

VRL Logistics

BSE Code: **539118**CMP : **₹278**Face Value : **₹10**Target price: **₹415**HP* : **Two years**

About the company

Our Pearl Pick for the month of June is VRL Logistics. The company is engaged in goods transportation and passenger transportation. The company offers logistics services dealing in domestic transportation of goods. It is also engaged in bus operations, air chartering service, sale of power and sale of certified emission reduction (CER) units generated from operation of wind mills. Its FY19 revenue mix comprises of goods transport (82%) and bus operations (17%).

Why to invest

Goods transport business to grow led by favourable axle norms : During FY19, revenue from goods transport business grew by 11% yoy. The growth in goods transport business was mainly driven by increase in tonnage as well as increase in realisation per tonne. The increase in tonnage is around 5.5% and increase in realisation per tonne is around close to 6%. At the operating level, this segment has posted 10% yoy increase in EBITDA.

In the recent quarter, i.e. Q4FY19, the company has benefited from axle load factor due to which fixed expenses as well as some of the variable costs have been reduced. This has led to margin improvement. So going ahead, benefit from the axle load would help in sustaining the margins.

Passenger segment to perform well with passing on of input cost : During FY19, the revenue from passenger segment grew by 6% yoy despite reducing number of buses by 15. The growth in revenue was driven by increase in passenger as well as increase in the occupancy level and realisation per passenger also.

Also, since last few quarters, the company has failed to pass on higher fuel cost on to the passengers, which has affected the margins. However, since last three quarters, diesel prices are showing downward movement and the company has also passed on the rise in the cost, which would further improve the margins in this segment.

Revision in capex plan : On an overall basis, the debt level of the company has increased a little bit. This is on account of healthy capex in the current year. However, going ahead, the company is planning to reduce capex to Rs. 50-60 crore in FY20 vs Rs. 212 crore in FY19 as it can cater to the demand with the current capacity.

Financial Performance

In Q4FY19, the standalone revenue came in at Rs. 512.92 crore as against Rs. 489.17 crore in the corresponding quarter last year, registering 4.9% yoy increase. EBITDA for the quarter grew by 35.2% yoy to Rs. 60 crore as against Rs. 44.4 crore in the corresponding quarter last year, with a corresponding margin expansion of 262 bps. EBITDA margin for the quarter stood at 11.7%. PAT for the quarter came in at Rs. 20.52 crore as against Rs. 12.02 crore in the corresponding quarter last year, an increase of 70.7% yoy.

Looking at the full year numbers for FY19, the revenue jumped by 10% to Rs. 2109.54 crore while EBITDA grew by 4% to 243.99 crore. Further, the company reported net profit of Rs.91.92 crore, down by 1% yoy.

* HP : Holding Period

Continued On PG 2...

CONFIDENTIALITY NOTICE : Information contained in this report is intended for the subscribers of this product only. Unauthorized forwarding, printing, copying, distribution, or using the information in a searchable, machine-readable database is strictly prohibited and may be unlawful. **Disclaimer:** The recommendations are purely a view point and there is no guarantee on the returns. Hence all the clients (paid or unpaid) are requested to apply their prudence before acting on any of the recommendations. Neither DSJ Pvt Ltd nor any of its promoters, members, or employees shall be held responsible for any losses incurred (if any) by acting on the recommendations. Disclosure : Kindly refer to the detailed disclosures as per SEBI (investment advisors) regulations, 2013 placed at www.DSJI.in

DSJ Pvt. Ltd. : C - 305, Trade Center, North Main Road, Near Axis Bank, Opp. Lane no. 6, Koregaon Park, Pune - 411001 | For Customer Service : 020-49072626 OR service@dsj.in

Registered Office Address: 419-A, 4th Floor, Arun Chambers, Tardeo, Next to AC Market, Mumbai - 400034

CIN No. : CIN-U22120MH2003PTC139276 SEBI Research Analyst - INH000006396

DSJ INVESTMENT ADVISORY UNIT (CRU)

Investing in the stock

The company has a share capital of Rs. 90.34 crore, with promoters' holdings at 68.05 per cent. Therefore, the available free float comes to 2.87 crore shares. The two-week average traded quantity comes to around 3703 shares. We urge our investors to enter the stock in a staggered manner and accumulate as per the table given.

| Price | Accumulation |
|---------|--------------|
| 250-260 | 20 per cent |
| 240-250 | 40 per cent |
| 230-240 | 20 per cent |
| <230 | 20 per cent |

Outlook

The company is trading at a TTM P/E of 28.22x with TTM EPS of Rs. 10.17. Going ahead, under the goods transport business, the margins are likely to improve on favourable axle norms. Further, its passenger segment would grow, led by passing on of input cost to the customers. However, the overall slowdown in demand due to poor industry scenario and fluctuation in diesel prices may cause some concern. Further, rationalisation of capex would help maintain a light balance sheet. Owing to all these factors, we see an upside of 50 per cent with a target price of Rs 415 over the next two years.

Inc/Exp Statement(Standalone) (Rs in Crore)

| Description | 201903 | 201803 | 201703 | 201603 | 201503 |
|-------------------|---------|---------|---------|---------|---------|
| Net Sales | 2109.54 | 1922.32 | 1803.09 | 1722.52 | 1672.83 |
| Total Income | 2117.47 | 1936.55 | 1812.38 | 1731.20 | 1678.86 |
| Total Expenditure | 1865.55 | 1687.50 | 1587.19 | 1451.13 | 1397.33 |
| PBIDT | 251.92 | 249.05 | 225.20 | 280.07 | 281.53 |
| PAT | 91.92 | 92.56 | 70.47 | 104.24 | 91.22 |
| Dividend % | 0.00 | | 40.00 | 50.00 | 40.00 |
| Adj. EPS(Rs) | 10.17 | 10.25 | 7.72 | 11.42 | 10.66 |

Quarter On Quarter (Standalone) (Rs in Crore)

| Particulars | 201903 | 201812 | Q on Q Var% | 201803 | Y on Y Var% |
|-------------------|--------|--------|-------------|--------|-------------|
| Net Sales | 512.93 | 551.16 | -6.94 | 489.17 | 4.86 |
| Total Expenditure | 452.91 | 481.48 | -5.93 | 444.77 | 1.83 |
| PBIDT (Excl OI) | 60.01 | 69.69 | -13.88 | 44.40 | 35.15 |
| PAT | 20.52 | 26.58 | -22.81 | 12.02 | 70.68 |
| PBIDTM% (Excl OI) | 11.70 | 12.64 | -7.44 | 9.08 | 28.85 |
| PBIDTM% | 12.06 | 12.87 | -6.29 | 9.51 | 26.81 |
| PATM% | 4.00 | 4.82 | -17.01 | 2.46 | 62.60 |
| Adj. EPS(Rs) | 2.27 | 2.94 | -22.79 | 1.33 | 70.68 |

Continued On PG 3...

SINCE 1986



**Track calls using our new investor app