VRL Logistics

19 May 2026

Operator: Ladies and gentlemen, good day and welcome to VRL Logistics Q4 and FY26 earnings conference call, hosted by Motilal Oswal Financial Services Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions, and expectation of the company as on the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Deora from Motilal Oswal. Thank you and over to you, sir.

Alok Deora – Motilal Oswal: Thank you. Good morning, everyone, and welcome to the Q4 FY26 earnings conference call of VRL Logistics. Today we have with us Mr. Sunil Nalavadi, the CFO of the company. I will now hand over the call to Mr. Nalavadi to provide some opening comments and then we can take up the Q&A. Thank you and over to you, sir.

Management: Thank you, Alok, and good morning to everyone. I warmly welcome all of you to the earnings conference call of our company to discuss the financial and operational performance for the fourth quarter and year ended FY26. At the onset, I would like to inform you that we have completed 50 years of service in the logistics industry. Our founder and promoter, Dr. Vijay Sankeshwar, started this company in 1976 with a self-driven single vehicle and one route. Today, the company is operating with 6,000 owned vehicles along with hired vehicles as well.

The operations of the company spread across 24 states and four union territories with a network of around 1,300 branches. We cater to all commodity segments with a customer base of over 10 lakhs. We are very thankful to all those who supported us in this journey. I hope everyone has had an opportunity to review our investor presentation which has been uploaded along with our financial results.

We started this financial year with a strong background of rate rationalization and strategic pricing reforms, including the identification of and exit from low-margin businesses. The year started with a deficit of 13% in our tonnage growth in Q1, and for the full year, we are in a position to restrict the deficit in tonnage growth to 7%. We achieved year-on-year growth in tonnage of around 3% in Q4. The improvement in tonnage handling on a quarterly basis in the current year proves our efforts to increase tonnage by adopting the right pricing policy.

We are taking many steps to increase volumes, especially through the expansion of our network by opening new branches in untapped markets, improving service quality by focusing more on our own infrastructure facilities—which in turn results in better control of our services—route optimization to reduce lead time for delivery, and maintaining the lowest claim ratio compared to other operators in the industry.

When it comes to the financial performance of the company, the Q4 total income stood at 859 crores, up by around 6% year-on-year and growing 3% sequentially, driven by improved realization, new client additions, and the return of some previously lost accounts. Tonnage saw a quarter-on-quarter improvement supported by new account additions, growth in tonnage from existing customers, and the return of volume following contract restructuring undertaken last year. Our daily tonnage crossed 11,500 plus tons during the quarter, reflecting improving demand trends.

The realization per ton stood at around 8,147, representing an increase of approximately 3% year-on-year, reflecting freight rate rationalization and route mix. We were able to maintain realization with a sequential revenue improvement of 3%. Yield improvement remains a key profitability driver and reinforces our focus on sustainable, margin-led growth rather than volume-led expansion.

On profitability, the EBITDA margin stood at around 21.4%, down by approximately 190 basis points year-on-year. I would like to inform you that Q4 FY25 was an exceptional quarter with a margin of over 23% as new initiatives such as freight rate rationalization and route optimization were introduced. Margins in the current quarter compared to last year were impacted by an increase in lorry hire charges of around 1.73%, an increase in salaries of 0.74%, and an increase in vehicle repairs and maintenance of 0.85%, whereas fuel costs reduced by 1.77% as a percentage of revenue.

Fuel costs remained well-controlled in the current year. Fuel cost as a percentage of total income declined to 24% from 25.7% due to a decline in fuel consumption quantity, although costs increased to some extent due to the fuel procurement price rising from 84.55 to 85.54 per liter because of a decrease in purchase quantity from the refinery supplied through our own pumps. The quantity directly purchased from refineries was reduced from 41% to 36%. We restricted the bulk purchase quantity due to the increase in bulk purchase rates.

Lorry hire charges increased due to more hired vehicles being engaged to carry additional tonnage during the current quarter and also due to an increase in lorry hire rates. The employee cost as a percentage of total income increased from 17% to around 17.91% and vehicle running expenses increased from 4.9% to 5.8% on account of annual increments implemented from August 2025 and higher driver incentives paid during the current quarter. We continue to view these increases as investments in our people, particularly given the industry-wide shortage of skilled drivers, where VRL's on-role driver model remains a key competitive advantage.

Despite these changes, we were able to achieve EBITDA margins of over 21% during the current quarter. The sequential EBITDA margin increased by around 48 basis points, supported by improved realization, strict cost controls, and better asset utilization. Profit for the current quarter stood at around 72 crores.

For the full year FY26, our total income stood at 3,245 crores. The EBITDA margin was 20.8%, expanding by nearly 190 basis points year-on-year, supported by a 10% improvement in realizations and sustained cost efficiency. Profit for the year increased to 237 crores as against a profit of 183 crores last year, representing robust growth of around 29%. Higher profits resulted in an increase in cash flows from operations to 668 crores from 583 crores in the last financial year.

The cash flows have been effectively utilized for capital expenditure to the tune of 298 crores, mainly for the addition of commercial vehicles totaling 101 crores, and 165 crores has been invested in the purchase of land and building facilities in critical locations of our operations. Cash flow of 175 crores was also utilized for the payment of dividends in the current year.

Our balance sheet remains strong with net debt at approximately 440 crores as of March 2026. The trade receivables to turnover ratio is 36 times, which works out to receivable days of around 10 days—among the lowest in the industry—underlining the strength of our collection mechanism and diversified customer base of over 10 lakh GST-registered customers. Due to higher returns, the return on capital employed increased to 25% from 21% and return on equity increased to 21% from 18%.

Operationally, our network continues to scale. As of March 2026, we operate 1,293 branches and 50 transshipment hubs across 24 states and four union territories. Fleet rationalization continues with older vehicles being scrapped and utilization of own assets improving. Around 77% of our fleet is totally debt-free and 14% is fully depreciated, providing strong operating leverage.

Our strategic priorities remain unchanged: profitable volume growth, disciplined cost management, and tight working capital control. We are actively managing the risks posed by current geopolitical developments and their potential to cause volatility in fuel rates and other input costs. Looking ahead, while near-term macro uncertainties persist, we remain optimistic. Improving demand conditions, stronger marketing initiatives, fleet rationalization, and expansion in underpenetrated geographies position us well to drive a gradual volume recovery while sustaining profitability. With this, I would like to conclude my initial remarks and request the operator to open the floor for questions.

Operator: Thank you, sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who wishes to ask a question may press star and one on their touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets only while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We have our first question from Kripashankar NJ with Equirus Securities. Please go ahead.

Kripashankar NJ – Equirus Securities: Hello, good morning and thanks for the opportunity, sir. My first question—it is good to see that volume growth is coming back on track and we have registered the first year-on-year growth during the quarter. I just wanted to get a sense of what you expect for the volume growth momentum in FY27 and what efforts you are taking towards boosting volumes on that front?

Management: In terms of volume growth, we are expecting to grow at least 6-7% on a full-year basis. We are expecting a quarterly growth of at least 2% on a sequential basis for FY27. So, on a full-year basis, the expectation is around 6-7%.

Kripashankar NJ – Equirus Securities: And what are the efforts you are taking towards boosting those volumes?

Management: The effort is basically that our rate rationalization exercise is already completed and customers are very well aware of the structure of the rates. We are pushing a lot of marketing activities and identifying lost customers. Just to inform you, we are getting many new customers as well, especially wherever we are opening new branches in new geographies. That is giving us a lot of confidence to increase volumes.

Kripashankar NJ – Equirus Securities: Understood, sir. But diesel prices are also going up. Are you planning to further increase your prices to offset that impact of higher fuel costs?

Management: Yes, of course, diesel prices are increasing and it affects every operator. Ultimately, whatever additional cost comes, it needs to be passed on to the customers. During recent movements, we have not increased rates generally to pass on those expenses, but in selective routes where we were offering some discounts or where volume growth is coming, we identified those routes and made rate tweaks where required. For the month of April, we saw year-on-year volume growth of around 8% and we are maintaining an EBITDA margin in the range of 21% plus.

Kripashankar NJ – Equirus Securities: Understood. But given the fact that there is going to be a further increase on selective routes, does that put pressure on volume growth expectations, since the hikes have been quite recent?

Management: Volume growth pressure is not primarily because of the increase in fuel rates, but basically because demand for some commodities is being affected. For example, products related to petrochemicals, which are directly linked to crude oil; demand for those products is restricted to some extent, such as plastic products. We are seeing in the market that the demand for such products is coming down. Those things may impact volume, but because fuel rates are increasing, every operator has to make a call to pass it on to the customers.

Kripashankar NJ – Equirus Securities: Understood. I could also see in the presentation that you are not currently availing direct procurement due to an increase in bulk fuel rates. I wanted to get a sense of whether you see an impact on your margins because the proportion of bulk supply is coming down, even though you guided that Q1 margins would hover around 21%?

Management: At the EBITDA level, we are very flexible in maintaining a level of around 20% or 21%. Some basis points may impact the margin because the bulk purchase facility has been withdrawn and that lost benefit.

Kripashankar NJ – Equirus Securities: Understood. Last question from my side: I wanted to get a sense of the capex you will be incurring in FY27 towards the fleet and any hubs you will be adding.

Management: We have identified two or three locations that are in the pipeline, specifically Nagpur and Raipur. We are looking at additional locations as well, but overall capital expenditure will be around 300 crores for the full year. In the current year, we invested almost 300 crores, with 100 crores for vehicles and the remaining mostly for land and building facilities. Going forward, the mix will be similar: around 100-150 crores for vehicles and 200 plus crores for land and buildings. On a full-year basis, we are expecting 300-350 crores of capital expenditure.

Kripashankar NJ – Equirus Securities: Understood. Thank you for answering my questions. I will get back in the queue.

Operator: Thank you. Our next question comes from the line of Pramod Dangi from Ratnatrayi Investment Management LLP. Please go ahead.

Pramod Dangi – Ratnatrayi Investment Management: Thank you for the opportunity and congratulations on the good set of numbers. On the capex, as you just explained that going forward it will be around 100 crore for vehicles and 200 crore for land and buildings. In FY25, we did a high capex of over 400 crore. When do we see the vehicle purchase cycle coming back into the picture more significantly—in FY27, FY28, or further down the line?

Management: Capital expenditure is a continuous cycle. The government has placed a restriction on the life of vehicles at 15 years. Even where it is not mandatory, there are many restrictions on operating vehicles older than 15 years. That is why whenever capacity crosses 15 years, we need to replace those vehicles. Moreover, to carry additional tonnage growth, we also need to add vehicle capacity.

Pramod Dangi – Ratnatrayi Investment Management: So normally, do we replace vehicles in 5 to 7 years or do we keep them in our fleet until the end of their 15-year life?

Management: Normally until the end of life, up to 15 years. Only in certain circumstances, if they are outdated or a major accident happens, such vehicles will be scrapped earlier.

Pramod Dangi – Ratnatrayi Investment Management: Okay. Over the last year, we worked through loss-making or low-margin businesses. Going forward, will the 10% volume growth rate return, or will it be in line with the industry at 5-7%?

Management: Currently, there are certain pressures in the market. As I mentioned, some commodities are impacted by oil prices, such as plastic goods or oil-related commodities, where demand is constrained. Despite that, we are expecting tonnage growth in the range of 6-7% next year because of our network and the fact that we cater to many different products. We are not dependent on any single line of commodity or customer, which gives us a lot of flexibility to increase volume.

Pramod Dangi – Ratnatrayi Investment Management: Got it. And regarding tonnage, do we have metrics for ton-kilometers?

Management: No, we do not have that as of now.

Pramod Dangi – Ratnatrayi Investment Management: How is the competitive scenario in the industry? I understand a few companies have increased prices, and players like Delhivery, who were at lower prices, are also implementing hikes. Has the competitive landscape changed in the last few months?

Management: The industry relies highly on unorganized operators, but that ratio is coming down and the unorganized market is converting into the organized industry. Many organized players are taking share from unorganized operators. Regarding fuel rates, because of the increases, everyone has to increase rates and pass them on to the customers.

Pramod Dangi – Ratnatrayi Investment Management: Okay, great. Thanks.

Operator: Thank you. Our next question comes from the line of Nishita Sashkecha from Sapphire Capital. Please go ahead.

Nishita Sashkecha – Sapphire Capital: I wanted to understand your comment about maintaining EBITDA at around 21% and being able to pass on price increases. Is there a lag with which we pass these on, or can we directly pass on increased costs?

Management: There will be some lag. In the last week alone, there were two rate increases. We cannot increase rates that frequently, but we analyze the trend over at least one or two months and then make a call. Because of the disturbance in bulk supply and the 3 rupee price increase, we have already increased some freight rates on selective routes, though not across all routes. That is taking care of the additional costs we are incurring. In the future, we will analyze changes for a period and take a call on further increases.

Nishita Sashkecha – Sapphire Capital: So, you have already taken a price increase on some routes only. Even with the lag, will we be able to maintain the 21% margin?

Management: Yes, the lag will not be for a long period. It will be very short, within a month or so.

Nishita Sashkecha – Sapphire Capital: Understood. How many branches do we plan to open in FY27?

Management: This year we opened around 110 branches, but around 55 to 60 branches were closer to existing branches or were non-performing and were closed. In the current year, we are expecting 100 plus new branches to be opened.

Nishita Sashkecha – Sapphire Capital: Was that 110 net or gross? How many did you close?

Management: We closed around 60 branches, so net additions were around 40.

Nishita Sashkecha – Sapphire Capital: And in FY27, you plan for 100-110 gross branches with similar closures?

Management: Going forward, closures will be fewer. We are expecting net additions of at least 100 branches in the coming year.

Nishita Sashkecha – Sapphire Capital: Understood. Thank you so much.

Operator: Thank you. Our next question comes from the line of Anshul Agarwal from MK Global Financial Services Limited. Please go ahead.

Anshul Agarwal – MK Global Financial Services: Thank you for the opportunity. My first question is on pricing in the industry versus VRL. Since we took price hikes in Q4 FY25 and I believe the industry did not follow suit immediately, our pricing was at a premium versus unorganized operators. In a fuel inflationary environment, when the unorganized sector is expected to pass on these hikes, would this lead to a convergence of pricing, or will we maintain that premium as we also pass on fuel hikes?

Management: It is inevitable for every operator in the industry to pass on these increased fuel costs. We will analyze competitor movements and decide our strategy. However, the rationalization defined by our costing will not change. For example, if a route or customer contract offers very low margins, we do not wish to do that business. We wish to maintain certain operational margins and will fix rates accordingly, regardless of other operators in that route.

Anshul Agarwal – MK Global Financial Services: So, the Q4 FY25 price hike, which led to a divergence, should essentially sustain even in this environment.

Management: Yes. even in the market, many customers who had left are coming back to us. That is why for Q4 we are in a position to grow volume by 3% on a year-on-year basis.

Anshul Agarwal – MK Global Financial Services: Any particular reason why lorry hire charges have increased? I believe we have an adequate number of vehicles and the purpose of the capex was to keep hire charges minimal.

Management: The overall capacity of our own vehicles has reduced compared to last year. For example, last year we had over 6,100 vehicles, and that number reduced to around 5,900. Because of the reduction in capacity and the improvement in tonnage, we had to engage outside vehicles to carry that additional tonnage.

Anshul Agarwal – MK Global Financial Services: Since the vehicle spend plans are stable, do we anticipate a similar number of vehicles being scrapped this year?

Management: Scrappage will not be at that level, but there will be additions. As we planned earlier, we intend to add 500 vehicles. We have already added 100 plus, and the remaining 400 will be added before December.

Anshul Agarwal – MK Global Financial Services: Could you share the tonnage contribution from the new branches added in the current year?

Management: The contribution from branches added this year is about 1–1.5% of growth in Q4. These are new branches just starting to add customers.

Anshul Agarwal – MK Global Financial Services: Do you have a strategy to extract more volume from these new branches? On a base of 1,300, adding 100 net branches should eventually contribute more than 1.5%.

Management: They will take time to ramp up. On a full-year basis, we are expecting that if we gradually open 100 branches, they may contribute around 2–3% in tonnage. We are also expecting around 4% normal growth from existing customers or new customers in our existing areas. That is why we are in a position to reach 6–7% volume growth for the next year.

Anshul Agarwal – MK Global Financial Services: Any guidance on depreciation charges for the next two years considering we have added many hubs? Depreciation did not increase much this year despite high capex.

Management: Depreciation costs will not increase significantly because, in most properties where we are investing, the value of the land is very high. Land is a non-depreciable asset. Only a portion of the building or infrastructure will be depreciated over a long period. Furthermore, because of the investment in our own facilities, our rental expenses and lease liabilities are coming down, which further strengthens our balance sheet.

Anshul Agarwal – MK Global Financial Services: Clear, sir. Thank you.

Operator: Thank you. Our next question comes from the line of Mr. Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade – Nuvama Institutional Equities: Good morning, sir. I wanted to understand the vehicle mix and typical daily average kilometers.

Management: The lead distance is in the range of 270 to 280 kilometers across all vehicle categories. Capacities are typically in the range of 15 to 18 tons.

Achal Lohade – Nuvama Institutional Equities: Is there a reason we don't maintain ton-kilometer data?

Management: Since we handle a high number of routes—around 1,300 to 1,300—the volume of information makes it difficult to compute. We are trying to do that and will share it if possible.

Achal Lohade – Nuvama Institutional Equities: For the full year FY26, what was the industry mix?

Management: It is predominantly driven by the textile and cloth industries, which contribute around 17-18%. That trend is continuing. The next segment is agricultural products—seeds, equipment, fertilizers, and pesticides—which contribute around 10-11%. We are signing contracts with top corporate entities whose products are often related to textiles or similar goods, so the industry mix will not change drastically.

Achal Lohade – Nuvama Institutional Equities: So textile and agri-products combined are about 30%. What about the rest?

Management: The balance includes industrial goods, pharmaceuticals, books and stationery, and automobile products. Each is in the range of around 5-6%.

Achal Lohade – Nuvama Institutional Equities: How about MSME, large enterprises, and spot booking?

Management: Spot booking—which we call "2-pay" and "paid" booking where we get immediate payment—contributes around 80%. Account customers contribute around 15-16%. The remaining 6-7% is full truckload (FTL), where booking modes include 2-pay, paid, and account.

Achal Lohade – Nuvama Institutional Equities: What was the door-to-door mix in FY26?

Management: It was around 33-34% and has now increased to around 38-39%, close to 40%. The yield for door delivery is about 1 to 1.5 rupees per kg higher.

Achal Lohade – Nuvama Institutional Equities: Regarding competition, given the price hikes we have taken, how do our rates compare to immediate peers?

Management: Compared to unorganized players, we offer a premium rate. Our competitors differ across each leg of our operations. Express cargo companies are not always direct competitors unless we are dealing with corporate clients, in which case our rates are more or less comparable.

In other cases, it depends on the route. For example, for textiles from Gujarat to the rest of the country, our competitors are local, route-wise operators. If textile is moving from Gujarat to Andhra Pradesh or Karnataka, we compete with specific operators for those routes. We charge according to the route and product. While we have a premium over the unorganized sector, our rates are comparable to organized players. We can command a premium when others do not provide consistent 24/7 service.

Achal Lohade – Nuvama Institutional Equities: Understood. Thank you so much, sir.

Operator: Thank you. Our next question comes from the line of Tanish Jain from A54 Partners. Please go ahead.

Tanish Jain – A54 Partners: Sir, can you talk a little about the bus business? We are seeing many new buses on the road. What are the revenue and margins like?

Management: We are not in the bus business in this company. Another company owned by the promoter handles the bus business; that is an unlisted entity.

Tanish Jain – A54 Partners: And there is no cargo going there? It is at arm's length?

Management: No, nothing.

Tanish Jain – A54 Partners: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Mr. Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora – Motilal Oswal: Taking into account diesel price increases, lower bulk procurement, and increasing toll charges, how much are we in a position to increase freight rates generally? If prices increase further, say by 3-4 rupees over the next three months, would we be able to maintain our Q4 EBITDA run rate?

Management: There might be some temporary variance, but on a full-quarter basis, we plan to maintain similar EBITDA numbers. Because of the disturbance in bulk diesel supply, we have already tweaked rates in routes where we were offering lower rates or where there is less competition.

We have also changed certain metrics, such as chargeable weight. For certain routes, we increased the cubic feet to weight conversion from 8 kg to 9 kg. This straight away increases the chargeable quantity in those routes and takes care of additional costs. We are also increasing loading and unloading costs and freight-on-value costs for certain line items. For contractual customers, we have a fuel surcharge line item that changes based on fuel rates. Because of these steps, we are confident we will maintain EBITDA at similar levels.

Alok Deora – Motilal Oswal: So the current diesel price increase of around 4 rupees is essentially being passed on. Regarding tonnage, some customers have come back as highlighted in your presentation. How confident are you in getting 7-8% volume growth for FY27?

Management: Tonnage had been constrained over the last year because of the exercises we undertook. However, considering our service levels, most customers are coming back and we are adding new ones. In Q4, around 17% of our quantity was contributed by new customers on a year-on-year basis. The share of customers who left was around 14%, and existing customer growth was 1%. This resulted in a 3% volume growth.

We are getting more new customer quantity than what we lost. Many customers who left are already familiar with VRL's services. With the current juncture of increasing fuel and freight rates, we hope they will come back to us, and a major share of growth will come from them.

Alok Deora – Motilal Oswal: Thank you, sir.

Operator: Thank you. Our next question comes from the line of Gaurav Gandhi from Glorytail Capital Management. Please go ahead.

Gaurav Gandhi – Glorytail Capital Management: Do you see any risk to volume growth because of the Western Dedicated Freight Corridor (DFC) going live and potentially shifting some traffic to railways?

Management: No, DFC is directly related to full truckloads. The commodity mix we carry is not directly linked with railway services, so the impact of DFC will not be significant on our volumes.

Gaurav Gandhi – Glorytail Capital Management: Thank you. That is all from my side.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I would like to turn the conference over to management for closing remarks.

Management: Thank you once again to all the participants for your patient hearing. Most of the questions were related to the recent trends in fuel rates. Considering our network, customer base, and service to multiple commodities, we are hoping that we can pass on these costs to customers and maintain EBITDA margins in the range of 20% plus going forward. With this, I wish to conclude the call. Thank you.

Operator: Thank you, sir. Ladies and gentlemen, on behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.