

November 19, 2025

VRL Logistics Limited: Ratings reaffirmed and assigned for enhanced limits; outlook revised to Positive

Summary of rating action

| Instrument* | Previous rated amount (Rs. crore) | Current rated amount (Rs. crore) | Rating action |
|-----------------------------------------------|----------------------------------------------|---------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| Long-term – Fund-based Working Capital | 147.50 | 147.50 | [ICRA]A+ (Positive); Rating Reaffirmed and outlook revised to positive from stable |
| Long-term Fund-based – Term Loan | 224.23 | 334.57 | [ICRA]A+ (Positive); Rating Reaffirmed and assigned for enhanced limit; outlook revised to positive from stable |
| Total | 371.73 | 482.07 | |

**Instrument details are provided in Annexure I*

Rationale

The revision in the outlook on the long-term rating of VRL Logistics Limited (VRL) to Positive factors in the expectation that the company will sustain the growth momentum in its core goods transport business, supported by expansion in its fleet and branch network. Coupled with recent revision in freight rates as well as VRL's exit from a low-margin business, this will lead to improved profitability over historical levels in the near to medium term.

Over the last three years, VRL has expanded/replaced its fleet as well as increased its branch network, leading to improvement in its overall operational efficiency. These strategic measures have aided in generating higher revenues and stronger operating margins for VRL in recent years. Coupled with increase in freight rates undertaken in FY2025, this led to a YoY revenue growth of 9.4% in FY2025. The operating profit margins of the company improved to 18.2% in FY2025 and 19.6% in H1 FY2026 (14.4% in H1 FY2025) over 13.7% in FY2024, driven primarily by increase in freight rates and VRL's exit from a low-margin business. While some moderation in the OPM is expected in H2 FY2026 due to salary revisions, OPMs are expected to remain at 17.5-18.5% in FY2026. Although sales volumes are anticipated to decline YoY in FY2026 due to discontinuation of the low-margin business from Q4 FY2025, the company is still expected to witness revenue growth in low- to mid-single digits, primarily driven by higher freight rates.

The rating also factors in the company's established position in the less-than-truck load (LTL) segment, its extensive network in the country and the promoter's experience of more than four decades in the road logistics industry. With a diversified client base and revenue diversification across various industries, the company's dependence on business from a particular industry is limited. Its largest fleet of owned vehicles, combined with its captive bodybuilding and maintenance facilities, provides operational synergies and competitive advantages. The financial profile remains healthy, supported by stable cash flows, comfortable debt protection metrics and adequate liquidity profile. The company plans to set up new transshipment hubs in FY2027. The quantum of capex incurred for these projects, and the funding pattern will remain key rating monitorables.

The rating, however, remains constrained by the high operating leverage of VRL's asset-intensive business model, and consequent susceptibility of profit margins and asset utilisation to economic slowdown, as witnessed in the past. ICRA also notes that external factors, such as increase in fuel costs and labour expenses that the company may not be able to entirely pass on to its customers, could have an adverse impact on the profit margins, going forward. The company also remains exposed to regulatory risks in the goods transport segment.

Key rating drivers and their description

Credit strengths

Established player in road logistics – VRL is an established logistics service provider in India with a large fleet of owned vehicles, (5,782 vehicles, as of September 30, 2025), and operational infrastructure facilities spread across 1,243 branches, including 50 transshipment hubs. In addition, the company has captive body-building and maintenance facilities, which along with tie-ups with manufacturers of spare parts and tyres as well as fuel suppliers, help it enjoy operational synergies, cost savings and competitive advantages.

Large scale of operations – VRL's scale of operations remains large with top line of Rs. 3,160.9 crore in FY2025. Despite stable sales volumes in FY2025 over FY2024 following VRL's decision to exit from its low-margin businesses, the company reported a top line growth of 9.4% in FY2025, driven by increase in freight rates from Q2 FY2025 and expansion in branch network. Further, the company witnessed a revenue growth of 1% in H1 FY2026 on a YoY basis, primarily due to 14% higher realisation, despite 12% contraction in volumes. The revenue growth is expected to be in low- to mid-single digits in FY2026 on a YoY basis, supported by higher freight rates in FY2026 over FY2025 and expectation of stable demand environment.

Healthy financial profile – The operating margins of the company improved to 18.2% in FY2025 over 13.7% in FY2024 driven primarily by increase in freight rates coupled with lower fuel prices and optimum utilisation of its own vehicles. The company also exited from a low-margin business in Q4 FY2025, which further supported the improvement in operating margins to 19.6% in H1 FY2026 over 14.4% in H1 FY2025. While some moderation in the OPM is expected in H2 FY2026 due to the salary revisions, OPMs are expected to remain at 17.5-18.5% in FY2026 with likely increase in fixed overheads. With healthy improvement in its operating profits, the company's financial profile improved in FY2025, as reflected by interest coverage of 6.0 times and total debt/ OPBITDA of 2.1 times, as on March 31, 2025 compared to interest coverage of 2.6 times and total debt/ OPBITDA of 5.0 times, as on March 31, 2024. The debt coverage metrics are likely to remain at similar levels in the near term owing to expected moderation in operating margins with increase in fixed overheads. However, it is expected to be supported by limited debt-funded capex plans in FY2026. However, the company plans to incur higher capex towards new transshipment hubs and new vehicles in FY2027. The quantum of capex incurred and its funding pattern will remain key rating monitorables.

Credit challenges

Margins remain vulnerable to cyclicity in economy, along with stiff competition and high inflation – VRL's revenue growth and margins are vulnerable to slowdown in economic activities and goods movement of various industries. Additionally, margins continue to be exposed to the challenges posed by intense competition within the logistics sector and persistent high inflation, both of which can further constrain profitability.

Asset-intensive business model – The company primarily operates through its fleet of owned vehicles. This exposes VRL's margins to volatility in freight volumes. Also, the company's capital-intensive model of business results in high operating leverage, which makes profit margins susceptible to any downturn in transportation activity.

Exposure to regulatory risks and impact of external factors – The company, because of the nature of the industry it operates in, is exposed to high regulatory risks pertaining to licences and taxation. Also, restrictions on older (commercial diesel) vehicles in a few cities and the proposed scrappage policy, which may impact the entire industry, have resulted in replacement capex requirement. Further, external factors, such as increase in fuel costs, bridge and toll charges, and labour expenses, which the company may not be able to entirely pass on to its customers, could have an adverse impact on its profit margins.

Environmental and social risks

Environmental considerations: Emissions represent a significant environmental risk for companies operating within the logistics sector. The nature of logistics necessitates extensive vehicular operations, which are inherently associated with greenhouse gas (GHG) emissions and other pollutants. Companies in this industry face increasing regulatory scrutiny and must comply with evolving environmental standards, which can lead to added operational and compliance costs. These expenses include investments in cleaner technologies, regular vehicle maintenance to meet emission norms, and engagement of external agencies for pollution monitoring and periodic inspections. Furthermore, non-compliance can result in financial penalties and reputational damage.

Social considerations: Social risks for logistics companies primarily revolve around workforce challenges, with driver shortages being a significant concern. The sector is particularly vulnerable to disruptions arising from a lack of skilled drivers, which can impact the reliability of services and operational continuity. Such shortages may lead to increased labour costs and difficulties in meeting service commitments, ultimately affecting overall business performance.

Liquidity position: Adequate

VRL's liquidity position is adequate and is supported by undrawn working capital lines of Rs. 126.4 crore, as on September 30, 2025, and expected cash flow from operations of more than Rs. 400 crore in FY2026. The company had free cash and liquid investments of around Rs. 60 crore as on September 30, 2025 (parked with the bank in the form of a current account). Its utilisation of the working capital limit stood at around 14% in the last 12 months ending in September 2025. Overall, ICRA expects VRL to comfortably meet its near-term commitments of Rs. 119 crore (debt repayments) in FY2026 through internal accruals. VRL is expected to incur a capex of Rs. 140-160 crore in FY2026, primarily related to purchase of transshipment hubs and new vehicles, which is likely to be funded largely by internal accruals. The company also plans to incur higher capex in FY2027 towards new transshipment hubs. The quantum of capex incurred and the funding pattern to keep the liquidity requirement at manageable levels, will remain key rating sensitivities on an ongoing basis.

Rating sensitivities

Positive factors – ICRA could upgrade VRL's rating if the company demonstrates sustenance in its healthy operating margins while maintaining sufficient liquidity buffers.

Negative factors – The outlook of the company may be revised to Stable if its financial profile weakens due to material weakening in cash flows or worsening of credit metrics.

Analytical approach

| Analytical approach | Comments |
|---------------------------------|----------------------------------------------------------------------------|
| Applicable rating methodologies | Corporate Credit Rating Methodology |
| Parent/Group support | Not applicable |
| Consolidation/Standalone | The rating is based on the standalone financial statements of the company. |

About the company

VRL was founded in 1976 by Dr. Vijay Sankeshwar in Gadag (Karnataka) and incorporated in 1983 a private company named Vijayanand Roadlines Private Limited. The company was renamed as VRL Logistics Limited in 2006. The company has been listed on the stock exchange since April 2015. VRL is engaged in the business of providing goods transportation services across India using a range of road transportation solutions for goods including less than truck load and full truck load with an established presence across India through a wide network of branches.

Key financial indicators (audited)

| Company name (consolidated) | FY2024 | FY2025 | H1 FY2026* |
|------------------------------------------------------|--------|--------|------------|
| Operating income | 2888.6 | 3160.9 | 1541.3 |
| PAT | 88.9 | 182.9 | 99.9 |
| OPBDIT/OI | 13.7% | 18.2% | 19.6% |
| PAT/OI | 3.1% | 5.8% | 6.5% |
| Total outside liabilities/Tangible net worth (times) | 1.3 | 1.4 | 1.3 |
| Total debt/OPBDIT (times) | 2.6 | 2.1 | 1.8 |
| Interest coverage (times) | 5.0 | 6.0 | 6.0 |

Source: Company, ICRA Research; * Limited review; All ratios as per ICRA's calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

| Instrument | Type | Current rating (FY2026) | | Chronology of rating history for the past 3 years | | | |
|------------------------------|-----------|--------------------------|-------------------------|---------------------------------------------------|-------------------------|-------------------------|--|
| | | Amount rated (Rs. crore) | Date & rating in FY2026 | Date & rating in FY2025 | Date & rating in FY2024 | Date & rating in FY2023 | |
| | | | 19-Nov-2025 | 30-Aug-2024 | 5-Dec-2023 | 6-Dec-2022 | |
| 1 Fund Based Working Capital | Long term | 147.50 | [ICRA]A+ (Positive) | [ICRA]A+ (Stable) | [ICRA]A+ (Positive) | [ICRA]A+ (Positive) | |
| 2 Fund-based – Term Loan | Long term | 334.57 | [ICRA]A+ (Positive) | [ICRA]A+ (Stable) | [ICRA]A+ (Positive) | [ICRA]A+ (Positive) | |
| 3 Unallocated | Long term | - | - | - | [ICRA]A+ (Positive) | [ICRA]A+ (Positive) | |

Complexity level of the rated instruments

| Instrument | Complexity indicator |
|----------------------------------------|----------------------|
| Long-term – Fund Based Working Capital | Simple |
| Long-term Fund-based – Term Loan | Simple |

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

| ISIN | Instrument Name | Date of Issuance | Coupon Rate | Maturity | Amount Rated (Rs. crore) | Current Rating and Outlook |
|------|----------------------------|------------------|-------------|----------|--------------------------|----------------------------|
| NA | Term Loan-I | FY2025 | NA | FY2034 | 33.68 | [ICRA]A+ (Positive) |
| NA | Term Loan-II | FY2025 | NA | FY2035 | 185.00 | [ICRA]A+ (Positive) |
| NA | Term Loan-III | FY2025 | NA | FY2030 | 115.89 | [ICRA]A+ (Positive) |
| NA | Working capital facilities | NA | NA | NA | 147.50 | [ICRA]A+ (Positive) |

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not applicable

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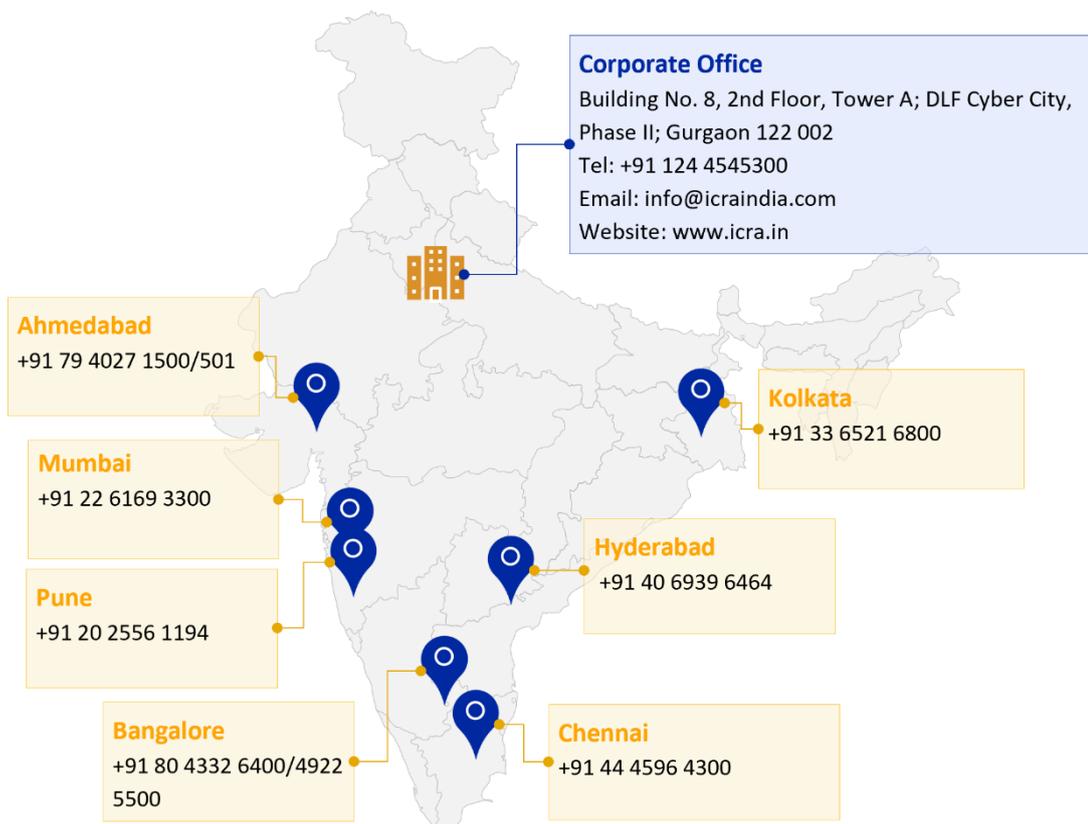
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