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India | Equity Research | Results Update

VRL Logistics

Logistics

EBITDA ahead of consensus; focus shifts to volume growth

VRL Logistics (VRL)'s Q2FY26 EBITDA was slightly ahead of Street's estimate. Key points: 1) Realisation/te improved 12.8% YoY to INR 7,166, while EBITDA/te has improved to INR 1,548 (INR 1,216 in Q2FY25). 2) EBITDA margin has improved YoY; however, it dipped QoQ to 19% amid higher employee costs due to wage hike. 3) Volume slipped 10.7% YoY, mainly on account of: i) discontinuation of low-margin business; and ii) GST cut impact. 4) Incurred capex of INR 430mn in H1FY26; plans to incur INR 1.6bn in H2FY26. 5) Issued bonus share in 1:1 ratio in Aug'25. Management is guiding for: 1) 4–5% QoQ improvement in volumes in Q3 and 6–7% volume growth in Q4; and 2) EBITDA margins to sustain at current levels. Based on VRL's H1 performance, we prune our FY26E/FY27E EPS and retain **BUY** with a revised TP of INR 350 (adjusted for 1:1; bonus issue earlier INR 355) on an unchanged multiple of 27x FY27E EPS.

EBITDA above consensus estimates

VRL's Q2FY26 EBITDA of INR 1.51bn (up 13.6% YoY) was 5.6% ahead of consensus estimates. Key points: 1) Volume declined 10.7% YoY, but improved 4.4% QoQ to 976kte. 2) EBITDA/te improved YoY to INR 1,548 (vs. INR 1,216 in Q2FY25 and INR 1,621 in Q1FY26); however, its QoQ decline is mainly on account of higher employee cost due to wage revision. 3) Bulk purchase of fuel from refineries has improved YoY to 40.6%, though is largely stable on a QoQ basis; also, the cost of fuel has increased from INR 83.1/ltr in Q1FY26 to INR 84.3/ltr in Q2FY26. 4) VRL incurred capex of INR 430mn in H1FY26 and plans to incur additional capex of INR 1.6bn in H2 from internal accruals. 5) Net debt largely remained stable at INR 3bn (2.9bn in Q1FY26). Management guides for volume growth of 4–5%/6–7% QoQ in Q3/Q4 of FY26, while average realisation is likely to stay stable. Further, EBITDA margin should sustain at 19% over the near term.

Conference call takeaways

Highlights: 1) Volume for Q2FY26 was impacted by: i) GST cut announcement; shifted some volumes to Q3; ii) contract restructuring; and ii) deliberate discontinuation of low-margin business. 2) Realisation/te to stay at current levels. 3) Focus has shifted towards volumes growth – expected to grow ~4–5%/~6–7% in Q3/Q4 of FY26. 4) EBITDA margins are likely to sustain at 19%. 5) Incurred capex of INR 430mn, likely to incur INR 1.6bn in H2FY26 from internal accruals. 6) Focus remains on branch expansion and hub additions; it is also exploring branch expansion via franchise route in new locations.

Financial Summary

Y/E March (INR mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	28,886	31,609	32,399	34,475
EBITDA	3,934	5,730	6,120	6,347
EBITDA Margin (%)	13.6	18.1	18.9	18.4
Net Profit	886	1,829	2,047	2,266
EPS (INR)	10.1	20.9	23.4	25.9
EPS % Chg YoY	(46.3)	107.0	(44.0)	10.7
P/E (x)	26.8	12.9	23.1	20.9
EV/EBITDA (x)	14.8	10.5	9.6	9.0
RoCE (%)	7.7	11.3	11.6	11.6
RoE (%)	10.3	18.3	19.1	19.1

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Market Data

Market Cap (INR)	47bn
Market Cap (USD)	534mn
Bloomberg Code	VRLL IN
Reuters Code	VRLL BO
52-week Range (INR)	325 /216
Free Float (%)	40.0
ADTV-3M (mn) (USD)	0.8

Price Performance (%)	3m	6m	12m
Absolute	(8.5)	18.4	(2.5)
Relative to Sensex	(11.5)	14.8	(8.4)

ESG Score	2023	2024	Change
ESG score	62.6	64.3	1.7
Environment	48.9	53.1	4.2
Social	61.1	57.1	(4.0)
Governance	74.6	78.4	3.8

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	(0.4)	(0.9)
EBITDA	(0.3)	(0.7)
EPS	(0.7)	(1.5)

Previous Reports

08-08-2025: [Q1FY26 results review](#)

23-05-2025: [Q4FY25 results review](#)

Outlook: Focus shifted toward volumes growth now

VRL has relatively outperformed its peers, despite a decline in tonnage. The relative outperformance was largely spurred by: 1) improvement in realisation/te due to price and discontinuation of low-margin business; 2) contract restructuring with existing customers (now fully absorbed); and 3) adding new customers and expanding into new locations.

Going ahead, the company is unlikely to take any price hike in the near term, while the focus has shifted towards volume growth, branch expansion and hub addition. Management guides for 4–5% QoQ improvement in volumes in Q3FY26; on a full-year basis, volume is likely to decline by 4–5% YoY in FY26. EBITDA margins are likely to sustain at 19% and average realisation/te is likely to remain at current levels.

We estimate 2%/5% revenue growth for FY26E/FY27E with EBITDA margins in the range of 18–19%. Based on the H1FY26 performance, we reduce our EPS by 0.7%/1.5% for FY26E/FY27E. Maintain **BUY** with a revised TP of INR 350 (earlier INR 355) on an unchanged multiple of 27x FY27E EPS. We list VRL as our top pick among surface logistics players.

Exhibit 1: Earnings revisions

(INR mn)	FY26E			FY27E		
	New	Old	% Chg	New	Old	% Chg
Sales	32,399	32,515	(0.4)	34,475	34,788	(0.9)
EBITDA	6,120	6,138	(0.3)	6,347	6,392	(0.7)
PAT	2,047	2,061	(0.7)	2,266	2,299	(1.5)

Source: I-Sec research

Key risks

Key upside risks: Better-than-expected price hike; and ability to boost volumes further.

Key downside risk: Stiff competition from shifting freight traffic to rail, leading to an increase in cost pressures for asset-heavy LTL players like VRL Logistics.

Q2FY26 conference call takeaways

- **Guidance**
 - Volumes: Expected to grow 4-5% QoQ in Q3 and 6-7% in Q4FY26. For FY26, volume is expected to decline 4-5% on YoY.
 - Realisation: Likely to maintain its realisation/te.
 - EBITDA margins: Sustainable at 19%
- Tonnage declined by 11% YoY due to: i) impact of GST related changes; and ii) deliberate exit from low-margin business.
- Incurred capex of INR 430mn; out of which, INR 230mn capex is related branch and hub addition. The company has guided for capex of INR 160mn in H2FY26. This includes investment of INR 1.3-1.4bn in branches and transshipment hubs and ~INR 100-200mn in other areas. Capex is largely met by internal accruals.
- EBITDA improved due to cost optimisation and improvement in realisation.
- Due to GST cut announcement, ~2% volume got shifted to Oct'25, as the company books revenue based on the actual delivery of shipments/parcels.
- Employee cost has risen YoY/QoQ due to wage revision effective from Aug'25.

- VRL is planning to open two new fuel pumps – one in Vizag and other in Chennai; post this, bulk procurement is expected to increase to 43-44%, from 40-41% now. The current rate diff. is ~INR 6-7/litre.
- Post cost optimisation, rate rationalisation focus has now shifted towards volume growth. Management aims for 4-5%/6-7% QoQ volume growth in Q3/Q4 of FY26.

Exhibit 2: VRL' Q2FY26 performance review

(INR mn)	Q2FY26	Q2FY25	Chg. YoY (%)	Q1FY26	Chg. QoQ (%)
Revenue	7,970	7,995	(0.3)	7,443	7.1
-Operating expenses	4,804	5,197	(7.6)	4,404	9.1
Gross Margin (%)	39.7	35.0		40.8	
-Employee wages	1,471	1,358	8.3	1,357	8.4
-Other expenses	183	110		166	
Total expenses	6,459	6,665	(3.1)	5,928	9.0
EBITDA	1511	1330	13.6	1515	(0.3)
EBITDA Margin (%)	19.0	16.6		20.4	
Depreciation	648	638	1.5	647	0.1
Other Income	70	25	179.1	65	7.3
Finance Cost	242	224	8.1	262	
Exceptional item	-	-		-	
PBT	691	492	40.3	672	2.8
Tax	192	135	42.6	172	
PAT	498	357	39.4	500	(0.3)
OCI	(10)	(9)		(1)	
TCI	488	348	40.0	499	(2.2)
Volume (Kte)	976	1,093	(10.7)	935	4.4
Realization (INR/te)	8,166	7,241	12.8	7,852	4.0
EBITDA (INR/te)	1,548	1,216	27.3	1,621	(4.5)

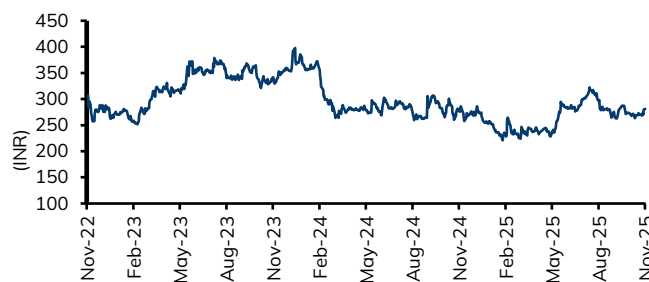
Source: Company data, I-Sec research

Exhibit 3: Shareholding pattern

%	Mar'25	Jun'25	Sep'25
Promoters	60.2	60.2	60.2
Institutional investors	29.2	28.5	28.3
MFs and others	24.2	23.6	23.6
FIs/Banks	1.2	1.0	0.7
Insurance	0.2	0.0	0.0
FIIIs	3.6	4.0	4.0
Others	10.6	11.3	11.5

Source: Bloomberg, I-Sec research

Exhibit 4: Price chart



Source: Bloomberg, I-Sec research

Financial Summary

Exhibit 5: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Net Sales	28,886	31,609	32,399	34,475
Operating Expenses	24,952	25,880	26,279	28,128
EBITDA	3,934	5,730	6,120	6,347
EBITDA Margin (%)	13.6	18.1	18.9	18.4
Depreciation & Amortization	2,162	2,536	2,567	2,558
EBIT	1,773	3,193	3,553	3,789
Interest expenditure	779	948	1,006	960
Other Non-operating Income	211	255	190	200
Recurring PBT	1,205	2,500	2,737	3,029
Profit / (Loss) from Associates	-	-	-	-
Less: Taxes	321	670	690	763
PAT	884	1,829	2,047	2,266
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	3	-	-	-
Net Income (Reported)	886	1,829	2,047	2,266
Net Income (Adjusted)	886	1,829	2,047	2,266

Source Company data, I-Sec research

Exhibit 6: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	2,088	2,525	3,619	4,729
of which cash & cash eqv.	190	538	1,330	2,334
Total Current Liabilities & Provisions	900	1,130	1,160	1,171
Net Current Assets	1,188	1,395	2,459	3,558
Investments	1	1	1	1
Net Fixed Assets	19,002	22,423	21,857	21,298
ROU Assets	-	-	-	-
Capital Work-in-Progress	236	151	151	151
Total Intangible Assets	3	3	3	3
Other assets	810	754	754	754
Deferred Tax Assets	-	-	-	-
Total Assets	21,240	24,727	25,225	25,766
Liabilities				
Borrowings	11,110	13,104	12,604	12,104
Deferred Tax Liability	672	778	778	778
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	875	875	875	875
Reserves & Surplus	8,583	9,971	10,968	12,010
Total Net Worth	9,458	10,846	11,843	12,884
Minority Interest	-	-	-	-
Total Liabilities	21,240	24,727	25,225	25,766

Source Company data, I-Sec research

Exhibit 7: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Operating Cashflow	4,239	5,578	5,347	5,689
Working Capital Changes	409	197	(273)	(95)
Capital Commitments	(2,848)	(4,489)	(2,000)	(2,000)
Free Cashflow	1,392	1,089	3,347	3,689
Other investing cashflow	414	192	-	-
Cashflow from Investing Activities	(2,433)	(4,297)	(2,000)	(2,000)
Issue of Share Capital	(141)	-	-	-
Interest Cost	(217)	(293)	(1,006)	(960)
Inc (Dec) in Borrowings	(943)	(202)	(500)	(500)
Dividend paid	(438)	(437)	(1,050)	(1,224)
Others	-	-	-	-
Cash flow from Financing Activities	(1,738)	(932)	(2,556)	(2,685)
Chg. in Cash & Bank balance	68	349	791	1,004
Closing cash & balance	183	538	1,330	2,334

Source Company data, I-Sec research

Exhibit 8: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
Per Share Data (INR)				
Reported EPS	10.1	20.9	11.7	13.0
Adjusted EPS (Diluted)	10.1	20.9	23.4	25.9
Cash EPS	34.9	49.9	26.4	27.6
Dividend per share (DPS)	-	-	-	-
Book Value per share (BV)	108.1	124.0	67.7	73.7
Dividend Payout (%)	-	-	-	-
Growth (%)				
Net Sales	9.1	9.4	2.5	6.4
EBITDA	(2.0)	45.6	6.8	3.7
EPS (INR)	(46.3)	107.0	(44.0)	10.7
Valuation Ratios (x)				
P/E	26.8	12.9	23.1	20.9
P/CEPS	7.8	5.4	10.3	9.8
P/BV	2.5	2.2	4.0	3.7
EV / EBITDA	14.8	10.5	9.6	9.0
Dividend Yield (%)	-	-	-	-
Operating Ratios				
Gross Profit Margins (%)	31.9	36.7	39.3	39.1
EBITDA Margins (%)	13.6	18.1	18.9	18.4
Effective Tax Rate (%)	26.7	26.8	25.2	25.2
Net Profit Margins (%)	3.1	5.8	6.3	6.6
Net Debt / Equity (x)	1.2	1.2	1.0	0.8
Net Debt / EBITDA (x)	2.8	2.2	1.8	1.5
Total Asset Turnover (x)	1.7	1.5	1.4	1.4
Inventory Turnover Days	6	5	8	8
Receivables Days	13	12	12	12
Payables Days	2	2	2	2
Profitability Ratios				
RoE (%)	10.3	18.3	19.1	19.1
RoCE (%)	7.7	11.3	11.6	11.6
RoIC (%)	7.9	11.6	11.9	12.3

Source Company data, I-Sec research

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