

## India

**ADD** (no change)

Consensus ratings\*: Buy 9 Hold 0 Sell 0

Current price:	Rs564
Target price:	Rs650
Previous target:	Rs650
Up/downside:	15.2%
InCred Research / Consensus:	-6.0%
Reuters:	VRLL.NS
Bloomberg:	VRLL IN
Market cap:	US\$562m Rs49,310m
Average daily turnover:	US\$1.3m Rs113.3m
Current shares o/s:	88.3m
Free float:	30.4%

\*Source: Bloomberg

**Key changes in this note**

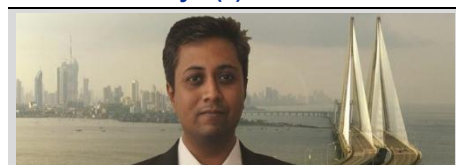
- Increase our FY26F/27F EBITDA by 15%/9%, respectively.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	(6.3)	16.9	6.4
Relative (%)	(2.7)	16.5	4.1

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

## Focus on margin is a positive development

- EBITDA rose by 78% yoy, driven by a tariff hike & reduced low-margin biz.
- Maintain ADD rating on the stock with an unchanged target price of Rs650.

**78% yoy EBITDA rise due to tariff hike, reduced low-margin business**

VRL Logistics' (VRL) 1QFY26 sales rose by 2% yoy (12.6% yoy cargo dip & 17% yoy tariff rise). Opex (EBITDA-level) dipped 7.9% yoy (vs. 12.6% yoy volume decline). While freight costs dipped 11.5% yoy (in line with volume), employee costs & other expenses rose by 5% yoy. EBITDA rose by 78% yoy. We consider the Rs30m loss on scrappage as extraordinary. VRL expects its EBITDA margin to moderate from 20.8% in 1QFY26 to 18-19% in FY27F. We factor in EBITDA margin of 20.6%/18.8% in FY26F/27F, respectively, vs. an average 14.7% over FY20-24. The sharp rise in tariff & a dip in volume yoy was due to discontinuation of low-margin business from Feb 2025 (besides a tariff hike in the last week of Jun 2024). The previous tariff hike was three years ago, i.e. in 2QFY22. In the four quarters prior to 2QFY25, despite focusing on volume, the average yoy volume growth was just 8.2% but EBITDA declined by 8% yoy. We believe the focus on margin is a positive development.

**Maintain ADD rating with an unchanged target price of Rs650**

We consider a 4% yoy volume decline in FY26F (factoring in 13%/ 8% yoy volume decline in 1QFY26/ 2QFY26F, respectively, flat volume yoy in 3QFY26F and a 7% yoy volume rise in 4QFY26F). For FY27F, we factor in a 7% yoy volume growth. Over FY25F-27F, we factor in sales/ volume/ EBITDA CAGR of 6%/ 1.5%/ 8%, respectively. We have raised our FY26F/27F EBITDA by 15%/9%, respectively. We value the stock at 10x EV/EBITDA (in line with its six-year median). VRL trades at 9.1x FY26F EV/EBITDA, at a 10% discount to its six-year median. We maintain our ADD rating on VRL with an unchanged target price of Rs650. Downside risk: Intense competition leading to tariff cut.

Financial Summary	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue (Rsm)	26,485	28,886	31,609	32,760	35,375
Operating EBITDA (Rsm)	4,017	3,934	5,730	6,741	6,654
Net Profit (Rsm)	3,232	889	1,830	2,252	2,162
Core EPS (Rs)	17.5	10.1	20.0	25.7	24.7
Core EPS Growth	(0.2%)	(42.5%)	98.3%	29.0%	(4.0%)
FD Core P/E (x)	15.41	55.77	26.95	21.89	22.81
DPS (Rs)	5.0	5.0	15.0	7.0	7.0
Dividend Yield	0.89%	0.89%	2.66%	1.24%	1.24%
EV/EBITDA (x)	14.07	15.33	10.79	8.60	8.16
P/FCFE (x)	24.38	14.08	23.94	11.49	11.52
Net Gearing	68.9%	113.6%	115.3%	69.5%	35.7%
P/BV (x)	5.10	5.21	4.55	3.95	3.51
ROE	19.0%	9.2%	17.2%	19.3%	16.3%
% Change In Core EPS Estimates					
InCred Research/Consensus EPS (x)					

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## Focus on margin is a positive development

**Figure 1: Results update:** Sales grew by 2% yoy (12.6% yoy cargo dip & 17% yoy tariff rise); opex (EBITDA-level) dipped 7.9% yoy (vs. 12.6% yoy volume decline); while freight costs dipped by 11.5% yoy (in line with volume), employee costs & other expenses rose by 5% yoy; EBITDA rose by 78% yoy; we consider the Rs30m loss on scrappage as extraordinary

**Figure 2: Volume CAGR of the goods transport segment:** 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

	Quarter ended				
(Rs. m)	1QFY26	1QFY25	% Chg	4QFY25	% Chg
<b>Net Sales</b>	<b>7,443</b>	<b>7,272</b>	<b>2</b>	<b>8,090</b>	<b>-8</b>
Freight, handling cost	4,404	4,979	-12	4,729	-7
Other costs	1,493	1,424	5	1,495	0
<b>EBITDA</b>	<b>1,546</b>	<b>869</b>	<b>78</b>	<b>1,866</b>	<b>-17</b>
Other income	65	34	91	25	158
Depreciation	647	615	5	638	1
Interest	262	226	16	258	2
<b>PBT</b>	<b>702</b>	<b>62</b>	<b>1,028</b>	<b>996</b>	<b>-29</b>
Tax	180	15		253	
Adjusted PAT	523	48	999	743	-30
Extraordinary income	-22	87		0	
<b>Reported PAT</b>	<b>500</b>	<b>134</b>	<b>272</b>	<b>743</b>	<b>-33</b>
<b>EBITDA margin (%)</b>	<b>20.8</b>	<b>11.9</b>	<b>882bp</b>	<b>23.1</b>	<b>-229bp</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

(%)	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	1QFY26
GT volume CAGR from FY20 *	7.4	9.1	7.8	7.7	6.1	5.4	4.1

\*4QFY24/ 4QFY25 CAGR is calculated vs. 4QFY19

SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 3: Key metrics:** The sharp rise in tariff & a dip in volume yoy was due to discontinuation of low-margin business from Feb 2025 (besides a tariff hike in the last week of Jun 2024); the last hike was three years ago, in 2QFY22.

**Figure 4: Our revised earnings estimates**

(%)	YoY	QoQ
Growth in Goods transport tariff	17.1	-0.2
Growth in Goods transport volume	-12.6	-7.8
Growth in freight, handling & servicing cost	-11.5	-6.9
Growth in fuel price	-3.6	-1.7

SOURCE: INCRED RESEARCH, COMPANY REPORTS

(Rs m)	FY26F		FY27F	
	Old	New	Old	New
Sales	34,504	32,760	37,990	35,375
% change		-5		-7
EBITDA	5,857	6,741	6,096	6,654
% change		15		9
PAT	1,698	2,252	1,786	2,162
% change		33		21

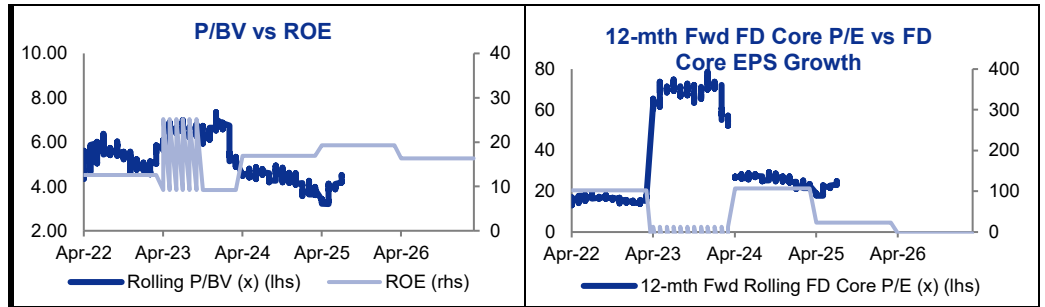
SOURCE: INCRED RESEARCH, COMPANY REPORTS

**Figure 5: Over the last six years, VRL Logistics' median one-year forward EV/EBITDA was 10x; it is currently trading at 9.1x FY26F (10% discount to the median)**



SOURCE: INCRED RESEARCH, COMPANY REPORTS, BLOOMBERG

## BY THE NUMBERS



### Profit & Loss

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>Total Net Revenues</b>	<b>26,485</b>	<b>28,886</b>	<b>31,609</b>	<b>32,760</b>	<b>35,375</b>
<b>Gross Profit</b>	<b>8,495</b>	<b>9,219</b>	<b>11,616</b>	<b>13,402</b>	<b>14,385</b>
<b>Operating EBITDA</b>	<b>4,017</b>	<b>3,934</b>	<b>5,730</b>	<b>6,741</b>	<b>6,654</b>
Depreciation And Amortisation	(1,591)	(2,162)	(2,536)	(2,788)	(2,839)
<b>Operating EBIT</b>	<b>2,425</b>	<b>1,773</b>	<b>3,193</b>	<b>3,953</b>	<b>3,815</b>
Financial Income/(Expense)	(400)	(568)	(807)	(889)	(873)
Pretax Income/(Loss) from Assoc.					
Non-Operating Income/(Expense)					
<b>Profit Before Tax (pre-EI)</b>	<b>2,025</b>	<b>1,205</b>	<b>2,386</b>	<b>3,064</b>	<b>2,942</b>
Exceptional Items	2,208	5	114		
<b>Pre-tax Profit</b>	<b>4,234</b>	<b>1,210</b>	<b>2,500</b>	<b>3,064</b>	<b>2,942</b>
Taxation	(1,002)	(321)	(670)	(812)	(780)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>3,232</b>	<b>889</b>	<b>1,830</b>	<b>2,252</b>	<b>2,162</b>
Minority Interests					
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>3,232</b>	<b>889</b>	<b>1,830</b>	<b>2,252</b>	<b>2,162</b>
Recurring Net Profit	1,546	885	1,746	2,252	2,162
<b>Fully Diluted Recurring Net Profit</b>	<b>1,546</b>	<b>885</b>	<b>1,746</b>	<b>2,252</b>	<b>2,162</b>

### Cash Flow

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
<b>EBITDA</b>	<b>4,017</b>	<b>3,934</b>	<b>5,730</b>	<b>6,741</b>	<b>6,654</b>
Cash Flow from Invt. & Assoc.					
Change In Working Capital	(325)	(149)	19	(149)	(122)
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	2,208	5	114		
<b>Other Operating Cashflow</b>					
Net Interest (Paid)/Received	(400)	(568)	(807)	(889)	(873)
Tax Paid	(1,002)	(321)	(670)	(812)	(780)
<b>Cashflow From Operations</b>	<b>4,499</b>	<b>2,901</b>	<b>4,385</b>	<b>4,892</b>	<b>4,880</b>
Capex	(4,140)	(2,988)	(4,437)	(600)	(600)
Disposals Of FAs/subsidiaries	(150)	150			
Acq. Of Subsidiaries/investments					
<b>Other Investing Cashflow</b>					
<b>Cash Flow From Investing</b>	<b>(4,290)</b>	<b>(2,838)</b>	<b>(4,436)</b>	<b>(600)</b>	<b>(600)</b>
Debt Raised/(repaid)	1,834	3,456	2,111		
Proceeds From Issue Of Shares		(748)			
Shares Repurchased					
Dividends Paid	(442)	(437)	(1,312)	(612)	(612)
Preferred Dividends					
Other Financing Cashflow	(991)	(2,897)	(399)	150	
<b>Cash Flow From Financing</b>	<b>401</b>	<b>(626)</b>	<b>400</b>	<b>(462)</b>	<b>(612)</b>
Total Cash Generated	610	(563)	349	3,829	3,667
<b>Free Cashflow To Equity</b>	<b>2,043</b>	<b>3,520</b>	<b>2,060</b>	<b>4,292</b>	<b>4,280</b>
<b>Free Cashflow To Firm</b>	<b>752</b>	<b>842</b>	<b>897</b>	<b>5,335</b>	<b>5,323</b>

SOURCE: INCRED RESEARCH, COMPANY REPORTS

## BY THE NUMBERS...cont'd

### Balance Sheet

(Rs mn)	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Total Cash And Equivalents	752	190	538	4,369	8,036
Total Debtors	817	885	929	983	1,061
Inventories	528	412	429	491	531
Total Other Current Assets	541	602	628	670	715
<b>Total Current Assets</b>	<b>2,638</b>	<b>2,088</b>	<b>2,525</b>	<b>6,513</b>	<b>10,343</b>
Fixed Assets	15,197	19,232	22,569	20,230	17,991
Total Investments	159	9	9	9	9
Intangible Assets					
Total Other Non-Current Assets	922	810	754	754	754
<b>Total Non-current Assets</b>	<b>16,279</b>	<b>20,052</b>	<b>23,332</b>	<b>20,993</b>	<b>18,754</b>
Short-term Debt	281	571	788	13,045	13,045
Current Portion of Long-Term Debt					
Total Creditors					
Other Current Liabilities	1,220	1,076	1,188	1,198	1,239
<b>Total Current Liabilities</b>	<b>1,500</b>	<b>1,647</b>	<b>1,976</b>	<b>14,243</b>	<b>14,284</b>
Total Long-term Debt	7,197	10,363	12,258		
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities					
<b>Total Non-current Liabilities</b>	<b>7,197</b>	<b>10,363</b>	<b>12,258</b>		
Total Provisions	461	672	778	778	778
<b>Total Liabilities</b>	<b>9,159</b>	<b>12,682</b>	<b>15,011</b>	<b>15,021</b>	<b>15,061</b>
Shareholders Equity	9,758	9,458	10,846	12,485	14,035
Minority Interests					
<b>Total Equity</b>	<b>9,758</b>	<b>9,458</b>	<b>10,846</b>	<b>12,485</b>	<b>14,035</b>

### Key Ratios

	Mar-23A	Mar-24A	Mar-25A	Mar-26F	Mar-27F
Revenue Growth	11.0%	9.1%	9.4%	3.6%	8.0%
Operating EBITDA Growth	1.1%	(2.0%)	45.6%	17.6%	(1.3%)
Operating EBITDA Margin	15.2%	13.6%	18.1%	20.6%	18.8%
Net Cash Per Share (Rs)	(76.13)	(122.84)	(142.98)	(99.20)	(57.27)
BVPS (Rs)	110.46	108.13	123.99	142.74	160.46
Gross Interest Cover	4.46	2.28	3.37	3.79	3.66
Effective Tax Rate	23.7%	26.6%	26.8%	26.5%	26.5%
Net Dividend Payout Ratio	43.2%	49.5%	76.5%	27.2%	28.3%
Accounts Receivables Days	10.26	10.75	10.47	10.65	10.55
Inventory Days	10.01	8.72	7.68	8.68	8.89
Accounts Payables Days					
ROIC (%)	19.6%	10.6%	15.3%	16.4%	17.4%
ROCE (%)	17.0%	10.2%	14.6%	16.1%	14.7%
Return On Average Assets	8.7%	7.1%	10.5%	11.8%	10.7%

SOURCE: INCRED RESEARCH, COMPANY REPORTS

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## Recommendation Framework

### Stock Ratings

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.*

### Sector Ratings

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.

### Country Ratings

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.