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infralogistic solutions ltd
Think New. Act Now
(Formerly Tara Chand Logistic Solutions Ltd)

Pan No. AAECT1408Q
TAN No.PTLT12766F
GSTIN. 04AAECT1408Q1Z8
CIN No. L63090CH2012PLC033556

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Date : 09th August,2024
To,
The Secretary,
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor Plot No- 'C' Block,
G Block Bandra-Kurla Complex,
Bandra (E), Mumbai-400051

SYMBOL: TARACHAND

Dear Sir/Madam,

Sub: Intimation under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 –Transcript of the Investor Meet held on 06th August,2024, Tuesday at 04:00 PM(IST)

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations"), we are hereby sharing the transcript to the Stock Exchange of the Investors Meet held on **06th August,2024, Tuesday.**

The same shall also be made available on the website of the Company (www.tarachandindia.in) as per the prescribed timelines under the Listing Regulations .

You are requested to take the above information on record.

Thanking you,
Yours faithfully,
For Tarachand InfraLogistic Solutions Limited
(Formerly Tara Chand Logistic Solutions Limited)

NISHU KANSAL
Digitally signed by NISHU KANSAL
Date: 2024.08.09 15:52:13 +05'30'

Nishu Kansal
Company Secretary& Compliance Officer
M.No. A33372

Encl: As above

"Tara Chand Infralogistic Solutions Limited

Q1 FY '25 Earnings Conference Call"

August 06, 2024

MANAGEMENT: **MR. HIMANSHU AGGARWAL – WHOLE-TIME DIRECTOR AND CHIEF FINANCIAL OFFICER, TARACHAND INFRALOGISTIC SOLUTIONS LIMITED**

MODERATOR: **MR. VISHAL MEHTA – STELLAR INVESTOR RELATIONS**

Moderator: Ladies and gentlemen, good day and welcome to the Tara Chand Infralogistic Solutions Limited Q1 FY25 Conference Call. As a reminder, all participant lines will be in the listen-only mode and anyone who wishes to ask a question may enter star and 1 on their touchtone phone. To remove yourself from the queue, please enter star and two. Should you need assistance during the conference 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 to Mr. Vishal Mehta. Thank you and over to you, sir.

Vishal Mehta: Thank you. Good evening, everyone. I, Vishal Mehta, on behalf of Stellar Investor Relations, welcome you all to Tarachand Infra Logistics Solutions Limited Q1 FY25 Earnings Conference Call. We shall be sharing the key operating and financial highlights for the First quarter ended June 30, 2024. We have with us today the senior management team of Tarachand Infra Logistics Solutions Ltd, Mr. Himanshu Aggarwal, Whole-Time Director and CFO.

Before we begin, I would like to state that this call may contain some of the forward-looking statements which are completely based upon our belief, opinion and expectation as of today. These statements are not a guarantee of our future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statement to reflect development that occurs after a statement is made.

Documents relating to the company's financial performance, including the investor presentation, have already been uploaded on the stock exchange's company's website.

I now invite Mr. Himanshu Aggarwal to state his remarks on the company's performance for the first quarter ended June 30, 2024. Then we will open the floor for Q&A. Thank you and over to you, sir.

Himanshu Aggarwal: Thank you for the introduction, Vishal. Good evening, ladies and gentlemen. I, Himanshu Aggarwal, the Whole-Time Director and CFO of Tarachand Infra Logistics Solutions Limited, welcome you and thank you to be a part of the earnings call for Q1 FY25. I hope that you all have had the opportunity to look at the earnings call presentation and the financials that have been uploaded on the exchanges as well as the website. Given that this is only our second call post our migration to the NSE main board in April 2024, I understand that some of you might be new to our company. So, to start with, I would like to give you a brief about what our company does and then also talk about the financials.

Our company operates across the length and breadth of India through its three key segments or verticals.

- Segment A, Equipment, Rentals and Infrastructure Works
- Segment B, Warehousing, Handling and Transportation
- Segment C, Steel Processing and Distribution.

Our company serves India's infrastructure development and industrial capacity expansion needs through a vast fleet of cranes, piling rigs, aerial working platforms and trailers. Along with that, we are into warehousing and logistics solutions for the steel sector.

The warehousing activity is primarily executed for PSU companies like Steel Authority of India Limited (SAIL) and Rashtriya Ispat Nigam Limited (RINL). The company has a vast experience of more than four decades for steel handling projects where we are involved in handling of more than 10 Million tons of steel per annum. On the equipment rental front, the company has more than 300 Machines. The largest crane that the company has currently is of 800-Ton capacity. There are hydraulic piling rigs which are used for earthwork, groundwork, which is to be done for construction works and the company has got aerial working platforms that are used for working at heights above 30 meters.

In FY24, we have introduced the tallest aerial working platform in India with a working height of 68 meters and the same is deployed for a critical steel plant expansion project on a long-term basis. The company has been active in the construction of large metros, the metro rail network across the country, having participated in Mumbai, Bangalore, Ahmedabad, Surat, Indore, Pune and you name the metro and we've been there.

We have been a very active participant and have played a very important role for the construction of the first ever bullet train of the country, which is also known as the Mumbai Ahmedabad High Speed Rail project, and we are currently still actively involved in the same. Apart from that, in our industrial capacity expansions, we are actively working with the cement industry, steel industry in oil and gas with refineries and the power sector as well.

The company has also entered the renewable energy sector in this FY with new orders in Q1FY25 itself. We have a very diverse team of domain experts, operators, engineers and technicians, which are spread across 21 states in the country. Our total team strength is upwards of 700 people and at present, the company is working across almost 70 sites in the country.

Now, moving to the financials, I'll first give the key highlights. So, the company has recorded the highest ever first quarter revenue and profitability in Q1 FY25. On a year-on-year basis, the revenue growth has been 18% compared to Q1 FY24. This is despite Q1 being a traditionally slow period, which was further impacted by the national elections for almost the entire Q1 period. The receivable days have come down drastically to just 77 days as of 30 June 2024.

We also have a very healthy order book at Rs 149.40 Crores as of 1st August 2024, which is a 71% year on year growth. This entire order book is executable in the current FY itself. Despite a one-off drop-in revenue and margin for an important segment, that is warehousing and transportation, we have maintained a very healthy EBITDA at 33.7% and PAT margin of 9.4%. Even the year-on-year profit before tax grew by 37% over the last year.

Our total revenue distribution across segments is as follows. 51% is from equipment hiring segment, 35% from warehousing and transportation and 14% from steel processing and distribution.

Our equipment rental segment registered a high growth of 34% in revenue at Rs 23.1 Crores and recorded an EBITDA of 51%, which is a 300-basis point increase on a year-on-year basis. In the warehousing and transportation segment, we registered an unexpected 12% drop in revenue to Rs 16.2 Crores and EBITDA margins were also squeezed to 16% from 23% in Q1 FY24.

This was primarily due to a rare standoff with the labour unions, port authorities and state governments at one of the Vishakhapatnam ports, which brought the movement of goods to a mere standstill at the Vishakhapatnam steel plant for almost a month. We understand that the situation was delayed in getting resolved because of the election period. Also, the slowdown impact of the national elections took its toll on the overall movement of steel due to the dampened demand across the nation.

The revenue from our third segment steel processing and distribution grew by 92% year-on-year to Rs 6.4 Crores on the back of a major new order, which was to be executed within May and June itself. So that was a one-time order that has been executed in Q1 FY25. In the equipment rental segment, the average monthly rental yield rose to 2.98%, rising from 2.75% in the same period last year. This has been primarily due to the meticulous capex undertaken by the company in the previous years. In the current year, the company has already undertaken a capex of Rs 69.1 Crores as on date, which is higher than the whole of last financial year. A majority of this new capex has been undertaken between mid-June and 31st July 24, and the positive impacts of the same are expected in Q2 and the subsequent quarters of this financial year.

Going forward, the company is actively working on expanding its footprint in the renewable energy sector through its equipment rental division, while maintaining its stronghold in the infra, cement, steel and petrochemical sectors. Our efforts towards specialized services contracts are also progressing well. We are consciously biding our time to ensure that we only accept works that eventually align with our vision and growth strategy.

Despite the slight aberration in the warehousing and transportation segment during Q1 FY25, the trends in the current quarter are very positive for both our equipment rental and warehousing segments.

Also, traditionally, almost 55% to 60% of the full revenue is achieved in Q3 and Q4 for our company, which augurs very well for our aggressive annual growth target of 30%. Also, at the current speed, we expect to complete a capex of Rs 100 Crores by December 2024 itself, and the balanced capex plan of Rs 60 Crores would mostly be executed in the first half of FY26.

With that, I would like to now open up the floor for Q&A and hand it back to Vishal. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Hi, sir. Good evening. Thanks a lot for the opportunity. Congrats on a great quarter. Sir, how is the situation in the Vizag steel plant now after quarter one? Has it normalized already?

Himanshu Aggarwal: So, thank you, Mr. Nirvana, for the question. Yes, the situation was normalized in June itself. It was only predominantly May that was impacted. And we've been back to track since June itself. And as I stated, the trends are already looking pretty good for the current quarter because the pent-up demand is kind of coming back now because the steel production is still happening at its pace as it was happening. It was going on at the same pace at that time. So the entire movement is now going on at speed.

Nirvana Laha: Ok, that's great to hear. So in the last quarter, I think you had said that you expect both segment A and segment B to roughly contribute equally to the 30% growth. With the small setback in June, I assume that you're not changing that guidance for segment B, right? It will continue to grow around the company growth rate.

Himanshu Aggarwal: Absolutely. We are looking at and as I said in the opening remark, this was a slight aberration that we faced in Q1 FY25, but we anticipate that definitely segment A, where the majority of the capex is happening, will take a slight lead in the growth when we look at the annual growth numbers. But segment B will also be very much aligned with the overall growth.

Nirvana Laha: Sure, that's great to hear. Coming to segment A, in terms of the larger crane that you've bought, have you already seen any deployments in the wind sector or the solar sector?

Himanshu Aggarwal: So we have already had deployment in the renewable energy sector, primarily solar as of now and in the wind sector, we are starting in Q2. In Q1, we've already deployed to the solar sector.

Nirvana Laha: Okay. And we've reported very healthy yields overall. I just wanted to understand or get your commentary on yields by different segments. So if you can help us on the trends that you're seeing in yields in the wind sector, are they going up? Is the momentum as strong as it was in H2 of last year and how is it in the other infrastructure, the steel, cement sector, etc.?

Himanshu Aggarwal: I cannot give you a sector-wise breakup per se because of a business strategy perspective. But overall, the trends are healthy as they were last year as well across sectors. So at least as of now, we haven't seen any change, and they look on the positive side going forward.

Nirvana Laha: That's amazing. Last question from my side, sir. So your depreciation numbers. I noticed that in segment A, there's been a Rs 2 Crores increase in depreciation quarter on quarter. So from Q4 to Q1. That is a little confusing and I'm not able to reconcile the number because I think you added about Rs 48 Crores of assets in segment A, somewhere in the middle of the quarter. So how that could lead to a Rs 2 Crores QoQ increase in depreciation, I am not very clear. If you have any comments on that?

Himanshu Aggarwal: Yes. So the first quarter depreciation is a result of the entire capex done in the last financial year. It is not just the capex done in the present quarter. So one is a result of that. And two, there is in the first quarter, we have done capex of about Rs 28 Crores, which a part of it was done in the first half of the quarter as well. So that would have led to that increase as well. Although I do not have the exact calculations in front of me right now, but going by my understanding, it is a combination of last year's overall depreciation having an impact plus the current capex that has been done.

Nirvana Laha: Sure, understood. And for the full year, how do you think the depreciation might look like if you could hazard a number there?

Himanshu Aggarwal: So looking at the current trend and the capex that we are into, I would see that depreciation, as per the current quarter numbers, it looks at about Rs 32 Crores. But with ongoing capex, it could lead to about Rs 35-36 Crores as a ballpark figure.

Nirvana Laha: Got it. Thank you, sir. I'll come back on the queue and wish you all the best. Thank you.

Moderator: Thank you. The next question is from the line of Rohan Mehta from FICOM Family Office. Please go ahead.

Rohan Mehta: Hello, sir. Thank you so much for the opportunity. So, sir, the average monthly yields are at 2.98% for the first quarter. How has the number been in July and August? And also, when you talk about these numbers, is this net or gross?

Himanshu Aggarwal: So these are gross numbers. These are gross monthly yields, which is basically a reflection of our rental. We get in the month divided by the value of the equipment that is deployed. So this is the gross value on both sides. And then you asked about July, August. So we see the yield, as I've said, we've got positive trends going forward. So we are hopeful that the yield numbers could further increase.

Rohan Mehta: Okay. And just for reference, what is the net yield? Can you let me know about that?

Himanshu Aggarwal: So the net yield would, to just do a rough calculation, it comes to about 1% lower than the gross yield. So the net yield would be about 1.98% or so.

Rohan Mehta: Got it. Also, sir, the EBITDA margin, that has fallen substantially in the warehousing and also the steel processing and distribution segment, if you look at both YoY and QoQ. So could you give some colour on this? Why has this happened?

Himanshu Aggarwal: Yes. So for the warehousing and transportation segment, the primary reason has been the fall in revenue, which has further impacted the EBITDA margins because we have the resources deployed but at the same time, the revenues were not matching with the same. If you look at it, we've also given out the numbers of, the tonnage of steel handled. So the tonnage of steel handled in Q1 FY25 is also lower, almost about 2 Million tons lesser than the last financial year Q1. So which in itself is a major hit on the EBITDA margin and for the steel distribution sector, we had a one-off order for a client, which we needed to execute from a stickability perspective, which had a low margin in it. But we had another contract with them where the margins were good. So we had to execute that contract. But that is a one-time thing also in Q1 FY25.

Rohan Mehta: And just to follow up on that, in terms of your EBITDA margin guidance outlook and also revenue outlook for FY25 and also over the next two to three years, how do you see that? And aren't the present EBITDA margins likely to revert to a more normalized level? What would that level be in your opinion, if so?

Himanshu Aggarwal: So, sure. Thank you for the question on that. So I'll focus more on segment A and B because those are the core segments which drive the company's revenues and the growth. So in segment A, we are at about 51%. We were at 51% for all of FY24. We have maintained 51% for Q1 FY25, which was 48% in the previous year. Going forward, we do anticipate that we will be in this segment. We will be able to maintain around 55% EBITDA margin. And if all goes well, could possibly go higher. But 55% seems reasonable as per the current trends. And then on the warehousing and transportation segment, we will definitely bounce back, and we should be able to maintain our standard 23% to 25% EBITDA margin there.

Rohan Mehta: Ok. And so on revenue growth, any colour on that?

Himanshu Aggarwal: So on the revenue growth, as you would see, we've grown 34% year on year as far as segment A is concerned. So which primarily, as I look at it, is pretty much in line with the guidance or the target that we had set for ourselves and we anticipate that growth would continue because of the capex that we are doing and the order book that we have. Similarly, in the warehousing and transportation segment, that guidance continues, or the targets continue to be aligned to our overall growth target of 30%. Because the order book that we currently have about Rs 149 Crores, 60% of that is from the warehousing and transportation segment. And all of this is what we are talking about to be executed in FY25 itself.

Rohan Mehta: Got it, sir. And just a final question before I get back in the queue. On the order book, sir, your order book has grown consistently. How many years would it take to execute the current order book in case and if we receive no new orders?

Himanshu Aggarwal: Ok, so the current order book that we have put out is for this current financial year itself. So that answers your question with regards to the number of years, it will be executed within the current year, the Rs 149 Crores.

Rohan Mehta: Got it. Thank you so much.

Moderator: Thank you. The next question is on the line of Aman Vishwakarma from Philip Capital PCG. Please go ahead.

Aman Vishwakarma: Yes, thank you. Congrats on an excellent quarter despite the shutdown. I had a question on the capex. So I think we have bought an equipment worth Rs 60 Crores I think in this quarter itself. So the guidance that you have given of Rs 100 Crores, is it including that Rs 60 Crores or excluding?

Himanshu Aggarwal: Yes. So thank you for the question, Aman. So the Rs 100 odd Crores that we are looking to complete capex by December 24 includes the Rs 69 Crores that we have completed as on date. So in the first quarter, we did up to Rs 28 odd Crores. Post that we have done another Rs 41 Crores, which is up to the 1st of August. And then going forward, we have another Rs 30 odd Crores to be done up to December.

Aman Vishwakarma: Okay, excellent. And if you could just throw some light on how these contract bidding processes work, because the fact that you've been winning the orders consistently. I mean, what are you doing differently or what enables you to get these orders? I mean, if you would just throw some light on that.

Himanshu Aggarwal: I'll try to make it as general as possible because being specific would be giving out some business secrets. So the idea is basically we are deploying our equipment with clients and there's a lot of repeatability in our orders because of the kind of service that we are giving. In our equipment rental sector in the segment, it is not just a machine that is given.

The machine can be similar with any of our other compatriots or competitors, but it is the service that we give which differentiates us from the others. The USP that we have is being spread across the country, working in 21 states, having depots that are closer to locations where there is a concentration of our equipment so that the services can be attended to. Any breakdowns, any maintenances can be attended to in a much faster turnaround basis.

So those are some of the key factors and on winning the tenders, primarily there is a pricing system that is in place, and you have to be L1, and you have to first technically qualify. So the technical qualification is where we try to make sure that we are able to maintain that edge. We have a very young fleet of equipment, only about seven years old.

We have a policy of exiting out our equipment or selling our equipment every 10 to 11 years of age. So that helps us maintain a very healthy age of our equipment, which is one of the most important factors for our clients to give orders to us. On the warehousing and transportation segment, it is a tender based system. It's a government tender predominantly. So there, at most times, we've had the advantage of being in those areas or regions for a longer time. We've been like with RINL at Mumbai for now 20 odd years, with Steel Authority of India Limited again 20 odd years. So having that convenience of being at that location kind of gives us the price advantage in ensuring that we are able to re-win tenders as well.

Aman Vishwakarma: Okay, excellent. I think that gives us the clarity. And secondly, so what is the average contract lifecycle for you? So I mean, in the equipment rental business?

Himanshu Aggarwal: In the equipment rental business, it is predominantly six months to one year is the usual trend. And there are shorter orders as well. But the orders we target are six months to one year and only on some specific cases where there are refinery shutdowns or plant shutdowns, which are usually about 40 to 60 days.

But they work on a different model altogether. So standard orders are six months to one year. On the warehousing and transportation, the warehousing orders are usually five years to seven years. The transportation orders are again six months or even one year basis.

Aman Vishwakarma: Okay, excellent. And just one last question, if I could squeeze in. I believe we are the only ones with the RTGs, right? So I mean, I'm just trying to understand why hasn't someone else done it so far? I mean, money shouldn't be the problem, right?

Himanshu Aggarwal: Absolutely. See, the idea is we've gotten into rubber tyred gantry crane as the only private service provider. There are like Steel Authority of India Limited, Tata Steel, RINL, all of them have done their own capex and they've got their own RTGs also in their plants. But in warehousing, we are the only people for steel doing it.

Why we have only done it is because probably we took it very seriously when we put out this tagline also, 'Think New Act Now'. So that is something that we abide by. Why others haven't done it? I will not be able to comment on that. But on the barrier to entry, there is not any barrier for them to also explore this opportunity. But it is probably the know-how and expertise that they might not have yet mastered that they wanted. They have not probably gone for it.

Aman Vishwakarma: These are very specific to a specific place, no? I mean, these aren't as movable as other equipments.

Himanshu Aggarwal: No. So these are very specific, and these are for our warehousing segment. These are for specifically improving efficiency in steel logistics is what we are using them for. So this is not part of the equipment rental segment.

Aman Vishwakarma: Thank you. That answers my question. Thank you.

Moderator: The next question is from the line of Vivek Gautam from GS Investments. Please go ahead.

Vivek Gautam: Yes, two questions from my side. First of all, thanks for the opportunity. Number one, is there any entry barrier for us in our sectors in the sense that anybody with some money can import the cranes from China and outbid us in the interest portion? So what is the entry barrier most we are having, especially in the crane hiring? And number two is about a few words about the opportunity size for our sector in different segments. If you can share something and what is the expected growth of rate for the same? Thank you.

Himanshu Aggarwal: Okay. Thank you, sir, for the questions. So first on the entry barrier, these are large machines that we bring in that we are somebody, as you rightly said, having the money and the access could bring in those machines. But it is not just about the machine. It is about the service that we have to provide along with the machine, which is the biggest entry barrier, because the client will not prefer a newcomer without any experience, especially for the larger machines, which is where a lot of the activities and the higher yields are on the smaller machines, which are, you know, let's say one Crores, one and a half Crores price range. Those could be easily bought in, and client could give the opportunity there.

But that is not the case with the larger machines and in big projects. So the way we always work is we work in big projects, and we have a concentration of machines in projects rather than spreading them across different projects, which enables us to also maintain our administrative costs and it helps to provide better service to concentrated clients. So that is on the entry barrier.

And on the second question that you've asked, on the numbers, on a general basis, we do not have those numbers with regards to the scope of growth across India, because there's so much activity happening. There's infra growing, every sector is currently doing capex. So there is so much activity that the growth opportunities are huge. But with our focus on the kind of projects that we are working on and on the companies and clients we are working with, the aggressive growth target **[inaudible 28:37]** that we should be able to achieve that if we continue with the good work that the company is doing.

Vivek Gautam: How come our yields are quite high compared even to the market leaders of the crane hiring segment, sir? And last question is about RINL being in a financially precarious situation. Any client concentration risk? Because somehow the ministry support is not there, so the operations might get difficult. But with the new Andhra government, things have changed for the better, sir?

Himanshu Aggarwal: Right. So for the first question on the yield front, we've got a mix of equipment, which includes cranes, piling rigs, aerial working platforms, and we are working across diverse sectors. Whereas the others, as I understand, you talked about the market leader, which I understand you are hinting at Sanghvi. Their yield numbers could be different because one, they're only into cranes, as per my best understanding, and two, they're working a lot in one of the concentrated sectors, which is the wind sector and lesser in the other sectors. Plus, they have got a lot of larger equipment, which they've brought in earlier from Europe, which tend to be higher in cost. So the yield might be lower. So those are my assumptions. But why ours is high is what I can tell you about.

And on the second question, which with regards to RINL, we haven't faced any challenge till now. And if you look at it, for the first quarter, even our receivable days have gone down, and they've come to 77 days. So, on the financial health of RINL or their payment cycles or anything, we haven't seen any challenge. If anything, that might be more at a government level.

But on the operation of the plant and the activity, we do not see any challenge there at least as of now.

Vivek Gautam: And with this, whatever little obstacles we are having with the new NDA government, I believe RINL also would be sort of looking at the expansion and other things.

Himanshu Aggarwal: Absolutely. That is what we hear. There was a visit by the steel minister also at the plant recently, and only positive discussions were there as per our best understanding. So we do not see any challenge happening there.

Vivek Gautam: Yes, they also have that OMDC company having their own iron ore subsidiary. So the future looks bright for them as well as for us.

Himanshu Aggarwal: Absolutely.

Vivek Gautam: Thank you. Thanks a lot.

Moderator: Thank you. The next question is from the line of Jehan Bhadha from Nirmal Bang. Please go ahead.

Jehan Bhadha: Hi Himanshu. My question is on raw material to sales percentage, which was last year at 8%. That has gone up to 13%. So I presume that is mainly to do with the steel logistics segment.

Himanshu Aggarwal: Thank you for the question, sir. So that is predominantly for our steel distribution segment. As I said, there was one particular order that we had to execute in Q1 with a slightly lower margin. So that is the only reason for the increase in raw material to sales because otherwise, in our other two segments, there is no involvement of raw materials per se.

Jehan Bhadha: Right. Okay. And my second question is on the EPC side. So we had indicated that we will be entering this space. Any developments and probably from which quarter can we expect revenue and what are the likely EBITDA margins in this segment?

Himanshu Aggarwal: So thank you on that question. So on the EPC front, we have veered away from the run-of-the-mill EPC projects because of the challenges that we have seen in those. And we have been actively working with our clients to win some specialized service contracts in the area that we are already working.

There, our focus remains that we should be able to maintain the EBITDA margins of at least 20%. Only then it would make sense for us to be actively pursuing them. And thankfully enough, there have been growth opportunities elsewhere, which hasn't brought us any immediate pressure of just picking up any EPC project for the sake of top line. So we are biding our time there and we are hopeful that in this financial year itself, we will have something fruitful, probably towards Q4, if not earlier than that.

Jehan Bhadha: All right, thanks a lot Himanshu

Moderator: Thank you. The next question is a follow-up question from the line of Nirvana Laha from Badrinath Holdings. Please go ahead.

Nirvana Laha: Hi. Thanks again for the opportunity. Could you explain what is the difference between gross and net yield? I mean like what all costs are removed from the gross yield to arrive at the net yield?

Himanshu Aggarwal: Yes. So the gross yield is basically outright rental, and the cost of the equipment and the net yield would be the operating costs that is part of the operating crew that handles that equipment, the maintenance cost that goes into it, the insurance and taxes and other administrative charges that go into it. So that's predominantly what we do not factor into when we consider the net yield.

Nirvana Laha: Okay. So basically, what you're saying is that at the EBITDA level, if I see the segment A, whatever you're reporting at the EBITDA is basically the net yield, whatever you're reporting at revenue is basically the gross yield.

Himanshu Aggarwal: Yes. That's correct. Okay.

Nirvana Laha: So by that logic, because you said that net yield is 2% and gross is 3%, shouldn't the EBITDA margin theoretically be able to go up to like 60%-65% in this atmosphere?

Himanshu Aggarwal: They could eventually reach that if everything was aligned with achieving 90% occupancy and we maintaining the occupancy at that level would only be possible if the equipment was deployed across the client projects for longer duration. But what happens is when we say six months contracts, there is a period of idling because of the movement of the machine to another project, which brings down the occupancy levels and it also impacts the yield subsequently because we're looking at, and this is a mix of equipment. So in our piling rigs, the yield, the rental, the gross yield could be higher, but the net yield is lower because of the higher maintenance costs there because there's a lot of ground activity that happens under the ground.

So there's a lot of wear and tear there. Whereas in the case of cranes, it is lesser of the impact on the net yield and the net yield, and the gross yield could be pretty similar, with not much of an impact because the maintenance costs are lower. So as a mix, it is difficult to give you an idea on that. But as I had stated in an earlier question, our target remains that we should be able to stabilize at about 55% for this segment going forward. And if there is an opportunity to go further up, we will definitely work on that.

Nirvana Laha: Okay, got it, that's very clear. Last question from my side. So if I look at your gross assets, so last year you closed with around Rs 300 Crores. This year, by December, you would have Rs 400 Crores. So over the year, you would operate with around Rs 350 Crores average gross assets. So is it within the realms of possibility that you can actually do like a Rs 125 Crores kind of EBITDA number in segment eight or due to capacity utilization that is absolutely like off the table? That's not a number that can be done.

Nirvana Laha: So because you're operating with Rs 360 Crores of gross assets average for the year, and you're reporting around 3% gross yield. So if I multiply these numbers, you reach a revenue figure of around Rs 125 Crores for segment A. Now, is that figure just a theoretical figure which cannot be reached because of the capacity utilization? Or that is a 50% YoY growth basically in segment A? Or is that, if things pan out well over the next three quarters, is there a small possibility that that number could also happen?

Himanshu Aggarwal: So on those lines, yes, theoretically, it is difficult to achieve that number because of the challenges that are there in project execution. But when we look at the year-on-year growth, we have considered an aggressive target of 30%, predominantly because of the high capex and which in the first quarter itself, as you see, 34% we have seen. So we can anticipate that this segment can grow anywhere between 35% to 40% on a practical basis. So theoretically, yes, 50% growth as you're looking at could be possible, but it looks like a very outright chance for that to be done.

Nirvana Laha: Got it. Very clear. Great execution. Wish you all the best. Thanks a lot.

Moderator: Thank you. The next question is a follow up question from the line of Rohan Mehta from FICOM Family Office. Please go ahead.

Rohan Mehta: I thank you so much for taking up my follow up question. So could you also explain why your other expenses and tax that has risen YoY? Any specific one off or any reason for this?

Himanshu Aggarwal: So if you would look at it on the YoY basis, on a percentage basis, the absolute numbers might seem high or low, if you look at those absolute numbers, but if you look at a percentage of the total revenue, we haven't seen much, a major increase, despite there being a dip in our warehousing and transportation segments, revenue and profitability. Our costs on repair and maintenance or power and fuel, only power and fuel has slightly gone up. The other expenses also have been pretty much 15.3% in Q1 FY25 of the total revenue versus 17.9% in Q1 FY24. So we've seen certain reductions and only a few areas that have been a slight addition on the cost front. So that has helped in maintaining that. On the tax expense side, that is basically a calculation based on the IT Act and the Companies Act. So it is a number as calculated across the board for depending on the applicability of tax. So that is not something I could comment on.

Rohan Mehta: All right, sir. And just my final question. So, steel handled that has come down to about 1.62 Metric ton. Any reason on the steel processing and distribution revenue where we have seen that nearly double? So what I'm essentially trying to understand is, can you explain the mismatch happening here?

Himanshu Aggarwal: Right. So the revenue in the steel distribution is not attributable to this warehousing and transportation segment. So when we talk about the steel handled, that is predominantly and only from the segment B, which is warehousing and transportation segment. The segment C, which is steel distribution segment, we do not count any steel handling activity there to this number that we are giving out to maintain that exclusivity for that segment. This, as I specifically mentioned earlier also, is predominantly one off that we have seen a major increase in the steel processing segment, which will not be similar going forward.

Rohan Mehta: All right. Thank you.

Moderator: The next question is a follow up question from the line of Aman Vishwakarma from Philip Capital PCG. Please go ahead.

Aman Vishwakarma: Yes. Thank you for taking my question. So I think I had one question on the breakeven of the equipment. So I understand that there's many equipments across segment, but if you were to put a broad number as to how long it takes for you to breakeven from your purchase, if you could put a number on that.

Himanshu Aggarwal: So thank you for the question, Aman. Usually, to give you a ballpark figure, it could be five to six years.

Aman Vishwakarma: To breakeven, right? So is it on sales or like post the margins and post the cost everything?

Himanshu Aggarwal: So basically, I would look at it to break even on the net receipt versus the cost of purchase.

Aman Vishwakarma: Got it. And on the next part, right? So I just wanted to understand a broad vision for the company, right? Because if you look at the historical numbers also, what happens essentially is at least what I can see is we spend money and then we'll see a certain spike in the sales and then the sales flatline. And that has happened over at least two years, I could see broadly. So I mean, so the sales sort of flatline. So I mean, is there any anything that we're looking where in, you know, we could consistently grow it, maybe go down value addition of some sorts, or, you know, that would give us a steady growth of sales, as opposed to these spikes, more or less.

Himanshu Aggarwal: Right. So that is the very reason, if you look at it, from our warehousing and transportation segment there it is not predominantly about keeping investing into new capex, that will only lead to sales and growth. It is about more getting new orders and tenders, which enables us to improve our top lines and the bottom lines, provided there are no aberrations like the first quarter.

So there, we continue to add value by addition of efficient steel handling processes and methods, which we've done over the last couple of years. And we anticipate that that will enable us to further add value on the financial side as well.

On the equipment rental segment, because it is capex driven, a lot of the revenue drive would happen with capex. But to further complement it, we are working on those value addition service, specialized service contracts, which is the area where we see that going forward. Once we are able to align ourselves to it, the revenue growth would also be from that segment. So it will help us ensure that there is a consistent growth rather than any stagnation happening in the future.

Aman Vishwakarma: Okay. And secondly, on the equipment, right, I believe your depreciation policies and the useful life of these equipments are in the range of 15 to 20 years. Does it not make sense for you to run these beyond the 10 years by giving it proper maintenance and maybe squeezing out a little more revenue from them?

Himanshu Aggarwal: No. So the way we see it is from the customer's perspective, because the machines will be able to generate good revenue depending on their being placed on customer sites for generating that revenue. So customer likability is younger equipment. So we churn the equipment based on the customer's demand cycle. So that is how we have kept a policy of 9 to 10 years. And there are certain equipment which tend to run up to 12, 13 years as well, if we see that there is a good opportunity, and the condition of the equipment is such where the client is happy with it as well.

Aman Vishwakarma: Okay. So is it fair to assume we could at least salvage 5% or 10% of the equipment value by the end of its useful life?

Himanshu Aggarwal: See, the way I see it, at the end of 10 years, we are able to salvage, going by the current trends, we usually salvage about 50% of the initial purchase. So at the end of the complete useful life, yes, 20% or so is the salvageable value, for sure, if not more.

Aman Vishwakarma: And just to follow up on that, who's the counterparty here?

Himanshu Aggarwal: So usually there are players who are entering, smaller players who do not have access to buy such large machines, new machines, because of the financial constraints. There are also the original equipment manufacturers who buy back machines because of our consistent new buying from them. So there are buyback deals. And then there are opportunities to sell them out to other countries who are currently in the developing stage.

Aman Vishwakarma: Okay, lovely. And just one last question on the capacity utilization. So if you could, I understand there's seasonality, there's the equipment moving. But regardless of that, I mean, what has been our capacity utilization for this quarter in both the segments, the equipment rental and steel handling?

Himanshu Aggarwal: So in the equipment rental, we had about 82%. In the steel handling we do not really do a capacity utilization because there it is not based on the number of the area of warehousing we have or anything like that, because it is more of the tonnage of steel that we handle, and the economics are not based on the space utilization.

Aman Vishwakarma: What was the tonnage?

Himanshu Aggarwal: Tonnage was a 1.62 Million metric ton, which was lower than the previous financial year, which was 1.8 Million metric tons. So that was, as I have stated earlier because of a challenge that we faced at Vishakapatnam.

Aman Vishwakarma: So I mean, this is for the three months, right? 1.8 Million?

Himanshu Aggarwal: Right.

Aman Vishwakarma: Thank you. That answers my question. Thank you.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference to Mr. Himanshu Aggarwal for closing comments.

Himanshu Aggarwal: Thank you once again everybody for joining the earnings call Q1 FY25 of Tara Chand Infralogistic Solutions Limited. And as we had all these questions, I hope we were able to answer to the best of my ability. And if you have any further questions, please do feel free to send them out on email to the concerned and we'll try to get back to you. Thank you once again. And it was lovely talking to all of you.

Moderator: Ladies and gentlemen, on behalf of Tara Chand Infralogistic Solutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.