VRL Logistics

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Annual Report Analysis FY20

VRL Logistics reported the muted revenue growth for FY20 as the difficult macroeconomic conditions put pressure on both Goods Transport (~81% of revenue) and Bus Segment (~16% of revenue). Both the segments were hit badly by COVID-19. The asset ownership model operated by the company along with ~20,000 employee base and fluctuation in diesel cost attracts has affected monthly fixed costs which is expected to put huge pressure on margin and expect to incur the losses in FY21. Recovery is expected from H2FY21E with improvement in business sentiments and opening of the economy.

Muted operational performance in FY20

VRLL's FY20, revenue remained flat YoY to Rs 21.2Bn driven 1% tonnage growth and flat realization. The revenue growth was led by Goods transport segment which grew by 2% YoY offset by -10%/-16% YoY in Bus/Power segment. Air charter service which forms 1% of the revenue saw a sharp jump of 85% YoY. Bus segment witnessed 25% fall in passenger offset by 5% realization growth as total buses declined by ~45 to 337. The company's EBITDA declined by 12% YoY driven by higher operating cost. Margins declined by 150 bps YoY to 10.1% vs 11.6% in FY19 (peak margin of 16.4% in FY15). PAT came higher 4% YoY to Rs 958mn.

Huge capex in FY20, No major capex in FY21

VRLL's gross addition in GT vehicles stood at 520 (SV - 64 vehicles, LCV-22 Vehicles, HGV - 432 vehicles, Tankers2 vehicles). 164 vehicles sold/scrapped. Thus Overall, 356 GT vehicle was added in FY20 to 4754 vehicles vs 4398 vehicles in FY19. Bus numbers reduced to 337 vs 381 YoY, Net debt increased from Rs. ~1.3Bn (FY19) to Rs 1.8 Bn in FY20. Capex for FY20 stood at Rs 1.2Bn vs Rs 2.1Bn in FY19 (Vehicle addition and Surat Facility). No capex for FY21 as major capex on vehicle addition was done in FY20.

COVID to hit hard in FY21, losses expected

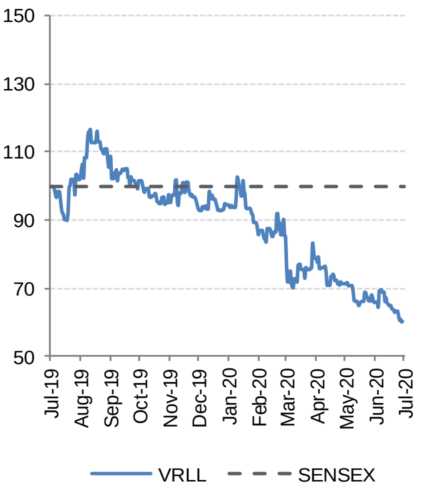
Q1 bus revenues are driven by the marriage season and vacation in schools. However, this time none of passenger buses were operational resulting complete loss of revenues. Further It faced the problem of scarcity in drivers and labor for material handling. Many drives deserted their post in order to reach to their native villages during April/May. The company has announced the few cost cutting measures like (a) More focus on bio-diesel usage. (b) Pay cut by the middle and senior level employees, Salary cuts. (c) change in maintenance schedule of GT vehicles will result some cost benefit. Cloth remains the major commodity forming 12% now vs 15-16% in pre-COVID era. Agri and Pharma products have increased by 3-4%. Paints, FMCG (house hold items) have seen growth while printed goods/education related items, manufacturing goods have witnessed a decline. The company has taken price hikes in order to mitigate overhead cost and offset the very low volumes.

VRL expects recovery in H2FY21, with normalcy by Q4

VRL expects recovery from August 2020 onwards but the restoration of freight volume to normalcy is expected only by the last quarter of FY21. The company is being selective in deploying the Full Truck Loads and Parcels depending on return load and other ground level position. Further prioritizing the deployment of our own fleet thereby reducing dependence on outside vehicles and cost cutting measures will benefit the company way forward.

CMP	Rs 154
Target / Downside	Rs 175 / 14%
BSE Sensex	37,114
NSE Nifty	10,902
Scrip Details	
Equity / FV	Rs 903mn / Rs 10
Market Cap	Rs 14bn
	USD 185mn
52-week High/Low	Rs 302/Rs 130
Avg. Volume (no)	105,528
NSE Symbol	VRLLOG
Bloomberg Code	VRLL IN
Shareholding Pattern Mar'20(%)	
Promoters	68.1
MF/Banks/FIs	20.3
FIIs	5.5
Public / Others	6.1

VRL Logistics Relative to Sensex



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DOLAT CAPITAL

Annual Report Macro View

Key Management	No change in the management
Board of Directors	**Mr. K N Umesh,** Whole-time Director and Mr. Raghottam Akamanchi, Non-Executive Director of the Company, retire by rotation was re-appointed **Mrs. Medha Pawar** (w.e.f. Dec 12th, 2019) and Dr. Anand Pandurangi (w.e.f. Feb 19th, 2020), both Independent Directors was re-appointed for 5 years subject to approval of shareholders by Special Resolution at the ensuing General Meeting
Credit Rating	ICRA Limited has upgraded the Long term rating of the Company from [ICRA] A to [ICRA] A+. The outlook on the long term rating is Stable.
Auditors	M/s Walker, Chandiok & Co, LLP continues to be the Auditors of the Company
Pledged Shares	No pledge shares

Key Holders

Category of Shareholder (%)	FY2019	FY2020
A. Promoters	**68.1**	**68.1**
B. Public Shareholding	**32.0**	**32.0**
1. Institutions:		
a. Mutual Funds	19.4	21.4
b. Banks/FI	0.0	0.0
c. Alternative Investments Funds	0.2	0.2
d. Insurance Companies	-	-
e. FII & FPI	5.9	4.7
2. Non-Institutions:		
a. Bodies Corp.	1.0	0.4
b. Individuals	5.1	4.4
c. Others	0.4	0.9
C. Shares held by Custodian for GDRs & ADRs	-	-
Total	**100.0**	**100.0**

Key Takeaways from the MD&A

Company Overview:

Industry Structure remains resilient despite FY21 a washout year

Currently LTL/FTL forms ~88%/10% of road industry size while road express forms 2%. LTL segment where VRLL commands strong market position remains more profitable than FTL as the customer has relatively low bargaining power. India's USD $ 100Bn road logistics market has reported 9-10% CAGR over the past decade. An increased in economic activities, rail: roads mix in surface transport, supported by positive regulatory changes and infrastructure investments will drive the sector posting CAGR of around 10% to around USD 190 bn by FY25. The company observes that post GST, customers are demanding quicker and smaller truck loads directly to distributors rather than multiple warehouses situated at different parts of the country, resulting sift from FTL to LTL.

Strong Infrastructural capabilities

The company operates across 22 States and 5 Union Territories in India though 700+ branches, 166 Agencies and 47 Transhipment hubs and offers LTL goods transportation services. It is also one of the largest fleet owner of commercial vehicles in the Country with ~5000+ vehicles. The strong network of branches and franchisees across India along with its owned fleet of commercial vehicles with dedicated in-house vehicle body designing and vehicle maintenance facilities helps to cater to the parcel transportation. The Company has established owned transshipment hubs at key locations like Hubballi, Mumbai, Mangalore, Mysore, Bhilwara, Vijayapura, Gangavati, Surat and Davangere. Long term leases have also been entered at key locations such as Chennai, Delhi, Hyderabad, Bengaluru, Pune, Kolkata, etc. Owned infrastructure enables the company to set up good quality maintenance facilities, better infrastructure for goods movement and material handling along with a lot of flexibility in conducting business operations, cost savings and also scaling up its service levels.

Huge capex in FY20, No major capex in FY21

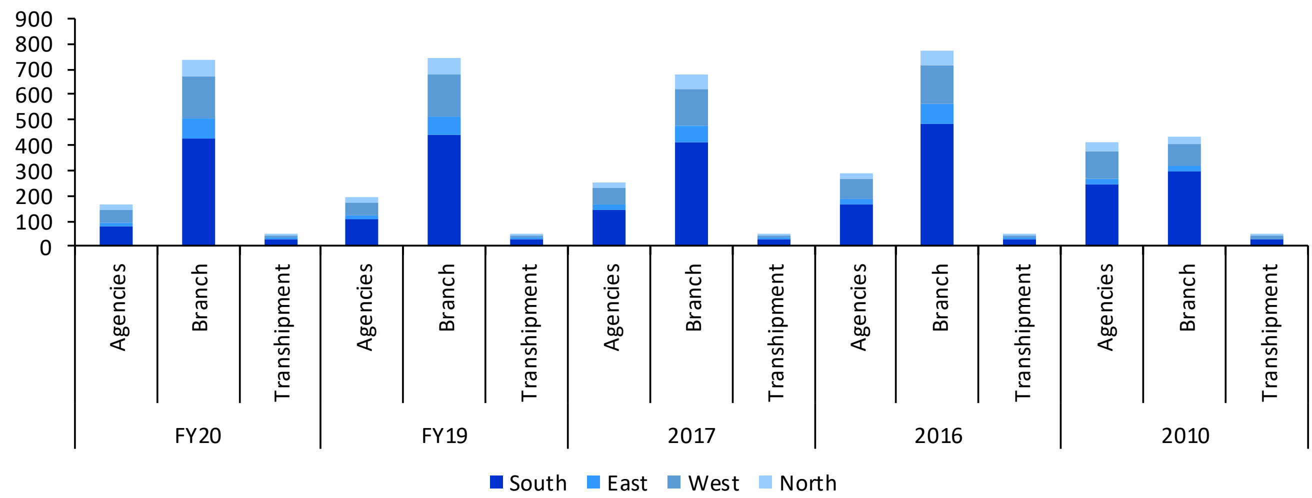
During FY20, the company has incurred capex of Rs 1.66 Bn. Out of which Rs.1Bn was invested on purchase of new fleet (Gross addition of 520 goods transport vehicles in FY20 Small Vehicles - 64 vehicles, LCVs-22 Vehicles, HGVs - 432 vehicles, Tankers-2). 164 vehicles sold/scrapped. Thus Overall 356 GT vehicle was added in FY20 to 4754 vehicles vs 4398 vehicles in FY19. Bus numbers reduced to 337 vs 381 YoY. Rs 367mn was spent on additional Buildings out of which Rs 313mn was spent for Building in Surat and Rs 50mn was spent on additional Building in Ballari. Rs 193mn was incurred towards addition of other capex components which include the cost incurred on additions to Aircrafts, Plant & Equipments, Office Equipments, Furnitures and Fixtures and Leasehold Improvements. No capex for FY21 as major capex on vehicle addition was done in FY20. Total vehicles have grown at CAGR of 6.4% while Bus/GT segment has grown at CAGR of 5.6%/6.5% respectively.

Exhibit 1: Annual Addition of vehicles

Year	Buses	GT Vehicles	Total	YoY Growth
FY10	196	2,534	**2,730**	2.3
FY11	296	2,682	**2,978**	9.1
FY12	423	3,105	**3,528**	18.5
FY13	460	3,130	**3,590**	1.8
FY14	477	3,397	**3,874**	7.9
FY15	375	3,709	**4,084**	5.4
FY16	381	3,872	**4,253**	4.1
FY17	419	3,941	**4,360**	2.5
FY18	396	4,007	**4,403**	1.0
FY19	381	4,398	**4,779**	8.5
FY20	337	4,754	**5,091**	6.5

Source: Company, DART

Exhibit 2: Region-wise network breakup



Source: Company, DART

COVID-19 impact

Impact on industries

- **Labor shortage:** Various industries witnessed labour shortages, cargo capacity challenges, a manufacturing slowdown, order delays and stuck shipments, and demand and supply shocks. According to India Ratings, despite the government has announced some relief in the lockdown, inland logistics companies' volume is likely to fall 10-15% in the FY21 as the consumption demand could take a longer time for recovery. It is expected that operational recovery for logistics players will be gradual and prolonged over FY21.
- **Reduction in demand** due to closure of manufacturing units will have huge pressure on prices across warehousing, freight, and logistics. Further minimal EXIM will add the crisis. The first mile-last mile delivery will post a big challenge. This will also expand the gap between demand -supply. Post lockdown, freight rates are expected to go up without any real surge in demand

- **Congestion at ports:** Severe shortage of labour and drivers and checks at ports for foreign vessels may lead to congestion at ports/depots, which may impact their efficiencies.
- **Expect weak Festive season:** There may not be a festive season leading to surge in sudden demand of consumer electronics, white goods and apparel or lifestyle products. Spending towards essential commodities will be more than non-essential goods during the lockdown. However, post lockdown, the essential goods (grocery/FMCG products) off take from retail may slightly go down for some time, as end consumers have a tendency of keeping high inventory at time of crisis.
- **Tough time for Truckers:** The truckers who have bought trucks with 50-100% institutional finance will see a tough time and need to maintain 90% capacity utilisation for upcoming EMIs, Insurance premiums & Permit with same freight cost despite high diesel cost. Only 30% of trucks are operating with cut-throat competition for loads. Increasing Demand of e-com products, growing Reefer trucks, technical innovations such as E vehicles, Fleet Management Software and more are disrupting the competition space.

Impact on VRL

- **Revenue:** Till date, seen negligible revenue generation with higher fixed costs. The company operates an "asset heavy" model and ~20,000 employee base has put severe pressure on the company. The company has informed that it drives Q1 revenues from marriage season and vacation in schools. However, this time none of passenger buses were operational resulting complete loss of revenues. Buses moving with lot of restrictions on the heavy traffic routes.
- **Volume:** Volumes took a hit, currently non-existent and at best negligible. Expect freight volumes to be low thereby casting a shadow on capacity utilization
- **Price Hike:** The company has taken price hikes in order to mitigate overhead cost and offset the very low volumes. We Expect recovery from H2FY21E with improvement in business segments.

Cost:

- **Driver issue:** The company faced the problem of drivers and labour scarcity for material handling. Many drives deserted their post in order to reach to their native villages during April/May.
- **Non-functional Branches:** Further, During the initial three phases of lockdown, the branch offices could not work full time. Even presently, the branches coming under red zone are not allowed to function and remain closed. Customer factories and shops were also not functional and as such there was not business to transact.
- **Maintenance costs** need to be incurred on vehicles even when they remain idle to ensure their good condition and service availability as need arises.
- **Announced the few cost cutting measures** like (a) More focus on bio-diesel usage. (b) Pay cut by the middle and senior level employees, Salary cuts (below 50k:-10%, 50k-1L: -15% and 1L+: -20%) will result saving of Rs 10mn/ month. (c) change in maintenance schedule of GT vehicles will result some cost benefit.
- **Rent waiver:** Branches for transportation related activities which remained closed in April. The company had approached the Lessors of the premises to consider waiver of the rent for April which helped to overcome this difficult period and many of them have supported us by consenting to such waiver. Many of the Lessors have agreed for partial waivers as well.

- The company expect losses in FY21E due to loss of revenue and relatively higher fix cost.
- Commodity-wise: Cloth remains the major commodity forming 12% now vs 15-16% in pre-COVID era. Agri and Pharma products have increased by 3-4%. Paints, FMCG (house hold items) have seen growth while printed goods/education related items, manufacturing goods have witnessed a decline.

Current Situation:

- **Volumes:** Freight volumes are improving, however**,** normal business operations with optimal capacity utilization still a distant away. Management are trying to ensure that the vehicles get deployed on routes that have sufficient load. There was hardly any business for the month of April 2020. Even for the month of May 2020, the business volume is very low.
- **Rate hike:** The company has also increased its freight rates across all customer categories to offset the overhead cost
- **Revenue:** Historically, Q1 is marked with higher revenues as also profit margins, especially for the Passenger Transport segment. The same does not hold good for this year. The incremental revenues accruing owing to vacations and marriage season etc. stands lost for the current year.
- **Liquidity:** The same has presented a temporary liquidity issue in the Company that has necessitated the management to approach its working capital lenders for a higher limit.

Other Details:

- Company distributed total **dividend of Rs 7 per share** vs Rs 5.5/sh in FY19 (pay-out 64.52 vs 54.08% YoY).
- The company earned Rs 15.8mn from Transport of passengers by air in foreign currency vs Rs 1.1mn in FY19 while spent Rs 26.5mn on Aircraft maintenance vs Rs 12.3mn in FY19.
- During FY20, the Company's largest customer and the top 10 customers put together contributed only 1% and 4% of the revenues of the Goods Transport business respectively.
- The demand for trucking in India is the highest during festive months (Sept, Oct, Nov, and Dec) and harvesting months (February to April) where the occupancy of trucks can rise by 30-40 percent along with freight fluctuations of 6-7% in comparison to normal freight rates prevailing in the trucking Industry.

Segmental Analysis

The company derives its revenue from 4 segments namely: Goods Transport Segment, Passenger Transport, Wind Power and Transport of Passengers by Air

Revenue Break up (Rs mn)	FY17	FY18	FY19	FY20
Goods transport	14,262	15,172	16,860	17,247
% growth	*5.0*	*6.4*	*11.1*	*2.3*
Bus operations	3,262	3,587	3,803	3,437
% growth	*2.7*	*10.0*	*6.0*	*(9.6)*
Sale of power	235	217	221	186
% growth	*9.7*	*(7.4)*	*1.7*	*(15.6)*
Air chartering service	160	131	107	198
% growth	*43.4*	*(18.1)*	*(18.3)*	*84.9*
Un-allocable revenue	112	115	104	117
% growth	*(22.0)*	*2.8*	*(10.0)*	*12.3*
Total	**18,031**	**19,223**	**21,095**	**21,185**
% growth	***4.7***	***6.6***	***9.7***	***0.4***
As % of total				
Goods transport	79.1	78.9	79.9	81.4
Bus operations	18.1	18.7	18.0	16.2
Sale of power	1.3	1.1	1.0	0.9
Air chartering service	0.9	0.7	0.5	0.9
Un-allocable revenue	0.6	0.6	0.5	0.6

Source: Company, DART

Key Highlights

Goods Transport (GT Segment):

- LTL/FTL mix stood at 87%:11% respectively while Car carrier and courier formed ~1% of the total GT revenue respectively.
- GT segment reported the tonnage growth of 6.18% in FY20 vs 8% in 9mFY20. The growth in tonnage was impacted by the lockdown which was imposed in March end , a high productive month for the entire logistics industry.
- Despite the vehicles being stationary, the company incurred higher fixed costs during lockdown like rent, salary, vehicle taxes, other expenses and compensation charges paid to drivers and labour. This led EBITDA margins contraction.
- Increase in Procurement of fuel along with increase in dependency on own vehicles
- Fuel expenses as a percent to total GT income increased by 0.17%. This was compensated by decrease in Lorry hire expenses by 1.84% as a percent of total GT income. Toll expenses also increased by 0.56% as a percentage of total GT income, due to reduction in cash back for usage of Fast tags from 5% to 2.5% and also due to higher distance covered by company vehicles.

Passenger Travel (PT segment)

- 10% YoY decline in revenue was due to decline in number of buses to 337 from 381, leading to 14.4% fall in the number of passengers travelled by and 10.2% decrease in number of trips. However, Realisation per passenger increased by 5.76%. Buses remained stationary from Mid-March due to COVID.
- Sharp increase in EBITDA was seen due to IND-AS116, resulting 330bps margin expansion to 14.2% vs 10.9% in FY19. This was on the back of 5.76% increase in realisation per passenger and also due to route optimization. Such high realisation was offset by rise in other operational costs such as Fuel costs, Toll charges, Insurance and Taxes, Employee costs

Wind Power

- Sale of Power decreased by 15.6% YoY as there were local disturbances at the Wind Power site including disruption of 33 KV transmission lines during the peak season. The matter has been taken up with Suzlon and the Company expect to be compensated for such losses in the ensuing fiscal. Also one of the Wind Mill was defunct due to mechanical failure thereby reducing the installed capacity by 1.25 MW.

Transport of Passengers by Air

- Revenue from this segment increased by ~85% due to increase in revenue flights during the year.

Financial Analysis

Cost Analysis:

- **Operating expenses** grew by 1.4% YoY. Freight expenses/ diesel cost declined by ~16%/1% YoY offset by ~20%/18% jump in Hamaali and Tyres. Lorry hire, Diesel cost, Vehicle running, repairs and maintenance (net), toll and Hamaali forms ~77% of the operating cost.
- **Employee cost** grew by 3.8% YoY driven by 23% jump in Gratuityand 3%/2% jump in salary and contribution to PF.
- **Other expenses** grew by 20% YoY driven by 67% in CSR activities followed by sharp jump in loss of assets from Rs 4mn to Rs 44mn. Legal expenses too saw a jump of 29% YoY. However, Travel expenses and Advertisement expenses declined by 11%/19% YoY.

Cost Saving measures

- **Usage of Bio-fuel** (28.03% of total quantity in FY20) and procurement of fuel directly from refineries, Redemption benefits have helped in curtailing Fuel expenses.
- The company benefitted from **revision in axle load norms** for the Goods Transport vehicles. The utilization levels of the existing vehicles have been improved and also realization per trip is increased YoY.
- **Introduction of Fast tags** on all our vehicles resulted into lower advance amounts for trip expenses as also resulted in availing a considerable discount on the toll costs
- **Branch profitability study was initiated** and measures were taken to close 81 non performing GT branches, while adding 49 new GT branches. This not only helped in our saving costs, but also resulted in consolidation of operations
- **Prioritizing the deployment of own fleet** thereby reducing dependence on outside vehicles

Balance Sheet & Cash Flow Analysis

- **Share capital** : No changes in share capital.
- The Company has not raised funds through FPO, term loans were applied for the purposes for which the loans were obtained.
- **Gross Block** Addition including CWIP and Lease Liability stood at Rs 3.9Bn (incl Rs 2.2Bn lease liability) vs Rs 2.1Bn YoY.
  - The land where at 32 Wind Turbine Generators (WTGs) are installed (at Kappatgudda, Gadag District, Karnataka) is leased to Suzlon Energy Limited by Karnataka Forest Department. Consequently, Suzlon Energy Limited has transferred the lease in favour of the Company with requisite clearances from Karnataka Forest Department
  - The Bhiwandi property admeasuring 240,000 square feet purchased for a total consideration of ` 324mn from M/s Indian Corporation was taken but facing some issue in getting its name updated in the relevant Revenue Records i.e 7/12 extract and has accordingly brought this to the notice of the vendor, despite paying the appropriate stamp duty and registration fees.

- **Gross debt** including current maturity jumped from ~Rs 1.4Bn to Rs 1.9Bn, primarily driven by increase in working capital loan from banks (Rs 707mn in FY20 from Rs 274mn in FY19) and working capital (Rs 236mn in FY20 from Rs 100mn in FY19). The company repaid long term debt of Rs 83mn.
- **Interest cost** too grew from Rs 109mn to Rs 115mn on jump in gross debt.
- **Capex** (As per CF) for the year stood at Rs 1.2Bn vs Rs 2.1Bn in FY19 respectively. During FY20, the company has incurred a capital expenditure of Rs 1.66 Bn. Of which Rs 1.01 Bn was invested on purchase of new fleet
- **FCFF** stood at Rs 1.3Bn in FY20 vs Rs -19mn in FY19.
- **The cash flow from operations** stood at Rs 2.6Bn vs Rs 1.9Bn YoY. The trade receivable days remained stable at 14 days, inventory days increased from 5 days to 6 days while payable stood at ~1 day. Thus overall Working Capital days stood at 19 days vs 18 days in FY19/FY18/FY17.

Operating cash flow after Working Capital grew in FY20

(Rs mn)	FY18	FY19	FY20
Operating Cash flow before WC changes	2,468	2,509	3,098
Working Capital changes	97	(64)	(94)
Direct Tax paid	(510)	(523)	(431)
Net Cash generated from operating activities	**2,055**	**1,922**	**2,573**

Source: Company, DART

The impact of adopting Ind AS 116

Particulars	FY20	FY20 (As per Ind AS- 116)	Increase/ (Decrease) in Profit
Freight, handling and servicing	14,943	14,103	839
Finance costs	115	367	(252)
Depreciation & amortisation	1,031	1,675	(644)
Profit before tax	1,100	1,043	(57)
Profit after tax	944	901	(43)

Source: Company, DART

Transaction with Related party

Disclosures of transactions between the Company and its related parties, along with outstanding balances as at year end

Nature of Transaction	Major Party	Amount	Others	Total FY20	FY19
Rent	VRL Media Limited	21.2	1.3	22.5	22.8
Freight	VRL Media Limited	19.1	2.9	22.0	31.1
Reimbursements	VRL Media Limited	0.1		0.1	2.0
Advertisement	VRL Media Limited	0.3		0.3	0.3
Air transport of passengers	Mr.Anand Sankeshwar	1.0		1.0	-
Total		**41.6**	**4.2**	**45.8**	**56.3**

Source: Company, DART

Management Remuneration

REMUNERATION OF KMP (Rs mn)	Designation	FY19	FY20	YoY (%)	Shares Held
Dr. Vijay Sankeshwar	Founder & MD	39.0	40.3	3.4	29,792,000
Mr. Anand Sankeshwar	MD	30.0	30.6	2.1	31,265,250
Mr. K N Umesh	Whole Time Director	10.2	13.7	34.7	1750
Mr. L R Bhat	Whole Time Director	10.2	13.5	31.9	2115
Mr. Sunil Nalavadi	CFO	3.6	3.9	7.7	-
Mr. Aniruddha Phadnavis	CS	3.2	3.5	8.5	-

Source: Company, DART

Note: Mr. Anand is the son and Mrs. Vani Sankeshwar, daughter in law of Dr. Vijay works as “President” in the Company and draws a monthly remuneration of Rs.1.50 lakhs.

Managing Director has decided to forego salary for 3 months (no salary cuts for employees) due to COVID-19 in FY20.

Particulars	FY18	FY19	FY20
Total employees on the payroll of the Company	19,781	19,030	19,698
% increase in the median remuneration of employees:	68.94%	8.09%	3.17%

Note: *FY18 jump was on account of revision of minimum wages by govt and rise given by the company*

Management Expertise

Director (Designation)	Expertise
Dr. Vijay Sankeshwar (Funder & MD)	**Padmashri” award winner** Dr Vijay, founder and the promoter of the Company has over four decades of experience in the industry. He is actively involved in business strategy and business development functions of the Company.
Mr. Anand Sankeshwar (MD)	He has a wide and varied expertise in the transport industry. Actively involved in the day-to-day affairs of the company and supervises the Finance & Marketing operations of the company along with business strategy and business development functions of the Company.
Mr L R Bhat (Whole Time Director)	Expertise in developing and maintaining of in-house IT which has resulted in growth coupled with enormous cost saving to the Company. He has contributed towards strengthening the core competencies and policies of the Company. He also heads the vehicle maintenance function as also handles certain key clients of the Company.
Mr. K N Umesh (Whole Time Director)	His area of expertise has been in the formulation and implementation of the business policies on all operational matters. Mr. Umesh has risen through the ranks and is instrumental in formulating strategic business plans and monitoring of the business operations of the Company

Contingencies and commitments

Claims against the Company not acknowledged as Debts

Particulars	FY19	FY20
Income tax matters	178.6	56.0
Customs duty (refer note (b) below)	156.9	156.9
Service tax matters	57.1	57.1
Goods and services tax	1.9	-
ESIC matter	1.3	1.3
Additional bonus that may be payable	20.2	20.2
	416.0	**291.5**
Disputed claims pending in Courts	21.1	28.4
Guarantees given on behalf of the Company by banks	5.1	4.6
Other contractual matters	4.4	2.8
Total	**446.7**	**327.2**

Rating

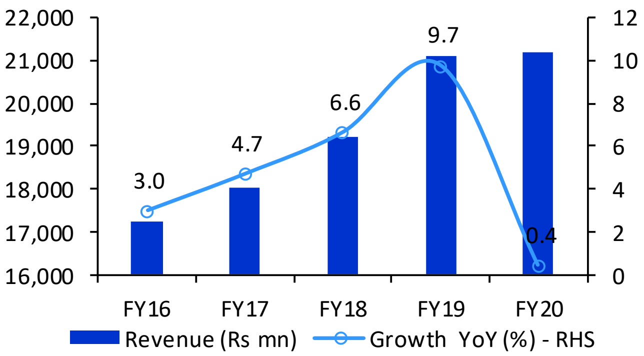
During the year ICRA Limited has upgraded the Long term rating of the Company from [ICRA] A to [ICRA] A+. The outlook on the long term rating is Stable.

Shareholding of Top Ten Shareholders

Top 10 Shareholders	FY2019	FY2020
Reliance Capital Trustee Co Ltd.	7.69	9.88
ICICI Prudential Value Fund - Series 10	4.73	4.64
IDFC Sterling Value Fund	3.27	3.66
Goldman Sachs India Limited	2.15	1.96
HDFC Trustee Company Ltd.	2.00	2.26
UTI Transportation and Logistics Fund	0.85	0.93
The Master Trust Bank Of Japan, Ltd.	0.81	0.44
AB Sicav I - India Growth Portfolio	0.78	0.78
Aditya Birla Sun Life Trustee Pvt Ltd A/C	0.65	EXIT
Emerging Markets Core Equity Portfolio	0.47	0.45

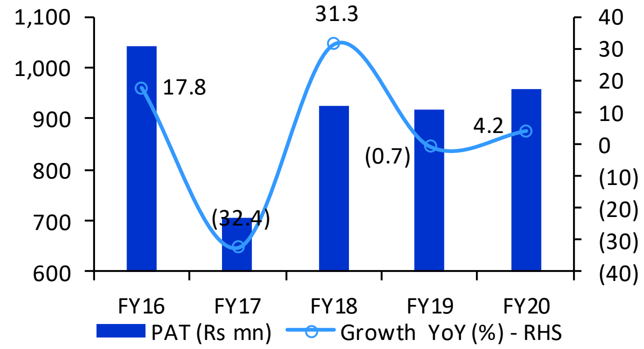
Financial Metrics and Charts

Exhibit 3: Revenue and YoY growth



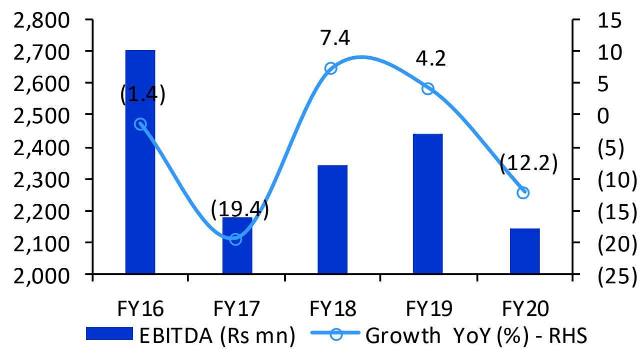
Source: Company, DART

Exhibit 4: PAT and YoY growth



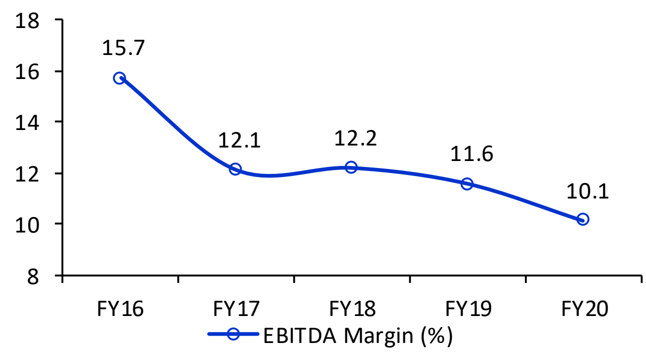
Source: Company, DART

Exhibit 5: EBITDA and YoY growth



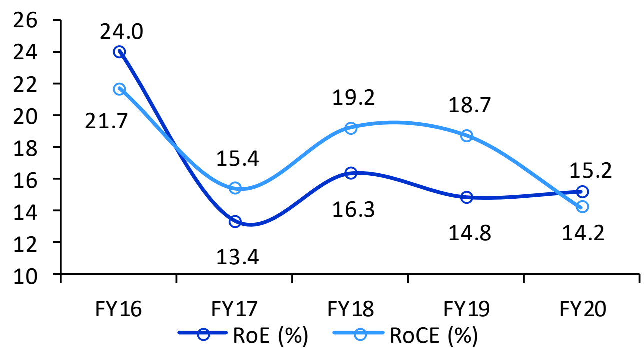
Source: Company, DART

Exhibit 6: EBITDA Margin



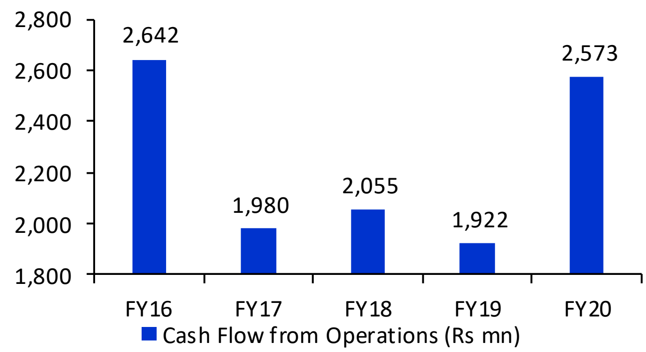
Source: Company, DART

Exhibit 7: RoE and RoCE



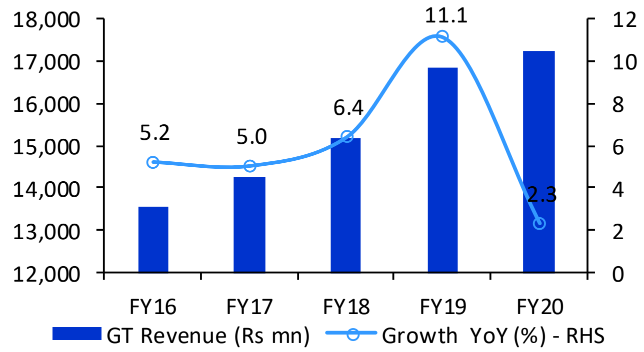
Source: Company, DART

Exhibit 8: Cash Flow from Operations



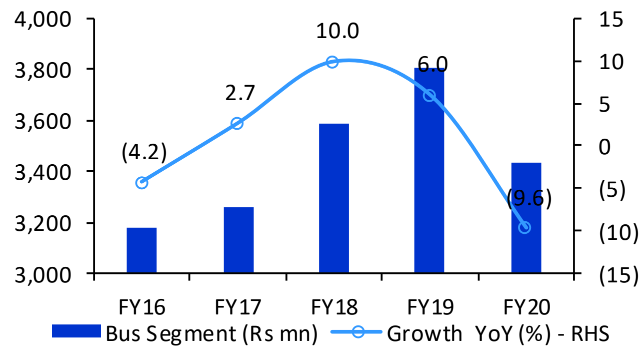
Source: Company, DART

Exhibit 9: GT Revenue and YoY growth



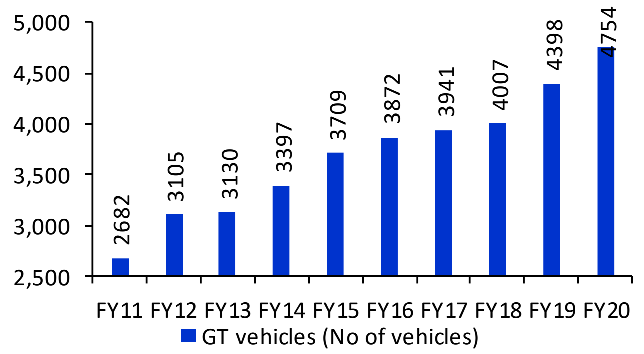
Source: Company, DART

Exhibit 10: Bus Revenue and YoY growth



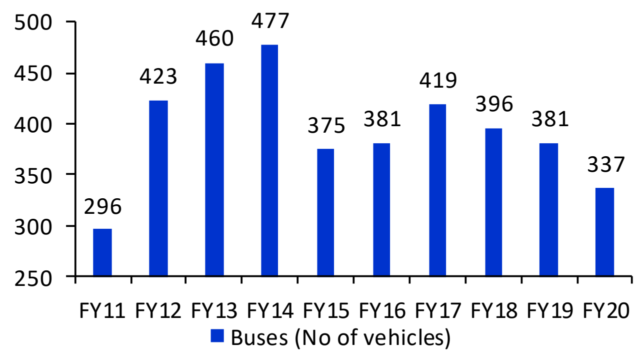
Source: Company, DART

Exhibit 11: GT Vehicle addition



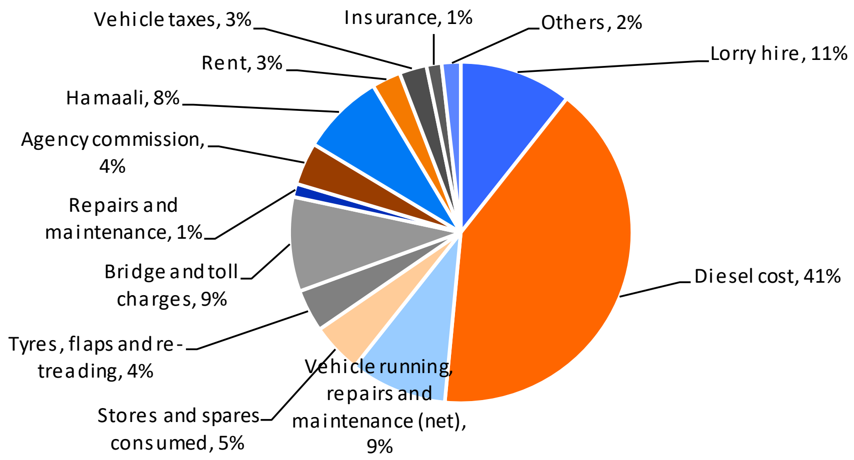
Source: Company, DART

Exhibit 12: Bus addition



Source: Company, DART

Exhibit 13: Operating cost break-up



Source: Company, DART

Profit and Loss Account

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Revenue	**21,095**	**21,185**	**16,150**	**20,850**
Total Expense	**18,655**	**19,042**	**15,164**	**18,313**
COGS	14,743	14,943	11,161	14,022
Employees Cost	3,667	3,805	3,729	3,990
Other expenses	245	294	274	301
EBIDTA	**2,440**	**2,143**	**986**	**2,537**
Depreciation	1,006	1,031	1,127	1,215
EBIT	**1,434**	**1,112**	**(141)**	**1,322**
Interest	109	115	105	120
Other Income	79	103	96	115
Exc. / E.O. items	0	0	0	0
EBT	**1,405**	**1,100**	**(150)**	**1,317**
Tax	486	142	0	332
RPAT	919	958	(150)	986
Minority Interest	0	0	0	0
Profit/Loss share of associates	**0**	**0**	**0**	**0**
APAT	**919**	**958**	**(150)**	**986**

Balance Sheet

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
Sources of Funds				
Equity Capital	903	903	903	903
Minority Interest	0	0	0	0
Reserves & Surplus	5,556	5,265	4,664	5,017
Net Worth	**6,459**	**6,169**	**5,567**	**5,921**
Total Debt	1,407	1,893	1,593	1,693
Net Deferred Tax Liability	738	440	440	440
Total Capital Employed	**8,604**	**8,502**	**7,601**	**8,054**
Applications of Funds				
Net Block	**7,051**	**9,903**	**9,020**	**8,204**
CWIP	416	44	0	0
Investments	1	1	1	1
Current Assets, Loans & Advances	**2,311**	**2,221**	**2,427**	**3,542**
Inventories	298	293	374	351
Receivables	795	823	929	914
Cash and Bank Balances	131	134	73	1,060
Loans and Advances	0	0	0	0
Other Current Assets	1,086	971	1,051	1,217
Less: Current Liabilities & Provisions	**1,174**	**3,667**	**3,846**	**3,693**
Payables	61	35	53	69
Other Current Liabilities	1,113	3,632	3,793	3,624
sub total				
Net Current Assets	1,136	(1,445)	(1,420)	(151)
Total Assets	**8,604**	**8,502**	**7,601**	**8,054**

E – Estimates

Important Ratios

Particulars	FY19A	FY20A	FY21E	FY22E
(A) Margins (%)				
Gross Profit Margin	30.1	29.5	30.9	32.8
EBIDTA Margin	11.6	10.1	6.1	12.2
EBIT Margin	6.8	5.2	(0.9)	6.3
Tax rate	34.6	12.9	0.0	25.2
Net Profit Margin	4.4	4.5	(0.9)	4.7
(B) As Percentage of Net Sales (%)				
COGS	69.9	70.5	69.1	67.3
Employee	17.4	18.0	23.1	19.1
Other	1.2	1.4	1.7	1.4
(C) Measure of Financial Status				
Gross Debt / Equity	0.2	0.3	0.3	0.3
Interest Coverage	13.2	9.7	(1.3)	11.0
Inventory days	5	5	8	6
Debtors days	14	14	21	16
Average Cost of Debt	9.8	7.0	6.0	7.3
Payable days	1	1	1	1
Working Capital days	20	(25)	(32)	(3)
FA T/O	3.0	2.1	1.8	2.5
(D) Measures of Investment				
AEPS (Rs)	10.2	10.6	(1.7)	10.9
CEPS (Rs)	21.3	22.0	10.8	24.4
DPS (Rs)	5.5	7.0	5.0	7.0
Dividend Payout (%)	54.1	66.0	(302.0)	64.2
BVPS (Rs)	71.5	68.3	61.6	65.5
RoANW (%)	14.8	15.2	(2.5)	17.2
RoACE (%)	12.7	12.5	(0.6)	14.1
RoAIC (%)	18.1	13.2	(1.8)	18.2
(E) Valuation Ratios				
CMP (Rs)	154	154	154	154
P/E	15.1	14.5	(92.8)	14.1
Mcap (Rs Mn)	13,877	13,877	13,877	13,877
MCap/ Sales	0.7	0.7	0.9	0.7
EV	15,152	15,636	15,397	14,511
EV/Sales	0.7	0.7	1.0	0.7
EV/EBITDA	6.2	7.3	15.6	5.7
P/BV	2.1	2.2	2.5	2.3
Dividend Yield (%)	3.6	4.6	3.3	4.6
(F) Growth Rate (%)				
Revenue	9.7	0.4	(23.8)	29.1
EBITDA	4.2	(12.2)	(54.0)	157.3
EBIT	5.0	(22.5)	(112.7)	(1037.9)
PBT	0.8	(21.7)	(113.6)	(980.5)
APAT	(0.7)	4.2	(115.6)	(758.9)
EPS	(0.7)	4.2	(115.6)	(758.9)

Cash Flow

(Rs Mn)	FY19A	FY20A	FY21E	FY22E
CFO	1,922	2,573	899	1,924
CFI	(2,094)	(1,186)	(104)	(285)
CFF	110	(1,384)	(856)	(652)
FCFF	(190)	1,346	699	1,524
Opening Cash	194	131	134	73
Closing Cash	131	134	73	1,060

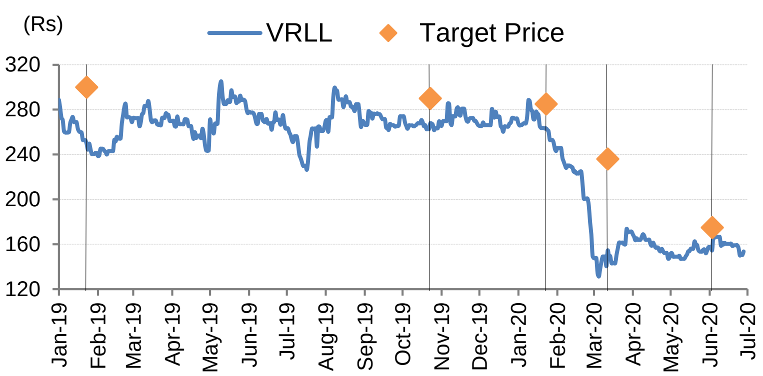
E – Estimates

DART RATING MATRIX

Total Return Expectation (12 Months)

Buy	**> 20%**
Accumulate	**10 to 20%**
Reduce	**0 to 10%**
Sell	**< 0%**

Rating and Target Price History



Month	Rating	TP (Rs.)	Price (Rs.)
Feb-19	Accumulate	300	249
Nov-19	Accumulate	290	268
Feb-20	Accumulate	285	263
Mar-20	Buy	236	154
Jun-20	Accumulate	175	155

*Price as on recommendation date

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