

VRL LOGISTICS

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	271
12 month price target (INR)	390
52 Week High/Low	325/216
Market cap (INR bn/USD bn)	47/0.5
Free float (%)	0.0
Avg. daily value traded (INR mn)	69.7

SHAREHOLDING PATTERN

	Sep-25	Jun-25	Mar-25
Promoter	60.2%	60.2%	60.2%
FII	4.0%	4.0%	3.6%
DII	35.8%	35.8%	36.2%
Pledge	0%	0%	0%

FINANCIALS

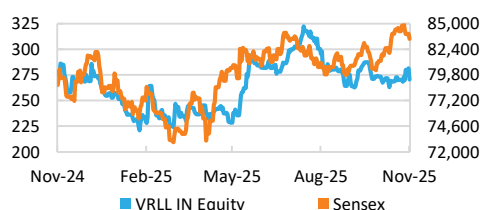
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	31,609	32,165	34,761	37,566
EBITDA	5,730	6,218	6,688	7,260
Adjusted profit	1,830	2,098	2,377	2,822
Diluted EPS (INR)	20.9	12.0	13.6	16.1
EPS growth (%)	105.4	(42.7)	13.3	18.7
RoAE (%)	18.0	18.1	18.0	18.8
P/E (x)	13.0	22.6	19.9	16.8
EV/EBITDA (x)	11.3	10.3	9.4	8.4
Dividend yield (%)	1.8	1.2	1.5	1.9

CHANGE IN ESTIMATES

	Revised estimates		% Revision	
Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	32,165	34,761	1.3	(0.6)
EBITDA	6,218	6,688	2.1	(0.4)
Adjusted profit	2,098	2,377	9.2	(0.8)
Diluted EPS (INR)	12.0	13.6	9.2	(0.8)

PRICE PERFORMANCE



Strong margins sustain; volume revival key

VRL Logistics (VRL) reported flat Q2FY26 revenue on the back of realisation growth (+12% YoY) and volume decline of 11% YoY (+4% QoQ) due to exit from low margin business. EBITDA/PAT rose 14%/39% YoY on the back of higher realisation (gross margin improved 470bp YoY). VRL indicated 4–5% QoQ growth in Q3, 7–8% in Q4 (seasonality) based on customer additions (20% of Q2 volume came from new customers) coupled with partial return of old customers and aspires for 8–10% volume growth on sustainable basis (FY27 onwards).

We are maintaining FY27/28 estimates while we are raising FY26E EPS to reflect Q2 beat. Maintain 'BUY' with a Dec-26 TP of INR390 (earlier INR385) based on 25x Dec-27E EPS.

Reasonable performance

Revenue stayed flat YoY (6% above estimates) on the back of realisation growth of 12% YoY (mainly due to price hikes during the quarter) while volume dipped 11% YoY due to strategic exit from low margin business. Focus on controlling cost continues with increase in-house fuel supply to 41% (versus 36% YoY). Admin expenses inched up to 2.3% (versus 1.4% YoY) mainly due to higher legal and professional fees and loss on sale/scraping of vehicles. EBITDA grew 14% YoY with margins expanding 230bp to 19%. PAT surged 39% YoY to INR499mn (22% above our estimates).

Volumes to revert; focus remains on profitable growth

Volumes appear weak in Q2 largely due to discontinuance of low margin customers (Feb-25 onwards) while GST-related disruption affected volumes for the quarter (~2% impact). VRL remains confident on volumes growing in H2 with a likely target of 5%/7–8% growth in Q3/Q4, leading to overall FY26 volume growth being flat YoY, more than offset by higher realisation, driving 4–5% growth in revenue YoY. Furthermore, the company aspires for 8–10% sustainable volume growth FY27 onwards. Moreover, VRL is adding two own fuel pumps (Vizag and Chennai), which shall further aid fuel cost and improve profitability.

'BUY' maintained

We are maintaining FY27/28 estimates while we are raising FY26E EPS to reflect Q2 beat. Maintain 'BUY' with a Dec-26 TP of INR390 (earlier INR385) based on 25x Dec-27E EPS. We believe VRL is attractively priced at 20x FY27E EPS (average one-year forward PER of 25x). Key risks: Sustained macro weakness and any adverse regulation impact.

Financials

Year to March	Q2FY26	Q2FY25	% Change	Q1FY26	% Change
Net Revenue	7,970	7,995	(0.3)	7,443	7.1
EBITDA	1,511	1,330	13.6	1,516	(0.3)
Adjusted Profit	499	358	39.2	501	(0.3)
Diluted EPS (INR)	5.7	4.1	39.2	5.7	(0.3)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	31,609	32,165	34,761	37,566
Gross profit	11,616	12,866	13,939	15,102
Employee costs	5,452	5,997	6,716	7,254
Other expenses	435	652	534	588
EBITDA	5,730	6,218	6,688	7,260
Depreciation	2,536	2,663	2,796	2,852
Less: Interest expense	948	900	800	720
Add: Other income	255	180	120	126
Profit before tax	2,500	2,835	3,212	3,814
Prov for tax	670	737	835	992
Less: Other adjustment	0	0	0	0
Reported profit	1,830	2,098	2,377	2,822
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,830	2,098	2,377	2,822
Diluted shares o/s	88	175	175	175
Adjusted diluted EPS	21	12	14	16
DPS (INR)	4.9	3.1	4.1	5.2
Tax rate (%)	26.8	26.0	26.0	26.0

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	18.1	19.3	19.2	19.3
PBT growth (% YoY)	(7.7)	0	0	0
Net profit margin (%)	5.8	6.5	6.8	7.5
Revenue growth (% YoY)	9.4	1.8	8.1	8.1
EBITDA growth (% YoY)	45.6	8.5	7.6	8.5
Asset turnover (X)	1.6	0	0	0
Adj. profit growth (%)	105.4	14.6	13.3	18.7
EBIT margin (%)	5.4	0	0	0

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

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	13.0	22.6	19.9	16.8
Price/BV (x)	2.2	3.8	3.4	3.0
EV/EBITDA (x)	11.3	10.3	9.4	8.4
Dividend yield (%)	1.8	1.2	1.5	1.9

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	875	1,749	1,749	1,749
Reserves	9,971	10,646	12,301	14,220
Shareholders funds	10,846	12,396	14,050	15,969
Minority interest	0	0	0	0
Borrowings	4,471	3,271	2,771	2,271
Trade payables	129	131	142	153
Other liabs & prov	10,411	10,150	10,278	10,417
Total liabilities	25,857	25,948	27,241	28,810
Net block	15,554	15,226	14,806	14,375
Intangible assets	6,873	7,560	8,316	8,732
Capital WIP	151	200	200	200
Total fixed assets	22,577	22,986	23,322	23,307
Non current inv	1	1	1	1
Cash/cash equivalent	538	193	926	2,269
Sundry debtors	929	881	952	1,029
Loans & advances	1,383	1,447	1,564	1,690
Other assets	429	441	476	515
Total assets	25,857	25,948	27,241	28,810

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	2,500	2,835	3,212	3,814
Add: Depreciation	2,536	2,663	2,796	2,852
Interest (net of tax)	948	720	680	594
Others	(111)	0	0	0
Changes in WC	197	(287)	(85)	(92)
Operating cash flow	5,578	5,193	5,768	6,177
Less: Capex	(4,302)	(1,549)	(1,500)	(1,500)
Free cash flow	1,276	3,644	4,268	4,677

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	18.0	18.1	18.0	18.8
RoCE (%)	25.0	24.1	24.7	25.9
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	3.9	4.9	6.1

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	105.4	(42.7)	13.3	18.7
RoE (%)	18.0	18.1	18.0	18.8
EBITDA growth (%)	45.6	8.5	7.6	8.5
Payout ratio (%)	23.4	26.1	30.4	32.0

Q2FY26 earnings call: Key highlights

Volumes and realisations

- Tonnage: **Down ~11% YoY** in Q2, largely due to deliberate exit of low-margin contracts; **+4% QoQ** reflects recovery.
- Customer mix/flows: Q2 tonnage composition noted as **~14% contributed by new customers (QoQ)**; **~12% of tonnage fully lost YoY** due to rationalisation; existing-customer volume decline ~11% YoY but small QoQ recovery (~+2%).
- Spillover: Management estimates **~2% of Q2 tonnage** was spilled from September to October due to booking-delivery timing.
- Realisation/tonne: **~INR8,079/tonne** in Q2 (vs INR 7,852 in Q1 FY26 and INR 7,241 in Q2 FY25). **QoQ +2.9%, YoY +11.6%**.

Operations and fleet

- Business mix: LTL (less-than-truckload) ~89% of revenue; FTL balance ~11%.
- Network: 1,243 branches and 50 trans-shipment hubs (pan-India). Q2 branch activity: added ~9 branches, closed 7 = net ~+2; VRL evaluating franchises/agents model in newer areas rather than company-owned branches.
- Fleet: Own fleet ~5,782 vehicles (vs 6,158 last year) — rationalisation of older/inefficient vehicles. Outsourced/third-party vehicle usage has increased to handle demand; management expects to optimise this mix in coming quarters.
- Utilisation / turnaround: Current hub-to-hub trips ~4–5 trips per vehicle (avg); scope to improve turnaround by ~5–6% through route rationalisation and direct branch-to-branch moves (management cited examples where direct branch delivery saves six–seven hours per vehicle).
- Cost levers: Fuel cost fell from 28.6% to 25.6% of income YoY (bulk procurement from refineries rose to 41% from 35%); lorry air charges down 5.7% to 4.4% of income. Management plans 2 new fuel pumps (Vizag, Chennai) to push refinery procurement to ~43–44%.

People and opex

- Employee cost rose to **18.3% of income** (from 16.9% YoY) after a salary revision in August; incremental impact **~INR60mn/month** (one more month to be seen in next quarter). Management calls this a strategic investment and the new level a “new normal.”
- Vehicle running & repair up (management flagged an increase ~0.5% driven by driver wage moves and repairs).

Capital allocation and capex

- Capex H1FY26: **~INR430 mn** in H1FY26 (Q2 ~INR290mn) and includes **~INR230mn** for converting leased branches to owned properties (Salem, Ernakulam, Tumkur).

- Planned H2FY26 Capex: **~INR1.6bn** (management guidance: ~INR1300–1400mn for branches/trans-shipment hubs + INR100–200 mn other capex). Vehicle additions in H2 expected to be small (INR 100–200 mn); larger vehicle investments could follow next financial year depending on demand.

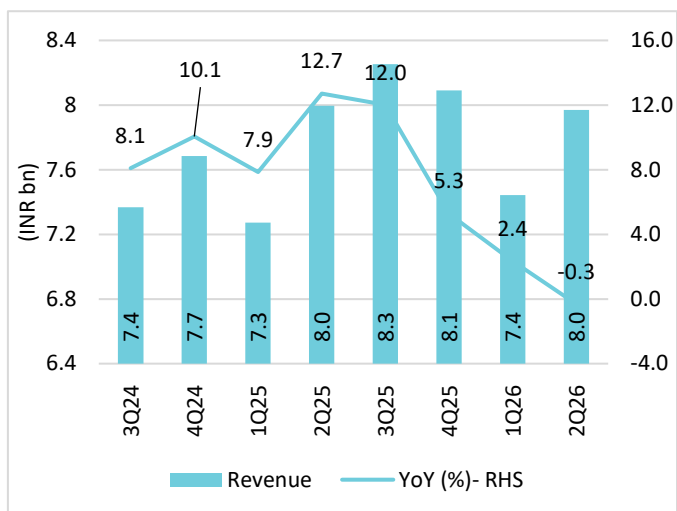
Strategic and operational updates

- Rate rationalisation exercise largely complete (started last year; no major further rate hikes expected). Management shifting focus from price fixing to **volume recovery**, customer service and operational excellence.
- Door-to-door services have expanded materially: contribution rose from **~15–20% to ~40%** of total handling (management sees room to scale this further without margin dilution).
- Continue to target high quality, profitable contracts and deepen presence in under-penetrated regions (franchise push for new geographies).

Management guidance

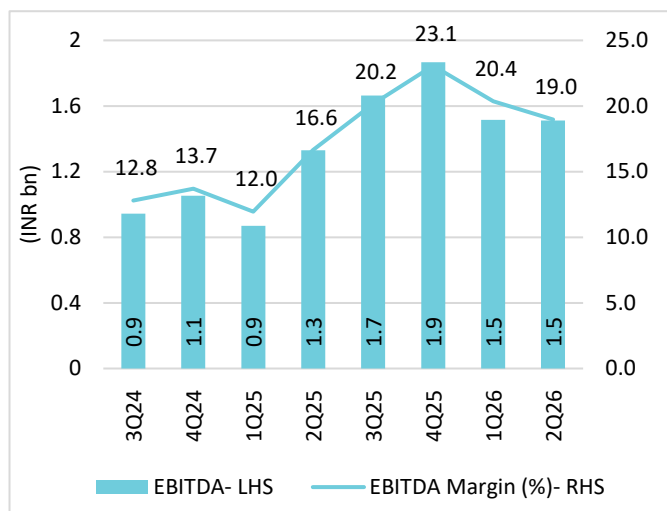
- Near term: Q2 to Q3: expect ~5–6% QoQ tonnage improvement; Q4: ~7–8% QoQ. Full-year FY26: overall tonnage down ~4–5% but revenue growth ~+4% if realisations hold.
- Margins: Management expects to maintain EBITDA ~19%, aided by fuel sourcing, utilisation gains and completed rate rationalisation.
- Medium term: From FY27, management targets ~8–10% volume growth yearly as rate normalisation and customer wins continue.

Exhibit 1: Revenue trends



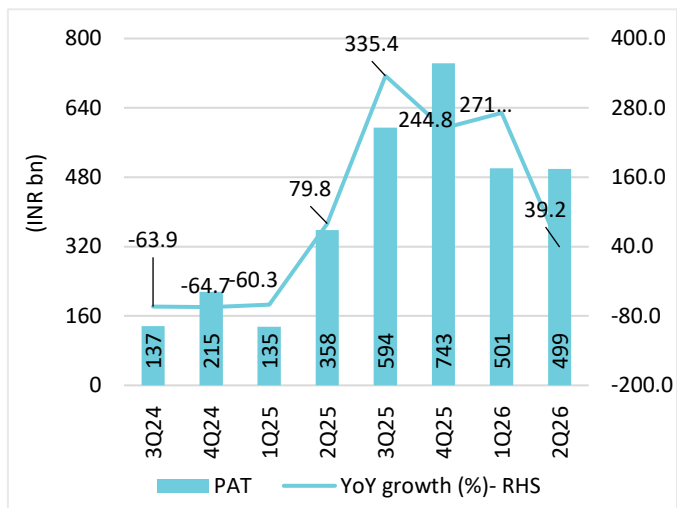
Source: Company, Nuvama Research

Exhibit 2: EBITDA and margin trends



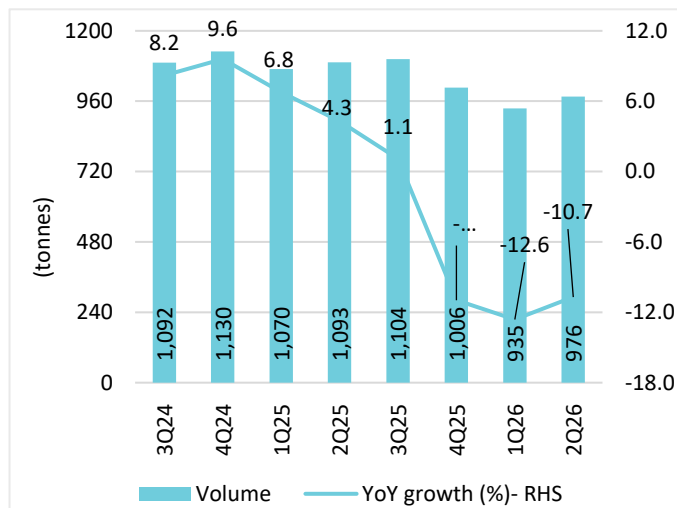
Source: Company, Nuvama Research

Exhibit 3: PAT trends



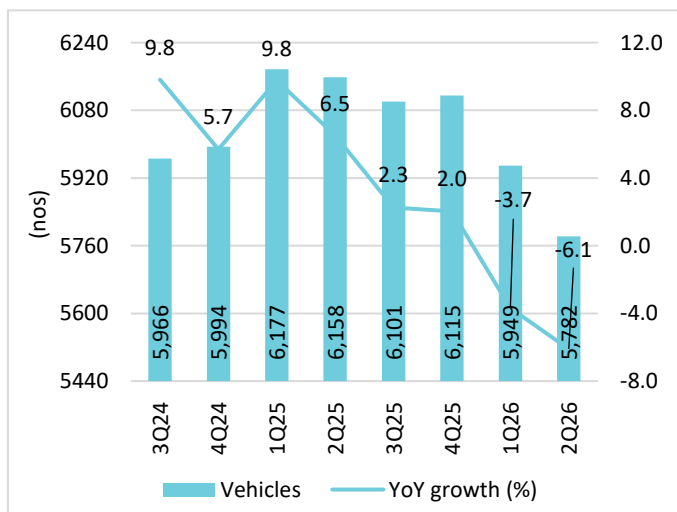
Source: Company, Nuvama Research

Exhibit 4: Volume trends



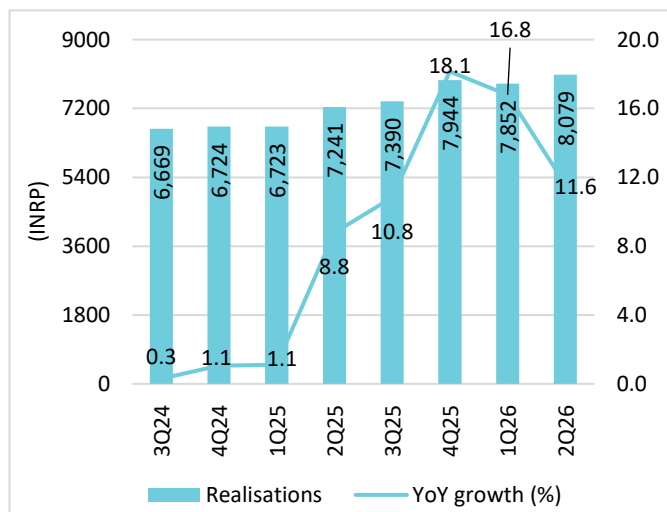
Source: Company, Nuvama Research

Exhibit 5: Vehicle trends



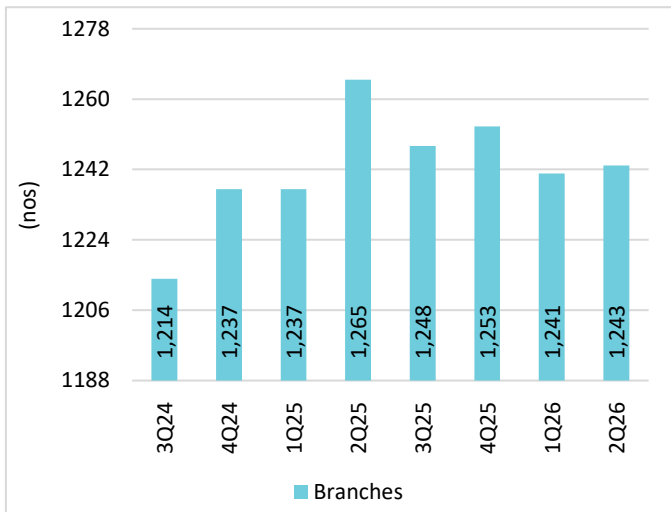
Source: Company, Nuvama Research

Exhibit 6: Realisation trends



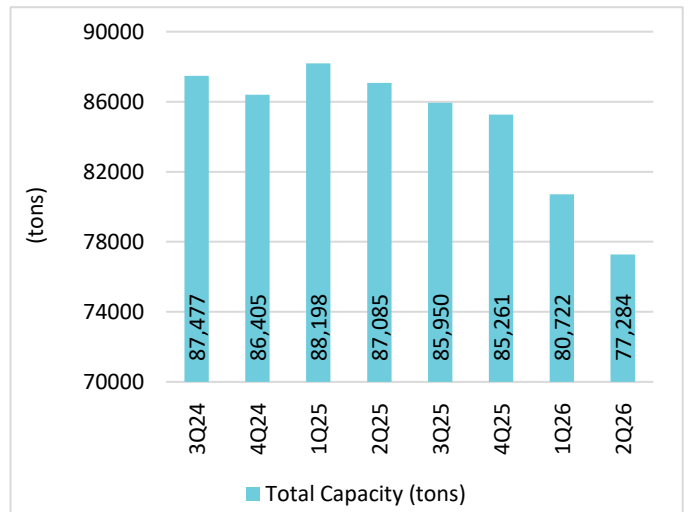
Source: Company, Nuvama Research

Exhibit 7: Branches network



Source: Company, Nuvama Research

Exhibit 8: Capacity trends



Source: Company, Nuvama Research

Exhibit 9: Quarterly performance

INR mn	2Q25A	2Q26A	YoY	2yr GAGR	1Q26	QoQ	1H25	1H26	YoY	2yr GAGR
Net Sales	7,995	7,970	0%	6%	7,443	7%	15,267	15,413	1%	6%
Volume (000 tonnes)	1,093	976	-11%	-3%	935	4%	2,163	1,911	-12%	-3%
Realisation (INR/t)	7,315	8,166	12%	10%	7,961	3%	7,058	8,065	14%	9%
Operating Expenses	5,197	4,804	-8%	-1%	4,404	9%	10,176	9,209	-10%	-1%
Gross Profit	2,798	3,165	13%	20%	3,039	4%	5,091	6,204	22%	18%
Gross margin	35.0%	39.7%	470 bps	850 bps	40.8%	-110 bps	33.3%	40.3%	690 bps	820 bps
Employee Costs	1,358	1,471	8%	11%	1,357	8%	2,679	2,828	6%	11%
% of sales	17.0%	18.5%	150 bps	180 bps	18.2%	20 bps	17.5%	18.3%	80 bps	180 bps
Other Expenses	110	183	67%	30%	166	10%	212	349	65%	30%
% of sales	1.4%	2.3%	90 bps	80 bps	2.2%	10 bps	1.4%	2.3%	90 bps	80 bps
EBITDA	1,330	1,511	14%	28%	1,516	0%	2,200	3,028	38%	25%
EBITDA Margin	16.6%	19.0%	230 bps	600 bps	20.4%	-140 bps	14.4%	19.6%	520 bps	560 bps
Depreciation	638	648	2%	11%	647	0%	1,253	1,294	3%	13%
EBIT	693	864	25%	48%	870	-1%	947	1,733	83%	37%
Other Income	25	70	180%	8%	65	7%	173	135	-22%	-5%
PBIT	717	934	30%	43%	935	0%	1,119	1,868	67%	32%
Interest	224	242	8%	14%	262	-8%	450	504	12%	20%
Exceptional (Inc)/Exp	-	-		-100%	-		-	-		-100%
Profit Before Tax	493	691	40%	58%	672	3%	669	1,364	104%	36%
Tax Expense	135	192	43%	58%	172	12%	176	364	107%	37%
Reported Net Profit	358	499	39%	58%	501	0%	493	999	103%	36%
Reported EPS (Basic)	4.10	5.70	39%	59%	5.72	0%	5.64	11.42	103%	37%
Adjusted Net Profit	358	499	39%	56%	501	0%	493	999	103%	36%
Adjusted EPS	4.10	5.70	39%	57%	5.72	0%	5.64	11.42	103%	36%

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 transshipment 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	9.70	Canara Robeco F	1.58
Bandhan Fund	3.70	Canara Robeco F	1.58
Nippon Fund	3.09		
SBI Fund	2.66		
ABSL Fund	1.70		

*Latest public data

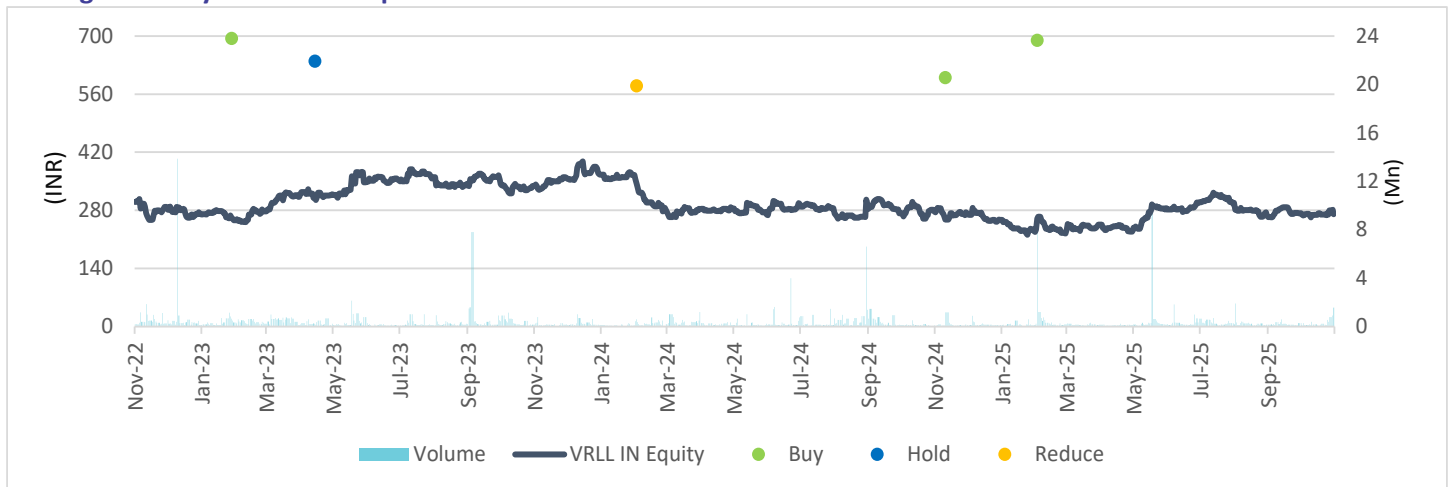
Recent Company Research

Date	Title	Price	Reco
07-Aug-25	Margins sustain; base to normalise in Q4; <i>Result Update</i>	560	Buy
22-May-25	Focus on profitable growth; <i>Result Update</i>	559	Buy
06-Feb-25	Price-led growth; strong margin guidance; <i>Result Update</i>	520	Buy

Recent Sector Research

Date	Name of Co./Sector	Title
04-Nov-25	Blue Dart Express	Decent quarter buoyed by early festivals; <i>Result Update</i>
29-Oct-25	Mahindra Logistics	Transformation underway; <i>Result Update</i>
14-Aug-25	TCI Express	Yet another weak quarter; <i>Result Update</i>

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%	205
Hold	<15% and >-5%	68
Reduce	<-5%	37

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