



India

ADD (previously **REDUCE**)

Consensus ratings*:	Buy 9	Hold 1	Sell 1
Current price:	Rs520		
Target price:	Rs650 ▲		
Previous target:	Rs500		
Up/downside:	25.0%		
InCred Research / Consensus:	2.5%		
Reuters:			
Bloomberg:	VRL IN		
Market cap:	US\$626m		
	Rs45,479m		
Average daily turnover:	US\$1.1m		
	Rs80.3m		
Current shares o/s:	88.3m		
Free float:	30.4%		
*Source: Bloomberg			

Key changes in this note

- Roll forward our valuation to Mar 2026F.
- Raise FY26F EBITDA estimate by 34%.
- Introduce FY27F estimates.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	3.3	(6.7)	(24.5)
Relative (%)	3.2	(4.0)	(30.2)

Major shareholders	% held
Promoter and Promoter Group	69.6
Nippon India	4.9
IDFC sterling value fund	4.1

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VRL Logistics Ltd

Maintains volume despite a sharp tariff hike

- 3QFY25 EBITDA rose by a whopping 76% yoy driven by a sharp tariff hike.
- Roll forward our valuation; upgrade to ADD rating with a higher TP of Rs650.

A whopping 76% yoy rise in EBITDA driven by sharp tariff hike

VRL Logistics' 3QFY25 sales (Rs8.3bn) grew by 12% yoy (just a 1% yoy cargo growth & 11% yoy tariff rise). Operating expenses (EBITDA level) rose by 2.6% yoy, above volume growth, despite just a 1% rise in freight costs (in line with volume), due to an 8% yoy rise in employee costs. EBITDA (Rs1.66bn) rose by 76% yoy, driven by a tariff hike in the last week of Jun 2024. The last hike was three years ago, in 2QFY22. The EBITDA margin jumped to 20.2% (up 736bp yoy). VRL Logistics expects the PBITDA margin to moderate from 20.7% in 3QFY25 to 18% in the coming quarters, implying a 17.5% EBITDA margin. We factor in EBITDA margin of 17%/16% in FY26F/27F, respectively, vs. an average 14.7% over FY20-24. In the four quarters prior to 2QFY25, despite focusing on volume, average yoy volume growth was just 8.2% while EBITDA declined by 8% yoy. We believe the focus on margin is a positive development.

VRL buys transshipment hub: fair transaction of 7.5% rental yield

In Dec 2024, VRL Logistics purchased a facility (27.3 acres) at Bengaluru for Rs2.3bn from Mr. Neelakanta Naidu (not a related party). This is currently leased by the company (over 10 years) for Rs157m pa. A part of the premises was let out to a third entity by the seller for Rs15m pa lease, which will now accrue to VRL. The hub is critical to the company's South India operations (~3kt daily). We believe this is a reasonable transaction and there will be a negligible impact on the P&L account and RoCE. Rental yield of the transaction is 7.5%. This is already a part of VRL's balance sheet as a right-of-use asset (~Rs2.5bn).

Roll forward our valuation; upgrade to ADD with a new TP of Rs650

We have raised our FY26F EBITDA by 34% and introduced FY27 estimates. Over FY25F-27F, we factor in sales/volume/EBITDA CAGR of 9%/ 6%/ 5%, respectively. We roll forward our valuation to Mar 2026F (from Mar 2025F earlier), valuing the stock at 10.5x EV/EBITDA (in line with the six-year median EV/EBITDA of 10.6x). VRL Logistics trades at 9.4x FY26F EV/EBITDA, at an 11% discount to the six-year median. We have upgraded our rating on VRL to ADD (REDUCE earlier) with a higher target price of Rs650 (Rs500 earlier). Downside risk: Intense competition leading to tariff cut.

Financial Summary

	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue (Rsm)	26,485	28,886	31,761	34,504	37,990
Operating EBITDA (Rsm)	4,017	3,934	5,509	5,857	6,096
Net Profit (Rsm)	3,232	889	1,556	1,698	1,786
Core EPS (Rs)	17.5	10.1	17.8	19.4	20.4
Core EPS Growth	(0.2%)	(42.5%)	76.6%	9.2%	5.2%
FD Core P/E (x)	14.21	51.43	29.24	26.78	25.47
DPS (Rs)	5.0	0.0	6.0	7.0	7.0
Dividend Yield	0.96%	0.00%	1.15%	1.35%	1.35%
EV/EBITDA (x)	13.11	14.35	9.99	9.02	8.27
P/FCFE (x)	22.48	12.99	31.00	16.12	15.03
Net Gearing	68.9%	113.6%	91.2%	63.6%	38.8%
P/BV (x)	4.71	4.81	4.34	3.93	3.57
ROE	19.0%	9.2%	15.6%	15.4%	14.7%
% Change In Core EPS Estimates			23.55%		
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Maintains volume despite a sharp tariff hike

Figure 1: Results update

(Rs. m)	Quarter ended				% Chg
	3QFY25	3QFY24	% Chg	2QFY25	
Net Sales	8,252	7,367	12	7,995	3
Freight, handling cost	5,089	5,032	1	5,197	-2
Other costs	1,499	1,392	8	1,468	2
EBITDA	1,664	943	76	1,330	25
Other income	57	24	136	25	127
Depreciation	646	568	14	638	1
Interest	241	213	13	224	7
PBT	835	187	347	493	69
Tax	240	50		135	
Reported PAT	594	137	335	358	66
EBITDA margin (%)	20.2	12.8	736bp	16.6	353bp
EBT margin (%)	9.4	2.2	722bp	5.9	357bp

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 2: Volume CAGR of the goods transport segment

(%)	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25
GT volume							
CAGR from FY20 *	8.1	8.6	7.4	9.1	7.8	7.7	6.1

*4QFY24 CAGR is calculated vs. 4QFY19

SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 3: Key metrics

(%)	YoY	QoQ
Growth in Goods transport tariff	10.8	2.5
Growth in Goods transport volume	1.1	0.7
Growth in freight, handling & servicing cost	1.1	-2.1
Growth in fuel price	-6.0	-2.8

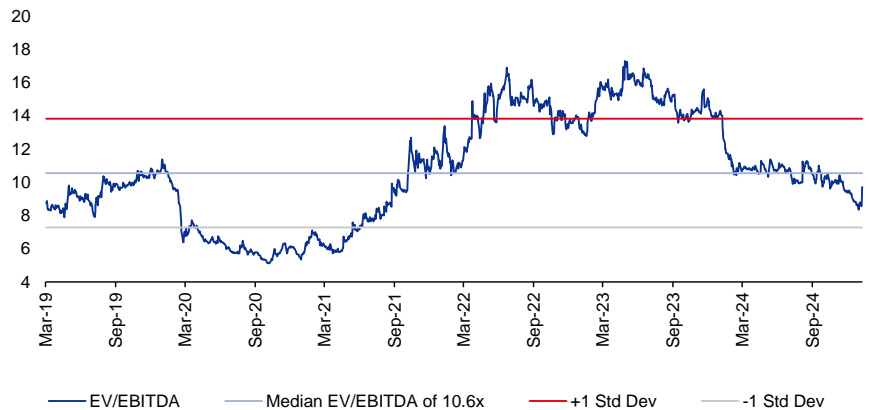
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 4: Our revised earnings estimates

(Rs m)	FY25F		FY26F		FY27F
	Old	New	Old	New	
Sales	30,819	31,761	33,445	34,504	37,990
% change		3		3	
EBITDA	4,020	5,509	4,363	5,857	6,096
% change		37		34	
PAT	815	1,556	914	1,698	1,786
% change		91		86	

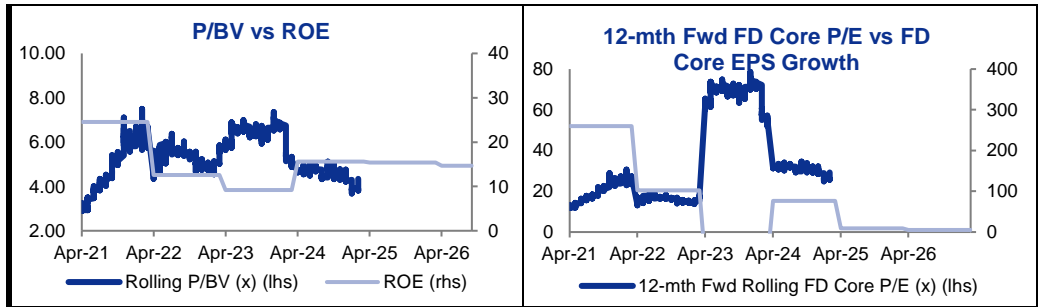
SOURCE: INCRED RESEARCH, COMPANY REPORTS

Figure 5: Over the last six years, VRL Logistics' median one-year forward EV/EBITDA was 10.6x; it is currently trading at 9.4x FY26F EV/ EBITDA (11% discount to the median)



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

BY THE NUMBERS



Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Net Revenues	26,485	28,886	31,761	34,504	37,990
Gross Profit	8,495	9,219	11,313	12,175	13,351
Operating EBITDA	4,017	3,934	5,509	5,857	6,096
Depreciation And Amortisation	(1,591)	(2,162)	(2,547)	(2,712)	(2,844)
Operating EBIT	2,425	1,773	2,962	3,145	3,253
Financial Income/(Expense)	(400)	(568)	(831)	(819)	(806)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
Profit Before Tax (pre-EI)	2,025	1,205	2,131	2,326	2,446
Exceptional Items	2,208	5			
Pre-tax Profit	4,234	1,210	2,131	2,326	2,446
Taxation	(1,002)	(321)	(575)	(628)	(661)
Exceptional Income - post-tax					
Profit After Tax	3,232	889	1,556	1,698	1,786
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Net Profit	3,232	889	1,556	1,698	1,786
Recurring Net Profit	1,546	885	1,556	1,698	1,786
Fully Diluted Recurring Net Profit	1,546	885	1,556	1,698	1,786

Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
EBITDA	4,017	3,934	5,509	5,857	6,096
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(325)	(149)	265	(88)	(104)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,208	5			
Other Operating Cashflow					
Net Interest (Paid)/Received	(400)	(568)	(831)	(819)	(806)
Tax Paid	(1,002)	(321)	(575)	(628)	(661)
Cashflow From Operations	4,499	2,901	4,367	4,322	4,526
Capex	(4,140)	(2,988)	(2,900)	(1,500)	(1,500)
Disposals Of FAs/subsidiaries	(150)	150			
Acq. Of Subsidiaries/investments					
Other Investing Cashflow					
Cash Flow From Investing	(4,290)	(2,838)	(2,900)	(1,500)	(1,500)
Debt Raised/(repaid)	1,834	3,456			
Proceeds From Issue Of Shares	2,138	(1,186)			
Shares Repurchased					
Dividends Paid	(442)		(525)	(612)	(612)
Preferred Dividends					
Other Financing Cashflow	(3,129)	(2,897)	236		
Cash Flow From Financing	401	(626)	(289)	(612)	(612)
Total Cash Generated	610	(563)	1,178	2,209	2,414
Free Cashflow To Equity	2,043	3,520	1,467	2,822	3,026
Free Cashflow To Firm	752	842	2,418	3,773	3,977

SOURCE: INCRED RESEARCH, COMPANY REPORTS

BY THE NUMBERS...cont'd

Balance Sheet					
(Rs mn)	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Total Cash And Equivalents	752	190	1,367	3,577	5,990
Total Debtors	817	885	953	1,035	1,140
Inventories	528	412	635	690	760
Total Other Current Assets	541	602	671	717	776
Total Current Assets	2,638	2,088	3,626	6,019	8,666
Fixed Assets	15,197	19,232	19,350	18,138	16,795
Total Investments	159	9	9	9	9
Intangible Assets					
Total Other Non-Current Assets	922	810	810	810	810
Total Non-current Assets	16,279	20,052	20,169	18,958	17,614
Short-term Debt	281	571	10,934	10,934	10,934
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	1,220	1,076	1,701	1,796	1,926
Total Current Liabilities	1,500	1,647	12,635	12,730	12,860
Total Long-term Debt	7,197	10,363			
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
Total Non-current Liabilities	7,197	10,363			
Total Provisions	461	672	672	672	672
Total Liabilities	9,159	12,682	13,307	13,402	13,532
Shareholders Equity	9,758	9,458	10,489	11,574	12,748
Minority Interests					
Total Equity	9,758	9,458	10,489	11,574	12,748

Key Ratios					
	Mar-23A	Mar-24A	Mar-25F	Mar-26F	Mar-27F
Revenue Growth	11.0%	9.1%	10.0%	8.6%	10.1%
Operating EBITDA Growth	1.1%	(2.0%)	40.0%	6.3%	4.1%
Operating EBITDA Margin	15.2%	13.6%	17.3%	17.0%	16.0%
Net Cash Per Share (Rs)	(76.13)	(122.84)	(109.37)	(84.11)	(56.52)
BVPS (Rs)	110.46	108.13	119.91	132.33	145.74
Gross Interest Cover	4.46	2.28	3.11	3.31	3.42
Effective Tax Rate	23.7%	26.6%	27.0%	27.0%	27.0%
Net Dividend Payout Ratio	43.2%		33.7%	36.1%	34.3%
Accounts Receivables Days	10.26	10.75	10.56	10.51	10.45
Inventory Days	10.01	8.72	9.35	10.83	10.74
Accounts Payables Days					
ROIC (%)	19.6%	10.6%	14.2%	15.2%	16.6%
ROCE (%)	17.0%	10.2%	14.3%	14.5%	14.3%
Return On Average Assets	8.7%	7.1%	10.4%	10.3%	10.1%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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Definition:

- Add** The stock's total return is expected to exceed 10% over the next 12 months.
- Hold** The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
- Reduce** The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

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Definition:

- Overweight** An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
- Neutral** A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
- Underweight** An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

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Definition:

- Overweight** An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
- Neutral** A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
- Underweight** An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.