

Transport Corporation of India Limited

12M FY2026 Investor Conference Call

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MANAGEMENT: **MR. VINEET AGARWAL : MANAGING DIRECTOR**
 MR. ASHISH TIWARI : GROUP CHIEF FINANCIAL OFFICER

MODERATOR: **MS. SIMRAN SHARMA : INVESTOR RELATIONS**

Ms. Simran Sharma

Good evening, ladies and gentlemen. We will begin with the session in a while.

Ms. Simran Sharma

Good evening, ladies and gentlemen.

I am Simran, the moderator, and I would like to extend a warm welcome to everyone joining us for the Transport Corporation of India Limited Annual FY26 Earnings Conference Call. On behalf of the management, we have with us Mr. Vineet Agarwal, Managing Director, and Mr. Ashish Tiwari, Group CFO. All participants are in listen-only mode.

Please note that this call is being recorded. With that, I now invite Mr. Ashish Tiwari to share his opening remarks. Thank you, and over to you, Sir.

Mr. Vineet Agarwal

Your, your voice is cracking a little bit, so just check on that and can you put this on full screen?

Mr. Ashish Tiwari

Okay, go ahead, please. Go ahead.

Mr. Vineet Agarwal

Yeah. I think everyone is quite aware of our business and the operations etc. So I will try to keep my commentary a little brief and essentially, we'll take more questions. Let me just broadly say that if you go back to the previous slide, Ashish, broadly say that, you know, our diversified offerings are really helping us in this current marketplace. And essentially what we are feeling is that if the, as the diesel price has come about and the cost structure is increasing on the road transport side, the shift towards multimodal should happen more and more with road replacing rail and, sorry, rail replacing, rail and sea replacing road and multimodal will definitely increase.

Broadly speaking, you know, post the war starting the, the impact, direct impact has come on essentially on the shipping business where the bunker prices went up by a hundred percent, but we have been able to pass on a lot of that increase. Subsequently, also we are seeing that raw material prices have been up. And the impact of all of this would be that perhaps in the next few months, we should definitely see some pressure, some increase in inflation, which would put pressure on demand and some corrosion of demand could happen also.

We, for example, saw that there are some consumer durable sales that have become a little softer in because of the Rakes hikes that some companies have taken. And this could be an indication of several other sectors also. Notwithstanding, I think the overall economy remains very strong. We are coming up from a higher base, you know, six, seven percent or four trillion dollars is still a very large base. And we have a lot of room to grow and move towards organized logistics. So let's go ahead, please.

Let's just go to the.

Mr. Vineet Agarwal

Is the other slides available with someone else?

Ms. Simran Sharma

Yes Sir.

Mr. Ashish Tiwari

Go ahead, please.

Mr. Vineet Agarwal

I would like to start with a case study here. This case study is for an e-com retailer.

Now, this e-com retailer is essentially someone who buys products of consumer durables in bulk from the major companies and then sells it to the e-commerce platforms, whether it is Amazon, Flipkart or others. And this company was in need of a rapid scale up across the country. And they wanted a complete designing of the solution.

They wanted a whole warehouse network and the entire distribution set up. So, we were able to provide an end to end solution where we got them six further warehouses for an all-India distribution. And now they have been able to bring down their costs substantially with lower inventory holding costs, as well as with any kind of spikes that can happen during festival seasons or just generally, they are able to respond better to market conditions.

So, this was this is the kind of pan India logistics business that we are able to service our clients with. I think the logistics industry road drivers are well known. We can go ahead as we have a wide range of services.

And as you are aware, we continue to keep adding new services. Go ahead please, I think everyone is aware of these. Over the year, the number of weeks that we moved increased from 2350 to about 2826.

And this was for both container as well as auto logistics. So the thrust in the move towards multimodal continues from our side. Container movement also increased. Of course, the number of cars that we handle have also increased. So some continuously the investment into the multimodal network essentially means that we are one of the only players who can provide this kind of end to end solution. Technology remains very strong.

We have a center of excellence that is working on artificial intelligence projects. And perhaps in the next meeting, we will definitely show you some examples of what we are doing. Go ahead, please. So March quarter, the impact of the growth has been decent at about 12%. However, we were anticipating a little bit more in terms of growth, simply because if when the war started on February 28, we lost out some of the business that happens in March, which as you are aware, is one of the best months for us.

So but notwithstanding, we've been able to grow faster than the other quarters. And we think that this momentum will not necessarily always be will not continue to that extent, but there will be some there will be some growth, of course, over the last quarter last year. Supply chain, as I've been saying, is now the largest business for us. And we made investments of I think that number is 370 crores, not 270.

And most of the lot of that came from internal accruals. We are still cash surplus about 250 odd crores on the books. Let's go to the next slide. The next slide. So on the freight business, as I've been saying that we are close to the bottom and we are there, I think now, last quarter, we saw 13% growth, which shows that there is some pullback that's starting to happen. Margins remain compressed because of the pressure, competitive pressure, as well as certain cost increases.

And net result for the whole year has been that we have a 14% decline in EBIT. And of course, the ROCE are at the lowest level. This is this level we've not seen in the last six, seven years. So the silver lining here is that the shift towards LTL has started again. And we have moved to about 63%. One percentage point has been reduced in the FTL business.

We've also had a leadership change. The CEO has changed in this business in the last few months. So going forward, we should definitely see some pullback in this business. We have to also remember that there could be some impact because of the Gulf War, but we are working very hard to see how we can mitigate some of it. But going forward, we are quite bullish that the turnaround will start now onwards. In terms of supply chain, the growth for the quarter was about 11% and full year growth was 14%.

Some of it, as I said, tapered off also because of the March month itself. Otherwise, we were anticipating more growth. EBITDA is slightly flattish, sorry, the EBIT levels are slightly flattish. That is also because we have created a lot of bend strength. We have acquired a lot of clients. Like the example I showed you, the time for it to be fully operational, that kind of operations takes a few months.

So we do invest into the manpower, the infrastructure, and the impact of that or the benefits of that takes a little while. We've also done a lot of capex in this business, especially trucks as well as warehouse equipment, etc. And hence, this margin seems to be slightly compressed, or the ROCE are a little lower.

The other thing is that we are seeing a very good and strong pipeline in this business in the next few months, and which would mean that we'll continuously make more and more investments into this, be it more trucks, a lot of that is replacement, but somehow also for new contracts, and definitely more warehousing equipment because that's also a very high demand right now for large scale warehouses.

On the Seaways business, the quarter was good because we had no dry docks as well as we were able to increase some of the pricing at wherever the bunker prices went up, which as I said, was up by 100% in the last month, in the month of March itself. The number of voyages also, as I said, was slightly higher, the business continues to do well and EBITDA margins also, EBIT margins also decent.

The concern around higher bunker pricing is that it will possibly start having an impact now onwards, the next few months a little bit more. Plus the year end, quarter three, quarter four is when new ships start coming in, so there could be some operational compression or margin compression over the course of that period. So for the full year, I think, again, depending upon when the ships come in, we anticipate the top line growth should be between 5 to 10% and bottom line should be about, possibly around the same or maybe some increase in that. The joint ventures have done well. Concor has grown by about 20% and though margins are a bit flattish, cold chain has grown by about 16%.

It has come back to profitability and we see good growth opportunities there. Our automotive logistics joint venture has also, trans system has done reasonably well with the top line growth, but bottom line has compressed a little bit. Excuse me. So on the financial highlights, we missed our guidance by slightly when it, on the console side, about 9.5% on the top line, which was about 10-12% about, and we were a little confident that we will exceed around 12 to 15% on the bottom line.

But I think the cost pressures have been a little bit much more higher than we anticipated. So on the bottom line, growth has only been about 10.5%. But notwithstanding, I think the challenges that are there currently in the system, the team has done relatively well to keep up these margins and keep growing despite these pressures. On an overall basis, our ROCE are the 24%. Five years, six years, we've given a console growth of about 25% CAGR. RONW is about 20 plus percent also.

And the dividend payout was slightly higher this year of about 100% more than last year. But again, the quantum of payout still remains in that 15-20% range. We did 17.3%, as you can see in 22 and 23 was slightly higher also, but we've maintained it in this 15 to 20% range. We are using some green trucking where we're doing CNG, LNG transportation, and we are working very closely with companies on EV transportation, also on the heavy duty movement.

So that's something is very actively we're doing. We also run a very large safety program, DCI SafeSafar, where we're engaging drivers on safety, including now children. So we have an initiative of SafeSafar Junior, which we are going to launch in the future. We're going to schools also, and talking to them about safety. So it's a big effort for us, a national effort for us to get safety up in terms of something that is primary to our business.

In terms of CAPEX, I think we did about 370 crores. And some of the investment that went into ships was the advance for the ships. We were anticipating that the payout could have been higher, but the 135 crores versus what we paid was about 70 crores.

The budget for this year for the ships is about 237 crores. This includes the possibility of another ship that we might order. So we are taking some CAPEX for that in terms of advance payment, but it also includes the payment for the ships that are going to come in, the final payments for that ship, those two ships. So I'm repeating the two ships that are coming in, the final payments for those two ships is accounted for, as well as the possibility of another ship that we place on order. For that, the advance for that is also taken in the budget. The budget for hub centers and all remains almost the same.

The budget for trucks, etc. is the same. The warehouse equipment budget over what we took in FY26, which is about 43 crores, was more than doubled in FY26 in terms of actual expenditure. So we have now taken a higher budget also based on the anticipation of new contracts. These are some of the points. Guidance remains at the 10 to 12% again, because the first we anticipate, as I said, perhaps some demand corrosion at the end of the year.

So there could be some impact. So we are moderating that outlook right now. There is a certain level of uncertainty in the market. And we think that it's better to keep protecting our margins versus chasing growth, which might not be that profitable. Thank you and look forward to questions, please.

Ms. Simran Sharma

Thank you, sir. Thank you, sir, for sharing your valuable insights. Ladies and gentlemen, we will now begin with the question-and-answer session. If you have any question, please use the raise hand feature. When called on, kindly start by stating your name and organization before asking your question. Our first question is from Mr. Jainam Shah. Sir, please go ahead.

Mr. Jainam Shah

Yeah, hi. Thanks for the opportunity. Hope I'm audible clearly. So this question is related to the shipping segment mainly. May I know the exact time of the two new ships? It was supposed to be the June and December or maybe July and January earlier at the time of how we are expecting this to ship to come.

It will be this financial year. Both are coming together or how it is.

Mr. Vineet Agarwal

Both are coming in this financial year. Q3 and end of Q4. So the timings are not known exactly because, you know, this is actual construction that happens. So we think it will be closer to the end of the calendar year for both the ships, not necessarily together, one after the other.

Mr. Jainam Shah

Got it.

Mr. Vineet Agarwal

Sorry, I can't hear you.

Mr. Jainam Shah

So the fuel cost that has increased substantially in the month of March, you told that we have been able to pass on some of the costs. So how do we see this margins going forward? Because we have been doing great margins in this particular segment over the last few years because of the lower depreciation as well. And you can say the fuel cost has been largely stable. Now it has gone up almost 2x.

I'll read how it has been passed on. Like we have been able to pass on 50% maybe more than that, maybe less than that. How do we see it going forward as well? And how it is going to impact, let's say, a bit margin or let's say the profitability, assuming that there is no ship addition as of now from the existing ships that we are having?

Mr. Vineet Agarwal

Yes. So what typically happens is as the bunker prices went up, we passed on the price increase to our customers also. And, you know, it's a Rakes increase that happens. Obviously, you know, there can be some customers who might say, OK, I don't want to do it. And they did not. Some customers might have said, OK, let me just move by road versus rail, let's say, on the West Coast. Now that fuel prices have gone up on the roadside as well, which means that costs will go up.

I think the demand for the shipping business will continue to remain. Quarter one and quarter two is usually slightly lower than quarter three and four. So maybe that moderation could happen on a little bit on the demand side from that perspective. But the pass-on has happened and acceptance of the pass-on is also there. So we do not anticipate any loss of business because the Rakes have gone up too much.

Mr. Jainam Shah

Got it, sir. Got it, sir. So on the road part that you told about, we are also having presence in the FTL and LTL business, along with some of the part of the SCS also is moving through road. How do we see price increase over there? Because diesel prices also increased by around 7-8% in the last 15 days. Are we able to pass it on to the customer fully or how we are seeing it, those margins at least for these two segments from the road perspective?

Mr. Vineet Agarwal

Yeah, both the businesses have a pass-on through system where the contracts are there with a certain formula and the business and we are passing it on, the Rakes increases. Sometimes you might get a delay. It is not necessary that it happens right away. It could have a lag, which is also fine. But we do get the increase. In the LTL business, the pass-on is not immediate.

We increase the Rakes, but maybe some customers accept it or they do not, there is some negotiation. So there is a little bit of a lag as well as maybe we do not end up passing on the entire increase. So there also we are careful on the cost side also to keep that mode Rakes and we balance the increase in customer prices with the increase in the vendor pricing, so that we are able to keep up the margins.

Mr. Jainam Shah

Got it. Sir, just last one question from my side. The new ship that we are talking about, will it be altogether a new ship or it would be some secondhand ship for which we would be giving the advance?

Mr. Vineet Agarwal

No, we are looking at a brand new ship again because secondhand ships are just not available in the marketplace. So we are again trying for a brand new ship. But as I said, it is a work in progress.

Mr. Jainam Shah

Got it, sir. Thank you.

Ms. Simran Sharma

Thank you, sir. The next question is from Mr. Jaideep Ghosh. Sir, please go ahead.

Mr. Jaideep Ghosh

Yeah, okay. Thank you. Hi, Vineet. This is Jaideep, a former KPMG partner. And my question is a little broad. Beyond and besides the Iran-related conflict for the next couple of quarters, what risks are you seeing at the macro level, like you mentioned inflation at the industry level and at the organization level? Some of the highlights, if you can share, which will impact the business from that perspective?

Mr. Vineet Agarwal

Thank you. So actually, from the business perspective, we are domestic, as a domestic company, we are to some extent insulated from the global impact. If there are shipping Rakes that go up, etc., we don't necessarily have a direct impact. The indirect impact is clearly, or rather the direct impact is only on the fuel side, mostly, which I've already explained. Of course, imports become more expensive. So our ships that we are buying have become more expensive.

So that's, again, the direct impact. The other aspect is customer demand might come down a bit. So some of our businesses do transportation of, let's say, landed product from the ports on to the mainland, to the interland. And that happens, that could come down a little bit if people are, customers are not importing as much. So that could be some impact.

Then the other thing that's happening, not beyond the Gulf War is that the wages, minimum wages are also going up in the, many states have announced minimum wage increases, which essentially means that we are, we have, again, a pass-through there. But that's also a little bit of a cost increase that's happening. And labor movement has also become quite tough.

In the last few months post the, where certain types of industries have completely shut down, for example, the tile industry in Morbie or certain hospitality industries, the MSME is definitely struggling. And some of the labor has also gone back to their hometowns, also due to the elections. So that is also having a little bit of an impact on, at various industry levels. So I think we will feel that in the next few months, not a little bit on our side, but also on the industry side.

And hence MSME business, we think might get affected to some extent. So those are broad risks. Of course, in the mitigation for those risks are that, we have a large business diversification that is already there. And that should help us in capturing the various value, all the segments that we see, which are growing, or which are not really so susceptible to these risks.

Mr. Jaideep Ghosh

Okay. All right. Thank you. That's all from my side. Thanks.

Ms. Simran Sharma

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

Mr. Krupa Shankar

Yeah. Hi. Thank you for the opportunity. Now, my first question was on the supply chain business. I think, Vinit, you did mention in the morning, in your media, when you were just speaking to the media, that the road to real shift is seeing some traction. And I did notice that, you know, you are going to add about two weeks in the supply chain business this year.

I just wanted to get a sense around, what exactly are you seeing on the ground with respect to that shift? If you can talk about it, is it just stock at this point and execution will probably happen over a later period? Something on those lines. And when are the rakes expected? And if you can clarify that.

Mr. Vineet Agarwal

Okay. So the, what's happening on that side is that anyways, a lot of the hub to hub movement on the auto side has moved towards rail. And, you know, we maintain the 67, 70 yards across the country, essentially for getting in the automobiles there and stocking it, and then doing the PDI, etc, billing, and then delivering it to the dealers.

So that business is anyway shifted to a lot towards multimodal. Going forward, I think with the Rakes increases fuel on the roadside, the shift will remain. I think it will not come down. And the talk is there, but also I think the, just the sheer convenience of moving it by rail now, because you have a yard, so you can send it in bulk and you can stock it there. Has, is it prompting a lot of our customers to keep looking at rail movement? On the AFTO rakes, those are also expected by the end of the calendar year.

Those two that we have, but notwithstanding, you know, we are anyways using, hiring rakes from the railways. And that, as you have seen that, you know, that we are doing almost six to seven rakes a day now. So that's the kind of volume we're handling currently.

Mr. Krupa Shankar

Got it. So it has not anything to do with the PFC on those lines, wherein the trade is quite looking for a shift.

Mr. Vineet Agarwal

Well, yeah, there's always some demand that keeps moving back and forth. So there, which is fine. I mean, we keep looking at those opportunities and there's something that we always, we always try out those things.

Mr. Krupa Shankar

The second question was on Seaways side of things. Anything to highlight on the plan of dry docking this year? How are you sat on with that?

Just to help us build the growth for the year?

Mr. Vineet Agarwal

Yeah, I think, Ashish, there are two more, two shifts in this financial year.

Mr. Ashish Tiwari

There are two dry docks, Krupa Shankar.

Mr. Krupa Shankar

One is already underway as we speak. Got it. Last question from my side on the freight business. The profitability just keeps on coming off. Any one-offs to call over here in this quarter? Or is it just as a function of the NPL proportion increasing, which is not?

Mr. Vineet Agarwal

Ashish, you're not on mute. Ashish. Yeah, sorry, Krupa Shankar. Yeah, I think it's not, some of it, it's not one-off really in that sense that I think, as I said, we are working on changing the shift and the business volume growth is a combination of both FTL as well as LTL. But I would not say that the growth has come because of only LTL. I think it's just the overall structural issues that we are addressing. I think those are helping us build up growth. And once we are seeing this kind of growth, we should also see profitability improving.

Mr. Krupa Shankar

Got it. Thanks for answering the questions. Thank you.

Ms. Simran Sharma

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

Mr. Alok Deora

Yeah, Hi, Good evening and congratulations on decent numbers. So, sir, so just first on the supply chain business, actually. So there, if you look at the growth, it's been slightly slower than the run Rakes, which we were typically doing.

So just wanted to understand what has happened there. And on Seaways also, if you can just highlight what led to this kind of growth, because there's growth kind of fever. I mean, we were not anticipating in terms of revenues. And what could be the growth outlook for FY27 in Seaways particularly?

Mr. Vineet Agarwal

Okay, so on supply chain side, the growth has been there. We are just coming off from slightly higher base in FY25, the Q4 was also decent. So that's why the top line on Q4 is slightly muted compared to the overall run Rakes. But some contracts have acquired some contracts in Q4. So we'll see some of that benefit coming in Q1, Q2 and going forward now. And that remains extremely robust in terms of the growth opportunities.

Of course, we have to be very careful about what kind of growth we do in supply chain also, because there is a lot of potential to do large growth, but not necessarily get profitable growth. I think you see that with some of our competitors also. So in that context, we are looking at, of course, automobile continues to be the large driver for us.

But the kind of warehousing businesses that we are capturing, large scale businesses are very unique. We have also since we provide a multimodal solution, that also makes us unique. So amongst even in the supply chain business, we are building internally, we are building modes around the business so that we are able to capture all kinds of growth that's coming as well as be insulated from some of the things that happen, either external exogenous shocks or because of competitive pressure.

On the seaway side, the growth has again come from one is that higher voyages because none of the ships were around a dry dock. Secondly, some higher voyages means higher volumes. Also, the Rakes have gone up. So that has also resulted in higher revenue numbers. And going forward also, I think FY27, we should remain at that 5-10% range because anyways, the container Rakes are now going to be elevated given that the bunker prices are still high.

If the bunker prices starts coming off, then we'll reduce the Rakes also. So assuming that there is the bunker prices remain high means our container selling price remains high, which means that the revenue growth should be there.

Mr. Alok Deora

Got it. So in your presentation, it mentions that three ships were under dry dock during the period. So this is referring to which period?

Mr. Vineet Agarwal

FY26.

Mr. Alok Deora

Okay. So in fourth quarter, nothing was there?

Mr. Vineet Agarwal

Fourth quarter no.

Mr. Alok Deora

Okay. And just last question. So in FY27, basically you're saying that the growth could be more like a 5-10% in seaways and the margins could largely sustain at the current levels.

Mr. Vineet Agarwal

Yes.

Mr. Alok Deora

Got it. Yeah. Just sorry, just one follow up on the seaway side only. So any update on the second-hand ship or are we in any discussion? Because if we just look at it in hindsight, I mean, we have been speaking about the second-hand ship procurement since several quarters now and the prices have actually remained high. It could have maybe turned out to be a good margin generator for us had the ship been in place. So just wanted your sense on whether the prices are still elevated or whether we are okay to kind of look at buying a slightly more expensive ship if the outlook is pretty positive.

Mr. Vineet Agarwal

Well, we've still not found the right ship because you can't just buy the ship because there is a ship available at a higher price. You also have to see several factors including that how old is the ship? How many years of useful life does it have? What kind of fuel does it use? What is the efficiency of that? What is the loading that you can do?

Where is it built out of? Are the spares easily available? So there's lots of variables that are there when you buy a ship. It's not just the price. However, price has been higher and it continues to remain high. And again, you don't buy the ship only for the four years that we've been talking about buying a secondhand ship.

You basically buy it for 10-15 years and it's not necessarily that the pricing will remain going forward because shipping also sometimes goes through severe cycles. But we have been very cautious about this and we continue to deliver margins, continue to deliver growth. And in the future also, we are keeping a watch on the secondhand market.

But till that doesn't happen, we are continuing to expand using some fleet that is going to be used for specialized purposes and has a huge demand also in the Indian waters. So that's the order for the two ships and a potential order for another third ship.

Mr. Alok Deora

Got it. Thank you and all the best, sir. Thank you.

Thank you.

Ms. Simran Sharma

Thank you, sir. The next question is from Mr. Deepak. Sir, please proceed with your question.

Mr. Deepak

Hello, am I audible?

Ms. Simran Sharma

Yes.

Mr. Deepak

Yeah. Hi, Vineet. Congrats on a good resilient performance.

So first, my question is on the seaways business. You mentioned that all the bunker prices have been passed on and you'll be able to maintain margins. So on the volume side, so the growth should be largely from the volume led.

So, from our existing business, existing ships, how much volume growth do you think we can achieve from the existing ships we have considering dry docks this year? That was my first question. And the second one is the new ships that we've planned to add, how much capacity will that be adding?

And the third ship that you're talking about, which could be, you know, in the proposal, how big would that opportunity be for us in terms of volume? And also the capex, if I totally go ahead with that third ship proposal.

Mr. Vineet Agarwal

Yeah, well, in terms of volume for the first quarter, that essentially are going forward, essentially, you see, we have one ship that's under dry dock right now. And I said, Q1, Q2 is not necessarily the best quarters for the shipping business. So I think there could be not much growth in that, maybe a little bit growth that could come in the first two quarters in terms of volumes. The second question around capacity addition, we are, the ships would be adding about 15, 16,000 tons of capacity to the 77,000 tons that we have, 78,000 tons we have.

The third is a ship that we are looking at. Again, it's undecided, we don't have a, I cannot share with you exactly on the type of ship and the quantum of the size, etc, right now. But it could be similar to the one that we've ordered, similar to the ones that we've ordered, the two ships.

Mr. Deepak

And Vineet, can I have your comments on the competition in the seaways? Because we've spoken about competition coming back. And also, you know, the bunker prizes, which you passed on, or resulted in any demand implications.

So what I wanted to hear from you is the margin outlook, because you are sitting at, you know, very high margins. So the sustainability of it, just wanted to check with you, given competition and the higher inflation of seaways prizes.

Mr. Vineet Agarwal

Yeah, well, I keep moderating everyone to say that we'll get to that lower range of profitability. But fortunately, the business keeps delivering good margins. But I will still keep saying that, because there would be some quarters where we are going to hit that lower margin, not necessarily only because of competition, but because of the direct cost increase, which is fuel, which comprises, so that has an impact directly on our business.

There is not much of a demand erosion that has happened because of the increase in pricing. Um, so I think it's still stable, but I think some volumes are definitely going to perhaps fall off in the next few months, because of, again, the reasons I've given. But we should also be able to get some volumes, because diesel prices are going to affect road Rakes.

So it's a balance. However, if you have to compare between Q1 of last year versus Q1 of this year, I think we will look at a very, very modeRakes growth.

Mr. Deepak

That was helpful. And on this next, my question is on the supply chain business. See, you've spoken about a good pipeline and you're building infrastructure for it in terms of warehouses and more people involved.

So can I have a sense of, you know, what kind of growth of this pipeline promises for you? Which sectors is it? Is it existing clients, new clients? Are we gaining? What kind of market shares are we gaining? So that is one on the growth side.

And Vineet, you've been speaking about margin expansion and supply chain for a long time. But, you know, us being on the expansionary phase, we're not able to see the margins going up. So how should one look at growth and margins for supply chains?

Mr. Vineet Agarwal

If you can just go to the slide, I think the growth that we've had in supply chain is about 14%. I think the anticipated growth is about the same range for this year as well, closer to 14, the same 13, 14, 15% type of growth. EBITDAs have been at 9.6%. We've been saying that, look, it will probably be, it's always been between that 9 and 11% range. Some years of investment, we continue to see if the margin is slightly lower, but it comes back also in a few years.

So, but that, you know, we are in expansion phase, which means a lot of investments, which means that capex is higher, trucks are there, depreciation is higher. So some of those impact is there, but I think this range will remain in this 9 to 11%. So there is a lot of business that we are going to, we are looking to do over here at that higher margin range itself, not at the margin structure that some of our competitors are at.

So that automatically gives us a 300, 400 basis point, kind of a better realization over our competitors, just because of the sheer quality of services we provide, and we are able to optimize it over our network.

Mr. Deepak

Okay. Last question on your freight business, given that there's been a fuel price high, and you mentioned that there will be a delay in passing it on, if you can guide us with the near-term margin compression that the business would see that is one, and long-term outlook on this business, you know, for the last three years, you know, we've been struggling with competitive pressure, etc.

So if you can share with, share your sense on the long-term trajectory of this business, and what exactly, you mentioned that what, we have changed some internal strategies, etc. So if you can help with what has changed for the long-term for this business.

Mr. Vineet Agarwal

Well, in the long-term, as I said, the focus, first is that the focus has re, I mean, we've always been talking about LTL business, and now the focus team has to the, has increased quite very heavily at the field level. And as I said, the leadership change is also driving some of that aspect of the business. So some amount of margin compression might happen, but the growth is more reasonable and visible.

So I think it might have an impact for a very short period because of the pass-through that takes, it takes some time for it to happen. But I think it should, we should not, we would not possibly go lower than what we have so far. And we should see only positive growth going forward.

Mr. Deepak

Okay, sure. Go ahead, Vineet. If you can share any other, so the last question is, you know, on the Toyota JV that we have, you know, that business has seen low profitability this year. So if you can share what has been the revenue growth for that and the margins for that segment and follow it up with your outlook on the JV as well. Thanks.

Mr. Vineet Agarwal

We are, I mean, the growth has been in the double digit and profitability came down slightly because of, again, some contracts, some division in some of the contracts that happened. But I think we look, we are looking at better growth this year for sure. And also margin should come back. So, yeah.

Mr. Deepak

Got it. Thank you. All the best.

Mr. Vineet Agarwal

Thank you.

Ms. Simran Sharma

Thank you, sir. I would request all participants to please specify your organization name. The next question is from Mr. Sparsh Jain. Please proceed with your question, sir.

Mr. Sparsh Jain

Hello. Hi, Vineet. So Sparsh from Aequitas Investments. So I got two questions. So first one is on the LTL business itself. So you said that in the LTL business, you are able to pass on the cost, fuel cost to the customers. So what is the time lag that we can see? It's one month or you can say one quarter that we can see. And furthermore, with regard to a dry dock, so currently one ship is under the dry dock and one more will go in this year. So what is the capacity that we can see and what's the volume impact that we can see in that part?

Mr. Vineet Agarwal

The LTL business, you're right. It takes about a month or so for a full pass through to happen. So I think that is underway. And yeah, so but the process has already started. And sorry, your other question was on?

Mr. Sparsh Jain

It's on the dry dock capacity. What's the volume which we can see?

Mr. Vineet Agarwal

It's for the two ships, two ships that I said. Volume should get a little, I think I don't remember when it's the second dry dock actually. Is it in Q2 or Q3?

Mr. Deepak

Q3. Yeah, but because we have three dry docks last year and this year, so probably this year would be like the higher capacity would be available for running.

Mr. Sparsh Jain

Okay, we can see more volume growth in this year as we compare to the last year because we have the more ship, you can say that weight which is available to us right now.

Mr. Deepak

Yeah, it looks like. Okay. Let's see.

Mr. Sparsh Jain

Sure, sure. No further question from my side, yeah. Thank you.

Ms. Simran Sharma

Thank you. We have Ms. Riya Mehta also from Aequitas Investments. Please put your question.

Ms. Riya Mehta

Yeah, thank you for giving me the opportunity. So my first question is in terms of the supply chain solution business which we are having. So even when I have been tracking my logistics, et cetera, so we are listening to some kind of slowdown happening in the auto sector and with the current inflationary environment, auto might see a little slump for some time. Are you witnessing some signs of those things happening on ground? And do we anticipate growth lower than our normal last two, three years average of 15%?

Mr. Vineet Agarwal

Well, I think there would be, there could be some moderation going forward if interest rates start going up and the cost increases happen with some of the new model launches, et cetera. But I think between September and now after the GST cut, a lot of the inventory that was in the system has gone away. So a lot of production is happening.

And when we speak to some of the OEMs, we are seeing that they are chopper block in terms of production. However, there is also some places we've heard about labor shortages in the OEMs, in the ancillary units. But notwithstanding, I think the production is going to continue.

I think the seasonality aspect of the automobile industry will continue, which is that usually Q1 is slightly lesser and Q2 is also slightly lesser. So that might continue, but otherwise I think the momentum still remains. EV requirement for EV is continuous and increasing quite rapidly. So the shift is there and perhaps the new additions that are happening, for example, in two wheelers, a lot of that is the EV side.

So I think the demand for automobile and remember that we are quite diversified. We are not just into four wheeler and two wheeler, but we do three wheelers, we do commercial vehicles, we do tractors, we do earthmoving equipment. And again, on that, we are diversified in the entire supply chain. We don't do just inbound logistics, but we do outbound logistics, spare parts logistics, warehousing.

So the breadth of the work that we do and the depth of work that we do in the auto industry is very large. So we think that we should be able to continue some of the growth momentum.

Ms. Riya Mehta

Go ahead. And the next question is in terms of the ships which would retire in a year or so. So I think Lakshmi Express and Surya are the- Or an extension till 29 now.

Mr. Vineet Agarwal

So there is still time. Okay.

Ms. Riya Mehta

So while that would be a loss of around 35,000 dead weight. Are we anticipating, and we have added around 15, are we planning another 20 to actually just stay stable with our capacity till FY29?

Mr. Vineet Agarwal

You know, as I said, you know, we are still, the capacity addition is underway and we still have this capacity till 29. And some of the capacity can get added on the way. Sorry, the same capacity can continue for two more years according to the new shipping regulations.

And if that happens, we still have more space. So the ship cannot, is not necessarily going to retire. And as I've said that, you know, we are looking to add capacity both on the new ships as well as on second hand ships.

Ms. Riya Mehta

So this can go up till FY31 also. More two years also we can get an extension.

Mr. Vineet Agarwal

Possibly, that's right.

Ms. Riya Mehta

Yes. Okay. Okay.

Thank you so much. Thank you for further question. Thanks, Vineet.

Ms. Simran Sharma

Thank you Ma'am I can see Mr. Alok Deora has raised his hand again. So please put up your question.

Mr. Alok Deora

Yeah. Thanks for the follow up. Just wanted to understand in the freight segment, the margins have been pretty muted.

So what's the outlook there? Because now, especially with the diesel prices increasing now, could you just provide some sense on the competitive intensity? Would we be able to sustain margins or it could come and dump some pressure or because with this increasing scale, the margins seem to be pretty much around those current levels only since, you know, if we even compare it, why, why?

Mr. Vineet Agarwal

Yeah, you know, some pressure will remain. It doesn't go away right away. But I think it's a matter of time that once the pass through happens, we should be able to manage it. Oh, yes. So I think it's a, it's a little bit of a tentative period right now. But I think, you know, the entire price hike has not necessarily happened. I think there's still going to be more hikes that will come up. So we are passing it on as we speak on a regular basis with customers. But some customers might delay it a little bit, but no one's going to deny it. That's for sure.

Mr. Alok Deora

Got it. This DFC has been now connected till JNPT and CONCOR in their results call also mentioned about the, you know, the commissioning starting from June onwards. So how do we see our JV performance getting, you know, positively impacted because of this?

If you can just highlight something on that.

Mr. Vineet Agarwal

Which specific JV?

Mr. Alok Deora

The JV with CONCOR here.

Mr. Vineet Agarwal

Yeah, no, I don't see any negative impact. I think it's positive only because.

Mr. Alok Deora

Yeah, positive only.

Mr. Vineet Agarwal

So it should positively keep growing. We anticipate that 15% type of growth in this business also. And margin should also stabilize to some extent.

Again, since the shift, there is a little bit of a shift that happens during times like this. It should continue. So we are again bullish about it. As I keep repeating, there is no other company in India that has all these capabilities under a single roof. And we are able to shift cargo between different modes of transport. We have customers who come to us with that understanding also, as well as we create a lot of stickiness. And you can see in the last decade also the kind of growth that we have had in all the businesses at a continuous and consistent level. So again, that's the strength of the diversified offerings that we have.

Mr. Alok Deora

Got it. Yeah, that's it for my side. Thank you.

Okay, thank you.

Ms. Simran Sharma

Thank you, sir. We have our last question from Mr. Deepak. So please go ahead.

Mr. Deepak

Hi, thank you for the follow up. So I wanted to check, you know, across our three segments, if you can specify how much of our business is in spot and how much will be contracted. And in the contracted, how long is the contract cycle for?

Is it three months, six months, nine months? What I wanted to gauge is, you know, what's the lag in passing on the price, fuel price increase. And secondly, I wanted to check out of the fuel price increase of whatever has happened so far, how much have we passed on to our end customer?

Mr. Vineet Agarwal

So we don't share exact numbers in terms of spot and long term, etc. But I can share broadly, let's say in the freight business, most of the contracts are about a year old, year long. And again, barring the LTL business, almost all are yearly type of contracts.

And the pass on is based on the contract terms, which is a formula base. And when you trigger certain percentage increase or percentage decrease, the formula gets triggered and the automatic pass through gets triggered. And billing is also changed accordingly.

That's for the freight business. On the supply chain business, the bulk of the contracts are in the excess of two years, three years, four years, even three plus three plus three kind of contracts. So again, the similar contract terms where pass through happens with certain triggers, or in some cases, with even any kind of smallest increase and decrease. So that is also continuous. On the seaways business, we have a few contracts. A lot of that is also the bulk of the contracts are typically one year contracts.

And some contracts are a little longer, but mostly one year contracts. There also, as I've talked about, the pass through is also immediate with the bunker prices actually increase much earlier than the diesel price increases. So we passed it on right away.

Mr. Deepak

Got it. And out of the cost inflation that we've seen so far, how much has the company passed on and how much is remaining? If you can roughly tell us across segments.

Mr. Vineet Agarwal

Difficult to say right now because you will ask for a certain increase, but it's not necessary the customer will give you the entire increase. So it's too early right now. And secondly, I don't, as I said, I don't think all the increases are through yet. So we've had only a seven and a half rupee increase in diesel. I think there's more expected.

Mr. Deepak

I just wanted to check with you on the behavior of other companies in our sector. Is everyone looking for increasing pricing or the competition in the sector is leading to some sort of lead lag in passing it on. So just wanted to check on the competitive spirit of the sector. How much is this?

Mr. Vineet Agarwal

You know, generally speaking during this time, everyone increases the cost, increases the Rakes. So because of the, it's a common problem to everyone. I don't think anyone can absorb such kind of increase.

Fuel being a higher component to cost. So, so I do not expect any, I do not expect anyone to absorb these at all. And, you know, there's also an indirect impact on other aspects because, you know, fuel is one part then lubricant prices increase, driver wages have increased, tolls have increased.

So all the other input costs have also been increasing on a continuous basis. I think this is a great opportunity for the industry to raise pricing. Sure.

Mr. Deepak

Thank you.

Ms. Simran Sharma

Thank you, sir. There are no further questions. Now I'm handing over the floor to Mr. Ashish Tiwari for his closing comments.

Mr. Ashish Tiwari

Thank you. Thank you everyone for joining us today. I hope that we have answered all the questions. If you have anything left, please write me back. And I'm seeing that most of you actually have been with us for all four quarters. Thank you so much.

And see you in the next quarter one.