

“Transport Corporation of India Limited Q4

Investor Conference Call FY 2024”

May 16, 2024

MANAGEMENT:

MR. VINEET AGARWAL – MANAGING DIRECTOR

MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER

Ms. Simran: Good evening, ladies and gentlemen. I am Simran, the moderator for this conference call, would like to extend my warm welcome to all of you for joining us today. Today, on behalf of the management, we have with us Mr. Vineet Agarwal, Managing Director, and Mr. Ashish Tiwari, Group CFO. At this moment, all participants are in listen-only mode. Please note that this conference is being recorded. I would now request Mr. Ashish Tiwari to embark on this meeting. Thank you and over to you, sir.

Mr. Ashish Tiwari: Thank you, Simran, and good evening to all of you again, all the participants. Warm welcome to this quarterly investor call. We will begin with opening remarks from our MD and then followed by the presentation. So, I will invite Mr. Agarwal for his opening remark and presentation. Thank you. Over to you, sir.

Mr. Vineet Agarwal: Thanks, Ashish. Can you please put up the presentation? Good afternoon, ladies and gentlemen, and thank you for joining today's investor conference for TCI. So, I would like to start by giving you a little bit of a brief of the last quarter. The quarter that went by Q4 was a good quarter for us overall. The last quarter is typically the best quarter for us and we saw that some of the businesses and all the businesses actually did relatively well.

We saw good growth coming from our supply chain business where we saw automotive growth really picking up, especially the month of March was quite exciting because we saw good growth in all the divisions across. And typically, what we've also seen is that the core sector remains strong, though there are certain sectoral issues. Of course, cement is a bit flattish as we know. We know that steel consumption also has increased, but the positive things are that E-Way bill numbers are extremely high.

They are moving, which means there's a lot of movement that is happening as well as movement that will continue to happen going forward. GST collection is also very good, very robust, again indicating that the macro factors remain quite strong. Certain sectors are a little weak, clothing apparel and some of the consumption sectors specifically because of, I guess, maybe some sentiments around the elections as well as the higher interest rates.

On the auto side, bearing tractor segment, generally good growth is seen across all segments. There is the increase in the EV side of sales for a lot of customers. The customer discussions around alternative fuels have also increased, which has a bearing on the commercial vehicle sector as well. There is a certain amount of impact that we are starting to see, which is positive, which is the integration into global supply chains. There are lots of clients that are now talking about both an export exit that is an extreme kind of a business opportunity.

I will talk more about some of these things as we go to the presentation as well as when you have your questions. The business remains solid in terms of the kind of strengths that we have with our six decades of experience and a very strong man power force. I think this is well known, but just the impetus around logistics has been phenomenal for the country as a whole. I think this is going to remain with whichever new government comes in.

We do believe that there are some trends which are irreversible now in terms of what has to happen in logistics, which is, for example, the spend on infrastructure. Other than that, the consumer trends are always changing. There is a certain amount of demand that is going up and down, whether it is related to quick commerce or e-commerce, and then differentiated logistics services increase is also being felt now where customers want more and more different kinds of services.

The PLI schemes are now, a lot of them are in place. What we do believe and feel is that over time, now we will see production actually start happening for many of these sectors, which will have a direct impact on logistics as well. Just the fact that there are so many cell phones getting produced in India is leading to the fact that there would be a lot of SMEs that need to become suppliers to these large companies also. There is a high potential growth opportunity for many, many MSMEs also in this PLI scheme.

Going forward, the company strategy, our USP remains, the clear differentiated wide range of services that we have, have been a factor of our consistent growth. We have built in the last decade a very strong, unbeatable multimodal network of road, rail, sea, and the entire operations is of course tech run. We will also continuously incubating several high-growth sectors like the cold chain and so on, and we will continue to do that. Going forward, these are the lists of services that we have and the verticals that we service today.

We are present in almost all the high-end verticals where we are able to essentially extract more value versus doing more commodity transportation and logistics services. Energy renewables or aviation defense or even the chemicals side, we've been able to service our customers with very high degree of value-added services. Customers like all of this because they are able to see a single window solution as well as they get overall operational cost efficiencies.

The next slide is an example of a case of a company that setting up, has set up a FMCG customer setting up a DC. Earlier, the setup was a very legacy-based operations where the overall inventory accuracy or visibility was very poor, the cost was not very visible, and there was of course the sale issues that peak time there was difficult to manage demand etc.

And of course, with stockouts happening, lots of customers are also there. So, we suggested a solution which was a completely rack-based solution and we were able to reduce their ADA requirement by 40% and increase all the major throughputs, all the SLAs around productivity, around accuracy, around transit times, around speed of delivery. This is approximately 1.75 lakh square feet facility and like this, there are several such discussions that are underway with customers across the country around the pipelines is quite strong.

In terms of multimodal from a road rail coastal perspective, last year we moved about 2300 rakes across the country and this has increased in the last three years from 1,372 rakes. So, this is a clear demonstration of movement towards more and more multimodal activities. Close to 30-35%, 33% of our business is now coming from multimodal businesses. In terms of the rail operations, we are now handling from about 60 terminals across the country.

Ships are touching seven ports and the road network; we have 25 hubs as well as 65 yards to service last mile to finish goods for the automotive sector. This network effect is very unique because this combination of road which is on-the-ground network combined with other assets around rail as well as sea, makes it unique because we are able to move customers across various modes of transport seamlessly. Technology is a given for our business now

and the core business has a very strong ERP system. We built a cyber security layer around it as well as high degree of digitization that already exists. We are present in many sectors and some of these sectors that are mentioned here have definitely a larger growth trajectory and we are able to service them with our specialized specific products and sometimes even standard products but they are able to essentially use our services across the entire supply chain.

Coming specifically to numbers, the quarter four was the highest quarter for us so far and every quarter has been higher than the previous year's quarter. The diversification of our services has definitely helped and net borrowing is still at zero with about 350 to 400 crores of cash. Specifically, around freight business, the freight business for some of you is a business which requires both FTL and LTL. For most customers, there is a need for providing services from any place to any place as well as customers are now looking for more and more digitized solutions.

We do operate control towers for a number of our clients. We have 25 hubs across the country and provide single window solutions to many of our clients. And as explained at one point, for some customers, we now have bots that read their orders and place them into actionable items, actionable placement of trucks and then subsequent tracking of trucks etc. The business was slow last year and mostly because we were not able to grow our LTL business because of competitive pressures.

We are seeing that there is some competitive pressure not just in this business but also coming from the express side of businesses where some of them are starting to move down to lower pricing models and that has had some impact on the LTL side of business but we are now confident to push this harder and we're moving towards 40% not next year but the year after next. The EBIT margin has come down to 3.4% for the full year though the quarter was relatively better from a revenue perspective but from a profitability perspective it was slightly surely lower than anticipated.

The return on capital remains at around 20 plus percent and we do expect to maintain this as well. On the supply chain side, the network effect as well as the impact of the kind of services we provide is very high. We are a company that is known in this business of providing high quality services as well as deriving value for the customer whenever it comes to their needs and we've had consistent growth here for the last two decades and the business though 75% is in the automotive and related areas, it still has a high degree of growth because as we know that automotive sector contributes a large percentage of the manufacturing sector anyways.

The number of vehicles that we have moved in this or are under operation has increased. The yards have increased as well. We are now handling more than a billion parts, production logistics parts every year and as mentioned more than 150 trains per month for the finished goods movement of automotive through which move from a hub to our yards. We've been able to enhance our warehouse space for about 15 million square feet. The business did relatively well in the last quarter grew at about 11% and the top line for the full year grew at about 14%.

Again, the automotive sector has had good traction. Of course, we know that the tractor segment did not do as well and the earth moving equipment but the other segments have done quite well including the two-wheeler segment. The EBIT margins have moved up a little bit as well as the ROCEs have also moved up. On the seaways side, 6% is the current model mix of seaways which the government has planned to increase to 12% by 2030 which includes Indian waterways as well.

Our capacity expansion has unfortunately not taken place here and the two ships that we had got cancelled. We are still in the market to look out for buying two new ships and we're talking to new shipyards. Hopefully, the next few months we should be able to get a better connect on that and we've added 75 crores in terms of the proposed capex for this in case we are able to tie up the new ships. Anyways, any such delivery will anyways happen after two to two and a half years. In the meantime, by the end of this financial year, early next year, we are also looking out for the second hatch.

The business was expected to come down. However, in the last quarter, it has moderated. Revenue growth is still flat but still not negative. Overall, for the full year, it is about 7% negative and 16% on the EBIT levels. Again, this had to come off. We were talking about how we were not necessarily at the optimal levels and I think we are slowly getting there. Next quarter onwards, we will see lower EBIT, lower depreciation for this business because almost a lot of our ships are getting already depreciated. Fuel prices remain in the last four months. Fuel prices have again gone up, the bunker prices.

Out of the three ships that required dry docking in FY25, we've finished two already. On the joint venture side, the Concord joint venture did reasonably well with a 13% top line growth and approximately a 10% bottom line growth, 10 to 12% bottom line growth. The cold chain business grew at about 35% and the trans system business grew at about 46%. The trans system business has done quite well over this year because of the strong growth trajectory that we are seeing at Toyota. In terms of financial numbers, standalone numbers for the year are up by 6.3% and PAT numbers are up by 8%.

For the consolidated level, the consolidated numbers for the full year is up 6.7% and we've crossed 4,000 crores. The EBITDA has also crossed 500 crores at the consolidated level and PAT is at 354 crores for the consolidated level. EV EBITDA remains strong at 13 times, CAGR growth in profitability is at 20% and business remains at 24% excluding the cash element in terms of returns and roughly about a 20% target on the net worth. The dividend payout is about 15 to 20% every year and this year also that has been maintained. The ratings have not changed. We've added a Dun & Bradstreet rating of 5AA, which is the highest category possible.

We have been doing a lot of work on the ESG side. On the environment side, I've mentioned about how 30% plus revenues come from multimodal and this has increased right in the last year. We are producing green points for our clients as well and vehicles have been converted into CNG. As well as on the social side, again a lot of activities are underway from a road safety perspective. We are providing one of the largest road safety programs in the country today with our Safe Safar initiative.

The expectation for the next year is about 10 to 15% from both top line bottom line. I think we are a little bit more confident this year. We do expect quarter one to be not as strong as it usually is because of elections but given the fact that it's expected to be a good monsoon, monetary policy might get eased. We do expect this year to have a strong festival season as well. We are maintaining a 375-crore budget for CAPEX with 100 crores owed in hub centers, small warehouses.

I mentioned about the 75 crores for the ships and trucks and rakes about 100 crores and similarly about 3500 crores for containers and other equipment. Thank you so much and I look forward to your questions.

Ms. Simran: Thank you sir. Thank you, sir, for the valuable insights. Ladies and gentlemen, we will now start the question-and-answer round. If you have any questions, please use the raise hand feature in the call. I would request you to start with your name and organization name followed by your question. So, the first question is from Mr. Jainam Shah. Sir, please go ahead.

Mr. Jainam Shah: Yeah, hi, good afternoon. Am I audible?

Mr. Ashish Tiwari: Yes, yes, please go ahead.

Mr. Jainam Shah: Yeah, hi sir. Thank you. Thank you for the opportunity. Sir, just wanted to just wanted to deep down on the growth and revenue and growth profitability growth part where you mentioned 10-15% growth overall. If you can highlight something on the sector specific part as well as how the JV is expected to perform in this particular year and like any bifurcation of this 10-15% any sector or any segment we expect to perform better any segment to perform a bit lower or something.

Mr. Vineet Agarwal: We do expect the supply chain business to definitely do much better. We expect the seaways business to be a little bit more on the flattish side and the freight business to be slightly positive and the JVs are also expected to do well. So, there should be some contribution from that as well. So, it's going to be a mixed bag from all around.

Mr. Jainam Shah: Okay, so then sir just wanted to confirm this Capex part. Are we envisaging Capex for addition of second-hand ships for this year or it will be rolled to the next year because in this presentation I guess this seven crore has been mentioned for the ship Capex.

Mr. Vineet Agarwal: Seventy crores. Seventy crores is mentioned for it's a Capex. Actually, that's incorrect. I'm sorry. It should be 70. There should be another zero there. Yeah, so 70 crores is the Capex for any new ship that new orders that we might place and this will be the advance of that order. A secondhand ship is thought about but we've not taken it into the budget yet because we don't have a visibility of that. Maybe in the six-month mark or maybe in the next quarter if we get a better visibility, we'll certainly add that on.

Mr. Jainam Shah: Got it. Got it. Then sir just wanted to check on one board resolution that we have passed about 200 crores of fundraising through debt instruments. So, is it just an enabling resolution or are we going for the increase in debt through this instruments?

Mr. Vineet Agarwal: No, it's just an enabling resolution.

Okay, as we are having around 300 plus crores in the current investment it will be majorly mutual funds, right?

Mr. Ashish Tiwari: They are mostly commercial papers, yes, and some part is in the mutual funds.

Mr. Jainam Shah: Okay, got it. Got it. And sir as this year would be might be lower or maybe flattish for the shipping business how we are expecting it to be on a longer term maybe three to five years perspective given that new ships would be added and there might be some existing ships that might get out of the system as well. So, how we are looking at the sector from three to five years perspective?

Mr. Vineet Agarwal: Definitely a growth element. The sector will grow, the business should grow for us. We are adding capacity because we believe in the sector and it is very critical to our overall strategy of providing multimodal services. Government initiatives are quite good. There are ports coming up. There's also only tonnage tax in this business. So, it is attractive if you know the business and you're able to provide the linkages like we have of our branch network as well as the multi-modal capabilities. So, yes, it is a sector that we are definitely quite bullish about.

Mr. Jainam Shah: Got it. And sir just one last question from my side. In your comment you mentioned that in LTL business there has been a competition coming from the express players as well who are cutting down the rates or maybe charging lower as compared to what they were charging. So, how the exit things are going on like it is on specific routes or few specific players are cutting down the rates at the cost of margins or is it like just a temporary phenomenon that they are doing?

Mr. Vineet Agarwal: I do not know it's a temporary phenomenon or permanent phenomena but I can definitely see that some of our competitors who are losing money are, well, we've not considered them as competitors till now but we do feel that some companies that are losing money are really trying to get into this space as well to bring down I mean just capture market share. So, but I think long-term trends have to be seen where we have to keep a watch on those customers that are essentially, we are providing multiple types of services. I think those are more sticky to us as well as the ultimately customers see a lot of value in the delivery systems that we have, the fact that we are providing safe secure services and ethical services. I think that those are things that will really play out in the future.

Mr. Jainam Shah: Got it sir. Thank you so much. If I have anything I'll join the queue again. Thank you so much.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you sir. The next question is from Mr. Alok Deora. Sir, please go ahead.

Mr. Alok Deora: Hello, good evening, sir. Just a couple of questions. First on the Seaway's division. So, sir, what's the status on the second-hand ship? I mean are we in discussion with any, any party for that or and if that comes then would we be placing the order for the new ship also or does that go parallelly or if one happens and the other one takes a backseat?

Mr. Vineet Agarwal: No. So, what the first priority is to look for new ships that is buy them and place the order because there's a little bit more of a long-term play. It is not going to come today. It's going to take two and a half years to come. So, that was the first priority. Simultaneously, we are also looking at second-hand ships. So, that we are in the market for it. We are looking to see if we find something but it's not very visible. I think with the red sea crisis etc the market has become a lot more tighter. So, we are waiting to see how things progress and hence we are not adding that to the capex yet because it's still very, very tentative. So, please bear with us because it is that time where it's really very unpredictable when it comes to visibility for what's available in the market.

Mr. Alok Deora: Sure, and assuming this you go ahead with the new ship order which eventually would come by say in next two three years. So, what is the growth outlook for the seaway segment in the current scheme of things because this year we have seen sort of a degrowth in that particular segment that's primarily could have been because of the dry docking and lower capacity available and also some correction in the freight rates. How do we see that segment growing in FY25 and FY26?

Mr. Vineet Agarwal: So, in the last year it did not. We had a 7% degrowth because we knew that of course the rates that we had got in the past because of the post-COVID etc had to come down and they did come down. The other aspect was that we did not do international routes as we had done that time opportunistically. However, this financial year FY25 we again expect the volumes to be moderated. We have some impact because of the dry dock but then in Q1 all the dry docks will be done so we should start seeing their impact, the positive impact over the full course of the year. So, the expectation for FY25 is flat. The FY26 expectation is essentially going to be built on the if you are able to acquire a second-hand ship end of the year or early next year. Clearly, we are not factoring in anything for the new ships because they will not come for the next two and a half years.

Mr. Alok Deora: Sir, just last question. So, our margins on the planted basis has been in the 10 to 11 percent sort of a range. So, do we see that improving here because the seaways we don't see much growth coming in which is the highest margin segment for us. So, how do we see the margin shaping up in the supply chain and the freight business ahead?

Mr. Vineet Agarwal: As I mentioned supply chain should definitely see a positive growth this year as well and so should the freight business. So, overall margin should creep up a little bit for sure. It will not jump up like it did because of the seaways margins but it will certainly creep up.

Mr. Alok Deora: Got it sir. That's all from my side. Thank you and all the best.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Krupa Shankar. Sir, please go ahead.

Mr. Krupa Shankar: Good afternoon and thank you for the opportunity. So, my first question Vineet is on your guidance of top-line and bottom-line growth. Now what you're citing is a more of a flattish trend in seaways business and LTL given the competitive intensity in LTL piece of its freight should marginally improve but again

most of the growth will come in from supply chain business. Now that translates to close to about high teens sort of growth in supply chain business. Is my understanding correct?

Mr. Vineet Agarwal: In mid-teens to high teens yes supply chain business is about 39% of our overall business today and freight is about 44% of our overall business. Seaways is only 14% so that the growth there is not going to have a major I mean there's not clearly not major impact because of that. So, yes supply chain will capture a large part of the top-line growth as well as the bottom-line growth as well as freight should also see some top-line growth it's not that it's going to be completely flat.

Mr. Krupa Shankar: Got it. Now and on the freight business while we had added branches and boosted our infrastructure to cater to incremental demand which was coming our way on the LTL side of things. Is it quite likely that the fixed cost which were not absorbed in FY24 due to scaling up you'll see that the margins will revert back to 400% or are you expecting the margins to remain at these levels because of competitive intensity?

Mr. Vineet Agarwal: No we do expect see the margin has also had an impact not just because of fixed cost but also the shift and you're right that certain amount of fixed cost increase did happen because of the anticipated growth in LTL business and if that did not come through some of that margin pressure came in but some of that Capex will sorry some of that capacity addition in the LTL side of the business has happened and some branch network will get expanded we're looking to open another 75 branches this year.

That does not add significantly to the cost structure what adds is the lack of volume in the truck because any truck that goes more empty you lose more money so the idea is to see how we can utilize the trucking infrastructure that we have and that fortunately for the freight kind of business is not exactly always a fixed cost it's a variable cost also because we don't, we employ a truck when we need it rather than in an express business you have to have the truck you have to have the schedule irrespective of whether you need it or not. We do have that on certain routes but not entirely so that's why the business has a lot more flexibility and going forward with the thrust on LTL business I expect the margins to also start improving so I think we should get back to the percent level.

Mr. Krupa Shankar: Understood. One last point on the on the LTL piece itself now with respect to the undercutting of pricing what you're seeing how would you rate the price difference vis-a-vis the average yield of the industry so how much lower is it and which is resulting in the impact in volumes or rather shift happening to these companies?

Mr. Vineet Agarwal: I would not be able to give you an exact number but typically we are anywhere route wise or just generally 10 to 20 percent lower than the express type of companies.

Mr. Krupa Shankar: No what I meant was the incremental competition which is coming in now they are also undercutting quite extensively is what you highlighted right so how much of a difference would that be vis-a-vis our current yields?

Mr. Vineet Agarwal: Yeah, so that's what I'm saying the price differential is about 20 percent let's say 10 to 20 percent depending on routes and sectors so our yield is lower by that and hence if they are able to bring down the price incrementally down then they hit our cost structure which then the customer might want to switch.

Mr. Krupa Shankar: Okay got it got it thanks Vineet I'll get back in the queue thanks.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Pinaki Banerjee, sir please go ahead.

Mr. Pinaki Banerjee: Hello

Ms. Simran: Mr. Pinaki?

Mr. Pinaki Banerjee: Yeah, hello am I audible?

Mr. Vineet Agarwal: Yes, yes. Please go ahead.

Mr. Pinaki Banerjee: Okay, good evening sir and thanks for the opportunity so in the presentation you are giving a growth guidance of 10 to 15 percent but considering the fact that we are in the midst of the elections and also the monsoons setting in you have also mentioned that Q1 will also be flat so basically you are expecting to make up the growth actually will be happening more on the second half of this financial year is my understanding correct?

Mr. Ashish Tiwari: Sir, I think you're on the mute or your voice is not coming.

Mr. Vineet Agarwal: Can you hear me now?

Mr. Ashish Tiwari: Yes, yes.

Mr. Vineet Agarwal: It's okay sorry. I'm saying that yes, the business is still going on as is but it's just that sometimes right now there's it's a little slower however you're right some of that will come in the second half also expecting the festival season to be better. So, yes but generally speaking business continues and I think from June onwards July onwards it will be at the same nominal levels as it has been generally. You're on mute Mr. Pinaki.

Mr. Pinaki Banerjee: Yeah, hello am I audible?

Mr. Vineet Agarwal: Yeah, yeah.

Mr. Pinaki Banerjee: Sir, your debt levels have gone up from 62 crores to 150 crores roughly so what is the actual reason for this?

Mr. Ashish Tiwari: So, we have taken some new loans against truck purchase just close to 50 crores but it also includes leased liabilities as well.

Mr. Pinaki Banerjee: Sir as a last final question sir you are serving various sectors like agriculture, chemicals, automobiles etc. Sir from which sector are you expecting the maximum growth like we see that automobile has done phenomenally well in FY23 so which sector are you hoping on most of the growth to come from?

Mr. Vineet Agarwal: A lot of the growth will also come from the automotive sector for sure then of course we are seeing good growth on the infrastructure side kind of companies which include the engineering companies or related segments and as well as that there are always new segments that are growing like chemicals and others which will continue to add to the to the segment impact.

Mr. Pinaki Banerjee: Okay sir okay fine sir that's all from my end and thanks and all the best for the future.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Sunil Kothari. Sir, please go ahead.

Mr. Sunil Kothari: Thanks for opportunity sir. Vineetji broadly the way I would like to understand is you over a time you are always moving ahead in the value chain you are reducing competition by increasing your services and your qualities so which are the things you are doing to say keep away this unhealthy competition like full load truck you move to a half load or lower load and this supply chain systems so many technological investments you are doing. So, would you like to understand the entry barriers you are able to create or you will be able to create and sustain this type of margin and profitability?

Mr. Vineet Agarwal: Yes, the entry barrier is essentially starts with the fact that you choose the right customer because there are many of our competitors who are essentially chasing growth and not profitability. So, when you choose the right customer and you work with the right customer to provide them value they also appreciate that and they work with you together and there itself then you start create when you create value for them you create the mode you create the differentiation and value comes from various factors it could be technology based it could be the network effect which is the branch network etc or the service effect where we have the services or the multimodal effect where we are moving customers to different modes of transport.

So, all of these factors and ultimately you provide a solution to client and when they like that they prefer that then they remain sticky with you and that's been our philosophy and if you see the last 25 years the consistency of our growth is essentially based on this platform.

Mr. Sunil Kothari: Right sir and one more question just to understand this there are two types for customers who one is they themselves manufacture everything like Voltas just for the example air conditioning and second is type of nowadays there are many who is increasing outsourcing there are custom manufacturing which is going up. So, what's how is the mindset of theirs which is better customer or where you see opportunity?

Mr. Vineet Agarwal: See all types of customers whether they are self-manufacturing or getting manufacturing done outside. Contract manufacturing require a robust supply chain and that supply chain is a factor of movement warehousing as well as delivery. So, all of those things have to be done irrespective and if companies are who want to really lead in growth grow their businesses etc focus very strongly on supply chains. So, I think this is an ongoing work with many clients on irrespective of the kind of production model they have manufacturing model they have they will have certainly have a requirement for logistics.

Mr. Sunil Kothari: Do we have good enough customers from this EMS or contract manufacturing site?

Mr. Vineet Agarwal: We do work with some of them and it's obviously a lot of them is are starting up and growing so there is that's working.

Mr. Sunil Kothari: Great sir thank you wish you all the best.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Anshul Agarwal. Sir, please go ahead.

Mr. Anshul Agarwal: Hi thank you for the opportunity. Vineetji my question is on the lines blurring between LTL business and express operators. Is price the only reason why this is happening? Because I always thought because if that's the case then then this seems to be a structural change versus some tactically some player reducing pricing. Because I was of the opinion that in LTL business cargo profile differs there are shorter routes versus an express route and all that stuff. But is is pricing the only reason why we are seeing load shifting from LTL to express operators?

Mr. Vineet Agarwal: So, some of that is pricing and that's not specific to all industries but some specific types of companies might want to shift there but the LTL market is robust by itself because there are lots of types of products that move in the LTL market which are not done by the express. For example, there could be a 200-kilo pump or a small turbine now all of that is not really going to be going by express because it's too expensive. Similarly, there are other engineering products or there are some other products that will not go through express sometimes there are little lower value products also. So, I don't think it's a it's a direct competition I think there are sectoral some types of competition and sometimes on specific groups. So, I do not think it's a generalized comment.

Mr. Anshul Agarwal: Got it , would you be able to give us some examples around which are the overlapping products or sub segments wherein customers may want to switch from LTL to express provided the pricing agrees?

Mr. Vineet Agarwal: So, let's say for example some apparel type of companies which were a little bit on the lower value side and they want to know they are using express because they have brought down their pricing so like this a few sectors like that.

Mr. Anshul Agarwal: Got it got it very useful thank you Vineetji. My second question if I may so even in the freight business is there a contraction in our FTL margins or the contraction is margin is only on the back of margin compression in the LTL business?

Mr. Vineet Agarwal: So, there's no margin compression per se in the LTL business it's just that there is well I guess you can say that because I think certain amount of fixed cost gets attributed to margins of yeah. So, that is there certainly and on the FTL side I think there's a very small margin compression not much.

Mr. Anshul Agarwal: And this would be on the back of increased competition in the unorganized market or general slowdown in volume trajectory?

Mr. Vineet Agarwal: Yes, I would attribute it to just general slowdown not specifically any higher hyper comparative situation.

Mr. Anshul Agarwal: Got it thank you so much.

Mr. Vineet Agarwal: Thanks.

Ms. Simran: Thank you sir. The next question is from Mr. Ronald Siyoni. Sir, please go ahead.

Mr. Ronald Siyoni: Yeah, thank you sir for the opportunity and congratulations on a very good set of numbers in the tough environment. First thing the multi-model mix which you highlighted at 33% so if you can tell us what was it last year and as you had also highlighted that this is a core competency what is your target going at?

Mr. Vineet Agarwal: So, we are continuously building on this we've probably moved 100-200 basis points on over last year in terms of the volume. Of course, as you know the seaways volume has come down a little bit. So, that of not volume as well as the revenues have come down and hence the it has not grown as much as it would have generally and anticipated growth is that we will continue to talk to our customers more and more and try to push them towards real services and coastal shipping services. So, I'm hopeful that 100 basis point type of increase every year 200 basis point would definitely help move this number. You're on mute.

Mr. Ronald Siyoni: Yes, yes, yes, I was trying. So, thank you and secondly on the seaways like you said one issue because I was under the impression that you are looking for two smaller ships and probably one second-hand ship. So, is it not finalized that whether two smaller ships or one bigger new ship.

Mr. Vineet Agarwal: No as I said last year we had finalized two smaller ships and we placed the order but the supplier backed out of the order and so we had that got cancelled. So, we are now looking to again find a ship yard that will accept those orders so we are still in discussion with some of them.

Mr. Ronald Siyoni: But it would be a smaller size only, right?

Mr. Vineet Agarwal: Yes, yes, the two ships smaller ships only, yes.

Mr. Ronald Siyoni: Okay, okay. Thank you very much, sir, and best of luck.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Divyansh Gupta. Sir, please go ahead.

Mr. Divyansh Gupta: Yeah, hi. One quick question on the ship order that we are given to that shipyard, Japanese shipyard. So, we do we have any money stuck with them or everything, no money.

Mr. Vineet Agarwal: No money exposure.

Mr. Divyansh Gupta: Got it. Second question is with respect to the cash flow statement. So, if I go in the cash flow statement there is something there is an increase in other assets and if I look at the last year balance sheet it was attributed to something known as capital advances or it was at least majorly caused due to capital advances. So, what is this nature of capital advances? Why is it being incurred?

Mr. Vineet Agarwal: So, basically these are the advances for let's say building new warehouses new hub centers and those are in the building and under construction so they also categorize as other assets.

Mr. Divyansh Gupta: Got it. So, mostly capex related items which are

Mr. Vineet Agarwal: Yes, they are all capex related items.

Mr. Divyansh Gupta: Understood, understood and Vineet third question with respect to the trans system business. So, now it is actually pretty comparable to a freight business like 1600 crores versus 1000 crores of revenue. So, if you can just and growing very fast so can you give more light on let's say apart from let's say Toyota as you mentioned in the opening remarks. What is driving this business to grow at such a fast pace and without putting more capital employed our profit has almost increased by 50%? So, some light on what is driving this whole business and how it will evolve.

Mr. Vineet Agarwal: So, this business is essentially managing the logistics of Japanese automotive companies and we the primary customer here being Toyota and of course Suzuki because Toyota and Suzuki are working quite closely together. The business is actually more akin to supply chain not freight because it is complex in terms of the logistics services and entirely automotive logistics. So, that's a similarity the business has grown because as Toyota production has grown tremendously and they're doing quite well and the business does not require additional capital more a little bit of capex that is required that gets self-funded and also the working capital requirement is also self-funded. So, does not require additional capital and the trajectory for the business remains positive I think we should look at a 20-25 percent top-line growth also for this financial year with a similar growth perhaps on the bottom line as well.

Mr. Divyansh Gupta: Got it. So, is it only Toyota uh Toyota plus Suzuki or let's say Toyota is like 70-80 percent or some?

Mr. Vineet Agarwal: Yeah. It's a high number but yeah, it's a high number but it's all the Japanese automotive companies both on the OEM side as well as on the supplier side.

Mr. Divyansh Gupta: Got it and what is the exact role that TCI plays so are we running those let's say supply chain solution trucking logistics everything or what is our role in the JV versus Suzuki or Toyota's role in the JV?

Mr. Vineet Agarwal: No, just Suzuki Toyota are not part of the JV Mitsui and companies are JV partner and this is a company where we have come, yeah can you hear me?

Mr. Divyansh Gupta: I can hear you now.

Mr. Vineet Agarwal: Yeah. So, Mitsui and company is our JV partner and we have both of our teams have been seconded to that company which runs the operations there the business also the the joint venture also outsources some of its logistics to TCI as an operator but the business is run by its own independent team.

Mr. Divyansh Gupta: Got it so if I have to say that is like TCI is one of the vendors to the Mitsui to the JV but operations is managed by TCI seconded team whereas Mitsui

Mr. Vineet Agarwal: TCI and Mitsui seconded.

Mr. Divyansh Gupta: Got it and Mitsui brings in let's say the clients or let's say whatever they have onboarded Toyota as the biggest client for the JV.

Mr. Vineet Agarwal: Yes, I mean it's 25 years since the JV was formed so I guess we now have an equal role to play both partners.

Mr. Divyansh Gupta: Got it. And any plan of expansion of more clients in that JV?

Mr. Vineet Agarwal: It's ongoing I think see Japanese Customers Japanese companies today have more than close to 60 percent market share. Primarily driven by Maruti of course and OEMs are also quite large so there is a large opportunity and I think the focus around Japanese OEMs really, really helps the company to acquire clients specifically.

Mr. Divyansh Gupta: Got it and just last question when you in one of our earlier discussions you had mentioned that let's say the automobile is 40 percent of the business for TCI then this 40 percent more or less resides in the JV.

Mr. Vineet Agarwal: No, no, no. I said 40 percent is manufacturing today India's manufacturing year GDP 40 percent is automotive sector. So, it automatically becomes a large portion of our logistics business.

Mr. Divyansh Gupta: Got it, understood. Yeah, that's all from my side. Thank you, all the best.

Ms. Simran: Thank you, sir. The next question is from Mr. Vikram Suryavanshi. Sir, please go ahead.

Mr. Vikram Suryavanshi: Yeah. Hi, good evening, sir. Can you just share I think I missed the branch addition number in freight segment. What was that portfolio and how is the branch addition plans going on?

Mr. Vineet Agarwal: 30 was added last year Vikram and we're planning to add 75 this year.

Mr. Vikram Suryavanshi: 75?

Mr. Vineet Agarwal: Yeah.

Mr. Vikram Suryavanshi: Okay. And in basically if you look at the SCM business apart from the non-netto how is the progress of customer mindset to onboard 3PL players and which are the segment where we can see a possibility for say three to five years in terms of the SCM business?

Mr. Vineet Agarwal: So, very good opportunities has in the last I would say six-nine months we are seeing a very, very strong pipeline coming up. I mentioned about the case study about an FMCG company there are several FMCG companies that are lining up for this kind of structural change in their business then we are talking to now there are some e-commerce companies also that are coming up they've become significantly large also so we are providing fulfilment services to them.

Consumer durables are also quite active and hot nowadays from a perspective of outsourcing more and more of the logistics. We are seeing chemical companies talking to us about facilities retail is also quite attractive and we're talking to a number of companies there. So, we're quite bullish on the overall non-auto sector as well and we're seeing good traction in everywhere.

Mr. Vikram Suryavanshi: Okay. And in case of freight business. So, is it largely because I guess we also have regular customers in freight and renew contracts regularly but is there any significant portion we come to on a spot basis to us on freight or it is more like a routine customer with more like a contract kind of business?

Mr. Vineet Agarwal: More routine customers and there are spot customers also that come I think I don't have a number but definitely about 20 or 20-25 percent of customers do come on spot basis.

Mr. Vikram Suryavanshi: Okay and is there any opportunity to create a like you might have seen a lot of players come and create platform for truck operators to for their convenience for booking and load and all that and since we are in a freight business so as and already know much better about IT systems. So, like any opportunity for this for business or any creating platform or as additional service or revenue opportunity for us or it's still what are your views on that kind of opportunity?

Mr. Vineet Agarwal: So, we do operate our own internal apps where we are, our own requirement is put on that app and when we have suppliers who are there who are onboarded onto that they can bid for that kind of the of our requirement. So, that exists already that has been there for many years.

Mr. Vikram Suryavanshi: Okay but it is there any potential to monetize this kind of service and expand to...

Mr. Vineet Agarwal: No, no. That's not our business, our business is to service our customers so but I think a lot of other people doing that and we'll we might invest into those businesses separately but not monetize it internally.

Mr. Vikram Suryavanshi: Understood. Okay thank you very much.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, sir. The next question is from Mr. Vikas Khatri. Sir, please go ahead.

Mr. Vikas Khatri: Good evening, Vineet. My question is one thing two or three questions first is the how in last year LTL yield has changed? Has it improved because competition is coming? So, how our yield has improved or gone down? Second is largely a conceptual question since the DFC is coming and recently DFC did trial of the RoRo service, we have seen RoRo very successful on the Kokan railway do you think impact in three-to-five-year term on northwest or northeast lane because of the RoRo on FTL pricing and FTL demand?

Mr. Vineet Agarwal: So, see the real business DFC is something that is a game changer for the country as a whole and that would help to move the cargo to more to multi-model network which is great for the country and we it's not that it is going to affect us negatively I think we are piggybacking on this kind of an increase and opportunity as well. So, it will possibly lead to some pricing pressure I think because with the DFC you have 2x the kind of length of the train and you do double stacking as well as double the speed. So, almost an 8x kind of an improvement in productivity so certainly I think there is a space for it to have a very positive impact.

Mr. Vikas Khatri: And second question was on the how yield has been...

Mr. Vineet Agarwal: Yield has not really changed much I think we've been trying to maintain the yield structure to great extent and I think loss of business is what has driven profitability to be a little lower on the freight side or like the lack of growth of business so but cost structure is sorry revenue structure remains stable. Also, I think we've been able to push customers for some price increases wherever possible because of inflation.

Mr. Vikas Khatri: Thank you.

Ms. Simran: Thank you, sir. There are no further questions now I hand over the floor to Mr. Ashish Tiwari for closing comments.

Mr. Ashish Tiwari: Thank you, Simran, and thank you very much to all of you again joining the call. I hope that all the questions have been answered in case you have any further query please feel free to connect with me. All of you have my contact number and email id. So, see you in the next quarter again. Thank you so much, take care.

Mr. Vineet Agarwal: Thank you everyone, thank you.