

VRL Logistics

BSE SENSEX

59,602

S&P CNX

17,746



Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	41.2 / 0.6
52-Week Range (INR)	534 / 165
1, 6, 12 Rel. Per (%)	-2/49/105
12M Avg Val (INR M)	129
Free float (%)	30.4

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	17.6	23.1	26.4
EBITDA	2.5	3.6	3.9
Adj. PAT	0.5	1.2	1.3
Adj. EPS (INR)	5.1	13.9	14.3
EPS Gr. (%)	-48.9	172	3
BV/Sh. (INR)	67.6	76.0	84.2

Ratios

Net D/E (x)	0.2	0.0	-0.1
RoE (%)	7.4	19.3	17.8
RoCE (%)	8.8	18.8	17.4
Payout (%)	78.4	39.6	42.1

Valuations

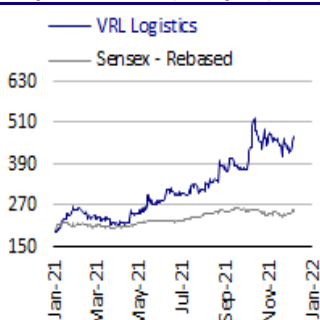
P/E (x)	91.5	33.7	32.8
P/BV (x)	6.9	6.1	5.5
EV/EBITDA (x)	17.1	11.5	10.5
Div. Yield (%)	0.9	1.2	1.3
FCF Yield (%)	5.8	4.0	4.5

Shareholding pattern (%)

As On	Sep-21	Jun-21	Sep-20
Promoter	69.6	69.6	68.1
DII	17.8	18.5	20.6
FII	2.6	2.2	2.9
Others	10.0	9.7	8.5

FII Includes depository receipts

Stock performance (one-year)


CMP: INR467
TP: INR540 (+16%)
Buy

Well placed to capitalize

- We hosted the management of VRLL to get an understanding of the current business scenario and its outlook. The management is optimistic on VRLL's growth prospects over the next couple of years. A shift towards the organized sector would result in robust business opportunities for the larger players in this space.
- In the near term, stabilization of fuel prices and improved volumes will benefit this sector. VRLL is focusing on the high-margin LTL business (driven by the B2B segment) and is expanding its network into newer markets.
- We expect VRLL to clock a revenue/EBITDA/PAT CAGR of ~19%/19%/45% over FY21-24E. We reiterate our Buy rating, with a TP of INR540/share (35x FY24E EPS).

Reforms are resulting in a higher market share for organized players

- GST compliance, a higher cost structure, and the COVID-19 outbreak are impacting unorganized players, which constitute 80-85% of the Truck Logistics market in India.
- Penalty provisions under non-compliance to GST are high. Hence, many customers are moving towards organized players. Both the Centre and state governments are equally vigilant in their verifications of the movement of goods through states.

Excise duty cuts on fuel to aid margin

- The excise duty cut by the Centre in early Nov'21 was followed by tax cuts by states. Motor fuel prices fell an average INR12-13/liter in Nov-Dec'21.
- The fuel price cut is expected to benefit the company as volumes continue to remain strong, leading to elevated freight rates, despite the fuel price cut.
- Bio-diesel availability has reduced and diesel prices itself have fallen from their peak, resulting in lesser consumption of bio-diesel for VRLL.
- VRLL doesn't operate CNG vehicles. As CNG prices are increasing, VRLL would study the economics of using CNG vehicles.

To incur capex for older fleet replacement; focus is on branch network expansion to capture higher volumes

- Nearly 1,500 vehicles, accounting for 10-12% of available capacity, are over 15 years old. These have to be scrapped by Apr'23 under the Centre's recently announced scrappage policy. Capex has been hiked to replace these vehicles.
- The management plans to open 100 branches in unexplored locations of North and Northeast India in FY22. Around 50-55 branches have already been opened, and the rest would be opened over the next 3-6 months.
- VRLL is looking to acquire warehouse space in Bengaluru for INR1.7b. The same is pending due to document clearance and may take time to materialize.
- Capex would be between INR1b and INR1.5b in FY22. Internal accruals are enough to fund capex.

Other takeaways and our view

- The management expects tonnage to grow by 10-15% in FY23, and margin for the GT segment to sustain ~20% levels.

Alok Deora - Research analyst(Alok.Deora@motilaloswal.com)

Dhirendra Patro- Research analyst(Dhirendra.Patro@motilaloswal.com)

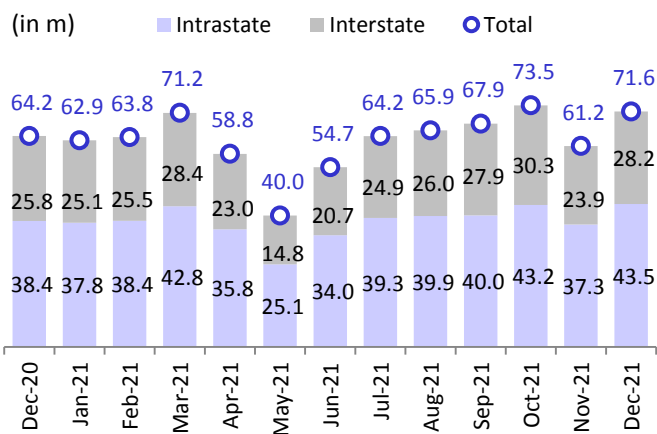
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- Textile/Agriculture/Auto segment contributes 18-19%/8-9%/5-6% to revenue. Textile, Agricultural commodities, and Industrial components have seen an improved revenue contribution in the last one year.
- VRLL has introduced an average speed system wherein greater payments are paid to drivers who maintain a higher average speed. This has helped in covering greater distances in a limited time. Volumes itself have increased, resulting in higher utilization levels and reduced turnaround times.
- With a pickup in demand and branch additions in untapped regions, we expect VRLL to clock 19% revenue CAGR over FY21-24E. With robust volumes and cost efficiency measures, VRLL would be able to maintain its EBITDA margin profile at 14-15% over the next two years. We expect the company to clock a revenue/EBITDA/PAT CAGR of ~19%/19%/45% over FY21-24E. The stock trades at 30x FY24E EPS. We maintain our Buy rating, with a TP of INR540/share (35x FY24E EPS).

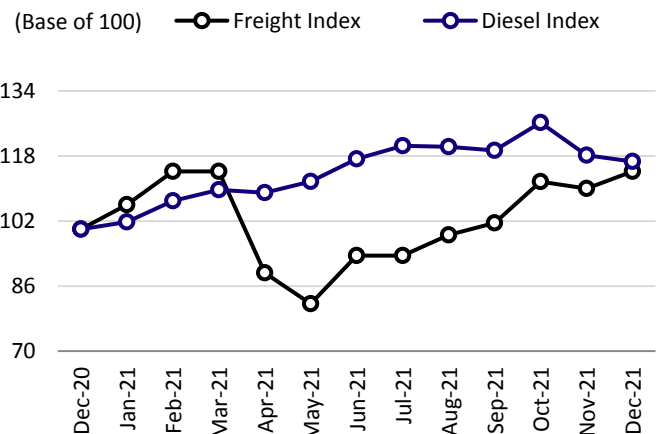
Financial story in charts

Exhibit 1: e-way bill generations at a record high in Oct'21



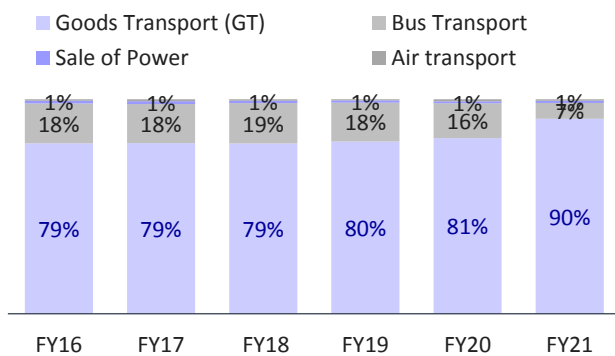
Source: GSTN, MOFSL

Exhibit 2: Freight rates stable despite excise duty cuts on fuel



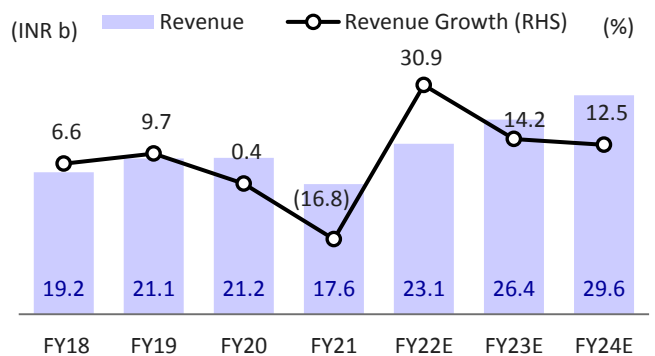
Source: IFTRT, MOFSL

Exhibit 3: Share of GT rises over the last few years

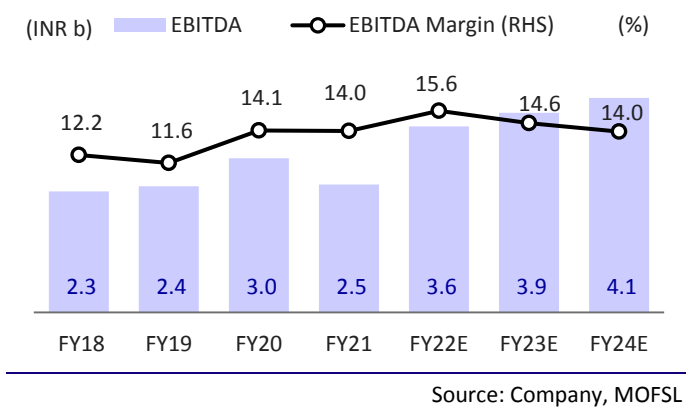
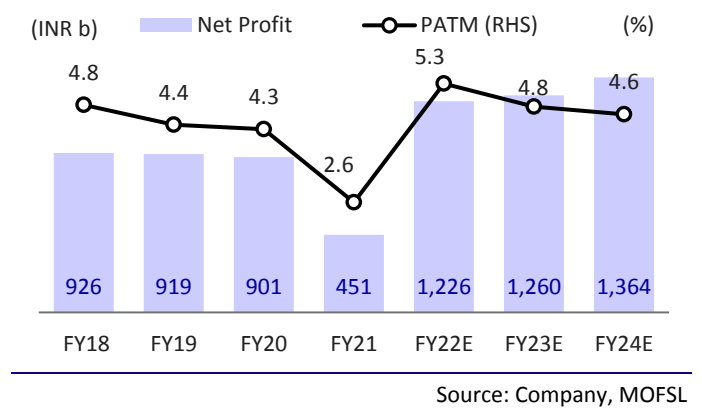
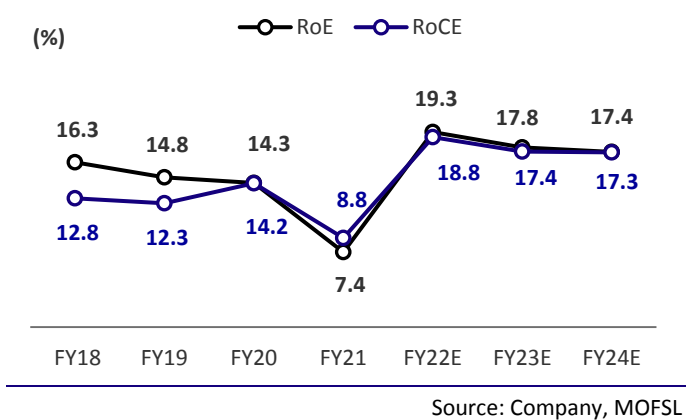
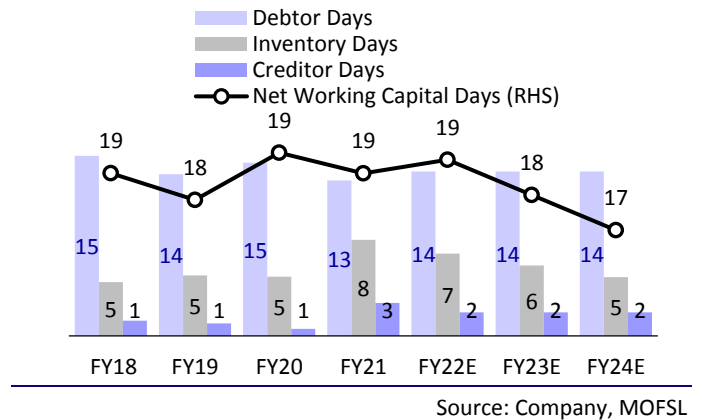


Source: Company, MOFSL

Exhibit 4: Pickup in economic activity to drive revenue



Source: Company, MOFSL

Exhibit 5: Margin to remain stable**Exhibit 6: Strong operating performance to drive PAT****Exhibit 7: Expect a rebound in return ratios to over 15%****Exhibit 8: Comfortable working capital position**

Financials and valuations

Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Net Sales	19,223	21,095	21,185	17,629	23,080	26,366	29,650
Change (%)	6.6	9.7	0.4	-16.8	30.9	14.2	12.5
Gross Margin (%)	31.4	30.1	33.4	33.0	32.0	31.3	31.0
EBITDA	2,342	2,440	2,983	2,475	3,599	3,860	4,148
Margin (%)	12.2	11.6	14.1	14.0	15.6	14.6	14.0
Depreciation	976	1,006	1,675	1,598	1,672	1,885	2,032
EBIT	1,366	1,434	1,307	877	1,928	1,976	2,116
Int. and Finance Charges	114	109	367	368	424	433	442
Other Income	142	79	103	129	135	142	149
PBT	1,394	1,405	1,043	637	1,638	1,684	1,823
Tax	468	486	142	187	413	424	459
Effective Tax Rate (%)	33.6	34.6	13.6	29.3	25.2	25.2	25.2
Reported PAT	926	919	901	451	1,226	1,260	1,364
Change (%)	31.3	-0.7	-2.0	-50.0	171.9	2.8	8.3
Margin (%)	4.8	4.4	4.3	2.6	5.3	4.8	4.6

Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Equity Share Capital	903	903	903	883	883	883	883
Total Reserves	5,029	5,556	5,265	5,088	5,828	6,557	7,391
Net Worth	5,932	6,459	6,169	5,971	6,711	7,441	8,274
Deferred Tax Liabilities	808	738	440	440	440	440	440
Total Loans	812	1,407	1,893	1,196	1,646	1,546	1,446
Capital Employed	7,552	8,604	8,502	7,607	8,797	9,426	10,160
Gross Block	9,044	10,835	15,105	15,850	17,250	18,650	20,050
Less: Accum. Deprn.	2,795	3,785	5,202	6,307	7,978	9,863	11,895
Net Fixed Assets	6,250	7,051	9,903	9,544	9,272	8,787	8,155
Capital WIP	76	416	44	61	61	61	61
Total Investments	1	1	1	1	1	1	1
Curr. Assets, Loans, and Adv.	2,296	2,311	2,304	2,381	4,451	5,625	6,969
Inventory	241	298	293	395	443	433	406
Account Receivables	807	795	856	639	885	1,011	1,137
Cash and Bank Balances	194	131	134	185	1,590	2,429	3,457
Cash	185	126	129	183	1,589	2,428	3,455
Bank Balance	8	5	5	1	1	1	1
Others	1,054	1,086	1,021	1,162	1,533	1,751	1,969
Current Liab. and Prov.	1,071	1,174	3,750	4,379	4,988	5,047	5,026
Account Payables	68	61	35	136	126	144	162
Other Current Liabilities	800	849	3,368	3,911	4,426	4,406	4,305
Provisions	203	264	347	332	435	497	558
Net Current Assets	1,225	1,136	-1,445	-1,998	-536	578	1,943
Application of Funds	7,552	8,604	8,502	7,607	8,797	9,426	10,160

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
Basic (INR)							
EPS	10.2	10.2	10.0	5.1	13.9	14.3	15.4
EPS growth (%)	28.4	-0.7	-2.0	-48.9	171.9	2.8	8.3
Cash EPS	21.1	21.3	28.5	23.2	32.8	35.6	38.4
BV/Share	65.7	71.5	68.3	67.6	76.0	84.2	93.7
DPS	0.0	5.5	7.0	4.0	5.5	6.0	6.0
Payout (Incl. Div. Tax, %)	0.0	65.2	84.6	78.4	39.6	42.1	38.9
Valuation (x)							
P/E	45.6	45.9	46.8	91.5	33.7	32.8	30.3
Cash P/E	22.2	21.9	16.4	20.1	14.2	13.1	12.2
EV/EBITDA	17.9	17.4	14.4	17.1	11.5	10.5	9.5
EV/Sales	2.2	2.0	2.0	2.4	1.8	1.5	1.3
P/BV	7.1	6.5	6.8	6.9	6.1	5.5	5.0
Dividend Yield (%)	0.0	1.2	1.5	0.9	1.2	1.3	1.3
Return Ratios (%)							
RoE	16.3	14.8	14.3	7.4	19.3	17.8	17.4
RoCE	12.8	12.3	14.2	8.8	18.8	17.4	17.3
RoIC	11.9	12.2	13.8	7.9	19.9	21.0	23.3
Working Capital Ratios							
Fixed Asset Turnover (x)	2.2	2.1	1.6	1.1	1.4	1.5	1.5
Asset Turnover (x)	2.5	2.5	2.5	2.3	2.6	2.8	2.9
Inventory (Days)	5	5	5	8	7	6	5
Debtors (Days)	15	14	15	13	14	14	14
Creditors (Days)	1	1	1	3	2	2	2
Leverage Ratio (x)							
Net Debt/Equity	0.1	0.2	0.3	0.2	0.0	-0.1	-0.2

Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E
OP/(Loss) before Tax	1,394	1,405	1,043	637	1,638	1,684	1,823
Depreciation	976	1,006	1,675	1,598	1,672	1,885	2,032
Direct Taxes Paid	-510	-523	-431	-148	-413	-424	-459
(Inc.)/Dec. in WC	97	-64	-94	294	-121	-175	-229
Other Items	98	98	380	330	289	292	293
CF from Operations	2,055	1,922	2,573	2,711	3,065	3,261	3,460
(Inc.)/Dec. in FA	-455	-2,109	-1,200	-330	-1,400	-1,400	-1,400
Free Cash Flow	1,600	-187	1,373	2,381	1,665	1,861	2,060
Change in Investments	12	3	14	15	0	0	0
Others	0	15	0	1	-68	25	32
CF from Investments	-442	-2,091	-1,185	-313	-1,468	-1,375	-1,368
Inc./Dec. in net worth	-387	0	0	-632	0	0	0
Inc./Dec. in Debt	-1,036	596	485	-697	450	-100	-100
Dividends Paid	0	-381	-980	0	-486	-530	-530
Others	-120	-104	-889	-1,014	-155	-417	-434
CF from Fin. Activity	-1,543	110	-1,384	-2,344	-191	-1,047	-1,064
Inc./Dec. in Cash	70	-59	3	54	1,406	839	1,027
Opening Balance	116	185	126	129	183	1,589	2,428
Closing Balance	185	126	129	183	1,589	2,428	3,455

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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Registered Office Address: Motilal Oswal Tower, Rahimtullah Sayani Road, Opposite Parel ST Depot, Prabhadevi, Mumbai-400025; Tel No.: 022 71934200/ 022-71934263; Website www.motilaloswal.com CIN no.: L67190MH2005PLC153397. Correspondence Office Address: Palm Spring Centre, 2nd Floor, Palm Court Complex, New Link Road, Malad(West), Mumbai- 400 064. Tel No: 022 7188 1000.

Registration Nos.: Motilal Oswal Financial Services Limited (MOFSL)*: INZ000158836(BSE/NSE/MCX/NCDEX); CDSL and NSDL: IN-DP-16-2015; Research Analyst: INH000000412. AMFI: ARN - 146822; Investment Adviser: INA000007100; Insurance Corporate Agent: CA0579;PMS:INP000006712. Motilal Oswal Asset Management Company Ltd. (MOAMC): PMS (Registration No.: INP000000670); PMS and Mutual Funds are offered through MOAMC which is group company of MOFSL. Motilal Oswal Wealth Management Ltd. (MOWML): PMS (Registration No.: INP000004409) is offered through MOWML, which is a group company of MOFSL. Motilal Oswal Financial Services Limited is a distributor of Mutual Funds, PMS, Fixed Deposit, Bond, NCDs, Insurance Products and IPOs. Real Estate is offered through Motilal Oswal Real Estate Investment Advisors II Pvt. Ltd. which is a group company of MOFSL. Private Equity is offered through Motilal Oswal Private Equity Investment Advisors Pvt. Ltd which is a group company of MOFSL. Research & Advisory services is backed by proper research. Please read the Risk Disclosure Document prescribed by the Stock Exchanges carefully before investing. There is no assurance or guarantee of the returns. Investment in securities market is subject to market risk, read all the related documents carefully before investing. Details of Compliance Officer: Name: Neeraj Agarwal, Email ID: na@motilaloswal.com, Contact No.: 022-71881085.

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