

Financial Modelling: Case of VRL Logistics

Backdrop:

VRL Logistics was founded in 1976 by Dr. Vijay Sankeshwar in Gadag, a small town in North Karnataka with a single truck and a vision that was way ahead of its time. VRL Logistics gradually expanded its services to Bangalore, Hubli and Belgaum. From this humble beginning VRL Logistics has today grown into a nationally renowned logistics and transport company which is also currently the largest fleet owner of commercial vehicles in India with a fleet of 4,835 Vehicles (Including 362 Passenger Transport Vehicles & 4,473 Goods Transport Vehicles amongst others). VRL Logistics finds mention in the Limca Book of Record as the largest fleet owner of commercial vehicles in India in the Private Sector. Mr. Vijay Sankeshwar has now been joined by his son Mr. Anand Sankeshwar who brings in newer strategies to further drive the growth of the Company.

Over the years, VRL Logistics has pioneered in providing a safe and reliable delivery network in the field of parcel service. It has spread its operations to Courier Service, Priority Cargo & Transport of Passengers by Air to meet the growing demands of its burgeoning customer base.

3PL & Warehousing solutions offered by VRL Logistics are tailor-made and cater to unique needs of its diverse customer base. With the largest goods transportation network in India, VRL parcel service is indispensable for a large number of Corporate Houses. This network spans the length and breadth of the country and is supported by strategically located transshipment hubs. We operate through a network of 929 Branch and franchisees to cater our valuable customers and we are now in the process of expanding our services to reach even the remotest locations of the Country.

Business Segments:

VRL Logistics has identified four reportable segments of its business as follows:

(1) Goods transport division: Offers services for the transportation of Goods across India using a range of road transportation solutions to the customers, including less than full truck load and full truck load. Under this segment, Company also does courier business for transportation of small parcels and documents using range of multi model solutions.

(2) Bus operations division: Offers services of transportation solutions through Buses.

(3) Sale of power division: The wind farm consists of Wind Turbine Generators (WTGs) having individual capacity of 1.25 MW.

(4) Transport of passengers by air: Offers services for the transportation of passengers by Air through the Aircrafts owned by the Company. The services are offered to the Individuals and corporate representatives.

Particulars	Year ended 31 March 2020 (Rs.)	Year ended 31 March 2019 (Rs.)
Segment Revenue:		
1) Goods Transport	1,72,392.91	1,68,525.16
2) Bus Operations	34,371.06	38,032.74

3) Sale of Power	1,864.74	2,208.51
4) Transport of Passengers by Air	1,982.34	1,072.22
Other Operating Incomes	1,242.92	1,115.77
Total Operating Incomes	2,11,853.97	2,10,954.40

VRL Logistics is planning for the revenue projections for the year ending 31 March 2021. The company collated the following points.

- a) For the planning period three more bus routes would be added. This would translate into 30% rise in the bus service revenue over period two
- b) As per the national and international survey on E-commerce there will be more traction in cargo service. VRL Logistics is expecting 40% rise on an average of period one and two-cargo revenue
- c) VRL Logistics is expecting 30% jump, 50% jump and 20% jump over period two results in case of windmill, media and others respectively.

Required / Prompts:

- (a) Identify the growth drivers for each of the segments.
- (b) Enumerate and assess the impact of the headwinds and tailwinds on each of the segments.
- (c) Develop the revenue projection model for VRL Logistics for the year ended 31 March 2021.
- (d) Discuss the role of 3PL.

Pre-reading Material:

Annual Report 2019-20 of VRL Logistics

Target:

Students of Finance Specialisation, 3rd Semester