"Transport Corporation of India Limited Q1 Investor Conference Call FY 2025"

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

Mr. Ashish Tiwari: Thank you, Simran. Good evening to all of you again. Thanks for joining us today. To begin with, we will have our earning presentation for quarter one and followed by a question-and-answer session. The earnings presentation is available on our website. Now, I am handing it over to Mr. Agarwal for his opening remarks and earning presentation. Thank you over to you, Sir.

Mr. Vineet Agarwal: Thanks, Ashish, Thanks Simran. Good evening and welcome to our first quarter's earnings call. Can you put that on full screen, please? The quarter one for us, was slightly better than we expected with the elections going on as well as, the post, the first post, the year end, typically quarter one is a little weaker than it was. We have seen that it was slightly better and almost all the divisions, all the businesses, did reasonably well.

On, generally there have been some consumer trends that are which are still weak MSME is still a bit weak. The impact of all the wars and the red sea, etc., is still being felt on an overall basis. The budget has is positive, I think the budget is more like a directional document for the year in terms of what is happening, what is, what will happen over the year in terms of CAPEX and so on but it's not the only thing that we should be relying on. I think throughout the year, NITI Aayog and, even the states for that matter, have been, sharing stuff that is happening in their areas And, it's just one of the documents.

The good thing is that infrastructure spending continues to remain high, which will have a cascading effect, Three, Three And a half times, on various industries The talk about, building more industrial parks. I think that's also very interesting And, should, spur manufacturing, and generally employment related, addressing employment related issues also good, though it's going to be always a challenge in our country to balance what's going to happen with, employment as well as with, the impact of, automation and productivity improvement but there are jobs like logistics, which require people on the street, and similarly there are many other such jobs.

So, there is a, the trends are good when it comes to the budget and the intent is good as well. Please go forward Ashish, this is information about the company which you're aware of, I won't repeat this, there is no specific change here. Go ahead please. Again, the people who attended these conferences in the past do know that the logistics industry drivers, from a policy perspective, from a customer perspective or a consumer perspective, and generally from the industry perspective, are all very, very robust.

It is the sector that is has a direct beneficiary to any kind of GDP growth, any kind of infrastructure growth, any kind of change in market, scenario, market dynamics, whether it is consumer trends that are changing, it has an impact on logistics, whether it is our customers that is, corporates that are changing or, businesses that are changing the way that they run their supply chains. It has an impact on logistics, impact on, the new sectors that are coming up, whether it is, defense, whether it is, semiconductors, whether it is, chemicals and so on, those all have, a very deep requirement of logistics and as India orients itself more to Exim trade, we'll see logistics industry definitely getting a lot of positive or has a lot of positive tailwinds.

As a company of course, having a whole range of services, especially more services that are value added has been, benefit. We've been able to balance that portfolio with, when there are trends in terms of, one sector not doing too well, we see others that pick up. So, so it has been, good from a consistent perspective. The portfolio has helped, the second, USP is the strong multimodal network. There's no company in India that has this kind of network today where we are operating on, rakes, railway rakes that we own, as well as that we hire from the railways on a regular basis through 60 terminals, as well as a joint venture with Concor, a coastal shipping business, integrated into the overall business, as well as a, first mile, last mile through road or just the entire movement through road network also.

So, the combination of all the three modes on the ground level is, is extremely, it is one of our modes. It is an area that we've been able to gain a lot of traction and almost 30% of our business now comes through, through a multi-modal business. Technology is at the forefront from, in a core business application, almost everything is done through, deep tech, supplier relationships are managed, via interfaces as well, as we have a high digitization and automation program that's underway.

The interface infrastructure and database management are very critical. During this recent CrowdStrike event that happened, we were down for just 15, 20 minutes and we were up, very fast. So, that was only one portion of our note even, for the entire business. So overall, the IT systems are quite robust. We have a very good presence in many sectors, from engineering, automotive, consumption, agriculture, chemical, pharma, metals, across the board.

We are doing work in various industry segments and providing solutions which are unique to them. We've shared some of them in the past. For example, in the EV space where we are delivering to the customer directly, or even in, in the agriculture space where we can provide, or rather in the food processing space, where we are able to provide a last-minute delivery for some customers and including providing cold storage there as well.

In terms of quarter one, the highlights are we've grown at about 10%, in terms of top line, the trends look good. Our estimation was anywhere between 7 to 8% type of growth but overall, it has been better for us. Then, I talked about the service offerings as well as the net cash surplus is now close to 450 crores. In terms of freight, business, next slide please, you know about the industry segment, the work that we're doing there with our hub centers, single control tower for many, many customers, as well as, both LTL business as well has, helps us to keep up the margin profile compared to our entirely FTL company.

Though in the last quarter we've seen MSME growth has not picked up yet and hence, our LTL business is still flat. It has not recorded a growth, as a growth that is higher than the FTL growth, so that the numbers keep changing.

That has not happened, there is growth, of course, but not as much as, then higher than the, FTL growth. So, but the overall, Ashish please forward, the margins are, a little, compressed, what we are seeing also is that certain cost structures in the transport business, business logistics business has started to increase, one of them is toll. In the past, toll used to be 5% to 10% of our journey cost. Of late in the last one year or so, we've been tracking this, toll has almost become 20% of a journey cost and this is a unique it has not translated into direct.

Direct productivity gains because or not all the roads are fully developed, but it is not true that you are able to gain maximum speeds, because you have good highways. There is construction still happening in many places, the nodes are still difficult to access and there is congestion there, and the first mile, last mile is, anyways very difficult. So, the productivity gains have not resulted in the amount of productivity gains that should have happened has not, in commensurate to the increase in toll.

So, this is a concern area generally for the industry. We do believe that the smaller operators might be getting a little bit more squeezed here, Capacity addition has started, in Seaways sector. We are seeing that in the first quarter there was an increase in Seaways sales. So, we feel that there with some more capacity additions coming up, we, as well as some, cost increase, rather revenue increase because of the season, festival season, etc., coming up freight rates should start moving up also, also clearly it depends upon fuel prices.

Fuel prices remain firm across, we know that on the seaside, bunker prices are still on rising. So, there could be some impact on fuel later as well, but the overall business remains stable. In the freight business, though, the ROCE, etc. have come down. Some capital employed remains high, that is working capital because at the end of the month, June, we saw collections were a little weak, across all the divisions. We attribute that some just because it was the, the first quarter end, post elections, etc., and because maybe 29th and 30th was Saturday and Sunday and some payments did not come through, but we've seen that July has been excellent in terms of payment collections.

So maybe it was just a one off, for the quarter end supply chain business remains robust, we are doing, very high degree of value-added services for our clients, and that continues to keep growing. The business recorded about 12% top line growth with, increase in both multimodal, automotive transportation as well as warehousing contracts. We spent about 90 odd crores in new trucks because in anticipation of new business that is there actually contracted new business that is already there, so we do expect this growth to continue, we're looking at a closer to a 15% top line growth for the full year.

Auto stocks have increased across the board. In the first quarter also, we've seen stocking increase. Some of our customers are asking for additional space in those yards where we must keep the auto stock, but this could also be a pre festival where some stocks will start moving certain customers, and their products are moving well. We've been able to see good traction, and growth margins are maintained at the same level as previously. The Seaways business did much better than we expected.

The freight rates have firmed up a little bit. Typically, some ships tend to move away from this sector if there is high, if prices are higher in different areas, different countries, it has not been directly correlated, but we are seeing some correlation. There were some ships have moved away and hence it creates a supply issue and prices firm up, but we don't see a direct correlation with any increase in international freight rates and, the domestic freight rates, fuel prices have gone up, in over last year if you see the last year but it has moderated a little bit, over the end of the year.

This also has an impact on the prices that we get for our containers. We the fuel is about 25% of our operating cost in shipping. So, in this quarter, we also had two dry docks. In spite of that, we were able to achieve the numbers of the number of voyages that we typically have per quarter, and we believe that this now for the next nine months, the trend should remain positive as long as some of these rates are maintained. However, in the end of the year, financial year, we will have, we will have another dry, dry dock, which is in the last, last week of March. So, it will not really have much of an impact on the, on the margins. The, the margin structure at EBITDA level is, at about 40 odd percent and, an EBIT at about 30 percent, which is something that we think will, will again keep moderating a little bit but, I think about 30, 35% is an expected range from an EBITDA perspective.

We have ordered for the two ships that got canceled. We've gone to a new shipyard, and we finalized the order, which was placed last week. The board approved it in the meeting last week, this is an order for two 7300 deadweight ton each. Ships and both will be delivered in the year 2026, perhaps the start of the year, FY 27 and the order, value is about $38.8 million, slightly higher than what we had contracted in the previous contract but nevertheless still, still attractive for us in terms of the growth prospects by adding this capacity, we are in the lookout for a secondhand ship.

It is still not available; our expectation is under three or four months. There should be some moderation that might happen with the international freight rates and then, hopefully, some international ship prices will also come down. The joint ventures have done reasonably well with Concur 13.8% top line growth. Our cold chain business has grown by more than a third over the quarter. Profitability is a little stretched because we had, purchased new ship, new, sorry, new trucks last year and the depreciation interest is now, clawing into the results but, of course, the company remains EBITDA, positive and is Will in the next year or so this year, we expect it to be flattish, but next year onwards, it should start picking up.

Transystem has done, reasonably well. On a standalone basis, the top line has grown by about, about close to 11% similar on the console level, EBITDA growth at the PAT level. Sorry at the pad level we've grown about 26% this is because we've received, and, a dividend, higher dividend than last year from trans system. In the first quarter of last year, we received about 18, 19 crores of dividend. This year we received about 33 crores of dividend. So, this has had a positive impact on the PAT level, but that gets neutralized at the console level, which is at, so we are 10%, top line growth on the, I'm sorry, on the PAT level, on the console level, our EV EBITDA remains robust at 11.6, ROCE is about, again at about 29%.

RONW is about closer to 20%, nothing specifically has changed here. Our ratings remain the same, and there was no dividend payout in the first quarter. ESG goals are, remain strong. We are looking to we have been talking to a lot of our customers about moving towards green logistics more and more, and we are seeing good traction there. We have some interest from customers in LNG trucks as well.

So that is something interesting and otherwise, the, all the other metrics around ESG are looking good, just to highlight here, in we are in the, just go back please Ashish, we are in Olympic season, so just, the sports academy that we have, is, engaged in in nurturing and training players for national and international sports and at the national level, and at the regional level, the, the kids who are there have won close to 48 medals. So, this is our we're trying our best to see how we can train people for, at some stage from the rural area who can go up to, the Olympic level.

The CAPEX plan of 375 crores remains there. We have the 80 crores that we budgeted for the ship. The advance for the two vessels will be close to about that much. So that will get utilized and the rest of the rest of the purchases are on track. Thank you, happy to answer any questions.

Simran: Thank you, Sir, for the valuable insights. Ladies and gentlemen, we will now start the question and answers 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. So, the first question is from Mr. Alok Deora Sir, please go ahead.

Mr. Alok Deora: Yeah. Hi, am I audible?

Mr. Vineet Agarwal: Yes Alok, please go ahead.

Mr. Alok Deora: Yeah. So, congratulations on decent numbers in a challenging environment. So, the first question is on the ship purchase. I mean, then, if we look at the capacities very similar to what we were trying, you know, to build last time, and the cost is up by 15%. It's, I think it's earlier it was some 34 million, and now it is some 39 million. So, the, is there any change in the design or, and how would that impact the IRRs for the, from this particular investment any, any color on that?

Mr. Vineet Agarwal: Sure, Yeah Ashish, can you remove the presentation, please?

Mr. Ashish Tiwari: Yeah, sure.

Mr. Vineet Agarwal: Yeah. So yes, you're right what has happened is that it's become a seller's market. The access, the buying of ships, etc... So, shipyards are dictating prices, unfortunately and, so there has been a general increase that has happened, I guess because of that, secondly, the IRRs will get pushed back a year. So earlier we were projecting about six, seven years. Maybe it is seven, eight years again, they're taking it at a very, very conservative level. Conservative estimates so, but these are ships that are going to last 25 years plus. So, on that basis, these are, the value of these ships will keep increasing over time, as in, the replacement value is going to keep increasing. So, I think, you know, the business is robust. We've been in this business for the last 20 years. Sorry, it has been the last 40 years and hence we think that we should be able to manage this 15% increase in cost.

Mr. Alok Deora: Sure, and considering that we have done well in, one Q despite the dry docking in the, in the business, what is the growth now for FY 25, in the Seaways and for the overall business?

Mr. Vineet Agarwal: I would still keep the growth of the Seaways business at about 10%, not exceeding I was we had planned for about, flat, number, but I think, 10% maximum is what we're looking at because, we do expect things to moderate out, in the next few months also and, once that happens, the freight rates might, come down a little bit. We think that fuel will remain escalated. So again, that will have an impact, both on the positive side, on the revenue side, but also on the cost side. So that means that, flattish to 10% is what we think for the Seaways business. Overall business, our projections remain the same at 10 to 15% top line, bottom line.

Mr. Alok Deora: Sure, so just last question. So, the margins which we saw elevated, QOQ for Seaways, that that would also come down a little bit?

Mr. Vineet Agarwal: I think the margins will probably remain similar, with the, the net, it might be a 10% top line bottom line increase.

Mr. Alok Deora: Sure, sure. I'll come back in the queue in five minutes. Thank you so much, Sir.

Simran: Thank you, Sir, so the next question is from Mr. Pinaki Banerjee, Sir please go ahead.

Mr. Pinaki Banerjee: So, am I audible?

Mr. Vineet Agarwal: Yes.

Mr. Pinaki Banerjee: Yeah, good evening, Sir. Sir, actually, coming to your P/L statement, we find that there has been a decrease in the depreciation and amortization expense of about 6% at the, at the consolidated level and by 10.5% at the standalone level. So, can you please elaborate on this?

Mr. Vineet Agarwal: Yes, Ashish. So basically, on a consolidated level, that percentage increased because, other consolidated entities, they are asset light.

Mr. Pinaki Banerjee: Okay.

Mr. Ashish Tiwari: Yeah, while in the TCI, we have a supply chain and, the CVI, which is a bit of an asset heavy business as compared to the other entities.

Mr. Pinaki Banerjee: Okay. So, and then the next question is this, this model, you have reported double-digit growth, which is better than what we have reported in the previous quarters of last financial year and one of the primaries is the improvement in the Seaways business. So basically, going forward, what is your opinion on this and how much growth are you going to expect in FY25?

Mr. Vineet Agarwal: Well, Seaways is 12, 13% or 12 to 15% of our overall business, but the supply chain is a much larger percentage of our overall business and that has recorded an 11, 12% top line increase. So, we believe that the supply chain will continue to drive growth as well and a 6% increase in freight as well. So, so it’s all the businesses in some manner or the other, Seaways’ contribution is there but of course the overall contribution is much less.

Mr. Pinaki Banerjee: Okay, fine, Sir that's all from my end. Thanks, and all the best. Thank you.

Mr. Vineet Agarwal: Thank you.

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

Mr. Vikram Suryavanshi: Hello…

Mr. Vineet Agarwal: Can't hear you, Vikram.

Mr. Vikram Suryavanshi: I hope I am audible. Good evening, Sir.

Mr. Vineet Agarwal: Yeah, now we can,

Mr. Vikram Suryavanshi: Sir, am I audible now?

Mr. Vineet Agarwal: Yes.

Mr. Vikram Suryavanshi: Okay. Okay, Sir. So basically, what would be the TEU capacity of this ship?

Mr. Vineet Agarwal: 7300 tons each.

Mr. Vikram Suryavanshi: But the DWT or it will be like, in terms of how many TEUs or containers we can load at one point in,

Mr. Vineet Agarwal: DWT, I think it is about 600, TEUs

Mr. Ashish Tiwari: Yes, 450 to 500.

Mr. Vineet Agarwal: Okay 500 Approximately 500 TEUs.

Mr. Vikram Suryavanshi: Understood. Okay and in terms of trucks, you are talking about LNG trucks under ESG. So, the new trucks for supply chain business, what we are buying, are they also LNG trucks or how is outlook on this LNG truck opportunity for us in supply chain where we keep adding fleets?

Mr. Vineet Agarwal: No, the addition of fleet is a regular Ice vehicle. There are some customers who are talking to us about thinking about how to look at LNG vehicles. so, it is not, really, it's not something that is, that's a regular thing. It's just one of the things that some customers are talking about. So, it's an interesting development to see how the transition will happen. I think decarbonization is starting to creep up in all customers, discussions but it is anyways going to be a very, very small percentage because I think many customers are still going to look at it as a tick in the box rather than something that is a major transition for them. So. So, yeah. So, it's, just a very discussion phase is very, very preliminary.

Mr. Vikram Suryavanshi: And in the freight segment you highlighted, Sir, about, toll price or toll cost increasing, but it will be pass through for us or does it impact us?

Mr. Vineet Agarwal: Yeah, it is pass through, However, the pass through has not been recorded so carefully. I think in the last five, 4 or 5 years when I talk to our competitors also and generally people in the field, I think nobody has realized that it has crept up so fast and that almost every part of the country is now told. So, I think the, the understanding and the thesis hypothesis around this is being built as to how and where the compensation is coming from or not coming from, because all the formulas have been typically built on fuel price. Right? So where does this come in?

Apart from that, driver wages have also gone up quite a lot and we're seeing that across the country where because there's a shortage, we are seeing that driver wages are going up simultaneously you know, repair maintenance cost is high. BS6 vehicles. Anyways, the cost and acquisition cost of those are high. So overall cost structure is going through some kind of change, which will start reflecting on freight rates hopefully in the next few months. I think you're on mute, Vikram.

Mr. Vikram Suryavanshi: Yeah, I think I was not able to unmute myself. So, I thank you very much for that answer, Sir.

Mr. Vineet Agarwal: Thank you.

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

Mr. Krupa Shankar: Good evening and thank you for the opportunity. My first question was on the supply chain, business. We need you to highlight that there are specific segments in the automotive sector where you have seen a strong momentum with respect to stocking up on festive demand as such. But the outlook, you know, on specific sectors are like mid-single digit to at best, you know, high single digits, right. Sort of a growth. We did quite well in the first quarter. Just wanted to get a sense whether are there any specific subsectors in the automotive sector which is, growing, driving your growth momentum, which is much higher than the industry?

Mr. Vineet Agarwal: Some of the areas of growth are companies that are doing well on the EV side. Some I think we've seen some decent growth there. We've seen good growth on the component side because there are exports that are also continuing. We've seen some new customers are being added. We've acquired some additional market share from some customers. Apart from that, you're right that the growth might not be very high and I'm not sure if the stocking is happening because of the festival season or because.

Because they don't have any option of not stocking, because there is clearly demand is slightly weaker, but production continues at a certain pace. So maybe some of that is because of overproduction or whatever be the reason. I think some consumer demand is soft because of higher interest rates. But we do expect that some of these will start, hopefully some of with the if there is some, some level of discounting or some level of new product launches that might come up, we might see good growth, in the automotive side. But some areas will be a little flatter for sure.

Mr. Krupa Shankar: So, it's fair to assume that the, the pace at which industry is going to grow, we will mimic that number but apart from that, you will also the new business wins is going to drive further growth momentum is or across sectors perhaps so?

Mr. Vineet Agarwal: Well, you know, so, sector is growing at what, 5%?

Mr. Krupa Shankar: Roughly, yeah, a TAD bit more than that. Yeah.

Mr. Vineet Agarwal: So, we are growing more than that on the automotive side, because we have, probably, a 10% market share of the business of, of the automotive sector today. So, we can easily try to crawl some, claw back some claw some, share from our competitors as well as keep growing the new businesses that are coming in.

Mr. Krupa Shankar: Sorry, What I meant was, are you winning more business across, non-automotive like your chemicals and?

Mr. Vineet Agarwal: Oh, yes.

Mr. Krupa Shankar: That's something which I wanted to dwell further bore on.

Mr. Vineet Agarwal: Yeah.

Mr. Krupa Shankar: You know, what are the other sectors probably looking interesting to you now?

Mr. Vineet Agarwal: Oh, a lot of sectors, FMCG looks interesting. We've got some new contracts there also. We've got some additional contracts with apparel companies. We've got some quick commerce companies. We've got recently some chemical companies as well. We've got discussions with some other e-commerce, companies. So, all of those look very interesting. Some of them have already fructified and we'll see those, that impact in and we've seen some of that We'll continue to see that impact.

Mr. Krupa Shankar: Great, One More question, if I may, on the Seaways business, just wanted to get a sense that, it's a risky issue which is driving congestion across ports in most regions. Is it supportive, supporting the domestic, freight rates? Because in the past, also the bunker prices were going up and we were not able to pass it through effectively. So is it more of a, a transient thing wherein if as the issue eases up, you would see probably the freight rates soften up, in, in the next 3 to 6 months, sort of a window. Is that something which you think is a likelihood?

Mr. Vineet Agarwal: Yeah, I think, you know, there are so many factors here other than these 1 or 2 factors related to what ships might move out, bunker prices, of course, but I think we are at an at a good see. This quarter typically is a little lower also, as in the second quarter is because of monsoons. We get a little less voyage during monsoon season, but it should remain robust. This 5, 10%, you know, this range of freight rate should continue. If bunker prices increase often, we might see some fall in the freight rates, but otherwise I think it should remain.

Mr. Krupa Shankar: Okay. Thank you and best wishes.

Mr. Vineet Agarwal: Thank you.

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

Mr. Divyansh Gupta: Hey, Vineet, am I audible?

Mr. Vineet Agarwal: Yes.

Mr. Divyansh Gupta: Yeah. Hey, just, on the previous participants question, when you said that you are interacting, let's say, with the quick commerce guys, right? For, let's say, business opportunity so is it the last mile or is it more the mid mile logistics because last mile is not something that, let's say TCI has done, so what is the kind of engagements?

Mr. Vineet Agarwal: No, that's not our business segment we do warehousing and, basically warehousing from, the inventory management, warehousing, order processing and then sending those orders to, the hubs that they have, they have created nodes for quick commerce….

Mr. Divyansh Gupta: Mother warehouse to the last mile warehouses that they manage.

Mr. Vineet Agarwal: Yeah. So probably middle mile, I think.

Mr. Divyansh Gupta: Got it, understood.

Mr. Vineet Agarwal: Middle mile but the bulk of the revenues will be warehousing.

Mr. Divyansh Gupta: Understood, understood, one More question that on the toll, that you had mentioned that the cost is now from five is now become 20, or it is at least now being computed that it is 20, right. So, and you mentioned that there is some formula that are being worked out, but has this been already raised to clients and that the cost are going to go up, and has there been any movement on that or right now it's just, more a study phase that let's first figure out what the cost pass through, cost increases are and then initiate discussions ?

Mr. Vineet Agarwal: It's both I think some sensitization has started already, but mostly it is theoretical, it's not theoretical, sorry, it's just building the case around it. We are also working closely with some institutions to do studies on, more, more, more data, which is, on ground data to prove these points, so then we will have a much better framework to talk to our customers.

Mr. Divyansh Gupta: and to and to the customers with whom, let's say we have sensitized or are in discussions. What has been their response, as in, given the whole, way the costs have gone up for the whole industry, are they receptive to an increase or there is a pushback?

Mr. Vineet Agarwal: Well, I think acceptance of any cost increase is not, nobody cares, nobody wants it But, I think somewhere or the other it will get pushed through hopefully. But it must be an industry collective, ask versus just an individual company that has asking, so case the case is being built up, it takes its own time.

Mr. Divyansh Gupta: Got it, then some down the line is my guess, Understood. And just the last thing on the subsidiaries or the JVs? Earlier we used to mention the PAT number, I understand, in the opening commentary, you had mentioned that they are EBITDA positive, but is it possible to share the PAT for all the three JVs or the subsidiaries?

Mr. Vineet Agarwal: I think we can share what is there, what is available. Ashish will share that

Mr. Divyansh Gupta: got it, yeah. That's it.

Mr. Ashish Tiwari: We, so we also have to kind of, get some, some NOCs from the joint venture partners because whatever the numbers which are available as per statutory requirement, those are there. But, to publish in a public, that portal, our website probably that may not be possible, but yes, on the case-to-case basis, I can help you out.

Mr. Divyansh Gupta: Got it, I'll reach out to you, Ashish, for it, Yeah, that's all from my side. Thank you and all the best.

Simran: Thank you, Sir, the next question is from Mr. Prateek Kothari. Sir, please go ahead.

Mr. Prateek Kothari: Yes, Hi, Good afternoon. So, one question on the freight side for the I think, past few quarters, we have mentioned that there was some, challenges with the quality of customers that we were getting, either in terms of working capital or, the industry in general were taking orders at some marginal margins. Any change in trend? I mean, how are we placed there? How are we seeing the situation there?

Mr. Vineet Agarwal: That is an ongoing exercise, I think, It's not it's not a onetime thing. But it is continuously churning through the, the data of customers and looking at the profit profile and the long-term profile and then we take a call. But as I mentioned, MSME is still a little weak. So, it's the trickledown effect of you see what happens when government spending during the, during the elections slowed down a bit, Payment was not going through, so it was not going to the larger corporates, which was not going to the MSMEs subsequently, so that has had an impact. We believe on the MSME side and hence there is a little bit of a weakness there, hopefully that should happen, In the next, it should start picking up. See, MSME development is very critical to the growth of the country. I think we all know that, but we don't really think about it so specifically all the time when we look at, all the, PLI schemes and the phones that are being manufactured by the various companies, I believe almost 80, 90%, of the components are imported out of that.

So, somebody told me that, well, there's a there was a lady who was an apple who was used to make phones in Apple. She used to assemble the phones at a company in Apple and she realized there's a very big dearth of components being manufactured. So, she started a component manufacturing company, and it's a $32 billion company now. So, like this the impact of, on MSMEs to really start thinking about the next level of growth and getting that support from the government and from industry is very, very critical too, to the growth of the overall industry. It’s the depth of industry that is very important, not just the breadth which comes from international supplies.

Mr. Prateek Kothari: And our strength also has been to gain share from the unorganized or the other players. So, one point which I have highlighted just to capture this LTL market is we have been increasing our outreach in terms of the number of offices that we have or number of people that we are reaching out to. What else would it take for us to go from this 36 to 40, The medium-term target that we have. What else can we do?

Mr. Vineet Agarwal: See, I think, feet on the street and, opening branch network is clearly something, which is imperative, and which is something that we are going to keep doing.

And the orientation to get to new types of customers is also increasing, so all of that is, is ongoing. I think, it's, it's a matter of time when things start reversing.

Mr. Prateek Kothari: Right, sure. Thank you and all the best, Sir.

Mr. Vineet Agarwal: Thank you, thank you.

Simran: Thank you, Sir, so the next question is from Mr. Jainam Shah. Sir, please go ahead.

Mr. Jainam Shah: Yeah, Hi. Am I audible?

Mr. Vineet Agarwal: Yes.

Mr. Jainam Shah: Yeah, Hi Good evening. So, my question relates to something on the long-term part. So, so we have, guided for 10 to 15% growth last year we have achieved that. We are guiding the same kind of growth for this year and the first quarter has been in, largely in the same line. We have recently ordered two ships as well. We are also in discussion about secondhand ships. Our balance sheet strength is also there having 140 crores of debt for 40 crore of cash net 300 crore of cash, and we are almost doing 1000 plus crore, 1000 plus year of revenue every quarter.

So, by any point in time have we reached to a particular breakout point wherein we are having end to end supply chain, having almost, exposure to all the segments and where we can have a very high level of growth as compared to competitors who are either challenged with the top line growth or either with the margins or the bottom line, so all the levers are in place. So, what kind of growth do we expect from a 3 to 5 years perspective from your side?

Mr. Vineet Agarwal: The challenge is always to have quality growth. Seeing all these things that we've done, what you mentioned, and you have highlighted is not possible if you do not look at quality growth. Quality growth comes sometimes at a cost, which is of, top line growth, perhaps and not really. And, so, so those are some, those are things that we tend to balance, we try to keep looking out, look out for all the new areas that are there. You might have also read that we have, the board has also approved the subsidization of our chemical and logistics business. So that will be put into a new entity as a wholly owned subsidiary. And then we look to seek an international partner, if possible, in the next few months or year. So that we can capitalize on the growth that's coming from this segment.

Again, we will be very uniquely positioned there as well. Look at all look at all our joint ventures, you know, with the Trans system joint venture with a Japanese company handling logistics for Japanese companies. The rail logistics with Concor. Again, a unique position, with Concor being the largest company in this space. The cold chain venture, where we are again looking at high value added, kind of clients and then the chemical logistics, where hopefully we'll be looking at a cross border chemical movement specifically because the China Plus One strategy is entailing a lot of international companies to establish in India, as well as Indian companies to go overseas as well.

So that will also help that, ultimately that, entity. So, these are looking at high growth areas, looking at how we can, push those, growth areas so that we are able to maintain quality growth, which means at some point we are also removing some businesses on a continuous basis and, or, dropping off some, some, customers that are there. So, so yes, I would probably put a 10 to 15% CAGR for the next four years on the business, for sure.

Mr. Jainam Shah: Got it Sir, So that's it from my side. Thank you so much, Sir.

Mr. Vineet Agarwal: Thank you.

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

Mr. Vikas Khatri: Good evening. First Congratulations on the excellent results. So, have you said that toll driver wages, repair and maintenance have gone up? It is having a direct impact on the TCI freight business. In the freight business, we have grown by 5.9% YOY. What's the average realization? Growth. Whether it's hybrid of per and km for FTL or per kg yield in PTL, so blended what's the realization gain?

Mr. Vineet Agarwal: So, we don't share specific numbers, but, on the overall side, it's flat, as you can see. There's no bottom-line growth, compared to last year, even though we've had top line growth. So, which means that it has not translated into, necessary profit on a per revenue increase.

Mr. Vikas Khatri: Okay and second question is related to cold chain. What's our fleet size as you told we have added it. So, I hope most of these will be multi-axle or heavy-duty vehicles. What's the fleet size? Current fleet size?

Mr. Vineet Agarwal: About 175 trucks.

Mr. Vikas Khatri: Okay, Thank you Sir.

Mr. Vineet Agarwal: Thank you.

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

Mr. Ronald Siyoni: Yeah, Good afternoon, Sir. And congratulations on the good numbers. Sir, on the capacity expansion plans, you highlighted the 375 crores would be allocated for FY 25, so balance for ship would be around, you know, 280 odd crores. So, FY 26 Capex, you know, how does it look? Because you would be also expanding on other segments also in terms of freight and trucks and everything. So, what kind of Capex guidance is there for FY 26 at least?

Mr. Vineet Agarwal: I would think that we would look at, about a thousand, 1100 crore kind of Capex for the next four years. So, you know, there'll be some years which will be more some years will be less. And the new ship order means that it's not that the entire money is going to go in one year, but in the next three years, the financial years, it will go away. So, it'll get distributed. I would think, same if we achieve three 5375 this year, then another, 300 ish, next year and, going forward similar.

Mr. Ronald Siyoni: Okay and last question, Sir, on the business side, you had also previously mentioned that some of the express players also, you know, have been venturing into the freight business. So, is this pressure, you know, has increased during Q1 or you have seen some easing of pressures from these players?

Mr. Vineet Agarwal: No, I think this is ongoing. These are not things that disappear overnight. You know, companies are moving in some direction, but it is ongoing. So, there's no easing that happens with competitors. We don't feel at ease with our competitors, so I don't expect them to ease also. So, it's ongoing.

Mr. Ronald Siyoni: Okay, Thank you very much, Sir.

Mr. Vineet Agarwal: Thank you and best of luck.

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

Mr. Anshul Agarwal: Hi, Thank you for the opportunity. One Question on the, LTL or the freight business. On one hand, we have data points, like, you know, toll rates are rising. This would be for industry. Because of this, do we foresee a shift from unorganized to organized sector and or unorganized to organized players happening, in the freight industry? Well, could you help us with some data points or some early indicators? You know, to see whether the, this shift is happening or not?

Mr. Vineet Agarwal: Formalization of, industry in India is an ongoing process. I think we are seeing that with GST coming in. We are seeing that with E-waybill. And we are also seeing that in almost all areas and businesses. Digital payments are a big, big form of formalization. So, I think this will also continue to happen in the logistics space. The movement from organized to unorganized, unorganized to organized, will continue. What will change, what I mean, will toll is be one of the drivers to it, not necessarily.

It is, all the other factors and toll as well, because you must manage your cost structure better, smaller players continue to do it. See, I sometimes think of moving in the logistics transport sector from unorganized to organized means there will be many, many larger companies. I don't think that's going to be so easily visible. There'll be fewer, there'll be more larger companies but not everyone will become a large company. The smaller guys will continue to remain even, for example, in very developed markets in the Europe and US also, we have very large fleet operators, but the bulk, there's a very, very large group of people who are single operators or people with a smaller number of trucks. So those will continue to remain as well is, it's not a structure that is going to change overnight even with the, with some of these factors. So, yeah, So I think for the next 10, 15 years, formalization will keep increasing. Organized logistics will keep increasing. Not necessarily that smaller companies or entities will disappear.

Mr. Anshul Agarwal: Got it, So, if I understand you correctly, competitive intensity will not reduce despite shift from unorganized to organized, then how or when can freight rates shore up? Is it only linked to fuel prices? If fuel prices increase, then only freight rates could shore up. When do we see that?

Mr. Vineet Agarwal: So competitive pressure will not ease, for sure. The, that will continue to remain, I think, in industry, prices of freight, ten will move up not just because of, the fuel prices as well as, you know, the other input costs, but also the quality of work that starts happening today If you start increasing the number of containerized trucks or trucks, which have more, there's more value add in that. Then you will see clearly

movement towards higher freight rates. But I do expect the general cost structure to keep moving up much more rapidly. Driver shortage is something that's very visible. And that would mean that it would lead to much higher costs' structures, than just fuel. So, fuel can start falling from the 40, 50%, 50% odd as operating costs today are too low numbers. So, I think the answer is not just fuel, but a lot of other factors that is now is more and more visible.

Mr. Anshul Agarwal: Got it, just one last question. We are seeing similar wage hike issues in the supply chain business, in the warehousing business as well.

Mr. Vineet Agarwal: Manpower costs are going up for sure. Manpower availability and the quality of manpower is extremely weak. And when there is, schemes like MGNREGA, etc. and other schemes which are more, driving employment, keeping employment at the local level means that migration is less and hence, availability of people at warehouses or where even availability of people for deliveries etc. tends to come down. So, I do believe there is going to be a continuous shortage there of people and challenges in terms of, manpower management. But qualitatively productivity has to improve, which means that some level of automation also has to come at warehouse level so that that will drive productivity.

Mr. Anshul Agarwal: So, a quick follow up on this. So, margin levers or margin protection levers in warehousing or supply chains would be more robust versus pure transportation business. Can I make that assumption.

Mr. Vineet Agarwal: No, not necessarily. You see, even in the pure transportation businesses the value addition that drives profitability, right. So, it depends upon which company is doing what. There are lots of our competitors who just do plain vanilla transportation A to B and earn ₹5,000 on every truck. There are no barriers to entry there, right, so that is still will continue. But again, if you can do value add, provide customers with a holistic solution, both FTL and LTL like we are trying build a control tower sector. You will tend to move higher on the higher value end of the freight business as well and that is an endeavor, so both places the cost levers keep moving. We must keep moving up faster.

Mr. Anshul Agarwal: Many thanks Vineet Ji for your answers.

Mr. Vineet Agarwal: Thank you.

Mr. Ashish Tiwari: Thank you.

Simran: Thank you, Sir. We now have Mr. Krupa Shankar back with us, so please go ahead.

Mr. Krupa Shankar: Thank you for the follow up. One Question on, depreciation. Then, the Seaways, I just noted that the Seaways depreciation has come off on a basis. Any specific reason why this should be the case?

Mr. Ashish Tiwari: Yeah, So, there is one ship, which is now fully depreciated last year. So, the impact, which is yours, you're noticing in the Q2Q is because of that only.

Mr. Krupa Shankar: Okay, that would be the trend going ahead as well. Is it how we should

Mr. Ashish Tiwari: this year all year.

Mr. Krupa Shankar: Okay, that's all from my side, Thank you.

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

Mr. Alok Deora: Yeah, Thanks for the opportunity again, just to one follow up. So, you know, the fans of LTL and FTL have largely remained the same. If we look at, last many quarters and we have been trying to increase the share of LTL. So just wanted to understand what is, you know, why this change is not happening, you know, we have been seeing quarter by quarter this mix is largely the same. And, you know, your margins could be very different if LTL was to be, say, 70% out of the freight mix. So just some insights on that, please.

Mr. Vineet Agarwal: Right, well, 70% is not the Desirable value, but 5050 is a good, Desirable value. But our target for FY 26 is at 40%. And so, you know, I shared a few reasons. Firstly, MSME growth has been weak, I think that has had an impact on this business. Secondly, we've seen some price competitiveness with express companies, that have moved into this space, as well and, generally also it's, it's, you know, last year has been a little weaker on this front, but, but our, our, our plans or strategic plans, remain robust, opening new branches, more, more sales teams and, very interesting new things that we're trying to do even with digitization, which, is under test right now in places. But let's see, those are things hopefully should help us start clawing back some share.

Mr. Alok Deora: Sure, just one last question. So, as you just mentioned that express companies are also, you know, taking away some bit of this, so we are also taking away some shares from the express guys. I mean, are we providing any sort of, very selected service where, you know, some kind of express business we can also get or not really.

Mr. Vineet Agarwal: No, that's very difficult. You know, see, the value prop for express is very different from the value proposition that we have, So, really speaking, it's not a direct line of competition.

Mr. Alok Deora: Sure, okay. I think that's all from my side, Thank you, And all the best.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, Sir, the next question is from Miss Pallavi Deshpande. Ma'am, please go ahead.

Miss Pallavi Deshpande: Just wanted to understand, how do we see.

Mr. Vineet Agarwal: Yeah, You're not audible.

Miss Pallavi Deshpande: Is this better?

Mr. Vineet Agarwal: Not really.

Miss Pallavi Deshpande: Just wanted to understand.

Mr. Vineet Agarwal: Can't hear you, I'm sorry.

Miss Pallavi Deshpande: Hello?

Mr. Vineet Agarwal: Yeah, better.

Miss Pallavi Deshpande: Yeah, So I just wanted to understand, you know, how do we see the asset terms for the supply chain solution business, you know, five years down the line, how would it look? Would investments be made on the tech side, and it improves?

Mr. Vineet Agarwal: It's not a tech business, It's a more hardcore business. So really speaking, there will be continuous, amount, continuous level of Capex that will happen. So, some will be replacement of trucks, some will be addition additions of garage equipment based on contracts that we received the capacity in terms of number of trucks is almost the same, about 1000 ,1100, 1200, but it is just the replenishment that replacement will that that will start will keep happening. So, I would think about, 75 to 100 crore Capex on supply chain year on year will continue. You're on mute.

Miss Pallavi Deshpande: Yeah, Second Was on this, you know, what is the kind of asset terms we see for these, new ships? Because of, you know, maybe faster, watch time because then you are etc.

Mr. Vineet Agarwal: IRR is about six seven years. So that's the kind of, All right.

Miss Pallavi Deshpande: Yeah, And, lastly, would there be any, one off, income, in the JV Mitsui JV in FY 24, was there any one off or any dividend or any special.

Mr. Vineet Agarwal: No, it was not one off, it is just the business growth was good and hence our dividend payout was good. Hopefully, with the contracts that they have, that should continue.

Miss Pallavi Deshpande: Right, And, in terms of dry docking, in terms of deadweight tonnage, is it evenly spread, between the years, you know, because, you had completed FY 25 and FY 24. So, are we doing FY 26 this year?

Mr. Vineet Agarwal: So dry dock happens as per the rules, and which is I think every 30 months you must do a dry dock of a ship. So, whenever that comes due, from a technical perspective, we undertake the dry dock. So, the next dry dock for one of the ships is going to be or in this fiscal is going to be end of the financial year, closer to the last week of the financial year, which will take about 30 days for it to happen right now.

Miss Pallavi Deshpande: So, since your capacity is concentrated in two ships there, you know, and, and, and express the world that cause a lot of volatility in your revenues?

Mr. Vineet Agarwal: Sometimes it does, but not too much, we move ships around. It's not that they are fixed routes. Now we can move them from one sector to the other also.

Miss Pallavi Deshpande: Right, and lastly in terms of this vengeance, vengeance the trans-shipment, what does that, you know, increase of the coastal shipping of Pi or you know, how does that, you know, play into the whole, sector

Mr. Vineet Agarwal: (unclear 01:00:48) is more, meant for trans-shipment cargo, I think, international, transshipment cargo that's coming in, to the country. And also, that it becomes a hub for feeding into the country, so we don't have any specific plans to operate from that, port, yet. As and when any opportunities come up, we'll consider it.

Miss Pallavi Deshpande: Thank you so much.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, Ma'am, we now have Mr. Divyansh Gupta rejoining us with his question.

Mr. Divyansh Gupta: Hey, Vineet and Mr. Ashish, just one question, so with respect to, the ships that we have, right, so we have six ships, I think in in the earlier presentations we had mentioned that two operate on the western side and four operate on the eastern side. And we had also mentioned that the western side has a better realization compared to the eastern side. So, the questions are two, is there anything which limits a particular ship to operate on, let's say western or eastern and, and then why not operate more on the western side to get better realizations? And if there are certain, let's say, characteristics of the ship which do not allow the two new ships that we are, we have ordered, will they be fungible across both the coast and not? I just basically trying to see what the realizations per ship or deadweight tonnage will are going to go up by operating more on the western coast of the country.

Mr. Vineet Agarwal: See, we balance this, so it's not necessary that it is always that one sector is going to do better than the other. When we see that there is a movement on one sector be getting better or better rates, we can move these vessels around, not a problem at all. And similarly, when the new vessels come two years hence, we will see where they can be deployed best. But most likely we feel that on the East Coast itself, there will be a lot of opportunities, including going to neighboring countries. So, there is no there's no specific answer for this, I think it's more based on business needs and strategic needs at that point in time.

Mr. Divyansh Gupta: Got it, so basically, they are fungible. And then as the market drives, we will move ships.

Mr. Vineet Agarwal, Managing Director: That's right, Exactly, yeah.

Mr. Divyansh Gupta: Got it, Understood, Yeah, that's it, Thank you.

Mr. Vineet Agarwal, Managing Director: Thank you.

Simran: Thank you, Sir. The last question we have regarding Mr. Abhijit Mitra. So please go ahead.

Mr. Abhijit Mitra: Yeah, Thanks for taking my question, I hope I am audible. Just to, you know, you know, go a bit deeper on the SQL side or supply chain side, so each year you are adding around 1,000,000ft² of area under management is what I can see. And, and, and there has been a substantial jump in, you know, revenue per square foot per month between, say, 22 and 23 and then, you know, followed it up with 24. So just to understand a bit more as to what kind of additional area, you know, or you plan to add over the next few years. And, you know, what is the nature of this increase in terms of revenue per square foot per month, and how far can it be increased from here?

Mr. Vineet Agarwal: I'm not sure where you're getting the revenue per month increase, from any of the data that we have that we share.

Mr. Abhijit Mitra: No, I'm just dividing your supply chain solutions division revenue with them.

Mr. Vineet Agarwal: No, it's not., No that's not the way. Because 80% of our 75% of our business is automotive logistics in there, which is not warehousing. And there is a there's a certain percentage of business that we do as warehousing, but it cannot be directly divided by the revenues as well as the million square feet that we have. What I can tell you, broadly speaking, is that the addition of square footage is based on new contracts that we get, and the contracts are essentially where we make money on the services and not necessarily on the rental of the business. So, we try to gain maximum from as many services, as many services as we can provide. So yeah, so I think there is no specific correlation with the overall revenue increase with the increase in square footage.

Mr. Abhijit Mitra: Got it, so in terms of, you know, directional revenue, I mean, you know, it's services plus square footage. So, so, you know, in terms of square footage, is there any plan as to sort of how much you plan to add over the next couple of years? And in terms of services, also, is there a sort of thought process as to where it can move in the next couple of years?

Mr. Vineet Agarwal: Capacity addition happens based on contracts with customers mostly. We don't build warehouses on speculation, so really speaking, it's, we don't have we don't build many warehouses. Mostly they are rented or leased and so as we get contracts, we do that. And on the value addition is essentially on contracts where we're working, let's say if it's a, retailer, which is an apparel retailer, they might want to do not just the, the pick pack and, invoice to send to their stores, but they might say, look, why don't you do an individual pack which is being sent for e-commerce operations, So the more value addition that you do, the better, realization that we get, So it depends on contract to contract.

Mr. Abhijit Mitra: Got it, got it. Thanks, That's all from my side.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, so we have Miss Pallavi rejoining us again with a with her question.

Miss Pallavi Deshpande: Yes, just, wanted to understand on this, previous question itself, the trains that we operate, you know, that's gone up 50% last year Does that also, you know, is that one reason that can explain this higher, growth in the this and is the DFC also going to aid the growth of this supply chain solutions business?

Mr. Vineet Agarwal: No, DFC is an element that will help in overall logistics for the country and certainly our businesses that we have both on the ground car side as well as the rail logistics that we provide in the supply chain business, it does help. We don't we have not seen a lot of shifts towards that, you know, that they have started to use. I know that the eastern DFC, they are using it for more for cold transportation, etc. There're some parts that have started there in the Western also. Container transportation has happened, so this should help the businesses in the long run. But the growth of supply chain business is a function of not just the increase in rail business, but the overall service that we provide, which is an end to end to clients, which could be picking up the first mile as well as the last mile also, So, so yeah. So that's the real business growth that comes in the supply chain.

Miss Pallavi Deshpande: Right, right and what would be the share of this commodity? I mean, like you said, that's coal there, that's moving. But any sense on, you know, what would be shared in our mix of our commodity in our road freight business?

Mr. Vineet Agarwal: Hardly, we hardly do commodities. We do more value added, businesses more FG right.

Miss Pallavi Deshpande: Right, Thank you so much.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, ma'am. We have the last question with Mr. Om Shri Sagar. Sir, please go ahead.

Mr. Om Shri Sagar: Thanks, just one question, you know, we do plan to attack the growth in share price. So, do we kind of try to stick to 30, 35%? I know, I mean, you can't put something over. I mean, but yeah, I mean, the annual report does try to, you know, project that.

Mr. Vineet Agarwal: No, no, that we are just talking about what's happened historically. We can't predict what's going to happen to the share price in the future. Right? You are mute.

Mr. Om Shri Sagar: Yeah, I could unmute myself. I get your point. Absolute you know, you it can't be predicted or predicted, but is that you know what internally, you know, a group tries to, you know, in the long run.

Mr. Vineet Agarwal: No, we are not working on trying to increase the share price. We are working on not increasing.

Mr. Om Shri Sagar: No, no, that's not the idea, what we increase. It is something as a, you know, add value and in turn look at the growth, you know, in the market capitalization overall.

Mr. Vineet Agarwal: We are trying to do our best in terms of the business with our right strategy, right growth metrics and building modes around business. It's up to the markets to decide whether we're doing a good job or not, and whether they want to reward us with it. So, we don't look at that. We look at building the business.

Mr. Om Shri Sagar: Right, Anyway, thanks. Thanks for that.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, Sir, as there are no further questions, I now hand over the floor to Mr. Ashish Tiwari for his closing comments.

Mr. Ashish Tiwari: Thank you, Simran, and thank you to all of you, for joining us today in this busy session. I hope that all, all the queries have been answered and you have got a fair idea about the company. In case you have any further queries, please write us back and we will help you. See you soon in next quarter Two, take care and thank you.

Mr. Vineet Agarwal: Thank you.