BLUE DART
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May 07, 2024

To,
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai – 400 001
Scrip Code - 526612

To,
National Stock Exchange of India Ltd
Exchange Plaza, C-1, Block G
Bandra Kurla Complex, Bandra East,
Mumbai – 400 051
NSE Symbol - BLUEDART

Sub: Transcript of analyst/investors conference call - Disclosure under Regulation 30 of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015

Dear Sir/ Madam,

We refer to our intimation dated April 29, 2024, notifying schedule of 'Investors Call' organised through M/s. Motilal Oswal Financial Services Ltd. on May 03, 2024, to discuss corporate performance for the quarter and year ended March 31, 2024 and audio recording of the same submitted on May 03, 2024.

Pursuant to requirements of law, please find enclosed herewith, transcript of the Investors call which is also made available on Company's website viz; www.bluedart.com.

Kindly take the same on your records.

Thanking you,

Yours faithfully,
For **Blue Dart Express Ltd.**
TUSHAR JAYANT GUNDERIA
Digitally signed by TUSHAR JAYANT GUNDERIA
Date: 2024.05.07 15:37:01 +05'30'
Tushar Gunderia
Head (Legal & Compliance) &
Company Secretary

"Blue Dart Express Limited Q4 FY 2024 Earnings Conference Call"

May 03, 2024

MANAGEMENT:	**MRS. SUDHA PAI – CHIEF FINANCIAL OFFICER - BLUE DART EXPRESS LIMITED** **MR. SAGAR PATIL – VICE PRESIDENT CORPORATE ACCOUNTS - BLUE DART EXPRESS LIMITED** **MR. TUSHAR GUNDERIA – HEAD, LEGAL AND COMPLIANCE AND COMPANY SECRETARY - BLUE DART EXPRESS LIMITED**
MODERATOR:	**MR. ALOK DEORA – SENIOR VICE PRESIDENT, INSTITUTIONAL EQUITIES - MOTILAL OSWAL FINANCIAL SERVICES LIMITED**

Tushar Gunderia: Good afternoon, investors. We are sorry for a little delay, three to four minutes delay. And we concluded successfully our Board meeting yesterday for approval of audited financial accounts and for recommendation of dividend.

And we have this Earnings Call along with me, our CFO – Sudha Pai is there; and Vice President (Corporate Accounts) – Mr. Sagar Patil is there.

With this, since Motilal Oswal is facilitating the call, I would request Alok to take over and facilitate the call. Thank you.

Alok Deora: Thank you so much. So, good afternoon, everyone. And welcome to the interaction with the management of Blue Dart Express.

Firstly, I would like to thank the Management for giving us the opportunity to host the call. So, today we have with us Mrs. Sudha Pai, CFO, Blue Dart Express; Mr. Tushar Gunderia – Head of Legal and Compliance and Company Secretary, Blue Dart Express, Mr. Sagar Patil – Head of Corporate Accounts, Blue Dart Express.

So, I would now request the management team to provide some "Opening Remarks" on the Q4 performance. And then we can start with the Q&A session. Thank you and all to you, sir.

Sagar Patil: So, good afternoon, all. So, as you would have been aware, we have closed our annual accounts, and the Company has published the Financial Results.

So, the Company has reported positive financial results in terms of growth in the top line as well as the bottom line. With the investments that we have done in last few quarters, especially both in terms of new routes, new facilities, as well as new aircraft that we have now which have gone live in the last quarter in terms of rolling out with the new route that we have started operating from Guwahati, the Company has been able to maintain the margin. So, there is a good development in terms of capacity utilization. So, with positive revenue growth as well as an improvement at the PAT level, we are on the course to have consistent financial performance.

So, yes, thanks.

Alok Deora: So, thank you so much for the opening remarks. So, any one has questions can please raise their hand or post it in the chat box below. Thanks. So, sir, we will start with the Q&A session. So, first we will take the question from Mr. Jeet Shah. Please go ahead.

Jeet Shah: The margin improvement in this quarter is largely because of high value cargo coming in or is there any other reason, like, can you just give me a little color on that?

Sudha Pai: You are saying about the margin improvement, right? It's driven by both, one is that we did our annual price increase which is why vis-à-vis last year it's an increase in the margins accordingly. Plus, all other business reason like dense cargo and, as Sagar also mentioned, coupled with better utilization of our cost, of our investment. These are the factors leading to a good margin.

Alok Deora: Thank you. We will take next question from Mr. Dhaval Shah. Please go ahead.

Dhaval Shah: A couple of questions from my side. So, on the on the margin front, if you can help us understand which segment has helped us to get the volume growth? It's been a good 8%, 9% volume growth. And in terms of fleet utilizations level, what is the percent utilization of the fleet? And how it has progressed over the last three quarters? And what is your expectations for the next financial year FY '25, how do you see the volume growth for the Company?

Sudha Pai: So, with regards to the segment wise, as you asked me, we do not publish any segment wise revenue. But I would say that we are seeing a good growth on all of our major of our products which is air and ground, on both the sides we are seeing growth there, both in terms of volumes as well as in the terms of shipments, both again on quarter-on-quarter basis as well as on a Y-o-Y basis. That's on the on the volume part.

Regarding the utilization of the aircrafts, yes, sir, we did an investment of two new aircrafts and it's been almost like an effective year. And I would say that we are fairly well utilized in terms of our existing capacity. Yes, of course, there is a scope to improve further and make our utilization of the aircraft better. Guwahati is a new lane and it's a new geography, so there is a scope for improvement over there. But largely in terms of our aircraft utilization we are decently covered up.

Dhaval Shah: Any utilization number would you like to share?

Sudha Pai: Our aircrafts run from one sector to another, so we measure on terms of our sectors. And we have at least more than your five to seven sectors. Like, on average it's safe to say that between 75 to 80, 85 would be the range, depending upon the average of the months that has been trended. But that's a percentage utilization you can assume on the overall fleet capacity that we are having.

Dhaval Shah: And by segment I mean ma'am the end customer segment, like we have always in the past we used to talk about e-commerce segment, auto segment, then high value engineering goods, electronics. So, which consumer segment, customer segment has helped us to show good growth?

Sudha Pai: Sagar, would you want to add to this?

Sagar Patil: Yes. So, in terms of customer vertical growth, we see the growth continuing, especially in the e-commerce, the Etail Vertical that we have, which is also how we look at our sub-products at times. That has continued to grow. And especially Dart Plus, the product that we have, which is more like a speed truck that moves on the road somewhere in between air and normal ground, that has continued to grow healthy. Our documents also is continuing to grow positive. And with the new aircrafts we see attraction, so also coming to the air parcels as such. But majorly, yes, the e-commerce has been the growth driver.

Dhaval Shah: So, this e-commerce would mean the likes of, I mean, the omni-channel plus the pure e-commerce player like Flipkart, Amazon, right?

Sagar Patil: Yes. A combination of even the portals as well as the customers having their own sale via online sales.

Dhaval Shah: And how is the pricing environment in the e-commerce vertical for us? I mean, what sort of competition level is something stabilizing in terms of the pricing?

Sagar Patil: So, the pricing scenario is quite competitive. And, I mean, with our focus on the service quality in terms of ability to deliver the fastest and the operations also focusing on that kind of thing we, to some extent, I would say, yes, Blue Dart is seen as a premium player. However, the scenario is quite competitive. And then we do try and have sharp pricing, especially for the key customers, while without diluting the pricing but we try and, I would say, gain more on the value that we provide, depending on the customer, I would say, segments as well as the product segment in which the customers are. So, the more time sensitivity, the more discretionary the purchase items are there on online, the customers would prefer them to reach faster. So, that is where our air e-commerce becomes very handy for the customers, and we are able to get some premium over there. Dart Plus, which is on the road, is where everybody else is kind of in. But there also since we are more on speed trucking, we are able to attract some good prices. Having said that, it's always a catch-and-run kind of scenario when it comes to e-commerce. But good to also note that we are continuing to grow there and without giving up the margins.

Dhaval Shah: And lastly, sir, what will be your volume expectation for FY '25? We have done around 12 lakh tonnes for '24. And also with the improved volume, can we see around 18%, 19% EBITDA margin? This is my last question.

Sagar Patil: So, we would not be able to forecast the numbers sort of forward-looking statement. But we are continuing the path on which we have set ourselves on. So, the management will work on improving the business further and continue to do what we have been doing good.

Alok Deora: Thank you. Sir, one question probably we will take from the chat box. What would be the tonnage for this particular quarter? And what would be the share of documentation within that?

Sagar Patil: We do not give any segmental information. Within our product we do not give any information in public as far as the segmental product wise is concerned.

Alok Deora: And what would be the volume for this particular quarter? That was not mentioned, that's one of the questions which has come.

Sagar Patil: You are saying volume?

Alok Deora: Tonnage and shipments for the quarter.

Sagar Patil: It is 91.72 million shipments and weight is 296,988 tons.

Alok Deora: We will take our next question from the queue. So, we will take Mr. Mandar Pawar from Kotak AMC. Please go ahead.

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Mandar Pawar: So, team, I wanted to ask the question on the GPI, which you indicated has also helped on the margins. Now, if I look at the realization, the realizations on a per shipment or a per tonnage basis have been flat on a Y-o-Y basis as well as the Q-o-Q basis. So, just wanted to understand how do we read into this? How much GPI, where the benefit is accruing and to what extent? Because we understand this 9.5% kind of GPI increase is an indicative number, but how much is the actual flow through which is coming in post the negotiations with the clients?

Sudha Pai: The thing is that you will not see a realization if you compare on a Y-o-Y basis in your RPS or RPK thing, because there is a combination of the shifts that would happen from air-to-ground. And as my colleague just gave an overview that on the ground Dart Plus we did quite very well. And on the ground prices are relatively lesser compared to the air. So, that comparability if you look on an overall product basis, you may find that, okay, the realization has effectively you do not see a great movement, but when we do our internal analysis, that's the observation that we are seeing in terms of how GPI has bought and improved margins and so on. So, that's on the RP, I mean, the yield related question that you raised.

And with regards to the GPI, it's been a fairly effective price hike that was pushed through in this particular quarter. We do not publish the actual numbers or percentage of how much the effective GPI has been. But it's reflected in the EBIT and in the margins.

Mandar Pawar: And one quick question on our handling capacity. So, we have done 12 lakh tons of volume in this financial year. Now based on the two aircraft additions that we have done and the capacity increase that we have now, how can I translate that to how much capacity or how much volumes can this capacity handle? So, this 12 lakh tons of volumes, if all assets, ground as well as air assets are optimally utilized, what can that capacity number be?

Sudha Pai: So, you are asking in terms of effective utilization percentage here?

Mandar Pawar: In a way, yes.

Sudha Pai: Yes. So, as one of the gentlemen even asked us in the beginning, we would like to say that our total capacity utilization on our air fleet ranges between 75% to 85%. And with the new capacity that is being added, it's a fairly decent utilization within the first year of deployments of these new capacity. So, that's the overview we can say that is reflected in the financials.

Mandar Pawar: But 75% to 85% is quite a broad range, and I believe the margins that you do at 75% utilization and at 85% utilization, there could be a huge margin difference there. So, the other way of putting it out is, if there is 12 tons of volumes that we have done, or let's say nearly 3 lakhs in this quarter we annualize this, that will translate to what, 75%, 80%, 85%? If you can give some kind of a number.

Sudha Pai: Sorry I did not get the question there.

Mandar Pawar: So, I am saying, 75% to 85% you are saying is the utilization that we try to achieve, that by itself is a very broad range where I think the capacity is at 75% and at 85%. Now if you are handling

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3 lakh tons of volumes in Q4 and the capacity that we had with these two aircraft addition, what would that utilization number be?

Sudha Pai: In terms of absolute tonnages, you are saying or?

Mandar Pawar: So, we have done 3 lakh tons volume, right, 2.97 lakh, if I do the backward calculation on the numbers.

Sudha Pai: But that's between air and ground, both.

Mandar Pawar: Yes, fair enough. So, I am saying ground as well as air, on that kind of a combined capacity, the current fleet that we have and the aircraft that we, on an annualized basis how much volumes can be done when we reach an optimum level of utilization of these assets?

Sudha Pai: See, so to answer that question, ground is always effectively utilized. So, on the air, the optimum utilization, the desirable levels is between 90% to 92% is what we aim at when we say that an aircraft has been effectively utilized. And within the full year, for the full year on a Y-o-Y basis, considering that there would be a bit of a lower utilization in the beginning months of the year and then the utilization improves, and which is why this range was provided. But if on an average it would between 80%, 82% would be the best utilization percentage for the year like.

Alok Deora: So, we will take the next question from Mr. Pritesh. Please go ahead.

Pritesh: Yes, just a clarification first. So, between the utilization and the volume that we have seen getting added, is it fair to assume that though you have added the aircraft, a lot of the volumes which were going on third-party has first shifted to your own aircraft? That's a proper assumption from our side?

Sudha Pai: Yes. So, when ideally a new aircraft is added, looking at the trend of the volumes that are going currently on the commercial side, and the aim of when we introduce a new capacity in our air fleet, the intention is to reduce on the commercial airlines. Everything goes via our own network flight and our network flight is optimized. However, to meet the customer SKU levels and to meet the committed TAT and so on, the business call also is there to use the commercial, to meet the committed level of service qualities.

Pritesh: So, your usage of commercial airline or let's say percentage of your cargo going through commercial airline, that would variate in what range? So, as of now it will be the lowest, right, because now you have your aircrafts. Here before last year, it would be high because you would have been seeding some business. So, usually what is that range of usage or percentage of commercial airlines in your total cargo?

Sudha Pai: I would say that, it would effectively be like it was, say, between 20% to 25% of the total cost base, now it would be roughly between 10% to 11% of the cost base.

Pritesh: So, 25% would be here before last year, and since your own airline has come, now it is about 10%?

Sudha Pai: Yes.

Pritesh: My second question is, between the 4% volume growth for FY '24 and the 9% volume growth for quarter four, what are the specific comments for these changes? Because see, the sector is what it is, the macroeconomics is what it is, the activity is what it is in the system. Yet there is a deviation from 4% to 9%. So, it would be nice if you could explain this.

Sudha Pai: See, we are comparing a year of 2022-2023 and 2023-2024. 2022-2023 was still a COVID period, we were just out of the COVID, and we still had that COVID high during that period. We had some international charters during that period. So, that was about 2022-2023. And 2023-2024 is the year of investment for Blue Dart where we invested into two aircrafts, and we built upon our capacity. Which is why if you look at it, on a full year basis it's just 1.8%, but on the quarter basis it is 8.7%. Which indicates that how we have picked up eventually from a quarter-on-quarter to one of the best quarters so far at 8.7%. I hope that overview helps.

Pritesh: No, ma'am. I still did not understand. Between the full year number at 4% and the exit number at 9%, what changed in terms of cargo for you? See, because we correlate with the general macroeconomic trend, which has not changed throughout the year. So, if there was a similar volume growth through the year I would have understood. But having a stark contrast between full year and last quarter is what is I am unable to understand.

Sudha Pai: See the full year of 2022-2023 still had a COVID thing.

Pritesh: Ma'am, this I am asking for FY '24, right. For your full year FY '24, this current year, the volume growth is 4%.

Sudha Pai: Y-o-Y.

Pritesh: Yes, Y-o-Y full year 2024 over full year 2023 is 4%. However quarter four 2024 over quarter four 2023 is 9%. So, there is an acceleration, right, towards the end of the year. Why is it so? What is so unique?

Sudha Pai: So, in the year of 2022-2023 it was still a COVID year. We still had a higher volumes on our air capacity and so on.

Pritesh: So, you are saying that first nine months there was an adverse base, quarter four there is no adverse base, so which means the quarter four is a more normalized regular volume growth number, right, because there is no advance base. Which means that can I consider this as a volume growth number as a reference number, a more clear reference number without any base effects?

Sudha Pai: Yes.

Pritesh: My other question is, with the shipping challenges that we are seeing, does it mean some benefits to the air cargo in the interim?

Sudha Pai: What shipping challenges are you talking about?

Pritesh: Internationally.

Sudha Pai: Internationally, shipping this thing we do not have a major impact, ours is purely domestic.

Pritesh: Yes, I understand it's domestic, but --

Sudha Pai: Maybe we expect some charters and so on. But so far nothing, that's the expectation we could assume. But so far nothing we have seen in to our P&L, at least into these quarters.

Pritesh: And on the document cargo, is there any increased competition or market share changes? Any that you are experiencing?

Sudha Pai: Document cargo, Sagar, would you want to take it?

Sagar Patil: We do not see as of now any significant activity over the current or the last one year that we have seen.

Pritesh: Nothing? No change in the business structure or no change in the competition levels or anything, right? No change in market shares for you?

Sagar Patil: Yes, no significant change in market share.

Pritesh: And my last question is, is it fair to assume that, with the fleet utilization improving for FY '25, there should be a positive delta on the margins?

Sudha Pai: That's the expectation even from our side, and that's how even our budgets are based that in the upcoming months it's a hockey stick for us.

Pritesh: At a 9% or what volume growth is exit volume growth, those are sufficient enough for you to generate that positive delta? Or there is a median volume growth above which positive deltas can be generated? So, the margin delta and volume growth, is it correlated 1:1? Or there is a threshold volume growth beyond which only the delta will be created?

Sudha Pai: Sorry, I am not able to get that question, Pritesh.

Pritesh: Okay, I will put it this way. Incrementally, any incremental volume growth, any, means incremental margin expansion?

Sudha Pai: Yes.

Alok Deora: Thank you. So, we will take next question from Mr. Jonas Bhutta from Birla Mutual Fund. Please go ahead.

Jonas Bhutta: My question revolves around the shade of margin that we have seen in fourth quarter. So, what we have seen is, on a consolidated basis our gross margins have gone up about 100 basis points, while the employee cost and the other expenses continue to lead to an operating deleverage, maybe because of the ramp-up phase that the two aircrafts are taking. However, I just wanted to tie in your comment where you saw the full speed trucking business to better than the document business in the quarter, which comes at a lower yield. Why should that lead to a better gross margin if the shade of your volume has been driven by a lower yield business? That's the first question.

Sagar Patil: Yes. So, in terms of yield, what we typically refer to yield is, at a revenue per kilo or revenue per shipment level and not at a gross margin percentage level as such. So, while the ground business would be low at, so to say, revenue yield level. In terms of the percentage margin, it is well comparable with our air product at the same time at the given level of capacity utilization. So, as such it will not have any adverse impact on the margins if we grow faster in our ground product.

Jonas Bhutta: And my second question was that in previous calls we were at least provided a directional breakup of sales between how much is e-com as a percentage of ground and how much is ground as a percentage of total. Would appreciate if you can share those details, which could be directional in nature and not maybe exact.

Sagar Patil: Yes. So, our e-commerce would be about 30% of the total revenue and so would be the ground. Our e-commerce ground is relatively a much smaller proportion as such. So, you can say 60% is made-up of this 30%, 30% each. And balance 40% is documents and air parcels.

Alok Deora: Thank you. So, we will take next question from Mr. Mukesh. Please go ahead.

Mukesh: My first question is on your two new aircrafts that you mentioned that the utilization rates have now picked up, and probably getting close to your optimal levels. In the previous calls you had also mentioned that you are looking to kind of shift to higher yielding cargo within this air utilization, because initially you would want to kind of get the utilization higher and then gradually move to high yielding cargo. So, where are we that in that journey?

Sudha Pai: So, we went live on Guwahati in January 2024. And we expect in the upcoming months to fully optimize the existing capacity that we have added into our fleet. Even before the go-line of Guwahati, these fleets were utilized for taking care of our cargo during the festive seasons. But as there is a scope to further improve the utilization, in the upcoming months we expect it to be fully utilized.

Mukesh: And even the shift to high yielding cargo is also more or less, you are saying, will be done in the upcoming few months?

Sudha Pai: Depending upon the external environment as well, and also the external demand.

Sagar Patil: In a way, maybe I can add. See, as Suda mentioned, we have started the Guwahati route, especially from January, towards the end of January in fact. Prior to that we had been using the new aircrafts more to replace the outsource or the commercial air capacity. Now the market has started developing, we have improved our transit times from 72 hours to 48 or 24 hours.

especially covering the entire northeast. So, first, we are giving the taste of the faster transit times to our customers, both coming out from and going into Guwahati as such. So, while doing that, the effort is also to ensure that we maximize the capacity utilization not only on the non-Guwahati but also Guwahati route. That's always the challenge. You first have some kind of, I won't say teaser, but a welcome price for the customers. And then for few months when they see the value, then the premium will kind of fall in. So, yes, as Sudha mentioned, it would take maybe few months for us to really extract the value. Currently we are delivering that value to the customers being added there.

Mukesh: Right. So, this would be one of the key inputs in that hockey stick kind of a margin improvement that you are talking about?

Sagar Patil: Yes. In terms of hockey, typically our business, because as you know, the festive season kicks-in in the second-half, so the hockey stick is more of a normal phenomenon for our kind of business. So, one is that. And of course there will be added dose from the new customers or the new lanes that we have kind of accelerated. So, yes, it will contribute both.

Mukesh: And the second question is, you just mentioned in the previous question that the surface business is about one-third, 30% of your revenue. And if I recall, even last year this was broadly the mix that was mentioned.

Sagar Patil: Yes.

Mukesh: So, just trying to understand then why aren't we seeing your average realizations go up? Because you mentioned that the mix is clearly shifting towards surface and that's the reason the blended realizations that we see is not optically looking higher to us. But if the mix is similar, we probably should have seen that realization go up.

Sagar Patil: Mix is similar in terms of our documents, and we always have some conservative view of documents.

Mukesh: No, surface sir. I was talking between the surface and air.

Sagar Patil: Yes, so documents is a part of air, so that's why I mentioned. So, documents continue to grow and that's a good margin at a CP or RPK kind of level, though at a parcel level it will be small. So, that balances and avoids any dilution in the overall yield level as such.

Mukesh: But you are saying that the share of surface has not gone up Y-o-Y?

Sagar Patil: No. So, since we look at surface and Dart Plus separately, Dart Plus is a higher yield at RPK level as compared to surface, though it moves on ground it moves on a faster ground speed as we call. So, that also balances the overall yield.

Mukesh: And just the last bit, from a lot of the other players in the surface express industry, we are hearing that it is difficult for them to take price hikes because of competitive scenario. Are you seeing any of this competitive scenario impacting you so far, on the surface specifically?

Sudha Pai: Yes, because we operate in the same market, and we do face this competition.

Mukesh: But, but you have still been successful in taking your annual price hike?

Sudha Pai: In some of the geography, some of the customers, yes. And in some of the cases we couldn't, yes.

Alok Deora: We will take the next question from Mr. Saurabh Patel. Please go ahead.

Saurabh Patel: Clarifications sort of based on our past conversation and today's call. One, when you say pricing increase, it means the change in the formula, right. So, it will still be linked to the crude oil or the benchmark whatever we have, and Y-o-Y that increase may not necessarily mean an absolute increase in the price, it will be a percentage increase. Is it a fair understanding?

Sudha Pai: We have got two components into our price, one is your fuel surcharge which is linked to the oil price. And then the oil price goes up/down and our surcharge mechanism is tied out to that. And then another part is freight, which is linked to the inflation accordingly. So, these are the two different components of our pricing thing.

Saurabh Patel: Right. So, accordingly if the full price next year, say, if crude price falls by say another 20% in next one year, while you may have taken a price increase, it may not necessarily result in a higher actual price for your customer? Your margins will increase for sure because you have taken a price increase, but it will not reflect in absolute terms?

Sagar Patil: No. So, in our case when we say price increase, we mainly mean the price in base freight. As far as fuel is concerned, we have fewer surcharge mechanism. So, that is more of an auto mechanism. So, effectively we may see a yield, but we do not really look at it as a price increase, I mean, from a business point of view, because it is more of setting of the price increase impact in our costs. So, if fuel rates for example remain stable over the year, we will still drive the price increase that we do at the beginning of the year. But yes, if there is a fuel price increase, if the oil rates go up, then our revenue top line may look bigger. But then that may or may not completely reflect in our bottom line because it's more like that incremental cost recovery mechanism.

Saurabh Patel: Yes, understood. And vice versa as well, so even if it comes down, it doesn't matter.

Sagar Patil: Yes.

Saurabh Patel: Second clarification was, which I wanted to understand was on this new Guwahati route. So, while in the past conversion you highlighted that when you create a new route you always first look out for what would be your volume on day one, basically you should already have in some volume on that route and this is what you shift when the route commences, when the new aircraft starts operation. And overtime you tend to increase the profitability from that route by increasing the volumes there. And that's why the volume which we have seen, the utilization which you highlighted is there in a short span. And over time, over next few months and quarters as you actually start getting the newer kind of business, your profitability should increase further?

Sudha Pai: Yes.

Saurabh Patel: So, there is no change in the strategy?

Sagar Patil: No, there is no change in the strategy as such. I mean, this has always been the path. We used to have good volume already going through commercial airline to Guwahati. In fact, so much so that we are also carrying some of our products, we had to for want of the right kind of commercial line or to meet our service or delivery kind of promised to the customer. We were also carrying some of the product either through rail or road. So, now some of that load also would have got converted into air now that we have aircraft. So, the transit times would have improved even for the existing customers, say, from 48 to 72 hours to 24 to 48 hours. So, with now customers also realizing this improvement in the timelines, not only new load but also existing load, in the coming months we will be able to go back to those customers. And yes, as you say, we will see the real buck for the value being delivered will start coming over a period of time.

Saurabh Patel: And third, in the beginning of the call you highlighted the utilization aspect, but the utilization aspect is a bit complicated, right, because the 75% may not be the true picture right because there are multiple routes, and they are like you may have one way of load and while returning you may not have a load. So, what does 75% mean?

Sudha Pai: No, we gave a range, between 75% to 85% within the start of the year to this one. And in terms of absolute this one utilization for the year what was asked, we said that it could be between 80% to 82%.

Saurabh Patel: No, my point is, I am trying to understand that number itself, ma'am. When you say like 80% or a 75% number, this is one way or is it both way return?

Sudha Pai: Both.

Saurabh Patel: So, that means you are actually even getting the return fare also in a decent way?

Sudha Pai: So, what we have given as this thing was for our total fleet capacity that is being available with us, and per say not for the new lanes that have been added.

Saurabh Patel: Yes, I understood, ma'am, for the overall only. So, you are basically getting flows from both Mumbai to Bangalore, and Bangalore to Mumbai, just an example.

Sudha Pai: Yes.

Saurabh Patel: And any, ma'am, in the past our margins have been volatile, and while I understand you do not want to give any guidance. But structurally, what is your right number we should look at, is it EBITDA or is it PBT?

Sudha Pai: I mean, I would suggest PBT because EBITDA also has an interest component and depreciation component. Depreciation component is mainly driven by the leases. So, PBT would be the right measure.

Saurabh Patel: So, in terms of PBT margin, what would be an ideal number you would want to target? Whether it is pre-COVID number what you used to report, would be an ideal number to look at?

Sudha Pai: We would like to continue with our current range and to improve plus another 2% to 5% on that part, assuming that we would have a better utilization of our facility.

Saurabh Patel: So, 2% to 5% of PBT margin?

Sudha Pai: On our existing PBT margin.

Alok Deora: Thank you. We will take next question from Mr. Pulkit. Please go ahead.

Pulkit: I think all the business related questions are answered, just one bookkeeping question. Ma'am, can you tell us how should we look at depreciation going forward, given that you are doing lease accounting for these planes? So, how should depreciation trend from here in the books of accounts?

Sudha Pai: I would suggest that. Although we are not supposed to give any forward-looking guidances, but given the fact that we want to improve upon our infrastructure and have warehouses at strategic places and so on, our depreciation would increase from the existing level. Not driven by the aircraft at this point in time, but driven by increasing our CapExs into lease CapExs, and also driven by any of the IT automation that we would be doing.

Pulkit: So, purely CapEx growing related, but related to aeroplane you do not think that should come down, the plane related depreciation?

Sudha Pai: That would remain fairly constant.

Alok Deora: We will take next question from Mr. Mayur Patel. Please go ahead.

Mayur Patel: I just want a clarification. Our PBT current margins are in the range of 7.5% to 8%. And you are saying that the improvement could be in the range of 2% to 5% on this base, am I understanding right?

Sudha Pai: Yes. If our capacity utilization improves further, that's the expectation.

Mayur Patel: This is driven by 8% to 10% increase in utilization levels is what you are saying?

Sudha Pai: Yes.

Mayur Patel: And one more question, this can happen over what period in your view, this utilization improvement?

Sudha Pai: I think it depends upon also the external market environment. While our aim is that in the next nine months, we should be in this level.

Sagar Patil: See, the effort will be to balance the growth with the margin because the verticals that we intend to grow and we are growing is also quite competitive one as well. So, we're always looking at maximizing the absolute PBT, while not giving up the existing margin. But yes, with the improvement both on yield management as well as cost spend, we do expect some improvement in the margin percentages also along with growth in the coming few quarters as such.

Mayur Patel: So, just one more question if you allow me. So, if you can give some color about the current demand environment and competition from other players and also belly cargo and whatever you can share, how is the market likely giving indication of a growth of a high-single-digit or can cross double-digit or could be in the lower range? What is your reading about the current market environment from the demand perspective?

Sudha Pai: See, we expect, as we mentioned that we expect to improve our EBIT margins further from what we have currently. That in itself indicates that, yes, we show optimism in terms of the external demand, domestic demand that would be there in the country. And you have seen how the GST collections have improved, how the outlook about India overall, India's GDP growth is being predicted and there is a lot of positive optimism. We foresee a similar thing to translate into our P&L as well.

Alok Deora: Thank you, due to time constraints, we will just take the last question from Mr. Anshul Agrawal. Please go ahead.

Anshul Agrawal: Just wanted to understand something around the documents business. Question one would be, have we taken price hikes in the document business as well? And related to that, have we seen documents business growing in line with our overall Company growth?

Sudha Pai: We had aimed for a price increase across all our products which is documents and even in outliers and all of our product, Anshul, there. And in this segment also there has been a price increase accordingly. And though I would say that the large was into our B2B business rather than into the document business, however, we did have the decent higher price rises even into this document business. And what was your second question, sorry?

Anshul Agrawal: Has the document business grown in line with the Company's growth levels?

Sudha Pai: Well, it has actually done better than what our budgeted expectation was, which is why we would be able to say that yes it's grown compared to even on a quarterly basis, quarter-to-quarter as well as versus our budgeted assumptions.

Anshul Agrawal: And next question was on gross margins, ma'am. While I understand our gross margins have expanded because the utilization of commercial aircrafts has reduced. Any part of this gross margin expansion is because of ATF pricing being down in the current quarter versus last year? I understand it's a pass-through expense, but that is a pass-through with a lag of month, month and half.

Sudha Pai: It is a pure pass-through, ATF is a pass-through for us. So, our margins are more driven by: A, how much of the GPI we are able to do; and B is, how much of the cost control that we are able to do and how productive we are in terms of utilization of our air/ground facilities as well as the productivity of our manpower is like. That's the reason for improved margins is what I can say.

Anshul Agrawal: Just last question on my end. Now, obviously, FY '24 did not have any aircraft additions, so I believe the CapEx number would be majorly spent in the surface business. Do we foresee any color on the CapEx intensity going forward? Or whether we will be using CapEx in air or continue to invest more in surface business?

Sudha Pai: Surface would be the priority. To be competitive on the ground as well, our outlook is to invest more into the surface business and get our infrastructure ready there.

Anshul Agrawal: And in line with this, we are expecting surface to grow mid-double, mid-teens, low-double-digits? Again, just broad color here would be useful.

Sudha Pai: Sagar, what would be the outlook here?

Sagar Patil: Yes, I think similar levels. We do not see any significant change in the trend as such.

Alok Deora: Thank you. So, due to time constraint we will close the call here. I will hand over the call to the management for any closing comments.

Sudha Pai: Thanks to all for raising pertinent questions. And hope we were able to effectively give you the outlook as well as answers to the queries those were raised. Sagar, anything from your side?

Sagar Patil: Thank you, all. Thank you, Alok, for facilitating. Thank you.

Alok Deora: Thank you. Thanks everyone for joining.

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