BOBCAPS
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BUY
TP: Rs 330 | ⮝ 23%

VRL LOGISTICS | Logistics | 28 November 2019

Robust model, formidable moats – initiate with BUY

We initiate coverage on VRL Logistics (VRLL) with BUY and a Mar'21 TP of Rs 330, set at 22x FY22E P/E. Despite a prolonged growth slowdown, VRLL's competitive moats are intact – viz. a wide network, vast scale of operations, and cost and capital efficiency. An asset-heavy operating model also adds heft to the LTL business. Though we are cautious on near-term prospects and build in a 6% topline CAGR over FY19-FY22, we expect VRLL to outperform the industry once the economic cycle turns, by virtue of its superior business model.

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Moats intact despite external headwinds: A series of systemic growth impediments (weak industrial activity, demonetisation, disruptive start-ups) have capped VRLL's growth at a 6% CAGR over FY15-FY19. Despite these challenges, we believe the moats that underpin VRLL's apex position in the LTL industry remain sound – (1) expanding network (47 hubs, 929 locations), (2) vast scale of operations, (3) healthy operating cost structure (in-house design, low-cost sourcing of fuel, tyres & spare parts), and (4) efficient working capital management (working capital of 13 days in FY19).

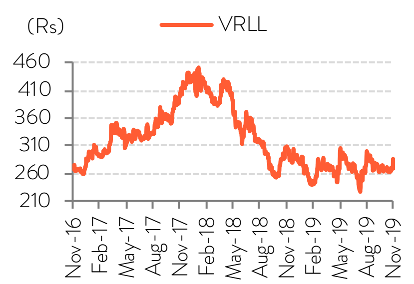
Asset-heavy model bodes well in cyclical upturn: VRLL's asset-heavy model (4,470+ owned trucks) is well suited for LTL operations, as also evidenced by the high asset intensity of top US LTL players. The company has substantially outperformed peers in the previous economic upcycle – clocking an 18% topline CAGR vs. 5% for TRPC (freight) over FY07-FY14. Strong moats and a superior business model should help VRLL outpace peers in the next upcycle as well.

Initiate with BUY: We estimate a moderate 6% topline CAGR over FY19-FY22 given adverse macro conditions, though earnings are forecast to log a 14% CAGR due to a lower tax rate. Initiate with BUY and a Mar'21 TP of Rs 330, set at 22x FY22E EPS – in line with the average multiple of the past one year.

Ticker/Price	VRLL IN/Rs 269
Market cap	US$ 339.9mn
Shares o/s	90mn
3M ADV	US$ 0.3mn
52wk high/low	Rs 316/Rs 222
Promoter/FPI/DII	68%/6%/20%

Source: NSE

STOCK PERFORMANCE



Source: NSE

KEY FINANCIALS

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue (Rs mn)	19,223	21,095	21,580	23,424	25,196
EBITDA (Rs mn)	2,342	2,440	3,261	3,580	3,851
Adj. net profit (Rs mn)	926	919	1,103	1,191	1,352
Adj. EPS (Rs)	10.2	10.2	12.2	13.2	15.0
Adj. EPS growth (%)	32.7	(0.7)	20.0	8.0	13.5
Adj. ROAE (%)	16.3	14.8	16.5	16.5	17.3
Adj. P/E (x)	26.2	26.4	22.0	20.4	17.9
EV/EBITDA (x)	11.3	10.5	7.8	7.1	6.5

Source: Company, BOBCAPS Research

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Important disclosures, including any required research certifications, are provided at the end of this report.

Investment rationale

Competitive moats intact despite slowdown

A series of growth impediments – weak industrial activity, demonetisation, GST, disruptive start-ups – have capped VRLL's topline growth at a 6% CAGR over FY15-FY19. Despite these challenges, the company's goods transport business (GT: ~80% of revenue, 7% CAGR) has outperformed most other surface transporters. Its GT business model remains one of the strongest in the Indian logistics space, in our view. An unparalleled hub-and-spoke network, wide asset portfolio, and cost and capital efficiency serve as sturdy moats, aiding best-in-class performance for VRLL on key metrics.

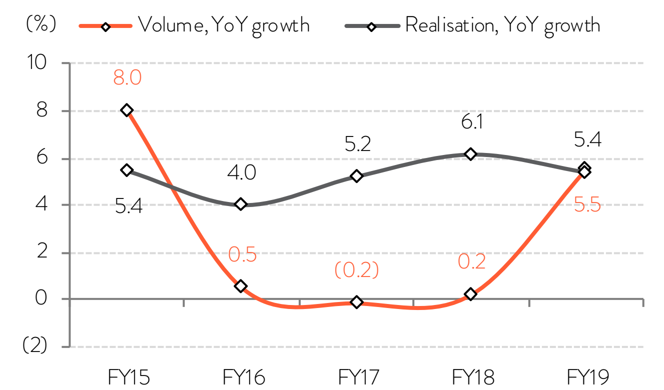
Economic downturn exacting toll on growth…

GT tonnage/revenue clocked a sedate 1.5%/7% CAGR over FY15-FY19

A prolonged slowdown in India's industrial output along with adverse policy measures (such as the ban on high value currency notes in Nov'16) has marred growth in VRLL's GT business over the past few years. During FY15-FY19, GT tonnage grew at a meagre 1.5% CAGR, while realisation gains supported a higher 7% revenue CAGR. Although tonnage growth recovered somewhat to ~5.5% in FY19, it still fell short of management's 10% guidance.

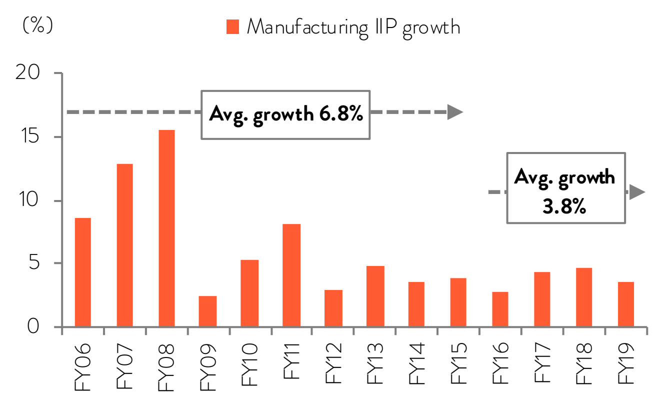
Our interactions with logistics industry participants suggest that apart from weak industrial activity, factors such as route-specific impediments and stiff competition from start-ups have also exacerbated the challenges. According to a regional LTL (less-than-truckload) player operating in Maharashtra and Gujarat, rapid network expansion by some incumbents in the region has fanned competition. A large FTL (full truckload) company cited the aggressive pricing policies adopted by logistics start-ups as a primary reason behind market share loss for traditional players.

FIG 1 – GT SEGMENT VOLUME GROWTH MUTED FOR PAST FOUR YEARS…



Source: Company, BOBCAPS Research

FIG 2 – …FOLLOWING A DOWNTURN IN INDUSTRIAL PRODUCTION



Source: Company, BOBCAPS Research

...but VRLL has outperformed other surface transporters

GT revenue CAGR of 5.5% over FY15-FY18, ahead of the 4.7% CAGR posted by surface transport peers

Our analysis of revenue growth among surface transporters (LTL+FTL) in India indicates that the slowdown is an industry-wide phenomenon and not specific to VRLL. Using a set of seven prominent surface logistics companies, both listed and unlisted, we find that VRLL's GT segment has marginally outperformed the median revenue growth posted by peers – at 5.5% vs. 4.7% for peers over FY15-FY18 (FY19 revenue not available for some unlisted companies). This puts the company behind only Transport Corp (TRPC, BUY, TP Rs 365) and V-Trans Logistics (unlisted, revenue includes other segments).

FIG 3 – VRLL'S REVENUE HAS GROWN FASTER THAN SURFACE TRANSPORT PEERS

Company	Nature of business	YoY revenue growth (%)					FY15-FY18 CAGR (%)	FY15-FY19 CAGR (%)
		FY15	FY16	FY17	FY18	FY19		
VRLL (GT segment)	**LTL and FTL**	**13.9**	**5.0**	**5.0**	**6.3**	**11.9**	**5.5**	**6.9**
Transport Corp (Freight segment)	FTL, LTL	7.2	9.0	9.0	13.3	16.6	10.4	11.9
CJ DARCL	FTL	(0.7)	(1.2)	1.4	7.4	NA	2.5	NA
Karnataka Roadlines	FTL	14.7	(0.5)	9.9	4.9	4.9	4.7	4.8
V-Trans Logistics	FTL, LTL, Parcel	11.2	11.4	7.0	7.3	NA	8.5	NA
Prakash Parcel Services	Parcel, LTL	(10.2)	(4.0)	0.8	(2.0)	NA	(1.7)	NA
Associated Road Carriers	LTL, FTL, Parcel	8.2	0.9	3.9	2.8	NA	2.5	NA
Median of peer set		**8.2**	**0.9**	**5.0**	**6.3**	**NA**	**4.7**	**6.9**

Source: Company, BOBCAPS Research | NA: Not Available

Strong competitive moats

With a large fleet of 4,473 owned vehicles, a wide geographic footprint across 22 states and a vast customer base, VRLL is one of the largest surface transport players in India and holds apex position in the LTL segment. Despite the ongoing systemic headwinds, we believe the moats that underpin VRLL's leadership remain sound, viz. (1) a wide and expanding network, (2) large scale of operations including vast owned fleet and extensive customer base, (3) tight operating cost structure, and (4) capital efficiency.

The company's asset-heavy fleet model is well suited for LTL operations. Our study of developed markets such as the US highlights the asset-intensive business model of top LTL players, underscoring the importance of asset ownership.

#1 Unmatched network strength, efficient hub-and-spoke model

VRLL's has presence across 929 locations, supported by 47 strategic sorting hubs

VRLL has one of the widest goods transport networks among surface transporters in India, comprising 700+ branches, 183 agencies and 47 hubs – these cover 929 locations across 22 states and 5 union territories (as of Sep'19). The company's vast reach ensures last-mile delivery even in remote locations across the country. In comparison, TRPC – the second largest publicly listed road transporter – has only 25 hubs, though its branch network is similar at 700, and V-Trans has ~20 hubs and ~600 branches.

VRLL has traditionally had a strong network in the southern and western parts of the country, at 57% and 23% of company-wide agencies and branches respectively as of Sep'19. It is also gradually fortifying its presence in the northern region – the branch and agency count in these states has risen to 124 in Q2FY20 vs. 109 in FY17, while total location coverage is largely unchanged. An extensive geographic reach coupled with reliable services has helped VRLL emerge as the preferred LTL partner for corporates and SMEs.

FIG 4 – STRONG NETWORK IN SOUTHERN AND WESTERN REGIONS

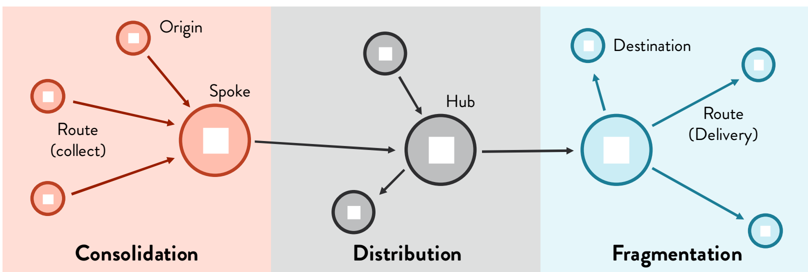
(No.)	FY17			FY18			FY19			H1FY20		
Region	**Agency**	**Branch**	**Hub**	**Agency**	**Branch**	**Hub**	**Agency**	**Branch**	**Hub**	**Agency**	**Branch**	**Hub**
South	147	414	28	130	432	27	109	443	28	97	430	27
West	67	131	9	61	146	9	55	152	9	55	158	10
North	35	74	6	34	88	6	27	91	4	26	98	4
East & Central	6	57	4	6	63	5	5	56	5	5	60	6
Total	**255**	**676**	**47**	**231**	**729**	**47**	**196**	**742**	**46**	**183**	**746**	**47**

Source: Company, BOBCAPS Research

Well-established hub-and-spoke model and network expanse act as key entry barriers

The company leverages its wide footprint by adopting an efficient hub-and-spoke distribution model. Booking offices (branches/agencies) act as spokes where LTL cargo is collected from customers and then forwarded to transshipment hubs. The hubs consolidate LTL cargo from multiple spokes bound for similar routes into FTL cargo suitable for line hauls. These are then transported to the hub nearest the destination, and the entire process is reversed. This hub-and-spoke model enables VRLL to effectively aggregate and transport smaller parcels from customers at lower cost, while ensuring adequate utilisation of trucks for line hauls.

FIG 5 – HUB-AND-SPOKE MODEL ENHANCES EFFICIENCY



Source: Company, BOBCAPS Research

VRLL's newly commissioned transshipment hub at Surat is garnering good business and should boost revenue from FY20 onwards. The 240,000sq ft facility began operations in Aug'19. As per management, Surat volumes have risen ~20% and daily trips have increased multifold after commissioning of the hub.

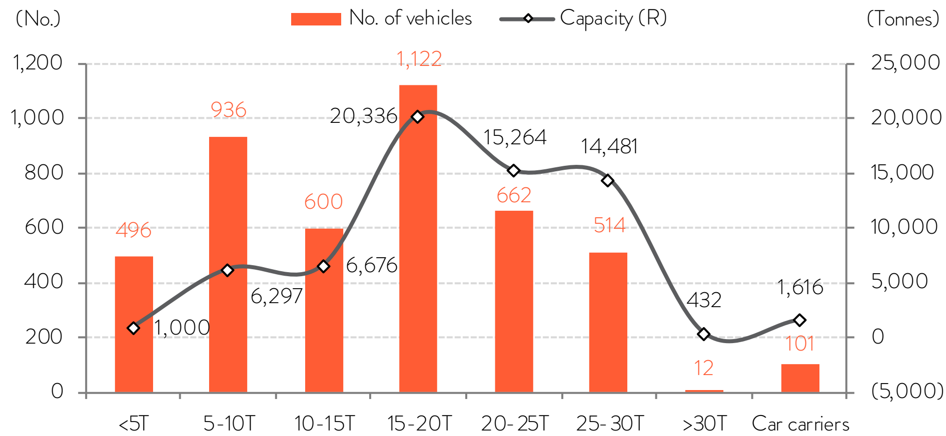
Though VRLL was already operating in the region through its branches, mainly on the Surat to South India route, this new centre provides higher operational flexibility and enables the company to service other parts of the country from Surat. Management expects the hub to generate revenue of Rs 0.4bn-0.5bn in FY20 (2.5-3% of FY20 GT revenue), gradually scaling up to Rs 1bn by FY21 (~5% of FY21 revenue).

#2 Extensive scale of operations with large owned fleet

Large scale (4,400+ owned vehicles, wide customer base across industries) a clear edge over peers

VRLL has a significant scale of operations in its GT business, characterised by a robust owned asset portfolio and a diverse client base. As of Sep'19, it owns 4,473 vehicles with an aggregate capacity of 66,100tonnes, ranging from 1t to 39t. The company also owns specialised vehicles such as tankers, cranes and car carriers. As per management, the asset-heavy business model provides several advantages – operational control on the delivery process, sustained service quality, higher payload per vehicle, and a hedge against driver shortage. Currently, third-party vehicles account for only 8-10% of total kilometres covered by the GT business.

FIG 6 – CAPACITY BREAKUP



Source: Company, BOBCAPS Research

The company also has a diversified client base comprising SMEs, traders and corporates. Its top customer/top 10 customers account for only 1%/5% of revenue, implying low concentration risk. Moreover, it has a widespread industry presence as well, including in textiles, machinery, agri products, pharma, FMCG, metals, garments, appliances, plastics, food products and rubber.

XPO's strategic shift underpins the importance of asset in LTL model

In our Mar'19 sector initiation report, **Transformation underway**, we highlighted our general preference for asset-light business models in the logistics space. Though we retain this preference in most verticals (such as FTL and third-party logistics or 3PL), our analysis of the US market indicates that high asset intensity could have several advantages in the LTL business.

A case in point is the evolution of XPO Logistics' LTL strategy since 2015. XPO is a leading logistics player globally with a presence across freight forwarding and brokerage, contract logistics, last mile, FTL, LTL, and expedited delivery. The company traditionally followed an asset-light model across segments, including FTL and LTL. In 2015, it gravitated to a more asset-heavy model only for its LTL segment through two transformational acquisitions:

(1) Norbert Dentressangle of France, a logistics conglomerate, which followed a asset heavy structure in the LTL business with 7,700 owned trucks and 3,200 trucks contracted through owner-operators; and

(2) Con-Way, the second largest LTL carrier in the US. North American capacity of the combined entity (XPO + Con-Way) catapulted to 11,000 owned tractors, 33,000 owned trailers, and 6,000 contracted trucks.

XPO's strategic shift was driven by the fact that a large contingent of its customers preferred working with LTL operators that owned at least some assets, as it gave them higher visibility of truck availability, especially in an economic upcycle where capacity becomes limited. Its management also highlighted that without assets, an LTL operator is unlikely to garner a major share of customer transportation spend. XPO's LTL strategy shift underpins the importance of assets in the business.

Our research also indicates that barring a few exceptions – notably, C.H. Robinson (US$ 0.5bn LTL revenue in 2018) – most LTL carriers in developed markets follow a similar asset-intensive model. Figure 7 highlights that most of the top LTL players in the US own assets.

FIG 7 – ONLY A HANDFUL OF THE TOP-25 US LTL CARRIERS ARE ASSET-LIGHT

Company	Business model	2018 LTL revenue (US$ mn)	LTL rank in terms of revenue
Top asset-heavy LTL players			
FedEx Freight	Asset-heavy	7,352	1
Old Dominion Freight Line	Asset-heavy	3,983	2
XPO Logistics	Asset-heavy	3,830	3
YRC Freight	Asset-heavy	3,153	4
Estes Express Lines	Asset-heavy	2,787	5
UPS Freight	Asset-heavy	2,706	6
ABF Freight Systems	Asset-heavy	2,128	7
R+L Carriers	Asset-heavy	1,692	8
Saia LTL Freight	Asset-heavy	1,654	9
Southeastern Freight Lines	Asset-heavy	1,237	10
Top asset-light LTL players			
Forward Air	Asset-light	748	14
Dayton Freight Line	Asset-light	659	15
Roadrunner Freight	Blended	458	18
Daylight Transport	Asset-light	264	23

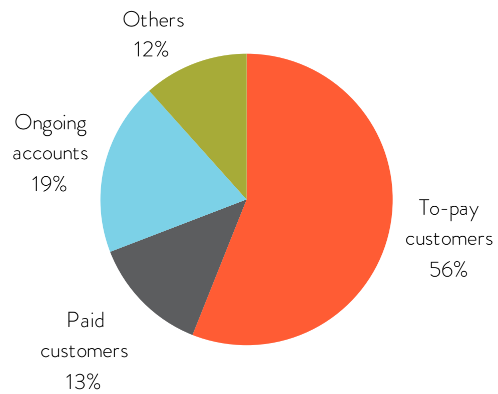
Source: Company reports, SJ Consulting Group, BOBCAPS Research

#3 Astute working capital management a key differentiator

~70% revenue from SMEs and traders help VRLL maintain a lean working capital cycle

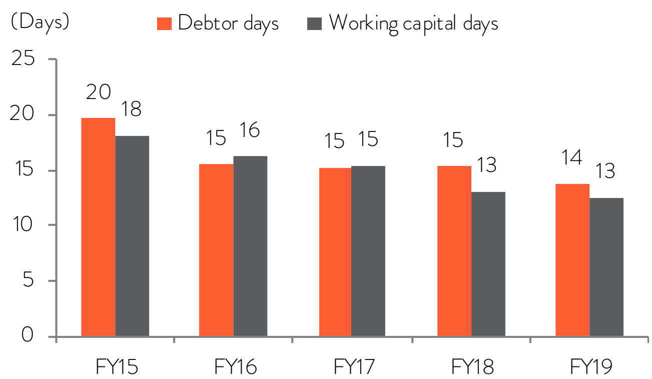
The ability to maintain a lean working capital cycle even in a challenging economy is a striking feature of VRLL's business model. A majority (~70%) of the company's customers either (1) pay upfront at the time of booking goods ('paid customers'), or (2) are required to pay at the time of receiving goods ('to-pay customers'). Most of these clients are SME distributors and traders. All accounts, including the ongoing ones (mostly corporate), are offered a maximum credit period of 45 days. This stringent credit policy enables the company to control working capital effectively.

FIG 8 – TO-PAY AND PAID CUSTOMERS ACCOUNT FOR ~70% OF TOTAL REVENUE…



Source: Company, BOBCAPS Research

FIG 9 – …WHICH ENABLES EFFECTIVE WORKING CAPITAL CONTROL



Source: Company, BOBCAPS Research

#4 Cost efficiency initiatives

Management's proactive steps to leverage technology for better operational control, reduce fuel costs, ensure low-cost sourcing of spare parts, and hone in-house designing capabilities have helped VRLL raise operational efficiency and tighten cost controls.

FIG 10 – KEY INITIATIVES TAKEN BY MANAGEMENT

Initiatives	Benefits
Leverage technology	▪ Invested in a centralised IT platform that connects all the branches, agencies and hubs, enabling real-time monitoring of all operational aspects, consignment status and vehicle parameters ▪ Centralised platform helps improve operational control and deliver value-added services to customers
Reduce fuel cost	▪ Use of bio-fuel (19% of total requirement in FY19) and procurement of fuel directly from refineries help curtail overall fuel expenses – the company's fuel procurement prices have generally been below market prices of diesel ▪ Tie-up with IOCL fuel pumps across the country for refueling of trucks during transit ▪ All diesel entries done through RFID cards, on real-time for better monitoring
Low-cost sourcing of spares	▪ Spare parts yards set up by Ashok Leyland and VE Commercial on VRLL's premises – reduces cost of sourcing genuine spare parts ▪ Procurement of tyres at competitive rates from manufacturers ▪ ERP system records competitive rates for spares and consumables for higher cost control
In-house design capabilities	▪ In-house truck body design technology enables fabrication of lighter and longer bodies – allows for higher payload and fuel efficiency ▪ Preventive maintenance facility at Hubli, Karnataka, to increase vehicle life ▪ Higher length chassis procured from OEMs leads to additional space vs. third-party vehicles

Source: Company, BOBCAPS Research

Capital allocation discipline encouraging

Robust working capital and prudent capex facilitated debt repayment of Rs 2.2bn over FY15-FY19

In addition to a lean working capital cycle, VRLL's capital allocation policy has also been prudent over the past few years. After some suboptimal investments (air transport business), management has tightened its capital allocation over FY15-FY19. A bulk of the capital over this period has been deployed in the fast-growing, high-ROCE GT segment, with internal accruals funding a majority of the capex.

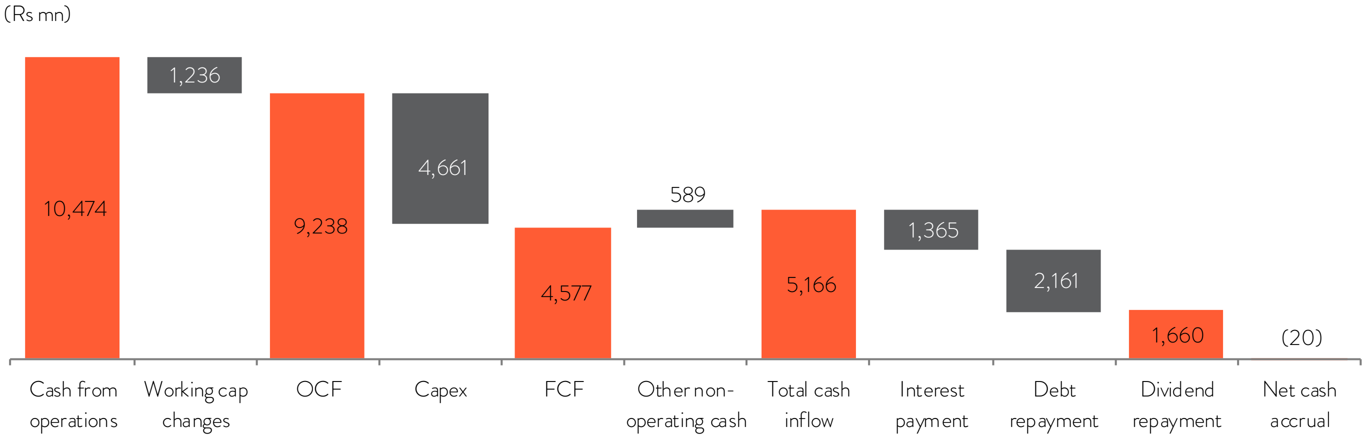
Capital allocation discipline in tandem with robust working capital management has helped the company generate healthy free cash flow of Rs 4.6bn over FY15-FY19 – this has enabled debt repayment of Rs 2.2bn (~60% of FY14 debt) and a strong dividend payout ratio of 45-60% (barring FY18), besides cushioning the fall in ROCE.

FIG 11 – INCREMENTAL CAPITAL ALLOCATED TO HIGH-ROCE GT SEGMENT OVER PAST FIVE YEARS

(%)	FY15	FY16	FY17	FY18	FY19	FY15	FY16	FY17	FY18	FY19
	Segment capital employed as % of total capital employed					**Segmental ROCE**				
Goods transport	50.5	51.1	52.6	60.7	65.5	37.2	34.3	29.9	29.5	26.8
Bus operations	13.9	15.0	14.7	12.0	8.1	29.3	40.1	10.0	23.1	23.7
Power	14.1	13.0	11.4	13.3	9.0	3.8	4.3	3.7	5.2	5.9
Air transport	4.0	4.1	4.0	3.9	3.7	(6.6)	(8.3)	5.8	(0.7)	(6.8)
Unallocable	17.5	16.7	17.3	10.1	13.8	(8.3)	(11.0)	(11.4)	(15.1)	(16.5)
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**22.5**	**20.4**	**14.1**	**17.1**	**17.4**

Source: Company, BOBCAPS Research

FIG 12 – OPERATING CASH FLOW SUFFICIENT TO FUND CAPEX, ENABLING DEBT REPAYMENT, FY15-FY19



Source: Company, BOBCAPS Research

Superior model spurs best-in-class cash flows, healthy return ratios

VRLL scores over other logistics peers on cash flow generation, dividend payment

Owing to prudent capital allocation in recent years, efficient working capital management and cost control, VRLL compares favourably with most other logistics peers on efficiency parameters. Although the company trails peers on growth parameters – revenue/earnings CAGR of 6%/1% vs. peer median of 13%/23% over FY15-FY19 – it has generated better cash flows (best FCF/EBITDA in the peer set) and return ratios (average ROCE of 18% vs. 14% peer median). Leverage levels are also slightly below peer median on a debt/EBITDA basis.

FIG 13 – CAPITAL EFFICIENCY AND RETURN RATIOS COMPARABLE TO ASSET-LIGHT PLAYERS

Companies (Average of FY15-FY19)	Growth		Cost efficiency		Capital efficiency			Return ratios		Leverage
	Revenue CAGR (%)	Earnings CAGR (%)	Avg. gross margin (%)	Avg. EBITDA margin (%)	Avg. gross asset turn (x)	Avg. capital employed turn (x)	Avg. working capital days	Avg. ROE (%)	Avg. ROCE (%)	Avg. Debt/EBITDA (x)
AGLL	5.2	0.8	30.3	7.5	3.7	2.4	8	12.4	11.7	1.2
BDE	8.7	(8.7)	44.0	12.0	5.3	2.9	14	33.0	25.0	1.6
CCRI	4.0	5.5	28.7	20.7	1.5	0.7	(2)	12.2	9.3	0.1
FSCSL	28.5	43.4	34.0	14.3	2.7	1.6	64	15.9	16.2	1.0
MLL	18.9	22.1	13.2	3.2	37.6	7.6	15	16.4	21.3	0.3
NACO	10.1	23.2	44.0	28.8	0.3	0.2	66	5.8	6.5	3.6
TCIEXP*	15.6	37.1	24.0	9.6	7.0	5.0	32	28.0	40.7	0.3
TRPC*	16.8	37.2	20.8	8.5	3.1	2.0	58	14.5	11.0	2.2
Median	**12.9**	**22.7**	**29.5**	**10.8**	**3.4**	**2.2**	**24**	**15.2**	**14.0**	**1.1**
VRLL	**6.1**	**1.2**	**30.0**	**13.6**	**1.9**	**2.2**	**13**	**19.0**	**18.3**	**0.9**

Source: Company, BOBCAPS Research | *CAGR for FY16-FY19 after demerger of TRPC and TCIEXP

FIG 14 – CASH FLOW, DIVIDEND PAYOUT FAR AHEAD OF PEERS

Companies (FY15-FY19)	FCF/EBITDA	Avg. dividend payout ratio (%)
AGLL	16	23
BDE	26	30
CCRI	35	38
FSCSL	Negative FCF	5
MLL	Negative FCF	16
NACO	Negative FCF	-
TCIEXP*	27	10
TRPC*	9	15
VRLL	**41**	**43**

Source: Company, BOBCAPS Research

Primed for industry-leading growth in cyclical upturn

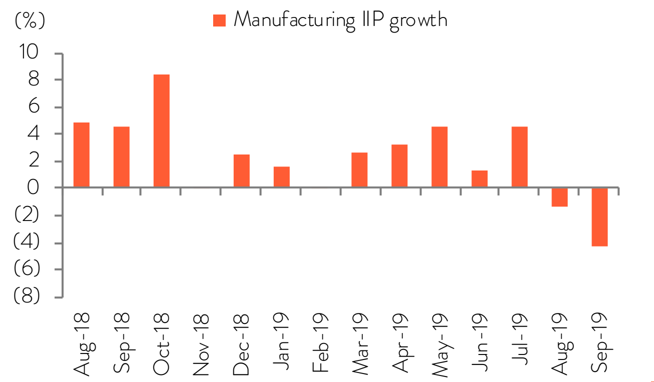
We expect VRLL to outperform peers in an economic upturn

Global trade uncertainty and the domestic consumption slowdown continue to cloud the near-term growth outlook for India's logistics sector. Though we are cautious and build in a 6% topline CAGR for VRLL over FY19-FY22, we expect the company to outperform the industry and regain its valuation premium when the economic cycle turns, by dint of its superior business model and numerous competitive moats. VRLL's substantial revenue outperformance (18% CAGR over FY07-FY14) vis-à-vis other large road transporters (TRPC: 5.4% CAGR) and surface transport industry (road BTKM: 10% CAGR) lend support to this argument.

Medium-term outlook remains challenging

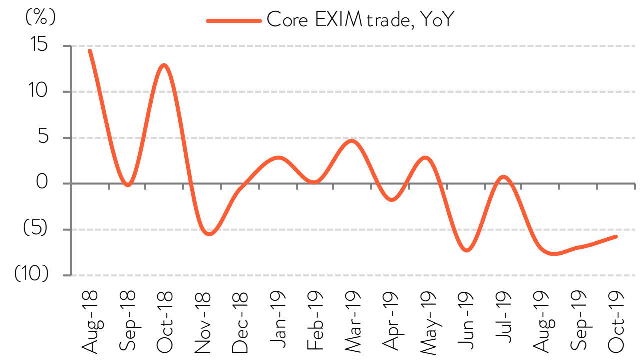
Our interactions with surface transporters indicate that volumes are down steeply in FY20 YTD – as much as ~15-20% on some routes. Lower cargo availability has depressed freight rates as well. High frequency lead indicators, as highlighted in the exhibits below, also testify to an industry-wide slowdown.

FIG 15 – MANUFACTURING IIP HAS DECLINED IN RECENT MONTHS



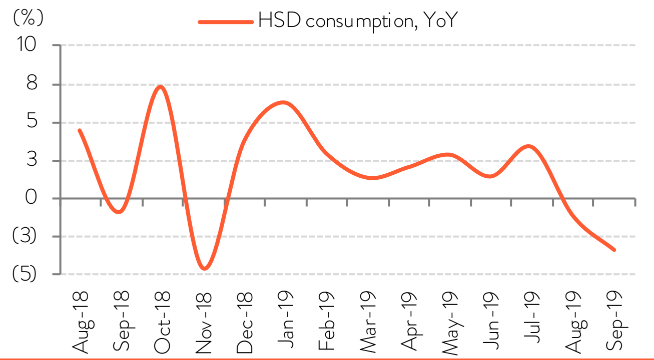
Source: Ministry of Statistics and Programme implementation, BOBCAPS Research

FIG 16 – CORE MERCHANDISE EXIM TRADE (US$ TERMS) WEAK



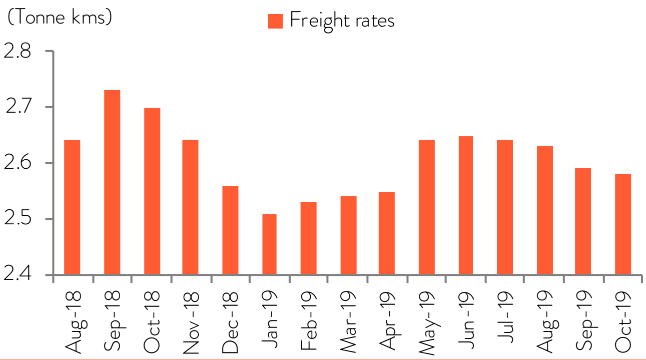
Source: Ministry of Commerce and Industry, BOBCAPS Research

FIG 17 – DIESEL CONSUMPTION, A PROXY FOR ROAD TRAFFIC GROWTH, HAS STARTED SHRINKING



Source: Petroleum Planning and Analysis Cell, BOBCAPS Research

FIG 18 – FREIGHT RATES BENIGN, BARRING SEASONAL SPIKES



Source: Rivigo Freight Index, BOBCAPS Research

Expect moderate growth in GT segment

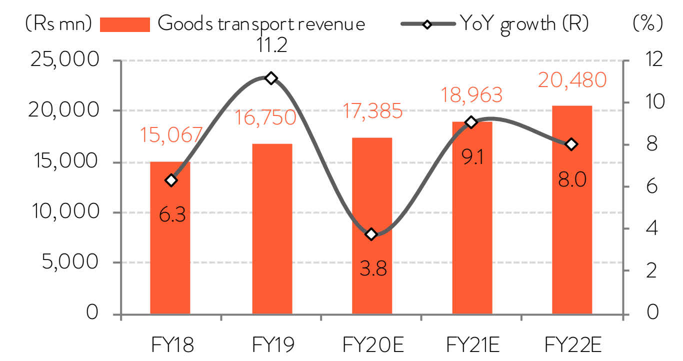
Expect GT segment to log 6% CAGR in FY19-FY22, barring significant uptick in economy

We believe a sustained upturn in the Indian economy is a few quarters away and hence build in cautious growth estimates for VRLL's GT segment in the medium term. Over FY19-FY22, we forecast a 7% CAGR in GT revenue, aided by a 7.7% CAGR in volumes even as realisations likely stay subdued. Our assumptions do not factor in any material uptick in the economic situation.

The company has lowered its prices to boost tonnage along certain routes (Surat, Delhi, Bangalore), which has led to a 3% YoY decline in realisation for H1FY20. Volume growth is projected to improve to 7% in FY20 (6.6% in H1FY20), aided by commissioning of the Surat transshipment hub and the discount-led growth strategy.

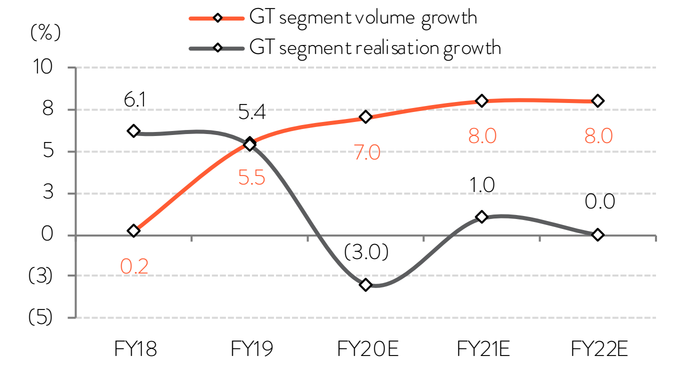
We expect a similar growth trajectory in FY21-FY22 as well. Realisations, however, are likely to remain tepid – after a marginal pick-up in FY21, we cautiously bake in flat realisations for FY22.

FIG 19 – VRLL'S GT REVENUE TO LOG 7% CAGR, FY19-FY22E



Source: Company, BOBCAPS Research

FIG 20 – VOLUME GROWTH PEGGED AT 7.7% CAGR



Source: Company, BOBCAPS Research

Cyclical business to shine in an upturn

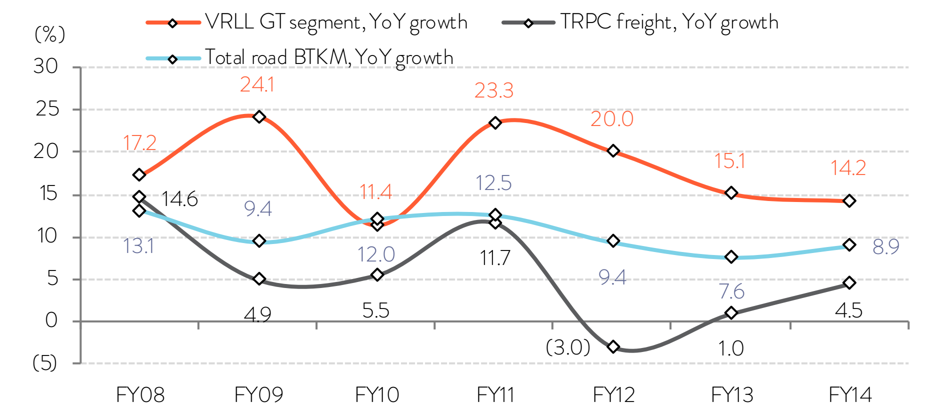
VRLL's GT revenue grew at 18% CAGR over FY07-FY14, the previous economic upcycle, ahead of peers and industry

An uptick in industrial activity is typically associated with higher utilisation of trucking capacity and increased freight rates. VRLL's asset-heavy business model is likely to help it capture both these benefits. As growth recovers during an upturn, operating leverage benefits should play out, pushing up profitability.

We highlight VRLL's above-industry growth in the previous period of robust industrial activity, at 18% CAGR over FY07-FY14 in the GT segment – this was much ahead of (1) the 5.4% CAGR posted by TRPC's freight segment over the same period, and (2) the overall surface transport industry growth (10% CAGR in BTKM (overall road billion tonne-kilometres)), as per roads ministry data.

Since its public listing in Apr'15, VRLL has traded at an average P/E multiple of ~32x. But owing to a muted operating performance, multiples have fallen to ~22x over the past six months – the lowest levels since listing. Stock rerating hinges on an economic upcycle trigger which we believe will propel growth ahead of peers and buoy multiples.

FIG 21 – VRLL OUTPACED TRPC AND OVERALL SURFACE TRANSPORT INDUSTRY GROWTH IN THE PREVIOUS ECONOMIC UPCYCLE



Source: Company, MORTH, BOBCAPS Research

GST, E-way bill implementation to benefit organized LTL players

We expect organised LTL players to gain market share from unorganised players post stricter implementation of the E-way bill as compliance requirement for the latter is likely to increase. Gradual alignment of manufacturers' supply chain process post GST would also benefit organised LTL players by providing more opportunities for cargo consolidation. We expect VRLL to benefit from this trend.

Relatively insulated from DFC impact but start-ups a risk

In this section, we analyse the impact of future industry developments – DFC commissioning, vehicle scrappage norms, and intensifying competition from start-ups – on VRLL's long-term prospects. Though the DFC will drive a shift in traffic from road to rail, we believe LTL players (including VRLL) will be relatively more shielded from the threat than FTL incumbents. Scrappage norms too are unlikely to have much impact going by the company's fleet composition. However, we see potential risks to growth emanating from disruptive LTL start-ups.

Relatively insulated from freight corridor threat

Expected by end-2021, commissioning of the DFC should bring in multifold benefits for container train operators (CTO), including (1) faster speeds of ~75 kmph vs. ~25kmph currently, (2) higher load carrying (~13,000t vs. 5,000t) and hence increased double stacking, and (3) higher station spacing (~40km vs. ~7km).

This will enable the Indian Railways (IR) to provide transit time guarantees, reduce turnaround time, and improve per-tonne-kilometre economics versus road. Consequently, we expect some freight traffic to shift towards rail from road. Industry estimates peg IR's incremental freight capacity to grow by 1.1bn tonnes post DFC, nearly doubling the existing level.

LTL players are more insulated from DFC threat due to higher entry barriers

That said, we expect LTL companies to be less affected as (1) LTL cargo typically comprises lightweight, redistribution freight as against bulk and container cargo transported by rail, (2) the hub-and-spoke model is critical to seamlessly carry out LTL operations, and (3) the focus is on domestic cargo, whereas the DFC is likely to cater to EXIM cargo first. Moreover, VRLL derives ~40% of its revenue from the southern region which does not fall within the western and eastern rail corridors.

FIG 22 – EXPECTED SCHEDULE FOR DFC COMMISSIONING

Stretch	Distance (km)	Targeted commissioning
Western Dedicated Freight Corridor		
Rewari-Palanpur	641	Mar-20
Palanpur- Makarpura	308	Sep-21
Makarpura-JNPT	430	Dec-21
Rewari-Dadri	127	Mar-21
Total	**1,506**	
Eastern Dedicated Freight Corridor		
Khurja-Bhaupur	351	Nov-19
Bhaupur-Mughalsarai	402	Dec-20
Sonnagar-Mughalsarai	137	Dec-20
Khurja-Dadri	46	Dec-20
Pilkhani-Sahnewal	179	Dec-21
Khurja-Pilkhani	222	Dec-21
Total	**1,337**	

Source: Company, BOBCAPS Research

Vehicle scrappage policy to have limited impact on VRLL

The government is expected to soon roll out its vehicle scrappage policy. A government-funded programme to incentivise the replacement of old vehicles (likely vintage 15 or 20 years), it may create short-term disruption in the surface transport market as a sizable number of trucks would need to be replaced (est. ~15% of total vehicle population). This will entail new capex for truckers who are already reeling under lower cargo availability and soft freight rates. Our industry interactions suggest freight rates may spike in the short term.

We believe VRLL would be relatively insulated from the scrappage impact. The company has ~700 trucks (~16% of total GT vehicles) that are over 15 years old, mainly used for short hauls. As the lead distance and transport capacity (tonne-km) of these trucks is lower than those used for line hauls, they can be replaced by fewer large trucks. Incentives from vehicle scrappage coupled with a reduction in fleet size indicate that VRLL's capex is unlikely to increase sharply following rollout of the scrappage policy.

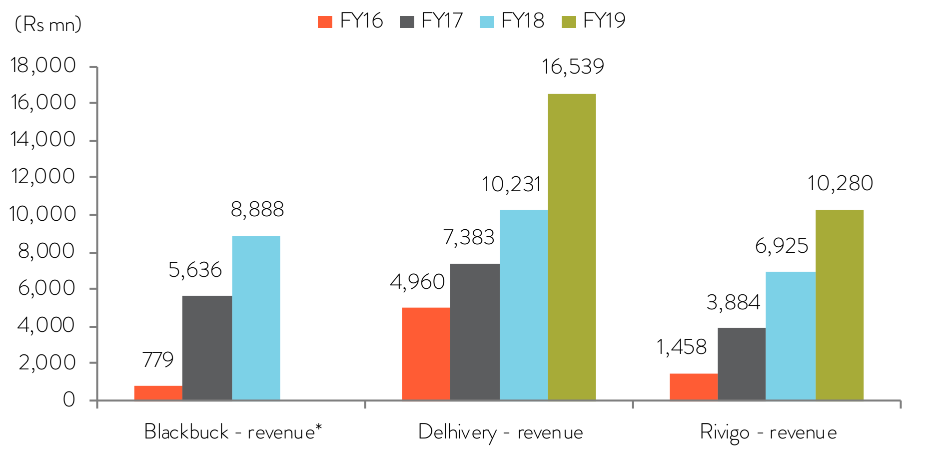
Competition from start-ups the most potent threat

A plethora of logistics start-ups have emerged in recent years, with the aim of dis-intermediating the trucking value chain through technology. Backed by private equity (PE) funding, these players are focused on gaining market share through a combination of innovative business methods and aggressive pricing, albeit at the expense of profitability.

Logistics start-up continues to attract financing despite mounting losses

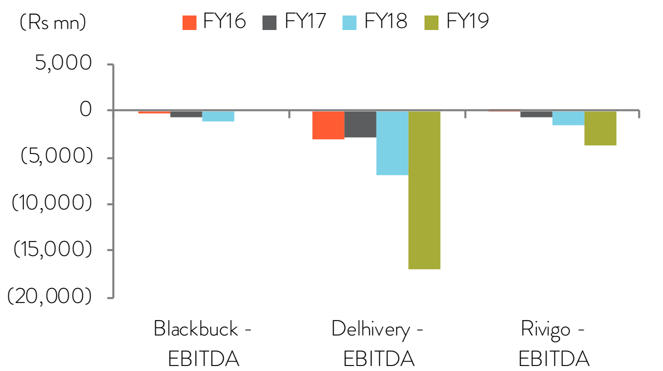
Despite mounting operating losses at start-ups, the large US$ 110bn Indian road logistics industry continues to lure PE and venture capital (VC) funding. As per industry sources, PE-VC investment in logistics has increased to US$ 140mn in 2018, leapfrogging from a mere US$ 2mn in 2014. Though FTL players have been most affected by the entry of disruptive models, many start-ups are now looking to expand across verticals, posing a risk to LTL incumbents as well.

FIG 23 – LOGISTICS START-UPS PURSUING AGGRESSIVE GROWTH TACTICS



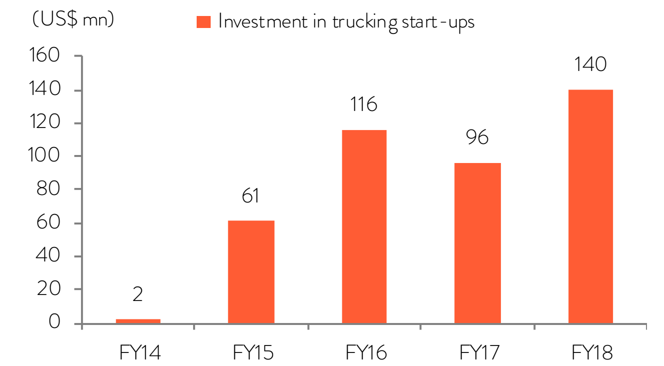
Source: Company, BOBCAPS Research | *Blackbuck's parent Zinka Logistics is yet to report FY19 financials

FIG 24 – OPERATING LOSSES MOUNTING STEADILY FOR START-UPS…



Source: Ministry of Corporate Affairs, BOBCAPS Research

FIG 25 – …BUT INVESTOR FUNDING CONTINUES UNABATED



Source: Deloitte, BOBCAPS Research

Rivigo bolstering LTL presence

Traditionally focused on FTL, some start-ups have begun entering the LTL space as well and their progress remains a key monitorable. As per industry sources, premier logistics start-up Rivigo is eyeing the LTL/part truck-load segment as its next growth engine and has aggressively expanded its presence in this space in FY19. Its LTL business covers 15.6k pin-codes across India in FY19 (5.7k in FY18), has 3mn sq ft of storage area (~1mn in FY18), and has added ~100 branches to take its branch and processing centre network to ~225.

Another prominent start-up, Delhivery is exploring suitable acquisition targets to bolster its presence in the B2B category, diversifying beyond its core e-commerce category. As VRLL generates a majority of its revenue from the LTL (~80% of revenue) and B2B (~100% of revenue) segments, this may pose a threat to the company's future prospects.

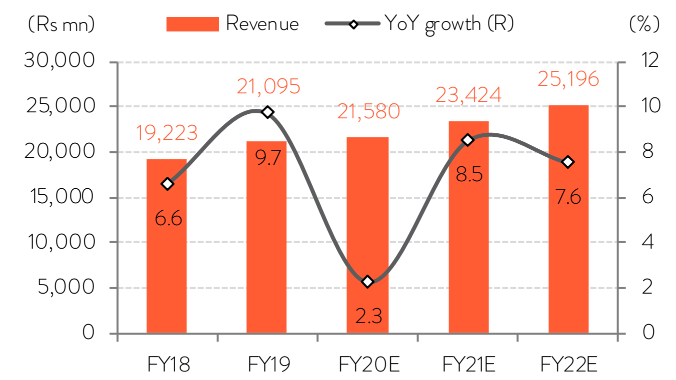
Financial review

Revenue growth to remain moderate

Estimate revenue CAGR of 6.1% CAGR over FY19-FY22

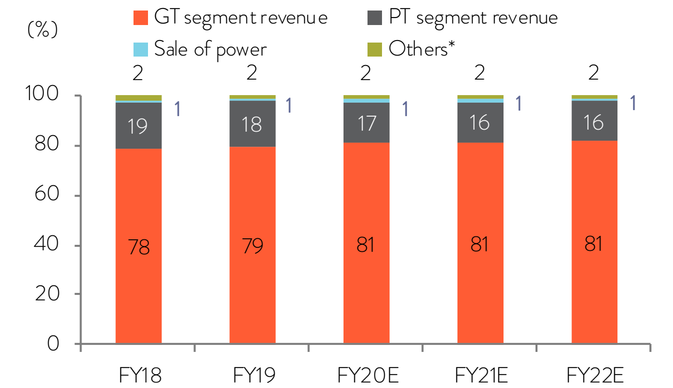
We project modest revenue growth for VRLL at a 6.1% CAGR over FY19-FY22 to Rs 25.2bn. The GT segment is forecast to grow at a 7% CAGR driven by 8% growth in volumes, while realisations are likely to fall marginally. The passenger transport segment (PT) is expected to grow at a slow 3.5% CAGR, driven largely by realisation gains. Consequently, GT segment share in total revenue is likely to grow to 81% in FY22 from 79% in FY19.

FIG 26 – REVENUE ESTIMATED TO GROW AT 6% CAGR OVER FY19-FY22E



Source: Company, BOBCAPS Research

FIG 27 – GT SEGMENT TO INCREASE ITS SHARE IN TOTAL REVENUE

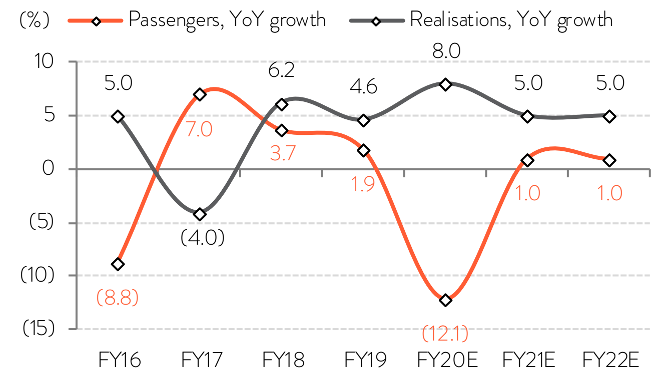


Source: Company, BOBCAPS Research I *Others include air transport of passengers, hotel operations, courier services, and other operating income

PT segment to grow at a sedate 3.5% CAGR over FY19-FY22E

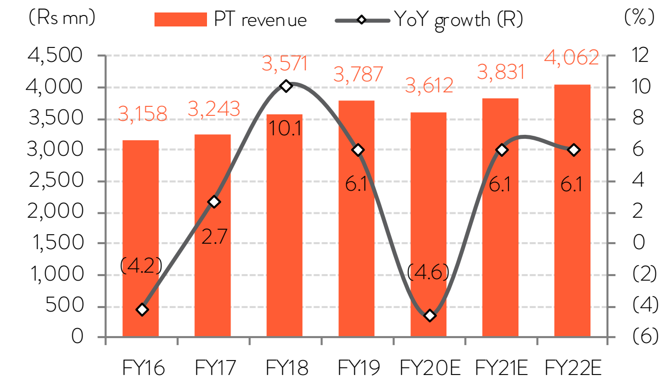
VRLL's PT segment (~18% revenue share) has posted a sluggish 3.5% CAGR over FY15-FY19 as it remains hobbled by intense competition from both large and small, unorganised players, as well as stringent regulations that hinder effective utilisation of bus assets. To combat the headwinds, VRLL's management has reduced the number of buses operated (to 362 in H1FY20 from 419 in FY17) to focus on profitable routes. We believe the segment is unlikely to attract any new capex over the next couple of years and hence forecast 3.5% CAGR in PT segment's revenue growth over FY19-FY22E.

FIG 28 – RT SEGMENT'S REALISATION TO GROW AT DECENT PACE, PASSENGER GROWTH TO BE MUTED



Source: Company, BOBCAPS Research

FIG 29 – PT REVENUE TO LOG A 3.5% CAGR OVER FY19-FY22E



Source: Company, BOBCAPS Research

Accounting changes to bolster EBITDA

Forecast EBITDA CAGR of 8% ex-IND-AS 116 changes

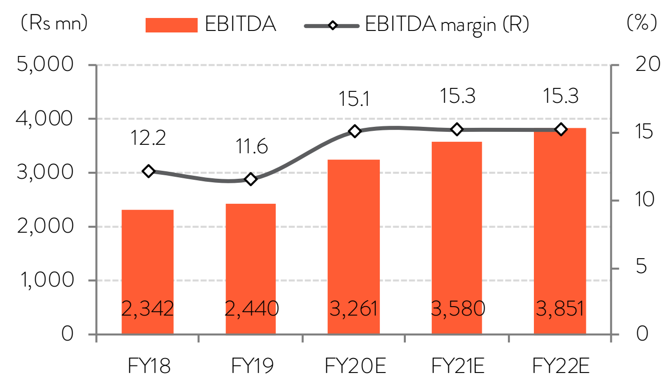
VRLL is expected to post a 16.4% EBITDA CAGR over FY19-FY22, owing mainly to Ind-AS 116 related accounting changes. Excluding the Ind-AS 116 impact, we forecast a 7.7% EBITDA CAGR during the same period. EBITDA margin is projected to expand 370bps to 15.3% through to FY22. Of this, ~320bps stems from the accounting change. Core EBITDA margin expansion of ~50bps is likely to be driven by steady diesel prices and higher utilisation of owned vehicles.

Tax sops to catalyse earnings growth

Lower tax rates to propel earnings growth to 12.4% CAGR over FY19-FY22

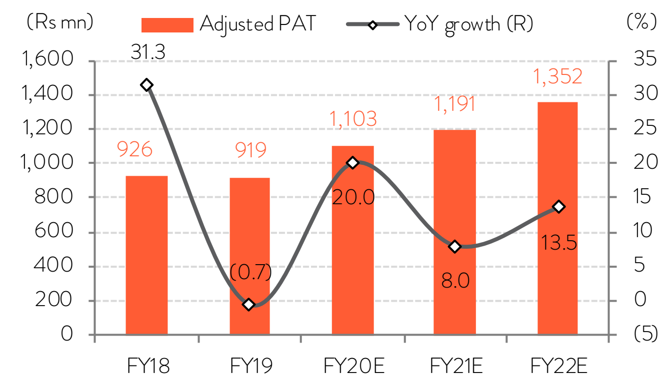
Though a rise in reported depreciation and interest expenses owing to the Ind-AS 116 impact is likely to depress PBT growth (9% CAGR over FY19-FY22E), a lower corporate tax rate (25.6% from FY20E onwards vs. ~35% in FY19) should catalyse a higher PAT CAGR of 13.7% during the same period.

FIG 30 – HIGHER UTILISATION, EFFICIENCY GAINS TO LIFT CORE EBITDA MARGIN IN FY20-FY21E



Source: Company, BOBCAPS Research

FIG 31 – LOWER EFFECTIVE TAX RATE TO BOOST ADJ. PAT CAGR TO 13.7% OVER FY19-FY22E



Source: Company, BOBCAPS Research

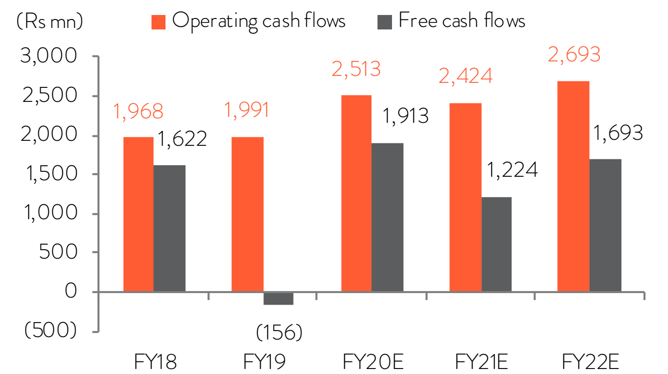
Better cash flows to pave way for debt repayment, higher dividends

Expect ROCE/ROE to improve to 19.7%/17.3% in FY22E

Apart from boosting earnings, the lower corporate tax regime is also expected to translate into additional cash flows of ~Rs 400mn over FY20-FY22, as per our calculations. This will further bolster the company's strong cash flow generation, paving the way for debt repayment and higher dividend payout.

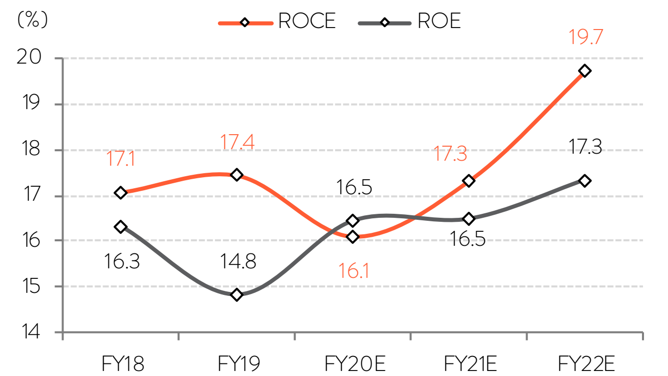
A larger asset base resulting from the implementation of Ind-AS 116 (lease rental obligations are now recognised in balance sheet as lease liability and right-of-use assets) could engender a fall in ROCE – to 16.1% in FY20E from 17.4% in FY19 – while the lower tax rate will augment ROE. We expect ROCE/ROE to improve in subsequent years, scaling up 360bps/80bps to 19.7%/17.3% in FY22E.

FIG 32 – CASH FLOW GENERATION TO REMAIN STRONG



Source: Company, BOBCAPS Research

FIG 33 – RETURN RATIOS TO IMPROVE OVER FY19-FY22E



Source: Company, BOBCAPS Research

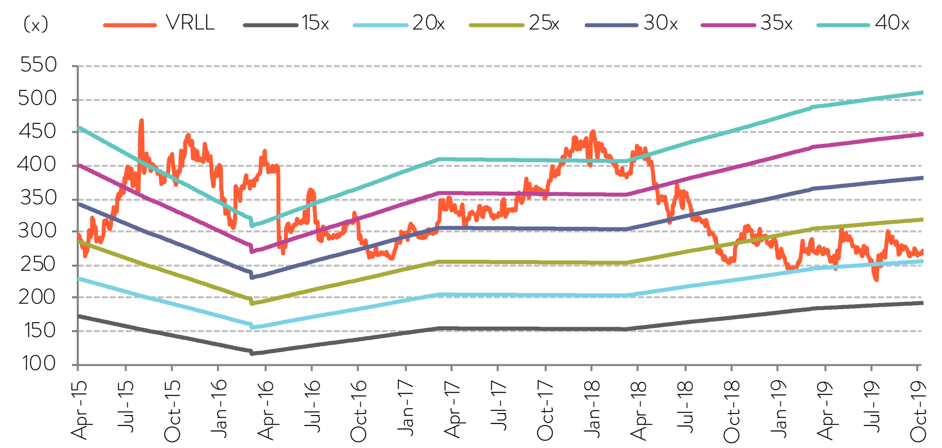
Valuation methodology

Initiate coverage with BUY and a Mar'21 TP of Rs 330

Since its public listing in Apr'15, VRLL has traded at an average P/E multiple of ~32x. But owing to a muted operating performance amid the economic slowdown, multiples have fallen to ~22x over the past one year – the lowest levels since listing. We initiate coverage with a BUY rating and a Mar'21 target price of Rs 330, valuing the company at 22x FY22E EPS – in line with the average P/E multiple, despite a stronger earnings forecast (13.7% CAGR over FY19-FY22E vs. 1.2% over FY15-FY19) supported by lower tax rates. Our fair value implies a 23% upside from CMP.

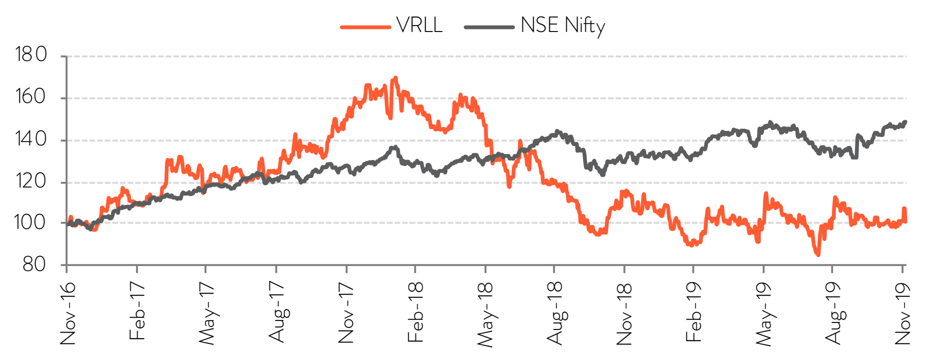
We see limited downside to our/consensus estimates, and believe that the current valuations offer healthy risk-reward, given the quality of the company. We expect topline growth to go back to double digit trajectory once the economic condition revives, which should help multiple gradually scale back to the historic average of ~32x.

FIG 34 – ONE-YEAR FORWARD P/E BAND



Source: Company, BOBCAPS Research

FIG 35 – RELATIVE STOCK PERFORMANCE



Source: NSE

Though a 22x P/E multiple may appear high, we draw attention to the comparison with domestic peers on free cash flow multiple. VRLL's EV/FCF multiple is one of the lowest among Indian logistics companies despite healthy return ratios, better dividend yield and higher cash flow generation.

FIG 36 – FINANCIAL ESTIMATES OF LEADING LOGISTICS COMPANIES

Companies	EBITDA growth (%)			EPS growth (%)			ROE (%)			FCF/EBITDA		
	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AGLL	10.7	15.9	16.0	1.6	13.0	12.6	12.1	12.5	12.9	(3.7)	8.6	17.8
BDE	61.1	24.4	7.3	(23.3)	96.6	61.9	13.2	19.8	25.7	(24.3)	40.9	64.1
CCRI	16.6	25.0	22.7	15.5	15.7	16.0	11.0	14.0	16.3	118.8	23.7	32.8
FSCSL	(6.1)	52.5	29.5	(12.4)	20.4	22.4	10.2	11.9	13.4	(53.0)	(48.4)	20.6
GDPL	233.7	1.1	24.3	(79.6)	13.2	20.2	31.3	19.8	25.7	68.1	54.9	34.9
MAHLOG	(19.4)	29.0	28.7	(12.8)	36.4	28.8	14.2	17.1	19.7	70.4	20.5	43.7
TCIEXP	11.0	22.4	23.3	29.4	22.5	23.2	30.7	29.1	28.3	17.4	19.3	29.0
TRPC	9.8	20.6	19.1	12.8	15.5	22.0	17.1	17.0	17.9	37.3	25.2	30.4
Median	**9.8**	**22.4**	**24.3**	**(12.4)**	**20.4**	**22.4**	**17.1**	**17.1**	**19.7**	**37.3**	**20.5**	**30.4**
VRLL	**33.6**	**9.8**	**5.8**	**20.0**	**8.0**	**9.5**	**16.5**	**16.5**	**16.8**	**58.7**	**34.2**	**43.4**

Source: Company, Bloomberg, BOBCAPS Research | Estimates for BDE and GDPL are Bloomberg consensus estimates

FIG 37 – VALUATION SUMMARY OF LEADING LOGISTICS COMPANIES

Companies	CMP (Rs)	Market cap (Rs mn)	EV (Rs mn)	EV/EBITDA (x)			P/E (x)			EV/FCF (x)		
				FY20E	FY21E	FY22E	FY20E	FY21E	FY22E	FY20E	FY21E	FY22E
AGLL	96	23,563	28,486	5.7	4.9	4.3	9.4	8.3	7.4	NM	57.4	23.9
BDE	2,061	48,963	57,952	12.3	9.9	9.2	71.1	36.2	22.3	NM	24.1	14.4
CCRI	559	340,690	336,924	20.5	16.4	13.4	32.0	26.6	21.7	17.3	69.4	40.8
FSCSL	490	19,644	21,393	15.3	10.1	7.8	38.1	23.5	15.9	NM	NM	37.7
GDPL	96	10,400	16,940	6.2	6.1	4.9	14.0	12.4	10.3	9.0	11.1	14.0
MAHLOG	398	28,437	26,698	21.9	17.0	13.2	38.1	27.9	21.7	31.1	82.9	30.2
TCIEXP	766	29,351	29,198	22.1	18.1	14.7	31.1	25.4	20.6	127.2	93.4	50.6
TRPC	275	21,078	25,161	9.2	7.6	6.4	12.8	11.1	9.1	24.6	30.2	21.0
Median	**-**	**-**	**-**	**13.8**	**10.0**	**8.5**	**31.6**	**24.4**	**18.3**	**13.2**	**43.8**	**27.0**
VRLL	**285**	**25,784**	**26,557**	**8.1**	**7.4**	**7.0**	**23.4**	**21.6**	**19.8**	**13.9**	**21.7**	**16.1**

Source: Company, BOBCAPS Research

Key risks

Key downside risks to our thesis are:

- **Sharp increase in diesel prices:** Any sharp rise in diesel prices can deplete the company's operating margin owing to the lag in passing on cost increases to customers.
- **Prolonged manufacturing slowdown:** VRLL's GT segment growth is reliant on industrial manufacturing activity. If the manufacturing activity remains weak for a prolonged period of time, if may continue to impact the company's growth prospects.
- **Large capex plan:** We assume that VRLL will maintain the capital allocation discipline exhibited over the past few years and distribute a majority of its profit as dividends. However, the unveiling of any large capex plan may cap free cash flow generation and therefore dividend payout.

Management profile

FIG 38 – KEY MANAGEMENT PERSONNEL – BRIEF PROFILE

Name	Brief profile
Dr. Vijay Sankeshwar Chairman and Managing Director	Dr. Sankeshwar is the Founder and Chairman of VRLL. He has over 40 years of experience in the transport industry and is actively involved in day-to-day management of the company. He was a former Member of Parliament, elected from the Dharwad (North) constituency of Karnataka. Dr. Sankeshwar holds a Bachelor's degree in Commerce and an Honorary Doctorate from Karnatak University, Dharwad.
Anand Sankeshwar Managing Director	As Managing Director, Mr. Sankeshwar is actively involved in day-to-day operations and also supervises the company's marketing operations. He has 19 years of experience in the transport industry. He holds a Bachelor's degree in Commerce from Karnatak University.
L. Ramanand Bhat Director	Mr. Bhat heads the vehicle maintenance function and has been associated with the company since 1995. He holds a Diploma in Mechanical Engineering from the State Board of Technical Education and Training, Tamil Nadu. He is also a certified member of the Institute of Engineers in tool design.
K. N. Umesh Director	Mr. Umesh has been associated with VRLL since 1984, is currently a whole-time Director and was the erstwhile Chief Operating Office of the company. He holds a Bachelor's degree in Commerce from Mysore University.
Sunil Nalavadi Chief Financial Officer	Mr. Nalavadi has been associated with the company since 2005. He is a Commerce graduate from Karnatak University, Dharwad, and a qualified Chartered Accountant.

Source: Company, BOBCAPS Research

FINANCIALS

Income Statement

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Total revenue	**19,223**	**21,095**	**21,580**	**23,424**	**25,196**
EBITDA	2,342	2,440	3,261	3,580	3,851
Depreciation	976	1,006	1,692	1,757	1,861
EBIT	1,366	1,434	1,569	1,823	1,990
Net interest income/(expenses)	(114)	(109)	(354)	(325)	(285)
Other income/(expenses)	142	79	93	103	112
Exceptional items	0	0	0	0	0
EBT	1,394	1,405	1,309	1,601	1,817
Income taxes	(468)	(486)	(205)	(410)	(465)
Extraordinary items	0	0	0	0	0
Min. int./Inc. from associates	0	0	0	0	0
Reported net profit	**926**	**919**	**1,103**	**1,191**	**1,352**
Adjustments	0	0	0	0	0
Adjusted net profit	**926**	**919**	**1,103**	**1,191**	**1,352**

Balance Sheet

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Accounts payables	68	61	62	68	73
Other current liabilities	654	705	721	783	842
Provisions	203	264	270	293	316
Debt funds	957	1,551	1,108	708	208
Other liabilities	0	0	1,919	1,369	819
Equity capital	903	903	903	903	903
Reserves & surplus	5,029	5,556	6,052	6,589	7,197
Shareholders' fund	5,932	6,459	6,956	7,492	8,100
Total liabilities and equities	**7,815**	**9,041**	**11,036**	**10,712**	**10,357**
Cash and cash eq.	194	131	335	179	344
Accounts receivables	807	795	887	1,155	1,381
Inventories	241	298	305	331	356
Other current assets	472	492	503	546	588
Investments	26	25	25	25	25
Net fixed assets	6,217	7,013	6,958	6,980	6,699
CWIP	76	416	0	0	0
Intangible assets	7	12	12	12	12
Deferred tax assets, net	(808)	(738)	(738)	(738)	(738)
Other assets	582	594	2,748	2,220	1,690
Total assets	**7,815**	**9,041**	**11,036**	**10,712**	**10,357**

Source: Company, BOBCAPS Research

Cash Flows

Y/E 31 Mar (Rs mn)	FY18A	FY19A	FY20E	FY21E	FY22E
Net income + Depreciation	1,902	1,925	2,795	2,948	3,214
Interest expenses	114	109	354	325	285
Non-cash adjustments	(88)	(70)	(536)	(550)	(550)
Changes in working capital	40	28	(100)	(299)	(255)
Other operating cash flows	0	0	0	0	0
Cash flow from operations	**1,968**	**1,991**	**2,513**	**2,424**	**2,693**
Capital expenditures	(346)	(2,147)	(600)	(1,200)	(1,000)
Change in investments	1	1	0	0	0
Other investing cash flows	0	0	(2,760)	0	0
Cash flow from investing	**(346)**	**(2,147)**	**(3,360)**	**(1,200)**	**(1,000)**
Equities issued/Others	(9)	0	0	0	0
Debt raised/repaid	(1,031)	594	(443)	(400)	(500)
Interest expenses	(114)	(109)	(354)	(325)	(285)
Dividends paid	0	(497)	(607)	(655)	(744)
Other financing cash flows	(397)	105	2,455	0	0
Cash flow from financing	**(1,552)**	**94**	**1,051**	**(1,380)**	**(1,528)**
Changes in cash and cash eq.	**71**	**(62)**	**204**	**(156)**	**165**
Closing cash and cash eq.	**194**	**131**	**335**	**179**	**344**

Per Share

Y/E 31 Mar (Rs)	FY18A	FY19A	FY20E	FY21E	FY22E
Reported EPS	10.2	10.2	12.2	13.2	15.0
Adjusted EPS	10.2	10.2	12.2	13.2	15.0
Dividend per share	0.0	5.5	6.7	7.3	8.2
Book value per share	65.7	71.5	77.0	82.9	89.7

Valuations Ratios

Y/E 31 Mar (x)	FY18A	FY19A	FY20E	FY21E	FY22E
EV/Sales	1.4	1.2	1.2	1.1	1.0
EV/EBITDA	11.3	10.5	7.8	7.1	6.5
Adjusted P/E	26.2	26.4	22.0	20.4	17.9
P/BV	4.1	3.8	3.5	3.2	3.0

DuPont Analysis

Y/E 31 Mar (%)	FY18A	FY19A	FY20E	FY21E	FY22E
Tax burden (Net profit/PBT)	66.4	65.4	84.3	74.4	74.4
Interest burden (PBT/EBIT)	102.0	98.0	83.4	87.8	91.3
EBIT margin (EBIT/Revenue)	7.1	6.8	7.3	7.8	7.9
Asset turnover (Revenue/Avg TA)	238.3	252.7	218.0	219.2	245.2
Leverage (Avg TA/Avg Equity)	1.4	1.4	1.5	1.5	1.4
Adjusted ROAE	16.3	14.8	16.5	16.5	17.3

Source: Company, BOBCAPS Research | Note: TA = Total Assets

Ratio Analysis

Y/E 31 Mar	FY18A	FY19A	FY20E	FY21E	FY22E
YoY growth (%)					
Revenue	6.6	9.7	2.3	8.5	7.6
EBITDA	7.4	4.2	33.6	9.8	7.6
Adjusted EPS	32.7	(0.7)	20.0	8.0	13.5
Profitability & Return ratios (%)					
EBITDA margin	12.2	11.6	15.1	15.3	15.3
EBIT margin	7.1	6.8	7.3	7.8	7.9
Adjusted profit margin	4.8	4.4	5.1	5.1	5.4
Adjusted ROAE	16.3	14.8	16.5	16.5	17.3
ROCE	17.1	17.4	16.1	17.3	19.7
Working capital days (days)					
Receivables	15	14	15	18	20
Inventory	5	5	5	5	5
Payables	1	1	1	1	1
Ratios (x)					
Gross asset turnover	2.1	2.1	1.8	1.8	1.8
Current ratio	2.0	2.0	2.3	2.3	2.6
Net interest coverage ratio	11.9	13.2	4.4	5.6	7.0
Adjusted debt/equity	0.1	0.2	0.1	0.1	0.0

Source: Company, BOBCAPS Research

Disclaimer

Recommendations and Absolute returns (%) over 12 months

BUY – Expected return >+15%

ADD – Expected return from >+5% to +15%

REDUCE – Expected return from -5% to +5%

SELL – Expected return <-5%

Note: Recommendation structure changed with effect from 1 January 2018 (Hold rating discontinued and replaced by Add / Reduce)

HISTORICAL RATINGS AND TARGET PRICE: VRL LOGISTICS (VRLL IN)

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