be added and shall increase the capex as required.
- **Branches:** The company added 18 new branches and closed down 30 branches, taking the branch count to 1241 (at end-Q1FY26). Moreover, new branches added last year contributed 1% to the tonnage.

Exhibit 1: Revenue trends



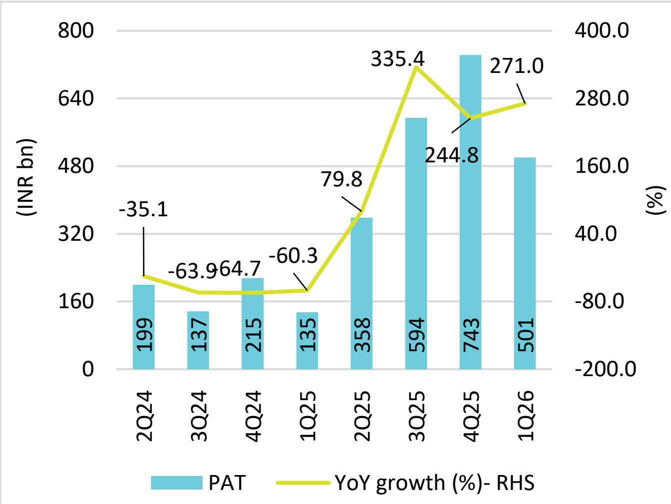
Source: Company, Nuvama Research

Exhibit 2: EBITDA and margin trends



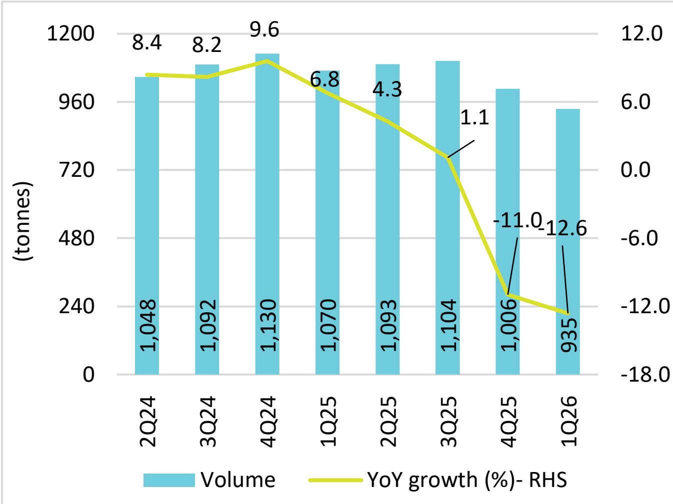
Source: Company, Nuvama Research

Exhibit 3: PAT trends



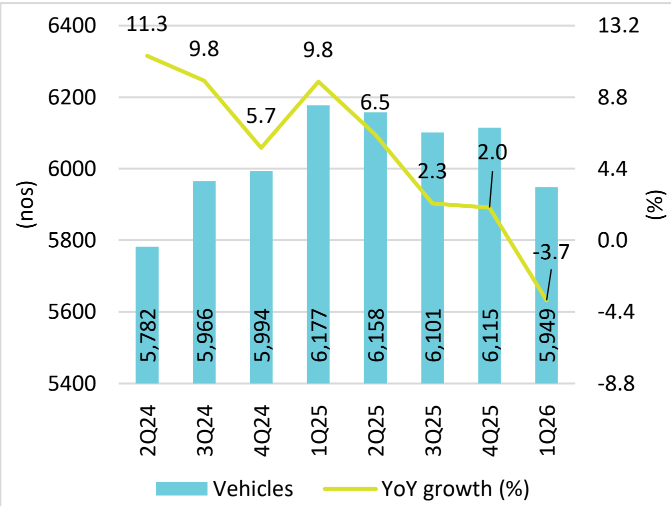
Source: Company, Nuvama Research

Exhibit 4: Volume trends



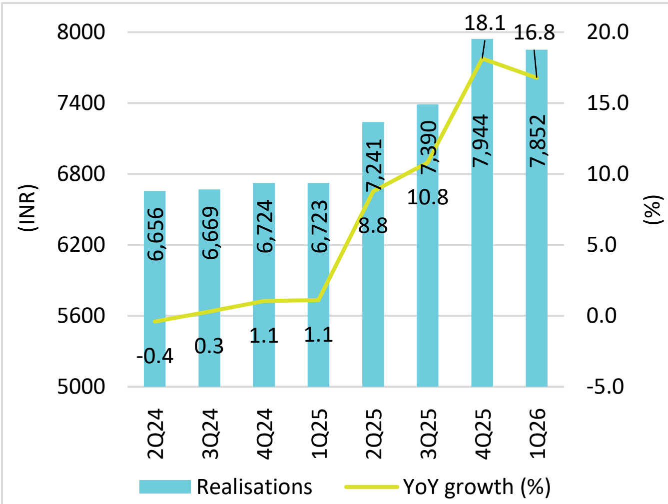
Source: Company, Nuvama Research

Exhibit 5: Vehicles growth trends



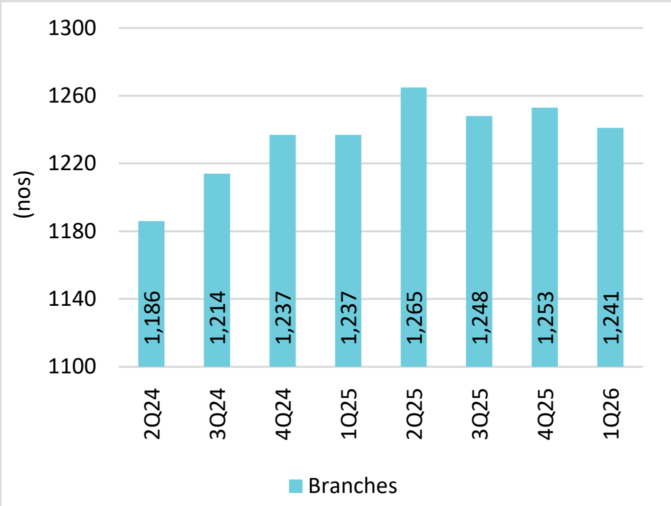
Source: Company, Nuvama Research

Exhibit 6: Realisation growth trends



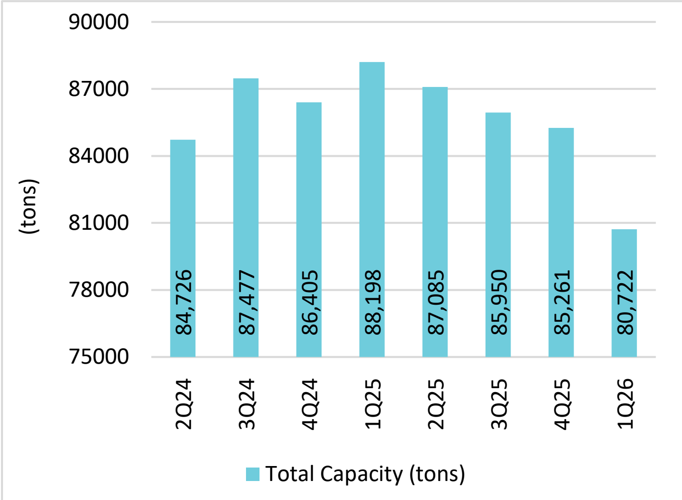
Source: Company, Nuvama Research

Exhibit 7: Branches trends



Source: Company, Nuvama Research

Exhibit 8: Capacity trends



Source: Company, Nuvama Research

Exhibit 9: Quarterly performance

INR mn	1Q25	1Q26	YoY	4Q25	QoQ	1Q26E	Var
Net Sales	**7,272**	**7,443**	**2%**	**8,090**	**-8%**	**7,470**	**0%**
Volume (000 tonnes)	**1,070**	**935**	**-13%**	**1,006**	**-7%**	**942**	**-1%**
Realisation (INR/t)	**6,796**	**7,961**	**17%**	**8,042**	**-1%**	**7,933**	**0%**
Operating Expenses	4,979	4,404	-12%	4,729	-7%	4,482	-2%
Gross Profit	2,293	3,039	33%	3,361	-10%	2,988	2%
Gross margin	31.5%	40.8%	930 bps	41.5%	-70 bps	40.0%	80 bps
Employee Costs	1,321	1,357	3%	1,393	-3%	1,427	-5%
% of sales	18.2%	18.2%	10 bps	17.2%	100 bps	19.1%	-90 bps
Other Expenses	102	166	62%	102	62%	113	47%
% of sales	1.4%	2.2%	80 bps	1.3%	100 bps	1.5%	70 bps
Total Expenditure	6,403	5,927	-7%	6,224	-5%	6,022	-2%
EBITDA	**869**	**1,516**	**74%**	**1,866**	**-19%**	**1,448**	**5%**
EBITDA Margin	**12.0%**	**20.4%**	**840 bps**	**23.1%**	**-270 bps**	**19.4%**	**100 bps**
Depreciation	615	647	5%	638	1%	627	3%
EBIT	254	870	242%	1,229	-29%	821	6%
Other Income	148	65	-56%	25	159%	30	116%
PBIT	402	935	132%	1,254	-25%	851	10%
Interest	226	262	16%	258	2%	250	5%
Exceptional (Income)/Expense	-	-		-		-	
Profit Before Tax	176	672	281%	996	-32%	601	12%
Tax Expense	41	172	315%	253	-32%	151	14%
Reported Net Profit	**135**	**501**	**271%**	**743**	**-33%**	**450**	**11%**
Reported EPS (Basic)	**1.54**	**5.72**	**271%**	**8.49**	**-33%**	**5.14**	**11%**
Adjusted Net Profit	**135**	**501**	**271%**	**743**	**-33%**	**450**	**11%**
Adjusted EPS	**1.54**	**5.72**	**271%**	**8.49**	**-33%**	**5.14**	**11%**

Source: Company, Nuvama Research

Company Description

VRL Logistics is engaged in goods as well as passenger transportation. It offers logistics services dealing in domestic transportation of goods, and is also engaged in bus operations, air chartering service, sale of power and sale of certified emission reductions (CER) units generated from operation of windmills. The company has decided to hive off its non-core businesses, viz. bus operations and the wind business. This sale makes VRL a pure-play goods transportation player, an aspect that we reckon the market is likely to cheer. In goods transportation, VRL provides less than truckload services (LTL) for general and priority parcels, and caters to a range of industries, including fast-moving consumer goods (FMCG), textiles, apparels, furniture, metals and metal products, and automotive parts. It also offers full truck load (FTL), car carrying, priority cargo and courier services.

Investment Theme

Volume growth is at a steady pace with realisations inching up on the back of price hikes. Company have been investing in vehicles along with in building transhipment hub facility across locations like Mangalore, Mysore and Bangalore. Further, company is undergoing price hikes due to increase in expenses other than rise in fuel cost. We believe these are the right levers of growth and the valuations looks reasonable from a risk reward perspective.

Key Risks

Better-than-expected performance in terms of tonnage growth is the key risk to our negative call.

Additional Data

Management

CEO	Vijay Sankeshwar
CFO	Sunil Nalavadi
COO	
Other	
Auditor	K&M LLP

Holdings – Top 10*

	% Holding		% Holding
HDFC MF	9.68	ABSL Fund	1.53
Bandhan Fund	4.25		
Nippon Fund	3.09		
SBI Fund	2.66		
Canara Robeco F	1.58		

**Latest public data*

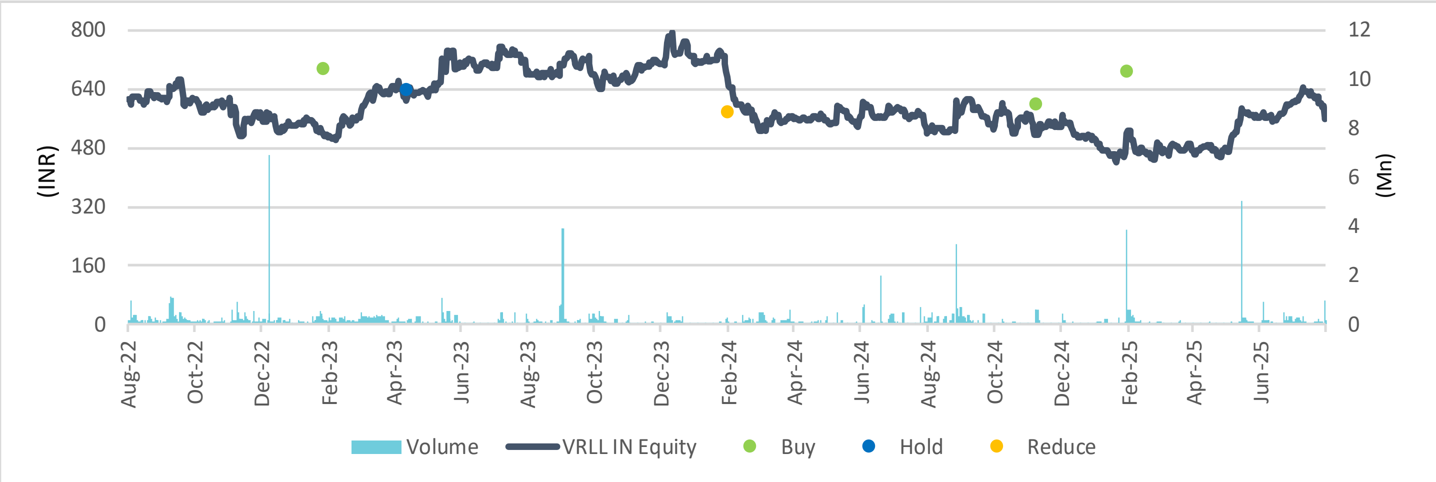
Recent Company Research

Date	Title	Price	Reco
22-May-25	Focus on profitable growth; *Result Update*	559	Buy
06-Feb-25	Price-led growth; strong margin guidance; *Result Update*	520	Buy
14-Nov-24	Pricing action offsets weak volume growt; *Result Update*	515	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
06-Aug-25	Container Corporation	Weakness persists; optimistic guidance r; *Result Update*
01-Aug-25	Delhivery	Growth on right path; better days ahead; *Result Update*
01-Aug-25	Blue Dart Express	Steady showing; mix drives margin miss; *Result Update*

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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