"Transport Corporation of India Limited Q3 Investor Conference Call FY 2025"

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MANAGEMENT:	**MR. VINEET AGARWAL–MANAGING DIRECTOR**
	MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER
MODERATOR:	**Ms. SIMRAN SHARMA – INVESTOR RELATIONS**

Ms. Simran: Ladies and gentlemen, we will begin with the session in a couple of minutes.

Ms. Simran: Good evening, ladies and gentlemen. I am Simran, the moderator, and I'd like to extend a warm welcome to everyone joining us for the TCIL Q3 and nine months FY 25 earnings conference call. On behalf of the management, we have with us, Mr. Vineet Agarwal Managing Director and Mr. Ashish Tiwari, Group CFO. All participants are in listen only mode. Please note that this call is being recorded. With that, I now invite Mr. Ashish Tiwari to begin with his opening remarks. Thank you and over to you, Sir.

Mr. Vineet Agarwal: Ashish, you're on mute.

Mr. Ashish Tiwari: Oh, sorry. Sorry about that. Thank you, Simran, for joining, for, for moderating this call. Good evening to all of you again. I hope that you would have got agenda copy, earning presentation as well. The same is also available on the website, and on the stock exchange. Before we begin this, earning call, I would like to make a disclaimer, that, some of the statements may be forward looking and eventually may not coincide with the actual performance. Now I am inviting Mr. Vineet Agarwal for his opening comments and earnings presentation. Over to you, Sir. Thank you.

Mr. Vineet Agarwal: Thank you. Ashish. As he puts up the presentation for the quarter. I'd like to we would like to report a good quarter for us in this quarter three. Unlike some of the gloom and doom that we've been hearing of the economy, some sectors are still doing relatively well. I think we should keep in cognizance that the economy is still growing. Of course, the services growth is higher than manufacturing code, but even at that pace of growth, there is some movement that is going to continue to happen.

We are being we are fortunate that we are looking at industries which are high growth and industries which are able to withstand even the GDP pressures, or the GDP fluctuations, so that we are able to deliver, performance. Some sectors are weak, as we know. MSME is still quite weak. Industrial activity is moderate, but there are some sectors that are coming off cycles, for example the chemical sector and so on. So we are looking at, from the full year perspective to maintain our guidance and to exceed some of that.

Also, I'll talk about it a little bit going forward. Ashish put it on a full slide. Yes, please. Thank you. The strength of the group of the company is well known. We have subsidized TCIL Chemlog as a new entity. And that entity will, is already operational, and we have started business in that. Go ahead please. I will not dwell much in some of these slides, which are essentially about the industry, how the growth drivers are still intact and continue to, help us in terms of our strategy. Which is essentially being a complete logistics, integrated, multimodal logistics provider. The range of services that we offer today, from road, rail, sea and, all the other services in between are and specific to many verticals is very, very unique.

We are confident that we've been able to build a distinctive moat around many of our businesses and across sectors and areas. We are providing customized solutions also and going forward. Next slide, this is I will just sorry. Just go-ahead Ashish. Yeah. So again, the multi-modal network is very strong. The rail movement in the last nine months has also increased by about 5% and so has the cargo. The TEUs handled has also increased. Then, these these are some of the capabilities that are quite unique where we are able to provide a complete, integrated solution.

Technology is at the forefront of what we're doing. Again, dashboards and control towers for our clients and customers is, something that we have created across the board, for all, for the, for the large customers as well as, multi-locational customers. We are present in all the new sectors, not just these that you see, but even things like renewables where we do a lot of work for, let's say solar manufacturers, solar plant companies, where they have plants that have come up now or they're importing the solar equipment and we pack them into containers and we take them by road, rail and sea to various destinations where we those terminals are also managed by us.

And then finally we are delivering it to the site as and when they are required. So this kind of integrated solution is again very unique for the in the country. And we are providing one of those. So going back to the case study is this is for warehousing, for a client, which is, looking at a very high volume and low throughput of certain spare parts. And, we have been able to design a solution where we've been able to add more space for them by going vertical. And you can see all this design, the CAD cam drawing and everything is designed in-house.

We have engineers and solution experts who work at this. They look at SKU wise movement and see how, what number of SKUs need a fast movement, what needs slower movement? And accordingly, we are able to bring in, the, specific, design so that we are able to use less space but also simultaneously increase productivity. We are happy to report that we have had 18 consecutive quarters of high growth of higher growth over the previous year and year.

This is, quite unique to our industry, and we've been able to deliver this because of our continuous, effort to keep diversifying into new areas and also keep looking at other areas that we can, drop off also, the growth momentum is maintained. I think we are resilient in terms of many sectors, many verticals, the customer base, etc. The company remains at, we have about 260, 70 crores of cash in about 100 odd crores of debt, so we still remain at the net borrowing remains zero.

Now I'll move to the freight business, next slide. The freight business. As you know, we have 25 hubs across the country. Control towers are operating for some of our customers. The growth here has been low. And, as I've been indicating also, we've been indicating that there is a definitive slowdown that impacts this business. Top line growth has been there in the quarter, but bottom line growth has not been there. That shift towards LTL business is, not moving as, as at that speed.

Branch opening has also stagnated a little bit because we are seeing that the MSME growth is still weak. We will look at this more carefully in quarters next financial year to see how we can recalibrate this better. But, with the new strategic planning that we've put in place, we are confident that we should be able to achieve the the 40% in the next financial year of LTL business. But generally, the business remains weak. On the back of MSME, growth has been weak.

On the supply chain side, the business remains robust. We have a very strong pipeline in place, for warehousing as well as for transportation. We have grown at 12, 13% for the quarter. And, EBIT growth is Growth is also though a little moderate, but still remains on the positive side. The CapEx has has increased. We've added new trucks in this as well as, increased manpower. There are several contracts that are right now, playing out and underway, which essentially means that there is, some bench strength that has been created and those will get, more monetized over the course of this quarter, quarter four as well as FY 26.

So that we are seeing a nice pipeline here in, warehousing as well. The Seaways business remains strong and, much to our delight, the business has contributed substantially, even with moderate top line growth. The bottom line improved significantly because of, fuel prices remaining stable or slightly lower. All our ships were under operational. So we were able to deliver the kind of margins, a little bit more than what we had expected, for quarter four also, we expect that to continue, as well.

On the joint venture side, our Concor business has grown well, about 37, 38%, in the nine months with, decent growth in profitability as well. Almost in line. Almost as much as the last financial year. We the cold chain business has grown about 20%. The margins are a little weaker here because, again, the CapEx that happened last year, some of that is getting monetized. So it will take a few more quarters for it to be on the positive side. But the but the negative is not, too much. It's just a very moderate 19 lakhs of, loss for the nine months.

It is cash positive, of course. Our system, the joint venture has grown about 20 odd percent Top line bottom line is also quite healthy. For the full quarter nine months. If you see the growth has been about 10.8% at the standalone level and about 12% on the console level, because this includes the, the Concor joint venture turnover as well. Similarly, the bottom line, at the Pat level has gone up by 25%. We've also include, some, some the dividend that we've received from our joint venture companies that came into the pat figure.

But of course, that had to be subtracted from the share of profits in the consolidated numbers. So that's why the consolidated numbers is slightly lower than the, pat numbers for the standalone. The financial numbers indicators are all looking, positive EV EBITDA 15 times. And we've been delivering a 20% CAGR on the, on the Pat as well. All ROCE numbers are also positive, at 25, it's 27%. No specific change here. We, the board took a decision to really, give a second, higher, second interim dividend to really not give a final dividend.

But of course, that is left to be seen at the end of the year. But, this is, essentially looking at, a total 400% as a total dividend for the full year at this point in time. But let's see what the board decides in the quarter four meeting. ESG goals from a environment perspective we started looking at, electric trucks. We've added a few electric trucks to our fleet, which will come in soon. Some, LNG trucks are also have been acquired. And we have, of course, several CNG trucks that are already operating.

The CapEx for the full year, was 375 crores. We've done about 200 odd crores. We think we should end between 250 and 275 crores in this financial year. The miss has, of course, been a little bit on the hub centre where we've not been able to, increase the land purchases that we had planned as rapidly, as rapidly, on the shipping side, the, the 80 crores was the planned, advance payment for the ship for which we've already done the first payment of 65 odd crores.

Some of these trucks will get added on, so I think we'll get to that. We'll miss a few numbers, but we'll get to about 250 ish plus crores of the, of CapEx. The trends remain favorable. The, top line growth, we've maintaining at 10 to 15% from a guidance for the full year. And for the bottom line, we're already exceeding this number. So, yes, we would recalibrate that to the extent of 20%, top bottom line growth. But we're happy to answer any questions. Thank you.

Ms. Simran: Thank you, Sir, for your valuable insights. Ladies and gentlemen, we will now begin the question-and-answer session. If you have any questions, please use the Raise Hand feature. When called on, kindly start by your name and organization before asking your question. Our first question is from Mr. Alok. Deora. Sir, please go ahead.

Mr. Alok Deora: Yeah. Hi. Good evening and congratulations on the great set of numbers. So first question is so on the FRT division, you know, the margins, if we see there has been coming down, in fact, it's at multi-year low. So how do we see that, Because even growth is pretty subdued and so is the margin performance. Any any reversal expected anytime soon or how do we see that segment now for us, because the share of LTL is not increasing and it seems to be a problem for the industry as a whole. So if you could just, indicate on the freight division what's happening there, and how do we see it going ahead?

Mr. Vineet Agarwal: Certainly, if you see the quarter three growth has been about almost 9%. As well as for the full year, it has for the first nine months has only been 7%. Now, the which means that quarter one and two were, of course, very weak. Quarter three, the Pull back the I mean the pull back has happened as well as quarter four. We should see that also. So that will start reflecting on the margins. Also some volume growth definitely helps simultaneously notwithstanding, we know that there are certain sectors in the economy that are quite still weak.

Even some industrials are weak, as well as certain consumption, whether it is paints or whether it is plywood or some electrical equipment and so on, that's also pretty weak. So, it would play out for the next two quarters at least. The barring quarter four should be decent and then quarter one and two of the next financial year should be slightly on the weaker side, but it should start picking up because of the, expected good festival season in next financial year. So we are quite positive. And I think, the numbers are, yes, on the weaker side, but looking up positively from the top line perspective and which will, hopefully start reflecting on the bottom line as well.

Mr. Alok Deora: Sure, and, on the seaways, I mean, you know, quarter by quarter, it continues to surprise as far as margins are concerned. So, just some color on that. And also, any update on the secondhand ship, which we were scouting since some time now? Because the freight rates have also started to come off then, you know, from what it was maybe a couple of months back. So any any, even are we even any discussions with, prospects, regarding the purchase of the second hand ship? And if not, then what do you see how the growth could pan out for the CVS for next year? Also, since you're already at three quarters down the line, if you can just provide overall revenue guidance for next year as well. That that's all from my side. Yeah.

Mr. Vineet Agarwal: Thank you. Ashish, can you put this on full slide, please? So the the second hand ship is, of course, a challenge. We just were evaluating very recently about one of the ships that we bought in 2000, 19, 18-19, and that same ship that we bought is now still available, a sister ship at three x the price. So the prices of second hand ships have not really come down, and it is still not making economic sense to really look at that yet, notwithstanding, we will look at it in the next financial year.

We are budgeting between 125 to 150 crores, next year, for this, which would be possibly looking at quarter, three, quarter, four of next financial year. Now, again, you know, mid of 2026 is when the two ships that we've already ordered in China should start coming in. So they will not have an impact on FY 26 unfortunately. But uh FY 27 we will see that impact. So right now we will sweat these assets as much as possible and, keep a lookout for, for the secondhand ship.

We also hoping with the with the possibility of some of these wars reducing the ship prices will come down. Plus, there is, of course, talk about a little bit of a global recession. So some, some of that might also depress, shipping, prices and new capacity additions, I think that is also coming about with the orders that were placed two, three years ago. So all of these factors would mean that, hopefully next quarter or sorry, quarter one to FY 26, we should see some, some prices coming down and we can acquire on the full year guidance for next financial year for the whole company.

Well, you know, we are budgeting about a 10 to 15%. I know this sounds, like a broken record and we keep saying it, but if you see, what we've been predicting, we've been, it's been on that line, with certain assumptions. But, but the idea here is that, consistency of growth is growth is important, which means that there are some businesses we let go very often. If the margins are not coming up and I've repeated that many times. So the top line should remain that bottom line should be also better on the perhaps on the higher range, higher teens.

Mr. Alok Deora: So that's that's all from my side. Thank you Sir 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. Thanks for the opportunity and congratulations on a good set of numbers. So starting with the freight division, of course, you highlighted that our top line growth has not been that great and which is eventually leading or hurting our margins. Just wanted to check, any kind of competitive pressure, letting, down our, you can say the realization or something to have a kind of growth and eventually our bottom line is not increasing or we or we are still holding the price or even increasing as required.

Mr. Vineet Agarwal: No, as in when required, we increase the pricing. There is, of course, competitive pressure. There has never been less pressure in that business ever. In the last 30 odd years that I've been working in the company. But, the price increases are only taken if the industry is quite strong. But, since the LTL business is mostly done with MSMEs, a lot of it is MSMEs. They are still on a weaker footing. So that has an impact on the overall, capacity for them to really use, services like ours. So they tend to go to more regional players or cheaper players, if they have movement. But but I think, I mentioned this last time also there is some pressure from express companies, but again, we're not seeing it that much. It comes on and off from capacity perspective. But but yes, competitive pressure remains.

Mr. Jainam Shah: On the seaways side, if you can provide the data, like out of six ships, any ships would be going out of the operation after completing 30 years in next two, three years. So it is just capacity getting added in FY 27 would be like addition and there will not be any reduction, at least for next two three years from the existing ships.

Mr. Vineet Agarwal: So there will be reduction for sure. But but the thing is that there are some ships that, we believe that there is a discussion that is underway in the government where some of these ships can perhaps get extended. There was some the bill that the rule that came out might be reviewed again, is what we are hearing. So it is still tentative, but we have planned that. Yes, If the if those ships do go away, we will lose a little bit business, but hopefully we can serve, substitute it with the second hand ship, planned for FY 26 and then the new ships in FY 27. We might even consider buying more new ships. So that can also be part of the agenda to, explore, larger vessels of, new build, which would come in FY 28 or something like that. So, we're keeping all our options open.

Mr. Jainam Shah: Got it, got it. Sir, just one thing from the supply chain solution segment, as you have been quite confident on the pipeline from the warehousing and transportation part, just wanted to check what could be the, realistic growth that we can do is the, the growth that we have done over the last 7 or 8 quarters. Is it the same thing that we can expect for the next few quarters or years? The pipeline is that strong. And of course, we have done good amount of CapEx over there as well.

Mr. Vineet Agarwal: Yes. We do expect that to, remain consistent for that 10 to 15% growth in, supply chain on quarter on quarter, is what we expecting.

Mr. Jainam Shah: Got it. So just last one thing from my side, I've been reviewing the, financials of the system as well. And I believe largely the supply chain segment of ours and the transition would be doing would be largely similar of course, the client base would base would be different in that particular financials, I was viewing the

EBITDA margin and EBIT margin quite higher than what we are reporting in the TCI. So is it the pricing power that transistor is having because of the client, or is there something that we can also catch up with to get margin going forward?

Mr. Vineet Agarwal: No, I think it's not competitive the business because the business is mostly with 1 or 2 client or rather very few clients there. Specifically automotive logistics, whereas we whereas in supply chain solutions, we are doing a lot of warehousing, as well as multi verticals, multiple verticals, not just the four Wheeler segment, but also two Wheeler earthmoving equipment, tractors, etc.. So certainly it, it's a little bit more different. So I think very difficult to compare.

Mr. Jainam Shah: Okay. But the EBIT has been in the double digit in that particular company, whereas we are having 6% on an average. Of course, this has been the trend for the years, but we are not expecting any EBIT margin growth in that segment. Is this correct? Maybe 50 basis points or something could be there, but nothing large at all.

Mr. Vineet Agarwal: That's right. Yeah, that's right. Because there is also an investment phase in that business, which is essentially trying to ensure that we have enough capacity that gets created for the new contracts that are coming in, and some capacity gets created over the course of the next few months, which, sorry, the contracts have started, but that, the, the monetization of those contracts are not there completely.

Mr. Jainam Shah: So that's it from my side. And thank you so much, Sir. And all the best for the next time.

Ms. Simran: Thank you Sir. So the next question is from Mr. Amit Dikshit. So please go ahead.

Mr. Amit Dixit: Yeah. Hi. Good evening everyone and thanks for the opportunity. First of all, congratulations for a good set of numbers a couple of questions from my side. If I see, the performance of Concor JB I mean, that has been growing from strength to strength in an otherwise very weak logistics market. So just wanted to understand the key drivers over there and how we see it going ahead.

Mr. Vineet Agarwal: Well, the Concor business that we have is essentially a business where we are using multi-modal logistics and we are getting clients that want both road and rail solutions, and that the first mile and the last mile is using road services and the the middle mile is clearly the rail services. So, there is also some conversion that happened with a few clients in the last few months that has helped the business. Some areas like growth, high growth areas like renewables, etc. are areas that we've also caught up. There we've seen growth and generally when we go to some clients and talk to them about, shifting from road to rail, I think that also helps. So overall, the business has been robust and we expect it to continue for the next few quarters.

Mr. Amit Dixit: Okay. The second one, again going back to freight division. So if I look at the performance, there has been revenue growth. However, you know margin has contracted and EBITDA growth is not there. In fact EBITDA decline is there. So is it a function of higher cost or, you know, the product mix between LTL and FTL in this quarter and have we hit the bottom as far as the margins are concerned for this division?

Mr. Vineet Agarwal: Yes, I would think so, I think the margin expansion, or rather continuation of retaining the same level has not happened because the growth in LTL business has been much weaker. And, we are we are diligently looking at increasing that. And, this year, we should not be able to increase it, unfortunately. However, we are we have recalibrated, and we've had strategic discussions around this to see how we can, increase this, going forward. So, I would think, yes, we are possibly at the bottom right now on this.

Mr. Amit Dixit: Okay, great. Thank you so much. And all the best. Thank you.

Mr. Vineet Agarwal: Thank you..

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

Mr. Vineet Agarwal: You're on mute, I think. We can't hear you.

Ms. Simran: We can take the question of Mr. Pinaki Banerjee. So please go ahead.

Mr. Pinaki Banerjee: Good evening, Sir. Okay, Sir. Sir, there are a couple of questions. So first, in the freight division, actually, you are just basically laid down that the there is a weakness in infra and capital goods sector. So basically, in an interview last month to Outlook Business, you stated that even though the government is spending much on infrastructure this election related issues, there is a slowdown in, there is a slowdown in spending. So do you think in the coming months, once the budget gets through and other things, the situation is going to improve?

Mr. Vineet Agarwal: I do believe so. I think, the government has realized and I'm sure the economy, we all realize, that there is an urgent need to keep up the government CapEx, government spending because that will ultimately trigger private CapEx as well. And the budget that the government had fixed for the infrastructure this year, they will not be able to complete it. So there will be some carry forward for in the upcoming budget as well as new targets as well.

So and we know that infrastructure spend has a triple, sort of a 3X4X kind of an impact on the economy and impacts about 1015 industries also. So I think any such increase or even the continuation of this expenditure will definitely help our sector. I mean, we have a direct impact. One is that the the warehouse, the locations that get set up, where the ports are being set up or highways are being set up. They all help us in ensuring that we have better connectivity, better speeds, intermodal movement is, seamless.

All that helps in whether there is infrastructure and then the other industries that get impacted. We are doing transportation for Transportation for them. So if a metro line is being built, we are doing transportation from the engineering side, from the electrical side, or metro coaches or equipment around that, so from a for a logistics sector, infrastructure growth is just fantastic. So, we do expect this is going to be very positive.

Mr. Pinaki Banerjee: Okay. Sir you are harping more on this renewable and chemical sector for your for the future growth opportunities. So please can you elaborate on this.

Mr. Vineet Agarwal: Well, this is one of the sector, one of the few sectors. We of course do work in many, many sectors. And I was telling you about high growth sectors, chemicals or these other areas that are coming up now. See, what's going to happen is there are if you look at 20 years ago, 25 years ago or 25, 30 years ago, there was no telecom industry. Now we have a massive telecom industry. Similarly, EMS as a as a business opportunity never existed a existed a few, a few years ago. Now that has become a big, business. Similarly, chemicals is a large industry, but is not formalized in terms of logistics. So we expect that to be a big industry also. So like this, there are shifts that are taking place in the Indian industry ecosystem, which would mean that organized players like us with a diversified portfolio, multi-modal portfolio, should get benefit.

Mr. Pinaki Banerjee: Okay. Okay. So that's all from my end. Thanks for all the best for the future. Thank you.

Ms. Simran: Thank you, Sir, we have Mr. Krupa Shankar back with us. Sir, please proceed with your question.

Mr. Krupa Shankar: Thank you. Thank you for the opportunity. A couple of questions. First, on the supply chain business. Just wanted to get a sense on, the pipeline. We did mention that, you know, there were a few contracts which will come on stream starting in from second half in the previous conference call. So just wanted to get some check around. What is picking traction? Which are the sectors you are seeing where contracts are growing or adding more value to our operations?

Mr. Vineet Agarwal: Well, we have, acquired several contracts in the quick commerce, in the FMCG sector, in the, e-commerce business, as well as in, automobile spare parts as well as, some, and there are several underway in the, in the consumer durables and other sectors as well, including some of the ones that are already named. So, yes, the traction remains is good. As I said in the last call, some of them have come on stream this quarter. And going forward, in order for we will see better results from some of those and some will be translated in the next few quarters, because it's not these contracts take a much, much longer time to mature and once you once we win the contracts also there's a typically a between 2 and 4 five month time for it to be implemented. Because these are very large contracts. It means mobilization of people, resources and so on. So there is a lag between even winning the contract and finally the revenues flowing through. But yes, pipeline is, robust.

Mr. Krupa Shankar: So why I was asking this is also related to the fact that, you know, pre FY 22, 21 or so, we had margins of close to about 10.5%. You know, given that these are segments, or these are end user industries where warehousing proportion will be relatively higher. Does it translate into a better margin profile for the segment as a whole over the medium term?

Mr. Vineet Agarwal: Well, our margin profile is still better than almost every competitor in this segment. If you see that, it is because we are quite selective in the type of work that we do with, some types of customers. There are some customers who just squeeze you, and there is a tendency and propensity for customers to squeeze right now, since corporate profits are not growing as much. So supply chains are getting squeezed as we speak. Supply chain costs. So where we are cautiously maintaining the right clientele so that we are able to maintain this profitable margin. So there will be some pressure plus minus, you know, this 100 basis point movement is there. But it's not dramatic. It's not that we've lost, you know, more numbers there compared to our competitors.

Mr. Krupa Shankar: Got it. Lastly, on the freight business, I wanted to get a sense, while I do understand the efforts are in full swing to improve LTL, proportion to 40% are taking a step back given if this is quite hypercompetitive and you're not able to pass the incremental costs to end customers because of specific challenges in the end market. Is it better to take a step back and just focus on it until things evolve? Or is it is it we want to take a step in the right in that direction of, to capture on, future growth on LPL. What is the thought process there with respect to LPL business?

Mr. Vineet Agarwal: I think you cannot let the let off your let the pedal off, on things like LTL, because then you can just dramatically drop the market. You want to be present there even though there could be some pricing pressure and so on. Because it's important to be available to the customer. Now, today there he could look at alternatives because he's looking at price, but when he's looking at service or when he's looking at a network, looking at stability insurance, reliability, then he comes to us also. So, there are these times. So I wouldn't be too worried about dropping something like this but it is, but it is an ongoing thing. It's not. It's not going to stop.

Mr. Krupa Shankar: So, is there any targets relating to branch network additions? Probably over the next year or two.

Mr. Vineet Agarwal: I think this hundred branch network expansion will possibly continue for the next year. I think we might end up with around 50 this fiscal and maybe the next fiscal we look at another 50 or 60 or so.

Mr. Krupa Shankar: So, thank you.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, Sir, the next question is from Mr. Dhruvin Kadakia. So please proceed with your question.

Mr. Dhruvin Kadakia: Hello Sir. I'm Dhruven Kadakia from SKP Securities. I just had one question to ask. I just wanted to understand what is the total planned CapEx that you have for, FY 25, 26, 27, including ship acquisition?

Mr. Vineet Agarwal: If you go to that slide, Ashish, we We had a plan of 375 crores for this fiscal. And I think we, the the board is working on a budget which will be about the same for next fiscal and I think FY 27 should be also the same.

Mr. Dhruvin Kadakia: Okay, so we still…

Mr. Vineet Agarwal: 50 crores of CapEx year on year, that's the that's the plan. I would think that, you know, it will moderate up and down based on that year as to what gets delivered and what doesn't get delivered.

Mr. Dhruvin Kadakia: Okay Sir. So that's all from my side. Thank you so much.

Ms. Simran: Thank you Sir. The next question is from Mr. Amitabh. Sir please go ahead with your question.

Mr. Amitabh: Hello. Good evening.

Mr. Vineet Agarwal: Good evening.

Mr. Amitabh: Yeah. I'm asking this question on behalf of someone else. Just three small questions.

Mr. Vineet Agarwal: I'm sorry. Where are you from, Amitabh?

Mr. Amitabh: I am I'm from Mumbai.

Mr. Vineet Agarwal: But are you representing a firm or.

Mr. Amitabh: Oh, no. No. My. My brother.

Mr. Vineet Agarwal: I'm sorry. We would not like to take individual questions here, please. We'll we will please write to us and we'll take those questions.

Mr. Amitabh: Okay, fine. Thank you.

Ms. Simran: Thank you, Sir. The next question is from Ms. Riya Mehta. Ma'am, please go ahead.

Ms. Riya Mehta: Hi. Thank you for giving me the opportunity. My first question is about the freight business. So, I think overall in the express or logistics, also, we are seeing some pain out there with similar commentary from the sector wise. So, what do you think needs to change for us to, see incremental growth coming from this particular division? What sectors are doing good and what sectors are lagging behind.

Mr. Vineet Agarwal: Well, consumption sectors are definitely lagging behind and I think some of that has an impact and then the MSME sector is weak as I've mentioned. So, you know…

Ms. Riya Mehta: How much for us like as a percentage if we have to just, have a broad, directional outlook?

Mr. Vineet Agarwal: Let's see, 36% of our, freight business is coming from, from LTL. And a lot of that is MSMEs. So, that gets impacted. And that's the express business as well, where they focus on the higher end of, value versus the LTL business. Focus a little bit on the lower end of the value chain. But, you know, industrials, let's say some pump manufacturers, the volumes are slightly lower or Some, you know small equipment manufacturers that their the volumes are lower. So generally speaking, it's across the board, It's not very, very specific. I think there are industrial, industrial barometers that you can read about also which are talking about them, but, it's across the board.

Ms. Riya Mehta: Got it. And for us, is it as a function of volumes, like if our volumes or our LTL business increases, our margin will increase, right?

Mr. Vineet Agarwal: Correct. You're right.

Ms. Riya Mehta: So a 1% increase in share of LTL would lead to any ballpark number of increase in margins.

Mr. Vineet Agarwal: See it's marginal. But, let's say the ratio is, 20%. Gross margin is the LTL business, and 10% gross margin is the FTL business. So yes, there will be a corresponding increase. We are at A 36% of the overall business in freight is LTL.

Ms. Riya Mehta: Got it. My second question is with the supply chain management. So for a large part of it we are doing auto. So since auto is weak maybe this last couple of months, not the entire quarter but however it's seeing pick up coming forward. So what is your view on auto in that particular segment and how do you see it panning across.

Mr. Vineet Agarwal: Well auto for us has been decent actually because for we don't do only, four wheelers. Four wheelers growth has been moderate. As we know two wheelers growth has been good. So that has helped us. Of course, commercial vehicle earthmoving equipment as well as the tractor growth has been moderate. So but generally speaking, we are quite positive. We've had decent growth in automotive space also, there are some customers that we work with have done reasonably well. We are seeing a shift towards EV in both four-Wheeler, three Wheeler, two Wheeler. And that has helped some growth for us. So yeah, so I think, for us, the growth has been okay. On the positive side, versus the general feel in the industry.

Ms. Riya Mehta: So auto would form how much percent and when you say 10 to 15% growth kind of, directional outlook, where do we see this growth coming from?

Mr. Vineet Agarwal: Well, it's auto is about 80% of our supply chain solutions business. And the growth is coming from there are various areas where growth comes in the automotive sector. First is that there is that existing plant which goes for capacity addition. So you get some additional business there. Then that that company itself opens up a new plant, somewhere else. So that is another possibility of expansion of business and the third is where there is a completely new company that comes and sets up a new plant. So all these three things are happening in the Indian economy, as we know. And that essentially means, there is growth opportunity for logistics providers like us.

Ms. Riya Mehta: So, we are confident of 10 to 15% growth on a QoQ basis coming from auto. Right.

Mr. Vineet Agarwal: Auto as well. Yes.

Ms. Riya Mehta: What other sectors do we see in SCM?

Mr. Vineet Agarwal: We work with, chemicals, consumer durables, FMCG on the warehousing side, on some of the transportation side as well and industrial gases and so all these high growth sectors.

Ms. Riya Mehta: Got it. So, on a sequential basis, we would see better growth in this segment because auto is doing well. Am I is my understanding right?

Mr. Vineet Agarwal: Well sometimes you see auto not doing too well. You know, for example, the slowdown that happens once in a while, but I think, sequentially, we are seeing a 10% plus, Plus increase on on the top line, at least on the supply chain business on of the next few quarters at least.

Ms. Riya Mehta: Got it. And for Seaways business, basically, how is the freight rate impacting us? And could you elaborate on the business model over there?

Mr. Vineet Agarwal: We are not impacted by international freight rates directly, but indirectly in the sense that if international freight rate rate is going up, then some ships move to the other waters, which creates capacity shortage in the sectors that we operate, which is essentially on the west coast from Kandla to Cochin and on the east coast from Chennai, Vizag to Port Blair, and which essentially helps us in terms of increasing our revenue as well as margins.

Ms. Riya Mehta: Got it. So now in seaways business, what is your outlook going forward? And those ships which we have taken for assembling on our own by when will they come?

Mr. Vineet Agarwal: Outlook is, right now, the growth rate that we have had in the quarter gone gone by will continue. We have one ship that will go for dry dock on the second half of March, which is the last ten days or so. So we will lose some capacity there, but otherwise it'll come back in early, April, mid-April or so. And, the new ships will come in mid 26. So FY 27 or 26. Sorry, yeah.

Ms. Riya Mehta: Mid seven FY 26 or calendar year 2026.

Mr. Ashish Tiwari: Calendar. Calendar.

Mr. Vineet Agarwal: Calendar year mid-26. But the revenue will occur only in FY 27.

Ms. Riya Mehta: Okay.

Mr. Ashish Tiwari: And we have two dry docks next year also FY26.

Ms. Riya Mehta: We have two dry docks. That would be what capacity around?

Mr. Ashish Tiwari: They are the smaller capacity uh Two small ships.

Ms. Riya Mehta: And the current march to April would be. What capacity Drydock?

Mr. Ashish Tiwari: This current is, three 350. Yeah. Not very large.

Ms. Riya Mehta: Sorry. How much? 350.

Mr. Ashish Tiwari: Yeah. 350 to 400.

Ms. Riya Mehta: And what would be the total capacity?

Mr. Ashish Tiwari: Total capacity is 78,000 DWT. This ship is 10,000 DWT, which is going for drydock.

Ms. Riya Mehta: It's 10,000. Okay. Got it. Yeah that's it from my side. I'll get back to you for further questions. Thank you.

Mr. Ashish Tiwari: Thank you.

Ms. Simran: Thank you ma'am. I request all participants to please start by stating your name and organization before asking your question. So we have next question with, from Mr. Chinmay Nema. So please go ahead.

Mr. Chinmay Nema: Good evening. I hope I'm audible. Sir my name is Chinmay. I represent (unclear) company. A few questions on the fleet business. So, on the LTL and FTL side, where do we, lie in terms of pricing? So, are we a more premium and, player, or are we more on the economical side?

Mr. Vineet Agarwal: So we're definitely more premium because, we do not compete so much with the regional players. We have national presence and, with our offices across the country. So we are able to provide some, some special, I mean, better services to our clients.

Mr. Chinmay Nema: Got it. And from a long-term perspective, should one think of growth in this business, largely as a function of growth in the underlying industry or, are there any additional levers for growth, maybe, gaining more market share or pricing power or anything.

Mr. Vineet Agarwal: Oh, well, you know, I think the growth is going to come from, comes from various areas. Of course, the industry growth is one straight forward growth, which comes by, the business, market size growing. And the other is of course, impact of network and the third is, quality of services. So, all of these three factors help in, overall growth. And the fourth for us has been a factor that we offer both services, both FTL and LTL for many of our customers.

And that is really useful because there are some customers, our competitors are only either in LTL or only in FTL. There are very, very few players that are national presence with both FTL and LTL. So that is the other benefit that, we, have, from our USP perspective.

Mr. Chinmay Nema: Got it Sir. And I think you highlighted that you are also facing some competitive pressure from express companies. Could you, give some color on how their operations and operating costs, differ from, how you run the business?

Mr. Vineet Agarwal: I would not be able to comment specifically on the express companies operating, leverages, but I think the the way that they operate is essentially a fixed capacity that needs to be monetized, as it is perishable in, in our case of LTL business also, some of it is there, but we also try to manage it with, with loads that, we can delay a little bit because time is not a major sensitive factor where express time is an important factor. So it is not as fast as an express business. So hence we are able to optimize some of the loads a little bit more. So yeah, that's one of the main reasons I think the main differential. And the second is of course GST rates are different. The LTL business operates at a much lower GST versus a express business.

Mr. Chinmay Nema: Got it. And so lastly, on the supply chain division, typically do all customers opt for, the, the end-to-end service of, planning and execution, or is it that, is it, limited to a certain customers and others opt for more, basic services like warehousing some, some color on that?

Mr. Vineet Agarwal: Yeah. I mean, it's your, not everyone wants the same thing. It is different customers wanting different, services.

Mr. Chinmay Nema: So would it be possible to share the revenue split?

Mr. Vineet Agarwal: No, we don't do it that way. Because there could be one customer that could start with something, but they could end up with something else. Or they could keep adding what they want over the course of the year. You might start off with warehousing, they'll say, Now do the transportation. Then they'd say, okay, bring the, do the inbound also do this. So it's, very difficult to really split it that way.

Mr. Chinmay Nema: Got it. Thank you.

Mr. Vineet Agarwal: Thank you.

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

Mr. Vikram Suryavanshi: Yeah. Hi. Good evening, Sir. Sir. Yeah. Will currency be, concerned in acquisition of asset in shipping?

Mr. Vineet Agarwal: Slightly. Yes. You know, the depreciation impacts the cost structure a little bit, but, it's not substantial.

Mr. Vikram Suryavanshi: Okay. And how is..

Mr. Ashish Tiwari: Will also look at the the hedging strategy as well going forward if it is required.

Mr. Vikram Suryavanshi: Understood. And how was the return load and if you can give some outlook on that side as well as the situation in red sea, how it can impact going ahead.

Mr. Vineet Agarwal: Return cargo is still moderate, It's not that much. So we don't have much traction on that per se. Red sea is, you know, our bet is as good as yours. What's what's going to happen? Let's hope for the best, if that. Well, for some companies, that crisis is helping them, but, net net, it doesn't help anyone, right.

Mr. Vikram Suryavanshi: Right. And would it be possible to give what was the profit number for nine months in transystem as well as the TCI Concor?

Mr. Vineet Agarwal: I think Ashish can share with you separately.

Mr. Vikram Suryavanshi: Understood, Sir. Okay. Thank you.

Mr. Vineet Agarwal: Thank you.

Mr. Ashish Tiwari: Simran take our next question.

Ms. Simran: Sorry. I was, on mute. The next question is from Mr. Jainam Shah.

Mr. Jainam Shah: Yeah. Hi, Sir. Thanks for the follow up. Just one thing. Are we following forward charge GST or a reverse charge GST in our freight segment or LTL segment?

Mr. Ashish Tiwari: LTL is a reverse charge GST.

Mr. Jainam Shah: Okay. So by any chance, any discussion on on the changing the GST regime from, let's say RCM to forward charge, like there has been a deadline of maybe 15 Feb or 15th March where one can change. So any industry discussion or company specific discussion to change this because we will be getting the credits in that case.

Mr. Ashish Tiwari: So there is no, like so that is the deadline for choosing the option of it. So we are in constant touch with the, the various customers and as and when it suits the, the, the contract. We do try to, charge the that forward charge. Yeah. And we do have some, some business which is also on the on the forward chart in the, in the freight division.

Mr. Jainam Shah: Got is Sir. Thank you so much.

Ms. Simran: We have next question from Mr. Sandeep Vagal. So please go ahead.

Mr. Sandeep Vagal: Hi. Good evening everyone, just a question. You know, this is regards to, you know, are we not planning to preserve cash for a rainy day? You know, this is equity in relation to the distribution of cash in form of buyback that we have done recently, and also the higher dividend payout. So it's good that you're paying dividend higher. Okay. That's not that you shouldn't be paying higher dividend. But are you not trying to preserve cash.

Mr. Vineet Agarwal: Well no. Well we already have 250 crores of, plus of cash on our books, and, we are not. Debt equity ratio is 0.09. 0.08. So not leveraged at all. We have no working capital limits that we have used. We have, enough assets on our books, and, the business is, robust. We're generating, 450 or 500 crores of, 500, 550 crores of EBITDA yearly. So in that sense, it just, you know, return on capital gets severely suppressed with, having so much cash. So our philosophy has been keep it moderated. And, you know, balance it out. We are not going all out also, we are not going completely, rather, we're not going holding on to too much cash also and holding on to nothing also.

Mr. Sandeep Vagal: Okay. So basically, our ratios all would also look good with that being done. Thanks for that. The other one was, you know, with regards to the asset light model that we are, you know, heavily focused on. And we are planning to buy ships, right. In fact, we have also placed orders for two already. Are we not looking at leasing ships or is leasing ships not a good proposition? You know, versus having own ships to run the kind of, you know, business model that we have.

Mr. Vineet Agarwal: So our business model is not an asset light business unlike our competitors, we are a medium asset company, which is that we don't go heavily into assets also, we or we don't go completely lack of assets. It's a medium strategy we've seen that has worked for us because in certain areas, for example, shipping, having our own ships has been very positive. So if you would have chartered ships, then the rates would have fluctuated like anything, and we would have not got the benefit that we're getting today. Literally everything goes away into cost notwithstanding. We keep looking at chartering options also and for sectoral or for short-term purposes, etc. but, but right now, buying ships has been very, profitable for us. And we intend to keep up that, as well as keep up the idea for charter.

Mr. Sandeep Vagal: Okay. Thanks for that. And one final one, drone, you know, having been tested by some of our competitors, are we exploring drone technology or we have a strategy where, you know, as, seen on previous occasions, we we don't want to be the first mover. We watch the market, and then we take, steps, right. Which is also a good strategy. And also, one of the way that we do it is that, if a customer comes asking for us for that particular service, then we, you know, follow through, know what is the strategy around drone?

Mr. Vineet Agarwal: We don't do, customer deliveries. We don't do direct to customers as in a singular customer.

Mr. Sandeep Vagal: Sorry. Not singular. Yeah. I'm with you on that.

Mr. Vineet Agarwal: We do not require drones right now. It could be only for specific purposes. Right now, we are seeing maybe in the cold storage type of business where medicines or any blood, etc needs to go that can require some kind of delivery. But, no B2B customer really requiring any kind of drone type of delivery so far. And we've not seen that elsewhere in the world also. So it's mostly on to singular customers, singular consumer and we don't do that.

Mr. Sandeep Vagal: Perfect. Thank you very much for those answers. Thank you very much.

Mr. Vineet Agarwal: Thank you.

Ms. Simran: Thank you, Sir. We have Miss Ms. Riya Mehta, ma'am, back with us. Ma'am, please go ahead with your question.

Ms. Riya Mehta: Hello. Thank you for giving me an opportunity again. I would just like to reiterate for the full year. Or do we still maintain 10 to 15%, profitability growth for FY25-26.

Mr. Vineet Agarwal: No, we are upping it to 20 plus percent as we have already achieved most of the I mean, 20 plus.

Ms. Riya Mehta: Sorry, I've been asking for FY26.

Mr. Vineet Agarwal: FY26 yes. 15 to 20%.

Ms. Riya Mehta: 15 to 20% Pat level growth. Right. Okay. Thank you. That's it from us. Thank you.

Ms. Simran: Thank you. thank you ma'am. There are no further questions. I'm handing over the floor to Mr. Ashish Tiwari for closing comments.

Mr. Ashish Tiwari: Thank you again for joining the call. I think that we have answered all your questions and those who are the first time I am seeing that they would have a better idea of the company. In case you need any further clarification, please write us back and thank you very much for joining the call again. Thank you. Take care.

Mr. Vineet Agarwal: Thank you.