

VRL Logistics

BSE SENSEX

59,610

S&P CNX

17,808

VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USD\$)	42.4 / 0.6
52-Week Range (INR)	592 / 202
1, 6, 12 Rel. Per (%)	3/23/91
12M Avg Val (INR M)	138
Free float (%)	30.4

Financials Snapshot (INR b)

Y/E March	2021	2022E	2023E
Net Sales	17.6	24.0	27.9
EBITDA	2.5	4.0	4.6
Adj. PAT	0.5	1.6	1.7
Adj. EPS (INR)	5.1	17.8	19.5
EPS Gr. (%)	-48.9	249.8	9.1
BV/Sh. (INR)	67.6	73.4	86.9

Ratios

Net D/E (x)	0.2	0.1	0.1
RoE (%)	7.4	25.3	24.3
RoCE (%)	8.8	24.1	22.6
Payout (%)	78.4	44.8	30.8

Valuations

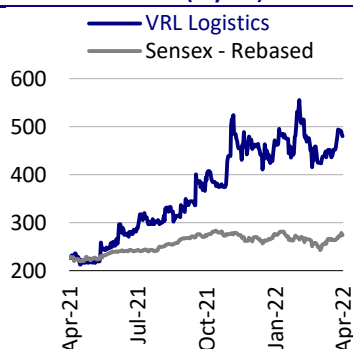
P/E (x)	94.1	26.9	24.7
P/BV (x)	7.1	6.5	5.5
EV/EBITDA (x)	17.5	10.6	9.5
Div. Yield (%)	0.8	1.7	1.3
FCF Yield (%)	5.6	4.1	0.8

Shareholding pattern (%)

As On	Dec-21	Sep-21	Dec-20
Promoter	69.6	69.6	68.1
DII	16.7	17.8	20.1
FII	3.5	2.6	2.7
Others	10.3	10.0	9.1

FII Includes depository receipts

Stock Performance (1-year)


CMP: INR480
TP: INR665 (+39%)
Buy

New capex plan to capitalize on the growth opportunities

- VRL Logistics (VRLL) announced a capex plan of INR5.6b to purchase 1,600 trucks (~25,000t carrying capacity) spread over the next 12-18 months. This capex is essential to: a) replace its older fleet that moves out due to the vehicle scrapping policy and b) capture the pick-up in demand in the LTL segment.
- VRLL currently has a fleet capacity of ~69,000t and with this capex, there would be a net capacity addition of 20% (adjusted for scrappage of old trucks). The capex would be funded by internal accruals and debt.
- We believe VRLL would be very well placed to capitalize on the growth opportunity after this capacity addition. With strong balance sheet, VRLL would comfortably manage the capex funding by availing an additional debt of INR3-3.5b along with internal accruals. We revise our numbers to incorporate the higher capex numbers as well as the expected rise in debt. We now expect VRL to clock a revenue/ EBITDA/PAT CAGR of ~22%/29%/63%, respectively, over FY21-24. The stock trades at 22x FY24E EPS. We maintain our BUY rating with a TP of INR665 (premised on 30x FY24E EPS).

Capex to help replace the older fleet and capture the pick-up in demand

- VRLL has announced a purchase of 1,600 customized trucks (with ~25,000t capacity) comprising 1,000 trucks of TATA LPT 2818 make, 200 trucks of TATA LPT 1415 make, 100 trucks of TATA 610 SFC make, 200 trucks of Ashok Leyland 1920 make and 100 trucks of Ashok Leyland 4620 make with a total capex of INR5.6b spread over the next 12-18 months.
- The planned capex (including registration, insurance cost, etc.) will be funded by debt and internal accruals.
- The proposed capex would result in a net capacity addition of ~13,000t (around 20% of existing capacity). This would allow VRLL to cater to the expected growth in industry volumes and reduce VRLL's dependence on hired vehicles.
- The proposed 1,600 vehicles are likely to be having the latest features and technology that would help in reduction of maintenance time, fewer stop overs, and better efficiency resulting in better uptime.

Valuation and view

- The proposed capex reinforces the robust demand outlook, which VRL has been indicating since the last few quarters. Its comfortable balance sheet position and strong free cash flow generation will enable it to meet the capex requirement with an additional debt of ~INR3-3.5b.
- We revise our numbers to incorporate the higher capex numbers as well as the expected rise in debt. We now expect VRL to clock a revenue/ EBITDA/PAT CAGR of ~22%/29%/63%, respectively, over FY21-24. The stock trades at 22x FY24E EPS. We maintain our BUY rating on the stock with a TP of INR665 (premised on 30x FY24E EPS).

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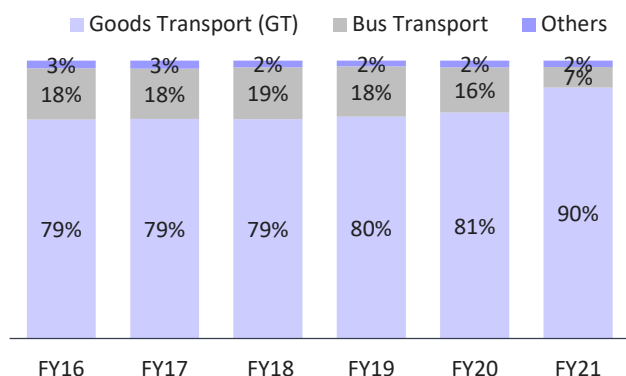
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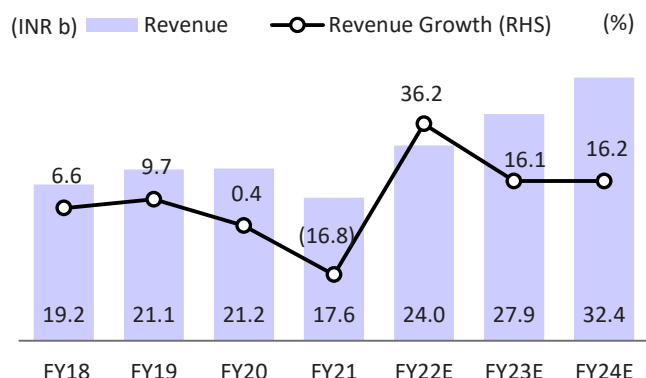
Financial story in charts

Exhibit 1: Share of GT increases over the last few years



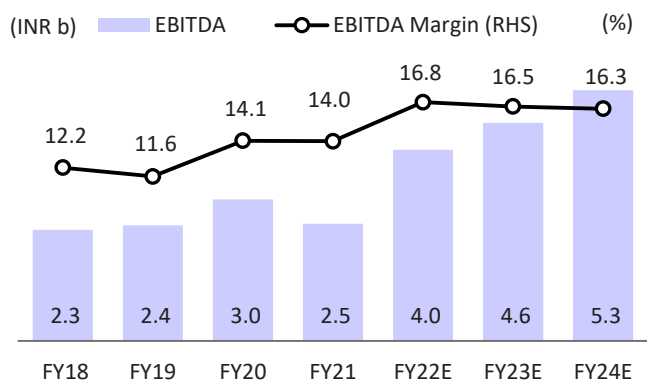
Source: Company, MOFSL

Exhibit 2: Pick-up in economic activity to drive revenue



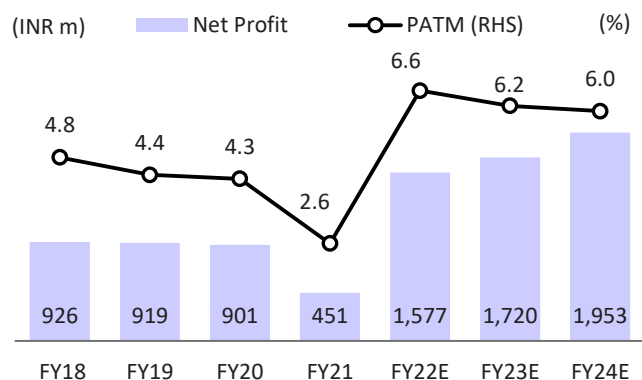
Source: Company, MOFSL

Exhibit 3: Margin to remain stable



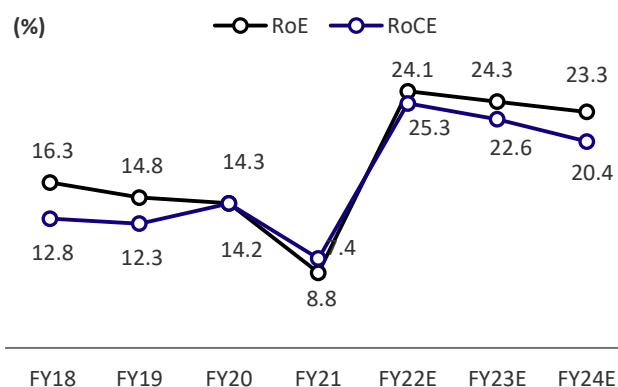
Source: Company, MOFSL

Exhibit 4: Strong operating performance to drive PAT



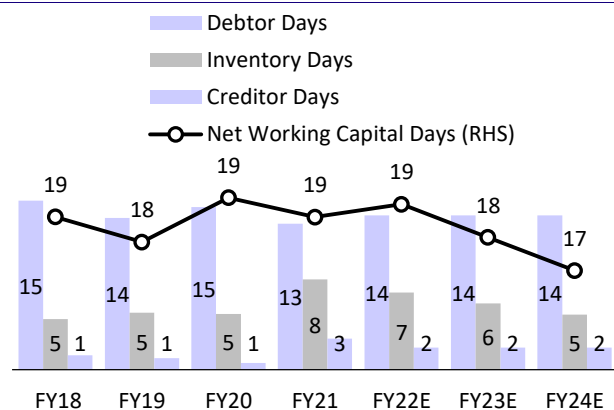
Source: Company, MOFSL

Exhibit 5: Return ratios to rebound to over 20%

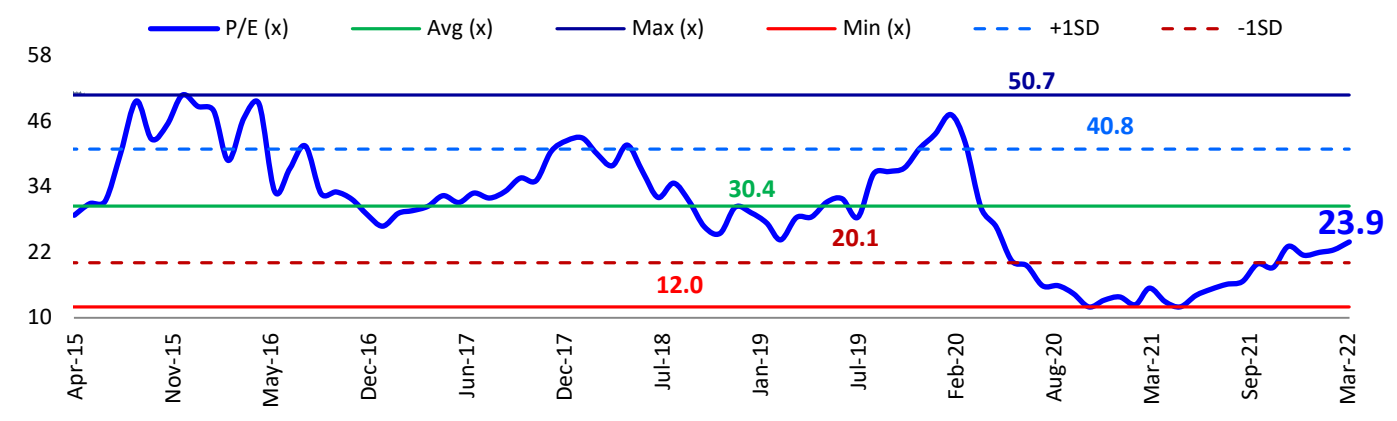


Source: Company, MOFSL

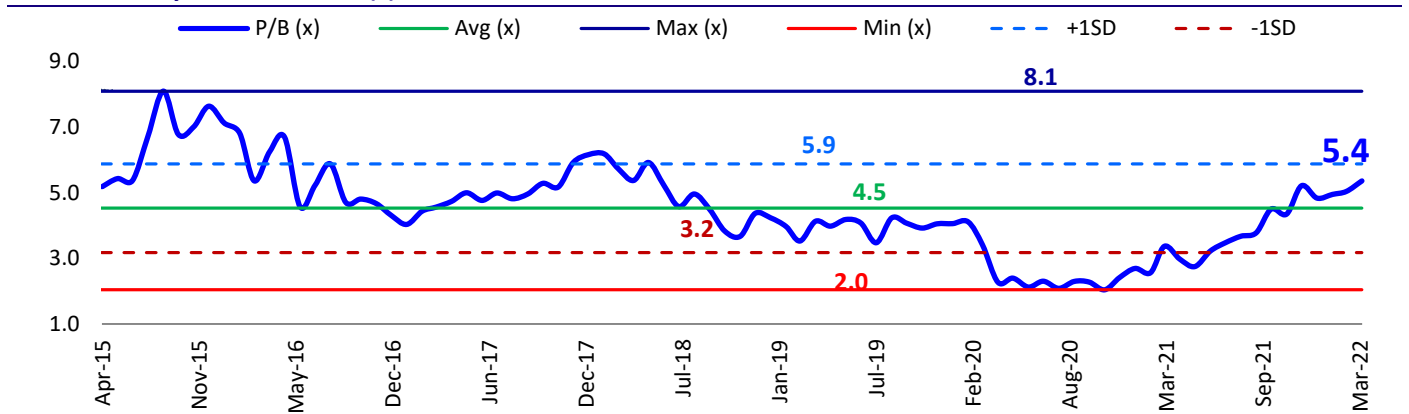
Exhibit 6: Comfortable working capital position



Source: Company, MOFSL

Exhibit 7: One-year forward P/E (x)

Source: Company, MOFSL

Exhibit 8: One-year forward P/B (x)

Source: Company, MOFSL

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	24,015	27,888	32,396
Change (%)	6.6	9.7	0.4	-16.8	36.2	16.1	16.2
Gross Margin (%)	31.4	30.1	33.4	33.0	33.3	32.5	32.0
EBITDA	2,342	2,440	2,983	2,475	4,032	4,598	5,288
Margin (%)	12.2	11.6	14.1	14.0	16.8	16.5	16.3
Depreciation	976	1,006	1,675	1,598	1,687	1,930	2,218
EBIT	1,366	1,434	1,307	877	2,345	2,668	3,071
Int. and Finance Charges	114	109	367	368	406	518	683
Other Income	142	79	103	129	135	149	223
PBT	1,394	1,405	1,043	637	2,074	2,299	2,610
Tax	468	486	142	187	498	579	658
Effective Tax Rate (%)	33.6	34.6	13.6	29.3	24.0	25.2	25.2
Reported PAT	926	919	901	451	1,577	1,720	1,953
Change (%)	31.3	-0.7	-2.0	-50.0	249.8	9.1	13.6
Margin (%)	4.8	4.4	4.3	2.6	6.6	6.2	6.0

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	5,604	6,794	8,216
Net Worth	5,932	6,459	6,169	5,971	6,488	7,677	9,100
Deferred Tax Liabilities	808	738	440	440	440	440	440
Total Loans	812	1,407	1,893	1,196	1,096	2,546	3,996
Capital Employed	7,552	8,604	8,502	7,607	8,024	10,663	13,536
Gross Block	9,044	10,835	15,105	15,850	17,550	21,050	23,750
Less: Accum. Deprn.	2,795	3,785	5,202	6,307	7,993	9,923	12,141
Net Fixed Assets	6,250	7,051	9,903	9,544	9,557	11,127	11,609
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	3,595	4,814	7,357
Inventory	241	298	293	395	461	458	444
Account Receivables	807	795	856	639	921	1,070	1,243
Cash and Bank Balances	194	131	134	185	618	1,433	3,519
Cash	185	126	129	183	617	1,432	3,518
Bank Balance	8	5	5	1	1	1	1
Others	1,054	1,086	1,021	1,162	1,595	1,852	2,152
Current Liab. and Prov.	1,071	1,174	3,750	4,379	5,189	5,339	5,492
Account Payables	68	61	35	136	132	153	178
Other Current Liabilities	800	849	3,368	3,911	4,606	4,661	4,704
Provisions	203	264	347	332	452	525	610
Net Current Assets	1,225	1,136	-1,445	-1,998	-1,595	-525	1,865
Application of Funds	7,552	8,604	8,502	7,607	8,024	10,663	13,536

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	17.8	19.5	22.1
EPS growth (%)	28.4	-0.7	-2.0	-48.9	249.8	9.1	13.6
Cash EPS	21.1	21.3	28.5	23.2	36.9	41.3	47.2
BV/Share	65.7	71.5	68.3	67.6	73.4	86.9	103.0
DPS	0.0	5.5	7.0	4.0	8.0	6.0	6.0
Payout (Incl. Div. Tax, %)	0.0	65.2	84.6	78.4	44.8	30.8	27.1
Valuation (x)							
P/E	46.8	47.2	48.1	94.1	26.9	24.7	21.7
Cash P/E	22.8	22.5	16.8	20.7	13.0	11.6	10.2
EV/EBITDA	18.4	17.9	14.8	17.5	10.6	9.5	8.1
EV/Sales	2.2	2.1	2.1	2.5	1.8	1.6	1.3
P/BV	7.3	6.7	7.0	7.1	6.5	5.5	4.7
Dividend Yield (%)	0.0	1.1	1.5	0.8	1.7	1.3	1.3
Return Ratios (%)							
RoE	16.3	14.8	14.3	7.4	25.3	24.3	23.3
RoCE	12.8	12.3	14.2	8.8	24.1	22.6	20.4
RoIC	11.9	12.2	13.8	7.9	24.2	24.2	24.0
Working Capital Ratios							
Fixed Asset Turnover (x)	2.2	2.1	1.6	1.1	1.4	1.4	1.4
Asset Turnover (x)	2.5	2.5	2.5	2.3	3.0	2.6	2.4
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	0.1	0.1	0.1

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	2,074	2,299	2,610
Depreciation	976	1,006	1,675	1,598	1,687	1,930	2,218
Direct Taxes Paid	-510	-523	-431	-148	-498	-579	-658
(Inc.)/Dec. in WC	97	-64	-94	294	-110	-180	-246
Other Items	98	98	380	330	271	369	460
CF from Operations	2,055	1,922	2,573	2,711	3,424	3,839	4,384
(Inc.)/Dec. in FA	-455	-2,109	-1,200	-330	-1,700	-3,500	-2,700
Free Cash Flow	1,600	-187	1,373	2,381	1,724	339	1,684
Change in Investments	12	3	14	15	0	0	0
Others	0	15	0	1	-101	11	62
CF from Investments	-442	-2,091	-1,185	-313	-1,801	-3,489	-2,638
Inc./Dec. in net worth	-387	0	0	-632	0	0	0
Inc./Dec. in Debt	-1,036	596	485	-697	-100	1,450	1,450
Dividends Paid	0	-381	-980	0	-1,060	-530	-530
Others	-120	-104	-889	-1,014	-29	-454	-581
CF from Fin. Activity	-1,543	110	-1,384	-2,344	-1,190	466	339
Inc./Dec. in Cash	70	-59	3	54	434	815	2,085
Opening Balance	116	185	126	129	183	617	1,432
Closing Balance	185	126	129	183	617	1,432	3,518

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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