4 November 2025

2QFY26 Results Update | Sector: Logistics

VRL Logistics

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	VRLL IN
Equity Shares (m)	175
M.Cap.(INRb)/(USDb)	47.3 / 0.5
52-Week Range (INR)	325 / 216
1, 6, 12 Rel. Per (%)	-4/13/-9
12M Avg Val (INR M)	82

Financial Snapshot (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	32.6	35.8	39.8
EBITDA	6.2	6.9	7.5
Adj. PAT	2.2	2.6	2.9
EBITDA Margin (%)	19.1	19.3	18.9
Adj. EPS (INR)	12.6	14.8	16.5
EPS Gr. (%)	20.6	17.4	11.6
BV/Sh. (INR)	69.6	74.4	79.4
Ratios			
Net D:E	0.2	0.1	0.0
RoE (%)	19.2	20.6	21.5
RoCE (%)	17.7	19.8	21.4
Payout (%)	39.6	67.5	69.6
Valuations			
P/E (x)	21.5	18.3	16.4
P/BV (x)	3.9	3.6	3.4
EV/EBITDA(x)	8.1	7.0	6.3
Div. Yield (%)	1.8	3.7	4.2
FCF Yield (%)	6.7	7.9	6.7

Shareholding Pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	60.2	60.2	60.2
DII	24.3	24.6	25.5
FII	4.0	4.0	3.9
Others	11.5	11.2	10.4

FII includes depository receipts

CMP: INR271 TP: INR350 (+29%) Buy

In-line quarter with steady margins; volume recovery expected ahead

Healthy margins amid volume weakness; recovery likely in 2HFY26

- VRL's revenue was flat YoY at INR8.0b (+7% QoQ) in 2QFY26, in line with our estimate.
- Volume dipped 11% YoY to 0.97m tons, while realization grew by 12% YoY to INR 8,079/ton, driven by a price hike. Volume drop was mainly due to contract restructuring and the voluntary exit from certain low-margin contracts. However, volume rose 4% sequentially on the back of a strong festive season and customer recovery from new branch addition.
- EBITDA margins stood at 19% (+240bp YoY and -140bp QoQ), in line with our estimate. EBITDA margin continued to be robust despite volume pressure, driven by cost rationalization efforts. However, it was lower QoQ on account of increased employee cost, which was expected after the salary revision w.e.f Aug'25. Fuel costs stood at ~25.6% (vs. 28.6% in 2QFY25) of total income in 2QFY26. Lorry charges fell to 4.4% from ~5.7% of total income YoY. EBITDA grew ~14% YoY to INR1.5b (in line).
- Aided by strong operating performance, APAT increased 40% YoY to INR499m (in line). Capex stood at INR430m in 2QFY26.
- In 2QFY26, VRL reported a stable performance, supported by disciplined pricing and a continued focus on profitability, despite lower volumes following its strategic exit from low-margin contracts. Effective cost management through improved fuel procurement and reduced dependence on hired vehicles helped the company maintain healthy margins. We retain our FY26 and FY27 estimates and roll forward our valuation to FY28. We expect volume to recover and margin to stabilize in 2HFY26, aided by festive demand and GST rate cuts. **We expect VRL to deliver 5% volume growth and a CAGR of 8%/9%/16% in revenue/EBITDA/PAT over FY25-28. Reiterate BUY with a TP of INR350 (based on 22x FY28E EPS).**

Highlights from the management commentary

- Volume is expected to grow ~4% QoQ in 3QFY26 with improved volumes after GST rate cuts.
- Overall, management expects revenue to grow ~4-5% in FY26.
- Capex stood at ~INR1b in 1HFY26 largely for branch expansion and transhipment hubs funded through internal accruals. Capex is being aligned with tonnage trends, with additional branch/hub expansion as planned.
- VRL's consistent 100% hub-to-hub efficiency, low attrition rate, and in-house tech infrastructure (ERP, barcoding, GPS) reinforce its position as a high-service-quality logistics player.
- Door-to-door revenue share has increased to ~40%, reflecting a gradual shift toward express PTL offerings. Network optimization continues, with rationalized fleet size and selective branch closures.

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Valuation and view

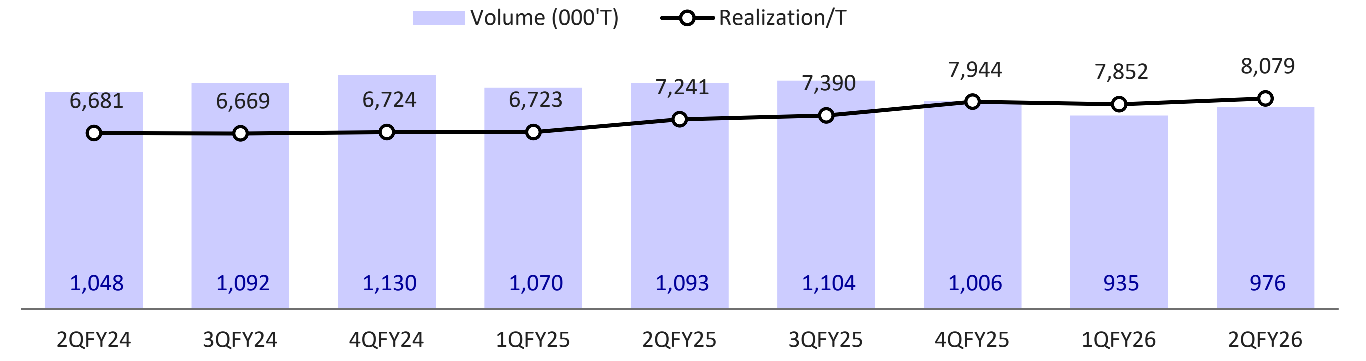
- VRL is well-positioned for long-term growth, supported by its strategic focus on profitable contracts, operational efficiency, and strong service reliability. The company's investment in technology, disciplined cost management, and robust hub-to-hub network create a strong foundation to scale operations as demand recovers.
- While near-term headwinds persist, VRL's focus on profitability through the addition of quality customers, expansion into under-penetrated areas, a healthy pricing strategy, and strong internal execution positions it well to benefit from the structural growth in India's organized surface logistics sector.
- We retain our FY26 and FY27 estimates and roll forward our valuation to FY28. We expect volume to recover and margin to stabilize from 2HFY26, aided by festive demand and GST rate cut. **We expect VRL to clock 5% volumes and a revenue/EBITDA/PAT CAGR of 8%/9%/16% over FY25-28. Reiterate BUY with a TP of INR350 (based on 22x FY28E EPS).**

Quarterly performance **INR m**

Y/E March (INR m)	FY25				FY26E				FY25	FY26E	FY26	Var.
	1Q	2Q	3Q	4Q	1Q	2Q	3QE	4QE			2QE	vs Est
Net Sales	7,272	7,995	8,252	8,090	7,443	7,970	8,475	8,670	31,609	32,558	7,850	2
YoY Change (%)	7.9	12.7	12.0	5.3	2.4	-0.3	2.7	7.2	9.4	3.0	-1.8	
EBITDA	869	1,331	1,664	1,866	1,516	1,511	1,576	1,608	5,730	6,212	1,498	1
Margins (%)	11.9	16.6	20.2	23.1	20.4	19.0	18.6	18.6	18.1	19.1	19.1	
YoY Change (%)	-14.7	44.9	76.3	77.1	74.5	13.6	-5.3	-13.8	45.6	8.4	12.6	
Depreciation	615	638	646	638	647	648	675	703	2,536	2,672	665	
Interest	226	224	241	258	262	242	220	164	948	888	220	
Other Income	148	25	57	25	65	70	72	94	255	300	82	
PBT before EO expense	176	493	835	996	672	691	753	836	2,500	2,953	695	
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	0	
PBT	176	493	835	996	672	691	753	836	2,500	2,953	695	
Tax	42	135	240	253	172	192	181	201	670	746	175	
Rate (%)	23.6	27.3	28.8	25.4	25.6	27.8	24.0	24.1	26.8	25.3	25.2	
Reported PAT	134	358	594	743	500	499	573	635	1,829	2,206	520	
Adj PAT	134	358	594	743	500	499	573	635	1,829	2,206	520	(4)
YoY Change (%)	-60.4	84.4	333.9	244.6	272.4	39.2	-3.7	-14.5	106.5	20.6	45.0	
Margins (%)	1.8	4.5	7.2	9.2	6.7	6.3	6.8	7.3	5.8	6.8	6.6	

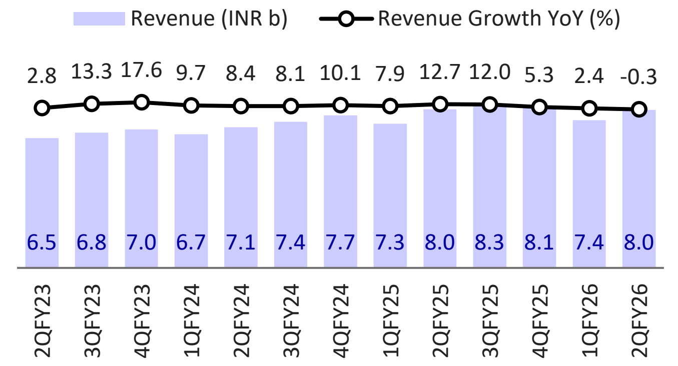
Story in charts – 2QFY26

Exhibit 1: Volumes declined 11% YoY



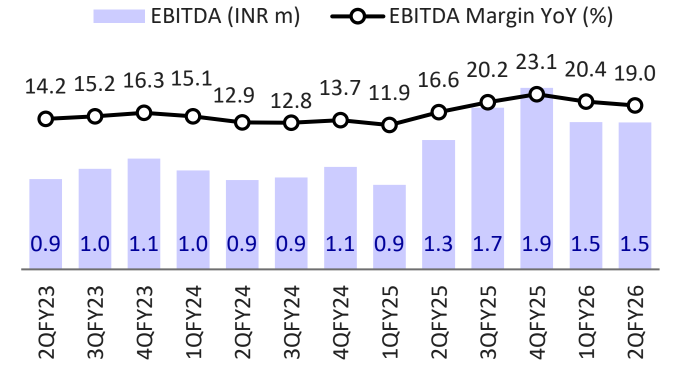
Source: Company, MOFSL

Exhibit 2: Revenue was flat YoY



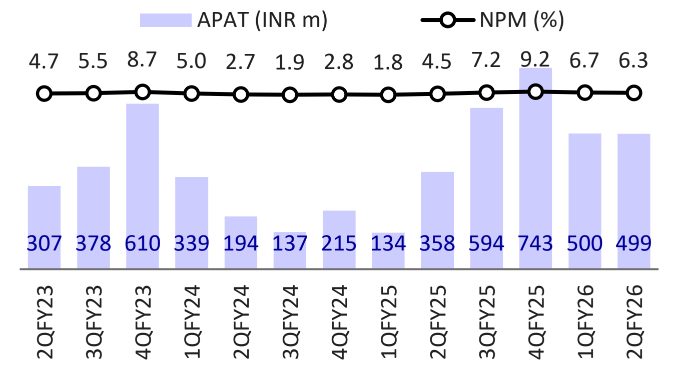
Source: Company, MOFSL

Exhibit 3: EBITDA margin trend



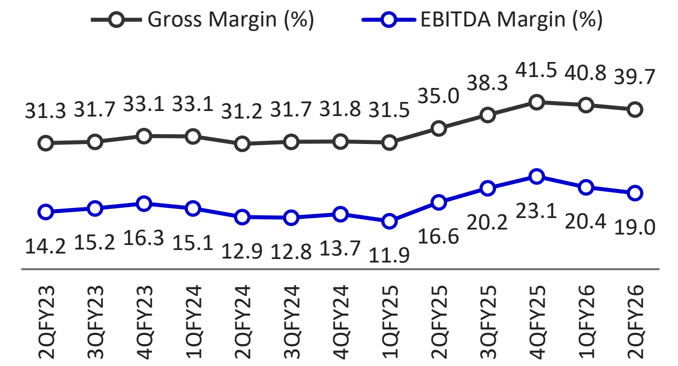
Source: Company, MOFSL

Exhibit 4: PAT and margin trends



Source: Company, MOFSL

Exhibit 5: Expansion in operating margins on a YoY basis



Source: Company, MOFSL

Highlights from the management commentary

Operational highlights

- Revenue was flat YoY as volume decline of ~11% (due to the strategic exit from low-margin contracts) was offset by improved realization.
- Margins remained healthy despite higher administrative expenses and employee costs, reflecting strong cost control.

- Internal fuel procurement improved significantly to 40.6% (vs. 35.5% YoY), reducing fuel cost as a percentage of revenue to 25.6% (from 28.6%). Lorry hire charges declined from 5.7% to 4.4%, aided by higher own fleet utilization and reduced dependency on external vehicles.
- Administrative expenses rose to 2.3% of revenue (vs. 1.4% YoY), led by legal and professional fees, which may persist for the next 2-3 quarters. A one-time loss on sale/scrap of vehicles was also recorded, leading to higher other expenses.
- Employee costs rose to 18.3% of revenue due to salary revisions w.e.f. Aug'25.
- Capex during the quarter stood at INR430m, which included INR230m for converting leased branches/hubs to owned branches/hubs.
- Fleet size stood at 5,782 vehicles (vs. 6,158 YoY). Net vehicles declined by 376 YoY, reflecting improved asset utilization and selective scrapping of high-maintenance vehicles.
- VRL maintains the lowest attrition rate in the industry and continues to deliver high service levels with strong human capital and operational systems.

Operational efficiency and network expansion

- VRL sustained 100% hub-to-hub efficiency across its network, enabling a reduced turnaround time and improved vehicle loading.
- Investments in proprietary in-house digital infrastructure, including GPS tracking, real-time route optimization, OTP-based vehicle unlocking, consignment barcoding, and CCTV-based security systems, have contributed to better claim ratios and cost savings.
- Door-to-door services accounted for ~40% of revenue in 2QFY26, reflecting an evolving positioning in express PTL offerings.
- A net reduction of two branches was recorded in 2Q (nine opened, seven closed), part of a strategy to shut underperforming or low-utilization locations.
- While VRL continues to explore expansion in the eastern and northeastern regions, branch rollout remains cautious and linked to business stability.

Guidance

- Management expects volume growth to recover going forward from increasing tonnage from existing customers and onboarding of new clients. Volume is expected to grow ~4% QoQ in 3QFY26, with healthy volume spillover from the festive season and a volume uptick from the GST rate cut.
- Overall, management expects revenue to grow ~4-5% in FY26.
- EBITDA margin is expected to normalize to ~19% going forward, factoring in higher administrative costs (professional and legal fees) and salary increments w.e.f. Aug'25. Margin stability is likely to be supported by growth in tonnage.

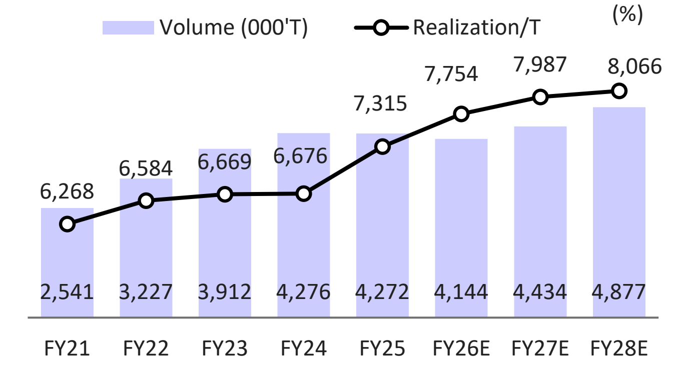
Exhibit 6: Our revised estimates

(INR m)	FY26E			FY27E		
	Rev	Old	Chg (%)	Rev	Old	Chg (%)
Net Sales	32,558	32,558	**0.0**	35,814	35,814	**0.0**
EBITDA	6,212	6,212	**0.0**	6,906	6,906	**0.0**
EBITDA Margin (%)	**19.1**	**19.1**	**0**	**19.3**	**19.3**	**0**
PAT	2,206	2,206	**0.0**	2,590	2,590	**0.0**
EPS (INR)	**12.6**	**12.6**	**0.0**	**14.8**	**14.8**	**0.0**

Source: Company, MOFSL

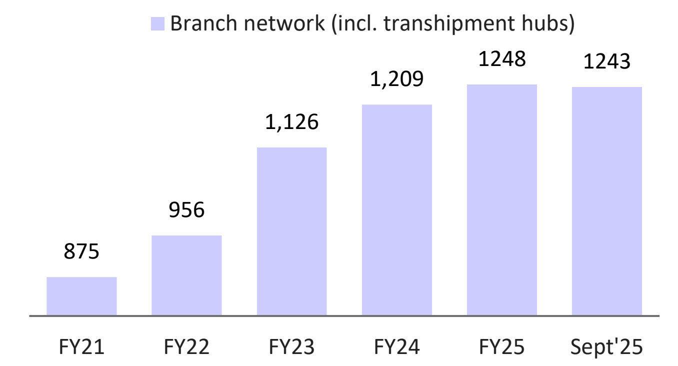
Financial story in charts

Exhibit 7: Expect volumes to remain flat over FY25-27



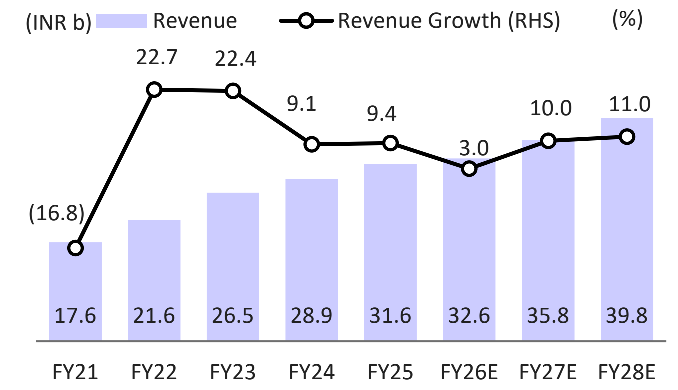
Source: Company, MOFSL

Exhibit 8: Extensive branch network



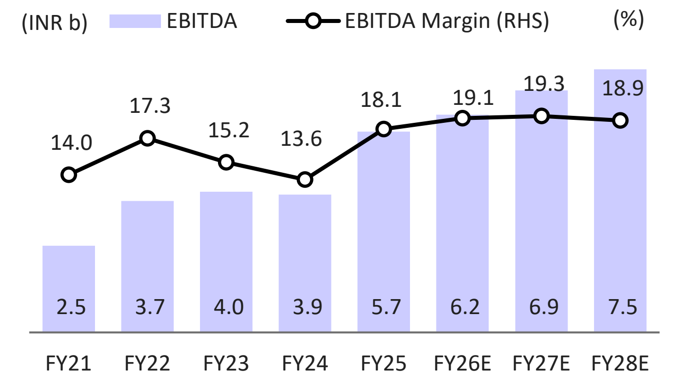
Source: Company, MOFSL

Exhibit 9: Higher realization to drive revenue



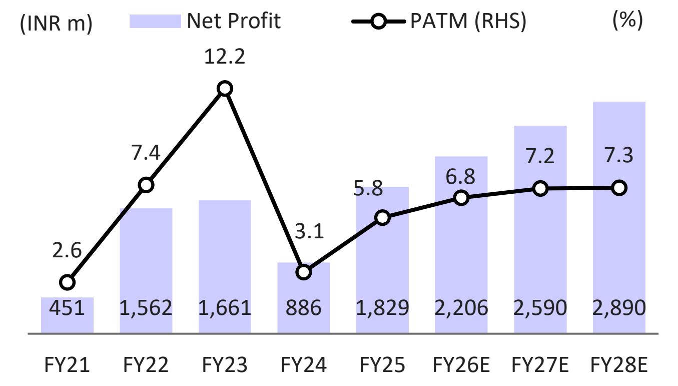
Source: Company, MOFSL

Exhibit 10: Margin to remain strong



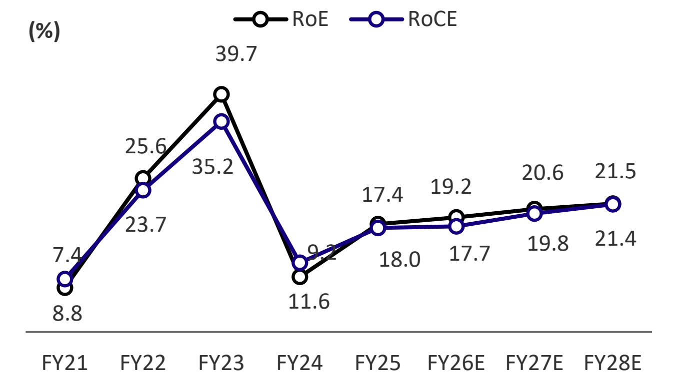
Source: Company, MOFSL

Exhibit 11: Strong operating performance to drive PAT



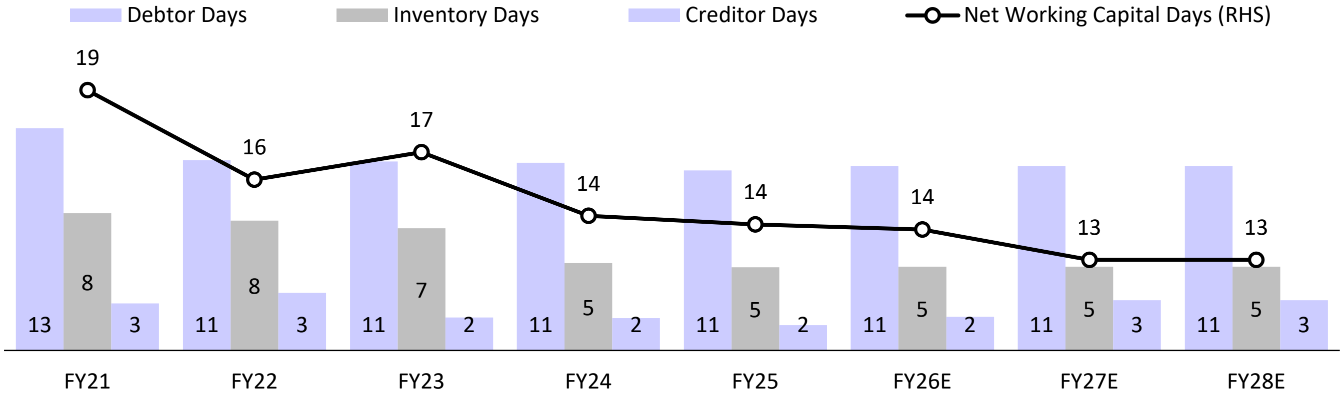
Source: Company, MOFSL

Exhibit 12: Return ratios



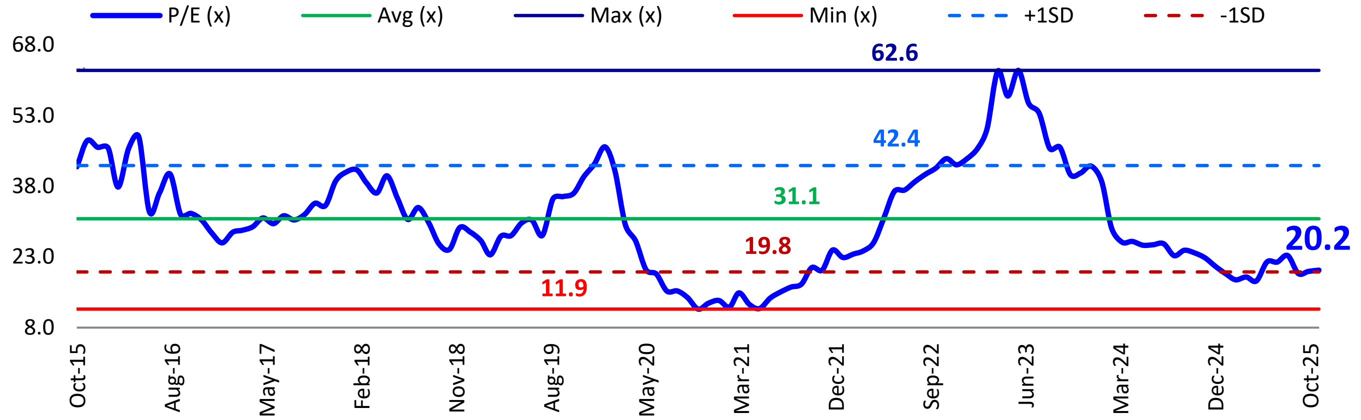
Source: Company, MOFSL

Exhibit 13: Comfortable working capital position



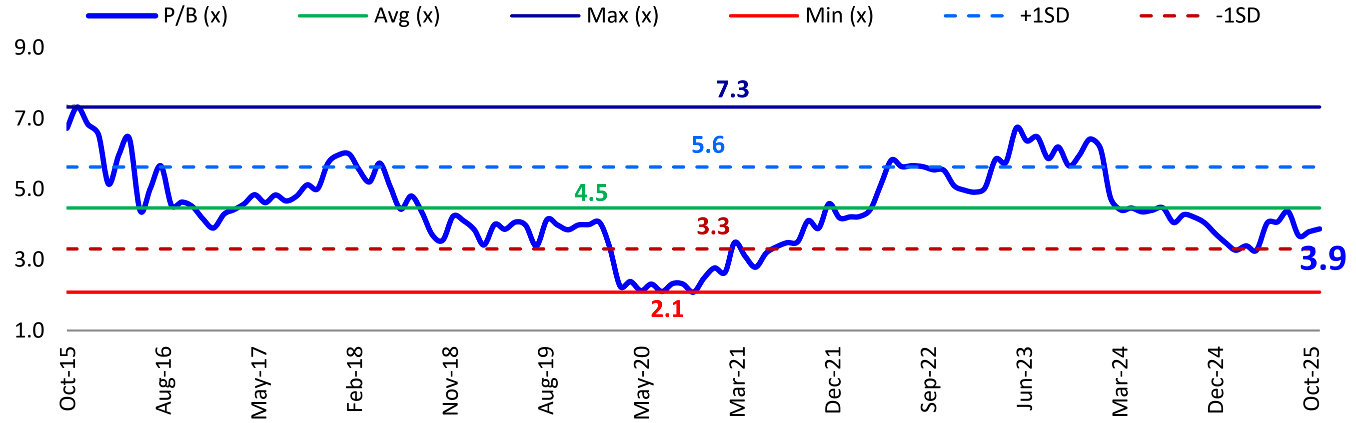
Source: Company, MOFSL

Exhibit 14: One-year forward P/E (x)



Source: Company, MOFSL

Exhibit 15: One-year forward P/B (x)



Source: Company, MOFSL

Financials and valuations

Income Statement

Y/E March (INR m)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Net Sales	**21,636**	**26,485**	**28,886**	**31,609**	**32,558**	**35,814**	**39,753**
Change (%)	22.7	22.4	9.1	9.4	3.0	10.0	11.0
Gross Margin (%)	34.5	32.1	31.9	36.7	39.0	38.5	38.0
EBITDA	**3,745**	**4,017**	**3,935**	**5,730**	**6,212**	**6,906**	**7,507**
Margin (%)	17.3	15.2	13.6	18.1	19.1	19.3	18.9
Depreciation	1,445	1,591	2,162	2,536	2,672	2,946	3,195
EBIT	**2,300**	**2,425**	**1,773**	**3,193**	**3,540**	**3,960**	**4,311**
Int. and Finance Charges	422	543	779	948	888	862	885
Other Income	168	143	211	255	300	365	438
PBT	**2,047**	**2,025**	**1,205**	**2,500**	**2,953**	**3,462**	**3,864**
Tax	485	364	319	670	746	873	974
Effective Tax Rate (%)	23.7	18.0	26.5	26.8	25.3	25.2	25.2
Extraordinary Items	-40	-1,571	-3	0	0	0	0
Reported PAT	**1,601**	**3,232**	**889**	**1,829**	**2,206**	**2,590**	**2,890**
Adj. PAT	**1,562**	**1,661**	**886**	**1,829**	**2,206**	**2,590**	**2,890**
Change (%)	246.6	6.4	-46.7	106.5	20.6	17.4	11.6
Margin (%)	7.2	6.3	3.1	5.8	6.8	7.2	7.3

Balance Sheet

Y/E March (INR m)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	883	883	875	875	1,749	1,749	1,749
Total Reserves	5,633	8,875	8,583	9,971	10,428	11,268	12,147
Net Worth	**6,516**	**9,758**	**9,458**	**10,846**	**12,177**	**13,018**	**13,896**
Deferred Tax Liabilities	386	461	672	778	778	778	778
Total Loans	1,712	2,071	2,793	4,471	3,471	2,471	2,321
Capital Employed	**8,615**	**12,291**	**12,923**	**16,094**	**16,426**	**16,267**	**16,995**
Gross Block	18,422	21,600	27,212	32,549	34,249	36,749	40,249
Less: Accum. Deprn.	7,442	6,778	8,207	10,091	12,763	15,710	18,905
Net Fixed Assets	**10,980**	**14,822**	**19,005**	**22,457**	**21,485**	**21,039**	**21,344**
Capital WIP	350	384	236	151	151	151	151
Total Investments	**4**	0	0	0	0	0	0
Curr. Assets, Loans, and Adv.	**2,469**	**3,711**	**2,899**	**3,249**	**3,963**	**4,972**	**6,400**
Inventory	459	528	412	429	446	491	545
Account Receivables	673	817	885	929	981	1,079	1,198
Cash and Bank Balances	140	116	183	538	729	1,414	2,451
Cash Balance	140	116	128	423	614	1,298	2,335
Bank Balances	0	0	54	116	116	116	116
Others	1,198	2,251	1,419	1,352	1,807	1,988	2,206
Current Liab. and Prov.	**5,188**	**6,626**	**9,217**	**9,762**	**9,174**	**9,895**	**10,899**
Account Payables	203	143	153	131	178	294	327
Other Current Liabilities	4,552	6,051	8,537	8,952	8,296	8,831	9,718
Provisions	433	433	528	679	700	770	854
Net Current Assets	**-2,719**	**-2,915**	**-6,318**	**-6,514**	**-5,210**	**-4,923**	**-4,499**
Application of Funds	**8,614**	**12,291**	**12,923**	**16,094**	**16,426**	**16,267**	**16,995**

Financials and valuations

Ratios

Y/E March	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Basic (INR)							
EPS	8.9	9.5	5.1	10.5	12.6	14.8	16.5
EPS growth (%)	246.6	6.4	-46.7	106.5	20.6	17.4	11.6
Cash EPS	17.2	18.6	17.4	25.0	27.9	31.6	34.8
BV/Share	37.2	55.8	54.1	62.0	69.6	74.4	79.4
DPS	8.0	5.0	0.0	7.5	5.0	10.0	11.5
Payout (Incl. Div. Tax, %)	87.4	27.1	0.0	71.7	39.6	67.5	69.6
Valuation (x)							
P/E	30.4	28.5	53.5	25.9	21.5	18.3	16.4
Cash P/E	15.8	14.6	15.6	10.9	9.7	8.6	7.8
EV/EBITDA	13.1	12.3	12.7	9.0	8.1	7.0	6.3
EV/Sales	2.3	1.9	1.7	1.6	1.5	1.4	1.2
P/BV	7.3	4.9	5.0	4.4	3.9	3.6	3.4
Dividend Yield (%)	3.0	1.8	0.0	2.8	1.8	3.7	4.2
Return Ratios (%)							
RoE	25.6	39.7	9.2	18.0	19.2	20.6	21.5
RoCE	23.7	35.2	11.6	17.4	17.7	19.8	21.4
RoIC	22.7	20.0	10.7	16.7	17.1	19.6	22.2
Working Capital Ratios							
Fixed Asset Turnover (x)	1.3	1.3	1.2	1.1	1.0	1.0	1.0
Asset Turnover (x)	2.5	2.2	2.2	2.0	2.0	2.2	2.3
Inventory (Days)	8	7	5	5	5	5	5
Debtors (Days)	11	11	11	11	11	11	11
Creditors (Days)	3	2	2	2	2	3	3
Leverage Ratio (x)							
Net Debt/Equity	0.2	0.2	0.3	0.4	0.2	0.1	0.0

Cash Flow Statement

Y/E March (INR m)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
OP/(Loss) before Tax	2,099	4,234	1,210	2,500	2,953	3,462	3,864
Depreciation	1,680	1,724	2,162	2,536	2,672	2,946	3,195
Direct Taxes Paid	-581	-856	-264	-492	-746	-873	-974
(Inc.)/Dec. in WC	-157	581	409	197	-577	201	136
Other Items	667	-2,499	722	837	588	497	447
CF from Operations	**3,708**	**3,183**	**4,239**	**5,578**	**4,889**	**6,235**	**6,669**
(Inc.)/Dec. in FA	-1,933	-4,124	-2,848	-4,675	-1,700	-2,500	-3,500
Free Cash Flow	**1,775**	**-941**	**1,392**	**903**	**3,189**	**3,735**	**3,169**
Change in Investments	4	4	0	-31	0	0	0
Others	128	2,675	414	409	-135	249	298
CF from Investments	**-1,801**	**-1,445**	**-2,433**	**-4,297**	**-1,835**	**-2,251**	**-3,202**
Inc./Dec. in net worth	0	-629	0	0	0	0	0
Inc./(Dec.) in Debt	-1,661	-1,019	-387	1,678	-1,000	-1,000	-150
Dividends Paid	-1,060	0	-438	-437	-875	-1,749	-2,012
Others	714	-61	-915	-2,173	-988	-550	-268
CF from Fin. Activity	**-2,008**	**-1,709**	**-1,739**	**-932**	**-2,863**	**-3,299**	**-2,430**
Inc./(Dec.) in Cash	**-101**	**30**	**67**	**349**	**191**	**685**	**1,037**
Opening Balance	241	86	62	74	423	614	1,298
Closing Balance	**140**	**116**	**128**	**423**	**614**	**1,298**	**2,335**

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

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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