

# ANNUAL REPORT 2015 -16

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# Vision

To become the Premier Company that cuts across various segments and emerges as the torchbearer of each segment that it ventures into.

# Mission

To provide the highest quality service to our customers by continuously increasing cost efficiency and maintaining delivery deadlines.

To encourage our workforce to continuously strive for quality and excellence in everything they do. To promote team work and create work environment that encourages talent and brings out the best in our employees.

# Quality Policy

We are committed to provide quality logistics services consistently at reasonable price and to continually improve the same to achieve customers delight on a sustainable basis.



## About VRL

Established in 1976 by Dr. Vijay Sankeshwar, VRL Logistics (VRL) is one of the leading pan-India surface logistics and parcel delivery service provider. VRL is currently the largest fleet owner of commercial vehicles in India's private sector. The company mainly provides less than truckload services (LTL) for general and priority parcels and caters to a broad range of industries like FMCG, textiles, apparel, furniture, metal and metal products, automotive parts, etc. The company operates through a network of 1024 branches and franchisees and this network is complemented by 48 strategically located transshipment hubs. Other service verticals in the goods transportation space include full truck load (FTL), car carrying, priority cargo and courier services.

VRL also provides luxury bus services across high density urban commuter cities like Bengaluru, Mumbai, Pune, Ahmedabad, Hyderabad and Panjim and also connect tier-II and tier-III cities. The VRL bus service network covers Karnataka, Maharashtra, Goa, Andhra Pradesh, Telengana, Tamil Nadu, Gujarat as well as Rajasthan.





### Key Advantages

- Extensive network across the country with last mile delivery even in remote locations
- Largest fleet of owned vehicles further complemented by outside vehicles
- Integrated hub-and-spoke operating model which enables effective consolidation and distribution of consignments and transport various parcel sizes across the country
- Optimal aggregation of LTL and FTL parcels to maximize asset utilization
- Diverse customer mix of corporates, SMEs and smaller traders
- Wide customer base with revenue from top 10 clients in goods transport business contributing 6.5% Only
- Diversified Customer base from multiple industry sectors
- Own body building and fleet maintenance facility at Hubballi
- In House IT development
- Own fuel stations at key locations and tie up with IOC
- Own highway resting points/restaurant to facilitate VRL bus passengers
- Sustainability and Social initiatives

# Chairman's Statement

## Dear Shareholder

VRL Logistics Limited has completed one year since its successful listing. The year gone by presented many challenges and we had to work hard to overcome these. I take great delight on the company crossing Rs.100 crores in net profits, a first in its history.

The overall economy remained sluggish during the year. Reality at the ground level is that the business volume across sectors struggles to sustain preceding levels. Our company has had a long history of sustained growth even during similar tough times in the past. We managed to post a nominal growth in the overall business volume but remain satisfied that we have not compromised on the quality of our business for the sake of growth.

The erosion in margin was predominantly on account of a significant increase in employee costs. We divided our business operations into metro, mid sized cities and smaller towns and have affixed a minimum salary scale for each of these to ensure a decent pay package for our staff, especially the lower level cadre and the same has resulted in salary correction. This is a one-time measure and I do not envisage something similar in the near medium term.

On the capex front, we would continue to add to our fleet. Such fleet addition should not be linked to the immediate performance but would be undertaken with a long term perspective. Addition of vehicles would reduce dependence on outside vehicles, ensure vehicle availability during festive seasons and peak periods, lead to better service levels as also would be necessary to remain compliant with environmental regulatory requirements in certain pockets of the country. I am confident that we would complete the pending utilization of IPO proceeds earmarked for fleet addition in the coming year.

On the business front we will continue to remain

focused on existing verticals and aim to increase freight tonnage in the goods transportation division as also improve occupancy levels in the bus operation segment. The company's top management continues to engage extensively with the senior and middle level management of the company across India to guide and mentor these individuals as also set a tone for inclusive decision making and the same has extensively benefited the company in the past. Regaining the erstwhile business growth would be the focal point in all such interactions.

GST would soon be a reality and after overcoming the hiccups associated with the initial implementation this law will provide a big boost to organized players in our industry. VRL today is GST ready and eagerly awaits the stabilization of the new GST regime. I am confident that the share of Less than Truck Load (LTL) business would go up post implementation. I hope however that this law is implemented in right earnest and would actually bring in the benefits being anticipated by my fellow transport brethren. I sincerely hope that the government would also play equal emphasis in speeding up the passage and implementation of the impending Road Safety and Transport Bill. Coupled with GST this would bring in a seamless movement of goods vehicles across the country, reducing transit times and bring in more economy to the end users. The other developmental schemes and initiatives being announced by the present government are also expected to fuel growth in the days to come.

At the Board level, the directors remain aware of their obligations to the business operations more specifically in respect of setting up internal controls and ensuring that these continue to operate in a satisfactory manner. The Board is committed to maintain the highest standards of Corporate Governance and integrity. The Board also opines that more executive representation is warranted at the Board level and there could be some changes on this front in the near future.



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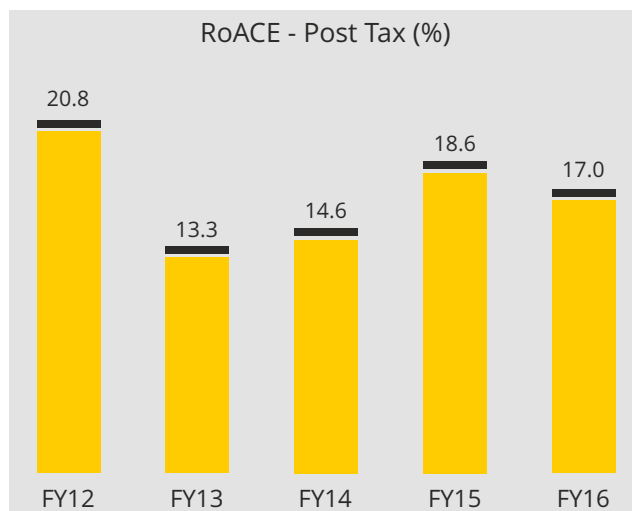
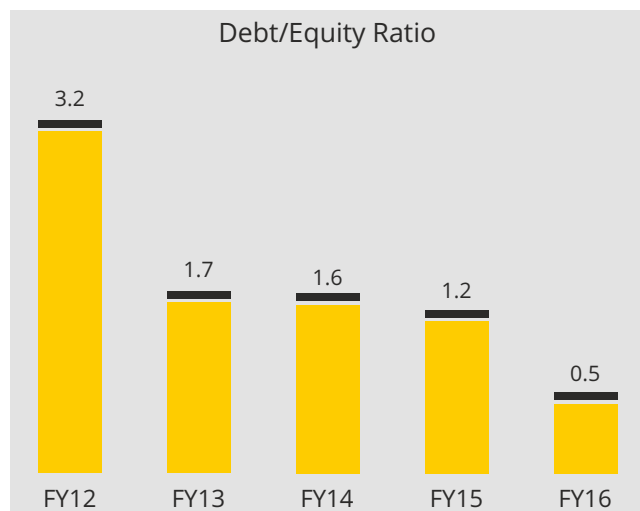
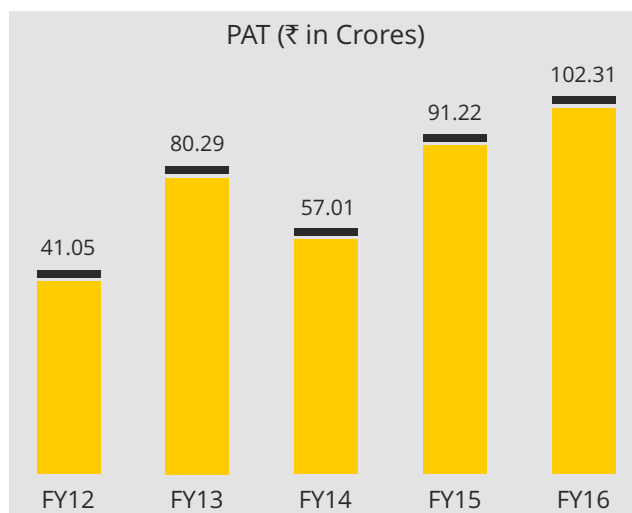
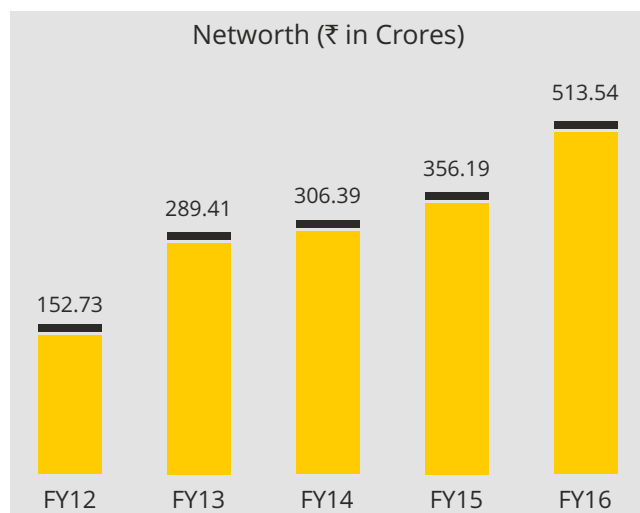
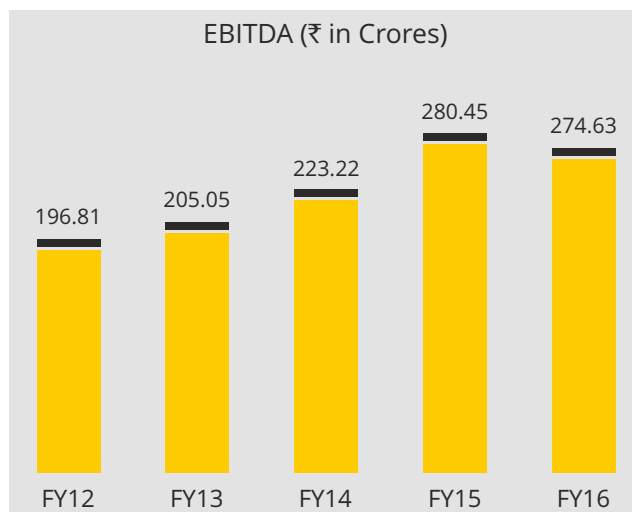
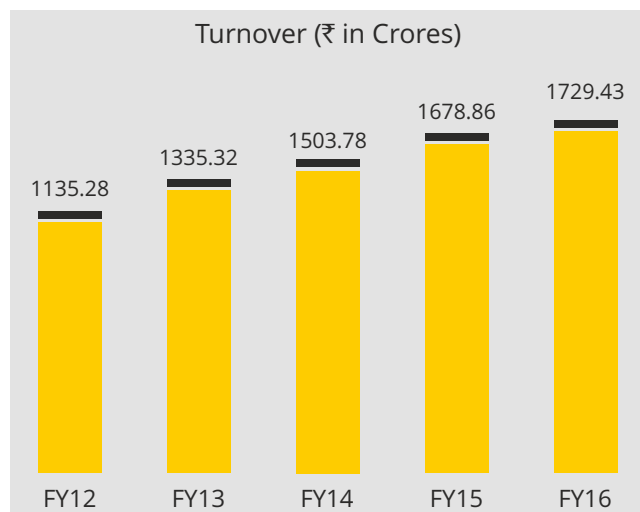
Lastly, I wholeheartedly complement all the employees of VRL for their individual contribution at all levels. I also thank all the stakeholders – Bankers, Investors, Customers, Suppliers, Government authorities, Regulators and the management team including the Co-Directors on the Board for their continued association with VRL. I look forward to regaining our growth in the days to come.

Sincerely,

**DR. VIJAY SANKESHWAR**

CHAIRMAN & MANAGING DIRECTOR

# Financial Highlights





# Strategies KPIs & Goals

Strategies	Achievements during the year	Key Performance Indicators (KPI)	Future Plan
Consolidation of Bus Operations	EBITDA at peak in comparison with the past	The company has not replaced the buses for which the operating permits have expired. On account of this the company operated with lesser number of vehicles and achieved better occupancy levels as well as better realization per passenger.	Considering the EBITDA achieved in the segment we will concentrate and may be enhance the fleet size gradually in the coming days while also strive to balance the same with increased occupancy level and improved realization per passenger.
Adopted best practices in its operations for cost saving.	Usage of bio-diesel resulted in reduction of cost of Fuel as a percentage to the revenue.  Owing to internal best practices, the company was recognized as the "Best practice adopter of the year" at the Apollo CV Awards 2016 as also bagged the ET Logistics Award 2016 for the best "Road Transport Company of the year"	The company gained on an average Rs. 4-5 per litre when the bio-fuel was used. During the year the 26.69% of the total fuel consumption was bio diesel. The same cannot be used throughout the year though.	Company will continuously concentrate to adopt the best practices in its operations through its own maintenance facility as well as through its Research and development team. Company will try to overcome the shortcomings of bio-diesel for a sustained usage.
Improvement in Leverage Metrics	During the year the company concentrated on reducing its Debt resulting in reduction of its Net Debt from Rs. 429 Crores to Rs. 273 Crores.	The Net debt/Equity(x) has been improved from 1.2 to 0.5, Net Debt/EBITDA (x) 1.5 to 1.0 and EBITDA/Finance cost (x) 4.8 to 8.9.	Will maintain healthy Debt equity ratio considering the cash flows and operational metrics of the company.
Focus on Infrastructure facilities in terms of Vehicles and Network of the company.	As its continuous strategy company added 223 goods transport vehicles and 13 Buses during the year. Also added 48 new locations to its Goods Transport Network and closed 24 non-performing locations	Due to fleet addition, the dependency on the outside (hired) vehicle has reduced when measured in terms of the total KMs operated by the company.	As its continuous strategy company will focus on the Infrastructure facilities in terms of vehicles and addition of new locations to its network to fuel business growth.

# Major Milestones



1976

Commencement of Transport service through proprietorship concern by Mr.Vijay Sankeshwar- commencement of business with single truck

1983

Business being converted into a private limited company by the name of Vijayanand Roadlines Private Limited

1992

Commencement of Courier Service within the state of Karnataka

1996

Commencement of Passenger Transportation Business

1997

The status of the company changed from a deemed public Limited company to Public Limited Company

2007

Company diversified into power generation installed 34 Wind Turbine Generators with capacity of 1.25 MW each

2008

Company entered into air charter business and purchased 1A aircraft from Hawker Beechcraft Incorporation

2011

Foray into New Logistics Verticals – car carrying and Chemical Transportation

2012

Private Equity investment by NSR PE Mauritius LLC in the Company

2015

Company's shares have been listed on BSE and NSE w.e.f 30th April 2015.

