"Transport Corporation of India Limited Q3 Investor Conference Call FY 2024"

Feb 05, 2024

MANAGEMENT: **MR. VINEET AGARWAL – MANAGING DIRECTOR**

MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER

Ms. Simran: Good evening, ladies and gentlemen. I, Simran, 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, and Mr. Ashish Tiwari.

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, for this call. Good evening to all of you again. Thanks for joining us. As usual, we will start with the opening remarks, and followed by the presentation, earning presentation. For presentation and remarks, I will invite Mr. Vineet Agarwal. Thank you.

Mr. Vineet Agarwal: Thank you, Ashish. Good evening, and everyone, welcome to TCIL's 9 months earning presentation. Let me just put up the slides. Ashish, can you put it on full screen, please?

Mr. Ashish Tiwari: Yeah sir.

Mr. Vineet Agarwal: So just to start with, the quarter has been more or less flat for us from a top line and a bottom-line perspective. There are, of course, several reasons. We have been indicating that the last few months have been a little slow. Both have seen the softening of the core sector. We have seen some of the infrastructure growth also slowing down and some of the engineering sector also slowing down a little bit, and some impact of inflation on the consumer side of the economy. So, broadly speaking, in anticipation of the next few quarters, we felt the impact this year on the Q3.

Notwithstanding that, we saw that the shift of the festival season also had a little bit of an impact on some months where the stocking was quite high in months like October, but then months like November, we saw that there was an impact as volumes hardly moved. Going forward, I think Q4 is usually our best quarter. It is always where companies are pushing for more sales. So, we see that they're trying to close their books on a positive note. And hence, we will see a lot of movement also happening. The flat fuel prices obviously help in some ways. However, on the seaways side, we see that the bunker prices have moved up and that has impacted us negatively.

On the presentation side, I think you're all aware of the consolidated overview of how we have structured going forward. On the growth drivers, nothing has changed specifically, no indication of any kind of reduction in any of these sectors, all consumer side or on the customer side. I think all things are moving as these our long-term trends, so they really don't have any short-term impact. On the budget, there was a declaration of three new corridors.

And whether these corridors are road or rail, they're all very good for the economy and also for companies like us where we are present in all the modes of transport. So, it just will add to the overall logistics infrastructure in the country, and it is positive news. As a company, we've been present in all sectors, as well as in all types of services, barring a few. And, of course, our operations are all techs driven. And clearly, we are moving very heavily towards multimodal logistics. This is the range of services we provide in those verticals that we service. Again, many customers are using a single window solution, and we are providing an end-to-end solution for them, including providing control towers.

In the last nine months, we've been able to handle about close to 1700 rakes across the joint venture, as well as our movement of automotive, automobiles across the country. This, as you can see, has been a substantial jump over the 1360 rakes that were moved last year at the same period. Container handling also has increased quite a lot. Just to share a case study about a customer, there's a yarn customer that is based in the western part of the country.

And typically, they provide their material on, used to provide the material by road. And that meant that the dealers used to place the order, or the stocking agent used to place order on manufacturer which meant that the manufacturer did not have a lot of visibility on who the customers were and even availability of the yarn at certain times, whenever needed. So, now what we do is provide them with an integrated solution from plant up to the customers, where we are moving the entire product in rakes. So, we stuff the containers, and the first mile and last mile is of course done by road.

But it gets to the terminal, we store the containers there. And as and when the agents require the material, they are able to provide them and some of the material is also provided to the customers directly. So, this has helped the company really gain more market share, as well as their ability to service their customers much faster, and simultaneously reduce the carbon emission because of the use of less number of trucks. So, these are some of the case studies that we're doing and not just in the textiles yarn side, but in many other industries going forward. And this is multimodal.

But other than that, we also provide a range of services in to all the other industries in the next slide. Next, please. And on the technological side, things are quite good. We are working on certain models on some instead of large language models as LLMs, but on small language models also where we're using certain types of information and creating machine learning around that. So, simple things like, for example, getting advice from our customers, how we can read them better, and we can essentially speed up the process of billing. So, like this, we're working on a lot of projects, which are helping us not from our own perspective, but also from our customers' perspectives.

This quarter, on a console level was, again, the highest quarter that we've had. There is, of course, a little bit of a slowdown, as we've been indicating. But more importantly, we've been also very cautious not to take businesses that have very, very low margins. We are preserving our margin structure as much as possible. The trends look decent. As I've said, we have a good pipeline of customers in all the segments. The company remains net debt free with approximately 300 crores of cash. I think we briefed about the divisions. If you have any specific questions, we can address them later on.

On the operational side, the freight division recorded more or less flat growth in the last quarter versus the previous quarter of the year, and margin compression also. Again, because the revenue growth was low, the margins have been impacted with a little bit of fixed cost associated with the business. However, the ROCEs are still in the above 20% range, and we're confident that we will achieve closer to the 23-25% range by the end of the year. In terms of branch network, we opened about 30 new branches in total so far in the last nine months, and this target of about 50 branches is underway.

The share of the LTL business has not moved up as fast as we thought. There has been some competitive pressure also here. So, we are moving the guidance to one more year ahead to FY25 to achieve the 40% target for LTL business. The supply chain business has done quite well in the last quarter as well as, of course, in the last nine months. Next slide, Ashish. The business has grown about 14% from the top line perspective, and the bottom line has grown about 24%. ROCEs are at 23-24% level. The expansion that is happening with the auto-finish goods movement, as you saw in terms of the number of rakes that we are moving, is definitely helping the overall growth.

And, of course, automotive continues to remain good. There are some segments in automotive like tractors that are slightly on the lower side right now in terms of volume, but most of the other sectors seem to be doing reasonably well. And on a nine-month level also, the business is reflecting a similar kind of growth as a quarter. Next slide, Ashish. The seaways side of the business has been negatively impacted, as we have been indicating that there is certainly some pressure on the freight rates because of some amount of competition on the western sector, as well as the higher, to some extent, the higher fuel prices. Some of this has come off negatively, of course.

The business has de-grown, as well as the margins have also de-grown. So, I think we will discuss a little bit more on the guidance, but clearly, we will not be able to achieve last year's numbers in terms of the top line. Bottom line, we've been indicating that it will be lower. Of course, ROCEs have gotten a little compressed because of the de-growth in the margins. The joint ventures, as well as some of these joint ventures, have done reasonably well. The rail joint venture has grown by about 6% in the last nine months and continues to form a good traction. For example, the yarn company that we shared the case study about.

Cold chain has grown about 25-26% for the last nine months, and we've ordered 75 new trucks in this business. So, you can see that as reflected in the capital employed. Trans-system has grown very well, almost about 50% growth in the top line, and bottom line has already exceeded last year's numbers. Here, we have received also a very exceptional dividend for this last quarter as well. Net-net on the standalone basis, the margins, as well as our revenues at 3.8% growth and margins are flat, as well as on the console side, margins on the PAT level are slightly negative.

What we are doing is that our guidance for both the top line, 10-15%, and the bottom line, we're revising to about 8-10% for both the top line as well as the bottom line. In terms of the other numbers, we continue to retain the high ROCE. Again, this is net of cash, the capital employed in the business, and all the other numbers, EBIT, EBITDA, etc., are looking quite positive. The board has declared a second interim dividend of 125%. The payout ratio still remains under 20% so far. Our ESG goals from an environmental perspective, we've accelerated clearly.

You're seeing that a third of our business is now coming from multimodal logistics, and that is helping us to save a lot of carbon emissions for our clients as well. The partnership that we have with IIM Bangalore for sustainable supply chain lab is progressing quite well. In terms of the CAPEX plan for the budget that we had revised in the second half, in the Q2, it was 275 crores. We had about 150 crores, and I think we'll probably get close to 250 crores based on the ship payment that we will do in the next two months. So, we think that we would like to continue with this kind of CAPEX of about 250-ish crores for the next two to three years, because that will help us to build up the capacity that is needed to grow the business further.

As I also mentioned, Q4 is usually our best quarter of the year, and we are expecting similar trends as we've been discussing with our clients. We have acquired several new clients, several clients are in the pipeline, and we should see good growth for the last quarter. Thank you, and happy to take any questions.

Ms. Simran: 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. Alok Deora. Sir, please go ahead.

Mr. Alok Deora: Yeah, hi. Good evening. So, just a couple of questions. So, firstly, on the CAPEX part, so we are not looking at any second-hand ship now, that's out of this our. We are basically not looking to add any further to the second-hand ship.

Mr. Vineet Agarwal: We are on the lookout, but it didn't make sense to add it to the CAPEX right now till we are not very sure of it. Anyways, if we do find something, there would be a typically a quarter of time that will be needed to inspect and sort of verify whether we can acquire the ship. So, we would give the, we'll give that adequate notice to all the investors.

Mr. Alok Deora: Sure. And this 5 to 10% growth rate, which we have now moderated from 10 to 15% earlier. So, this is for which period which we are referring to, which for like next couple of years or?

Mr. Vineet Agarwal: No, no, no. This is FY24 only.

Mr. Alok Deora: Oh, okay. How are we looking at FY25?

Mr. Vineet Agarwal: FY25, we are looking at 10 to 15%. And I think that will continue for the next three to four years.

Mr. Alok Deora: Got it. Because if I just look at the numbers in the first three quarters, so it's, 10% seems a little difficult to catch up for the entire year on the revenue side.

Mr. Vineet Agarwal: Yeah, I mean, so around 8 to 10% is what we are looking at. I think, Ashish, what is it cumulatively so far for nine months?

Mr. Ashish Tiwari: This is close to 2.5%, 3% in fact.

Mr. Vineet Agarwal: Yeah.

Mr. Ashish Tiwari: So, basically, the guidance is for profit and revenue both probably for revenues, it might be end of more than 5% for whole year. As like quarter goes on, revenues might be better than the, sorry, the profit growth might be better than the revenue growth.

Mr. Alok Deora: Sure. Just one last question. So, the Seaways margins have come off quite materially from the numbers which we had seen, 28%, 29% EBIT margins, they are now at nearly 22%, 23%. So, how are we seeing the seaways margins going ahead? Because, you know. Any colour on the freight rates or how is the volume side anything on that part? I mean, would the margins be at current levels ahead or we could look at some improvement?

Mr. Vineet Agarwal: Yeah, I think, see, on the basically the, with the competitive pressures that are there in the on the Western coast, as well as the freight rates, not really moving up too much, though the cost structure still remains a little bit on the higher side with fuel prices also now moving up because of the Red Sea crisis, that is a bunker price. So, that is having some amount of impact on the margins. But again, this is something that we've been saying that this will come down.

We are still at around 40%, 36% EBITDA levels for the quarter, and 40% for the full nine months. So, we've been saying that this these numbers are definitely going to come down a little bit to more reasonable levels of 30%. So, so yeah, so I think this is, it seems a little high, but this is something that we've also been guiding towards.

Mr. Alok Deora: Just one last question, similar to just a follow up on this. So, these new ships, which we are getting made. So, how are things progressing there? It's very much on track or, or there could be any, any, any update on that? Because...

Mr. Vineet Agarwal: It's on track, it's on track and the delivery is in calendar year between January and March 2026.

Mr. Alok Deora: Okay, I'll come back in a queue. Thank you so much.

Mr. Vineet Agarwal: Sure, sure.

Mr. Ashish Tiwari: Thank you.

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

Mr. Krupa Shankar: Hi, good afternoon, and thank you for the opportunity. One additional question on the seaways segments as well. So, so, is there perhaps any one-off effect on the seaways side this quarter because of rains in the Chennai port or, or some other challenges, which, which can come back probably in the fourth quarter?

Mr. Vineet Agarwal: Yeah, those have always been there. There was like a cyclone sometime back on the western side. And then there was on the eastern side, we had the Chennai floods and that got affected, that affected operations for a week, 10 days. And we have all the ships operational in Q4. So, it will be slightly better for sure. But again, some volume is also, we're seeing a little bit of weakness on the volume side also. Like for example, tile movement from the west coast is reduced a little bit. So, so some of that will have an impact. But we are confident that we should probably get to closer to last year's Q4 numbers.

Mr. Krupa Shankar: Right. So, a 15% Y-O-Y decline, how much would you attribute to volume decline and with respect to pricing?

Mr. Vineet Agarwal: So, I would say a lot of this is, sorry, Ashish.

Mr. Ashish Tiwari: So, I think that somewhere close to 60% would be the volume decline and the rest is the price decline. Or you can say, like safer side, the 50-50%.

Mr. Krupa Shankar: Sure, sure. So, and so, the capacity builds up what you're talking about with respect to the competition side, how much sort of capacity addition have you seen in the last quarter? If you can throw in a number perhaps?

Mr. Vineet Agarwal: So what happens is that sometimes capacity comes in and goes out depending upon some of the foreign flag vessels are very opportunistic. They'll see that there is some demand, they'll come in and then they'll move to other markets because there is with now with the Red Sea impact, we are seeing that freight rates across the world have started to move up. So, some of the companies might move out. So, we don't have a exact number of fixed capacity that has been added. It's more like more floating capacity that comes in and goes.

Mr. Krupa Shankar: Understood. My next question would be on the freight division. So, what I could clearly see is the LTL proportion has gone up and then the FTL piece of it had declined on a y-o-y basis, if I'm not mistaken. And yet, your margins have come in lower if I look at it on a y-o-y basis as well. So, is it more of LTL volumes and perhaps the load factors or not getting, not being as high on specific routes due to which the margins have declined? Or is there any other reason why you are stating that there should be a margin decline?

Mr. Vineet Agarwal: Well, the sea volume has been more or less the same. If you see the revenue, we're almost at the same level as last year. But what happens is that there are certain amount of fixed costs and the fixed costs, whether it is at the hub level, or whether it is a people level, etc, that starts to impact if you don't have any growth, because that cost structure has gone up in the last year. So, I think the throughput across the network remains good. It's just the certain amount of fixed costs that is moved up, which we will catch up in the next in this Q4, as well as going forward. So, then we will see the positive impact. The last year when we moved a little bit towards the FTL side, there was some directional loss on this in terms of the capacity utilization, and that is starting to play out here on the infra side. Now we will come back and pick that up. So, not on the network side, but on the infra side, yes, there is some capacity that has not been utilized.

Mr. Krupa Shankar: Got it. Last question from my side on the supply chain business. Are you intending to add more rakes or given that multimodal has seen a factor of traction within the automotive sector, and production has built up. So, is there any scope of addition on that?

Mr. Vineet Agarwal: Well, we've been in the process of trying to get rakes which are of the newer types, which can take more capacity, including SUVs, etc. So, we are still waiting for designs of those types of rakes to be approved before we place order for new rakes. So, that has been constantly being pushed by, pushed ahead. And we've not got a clearance yet. So, hence, we don't have a guidance on when we will be able to get a new rake. But notwithstanding, we've been hiring rakes from the market and growing the business.

Mr. Krupa Shankar: Thank you and all the best.

Mr. Vineet Agarwal: Thank you.

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

Mr. Jainam Shah: Yeah, hi, sir. Good afternoon. This is Jainam Shah from Equirus Securities. So, my question is related to the freight segment. So, if we see that revenue has grown at around 2% on a nine-month basis, so just wanted to understand the reason for a lower growth. Is it because our competition from the road players is increasing? Or is it because railways are dominating some of the regions where investment has started? Or is it an industry wide phenomenon wherein growth is lower during this particular nine months? Or any other specific reason that you may highlight for the same?

Mr. Vineet Agarwal: No, I don't see the impact of railways anywhere specifically yet. But certainly, the slowdown in the general freight market is being reflected here. And certainly, there is a certain amount of competition on the LTL side, as well as on the FTL side, there's always been competition. It's just that we have been more cautious about ensuring to protect our margins wherever possible. So, yeah, so I think I would say more towards a slowdown as well as a little bit competitive pressures on the LTL side.

Mr. Jainam Shah: Okay, okay. And if you see, our EBITDA or even the interest cost might be higher because of the addition of branches that we are taking on a rental basis, which is eventually coming below EBITDA line item. So, is it like we have already covered most of the Indian market in terms of FTL and LTL, an addition of new branches, despite we have over 30 new branches, there has not been any improvement on the bottom line, which is eventually leading to this lower ROCE for us, we are employing the capital, but the returns are not generating against the same.

Mr. Vineet Agarwal: No, I would not say to that extent, the opening of new branches is not that substantial in terms of cost structure, fixed cost structures. I think the existing infrastructure that we have has a cost, including the number of people that are there. And any new branch that comes up takes easily at least a year or two to give volumes, as well as margins. So, I would not attribute it to the new branch network, I would just generally say that there is a infrastructure cost of people as well as the buildings, places that we have on rent overall, not just the branches and that if there is not enough volumes has starts to have a negative impact.

Mr. Jainam Shah: Got it, got it. And sir, this last one question for this trans-shipment, trans-system JV. So, we have almost crossed the yearly profit in these nine months only. So, what exactly is giving this kind of growth momentum to that particular JV? And is it addition of more and more contracts or getting more and more orders? Or is it just the escalation part that is also improving the sale?

Mr. Vineet Agarwal: Most of that business is handling the logistics of Toyota in India, as well as the Japanese OEMs. And as we've seen that almost all the Japanese OEMs have done quite well in the last nine months, and actually, I would say the last year and a half or so. So, I think that has contributed to the overall growth of this particular company.

Mr. Jainam Shah: Got it, sir. That's it from my side. Thank you so much.

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: Good evening, sir. And sir, just one question. Sir, just now you mentioned that the interim budget, which was presented that the three major economic railway corridors are expected to be a positive for you in the long term. But sir, coming to the short term, as we know that elections are around the corner and by the time it gets over, almost the first half of Q1 would already be over. So, are you expecting any slowdown during this time from April to June period?

Mr. Vineet Agarwal: I think the trends always indicate that there is a little bit of a slowdown that happens consumers tend to pull back a little bit and save money. But there is the trickle-down effect of the elections itself that happens and that has a positive impact. But the momentum of the economy still remains quite high. So, there will be a little bit of an impact, but I don't think it will be so major.

Mr. Pinaki Banerjee: Okay, sir. That's all. That's all from my side. Thanks, sir.

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

Mr. Aejas Lakhani: Hello. Yeah. Hi, Vineet and team. Thanks for the opportunity. So, Vineet, couple of questions. The first is that you called out, growth of 10 to 15% for the next year. Could you just spell out how we can envision this growth? Because I'm guessing some ships which were in dry dock this year will come through in the next year. So, we'll have some volume growth in, slightly in, I'm assuming in seaways. But if there is so much pressure on freight and the supply chain, we have reached, a good base, at least in the industry, even with the kind of volumes that we are seeing, saying a very low single digit growth. How do you sort of, how should we reduce the 10 to 15% growth?

Mr. Vineet Agarwal: Okay, so the freight business assuming we are going to close at almost flat or with a marginal growth of between 2 to 5% should see a higher growth structure specifically because of the areas that we are targeting from LTL as well as some of the new branch openings and the other things that we are doing in that business. So, we have a good pipeline there as well. So, I think that should grow faster than what we've done in FY24. In seaways, we think it will be more of a flat growth, we will definitely hit some dry docks. And we don't expect any kind of a major volume push as well as or a value push there.

But the supply chain business should see definitely a very good push, even though the SIAM indication is that the growth on the sector will be not very high. But there are other segments that keep growing. So, for example, this year, we saw that tractors did not grow that much. But next year, expectation is with after the new budget that comes up tractor growth. And generally, after elections, there is shops to agriculture sector tends to increase also.

So, we will see that there will be a push towards the agriculture movement. Infrastructure growth continues, which means that earth moving equipment companies are also doing reasonably well. And then two-wheeler segment has picked up also in the last few months, as we know, which is basically an indication of some amount of rural growth exists as well. So, that as well as we have acquired some large contracts, and continue to acquire large contracts in warehousing and other segments of the supply chain business. So, all of that will contribute to a much higher growth trajectory for that business, I would think in the excess of 15 to 20%. And that should help us overall to get to this 10 to 15% for the full year.

Mr. Aejas Lakhani: That's very helpful, Vineet. Thanks. So, just if I were to double click into the supply chain, could you just call out that from the revenues that you do today? Could you give me some, I don't know some colour on how much is four wheelers? How much is two wheelers? How much is tractors? How much is the earth moving? Just some colour on on all of that. And are you gaining? Like you mentioned about specialized rakes for SUVs? So, is it that you're gaining some market share there? If at all, who is it? Who are you taking share from? Because you're going to grow faster than the industry.

Mr. Vineet Agarwal: So, so, we don't split the numbers because a lot of that is integrated. For example, we do inbound logistics for a four-wheeler company as well as a two-wheeler company and the supplier could be the same when you're using the same truck to do a pickup from that particular supplier for both these OEMs and you're bringing it to the same warehouse and then splitting that and sending it to the respective locations. So, and similarly, the trucks that, the rakes that are being loaded would be multi customer rakes as well or the yards that we manage a multi customer.

So, we don't really necessarily split it into these segments to share. Other than that, we are constantly looking to add more value to, so there could be three ways of really growing the business. One is that that particular customer from that particular plant has increased its volumes. So, they were producing, let's say 100,000 vehicles. Now they're producing 125,000 vehicles. The second is that the same company adds a new plant somewhere and completely starts a greenfield project.

And the third is there's a new company that comes in and that company adds a new plant. So, all these three areas are potential growth opportunities for us. And we are picking up business from in all these segments. So, yes, in we do end up taking some share from some competitors. But overall, I think it's the market also, the size of the market is also growing because some amount of outsourcing also keeps increasing by the clients.

Mr. Aejas Lakhani: Got it, very useful. And Vineet, just lastly, that, given that gross margins in LTL are far ahead of FTL, and given that, yes, the mix has improved marginally, was that not enough to offset the pressure from a margin perspective that, nine months we are still lower? So, is that incremental delta coming or the difference coming only because that the fixed cost has increased so much so?

Mr. Vineet Agarwal: Yes, as I said, the network cost has not had any impact, the utilization of the network remains okay. So, yeah, but the marginal improvement in the LTL side does not directly have so much of an impact on the fixed cost right away. So, it takes its own time. So, so yeah, so it has not really impacted positively yet.

Mr. Aejas Lakhani: Okay, got it. Thanks so much. I'll fall back.

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

Mr. Vikram Suryavanshi: Yes, sir. Hope I'm audible, sir.

Mr. Vineet Agarwal: Yes, hi Vikram.

Mr. Vikram Suryavanshi: Okay. Hi, sir. Good evening. Sir, just to update on, we also have CHA and international business license, but we have not heard much on that side of the business now with a fairly good share in a domestic side. Most of our customers also might be having import or export of raw material and finished product through international route. So, is there any opportunity for us or what are our thought process to focus on CHA and international business supply chain for this player?

Mr. Vineet Agarwal: Yeah, so, we don't do any CHA kind of activity with our, with the seaways business, but generally, we do a little bit of activity on the CHA side as well as on the freight forwarding side, directly related to some clients who are working with us, where, for example, there are some clients who are moving chemicals and we give them our tankers that we buy, we bought, and these are specialized tankers that we bought in from China. So, we provide those empty tankers go to, let's say the Middle East, they fill with those specific cargoes, they come back and we deliver it to their plants in India.

Now this complete door to door kind of movement we are doing using our first, our own infrastructure and secondly, our own license, the CHA and CC licenses, but these are very, very small businesses and they're just under the growth prospects right now. And like the opening of the office in the Middle East, these areas where we will see more growth coming up, we don't want to go into the specific, the regular freight forwarding, because the regular freight forwarding has no margins, we want to do very specialized forwarding, which is really integrated to our existing business.

Basically, what we say is follow the customer strategy, where our customer wants to go, we will go and follow and get the work done so that preserves the margin structure as well as we are able to do not just their business in this segment, but contribute in the domestic logistics as well.

Mr. Vikram Suryavanshi: I got it. And in LTL, you said that our target is to reach 40% of revenue mix and the 30 branches we added. So, the 50 branches is the target for end of this year or just wanted to clarify that?

Mr. Vineet Agarwal: That's correct. It's end of fiscal for 24.

Mr. Vikram Suryavanshi: And looking at the growth and all that, can we have broad number of how many total branches so far, we might be having and transcendent helps for that business?

Mr. Vineet Agarwal: I think that is there in the previous slide, Ashish, if you go behind, one slide behind, please. 25 hubs we have and close to 700 offices.

Mr. Vikram Suryavanshi: Oh, I missed that. So, sorry. Thank you. And last one is that since we talked about the shipping and now though we are more predominantly domestic postal shipping business, but do we see any chance that the rate seek issue continues then probably the freight rate even for domestic can increase or it will be purely on road versus rail for domestic?

Mr. Vineet Agarwal: Yeah, I think it will continue to remain road versus rail. There could be some impact, but unfortunately, the fuel prices are, once if they start moving up a little bit more faster than we are. So, sometimes the growth of the fuel prices, if it is a little bit like a normalized curve, we can't necessarily increase freight rates too much. But if it picks up a little faster, then we are able to move the freight rates a little faster. And so, let's see what happens. I think it's still very unpredictable with what's happening. So, some opportunities also keep coming for going to neighbouring countries. But again, we are a little cautious depending on where, what and what is the margin you will get, including insurance costs, insurance costs because of Red Sea has gone up across the board on international waters.

Mr. Vikram Suryavanshi: Understood. Thank you very much, sir.

Ms. Simran: Thank you, sir. There are no additional questions. We have Mr. Alok Deora again back with us. Sir, please go ahead.

Mr. Alok Deora: Yeah, thanks for the opportunity again. So, in the LTL segment, you mentioned that in your opening remarks that you have not really been able to increase the share because of the higher competition. Now, could you just elaborate a little bit? Because in the freight business, we are seeing really a muted growth since some quarters now. And how do we see that overall freight business shaping up? And realistically, where do we see the LTL mix in the next couple of years?

Mr. Vineet Agarwal: Right. So, freight business, the growth for the last, I would say three, four quarters has been a slightly slower, but before that it was doing reasonably well. And I think this is what typically happens. And I'm going on a larger point here before I come to your point, which is essentially having diversified business interests, like we do freight business, seaways, as well as supply chain, so that when a sector doesn't do too well, overall, the other sector helps.

And that is the kind of consistency that we're bringing with the diversified services that we have. The range of getting to 40% is now, as I said, was for next year. And I would think that subsequently, we would look at adding 100-200 basis points of increase every year. Challenges are coming from some startups in the LTL side who have moved from doing just last mile pure last mile to or also on the B2B side, trying to move the LTL at very, very low rates or basically at no margin.

And, and of course, there's always been other regional players, etc, that have provided competitive pressure. So, that will continue is just that, how well are we able to provide services to our client, what we have seen have, interestingly, one or two, several customers are now coming back with increased requirement for FTL plus LTL combined. And we provide that service with a control tower where they are able to observe all of this together.

So, some of this is going to play out a little bit on the medium term, rather than the short term, where clients will feel a lot more comfort with working with us. And then hence we are able to then translate better volumes and better pricing.

Mr. Alok Deora: Sure. And sir, this tax rate has been higher as compared to the previous quarter. That's primarily because of the seaways profits coming down, or the contribution to from the seaways business coming down. So, how do we see this tax rate going ahead? Like in FY 25, what will be the standard, normalized tax rate for us going ahead?

Mr. Ashish Tiwari: So, it's not only for seaways margins, but also we got to have 32 crore of dividend as well. So, in certain situations, dividend is also not taxable. And keeping that in view, the rate is quite lower than the last three quarters, two quarters. I think in the next year when we have shipping profits normalized, as we think of, so the rate would be around 13 to like, 12 to 13% as usual. It is in last couple of years.

Mr. Alok Deora: Got it. Yeah, that's all from my side. Thank you, sir.

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

Mr. Krupa Shankar: Yeah. Thank you for the follow-up. Just one question from my side with respect to the supply chain business, the space addition. So, just wanted to understand that is there any target with respect to how much of space addition we are going to do? And how much would be owned and leased out of this 14 million square feet?

Mr. Vineet Agarwal: Yeah. Ashish just go to the supply chain slide, please. So, we don't have a target specifically because it's basically based on how we are able to acquire clients. Very recently, we acquired a client in the FMCG space and the business has not started yet. And hence, we've not added that capacity yet. But that would be about 300-400,000 square feet of space of actually covered space that we get added. Like this, there are constantly pluses and minuses that keep happening. One particular customer, we've been able to, they've given us more business, but we've reduced the, and I shared this experience in the past where we were able to provide a very good solution to them for a very narrow aisle kind of operations.

And we've been able to reduce the amount of floor capacity that they needed. So, we've gone higher as well as the aisles are quite narrow. So, you have the movement is very, very tight. However, it is very engineerly designed so that its customer gets maximum benefit. And you're able to bring a high degree of productivity and efficiency. So, it's essentially client based. And I would say approximately 15%-20%, 2-2.5 million is what we own across the country.

Mr. Krupa Shankar: Okay. So, is it fair to assume that with, so what I'm hearing continuously over the last one year or so is that you're gaining incremental contracts with respect to warehousing. And is it fair to assume that the supply chain margins will go back to (inaudible 48:40) 12 levels of 10-10.5% over the next couple of years?

Mr. Vineet Agarwal: Well, the business in that has the highest amount of outsourcing in supply chain in India is the automotive sector, which also means that it has also very highly competitive pressures. And we see some of the startups or some of the newly, newly listed companies that are putting undue pressure on the pricing because they need to show some kind of margin for their businesses or some kind of growth for their businesses. So, that means that the margin structure tends to remain a little bit lower because of the concentration on the auto side. But the warehousing side of the sector helps to bring it up. So, I think this range of approximately 10-ish percent plus minus a 100-basis point is perhaps more reasonable.

Mr. Krupa Shankar: Understood. Thank you and all the best.

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

Mr. Anshul Agarwal: Hi, thank you. Thank you for the opportunity. Good evening, Vineet ji. I have a quick question on the LTL business. Would it be possible to outline the top three or five sectors to which our LTL business would be exposed? And would our network be skewed towards a particular geography?

Mr. Vineet Agarwal: Second question is, no, we are not skewed to any geography. We are present in all parts of the country. First is that we move towards, we do a lot of movement for engineering products, specifically, which are related. And it's engineering, electrical, construction, some amount of, as in home construction related material. We do some number of textiles. We do some FMCG. But the broad sectors are the first two, three more on the engineering, electrical and likewise. Like we'll do on the FMCG, we'll do milk, which is like dry milk powder that moves across the country in bulk. Yeah, so yeah, almost all kinds of segments.

Mr. Anshul Agarwal: Got it. Thank you. Next question I had was, while I understand the long-term levers of manufacturing growth, percolating to these businesses, etc. Would you be able to guide us on any short-term levers that you believe are present in this business to sort of see growth coming in?

Mr. Vineet Agarwal: Well, I don't see very, very short term. For example, when GST came in, that was a short-term impact because it forced a lot of people to immediately move from the informal economy to the formal side. Like that, I don't see any kind of an exogenous shock that comes up and suddenly has a positive or a negative impact on the short-term business-like, elections, for example, it doesn't mean that there is business, there's, we, we do movement for election material. But it's not significant. It's very small. So, so like this, I don't see any short term, very specific levers.

Mr. Anshul Agarwal: Thank you so much.

Ms. Simran: Thank you, sir. The next question we have with us, Mr. Sandeep Waghal. Sir, please go ahead.

Mr. Sandeep Waghal: Thank you. Just one question with regards to , that is the new thing, right? So, I believe our trans system would be part or I'm just trying to check whether they're doing that, that it was logistics for this. And do we have any plan, as TCIL getting into this, logistics piece. And I remember for TVS, he had designed a container or the trucks, right, where you could load more two wheelers in one load, right, we had done some specific configuration. So, anything of that sort, we are targeting with regards to this business, right, so that we have some kind of moat around getting those logistics coming our way. Because I believe, this is going to be hub and spoke model for vehicle scrapping, though it is nascent at this moment. But in any kind of, we have a view of taking this forward. That's it. Thanks.

Mr. Vineet Agarwal: So, vehicle scrappage, and reverse logistics are not really directly related. And, we have no intention of getting into the vehicle scrappage business. And all our vehicles that we need to, we don't need to really get to the scrappage stage, because we sell them much before. That's the first and the reverse logistics will not really happen for that, but can happen for other kinds of businesses, where there is a requirement, let's say today for batteries to come back to its to the manufacturer. So, some kind of reverse logistics like that might happen.

And we are geared towards that. And you're right, it will be hub and spoke. And we do that for some of our clients. What you talked about, what we did many, many years ago for creating a triple deck truck. And I think some of these things have become standard in the industry. We continue to do some level of innovation at a services level, so that customers are able to get the benefit, and we are able to create a stickiness for them. So, it's an ongoing thing. We don't have anything specific to share that is, that is extremely innovating, but innovative, but there is always something or the other that we are doing constantly.

Mr. Sandeep Waghal: Thanks for the question.

Mr. Vineet Agarwal: 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: Yeah, thank you, Simran for this call. And thank you, participants for being with us. If you have any further queries, please write us back and we will connect with you back. Thank you so much. Good luck. Thank you.

Mr. Vineet Agarwal: Thanks.