

RESULT UPDATE

KEY DATA

Rating	BUY
Sector relative	Neutral
Price (INR)	559
12 month price target (INR)	740
52 Week High/Low	625/432
Market cap (INR bn/USD bn)	49/0.6
Free float (%)	0.0
Avg. daily value traded (INR mn)	34.8

SHAREHOLDING PATTERN

	Mar-25	Dec-24	Sep-24
Promoter	60.2%	60.2%	60.2%
FII	3.6%	3.6%	3.9%
DII	36.2%	36.2%	35.9%
Pledge	0%	0%	0%

FINANCIALS

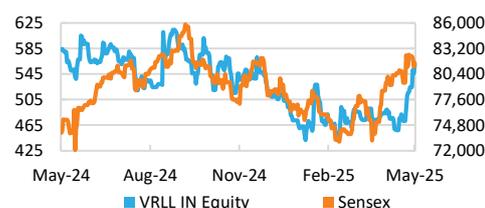
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	31,609	31,765	34,970	38,499
EBITDA	5,730	6,131	6,756	7,444
Adjusted profit	1,830	1,916	2,388	2,914
Diluted EPS (INR)	20.9	21.9	27.3	33.3
EPS growth (%)	105.4	4.8	24.6	22.0
RoAE (%)	18.0	16.6	18.3	19.6
P/E (x)	29.5	28.1	22.6	18.5
EV/EBITDA (x)	11.3	10.4	9.2	8.1
Dividend yield (%)	0.8	1.0	1.3	1.7

CHANGE IN ESTIMATES

Year to March	Revised estimates		% Revision	
	FY26E	FY27E	FY26E	FY27E
Revenue	31,765	34,970	(8.4)	(7.5)
EBITDA	6,131	6,756	2.5	4.5
Adjusted profit	1,916	2,388	6.4	9.8
Diluted EPS (INR)	21.9	27.3	6.4	9.8

PRICE PERFORMANCE



Focus on profitable growth

VRL Logistics (VRL) posted revenue growth of 5% YoY, largely on the back of higher realisation (+18%; price hike and customer mix) offsetting the 11% YoY contraction in volumes (discontinuation of low-margin contracts). EBITDA margin surged to a record 23.1%, boosted by higher realisation and cost optimisation (high bulk fuel purchases, lower lorry hire charges). EBITDA/PAT shot up 77%/245% YoY.

VRL is focusing on maximising profitability, and has indicated normalised capex on vehicles while it continues to scout for more investments in warehouses. We are raising FY26E/27E EPS by 6%/10% to reflect higher margins, offsetting lower volume assumptions. Maintain 'BUY' with a Mar-26E TP of INR740 (earlier INR670).

Volume decline more than offset by realisation

VRL reported modest 5% YoY revenue growth on the back of 18% YoY uptick in realisation (price hikes in 3Q and customer mix), more than offsetting the 11% YoY drop in volume as it discontinued low-margin customer contracts. With this, gross margin expanded 970bp YoY to 41.5% (gross profit up 38% YoY). In addition, VRL optimised costs across several counts—including fuel cost (-350bp YoY), lorry hire charges (-420bp YoY)—driving 940bp YoY expansion in EBITDA margins to a record 23.1%. EBITDA jumped 77% YoY (18%/23% above our/consensus estimate). PAT soared 245% YoY to INR743mn (42% above our estimate; 53% above consensus).

Realisation and profitability in focus; capex to continue

VRL has discontinued low-margin business agreements (since mid-Feb'25); it is now focused on garnering volumes with better realisation/margins contracts. 1HFY26 is likely to mark softness in volumes, followed by a scale-up from 3Q on the back of branch additions and partial return of discontinued contracts as it believes low-cost unorganised players are unlikely to match VRL's efficiency. Realisation shall hold at current levels as per VRL. It has indicated no net additions are likely in FY26 as it aims to only replace certain aging vehicles while branch additions continue to be the focus area (80–100 in FY26E versus 40 in FY25). VRL will continue to generate healthy cash flows, which will be utilised to fund capex (mainly properties) and repay debt.

Strong earnings growth to sustain; maintain 'BUY'

While we are cutting volume estimates by up to 13% (largely to reflect discontinuation of low-value contracts), we are raising realisation and consequently margin assumptions to reflect VRL's guidance. We are increasing FY26E/27E EPS by 6.4%/9.8%. Valuing VRL at an unchanged 27x FY27E EPS yields a TP of INR740 (earlier INR670); maintain 'BUY'.

Financials

Year to March	Q4FY25	Q4FY24	% Change	Q3FY25	% Change
Net Revenue	8,090	7,684	5.3	8,252	(2.0)
EBITDA	1,866	1,053	77.2	1,664	12.1
Adjusted Profit	743	215	244.8	594	25.0
Diluted EPS (INR)	8.5	2.5	244.7	6.8	25.0

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	31,609	31,765	34,970	38,499
Gross profit	11,616	12,706	13,988	15,400
Employee costs	5,452	6,106	6,716	7,388
Other expenses	435	469	516	568
EBITDA	5,730	6,131	6,756	7,444
Depreciation	2,536	2,688	2,769	2,824
Less: Interest expense	948	950	850	765
Add: Other income	255	150	158	165
Profit before tax	2,500	2,643	3,294	4,020
Prov for tax	670	727	906	1,105
Less: Other adjustment	0	0	0	0
Reported profit	1,830	1,916	2,388	2,914
Less: Excp.item (net)	0	0	0	0
Adjusted profit	1,830	1,916	2,388	2,914
Diluted shares o/s	88	87	87	87
Adjusted diluted EPS	21	22	27	33
DPS (INR)	4.9	6.3	8.3	10.3
Tax rate (%)	26.8	27.5	27.5	27.5

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
EBITDA margin (%)	18.1	19.3	19.3	19.3
PBT growth (% YoY)	(7.7)	0	0	0
Net profit margin (%)	5.8	6.0	6.8	7.6
Revenue growth (% YoY)	9.4	0.5	10.1	10.1
EBITDA growth (% YoY)	45.6	7.0	10.2	10.2
Asset turnover (X)	1.6	0	0	0
Adj. profit growth (%)	105.4	4.7	24.6	22.0
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)	29.5	28.1	22.6	18.5
Price/BV (x)	5.0	4.4	3.9	3.4
EV/EBITDA (x)	11.3	10.4	9.2	8.1
Dividend yield (%)	0.8	1.0	1.3	1.7

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	875	875	875	875
Reserves	9,971	11,339	13,005	15,016
Shareholders funds	10,846	12,214	13,880	15,890
Minority interest	0	0	0	0
Borrowings	4,471	3,271	2,771	2,271
Trade payables	129	130	143	157
Other liabs & prov	10,411	10,131	10,289	10,463
Total liabilities	25,857	25,745	27,082	28,781
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	550	1,247	2,630
Sundry debtors	929	870	958	1,055
Loans & advances	1,383	1,429	1,574	1,732
Other assets	429	435	479	527
Total assets	25,857	25,745	27,082	28,781

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	2,500	2,643	3,294	4,020
Add: Depreciation	2,536	2,688	2,769	2,824
Interest (net of tax)	948	800	693	600
Others	(111)	0	0	0
Changes in WC	197	(274)	(105)	(115)
Operating cash flow	5,578	5,130	5,745	6,223
Less: Capex	(4,302)	(1,049)	(1,500)	(1,500)
Free cash flow	1,276	4,081	4,245	4,723

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	18.0	16.6	18.3	19.6
RoCE (%)	25.0	23.3	25.8	27.5
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	3.6	4.7	6.0

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	105.4	4.8	24.6	22.0
RoE (%)	18.0	16.6	18.3	19.6
EBITDA growth (%)	45.6	7.0	10.2	10.2
Payout ratio (%)	23.4	28.6	30.3	31.0

4QFY25 earning call highlights

- **Volumes:** Volumes declined by 11% YoY/9% QoQ (2–3% on a LTL basis) due to discontinuation of low-margin contracts. VRL began discontinuing its low-margin business agreements in mid February as they came up for renewal. 85–90% of its low-realisation/margin contracts were discontinued by March, as per the company.

The company expects volumes to stay weak for at least two quarters and then inch up 3QFY25 onwards. Moreover, it expects some of discontinued contracts to come back given the value proposition and services it offers compared with unorganised peers.

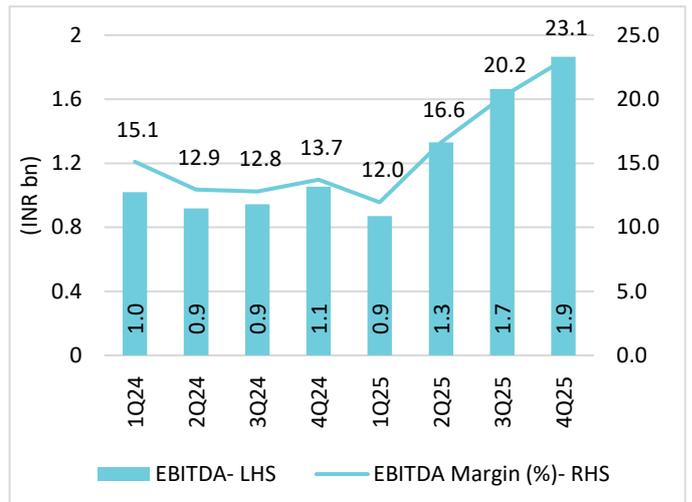
- **Branch:** VRLL added net 44 new branches in FY25 (opened 84 new branches and closed 40 branches), and the new branches contributed 1% of tonnage in FY25, as per the company. The company targets to open 80–100 new branches in FY26 and ramp up the contribution from newer branches.
- **Realisations:** Realisations grew 18% YoY/8% QoQ on account of: i) price hikes; and ii) mix (as VRLL let go of low-margin volumes). VRLL expects realisations to sustain at these levels, implying 6–7% growth in realisations in FY26.
- **Margins:** The company recorded margins of 23.1%, +940bp YoY/+290bp QoQ. The company expects margins in 1QFY26 to be similar to 4QFY25, and see a modest tapering in Q2/Q3 as employee costs are expected to go up (salary hikes). Having said that, sustainable margins are 19–20% as per the company.
- **Fuel cost:** Fuel cost reduced by 400bp YoY in Q4 on the back of bulk purchase from refineries increasing to 41% in 4QFY25 (versus 31% in 4QFY24). The company believes these are optimum levels of bulk purchase and should sustain going ahead.
- **Capex:** Capex increased by 80% YoY to INR4.3bn in FY25. The company had purchased properties across Bangalore, Mysuru and Mangalore during the year. Moreover, the company continues to incur capex during FY26, with the target of purchasing one or two properties. The capex is incurred through internal accruals.

Exhibit 1: Revenue trends



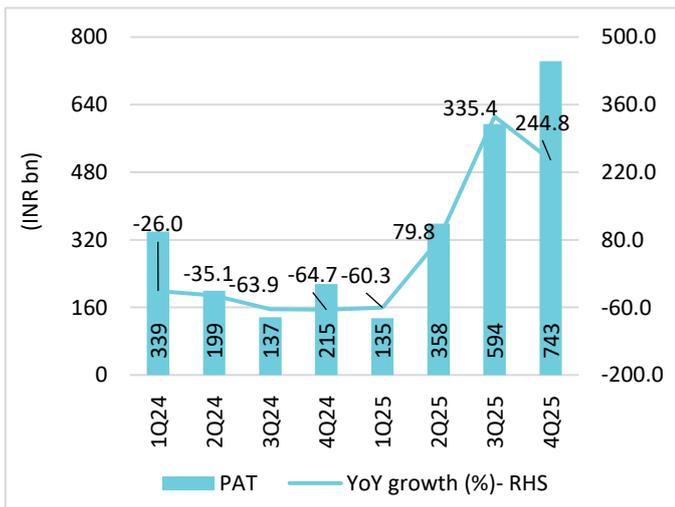
Source: Company, Nuvama Research

Exhibit 2: EBITDA and margin trends



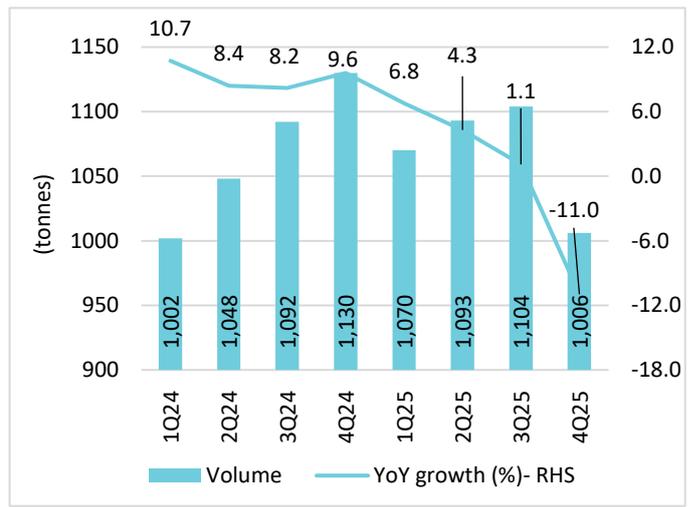
Source: Company, Nuvama Research

Exhibit 3: PAT trends



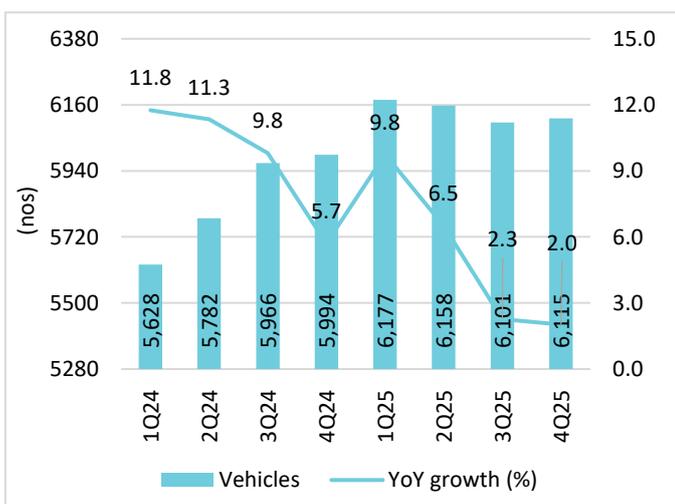
Source: Company, Nuvama Research

Exhibit 4: Volume trends



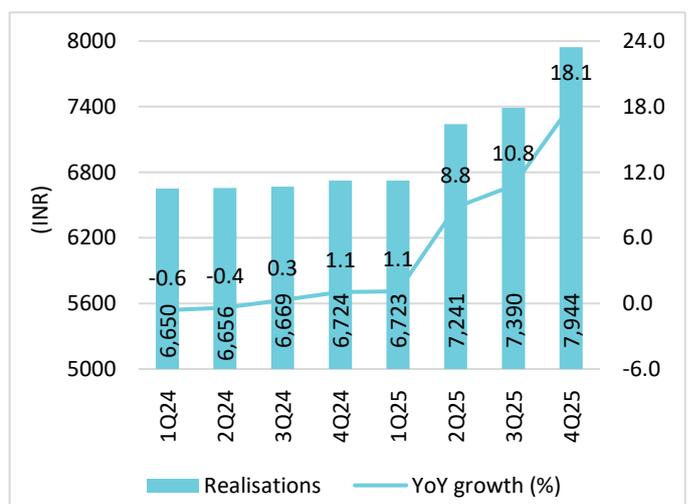
Source: Company, Nuvama Research

Exhibit 5: Vehicle trends



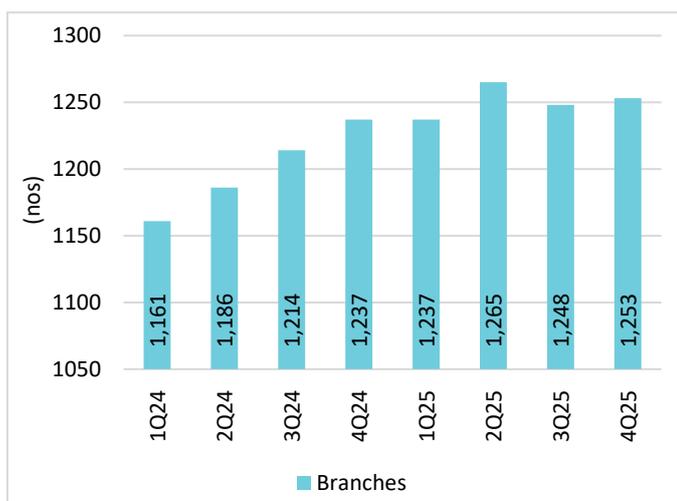
Source: Company, Nuvama Research

Exhibit 6: Realisation trends



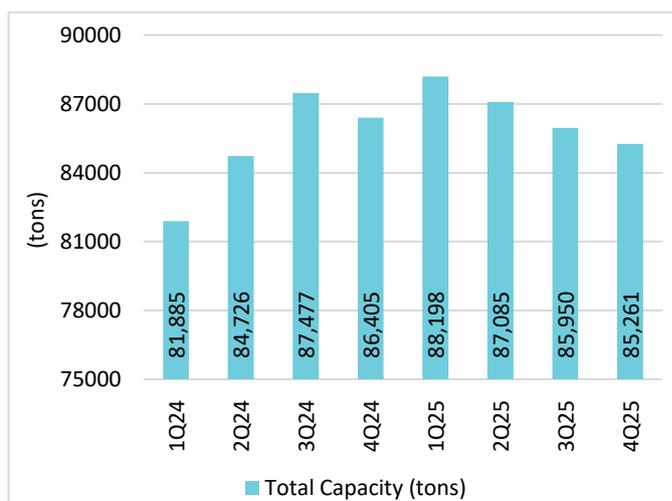
Source: Company, Nuvama Research

Exhibit 7: Branch network



Source: Company, Nuvama Research

Exhibit 8: Capacity trends



Source: Company, Nuvama Research

Exhibit 9: Quarterly performance

INR mn	4QFY24	4QFY25	YoY	3QFY25	QoQ	FY24	FY25	YoY
Net Sales	7,684	8,090	5%	8,252	-2%	28,886	31,609	9%
Volume (000 tonnes)	1,130	1,006	-11%	1,104	-9%	4,276	4,272	0%
Realisation (INR/t)	6,800	8,042	18%	7,475	8%	6,755	7,399	10%
Operating Expenses	5,240	4,729	-10%	5,089	-7%	19,668	19,994	2%
Gross Profit	2,444	3,361	38%	3,164	6%	9,219	11,616	26%
Gross margin	31.8%	41.5%	970 bps	38.3%	320 bps	31.9%	36.7%	480 bps
Employee Costs	1,282	1,393	9%	1,379	1%	4,851	5,452	12%
% of sales	16.7%	17.2%	50 bps	16.7%	50 bps	16.8%	17.2%	50 bps
Other Expenses	108	102	-6%	120	-15%	433	435	0%
% of sales	1.4%	1.3%	-10 bps	1.5%	-20 bps	1.5%	1.4%	-10 bps
Total Expenditure	6,631	6,224	-6%	6,588	-6%	24,952	25,880	4%
EBITDA	1,053	1,866	77%	1,664	12%	3,934	5,730	46%
EBITDA Margin	13.7%	23.1%	940 bps	20.2%	290 bps	13.6%	18.1%	450 bps
Depreciation	583	638	9%	646	-1%	2,162	2,536	17%
EBIT	471	1,229	161%	1,019	21%	1,773	3,194	80%
Other Income	38	25	-34%	57	-56%	211	255	21%
PBIT	509	1,254	146%	1,075	17%	1,984	3,448	74%
Interest	218	258	18%	241	7%	779	948	22%
Exceptional (Income)/Expense	-	-	-	-	-	5	-	-
Profit Before Tax	291	996	242%	835	19%	1,210	2,500	107%
Tax Expense	76	253	234%	240	5%	319	670	110%
Reported Net Profit	215	743	245%	594	25%	891	1,830	105%
Reported EPS (Basic)	2.46	8.49	245%	6.79	25%	10.18	20.91	105%
Adjusted Net Profit	215	743	245%	594	25%	895	1,830	104%
Adjusted EPS	2.46	8.49	245%	6.79	25%	10.24	20.91	104%

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	9.66	ABSL Fund 1.53
Bandhan Fund	4.50	
SBI Fund	3.11	
Nippon Fund	3.09	
Canara Robeco F	1.58	

*Latest public data

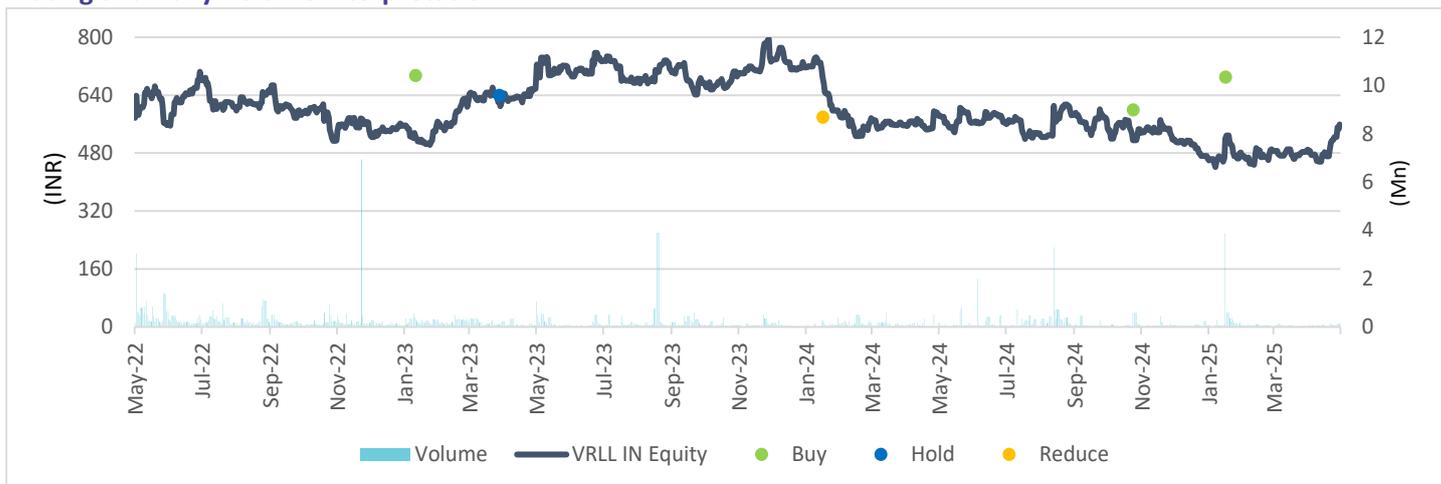
Recent Company Research

Date	Title	Price	Reco
06-Feb-25	Price-led growth; strong margin guidance; <i>Result Update</i>	520	Buy
14-Nov-24	Pricing action offsets weak volume growth; <i>Result Update</i>	515	Buy
06-Aug-24	Disappointing performance yet again; <i>Result Update</i>	536	Reduce

Recent Sector Research

Date	Name of Co./Sector	Title
16-May-25	Delhivery	Margins surprise; right growth trajectory; <i>Result Update</i>
21-Apr-25	Mahindra Logistics	Mixed performance; <i>Result Update</i>
09-Apr-25	Logistics	Steady quarter; <i>Sector 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%	204
Hold	<15% and >-5%	63
Reduce	<-5%	34

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