29 May 2022

4QFY22 Results Update | Sector: Logistics

VRL Logistics

Estimate change	↑
TP change	↑
Rating change	↔

Bloomberg	VRLL IN
Equity Shares (m)	88
M.Cap.(INRb)/(USDb)	53.2 / 0.7
52-Week Range (INR)	659 / 240
1, 6, 12 Rel. Per (%)	8/33/138
12M Avg Val (INR M)	176

Financial Snapshot (INR b)

Y/E MARCH	2022	2023E	2024E
Sales	23.9	28.6	33.7
EBITDA	4.0	4.8	5.6
Adj. PAT	1.6	1.8	2.1
EBITDA Margin (%)	16.9	16.8	16.7
Adj. EPS (INR)	18.1	19.9	24.0
EPS Gr. (%)	255.3	10.1	20.1
BV/Sh. (INR)	73.8	87.7	105.7
Ratios			
Net D:E	0.2	0.3	0.1
RoE (%)	25.6	24.7	24.8
RoCE (%)	24.0	22.2	21.0
Payout (%)	44.1	30.1	25.0
Valuations			
P/E (x)	33.3	30.2	25.2
P/BV (x)	8.2	6.9	5.7
EV/EBITDA(x)	13.5	11.5	9.6
Div. Yield (%)	1.3	1.0	1.0
FCF Yield (%)	0.6	1.4	3.9

Shareholding pattern (%)

As On	Mar-22	Dec-21	Mar-21
Promoter	69.6	69.6	69.6
DII	15.1	16.7	18.7
FII	3.6	3.5	3.1
Others	11.7	10.3	8.7

FII Includes depository receipts

CMP: INR603 TP: INR720 (+19%) Buy

Momentum in volume growth continues

Strong operational performance drives margin

- VRLL delivered a revenue growth of 11% YoY to ~INR6.7b (-2% QoQ, in line). Revenue from Goods Transport (GT) grew 10% YoY in 4QFY22 (based on 6% tonnage and 4% realization growth).
- The Bus Operations business, which was impacted by COVID-led restrictions, recovered sharply, with revenue growing 11% YoY to INR622m. EBITDA margin jumped 300bp YoY to 18.9% (est. 18.5%), led by a sharp (+400bp) improvement in gross margin to 36% in 4QFY22. EBITDA rose 32% YoY to INR1.3b (in line). Strong operating performance led to a 51% YoY growth in APAT to INR562m.
- VRLL is well placed to add fleet capacity (13,000t of net addition), which will allow it to capitalize on growth opportunities in the industry. Aggressive branch additions in untapped region will aid volume growth.
- We raise our FY23/FY24 EPS estimate by 2%/8% to factor in an improved outlook on volume and margin. Robust improvement across the GT and Bus segment will aid profitability. We maintain our Buy rating, with a revised TP of INR720 per share (30x FY24E EPS), implying a potential upside of 19%.

Highlights from the management commentary

- The growth in GT was driven by the addition of new branches and a shift of business to the organized from the unorganized sector. VRLL opened 91 branches in FY22, and is planning to open 100 additional branches in FY23.
- It hasn't raised prices in 1QFY23 till date, despite a rise in diesel cost, to usher in higher volumes, and yet it was able to maintain margin.
- It recorded a 47% growth in the number of Bus passengers to 1.9m in FY22 (4Q: 0.6m) from 1.3m in FY21. Realization per passenger rose to INR1,073 in FY22 from INR1,000 in FY21.
- In the Wind Power business, it has entered into a MoU with Ratna Cement for a consideration of INR480m. The deal is expected to complete by the end of Jul'22. VRLL will be booking revenue from Wind Power in 1Q-2QFY23.
- At present, it has a net debt of INR1.2b. After a capex of INR5.6b in the next 18 months, net debt is expected at INR2.2-2.5b.
- The management expects a 20-25% growth in tonnage and margin in the 19-20% range for the GT segment in FY23.

Robust volume and cost efficiency to boost earnings; retain Buy

- We expect 19% revenue CAGR, with a faster addition of branches in untapped regions. With robust volume and cost efficiency measures, we expect a healthy EBITDA margin (16-17%) over the next two years.
- We raise our FY23/FY24 EPS estimate by 2%/8% to factor in an improved outlook on volume and margin. We expect a revenue/EBITDA/PAT CAGR of ~19%/18%/15% over FY22-24. We maintain our Buy rating, with a revised TP of INR720/share (30x FY24E EPS), implying a potential upside of 19%.

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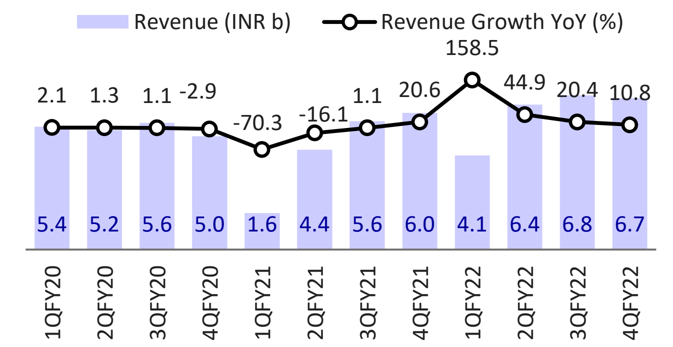
Quarterly performance (INR m)

Y/E March (INR m)	FY21				FY22				FY21	FY22	FY22E	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q			4QE	(%)
Net Sales	**1,601**	**4,393**	**5,634**	**6,002**	**4,138**	**6,364**	**6,784**	**6,651**	**17,629**	**23,936**	**6,730**	**(1)**
YoY Change (%)	-70.3	-16.1	1.1	20.6	158.5	44.9	20.4	10.8	-16.8	35.8	12.1	
EBITDA	**-339**	**869**	**988**	**956**	**361**	**1,133**	**1,290**	**1,258**	**2,475**	**4,042**	**1,248**	**1**
Margin (%)	-21.2	19.8	17.5	15.9	8.7	17.8	19.0	18.9	14.0	16.9	18.5	
YoY Change (%)	-138.1	18.8	24.0	68.9	-206.5	30.3	30.6	31.5	-17.0	63.3	30.5	
Depreciation	419	388	411	380	377	396	444	463	1,598	1,680	470	
Interest	104	90	83	92	95	98	118	120	368	431	95	
Other Income	23	25	51	29	35	18	49	66	129	168	33	
PBT before EO expense	**-838**	**417**	**545**	**513**	**-76**	**657**	**778**	**741**	**637**	**2,099**	**716**	**3**
Extra-Ord. expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	**-838**	**417**	**545**	**513**	**-76**	**657**	**778**	**741**	**637**	**2,099**	**716**	**3**
Tax	-211	108	148	141	-16	162	173	179	187	498	179	
Rate (%)	25.2	25.9	27.1	27.6	20.5	24.7	22.2	24.2	29.3	23.7	25.0	
Reported PAT	**-627**	**309**	**397**	**372**	**-60**	**495**	**605**	**562**	**451**	**1,601**	**537**	**5**
Adj. PAT	**-627**	**309**	**397**	**372**	**-60**	**495**	**605**	**562**	**451**	**1,601**	**537**	**5**
YoY Change (%)	-328.4	-11.1	54.0	1,637.5	-90	60.2	52.2	51.2	-50.0	255.3	44.5	
Margin (%)	-39.2	7.0	7.1	6.2	-1.5	7.8	8.9	8.4	2.6	6.7	8.0	

E: MOFSL estimates

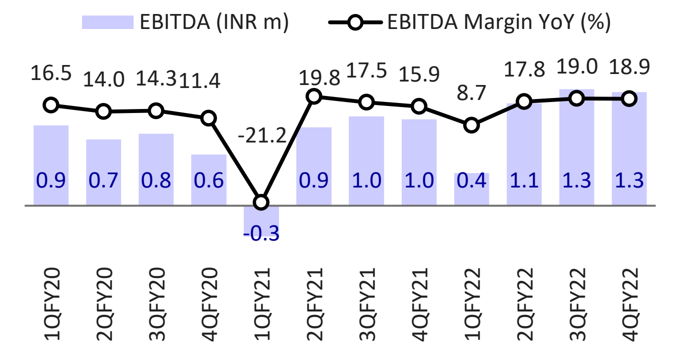
4QFY22 in charts

Exhibit 1: Revenue up 11% YoY in 4QFY22



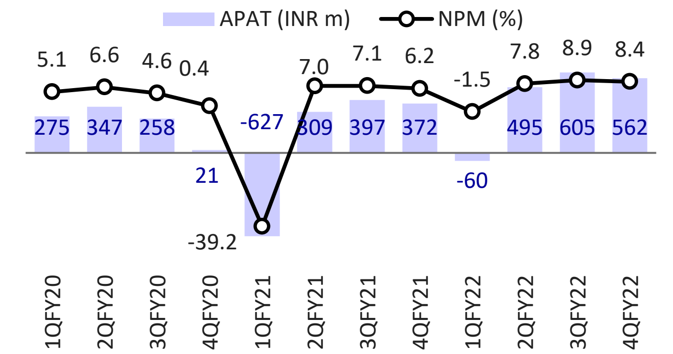
Source: Company, MOFSL

Exhibit 2: Margin improves by 300bp YoY in 4QFY22



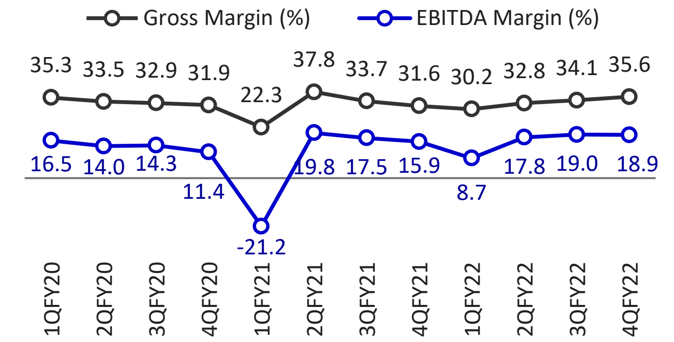
Source: Company, MOFSL

Exhibit 3: PAT up 51% YoY in 4QFY22



Source: Company, MOFSL

Exhibit 4: Strong operating performance propelled margin



Source: Company, MOFSL

Exhibit 5: Segmental performance

	1QFY21	2QFY21	3QFY21	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22
Segment Revenue (INR m)								
Goods Transport	1,482	4,077	5,010	5,358	3,848	5,688	5,961	5,876
Bus Operations	53	168	521	561	176	503	748	622
Sale of Power	48	76	31	21	55	86	21	90
Transport of passengers by air	11	38	40	29	35	37	16	23
Net segment Revenue	**1,594**	**4,358**	**5,603**	**5,969**	**4,114**	**6,314**	**6,747**	**6,611**
Growth YoY(%)								
Goods Transport	-65.0	-5.6	10.7	28.6	159.6	39.5	19.0	9.7
Bus Operations	-94.9	-77.5	-44.9	-20.5	231.8	199.5	43.6	10.7
Sale of Power	-1.0	-21.1	38.3	6.6	15.7	13.5	-33.0	332.0
Transport of passengers by air	-79.3	-26.7	-22.9	-30.9	225.7	-1.6	-59.9	-22.2
Net segment Revenue	**-70.3**	**-16.4**	**1.0**	**21.0**	**158.1**	**44.9**	**20.4**	**10.7**
Revenue Share								
Goods Transport	93	94	89	90	94	90	88	89
Bus Operations	3	4	9	9	4	8	11	9
Sale of Power	3	2	1	0	1	1	0	1
Transport of passengers by air	1	1	1	0	1	1	0	0
Total Revenue Share	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**
Segment Results (EBIT) - (INR m)								
Goods Transport	-612	558	711	696	145	793	927	841
Bus Operations	-112	-54	17	-92	-71	-28	78	9
Sale of Power	5	37	-12	-23	12	42	-23	44
Transport of passengers by air	-15	6	-32	-4	-10	4	-20	3
Total Segment Results	**-733**	**547**	**684**	**577**	**76**	**811**	**962**	**897**
Segmental EBIT Margin (%)								
Goods Transport	-41.3	13.7	14.2	13.0	3.8	13.9	15.6	14.3
Bus Operations	-210.6	-32.2	3.2	-16.5	-40.5	-5.7	10.4	1.5
Sale of Power	10.1	49.3	-36.8	-107.6	21.5	48.9	-109.5	48.8
Transport of passengers by air	-139.8	14.9	-78.7	-14.0	-27.3	11.6	-123.5	13.5
Total	**-46.0**	**12.6**	**12.2**	**9.7**	**1.8**	**12.8**	**14.3**	**13.6**

CONFERENCE CALL

Highlights from the management commentary

Operational highlights

- The government has mandated e-invoicing for businesses with a turnover of INR2b and above (earlier limit of INR5b). Hence, compliance regulations are increasing which is supporting organized players.
- The company has taken suitable steps to pass on the additional cost burdens to the customers to maintain the suitable EBITDA margin.
- VRLL has opened 91 branches in FY22 and plans to open 100 more branches in FY23.
- Coconut products/leather/supari handled were 5,595/15,000/11,500t in FY22 from 48/2,422/4,925t in FY19.
- Revenue increased by 36%YoY in FY22. Majorly contributed by GT.
- Restrictions on palm oil exports from Indonesia led to an increase in palm oil prices. The prices are cooling down gradually after the ban was lifted. The bio-fuel will be used only if it is cheaper by INR6-7 per liter than diesel.
- There were 0.4m customers of VRLL during pre-COVID which has increased to 0.7m currently. Addition of new customers is expected to continue as new branches are being opened.
- The percentage of fixed cost and variable cost to revenue has declined in FY22.
- The value of scrap was INR30-40m in FY22.

- VRLL makes 8-9% EBITDA margin from outside vehicles (v/s ~20% from owned vehicles)

Goods Transport segment

- GT revenue rose 35% in FY22, with a 27%/7% YoY increase in tonnage/realization.
- Diesel cost increased from 28% of revenue in FY21 to 30% of revenue in FY22.
- Vehicle maintenance cost as a percentage of revenue decreased from 8% in FY21 to 7% in FY22.
- Revenue from the GT segment rose 10% YoY in 4QFY22 (tonnage/realization growth was 6%/4%).
- Diesel cost/maintenance cost decreased from 30.5%/8% of revenue in 4QFY21 to 29%/7% of revenue in 4QFY22.
- GT segment realization decreased by 2% QoQ in 4QFY22 due to discounts on the new routes.
- The procurement cost of diesel for VRLL was INR86 per liter in 4QFY22 (v/s INR80 per liter in 4QFY21). The procurement cost of diesel for FY22 stood at INR87 per liter (v/s INR72 in FY21).
- The lorry hire cost stood at 7.3% in FY22. (4QFY22: 8.6%). It expects the lorry hire cost to be in the 7-8% range in FY23.
- VRLL hasn’t taken any rate hike, despite rise in diesel costs in 1QFY23 to bring in higher volumes. And yet it was able to maintain margin.
- VRLL is reaching breakeven for the new branches in two-to-three months. The new branches contributed ~4% to the overall tonnage.

Bus operations segment

- Bus segment has turned positive EBITDA.
- Revenue increased in Bus operations segment due to increase in number of passengers in FY22
- Borrowed small debt of INR10-20m for the purchase of buses.
- 4Q is usually tepid for the Bus segment due to examinations, 1QFY23 would be better.
- There was a 47% growth in the number of passengers from 1.3m in FY21 to 1.9m in FY22 (4Q: 0.6m).
- Realization per passenger increased from INR1,000 in FY21 to INR1,073 in FY22 (4Q: INR1,131).

Sale of assets

- The company has decided to sell the non-core wind power business.
- Wind power business has entered into a MoU with Ratna Cement for a consideration of INR480m. The transaction is expected to complete by end-July’22. VRLL would be booking revenues from wind power in 1Q-2QFY23.
- The company has sold one out of the two aircraft in 4QFY22.
- VRLL made a profit of INR20m from the sale of the aircraft. It will continue to operate one aircraft.
- A one-time income of INR60m was received in the wind segment from the sale of carbon reduction units in 4QFY22.

Capex plan

- The capex stood at INR1.95b in FY22. Capex was INR580m in 4QFY22, with GT/BO segments at INR480m/INR100m. The INR410m in the GT segment was towards the addition of new trucks.
- Owing to the vehicle scrappage policy and growth in the GT segment, the company has decided to buy 1,600 vehicles in the 12-18 months for INR5.6b.
- VRLL has a net debt of INR1.2b currently. Post the capex of INR5.6b in the next 18 months, the net debt is expected to be ~INR2.2-2.5b.
- No fresh borrowing has been done as on date towards fleet addition. New fleet has started coming in from TTMT. All the capex has been through internal accruals.
- Based on the technical evaluation like chassis, capacity, mileage, purpose of use, engine warranty period, etc., VRLL has chosen to buy more buses from TTMT than AL.
- VRLL will carry out the maintenance work by itself, but the spare parts would be supplied by TTMT, as is being done by AL currently.

Guidance for FY23

- The management expects a tonnage growth of 20-25% in FY23.
- It expects margin in the GT segment to be in the 19-20% range in FY23.

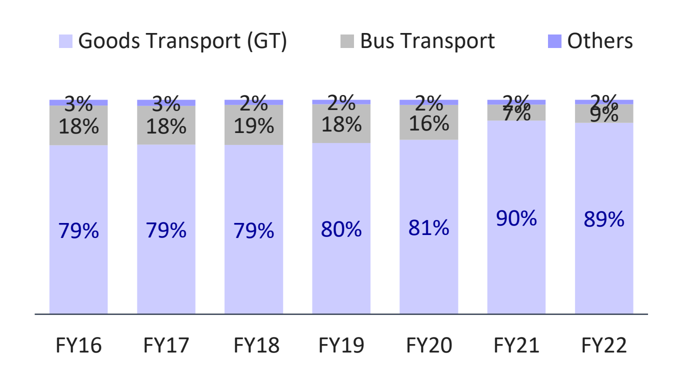
Exhibit 6: Revisions to our forecast

(INR m)	FY23E			FY24E		
	Revised	Old	Change (%)	Revised	Old	Change (%)
Net Sales	28,589	27,888	**2.5**	33,717	32,396	**4.1**
EBITDA	4,810	4,598	**4.6**	5,643	5,288	**6.7**
EBITDA Margin (%)	**16.8**	**16.5**	**34bp**	**16.7**	**16.3**	**41bp**
PAT	1,762	1,720	**2.5**	2,117	1,953	**8.4**
EPS (INR)	**19.9**	**19.5**	**2.3**	**24.0**	**22.1**	**8.4**

Source: Company, MOFSL

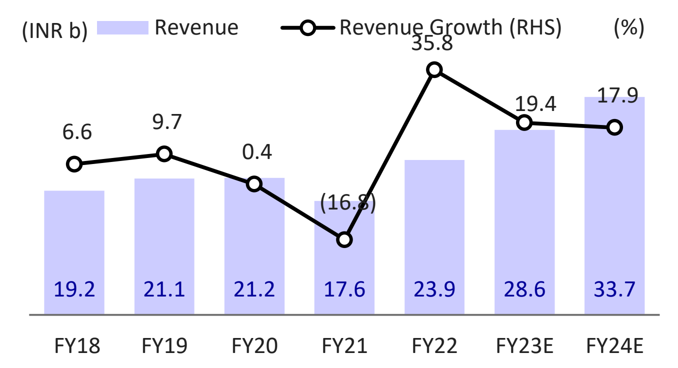
Financial story in charts

Exhibit 7: Share of GT increases over the last few years



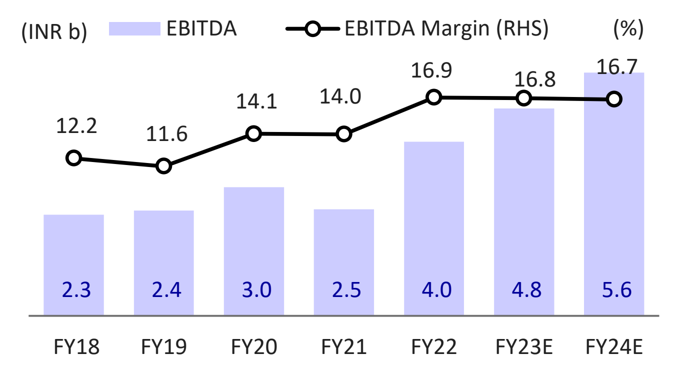
Source: Company, MOFSL

Exhibit 8: Pick-up in economic activity to drive revenue



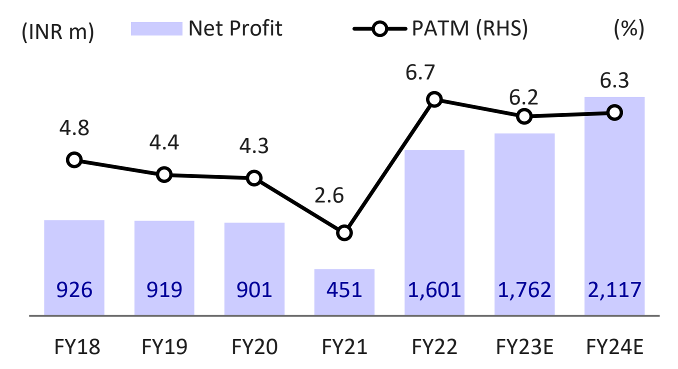
Source: Company, MOFSL

Exhibit 9: Margin to remain stable



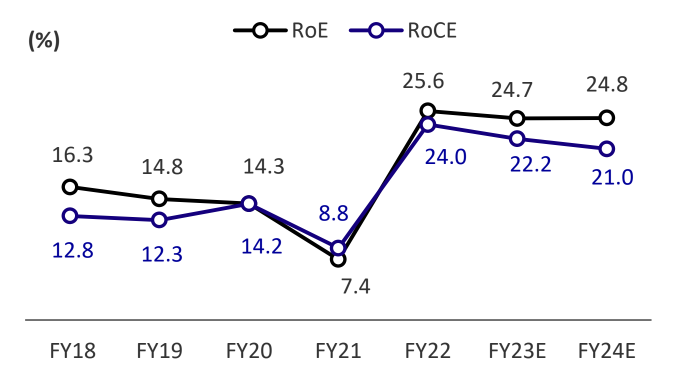
Source: Company, MOFSL

Exhibit 10: Strong operating performance to drive PAT



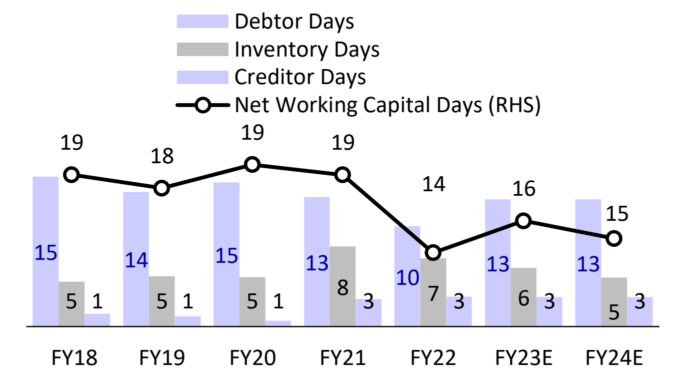
Source: Company, MOFSL

Exhibit 11: Return ratios remain healthy over 20%



Source: Company, MOFSL

Exhibit 12: Comfortable working capital position



Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Net Sales	**19,223**	**21,095**	**21,185**	**17,629**	**23,937**	**28,589**	**33,717**
Change (%)	6.6	9.7	0.4	-16.8	35.8	19.4	17.9
Gross Margin (%)	31.4	30.1	33.4	33.0	33.5	32.5	32.0
EBITDA	**2,342**	**2,440**	**2,983**	**2,475**	**4,042**	**4,810**	**5,643**
Margin (%)	12.2	11.6	14.1	14.0	16.9	16.8	16.7
Depreciation	976	1,006	1,675	1,598	1,680	2,072	2,358
EBIT	**1,366**	**1,434**	**1,307**	**877**	**2,362**	**2,739**	**3,285**
Int. and Finance Charges	114	109	367	368	431	568	733
Other Income	142	79	103	129	168	185	277
PBT	**1,394**	**1,405**	**1,043**	**637**	**2,099**	**2,356**	**2,830**
Tax	468	486	142	187	498	594	713
Effective Tax Rate (%)	33.6	34.6	13.6	29.3	23.7	25.2	25.2
Reported PAT	**926**	**919**	**901**	**451**	**1,601**	**1,762**	**2,117**
Change (%)	31.3	-0.7	-2.0	-50.0	255.3	10.1	20.1
Margin (%)	4.8	4.4	4.3	2.6	6.7	6.2	6.3

Balance Sheet

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Equity Share Capital	903	903	903	883	883	883	883
Total Reserves	5,029	5,556	5,265	5,088	5,633	6,865	8,452
Net Worth	**5,932**	**6,459**	**6,169**	**5,971**	**6,516**	**7,749**	**9,335**
Deferred Tax Liabilities	808	738	440	440	386	386	386
Total Loans	812	1,407	1,893	1,196	1,593	3,043	4,493
Capital Employed	**7,552**	**8,604**	**8,502**	**7,607**	**8,496**	**11,178**	**14,215**
Gross Block	9,044	10,835	15,105	15,850	18,967	22,467	25,167
Less: Accum. Deprn.	2,795	3,785	5,202	6,307	7,987	10,058	12,416
Net Fixed Assets	**6,250**	**7,051**	**9,903**	**9,544**	**10,980**	**12,408**	**12,750**
Capital WIP	76	416	44	61	350	350	350
Total Investments	**1**	**1**	**1**	**1**	**1**	1	1
Curr. Assets, Loans, and Adv.	**2,296**	**2,311**	**2,304**	**2,381**	**2,473**	**3,950**	**6,897**
Inventory	241	298	293	395	459	470	462
Account Receivables	807	795	856	639	673	1,018	1,201
Cash and Bank Balances	194	131	134	185	145	924	3,421
Cash	185	126	129	183	144	923	3,419
Bank Balance	8	5	5	1	1	1	1
Others	1,054	1,086	1,021	1,162	1,197	1,538	1,813
Current Liab. and Prov.	**1,071**	**1,174**	**3,750**	**4,379**	**5,307**	**5,530**	**5,783**
Account Payables	68	61	35	136	201	235	277
Other Current Liabilities	800	849	3,368	3,911	4,673	4,778	4,896
Provisions	203	264	347	332	433	517	610
Net Current Assets	**1,225**	**1,136**	**-1,445**	**-1,998**	**-2,834**	**-1,580**	**1,114**
Application of Funds	**7,552**	**8,604**	**8,502**	**7,607**	**8,496**	**11,178**	**14,215**

Financials and valuations

Ratios

Y/E March	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
Basic (INR)							
EPS	10.2	10.2	10.0	5.1	18.1	19.9	24.0
EPS growth (%)	28.4	-0.7	-2.0	-48.9	255.3	10.1	20.1
Cash EPS	21.1	21.3	28.5	23.2	37.1	43.4	50.6
BV/Share	65.7	71.5	68.3	67.6	73.8	87.7	105.7
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	44.1	30.1	25.0
Valuation (x)							
P/E	58.9	59.3	60.5	118.2	33.3	30.2	25.2
Cash P/E	28.6	28.3	21.1	26.0	16.2	13.9	11.9
EV/EBITDA	23.0	22.4	18.4	21.9	13.5	11.5	9.6
EV/Sales	2.8	2.6	2.6	3.1	2.3	1.9	1.6
P/BV	9.2	8.4	8.8	8.9	8.2	6.9	5.7
Dividend Yield (%)	0.0	0.9	1.2	0.7	1.3	1.0	1.0
Return Ratios (%)							
RoE	16.3	14.8	14.3	7.4	25.6	24.7	24.8
RoCE	12.8	12.3	14.2	8.8	24.0	22.2	21.0
RoIC	11.9	12.2	13.8	7.9	23.5	22.9	24.2
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	2.8	2.6	2.4
Inventory (Days)	5	5	5	8	7	6	5
Debtors (Days)	15	14	15	13	10	13	13
Creditors (Days)	1	1	1	3	3	3	3
Leverage Ratio (x)							
Net Debt/Equity ratio	0.1	0.2	0.3	0.2	0.2	0.3	0.1

Cash Flow Statement

Y/E March (INR m)	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E
OP/(Loss) before Tax	1,394	1,405	1,043	637	2,099	2,356	2,830
Depreciation	976	1,006	1,675	1,598	1,680	2,072	2,358
Direct Taxes Paid	-510	-523	-431	-148	-498	-594	-713
(Inc.)/Dec. in WC	97	-64	-94	294	183	27	-165
Other Items	98	98	380	330	263	383	455
CF from Operations	**2,055**	**1,922**	**2,573**	**2,711**	**3,727**	**4,244**	**4,764**
(Inc.)/Dec. in FA	-455	-2,109	-1,200	-330	-3,405	-3,500	-2,700
Free Cash Flow	**1,600**	**-187**	**1,373**	**2,381**	**322**	**744**	**2,064**
Change in Investments	12	3	14	15	0	0	0
Others	0	15	0	1	25	-72	95
CF from Investments	**-442**	**-2,091**	**-1,185**	**-313**	**-3,380**	**-3,572**	**-2,605**
Inc./Dec.in net worth	-387	0	0	-632	4	0	0
Inc./(Dec.) in Debt	-1,036	596	485	-697	398	1,450	1,450
Dividends Paid	0	-381	-980	0	-1,060	-530	-530
Others	-120	-104	-889	-1,014	272	-813	-582
CF from Fin. Activity	**-1,543**	**110**	**-1,384**	**-2,344**	**-387**	**107**	**338**
Inc./(Dec.) in Cash	**70**	**-59**	**3**	**54**	**-40**	**779**	**2,497**
Opening Balance	116	185	126	129	183	144	923
Closing Balance	**185**	**126**	**129**	**183**	**144**	**923**	**3,419**

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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