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CIN: L63000MH2007PLC173466

Ref: MLLSEC/17/2024 Date: 5 February 2024

To,

BSE Limited,
(Security Code: 540768)
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Ltd.,
(Symbol: MAHLOG)
Exchange Plaza, 5th Floor, Plot No. C/1,
"G" Block, Bandra-Kurla Complex, Bandra (East),
Mumbai – 400 051

Dear Sirs,

Sub: Transcript of Earnings Conference Call - Regulations 30 & 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")

Ref: Intimations of earnings conference call vide letters dated 19 January 2024 and 25 January 2024; and Outcome and audio recording of earnings conference call dated 30 January 2024

This is with reference to our letters dated 19 January 2024, 25 January 2024 and 29 January 2024 giving advance intimation and outcome including the weblink of the audio recording of the earnings conference call of the Company for quarter and nine months ended 31 December 2023, held on Tuesday, 30 January 2024, with several Analysts/Institutional Investors/Funds ("Q3&9MFY24 earnings call").

Further to the above and in compliance with Regulation 30(6) read with clause 15(b) of Para A of Part A of Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the Q3&9MFY24 earnings call of the Company. The transcript includes list of management attendees and the dialogues including but not limited to the Q&As' and assents/dissents.

The text transcript and audio recordings of the Q3&9MFY24 earnings call are also uploaded on the website of the Company at the weblink:
https://mahindralogistics.com/investor-interaction/recording-amp-transcript/

No Unpublished Price Sensitive Information was shared/discussed by the Company during the earnings conference call.

This intimation will also be uploaded on the website of the Company and can be accessed at https://mahindralogistics.com/disclosures-under-sebi-regulation/disclosures-under-regulation-30/

Kindly take the same on record.

Thanking you,
For **Mahindra Logistics Limited**

JIGNESH
ASHOK
PARIKH

Digitally signed by: JIGNESH ASHOK PARIKH
DN: CN = JIGNESH ASHOK PARIKH C = IN O = PERSONAL
Date: 2024.02.05 19:54:01 +05'30'

Jignesh Parikh
Company Secretary
Enclosure: As above

"Mahindra Logistics Limited
Q3 FY '24 Earnings Conference Call"
January 30, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and The National Stock Exchange of India Limited and the Company website on 30th January 2024 will prevail.

MANAGEMENT: **MR. RAMPRAVEEN SWAMINATHAN – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – MAHINDRA LOGISTICS LIMITED**
MR. SAURABH TANEJA – CHIEF FINANCIAL OFFICER - MAHINDRA LOGISTICS LIMITED
SENIOR MANAGEMENT TEAM OF MAHINDRA LOGISTICS LIMITED

MODERATOR: **MR. SHOGUN JAIN – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Mahindra Logistics Limited Q3 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shogun Jain from SGA. Thank you, and over to you Mr Jain.

Shogun Jain: Thanks Rio. Good afternoon, everyone, and thank you for joining us on the Mahindra Logistics Limited Q3 and 9M FY'24 Earnings Conference Call. We have with us Mr. Rampraveen Swaminathan, MD and CEO; Mr. Saurabh Taneja, CFO, and senior management team of the company. I hope everyone has had a chance to view our financial results and investor presentation posted on the company's website and stock exchanges.

We will begin the call with opening remarks from management, followed by an open forum for Q&A. Before we begin, I'd like to point out that some of the statements made during today's call may be forward-looking. A disclaimer to that effect was included in the earnings presentation.

I'd now like to invite Ram, the MD and CEO, to make some preliminary remarks.

Rampraveen Swaminathan: Thank you, Shogun. Good afternoon, everyone. I trust you all had a chance to look at our presentation, the financial results on the stock exchanges and on our company's website. As it's customary, I should open with update on our strategies, external environment, end market performance from operational highlights across our different businesses and some key corporate actions.

I'll finally conclude by discussing our financial performance for the quarter which went by and for the 9 months of FY'24 in our focus areas for the remainder of the year. Premium logistics sector remains a key cactus for the overall growth, story of the country, and our country aspires to meet a GDP of $5 trillion.

The quality of our logistics infrastructure and the maturity of logistics services are key constants of both ease of business and by the extension of it from make in India. In the past year, we have seen continued development and implementation of infrastructure and policy initiatives under the umbrella of Sagarmala, Gati Shakti, the direct freight corridors and now the National Logistics policy.

Our three key drives will continue to have acceleration in the policy area, progress towards more multimodal transportation systems, rapid growth in road surface infrastructure with a higher emphasis on decarbonization and an increase in public digital assets such as ONDC and ULIP. These steps continue to drive enhanced acceleration position the 3PL logistics industry in a particular favourable manner, as improvements in infrastructure enable our customers to outsource at higher levels.

In this backdrop, our company's strategic focus has been to enable enterprise customers to meet their supply chain as more productive while leveraging our integration and a process and technology layer. To this end, we have been focused on developing solutions capabilities, adding new service lines such as freight forwarding, last mile delivery and B2B Express, which span the customers for value chain and leverage technology to drive productivity.

This has also brought a higher focus on building nationwide rail network in warehousing infrastructure, deepening our coverage across the pin codes of our country and developing integrated technology stacks, which we have now been engaged in over the last 3 to 4 years through our organic and inorganic programs.

Today, more than 25% of our contract logistics revenues come from solutions and around 20% comes from new services such as freight forwarding, Express and last mile delivery. Moving on to our end markets, and I will quickly cover the shape of our markets and some key highlights from the same with respect to our business, let me begin with the automotive sector, India's automotive sector, as you all know, has been seeing a purple patch for the last couple of years.

The market is undergoing a technological change to pave the way for the sector's mixed growth phase. The fundamental pillars of this change are innovation, if we'll sell technology and the increasing emergence of electric vehicles. In addition to passenger vehicles, where EV adoption has been well discussed, EVs are also increasing a significant part of the 3-wheeler cargo market and have established a strong platform there.

Beyond this, these trends in the short term, we continue to focus on ICE technologies, especially in the cargo and freight segment. Our last quarter was marked by the festive season, and we saw the impact of the season in the first half of the quarter with strong wholesales driving increased demand for services and solutions for logistics as well.

Commercial vehicle demand remained moderate through the quarter. Overall, we saw a positive traction of volume in the first half of this quarter, but these are offset by higher-than-expected no production days in December for multiple reasons, such as inventory management, upcoming new model changes, etcetera, by our OEMs. The farm sector volumes were positive traction with the festive season volumes bumping in as expected and the expectations of impending price hikes from January 2024.

The consumer durable brand and FMCG industry has the important constituents of our demand, government spending and private capital expenditure have continued to drive a positive trend across the overall sector. Unfortunately, the inflationary environment and cost increases have been passed on to our customers,have had a negative impact on demand.

The fan industry is gradually picking up with a transition towards BLDC in higher star rated fans and the whole market will hopefully start seeing greater stability. Our competition across the global industry remains intense, putting pressure on prices. Our Q3 FY'24, colder quarter in terms of temperature witnessed some moderation and off-take but was higher on a year-on-year basis due to the festive demand.

Demand for electronics has been led by mobile phones, wearables and televisions, while refrigeration as a whole has seen stronger festive demand, followed by washing machines and refrigerators. Similarly, in FMCG as well, there have been some green shoots but these have been scattered in nature.

From our business perspective, we have seen a renewed focus of companies to start relooking at the distribution network post-COVID. Over the last few years, we've been talking about the impact of GST, and that has started acceleration in the recent past. This has resulted in a higher interest for integrated warehousing and distribution solutions, and we have seen a strong order intake on account of the same for the quarter.

Moving on to e-commerce, the e-commerce segment has, in the last fiscal year or this fiscal year, seeing a substantial increase in the level of in-sourcing as marketplaces have been consolidating their capacity with a stronger focus on profitability. As a result, the share of 3PL companies in this space in terms of first and mid mile have been impacted.

This quarter is traditionally the festive peak season, and we saw a better peak this year than last year. Volume growth was positive and sequentially on a Q3 versus Q2 basis, our volumes grew by 21% during the peak period.

However, there was a sharp tail off, post the peak in most categories other than grocery, which has remained robust through the period. From our perspective, several contracts, which are closed by customers in Q1 and Q2, which we had reported on last earnings call, were actually decommissioned in Q3, resulting in a higher level of white space in warehousing.

On the positive side, the stronger peak had a higher positive impact on our transportation and last mile business for this segment. Our network transportation program with Flipkart has made positive strides and we are now at peak utilization of the fleet. During the quarter, increasing the re-penetration in e-com has also given a boost in the retail business with higher demand from grocery and small pack last mile delivery.

I'll now cover some operational highlights across all our businesses, and let me begin with the largest part, which, of course, is the 3PL business. The 3PL business operationally remained robust through the quarter and we have consistent operating metrics across all our 300-plus sites. From a demand perspective, order intake was especially strong across all segments with an annual contract value of over INR 150 crores, which is roughly a 15% increase compared with the previous quarter of this year.

These included several new contracts, including new grocery FCs for lead ing marketplace, seeing new sort centres in the e-com space and several integrated warehousing and distribution solutions for clients in the food and, FMCG and engineering sectors.

While volume for the quarter was lower than expected the 3PL business due to the offset of the contracts which were reduced from last year and the year-on-year elimination of the Bajaj contract. The labour environment across our businesses remained under pressure with cost inflation impacting cost in both of our third-party contract resources and delivery associates.

This particularly impacted our third-party logistics business and our last mile delivery business, and they were exaggerated during the festive peak when we saw a significant cost surge, which had an unfavourable impact on margins. These are especially true in the last mile delivery business and most of the other businesses, we were able to offset the impact of that to productivity.

On warehousing. Total warehousing for 3PL for the quarter was 18.7 million square feet. We have around 2.5 million square feet of capacity under construction, including recent announcements. We have recently announced the additional 6.5 lakhs of capacity in Phaltan, a 4 lakh square feet in Nashik, and we are starting construction of 1.2 lakh square feet multi-client facility on Agartala.

The closure of some of the contracts, as I mentioned earlier, in the e-commerce spaces resulted in a higher white space cost for the quarter compared to trailing quarters. And as a result, we have seen an impact of our financials for the quarter, which was just concluded.

We have a healthy pipeline and do expect to close out new contracts which should fill that white space over the next couple of quarters based on specific locations. The electric vehicle fleet, our total EV fleet for cargo is around 1,700 vehicles that down serves 19 cities. As a part of the last mile delivery business, we now have coverage of nearly 4,000 pin codes across the country. The freight forwarding business continues to have headwinds, which have historically been going through the last 5 quarters.

On a positive note, during the quarter, we were able to break the back of the trend and grow volume especially on the air segments and sequentially on ocean imports. These have allowed us to register 11% growth sequentially on a Q-on-Q basis in the business. We continue to scale up our cross-border charter business, which is based in Dubai. In the medium term, we remain positive about our outlook to continue to grow volume, though we are a few quarters off from our historical peaks.

Moving on to the last -- the B2B Express business or Rivigo, as we generally call it. We continue to be focused on driving the turnaround in the Rivigo. We have invested in optimizing the network design and improving service levels, which now have recovered completely. Through this quarter, the integration of both the businesses has now been completed, and all our customers are now on a single physical network.

During the quarter, order intake grew by 18% and delivered volumes grew by around 10%. We also onboarded 23 new accounts for the Express business. However, despite these improvements, we are not able to see the full benefit of that from a cost perspective as our fleet continue to operate at suboptimal utilization levels. We have continued to operate the free fleet at high levels to ensure service levels are improved, and that has had a trailing impact on our results, which I'll cover a little bit later.

Through the quarter, we also had some impact due to the Chennai rains, which impacted our local operations for the Express business in the quarter. The mobility business was impacted sequentially by seasonal factors. The holiday season has impacted our ETMS business and has not compensated the adequate -- and the decline was not adequately compensated by the airport or the B2C business, which traditionally see an improvement during the quarter.

We've also had some delays in our electric vehicle fleet upgrade program and that has had an underlying impact on our costs. That said, our overall improvement plans are well in place, and we expect and anticipate further growth as a return to work trends could accelerate across all our end customers.

During the quarter, we opened 9 new facilities in the third-party logistics business. These sites are open -- many of these sites are opened in the second half of the quarter and had a longer preconstruction period or preoperational cost -- and a higher level of preoperational costs impacted with this. We were not able to complete monetization of these new sites, and therefore, the preoperational cost had an impact on the financials for the quarter.

I'll now move on to some corporate actions, which I think all of you may have tracked, but for more information. During the quarter, we completed the second tranche of our acquisition in ZipZap Logistics increasing our equity to 60% on a fully diluted basis. The company will now be consolidated along with MLL results on a going-forward basis.

As a result of this transaction, the company had an increase in transaction fees and onetime costs as the employee benefits, which impacted the results of the company by roughly INR2 crores in the quarter.

I would like to highlight that these are not continuing costs and should not be there going forward. We have completed our divestment of our stake in Transtech technologies to remind you all the investments in this company already mention in FY'21, '22. We have since then divested our equity position of appropriately 38% to an independent group of investors.

As a result of that transaction, we had to reverse a deferred tax asset which was created in 2018, which are to the extent of INR1 crore, which is reflected in our Q3 financials and impacted our reported PAT.

The Board of the company has put an additional equity investment of INR50 crores in MESPL to support operations and growth. This investment will be concluded in the current quarter. Moving on to financial performance. And let me begin with the component performance, first if talk about consolidated performance.

Revenue for Q3 F '24 in MLL or Mahindra Logistics was INR1,160 crores as compared to INR1,139 crores in the corresponding quarter of the previous year. PAT for the quarter was INR13 crores as compared to INR17 crores for the corresponding quarter last year. Earnings were impacted by multiple operational and one-off issues. Some of these have been highlighted before, but I will repeat them again.

Operationally, we had higher start-up costs in NPDs in December, higher start-up costs, which, as I said earlier, we could not complete and fully bill our customers for that. Those increased start-up costs and NPDs have impacted earnings by approximately INR3 crores for the quarter. We also had a further seasonal impact of labour costs in the last mile delivery business of MLL. This was by cost of driving our associates, which especially in October, where a significant surge. And these unfavourably impacted earnings by approximately INR1.2 crores.

Additionally, as I mentioned earlier, we have reversed deferred tax assets created for Transtech in 2018, which amounted to INR1 crores. Barring these one-offs and specific events, our underlying performance of the business was stable. We expect most of this cost will not make a drill to fourth quarter onwards.

Lords freight revenue for Q3 F '24 was INR55 crores as compared to INR78 crores for the same quarter last year, a decline of 24% on a year-on-year basis. Our PAT for the quarter was INR0.44 crores as compared to INR1.8 crores, which was impacted positively by some one-off -- one time gains as well.

On a positive side, as I mentioned earlier, sequentially, revenues are up 10%, and our margins remain in moderation throughout the quarter. We remain positive about the long-term value and opportunity around the business. As I said, we have seen volume growth in air imports, exports as well as ocean imports and we hope to see stronger volume growth in the coming quarters in this business.

The Express business or Rivigo Q3 F '24 revenue was INR96 crores, up 5% Y-o-Y and up 10% sequentially. Overall, the gross margin improved by INR2 crores in the quarter, while the overall gross margin was still minus 14% for the quarter. We did see an improvement in the quarter and our PAT loss has reduced to INR34 crores in Q3 FY'24.

We remain focused on driving improvements in the business, and we'll talk about the levers for the improved business in later sections. Mobility revenue Q3 FY'24 was INR84 crores as compared to INR65 crores in the corresponding quarter last year and PAT for the quarter stood at INR37 lakhs.

Whizzard or ZipZap Logistics revenue for Q3 F'24 were INR35 crores as compared to INR31 crores in Q3 F'23 and PAT loss for the quarter was INR2 crores as compared to INR1.5 crores for the corresponding quarter of last year.

As I mentioned earlier, that INR2 crores of losses included the onetime charges of INR2.2 crores. Excluding those business actually was breakeven or actually would be profitable.

The 2x2 Logistics business continues to see an improvement in its operating returns. For the quarter, a division made a profit of INR74 lakhs as compared to a loss of INR65 lakhs in the same quarter last year.

Our entire fleet now is almost completely operational, and we are in the process of augmenting the fleet in the coming quarter. Moving on to consolidated financial performance for Q3 F'24. Q3 revenue for the quarter increased by 5% on a year-on-year basis to INR1,397 crores. Revenue from the warehousing segment for the quarter -- actually warehousing solutions segment, stood at INR276 crores for the quarter, up 8% from the same time last year.

Supply chain management, including third-party logistics, freight forwarding, last mile delivery and B2B Express contributed 94% of the overall revenue and the mobility business contributed 6% of our overall revenue for the quarter. Gross margin on a fully diluted basis stood at 9% in Q3 FY'24 compared to 10% for the same period last year.

Gross margin without the impact of the MESPL business was at 10.7%, an improvement of 70 basis points on a like-to-like basis. EBITDA for the quarter stood at INR52 crores, down 17%, largely due to the consolidation impact of the Express business, excluding impact of Express business EBITDA was down 6%.

Our consolidated PAT for the quarter stood at minus INR17.1 crores. From a cash and receivables perspective, the company continues to trend positively with more substantial change on that as we continue to focus on working capital management.

With this, I'll now open up the floor for questions.

Moderator: Thank you very much. We will now begin with the question-and-answer session. Anyone who wishes to ask questions, may press star (*) and 1 on their telephone. If you wish to remove yourself from the question que you may press star (*) and 2. Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question que assembles. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Sir Good afternoon.

Rampraveen Swaminathan: Good afternoon, Alok.

Alok Deora: Good Sir, How are you?.

Rampraveen Swaminathan: I am fine.

Alok Deora: Sir just a couple of questions. Firstly, on this Express business. So Rivigo, unfortunately, the losses are still elevated. So how are we looking at this now? Because -- I mean even at the industry level, the volumes on the Express side has been kind of muted and I think that's sort also reflected in our numbers as well.

So earlier, we are targeting a breakeven of -- breakeven by end of this year. So any changes there? And how we see the trajectory here?

Rampraveen Swaminathan: Alok, if you want to ask a second question as well, I'll answer both of them together.

Alok Deora: Yes, Sir please, so sir, second question even in the latest presentation, we are talking about INR10,000 crores sort of -- it's a broader question, a INR10,000 crores revenue by FY'26. But even if we take a kind of a 20% growth rate for the next couple of years, we will be ending up at close to INR8,200 crores or roughly around INR8,000 crores.

So any -- are we really looking at even higher growth than this? Because whatever numbers -- sense we are getting on the outlook for the industry, even 20% would be quite a task to achieve. So just your thoughts on that?

Rampraveen Swaminathan: Sure. So let me answer the first one first, Alok. Because I think that's probably a question on a lot of people's minds. So I think we had -- just to baseline all of you. I think when we acquired Rivigo business, we essentially said, we'll be EBITDA positive by the end of this financial year and PAT positive through the next -- FY'24, '25.

And as I mentioned on earlier calls, we have had integration issues on that asset. And that has obviously had a trailing impact on our earnings for those quarters as well as the time to breakeven from an EBITDA perspective.

As we stand today, we are consistent with what we said in the last earnings call, which is that we expect to be EBITDA breakeven through the first half of next financial year. And on a run rate basis, we hope the PAT breakeven rise by the end of the next financial year.

Now that's -- and obviously, as you look at the numbers, it's a fairly significant gap, so you all would think, it is a significant gap. And a large part of the impact in our profits this quarter was when we have seen volume growth. We are around 20% as compared to 20% to 25% compared to the volume we need to have. We had strong order intake in the quarter, though it got completely convert into sales. And therefore, we are fairly comfortable with the order runway.

That order as we should actually translate into an improvement online haul costs through better vehicle utilization. So there are three basic -- three or four levers, which we're focused on. The first one is increasing order intake and volume. The second one is improving the efficiency for line haul costs, both through purchasing price efficiency and through line haul optimization.

The third one is improving our pickup and delivery costs. We are doing some technology and interventions in that space to accelerate that. And last one is obviously operational and -- operational efficiency in our processing centres and our conversion centres. We do have a success plan on each of them because we did expect this quarter to have 15%-ish revenue growth.

We came in tailing a little bit on track. But as I mentioned earlier, Alok, we have done the fleet almost at full-fledged capacity this quarter. And that obviously has been -- that the line haul utilization was lower than we anticipated, lower volume than expected and higher fleet utilized -- fleet laying operations meant that we had an unfavourable impact compared to our expectations.

On the positive side, I think we have turned the curve, gross margin and EBITDA and PAT all showed improvements in the quarter. As stated in Jan, we have continued to see that volume growth and some of our cost improvement initiatives are starting to come into play. So we expect that we do expect largely to be on track with the program or the direction I had said earlier.

To your second question, which is the INR10,000 crores number. I think we are right now close to INR5,800 crores to INR6,000 crores on a run rate basis and you can cut the numbers, whichever the way you want, right? And if you look at the INR10,000 crores number, what we essentially said is we expect around INR9,000 crores of that to the supply chain and around INR1,000 crores of that to be mobility, right?

From where we stand today, there is obviously the accelerated growth aspect on the supply chain alone. But we still feel that those growth estimates are well warranted given the size of the market. We obviously have to execute in terms of winning those orders and monetizing it and delivering on them, but the market and the demand that's there, we are continuing to see I said earlier on favourable the macroeconomic factors.

So we still pretty much believe that, that is very much possible on that -- on the supply chain side of the business. The Freight Forwarding and the Express business and the last mile delivery businesses need to scale up to the potential which those business hold as well over the next three years, but we do believe that, that is very much in range, it's an aggressive growth plan.

The last -- the Mobility business is business will be under stress. We had expected -- we have made these kind of aspirational targets pre-COVID. And -- but we do have a high assumption on more faster return to work for that volume to grow. And I do suspect that there is some measure of risk on that, Alok, in terms of our ability to hit the INR1,000 crores.

At this stage, we are -- at overall level, we are somewhere in the 5% to 6% range, the way you call it. So we don't have -- you're not seen compelling urge to change the INR10,000 crores vision. We still remain pretty much focused on that, and we will see how close we get there. I hope that answer both your questions, Alok.

Alok Deora: Yes, it does. Just one small follow-up. So on the first question, actually. So now you mentioned about volumes not being so much -- I mean you have improved maybe on a Q-o-Q basis, but still some room left. So where do we actually see this EBITDA breakeven happening because we already now pumped in INR50 crores into that business, particularly to kind of loss funding this unit.

So do you think some more funding could have -- happen here? And where do we realistically see the breakeven happening that would be the last question.rigthy now.

Rampraveen Swaminathan: So I think they're all basically one question because they're all linked in some way, Alok. I think the EBITDA breakeven as we stand today, we are forecasting EBITDA breakeven at the end of the second quarter of next fiscal. And we feel we remain by that position. We have not -- we feel comfortable we're able to hit that, that's a combination of volume and cost.

And I don't have any basis to change it. I'm pretty confident. We expect to have a 15% volume growth. As I said, we did build order intake was higher than 15%. We just did not have enough conversion of the orders. So we have to work on accelerating some of these levels and to execute better. But we do have the window and a clear plan to get there by the end of Q2.

Alok Deora: Sure, if I have more questions, I will come back in queue.

Rampraveen Swaminathan: Sure, Thank You.

Moderator: Thank You, before we take the next questions, we would like to request participants, to please limit your questions to two per participant and ask both questions together. We take the next question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Good Afternoon Everyone. Thanks for the opportunity.

Moderator: Amit, actually we cant hear you very clearly, if your are in a handsfree, request you to use the handset.

Amit Dixit: Just a second, is it clear now.

Moderator: Yes, please go ahead.

Amit Dixit: Yes. So I had a couple of questions. The first 1 is on Rivigo only. If you could let us know the cash loss that you are incurring at Rivigo, I mean the cash loss at this quarter. And also a little bit extension on Alok's question again, that INR50 crores funding we have done, but you indicated that INR64 crores was kind of PAT loss that we made at Rivigo.

So just wondering because the EBITDA breakeven is expected in H1, FY25. This PAT breakeven, maybe by end of FY25? So where are we going with this? So can we expect more tranches of funding? That was the first question. The second one, essentially if you could just highlight the volume growth in 3PL business ex of Bajaj effect. So these are my two questions sir.

Rampraveen Swaminathan: Thanks Amit. I'll go with the bigger one first because you are in continuation with Alok's question. INR22.4 crores of EBITDA losses for the quarter, right, just as a data point. And to your question about the funding, the funding obviously partially is to support the burn rate. We don't expect this burn rate to be at the same level it was in Q4 -- in Q3.

We expect obviously an improvement in Q4 and Q1 and Q2 to get to that EBITDA breakeven. While I'm not in a position to give specific estimates too. As I said, the losses -- the EBITDA losses are INR22.4 crores for the quarter, and we expect -- and the loss -- and the funding of INR50 crores, which we are doing right now is to support both the volume, the working capital increases in the business.

And obviously, to support some level of burn. We do believe that at this point, we do not plan any additional investments, the board or the company has reviewed our estimates, and we expect that this should be adequate in the near term or the midterm for the business till we get into a larger growth phase in the company.

In terms of the other question, which was on -- yes the growth numbers of Bajaj, the third-party logistics business grew at 5% excluding the Bajaj shutdown, and the growth was around 9%. So all the e-commerce consolidation and shutdowns we had, growth was around 13%.

Amit Dixit: Yes. Sir, just a clarification. When you say that the EBITDA level loss was INR22.4 crores, is it same as cash flow or cash flows would be a little bit higher?

Rampraveen Swaminathan: It will be a little bit higher, Amit, and you can contact us -- if you contact us separately, we'll give you that number.

Amit Dixit: Yes Sir, Sure. No problem, thanks and all the best.

Rampraveen Swaminathan: You can write our Investor Relations team will give you a specific number.

Amit Dixit: Yes I will do that separately. Thank You very much.

Moderator: Thank You, The next question is from Aditya Mongia from Kotak Securities.

Rampraveen Swaminathan: Hi Aditya.

Aditya Mongia: Hi Ram and thanks for the opportunity, I'll just go ahead with my questions. As in your opening remarks, you were suggesting something to the extent of a meaningful increase in order inflows for the standalone business and similar kind of thought process even for the B2B Express business.

I wanted to get a sense of on a 9-M basis, how the numbers compare. And the surge in order inflows, is it more of a market phenomenon? And should we expect similar margins that you have otherwise been earning to continue? Or has there been any rejig on pricing from your side?

Rampraveen Swaminathan: **Aditya,** So rejig on pricing, I can tell you we've not had any rejid on pricing, but you meant unfavourable change on pricing. So we don't do any unfavourable rejig on pricing. But -- so that's something across the business, we clarify that. In terms of more specific detail, I think seeing the 3PL business, we had order intakes with an annual contract value of approximately INR150 crores.

And that -- a large part of that was some new customers, right, and some existing customers putting on new contracts as well. I would say a lot of that is -- it's a combination of two things, Aditya, some amount of network expansion. Clients actually launching new businesses on new locations. For example, the e-comm side, you had a bucket of growth in some marketplaces.

We're actually doing geographical expansions and putting new sortation facilities there. In some other cases, it's really been a rebid of contracts, which we have now -- which we didn't have earlier and the rebid, we are bidding the contracts, right? So that is a combination of different things. In terms of do you expect this trend line to continue?

I'd say I think order intake, we feel confident that we are well positioned. It will not be exactly INR150 crores in every quarter. But if you just timestamp it, the last two quarters, Q1 and Q2 order intake was north of INR100 crores a quarter. In Q3, order intake has been around INR150 crores a quarter.

So we think that's generally a very healthy trend line. And it kind of, to some extent, gives us confidence in terms of our growth estimates to the question which probably Alok asked at the beginning, right? And in terms of the Express business, obviously, we've added new logos in. We've added around 23 new logos in.

I won't get in the specific of much of business is contracted with them, but we do think that -- as I said, overall order intake grew around 18% for the quarter -- 16% to

18% for the quarter. We are not able to monetize all of that because it comes in different months and the conversion process to get the orders in. But we should be able to see the trailing impact of that in the coming periods as well.

All, right. So let me stop there and from a margin profile perspective, therefore, I would just say it is not going to get worse since I think your question, Aditya was linked to pricing and the impact lower pricing might have on margins. And we've really kept our prices at the same level, including in the Express business, but our yields remain pretty much unchanged when you adjusted for segments.

Aditya Mongia: I understood. And just a second question. It's been the second or third quarter wherein the company has been talking about certain kind of businesses that are moving out. I think this is the first time in the press release that you kind of mentioned this issue kind of cropping up for the past two, three quarters.

Are we behind this phase? And should we be assuming that, that's broadly an exercise or do you think it's in the midst of some kind of course correction from a customer perspective?

Rampraveen Swaminathan: Aditya**,** I think we are actually by and large done with the phase at the end of last quarter. So if you remember what I said at the end of last quarter, actually it said that we kind of pretty much done with it. Is there the customers don't announce do we get -- we agree with customers on a closure of a contract and then it typically does not close overnight.

The contract run for a period of time. So what you've seen in Q3 is just the trailing impact of the closures that was done in Q1 and Q2. In Q3, there was no meaningful closure of that. From an agreement termination or agreement closure perspective, sites, which we agree to close in Q1, Q2 did go down in Q3. And that's kind of the impact we are seeing. I don't expect anything going forward on that.

The challenge, of course, for us is it created a white space, which have been trying to get filled. But on a going forward basis, we'll actually not impact -- for the quarter -- as I said, despite some of those reductions, which have happened through the last two quarters and Q3 as well, we're still in the 3PL business shown year-on-year growth in revenue.

Aditya Mongia: Understood. And just a last clarification, not a question. But when you give gross margins per square feet for the warehousing business, is the rental cost included inside this number? Or is it something taken below gross margin.

Rampraveen Swaminathan: It confirms to Ind AS 116. Let me just say that because not all our contracts basically, because some of the contracts as per Ind AS 116 would go into right to use asset line and some of our contracts which are less than one year, tend to go above the RTU line. So it's hard for me to give you an exact number. If you contact us, we can tell you what are number or to give a range of numbers and rentals.

Right, but as you know, the rental account on Ind AS is not just a change in line. It's not a line adjustment alone. We don't knock rentals off and the rental be knockoff is not necessary adjustment on the Ind AS 116 line on the RTU lines. So that's one factor. The second part is several of our contracts do not qualify for the restatement as per Ind AS, right?

So that why we actually try to give you a trend line on the gross margin or yield for per square feet, let's say, we added that, I think, partially on requests from the analysts, so we could have called it out. And so let me stop there and see if that helped you or do you want some more details.

Aditya Mongia: Maybe the only issue is that as the -- if we divide it to numbers or revenue per square feet and gross margin then come to a gross margin percentage, warehousing, even though and the rentals kind of below, in some cases, warehousing is still comparable in margins for the entire contract logistics business is about 12% or so, okay.

So as one would have -- one would have thought so that warehousing is probably a high-margin business, but it seems as if it's kind of lower if we adjust for rentals data below. So just thought I kind of pick your brains on that one.

Rampraveen Swaminathan: Yes, it's a fair point. Let me just come back on this. Just -- let me just come back to you. I think, however, yes, it's a good question. Aditya and I think that it's includes a fair point. Let me just -- we'll get your answer back on a clarification.

Aditya Mongia: Sure, Thank You, those were my questions, Thank You.

Moderator: Thank You, The next question is from the line of Abhishek from Dolat Capital.

Abhishek: Thanks for the opportunity. Sir, Rivigo loss is around INR98 crores in nine months versus a stand-alone profit of INR54 crores. And you're talking about the PAT breakeven at the end of quarter four FY25. So, there will be another PAT loss of around INR45 crores to INR50 crores in FY25. So are you not looking to close down or sell of this business as the leakage is quite big and a stand-alone business is not able to compensate it. So do you have any such plans?

Rampraveen Swaminathan: Hi Abhishek, It's an interesting question. I think there are two different lenses here. One obviously is the short-term impact which you've raised Abhishek, and I want to completely confirm other estimates, because we assume that the run rate will continue for two more quarter and certainly become zero, which is not the way it will happen. It is under an improvement curve.

But the -- and therefore, it's not probably going to be the INR45 crores number, which you could have referred. But that doesn't take away a broader question, I think, saying that the investment and this carry on the rest of the result is quite significant and does it require us to relook as part of the portfolio. And I view our position right now.

The Board and I obviously review the businesses and the portfolio at a periodic basis across the entire company. But as far as this specific business is concerned, I think when we acquired the company, we grew most of our investments on a 7-year business plan. And we have -- we acquired this business, assuming they were growing very well because we're growing for a period of time.

We acquired the company what we thought was a fairly attractive valuation adjusting for that work. So we acquired a company at INR220 crores, we have INR140-ish crores of consolidated -- cumulative loss till now or around INR100 crores. And therefore, we invest another INR50 crores or INR60 crores of equity in loss.

So overall, INR30 crores of equity. So overall, I think we are in the INR350-ish crores -- INR360 crores current investment level for the entire business. And we still -- and when we look at the valuation, we still feel that the -- we look at the business case, we still in the business case on a stand-alone basis actually remains quite attractive.

The part truckload business is an interesting long-term debt. We think the business has a high growth potential on a stand-alone basis. And we should with profitable -- with improvement and expansion of network get to more comparable margins to the rest of the industry, which as you know, are better than the convention 3PLs margins.

So in that sense, I think our business case and EBITDA still remain fairly consistent. Obviously, the result of the losses of extension or losses meant our IRRs have come down a little bit on the investment case, but we still feel very positive about the overall investment on a stand-alone basis. In addition to that, I think it is -- there is a significant synergy value for the rest of our business as we position our customers to be an end-to-end solutions there, obviously, on the fulfilment and distribution side, part truckload is a very important part of the business, right? And therefore, it is something which we remain very excited about.

Obviously, given that it's an asset-light structure, you are seeing most of the cost of it in the P&L as opposed to being in the balance sheet. But typically, any business does require investment curve to actually be funded. There is interest peak levels of utilization optimization. So it's still very much in line, though obviously delayed in terms of the broader business plan.

Obviously, the core business, every time we get -- we try to grow into any business, our core business have to support that growth. And that's something which we've been working on and getting the core business' margins up is something which are explained in prior quarters, an addition of 9-month year-to-date basis, the core business is up 28% on a profitability level -- at a PAT level.

So it is trending in the right direction, though this quarter was impacted by several factors, which I've outlined earlier. So I think from an overall portfolio perspective, we still believe it is a good balance. We need businesses which we think are individually strong and collectively synergistic, right? And all these businesses have been built out with that intent.

Obviously, the pace and the quality of way we execute things on different businesses, both with internal and external factors have a carry on the quality of results from a quarter-to-quarter basis. But from a long-term business plan perspective, we still remain very optimistic about the individual and the collective value which this business will be. And I'm sure the proof of the putting it in entity we'll hopefully see it in the coming quarters.

Abhishek: Okay. And sir, how much current quarterly volume of the Rivigo? And what volume is required to achieve EBITDA breakeven?

Rampraveen Swaminathan: So Abhishek, I think what we said earlier on, last quarter, we had said several times, we're consistent because we're consistent about it. Last quarter we have said we are around 40% off our EBITDA increasing point, 35% to 40% off. We've crossed on 11% of that from a delivered volume perspective this quarter. So we are around 20% to go.

From an order intake perspective, we've done slightly better, but that's still not -- it has still not come into our financials. So we have around 20%, 25% more volume to grow, which is why we will require other two quarters to do that as a current number.

Abhishek: And how you will get this much of volume, either of the network expense or increase in volume from the existing network?

Rampraveen Swaminathan: It's a common mix of both. I think through the integration, three levers, Abhishek, again which I've said earlier, we'll repeat again. And the first one, obviously, is we saw some of our customers drop their share of business to us, doing the integration because we had some issues. We are ploughing that back, and that's some part of that volume. The second one, obviously, is just expanding our -- with new accounts.

As I mentioned earlier, we've add 23 new accounts in this quarter, and we are trying to grow trading with those accounts. And the third one is cross-selling and synergy with the rest of the MLL business obviously through the third-party logistics business and other components of freight forwarding.

We have connections and relations with a wide set of customers. Almost every customer uses some part of the part loads business, similar to part loads business. So the cross-selling is a first big lever, which will drive that volume up.

Abhishek: So your Rivigo franchisee model is paying a better role versus your on network. So what are you planning to expand this model?

Rampraveen Swaminathan: No, franchisees are around 30% of our volume, and that will remain broadly in that balance, Abhishek. The franchisee model is both in yield and line balancing model. We used the franchise is largely -- we have 270 branches which then serve franchisees across a market -- largely upmarket in rural areas.

And obviously, that demand comes with better yield, it also allows us to do better line balance, right, of volume because sometimes we have forward lane, but we don't have reverse lane, the volume from large customers. So there is no -- so that program is intact and it continues to add roughly 25% to 30% of our volumes every month.

Abhishek: Okay, thank you, that's all from my side.

Rampraveen Swaminathan:` Thank you, Abhishek

Moderator: Thank You, before take the next question, we would like to request participants, to please limit your questions to two per participant and ask both questions together, for followup question you may rejoin the queue. We take the next question from the line of Krupashankar NJ from Avendus Spark. Please go ahead.

Krupashankar NJ: Good Afternoon and thank you for the opportunity, my first question is on the freight forwarding operations. So just wanted to check, given the recent spike in free trades, given the Red Sea crisis. Are we seeing traction with respect to yields providing operations in the fourth quarter? And furthermore, I just wanted to understand -- on the second question, I wanted to understand on the warehousing side.

So you did state that Ram that, there are some white spaces because of e-commerce contracts concluding. And we are also planning to add close to about 1 million-plus square feet space. So is it -- I mean, just wanted to check because typically, we're adding warehousing space based on the contract ramp-up?

And does it make sense to grow -- add more space at this particular pace what you have set for yourself? And given that the industry is not growing or rather the adoption is not going that path as one what we anticipated earlier?

Rampraveen Swaminathan: The freight forwarding piece to your question, yes. I think we've not seen too much of that. We do see an impact, obviously, in December. In January, we have seen an early-tailed Red Sea impact on some of, obviously, the lanes which go around the Atlantic lanes. And there's been obviously a sharp increase in rates to the extent we can get capacity.

Capacity is also contracted quite significantly. And therefore, in the month of January, we have seen an uptick in improvement. I think it's still an open question of how long it will stay that way. As you know, this is kind of a post-major event – or event which has happened.

So basis how geopolitics move in that area, the numbers that increase could tail off pretty quickly. But to your question, we have seen an improvement in January. As you can see in all global freight indexes already reflect that, and our own business is quite consistent with those trends. I think your second question on warehousing.

Yes, as I said earlier, we generally operate around 3%, 3-3.5% white space, which is around 20 million square feet space. In our view, a reasonably healthy amount to keep because if everything we sold out, we have nothing to give to new customers, right? Due to the recent shutdown, Krupa and we had -- we shutdowns over Q2 and Q3 announcements in Q1 and Q2 and shutdown in Q2 and Q3That white space has probably gone up to 6% to 7%, right? And therefore, we are in the work -- in the process of filling up the white space. We have a reasonable pipeline in multiple locations. There are 1 or 2 locations, which are stickier than others, but we are obviously focused on in terms of filling those out.

In terms of the new capacity additions we have announced, you at least -- we tend to look at the network in two parts, the network in terms of standard gateways of locations where we think -- which are -- they're consistent and we think has long-term demand trends. So those places likes Kolkata and Guwahati, for example, or Chennai or Hyderabad or Bhiwandi for example, will be parts of those. And on those places we are building capacity from a long-term perspective, right?

There's a trade-off between the pace of the capacity you build and the economics of it versus the price you pay for short term spot capacity, right? And there's also a 15%, 20% spread in that. And so there's a balance which has to be maintained there. And finally you build capacity and time the capacity in appropriate way. So you are actually ensuring that you don't have too much of white space.

We'll be able to do that through the first 4 million square feet of build out. This is a bit of a blip which has happened. And we do have a pipeline which we are hoping to then obviously execute and get those filled out in faster measure. When we build out these smaller towns, which is like in Tier 2, Tier 3 cities, we build our multi-clients there. Those typically could done with very specific anchor tenants, which are clearly signed up and those anchor tenants are probably generating north of 60% to 70% of volume. So when we announced 6.5 lakh square feet in Phaltan, in Maharashtra in 2 phases.

A large part of that is already sold out, right? And therefore, we already have an anchor tenant who almost completely occupied. The same things to Nashik as well. We announced the launch of the 1 lakh square feet, which is getting filled up. It's already been sold and 3 lakh square feet, which we're building a fresh is also contacted or almost complete.

So the idea is we go to Tier 1 cities and large demand clusters, we probably do try to put capacity ahead of the demand. We think that makes sense. It gives a significant economic benefit in doing that. But when it comes to Tier 2, Tier 3 cites, we tend to align the capacity point more towards the anchor tenant who is there. So for example, in Agartala, if we're building 1.2 lakhs, 30%, 60%, 70% of that will go to anchor and then we can't build around that.

So that's a guess, I think in terms of the way we're doing it. So at this stage, we don't have near term -- we have near-term risks and exposures, but we do look at it very closely. And over the last 6 months, we have -- as you know, we have reduced making or building out programs unless we have some anchor-tenant, positions in all of them in terms of the newer infrastructure which is coming.

On a related note, and I hope Aditya still on the call -- right. Just to clarify, I think for those of you who are listening on Aditya's question on Page 40 of the deck, which is upload on the website, you will find the margins and yields of warehousing and those numbers are pre Ind AS numbers I guess that's what Aditya was referring to, which is the 12% number. There's a footnote below the chart sheet, which actually alludes to fact of a pre Ind AS number. The post Ind AS will be larger; if you contact our Investor Relations team, we'll get the true numbers.

Krupashankar NJ: Got it. Thanks Ram, If I can ask one more question relating to what will be the contribution of Mahindra Group and what is the auto breakup for this quarter?

Rampraveen Swaminathan: I don't have probably the most specific number, but I think it's on 49% of our third-party logistics business. So Krupa 49% of stand-alone business. The split roughly is the same 65% to 70% on automotive and 30% to 35% on farm.

Krupashankar NJ: Okay, Thank You Ram, Thank You and all the best.

Moderator: Thank you. The next question is from Alok Deshpande from Nuvama Institutional Equities. Please go ahead.

Rampraveen Swaminathan: Hi Alok.

Alok Deshpande: Hi Good Afternoon Ram, Two questions from my side, both on the Express business, one short term and one long term. So Ram, first question, this quarter, we did about INR96 crores of revenue on Express and INR22 crores EBITDA loss. Now when you're referring to that you are about 20% odd away from breakeven. So I'm guessing it's about INR115 crores, INR120 crores of quarterly revenue that you are targeting where the breakeven can happen.

But are we saying that when we go from INR95 crores to INR120 crores, there will be absolutely zero escalation in the operating cost because that's the only way you can sort of break even at INR120 crores, right? So wouldn't the breakeven be a little bit more far out than INR115 crores, INR120 crores? That was the first question.

And secondly, longer term, when this business stabilizes, I think maybe 2, 3, 4 years out, what sort of stable state margins that one can look for this business? Because where I'm coming from is, by the time this business breaks even, probably cumulatively, we would have had net losses of maybe INR200 crores, INR250 crores on top of the acquisition value that we paid. So on an overall sort of capital employed of maybe INR450 crores, INR500 crores, what is the return on capital you should expect maybe 3 years out, 4 years out?

Rampraveen Swaminathan: So obviously, Alok, we are hypothesis a little bit here, but let me assure answering that. I think what I said earlier on still holds, we do believe that between after the INR800 crores revenue level, we expect to be at 3% to 4% PAT, beyond INR800 crores, we'll probably see a further expansion in profit after tax level. So that's and answer to your second question. And I think where we stand at, we expect to be at INR800 crores in the next 3 years or so in terms of revenue uptick.

In terms of the first part of your question, I think it is, obviously, mathematically accurate. What you said that we're expecting around INR30 crores. We are expecting around 15% -- 25% growth in volume which is around INR120 crores, INR122 crores and at that level, how the EBITDA is going to be completely wiped out does it mean that every cent drops on EBITDA? So that was a fair question.

But there are obviously puts and takes in that Alok. It's not a straightforward thing, right? So the inefficiencies in different lanes. So first of all, I think, obviously, we have a contribution margin around 15% to 16%. We expect that to be -- that to flow through completely to the bottom line. As I said earlier, our line haul fleets are operating at fairly low utilization and therefore, getting -- it all depends on where demand comes on the right line haul lanes, but balancing that line haul utilization up to 85%, 90% is a second big part of that savings.

And both of those should not come in significant cost acquisition, if you may, right? On the -- in the operating environment and both in pickup and delivery and in terms of the processing centres, we will probably see obviously some level of cost increase in the processing centres if they remain at the current level of efficiency. But they are also going to be offset by improvements in the pickup and delivery.

As the volume goes better, we should be able to optimize both through technology and doing better milk run and so on and be able to reduce our PUD cost. So to that extent, I think you're right, we expect it will largely be accretive on the contribution and in line haul levels. There will be an interplay between pickup, delivery and processing costs, which have kind of land us in that same range. Obviously, there are some moving parts here, obviously, Alok. But those -- but that's kind of the high level 4 big levers in terms of improvement.

Alok Deshpande: Sure. Understood, Ram. Ram, just one clarification. You said contribution margin of how much I missed the number?

Rampraveen Swaminathan: It's on 13%. I'm just checking. It's on 13%.

Alok Deshpande: 13%. And you said long-term margin of 3% to 4% on the PAT level, right?

Rampraveen Swaminathan: PAT level, yes. Up to around INR800 crores of revenue. And beyond that, we should be able to see an inflection because obviously, volumes will go up and we'll get a higher level of utilization, you can change vehicle classes to 40% and so on. So different play comes in. And as you can see there's a bellwethers in the industry, they are probably 4 above -- probably 6.5, 7 lakh tons, we are probably in that range or even higher in terms of margins.

Alok Deshpande: Sure. Thanks a lot, Ram, and all the very best. Very useful. Thanks.

Moderator: Thank you very much. We'll take that as the last question. I would now like to hand the conference back to the management team for closing comments.

Rampraveen Swaminathan: Thank you all for joining us today. I hope we have been able to satisfactory answer all your questions. If you have any other further questions, please contact SGA, our Investor Relations firm or the office of the CFO as we will be able to get back on specific queries.

We have taken some follow up queries from the call today, and we will reach out directly to those specific individuals on phones to provide them answers. Thank you all once again. We wish you all a good day ahead. Thank you.

Moderator: Thank you very much. On behalf of Mahindra Logistics Limited, that concludes the conference. Thank you for joining us. Ladies and gentlemen, you may now disconnect your lines.

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