

VRL Logistics

BSE SENSEX

57,596

S&P CNX

17,223


VRL LOGISTICS LTD

Stock Info

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	39.3 / 0.5
52-Week Range (INR)	592 / 202
1, 6, 12 Rel. Per (%)	1/20/72
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	27.5
EBITDA	2.5	4.0	4.5
Adj. PAT	0.5	1.6	1.8
Adj. EPS (INR)	5.1	17.8	20.7
EPS Gr. (%)	-48.9	249.8	16.1
BV/Sh. (INR)	67.6	77.4	92.2

Ratios

Net D/E (x)	0.2	0.1	-0.1
RoE (%)	7.4	24.6	24.4
RoCE (%)	8.8	23.6	23.5
Payout (%)	78.4	44.8	29.0

Valuations

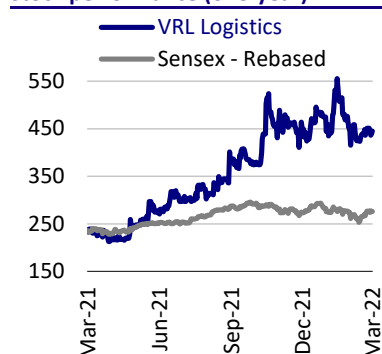
P/E (x)	87.2	24.9	21.5
P/BV (x)	6.6	5.7	4.8
EV/EBITDA (x)	16.3	9.9	8.5
Div. Yield (%)	0.9	1.8	1.3
FCF Yield (%)	6.1	4.4	5.4

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 (one-year)


CMP: INR445
TP: INR690 (+55%)
Buy

New branch additions to support volume growth

We attended VRLL's investor call to get a sense of the recent developments and business outlook in the Logistics sector. The management touched upon various aspects like: a) volume movement in recent times, b) rising fuel prices, c) branch addition strategy, and d) market share shift towards organized players. Here are the key takeaways from that interaction:

- **Business activity:** Logistics activity has been pretty strong in 4QFY22. VRLL expects to end 4QFY22 with a growth on a YoY basis. Improved economic activity is also evident from the recent GST and e-way bill data.
- **Shift towards the organized sector:** After 1st Apr'22, e-invoicing will be mandatory for entities with a revenue of over INR200m (from INR500m earlier). There is a lot of pressure on small fleet operators due to compliance, technology, maintenance, billing, etc., leading to higher cost of operations. This will shift a lot of business towards the organized sector. In the current system, long haul transfers have turned to organized players, but intra-state transfers are still unorganized.
- **Impact from fuel price hikes:** From current levels, fuel prices were ~10% higher in Oct'21. Despite the elevated levels, the company delivered a strong margin in 3QFY22. This shows its ability to pass on the fuel price increase to customers. VRLL does not see any major risk to its margin from price increases in diesel.
- **Branch expansion:** VRLL is aggressively pursuing branch expansion, which will aid higher volume growth. It is on track to open 90-100 branches in FY22 and aims to open a similar number of branches in FY23.
- **Capex:** VRLL is looking at major capex in FY23, primarily towards fleet addition, the details of which will be provided in the near term. Vehicle utilization levels are at peak levels with good volume growth. Given the shortcomings in hired vehicles, the company is looking to build its own vehicle fleet. The Centre's scrappage policy is also prompting it to boost its fleet capacity. It has almost scrapped the plan to acquire a trans-shipment hub in Bengaluru.
- **Diesel procurement:** VRLL is currently sourcing its entire diesel needs from retail pumps. Its fuel cost in 4QFY22 is lower as compared to that in the last two quarters. The company has cut its bio-fuel usage to 2-3% from 23% levels in FY21 given higher palm oil prices.
- **Volume outlook:** The management expects 15-20% volume growth going forward, driven by: a) new branch additions, b) higher demand from new end-use industries, and c) shift towards the organized sector.
- **Margin outlook:** VRLL clocked very strong margins in 2Q and 3QFY22 when diesel prices were higher than current levels. The management sees no impact of higher fuel prices on margin. With improved volume and scale, efficiency in operations will improve further, leading to additional cost benefits.
- **New business opportunities:** Within the GT segment, there has been a strong pick-up in demand from new end-use industries like betel nuts, tea leaves, etc. VRLL is aggressively trying to penetrate further in this new customer category.

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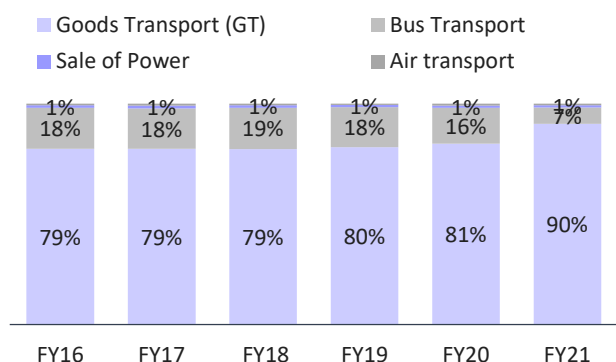
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Valuation and view

- VRLL is well placed given its strong presence in the LTL segment, focus on branch addition, and tight cost control. Its comfortable Balance Sheet position and strong cash flow generation will enable it to meet its capex requirements for future growth.
- With a pickup in demand and branch additions in untapped regions, we expect VRLL to clock 21% revenue CAGR over FY21-24E. With robust volume and cost efficiency measures, it will be able to maintain its EBITDA margin profile at 16% over the next two years.
- We expect the company to clock a revenue/EBITDA/PAT CAGR of ~21%/26%/65% over FY21-24E. The stock trades at 19x FY24E EPS. We maintain our Buy rating, with a TP of INR690/share (30x FY24E EPS).

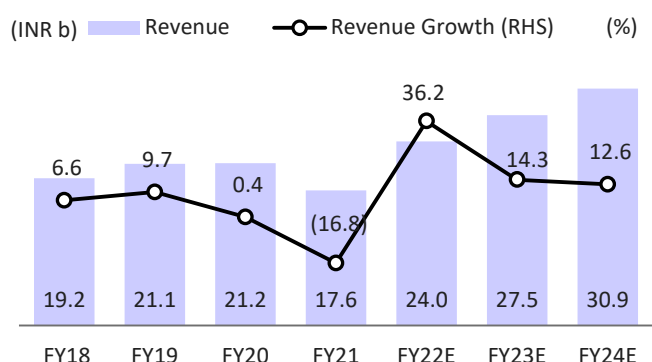
Financial story in charts

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



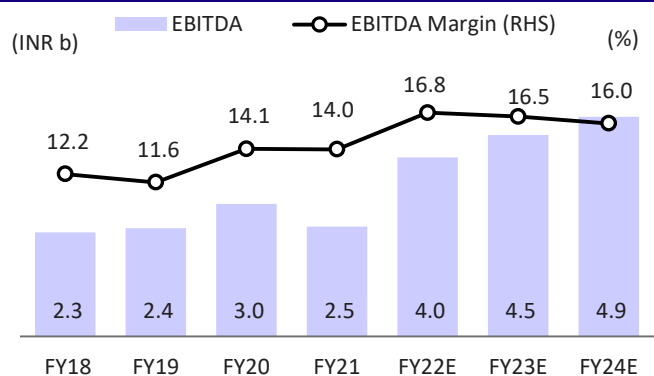
Source: Company, MOFSL

Exhibit 2: Pickup in economic activity to drive revenue



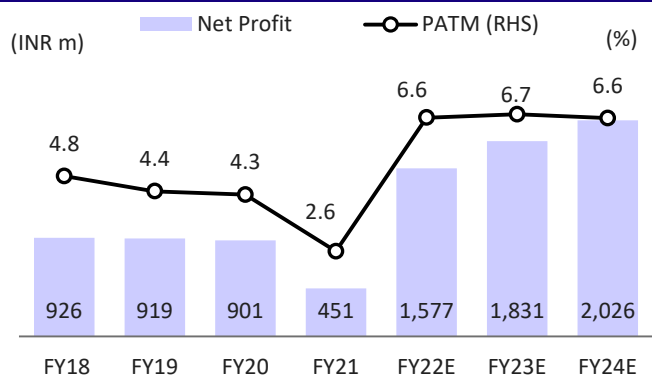
Source: Company, MOFSL

Exhibit 3: Margin to remain stable

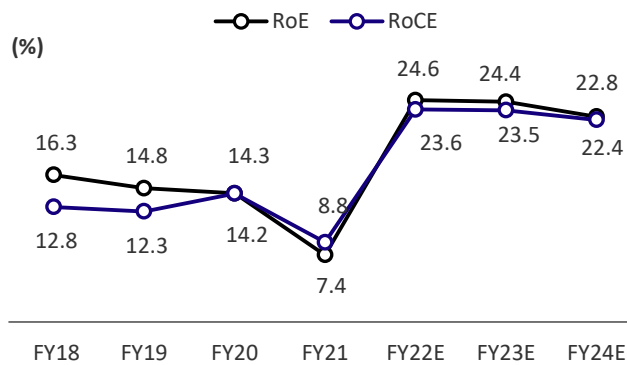


Source: Company, MOFSL

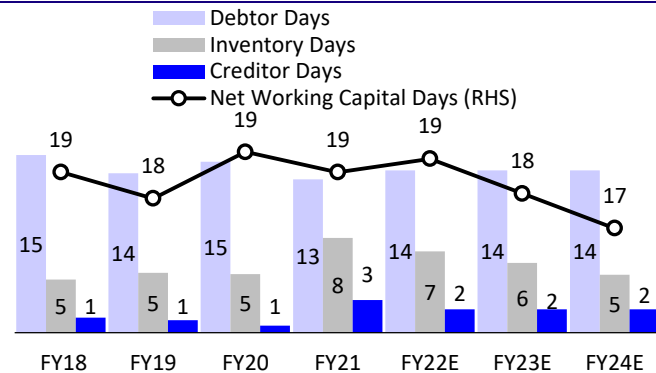
Exhibit 4: Strong operating performance to drive PAT



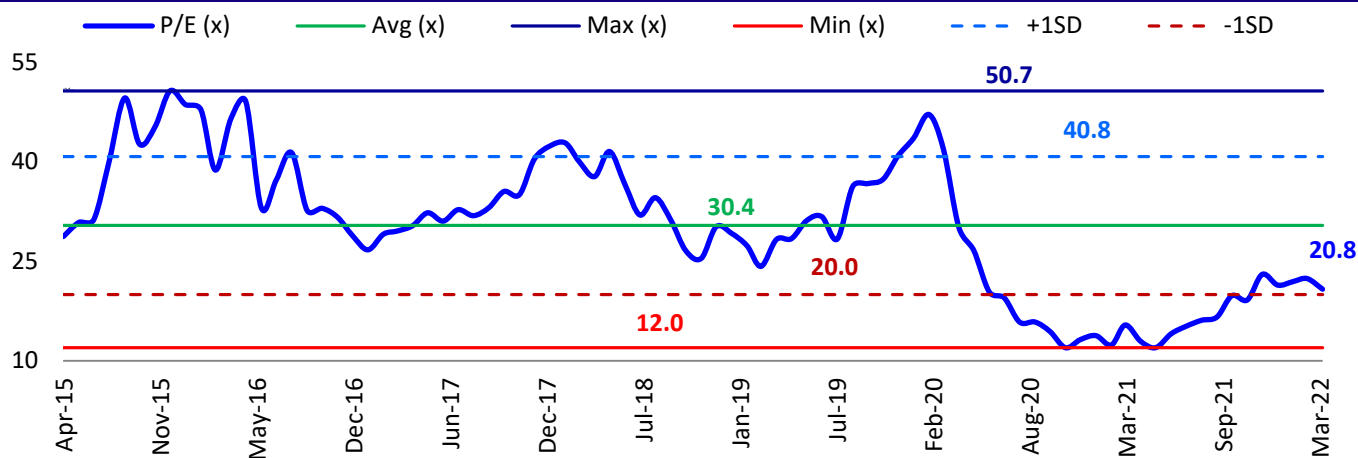
Source: Company, MOFSL

Exhibit 5: Return ratios to rebound to over 20%

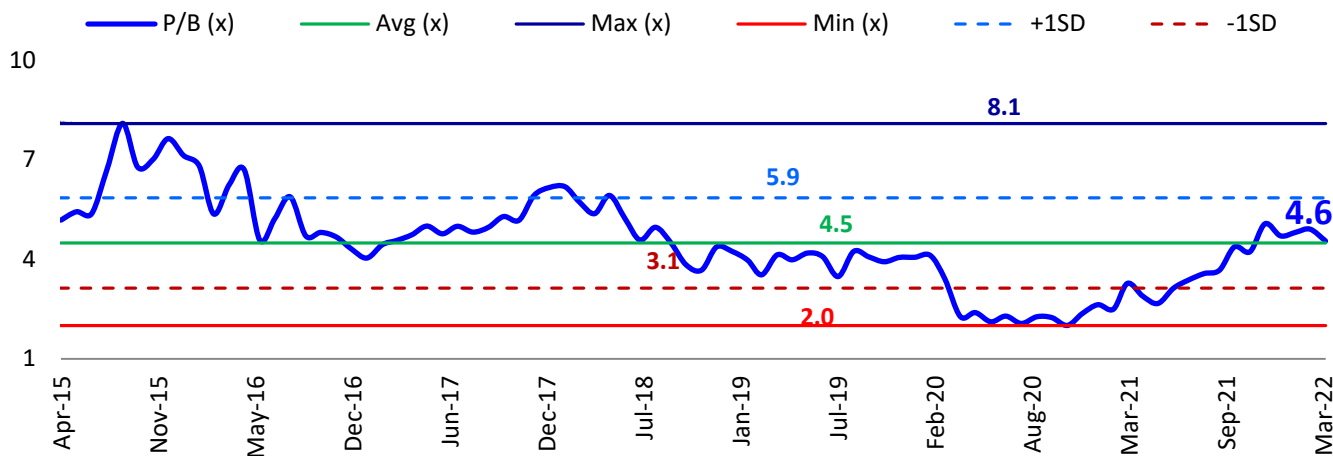
Source: Company, MOFSL

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	27,458	30,917
Change (%)	6.6	9.7	0.4	-16.8	36.2	14.3	12.6
Gross Margin (%)	31.4	30.1	33.4	33.0	33.3	32.8	32.2
EBITDA	2,342	2,440	2,983	2,475	4,032	4,532	4,942
Margin (%)	12.2	11.6	14.1	14.0	16.8	16.5	16.0
Depreciation	976	1,006	1,675	1,598	1,687	1,853	2,010
EBIT	1,366	1,434	1,307	877	2,345	2,679	2,932
Int. and Finance Charges	114	109	367	368	406	373	373
Other Income	142	79	103	129	135	142	149
PBT	1,394	1,405	1,043	637	2,074	2,447	2,708
Tax	468	486	142	187	498	617	682
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	1,831	2,026
Change (%)	31.3	-0.7	-2.0	-50.0	249.8	16.1	10.7
Margin (%)	4.8	4.4	4.3	2.6	6.6	6.7	6.6

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	5,958	7,258	8,754
Net Worth	5,932	6,459	6,169	5,971	6,841	8,142	9,638
Deferred Tax Liabilities	808	738	440	440	440	440	440
Total Loans	812	1,407	1,893	1,196	1,096	996	896
Capital Employed	7,552	8,604	8,502	7,607	8,377	9,578	10,973
Gross Block	9,044	10,835	15,105	15,850	17,550	19,150	20,650
Less: Accum. Deprn.	2,795	3,785	5,202	6,307	7,993	9,847	11,857
Net Fixed Assets	6,250	7,051	9,903	9,544	9,557	9,303	8,794
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	5,116	7,006
Inventory	241	298	293	395	461	451	424
Account Receivables	807	795	856	639	921	1,053	1,186
Cash and Bank Balances	194	131	134	185	618	1,787	3,343
Cash	185	126	129	183	617	1,786	3,342
Bank Balance	8	5	5	1	1	1	1
Others	1,054	1,086	1,021	1,162	1,595	1,824	2,054
Current Liab. and Prov.	1,071	1,174	3,750	4,379	5,189	5,256	5,241
Account Payables	68	61	35	136	132	150	169
Other Current Liabilities	800	849	3,368	3,911	4,606	4,589	4,489
Provisions	203	264	347	332	452	517	582
Net Current Assets	1,225	1,136	-1,445	-1,998	-1,595	-141	1,765
Application of Funds	7,552	8,604	8,502	7,607	8,024	9,224	10,620

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	20.7	22.9
EPS growth (%)	28.4	-0.7	-2.0	-48.9	249.8	16.1	10.7
Cash EPS	21.1	21.3	28.5	23.2	36.9	41.7	45.7
BV/Share	65.7	71.5	68.3	67.6	77.4	92.2	109.1
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	29.0	26.2

Valuation (x)

P/E	43.4	43.7	44.6	87.2	24.9	21.5	19.4
Cash P/E	21.1	20.9	15.6	19.2	12.0	10.7	9.7
EV/EBITDA	17.0	16.6	13.8	16.3	9.9	8.5	7.5
EV/Sales	2.1	1.9	1.9	2.3	1.7	1.4	1.2
P/BV	6.8	6.2	6.5	6.6	5.7	4.8	4.1
Dividend Yield (%)	0.0	1.2	1.6	0.9	1.8	1.3	1.3

Return Ratios (%)

RoE	16.3	14.8	14.3	7.4	24.6	24.4	22.8
RoCE	12.8	12.3	14.2	8.8	23.6	23.5	22.4
RoIC	11.9	12.2	13.8	7.9	23.7	26.0	28.7

Working Capital Ratios

Fixed Asset Turnover (x)	2.2	2.1	1.6	1.1	1.4	1.5	1.6
Asset Turnover (x)	2.5	2.5	2.5	2.3	2.9	2.9	2.8
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 ratio	0.1	0.2	0.3	0.2	0.1	-0.1	-0.3
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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	2,447	2,708
Depreciation	976	1,006	1,675	1,598	1,687	1,853	2,010
Direct Taxes Paid	-510	-523	-431	-148	-498	-617	-682
(Inc.)/Dec. in WC	97	-64	-94	294	-110	-182	-239
Other Items	98	98	380	330	271	231	224
CF from Operations	2,055	1,922	2,573	2,711	3,424	3,733	4,021
(Inc.)/Dec. in FA	-455	-2,109	-1,200	-330	-1,700	-1,600	-1,500
Free Cash Flow	1,600	-187	1,373	2,381	1,724	2,133	2,521
Change in Investments	12	3	14	15	0	0	0
Others	0	15	0	1	-101	19	26
CF from Investments	-442	-2,091	-1,185	-313	-1,801	-1,581	-1,474
Inc./Dec. in net worth	-387	0	0	-632	0	0	0
Inc./Dec. in Debt	-1,036	596	485	-697	-100	-100	-100
Dividends Paid	0	-381	-980	0	-1,060	-530	-530
Others	-120	-104	-889	-1,014	-29	-353	-361
CF from Fin. Activity	-1,543	110	-1,384	-2,344	-1,190	-983	-991
Inc./Dec. in Cash	70	-59	3	54	434	1,169	1,556
Opening Balance	116	185	126	129	183	617	1,786
Closing Balance	185	126	129	183	617	1,786	3,342

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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