2nd February, 2023

The National Stock Exchange of India Ltd.,
The Listing Department,
"Exchange Plaza",
Bandra Kurla Complex, Bandra (East),
Mumbai – 400 051

BSE Ltd.
The Department of Corporate Services,
Phiroz Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001

Scrip Symbol: TCI

Scrip Code: 532349

Sub: Transcript of Analyst/Investor Conference call

Dear Sir/Madam,

In compliance with Regulation 30 and 46(2) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of the Analyst/Investor Conference call held on 30th January, 2023. Same is also available on the website of the Company at http://cdn.tcil.in/website/tcil/investors-analyst-corner/concall-transcript/TCI%20Concall's%20Transcript_30th%20January%202023.pdf

This is for your information, records and meeting the disclosure requirement as prescribed under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Thanking you
For **Transport Corporation of India Ltd.**

ARCHANA PANDEY
Digitally signed by ARCHANA PANDEY
Date: 2023.02.02 16:47:39 +05'30'

Archana Pandey
Company Secretary & Compliance Officer

Encl: a/a

Transport Corporation of India Limited
Corporate Office : TCI House, 69, Institutional Area, Sector-32, Gurugram -122001, Haryana (India)
Ph. No.: +91 124-2381603, Fax.: +91 124-2381611 E-mail : corporate@tcil.com Web : www.tcil.com
Regd. Office:- Flat Nos. 306 & 307, 1-8-271 to 273, Third Floor, Ashoka Bhoopal Chambers, S P Road, Secunderabad - 500 003 (Telangana)
Tel: +91 40 27840104 Fax: +91 40 27840163
CIN : L70109TG1995PLC019116

"Transport Corporation of India Limited Qtr3 Investor Conference Call FY 2023"
Jan 30, 2023

MANAGEMENT: **MR. VINEET AGARWAL – MANAGING DIRECTOR,**

MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER

Simran: Good evening, ladies and gentlemen. I am Simran, the moderator for this conference call. I would like to extend my warm welcome to all of you for joining us today. Today, on behalf of the management, we have with us Mr. Vineet Agarwal, Managing Director and Mr. Ashish Tiwari, Group CFO. At this moment all participants are in listen only mode. During the question and answer session, the participants can use the raise hand feature in the Zoom call and wait for their turn to ask questions. Please note that this conference is being recorded. I would now request Mr. Ashish Tiwari to embark on this meeting. Thank you and over to you Sir.

Ashish Tiwari: Thank you Simran and good evening to all of you again for joining this call as usual, we will begin with our investor presentation and followed by the questions. Now, I would request Mr. Agarwal for running presentation. Thank you. Over to you Sir.

Vineet Agarwal: Thank you, Simran. Thank you, Ashish. We are just putting up the presentation. Again, I would also like to extend my heartiest welcome to all of you at this investor presentation, investor call for quarter three of TCIL. We would, of course, put up this presentation on to the stock exchanges, as well as on our website. So, many of you are already familiar with the company. So I will not get into too much detail about what we are as a company. But I will get into specifics later on. And we'll be happy to look at your questions. So let's go ahead please. I think the logistics growth drivers really do not change much over quarter on quarter. But certainly what we are seeing is that the consumer trends for this particular quarter are a little weaker than the previous quarter. Post, the Diwali, things tend to slow down a little bit, as we are aware, because there's stalking that has happened and then some amount of reduction in consumption happens, or maybe some impact of a higher interest rates is also starting to be felt a little bit on the consumer side. But predominantly on the B2B side, which is where we are active, we are really not seeing any kind of a slowdown or any kind of a degrowth happening. We see order book from many of our engineering companies very, very robust, we see the status of almost all the metal side of the businesses, also relatively robust. So generally speaking, we've not experienced anything, which is structurally different on the B2B side. Some of the impact of the government spending on the infrastructure which is also having a very positive impact, I think, related to for example, movement of infrastructure equipment, like TJCBs and others of the world, those are also doing quite well. So no major trends that have changed over the last quarter. But certainly, the pressure to grow is also quite high in this system.

Next please. As a company, we are quite well focused if you are aware with our range of services that many of our customers want on a continuous basis. So we provide for almost all the major verticals, as well as the single window concept, as well as control towers for many, many of them. They're multimodal network is as you know, it's part of our strategy and as part of the growth plans that we have and that has been continuously is been enhanced continuously. The full rake movements in the last nine months have gone up by more than 30%. A lot of this is of course, automotive rake movement as well. And so this continues, the strategy to move towards multimodal is in place and it is having an impact. On the container side, the container movement has been slightly lower, I guess some of it because of our Concor business, but it has done better over the last quarter, if not in the first six months. The ship size and the quantity all remain the same. We managed from 55 yards which are automotive, for the automotive logistics and terminals are for the container management. We are positioning ourselves to some interesting and high growth segments like chemicals, agriculture, renewables, cold chain and also neighboring countries. So, these are good growth prospects in the next few years, which we will capitalize on. The operations are highly technical, technology driven. And I did present last time for example, which is also on the next slide is what we are doing in terms of control tower for a large heavy electrical goods company where we are providing a combination FTL LTL services and including now, in the next quarter, perhaps even warehousing services. So we are managing a lot of the order processes etc. through various control parameters, as well as through a control tower for greater visibility and planning for both ourselves as well as for the customers. And just to inform you we're doing this for many, many other customers right now, as we speak, across the country.

The last quarter has been one of our highest ever quarters on the console level we did about 973 crores of revenue. This as I said, almost all the high frequency indicators are pointing towards good growth. So our various divisions almost all divisions contributed to it. Overall, we feel that with higher interest rates, there is a little bit of a tightening in the market for credit. But for us, as a company, our net borrowing remains zero and we have additional cash surplus also available. Now I specifically division wise results. So, you know already about the division structure. So, I will not get into that. But the freight business grew at about 14% in the quarter. Again, over the full nine months, the growth has been almost close to 20%. The margins are maintained even though the LTL business is starting to catch up, but it is not completely there as compared to what it was in the previous years. So we are confident of achieving this 40% odd by 2025. But for the time being there is definitely a little bit more business that's happening on the FTL side rather than on the LTL side. Nevertheless, we've been able to keep up the margins to almost the same level. What is good is that the ROCs of this business has really kept up with the growth. So we are at almost 25 plus percent now, which has moved up from the 17 18% a few years ago. And we are quite confident that even though there is some inflationary pressure that is there in the system, but even then we should be able to keep maintaining the ROCE also.

From a supply chain perspective, again, the business has grown quite robustly by almost 21% in the quarter and about 26% , 27% in the nine months. Of course, this is clearly that the auto sector has picked up quite a lot and we are seeing good growth and good demand also in the next few quarters with new orders as well as specifically in the area of EVs. Yes, the margins are a bit lower comparatively. It's because the movement has been quite heavy when it comes to the last mile as well as the finished goods movement and hence that is typically at a higher cost structure. But we are hopeful that it should normalize in the next few quarters, EBIT margins, are of course, maintained at the same levels, the ROCE is a bit compressed at 18.7%. But, again, we are quite confident that for the full year, we should cross 20%. On the seaways side, all our four ships were under operation. So that was a good trend, business grew at about 12% and for the nine months, we've also grown at about 11% even though there is no international volume, literally no international volumes in this quarter. So, as I had said in the last quarter in the meeting as well, that the volumes are quite robust, and the margins are not too dependent on the international margins only, a lot of it are based on our operational efficiency. As you can see that some margins have come off, which was expected from a percentage perspective. But the quantum has gone up at the EBITDA level. At the EBIT level, yes, we have about 9 crore drop in nine months. But again, as I said this was expected normalization is about 30 35% EBIT levels. So I think we should be able to maintain that going forward as well. We don't have any more dry docks in this financial year, we have dry dock, in quarter one of next year. But an ROCs are maintained in the excess of 40%, which I think will continue as well.

Amongst the joint ventures, the Concor joint venture, after the first six months where business was slightly negative it has picked up and the first nine months, we have a positive growth. For the full year, we do expect it to be at the same level or slightly higher than last year. Margins are more or less maintained. Cold chain business also, we've rationalized some of the portfolio there. There were some businesses related to short-term businesses that were there in cold chain, which we have let go. And hence the business growth has not been that high compared to last year. So with the base effect, I think we should possibly end at the same level as last year also. Our transystem joint venture has done quite well with a 42% growth and our margins are also higher than last year also. Overall, at a standalone level, we have a 21.7% growth on the top line, and a 18% growth on the bottom line, which is at the PAT level. You might see that the pat for the quarter is higher at the standalone level versus the console level. This is because we have received a dividend of about 19.6 crores net of TDS in this quarter from our joint venture company, which meant that the number was offset in the console level in terms of the share of the profit of minority interest. But the effect is, at the standalone level, we do have a good growth of about 23%. If we remove this number of the dividend that we've got versus the dividend in the same quarter, we still have a growth of about 10 to 15% on the bottom line, even though the seaways margin has come down. So as we've been saying that even if seaways margins does come down, the other businesses will compensate as the cycles keep changing, which we are seeing so we are able to definitely demonstrate a consistent growth in our businesses on a regular basis irrespective of the market trends.

Some of the key performance indicators are all looking good. ROCE is at 24 plus percent. The RONW is at 23% and EV EBITDA is in the excess of 10% ,10 times. The board decided on a dividend of 125% for this quarter, which makes it a total of 250% for the nine months that is gone by which is about 16 17% of the complete, so far the payout. And depending upon what the profit for the last quarter could be, the Board may take a view on whether they want to enhance the dividend further accordingly. Our ESG norms, we are quite stringent on them and we're falling on a lot of areas. For example, we've converted a lot of our older trucks into CNG vehicles also, and we have a fleet of 200 CNG within the company. We've also added a several areas, several rooftop solar plants, which are helping us in energy conservation as well. So clearly the impact of Capex is there, which means that we've not been able to grow faster on the seaways side of the business. And that is because you've not been able to add a ship. Again, the prices of ships do remain exorbitant as well as they are not easily available. We've done a Capex about 81 82 crores so far, we expect that to be roughly about 125 130 crores for the full year going forward, which means that some of this Capex will shift to the next year. We clearly have a visibility that we will not be able to now purchase a ship in Q4. Neither we think we'll be able to buy it in Q1. Possibly at the end of Q2 is we might have some visibility around Q2 FY 24 is when we have some visibility, but nevertheless some of the other Capex will continue and we do expect that we are able to sweat the assets that we have right now on our balance sheet much better. Thank you so much for your presence today. And I look forward to your questions.

Simran: Thank you, Sir for the valuable insights. Ladies and gentlemen, we will now start the question and answer round. If you have any questions, please use the raise hand feature in the call. I would request you to start with your name and organization name followed by your question. So, the first question is from Mr. Ravi Kumar Naredi. Sir, please go ahead.

Ravi Kumar Naredi: Your Capex plan for financial year 23 is 315 crores, while we are able to do it to 82 crores Capex so far. As our Capex is low, it will impact our current year as well as financial year 24 growth working. So, what other way you plan for company how you overcome this situation.

Vineet Agarwal: So, the growth will get affected only to some extent on the seaways business, but otherwise all the growth plans remain intact and as you can see that all the other divisions are doing relatively well. We also see a lot of growth opportunities in the joint ventures, in the automotive joint venture for example, with Toyota, the cold chain joint venture, the Concor joint venture, all of them have very high potential and as I said, we are also incubating a lot of sectors. So, those are also very attractive right now in terms of growth opportunities. So, I do not see that growth for the for FY 24 will be severely negatively impacted there could be some minor impact because of the non-addition of a ship. But otherwise, we do think growth should be robust.

Ravi Kumar Naredi: Okay. Secondly, you have declared the result at 2:45pm. Your investor presentation came at 3:25. So what is the necessity to make the con call at 4pm where less than 30 minutes you had given to us. We also need to read a lot of between the lines. So what is the necessity to make the call immediately after result?

Ashish Tiwari: Mr. Ravi so basically we used to upload the presentation after the call always last time and even before that also. Results were available as the board meeting finished within the statutory time limit allowed.

Ravi Kumar Naredi: My request is that you make con call at 5pm , 6pm. What is the necessity that in 30 minute you are making con call? And you understand that how many con call today?

Mr. Vineet Agarwal: We do not know how many con calls are there today, Sir but what I'm telling you is that we've given the results in well in advance for you to study. Yes, the presentation might have come out late. If you have any further questions post this call, please call us up, we will be very happy to answer anything that you have. Sorry for this delay. Thank you.

Ravi Kumar Naredi: Same problem I have raised last year on last quarter con call. Why you are so…

Mr. Vineet Agarwal: I'm sorry Sir last year we had one full day before you we had given the time.

Ashish Tiwari: So Mr. Ravi we will take up your questions no problem. We will take your questions after call as well. You can call me and we will pick up on it. Thank you.

Ravi Kumar Naredi: Okay.

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

Vineet Agarwal: We can't hear you Mr. Krupa Shankar. Oh! He dropped out.

Ashish Tiwari: Please take the next question Miss Simran.

Simran: We will now begin with next Mr. RRR. Sir, please go ahead.

RRR: Sir growth in sales is very slow and expenses are constantly increasing.

Vineet Agarwal: Sorry, I think we can't hear him. His network is poor.

Ashish Tiwari: Okay. Simran please take the next question.

Simran: We next begin with Mr. Prit Nagar Seth. Sir, please go ahead.

Prit Nagar Seth: Good afternoon.

Vineet Agarwal: Hi, good afternoon.

Prit Nagar Seth: So Vineet, what I wanted to understand was that the ROCs on the freight has gone up substantially from about 17, 18 to 24, 25%. You say that it is sustainable at these levels. So what has led to this increase in ROCs?

Vineet Agarwal: So, one is that, you know, in the last few years, we've not done any Capex on the business in terms of adding new trucks, etc., or whatever. So one is that. The second is that we are able to sweat the money better in terms of the receivables, so most of the assets their capital employed is essentially on working capital. So since we are able to sweat it better, that's the other advantage. And the third is that the margin structure has also changed because of LTL being added on. So with increase in LTL, we are seeing that the growth and profitability is there, which means that the cash flow is also better. So, all of those factors have led to an increase in ROC.

Prit Nagar Seth: So, will this trend continue with say, a target of reaching 40% by FY 25?

Vineet Agarwal: No, I think 40% is LTL, not necessarily 40% in ROC.

Prit Nagar Seth: No, I meant exactly that.

Vineet Agarwal: Right of course that continues. Yes.

Prit Nagar Seth: The other question, I want to understand is that because we've not been able to do the Capex we plan to because of ships being expensive and other things. And you will have the additional cash flows coming in next year in terms of business, so do you plan any kind of buyback given that the cash is going to be generated on the books and you will not deploy it in Capex?

Vineet Agarwal: No, we don't have any plans for a buyback. I think what will happen is that the moment we start looking at the start the Capex, the additional cash flow will automatically flow out quite fast. So really speaking, it's not prudent, we've not looked at buyback at this point of time.

Prit Nagar Seth: Which means you already have plans to utilize the cash that is being generated for this year and even for last year, there was a surplus and the subsequent years, that once the ship comes into play.

Vineet Agarwal: You're right. So see the working capital limits are at zero right now. We have more than

140-50 crores of cash on our books, maybe some additional cash gets generated. But the moment you start hitting the Capex, in terms of buying the ship etc., I think all of that will go away. And then we can easily leverage by our working capital limits or by borrowing. So, that is why I think a buyback will be a little bit of a short term play versus looking at the next few years Capex, we would need the cash.

Prit Nagar Seth: Right. Vineet one another question is on the trends. So you mentioned certain amount of slowness that you're seeing in terms of vis a vis expectations you may have. So do you have any sense in terms of FY 24 where this is headed? Or do you stick to the 10 15% guideline that you normally make?

Vineet Agarwal: We've not come up with the guidelines yet Prit for the next year, but I think my sense is that it might be a slightly slower year comparatively. I think it's the election year also. It's also has a lot of other factors with COVID impact also receding, so might be a slightly slower year, but I think I'm quite confident that the infrastructure spend will continue and which does have a trickledown effect on a many, many sectors.

Prit Nagar Seth: Wonderful. Thank you Vineet. We wish you guys all the best. Thank you.

Simran: Thank you, Sir. We are happy to take everyone's question. I would request all to please start with your name accordingly with your organization's name. The next question is from Mr. Srinivas Seshadri. Sir, please go ahead.

Srinivas Seshadri: Hi, this is Srinivas from Mirabilis. Hi Vineet, hi Ashish. Firstly, just want to start with cold chain. See, we have been at the, like 14-15 crore kind of turnover for a few quarters now. I mean, it's quite an emerging segment and our kind of belief was that the growth would be kind of much faster tracked. So, just wanted to understand the constraints that we face, is it like the investments that we made we need to invest more in the infrastructure or the vehicles and so on? Or are there other things which we need to put in place in order to kind of reaccelerate the growth in this segment?

Vineet Agarwal: Thank you for the question, Srinivas. The cold chain business at 15 odd crores at a quarter level is only for this last few quarters. Growth in the last year has been almost as you saw, 60 plus percent. So yes, it's a little bit of a base effect. The second is that, as I said, we are rationalizing some businesses, some e-commerce guys on the cold chain side, were not doing too well. So we dropped off those customers, because we wanted to protect our margins. There are many cold chain companies today in the market that are not even making money. So for us, as I've always maintained, we will slow down growth if necessary to maintain our margins in almost all our businesses, because protecting margins will lead to long term growth and long term sustainability of any business. So for that matter, it's a short term correction. But the growth prospects are massive, as you rightly said, and we have some very exciting contracts that we're working on which we hopefully will convert in quarter one of next year and see that benefit going forward.

Srinivas Seshadri: So, from first quarter, we should start seeing some growth revival in this.

Vineet Agarwal: Certainly yes.

Srinivas Seshadri: Sure. The second one is on the supply chain see, there is good growth in industry volumes you also grown quite well in the last quarter, but the margin seems to have kind of been at that level. So wanted to understand if getting an operating leverage a challenge in the segment in a sense that with increasing volumes, do customers demand like lower pricing and pass through of operating leverage or how does that dynamic work for us in this segment?

Vineet Agarwal: So, I think it just straight away what I just said previously, but no, but in the long term, what is happening here is, in the short term, there is a certain amount of growth that we are seeing but what will also happen is that this will start normalizing in Q4 and going forward, so we should be able to get to the higher margin structure. But one thing is that if you see the EBIT level, things are still okay, we are slightly better in the last nine months comparatively, even on the top line growth is about 26 27% but the EBIT level growth is about 30 plus percent. So that way the overall margins is maintained. There are years as I've always said that, you know, the margins will oscillate between 10 to 12% on EBIDTA level, so that's what continues here as well.

Srinivas Seshadri: Just to follow up on this has the competitive intensity changed in any way, like in the last six to nine months or so.

Vineet Agarwal: No, I think it's consistent. There's nothing which is exceptional, I would say but it's continuous. From a quarter on quarter no, nothing major has changed.

Srinivas Seshadri: Okay. Sure. Thank you. That's all from my end. Wish you best for rest of the year.

Vineet Agarwal: Thank you.

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

Alok: Good evening, Sir and congratulations on decent numbers. Sir, just had couple of questions. First is the seaways, you know, what would be ROC if we were to calculate that on market value on the ships which we have today, any broad number if you could indicate.

Ashish Tiwari: So basically, if we have this 45% ROC and shipping prices obviously, would be kind of a double or triple. So, that times actually you divide the ROCs, so it would be 16, 17%.

Alok: 16 to 17%, is it?

Ashish Tiwari: Yes

Vineet Agarwal: Yeah,we can hear you Alok.

Alok: And also just wanted to understand now, the shipping rates. So, how are we seeing that, because you were mentioned that the ship rates have not come down. So when do we really see the ship rates come down now, because of freight rates have come down quite significantly if you were to see what it was one year back.

Vineet Agarwal: I think on the domestic front the rates are not affected too much by the overseas rates. So, yes, the overseas rates have come down, but domestic rates have not had an impact. Domestic rates are a function of the fuel prices, the bunker prices, which as you have seen that they remain high and the secondary is also because of the demand and supply. So since demand is quite robust on the western coast, as well as on the eastern coast the prices are being maintained. So I think we are not seeing anything coming off right now on the rates. But again, if fuel start coming down and more capacity come into these sectors, you might see the rates coming down a little bit. But as for now, also we're looking to maintain the rates.

Alok: Sure. Just one question on the container rail side. So we have the JV with Concor. So if the divestment were to go through, you know, how does that impact or it is like, it doesn't impact us?

Vineet Agarwal: We can't say you know, it's too early, depending upon who the new partner is, what the intention is with this JV and what can be done and not done. So I think it's very speculative to comment on it right now.

Alok: Got it. Just one last question I might have missed if you would have answered this before. So assuming the ship does not come through till the third quarter of next year then what kind of seaways revenues we are looking at for the next year the growth.

Vineet Agarwal: So I would think about the flattish growth for even if there is no ship addition till then because assuming that rates might come down little bit, but capacity remains on stream. So I think more or less, we should look at very marginal, tertiary type of growth. But margin should be almost at the same level, at that 30% EBIT level.

Alok: 30% EBIT level, so the current margin should continue.

Vineet Agarwal: That's right.

Alok: Thank you. That's all from my side Sir. Thank you, all the best.

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

Aman Vij: Good afternoon, Sir. My first question is on the seaways division. So we have been at this around 78,000, deadweight ton capacity for long. So what kind of addition are we targeting in the next say, after six months.

Vineet Agarwal: So our plan is to look for another between 20 to 30,000-ton ship so that is being looked at. So every year that should be the kind of new addition. But after maybe, I think two or three years, we might have two years or so we might have to scrap a ship also. So net addition would be lower then, but let's assume that about a twenty odd thousand tons of capacity addition per year going forward for the next three, four years.

Aman Vij: And in terms of pricing, so if you take this example only. Say for example, 30,000 or 20,000 deadweight tons. So what has been the increase in the price of this ship and at what level do you expect the pricing will come down before we pull the buy trigger?

Vineet Agarwal: Well, the price is still remains at 2x, two and a half x of the price that we bought the previous ship of the same size and of the same built so it is still quite high. The second is a non availability of ships also because there are no sellers in the market yet. But I think even if it is 30 40 50% higher than our previous buy price, we might pull the trigger. But the availability has to be there. So both these factors have to fall in place.

Aman Vij: And in case say the pricing doesn't correct, and it remains at 2x while the availability improves so in that case, does the ROCE of the business or the IRR will it change drastically if we have to even buy in worst case, say at 2x the price or we will then just stop we'll wait for the correction?

Vineet Agarwal: I think again, this is quite speculative, because we will have to see what the fuel prices are. You know, there are obviously a very large macro event happening right now with the Ukraine war. So there are certain uncertainties that are there today. If those uncertainties remain, then the 2x price might not be justified. But if there is things that are come up, then it might be justified also so I think closer to when it gets to that stage, we can take a call.

Aman Vij: Sure, Sir. On the supply chain business, and even the freight business so on top line, for next year, obviously, do we expect that 10% kind of minimum level can we get and maximum you're still guiding for 10 to 15%. So these two divisions if seaways doesn't grow have to grow faster for us to get that 10 to 15%. Your thoughts on the same?

Vineet Agarwal: Yeah, we are growing at that level, if you see supply chain has anyways grown at in the excess of 25 plus percent and freight has grown at 15 plus percent. So I think that growth trajectory will continue as well, even though we might have a slightly higher base effect, specifically in the supply chain business. But I'm quite confident that we should exceed that 12 to 15% type growth for both the divisions.

Aman Vij: Yes. And just two questions on working capital side any change you have felt in any of the division or is it the same?

Vineet Agarwal: No, certainly, in the freight business, we've seen some trends of slower growth rate because we have a clearly there is some impact on some business, some companies where they have slowed down their credit cycle because of higher interest rates perhaps. But otherwise, all the other businesses, we haven't seen any impact on slowdown and receivables.

Aman Vij: Sure Sir. Final thing, long term you have guided like 10 to 15% top line and bottom line faster than this. So do we stick with that for the next two, three years? Or do we think now, top line and bottom line will grow at 10 to 15% only?

Vineet Agarwal: I think last year FY 23 guidance was 10 to 15% on the top line, which we revised in the six months to say it will be 15% plus on the top line. On the bottom line, we'd maintain the 10 to 15% because we were coming up from very high base with the shipping business increasing shipping margins improving. So I would stick by this 10. As I said we had yet to give the guidance for FY 24, but I think 10 to 15% on the top line and about 10% on the bottom line should continue.

Aman Vij: Sure Sir. These are the questions from my side. Thank you.

Vineet Agarwal: Thank you.

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

Shivaji Mehta: Thank you for the opportunity. I had a book keeping question on the tax rate. I am just trying to understand why is it so low at about 14% and what can we assume going ahead?

Ashish Tiwari: You're talking about the tax rate?

Shivaji Mehta: That's right.

Ashish Tiwari: Okay. So this is because of the fact that the seaways business they only have a that tonnage tax and which is kind of a very low number single digit numbers. The rest of business which is supply chain and freight division, they have a taxable income. And that's why the tax rate is hovering between 10 to 12% right now. And sometime in some quarters, you would see that number would go up and down because that based on the contribution of seaways business to the overall margins.

Shivaji Mehta: Makes sense. Another question on the seaways business. Why are we not looking to kind of do the international business here, I'm just trying to understand what really prevents us from doing the international business?

Vineet Agarwal: So on the international side, I think we did or do some opportunistic businesses, when we go to Myanmar, for some return cargo or we did a few other voyages. But see I think the domestic market itself is so strong and has so much capacity that we can deploy here with the government trust also on multimodal logistics in the Gati Shakti program, with everyone talking about ESG benefits with using coastal shipping, clearly, we see a massive growth opportunity in the domestic market. The second is that you don't see the huge viability that you have in international markets in the domestic market with container rates suddenly shooting up 3-400% and suddenly falling down also at that pace so that gives us a lot of predictability in the business. So but, opportunistically, if we find something once in a while, we'll definitely try to optimize our fleet utilization, but otherwise, I think the domestic market has very, very strong growth potential.

Shivaji Mehta: Right, thanks for that. Just one last question on the freight business. So we've been guiding for that 10% EBIT margins here, but however if you analyze your, you know, historically, in the last 14 quarters, we've just been able to cross the 7% mark, I think just about once. So I'm trying to understand how confident are we getting to that 10% range? And by when can we expect that would really happen?

Vineet Agarwal: A 10% EBIT on the supply chain? I don't think we've guided for that. We've guided for 10% on the EBITDA level, not at the EBIT level.

Shivaji Mehta: Okay, my bad. Yeah, right. I think that's on the EBITDA level.

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

Krupa Shankar: Thank you for the opportunity. Just a couple of questions from my side. First is on the LTL side. Vineet while you mentioned that, you will be targeting about 40% by FY 25 we are seeing multiple growth tailwinds in LTL business which can at least drive a faster growth for the organized players, at least that's the ground level check what we had done concludes to. I just wanted to understand is it likely that this business is going to see a strong 15 20% growth, and given that you're also talking about weaker FTL growth, perhaps in the next year, led by macro overall, that you will achieve this number thereby, your overall margins in this business is also expanding. So is it likely that you can achieve this in FY 24 itself?

Vineet Agarwal: I don't think so, I think what happens there is that there is a lot of pull and push when it comes to certain in the LTL business itself, yes, you can have a 15 20% growth, but then we have to remember that 65% of the remaining business is also growing at 10%, 12%. So that's a much higher number quantum wise. And there is an equal demand for FTL services as well as LTL services. I gave you the example of the company, a large electrical, heavy electrical business that is really consolidating its logistics, and asking us to do both FTL and LTL across the country. So there are lots of such good potential customers there who will not only get the LTL growth but they will also get the FTL growth. So, I think this is more realistic to look at.

Krupa Shankar: And second question is on the electric vehicle services, which you had talked about for supply chain business, I mean, is it you're doing the entire leg of inbound in plant and outbound or is there any specific leg, you're catering to, in this ecosystem and if you can perhaps throw some light on what are the further changes or what is the difference between the ICE ecosystem versus the EV ecosystem, which TCIL has created a niche.

Vineet Agarwal: So, actually on the electric vehicle versus ICE engine, the weight that is carried is the same actually because the battery weight being so high. So we are involved in the inbound logistics as well for a lot of companies where the construction of the vehicle itself means that there are parts that are coming from all over India, many suppliers all over so that is happening and then of course we involved in the transportation, and then finally in the last mile as well. So we are dealing with all of the business it is not any specific area only.

Krupa Shankar: So you're not seeing a substantial delta coming in because of the addition of newer EVs. So what I'm trying to drive here is perhaps the new EV clientele or your let say the engineering clientele like what you had talked about, is going to boost the supply chain revenues over the medium term. Is that something which will be higher than the overall company growth?

Vineet Agarwal: No, I don't think so. I think some of this happens as a replacement. As you are seeing there is consumption that is happening is of a combination of both ICE as well as the EV vehicle. The overall market is growing yes. So we are growing with that. So I don't think it'll be extremely incremental on top of the current trends that we have. So it will be in line with the market trends only.

Krupa Shankar: Understood. Last question from my side was on the seaways business, you did mention about the operating efficiencies in the seaways business. I mean, it was quite surprising to see that the margin expanding without any international operations. What were these operating efficiencies and is there any scope for further expansion from these levels is something which I wanted to talk.

Vineet Agarwal: So I think operational efficiency is one aspect, but predominantly, all the ships were under operation. There were no ships that had gone for dry dock. So the whole quarter, we got all the ships operating and hence, we saw good and strong business growth trends everywhere. So that's one. Secondly, I think the fuel prices, as you can see, in the graph, there also has come down little bit. So that helped us a little bit. Thirdly, I think, because all the ships were running there is no weather-related disturbances like in monsoon, etc. So all those things were all okay. So I think just generally, it was one of those good quarters. But you see that, at the margin level, things came off a bit. But that as we have been guiding also.

Krupa Shankar: Okay, so it's more of a function of everything playing or rather no spoilsport in this quarter, which is what is driving the margins. And this can get us the best margins, which this segment can get at current set of capacities.

Vineet Agarwal: Possibly, yes.

Krupa Shankar: Great. That's it from my side. Thanks a lot. And wish you all the best.

Simran: Thank you, Sir. There are no further questions. Now. I hand over the floor to Mr. Ashish Tiwari for closing comments.

Ashish Tiwari: Yeah, I think we can wait for a minute, if any question is there, otherwise, we can wind up the call.

Simran: Okay, sure Sir.

Simran: We have Mr. Keshav here. Sir, please go ahead.

Keshav Garg: Sir, my name is Keshav Garg and I am representing counter cyclical PMS. Sir, I am new to the company so pardon my ignorance, but you said in your commentary that you are expecting ship prices to come down significantly. And then you are planning to go ahead with the purchase of a new vessel. And also, you mentioned that in a few years, we have to scrap one of our old vessels. So Sir does it not make sense that at this price, we can dispose off, sell off our old vessel, and then when the price is correct, which we believe that they will, then we can purchase back the same at lower prices? Sir does that make sense?

Vineet Agarwal: You know, I think you make logical sense, but doesn't work always that way. Some of these ships is required for our business opportunity, the money that we make from actually running the ship is going to be far more than actually selling the ship. And it's not so easy to buy and sell ships. So that's why I think we will stick with current capacity.

Keshav Garg: Right Sir. And Sir also in our free division, I understand that our model is to outsource and not to purchase the fleet on our own books unlike our competitor. But let's assume that if the economy starts picking up and starts growing at 8, 9% and freight rates then increase Sir, then how does this model of outsourcing I mean, will we be able to pass on the I mean, increased fairs to our customers, or our peers who have in house fleet of around 5000 trucks, they will be able to undercut us since their utilization will increase and it's a fixed cost model for those who are owning the whole fleet. So Sir how does that compare during a time when the economy is growing fast and freight rates are important.

Vineet Agarwal: So someone with the fleet can have that short term advantage, but I think we have to think a little bit on the long term. And what we've seen that with a long term perspective, with our profile company, the ROCs that we have are essentially a function of not having that much fleet on our books. So the long term trends are that we'll be able to maintain the margin and grow the business. But mid could have a little bit of a short term impact, which again, I think from a market perspective, we are mostly into FTL, sorry, 65% into FTL, whereas a lot of our competitors are, the one that you are specifically referring to is mostly to LTL. So yes, there could be some short-term benefits. But our strategy around having no assets in this entity has so far helped us.

Keshav Garg: Sir thank you very much. That's all from my side. Best of luck.

Vineet Agarwal: Thank you.

Simran: Thank you, Sir. The next question is from Miss Shalini Gupta. Ma'am, please go ahead.

Shalini Gupta: Sir, I just wanted to understand I mean, when I look at the reported numbers, the EBIT margin for the shipping business is actually far lower than what it was on the YoY basis. So why would that be?

Vineet Agarwal: It's because last year, we had a lot of income from international shipping, which we don't have this year, which was at a very high margin. And we've been guiding that this will come off also.

Mr. Ashish Tiwari: And Shalini also we have a higher depreciation run rate as compared to the last year. So you would see that on the EBITDA level, the margins are kind of little better, but the EBIT, they have been kind of on the low side.

Shalini Gupta: Yeah Sir. That's very nice. Thank you, Sir.

Mr. Ashish Tiwari: Okay. Thank you.

Simran: Thank you, ma'am. The next question is from Mr. Harshal Mehta. Sir, please go ahead.

Harshal Mehta: Hi Sir. Sir, Concor has recently started working on with some cement players, wherein they intend to provide a complete multimodal solution to them. And they have also guided for like nearly doubling of their volumes. So we have a JV with Concor. So, do we see synergy with them in any of our segment, like freight, seaways or even in the Concor segment, because growth is quite visible on their like, domestic segment. So can that have some kind of spillover effect in our company?

Vineet Agarwal: Maybe a little bit, but I'm not so sure how will they try to reposition this particular aspect, I think that's the seaways business what they are talking about has a good potential to grow on the domestic front. But again, there are some challenges there as well to ensure that you get the first mile and the last mile properly done. So yes, there could be some opportunities for our joint venture also. But let's see how they play out. But we are also involved in a lot of other sectors, in cement also, on the domestic front also, like chemical logistics and food grain logistics etc., metals also. So those are also continuously growing. So we definitely see opportunities there.

Harshal Mehta: Thanks Sir. That's all from my side.

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

Chirag: Hi, a few questions from my side. The first is on seaways business, if you could tell us what would be the market value of the current fleet? That's the first question. The second is if you could just highlight to us how are freight rates behaved in the last couple of years so compared to where they are today what would rates have been let's see a year ago and about three years back. So that was the second question. And the third was in terms of you highlighted that growth next year, could be about 10%. And it seems that seaways growth might be flattish because you will have a dry dock. So I'm assuming will that growth be led equally by the other two segments or do you see faster growth in a particular segment? Those were my three questions. Thank you.

Vineet Agarwal: So on the reverse, if I answer those questions, I think, yes, the growth will come from the other divisions. And we do expect that. So from all the divisions, as well as the joint venture companies. On the freight rates, the last three years of freight rates have been more or less same, because the last two years or so when fuel prices have gone up and so that also has a reflection in terms of the capacity that was not there, because a lot of capacity shifted overseas as well. So that meant the freight rates have been maintained. Maybe a few years before, when the fuel prices were quite low, the bunker prices were quite low, the freight rates are probably at 25-30 % lower. But I think we don't expect that to happen so soon. So that's on the freight rates side. On the market value, the ships, we don't know the exact market value, what is the book value Ashish of the ships currently?

Ashish Tiwari: Sir 240 crores. **A**nd one more point here is that, so, today, when we go to the market and sells for the ships, actually, it's 9 to 10-year-old ship. So it's really not comparable with our book value, because they're also kind of older than this 9 to 10 year. So basis that I think one question was there on the ROC part as well and that if you buy a 9 to 10-year-old ship, actually, we have a better and a high rate to amortize the ship. So that way, it would not impact the EBITDA margins, if the life of the ship would be higher.

Chirag: My question was to an earlier participant, you mentioned that if you were to mark to market, the value of the ships returns on capital employed would come down by towards 16%. And the value of the ships would be roughly two to three times is that a correct interpretation?

Ashish Tiwari: No, it's just kind of arithmetical and theoretical question, so what I'm trying to make out the point here is that the ship market value, which is sitting in our book value, actually, we don't know. We don't know today, we only know that if we are going to buy a ship, which is 9 to 10-year-old, which is five to six year younger than the ship, which are sitting in our book value would be how much. So that's how actually we are correlating the cost.

Vineet Agarwal: I think what he's trying to say also is that the current market value of the ship is undetermined, because of the kind of ships they are in terms of their age, profile, etc. So we have not gone out in the market and asked, we have not also found out we don't know the pricing of such ships, typically there might not be a lot of pricing. So the book value itself is a reflective of the current pricing of the ship, I think. If there is a new ship that you buy, which will be obviously at a younger ship, as well as at a higher cost then clearly that will impact the ROC.

Chirag: And when would be the next time that you would have to scrap a vessel?

Vineet Agarwal: So that would happen in the next two, three years I think, as I mentioned, I don't know the exact date, but I think most likely end of FY 25 or 26, if I'm not mistaken.

Chirag: And just to summarize your earlier answer in terms of rates, rates have been flat for the last two years. And if you look at it, roughly over four, five years, it would be up by about 25% is that the broad that I understand?

Vineet Agarwal: That’s right.

Chirag: Fantastic. Thank you so much.

Vineet Agarwal: Thank you.

Simran: Thank you, Sir. We have the last question from Mr. Ronald Siyoni. Sir, please go ahead.

Ronald Siyoni: Yeah, good afternoon, Sir. Just sticking on the macro front, like you had highlighted that we have seen some kind of sluggishness not only in this particular sector, but overall also we are being seeing some kind of sluggishness in real estate or building materials sector or exports in railways or containers. So, this kind of macro factors, you know, still you are very much optimistic, and you look forward to a good FY 24. So, I wanted to understand what are the basic drivers for you is it diversification in other sectors as you had highlighted or you are seeing some kind of reversal in interest rates in the second half of next fiscal year. So, what are the positive drivers or triggers that would help survive or improve your growth rate versus sluggishness in the macros.

Vineet Agarwal: So, you're absolutely right that some of the things that you highlighted specifically around the growth around new verticals or new areas that we are already there, as well as the general growth in the market is I mean, GDP will still grow at whatever 6, 7%. So, 6, 7% means that there is still growth happening even though it might be slightly slower. So, that in itself is an opportunity. The second is that we have a very, very small share of the overall market size marketplace. So we are constantly taking market share from our competitors also. So that itself is another growth opportunity that is happening. And then the integrated offerings that we are doing while moving customers from road to rail to sea and so on so forth those are the areas of growth opportunity also. So clearly, the marketplace is there. There's a lot of interesting trends there. And those should help us in keeping up the growth base, even though overall micro scenario, as you rightly said, might be a bit sluggish.

Ronald Siyoni: Yeah, thank you very much, Sir. And best of luck.

Vineet Agarwal: Thank you, Ronald.

Ronald Siyoni: Thank you, Sir.

Simran: Thank you, Sir. There are no further questions. Now I hand over the floor to Mr. Ashish Tiwari for closing comments.

Mr. Ashish Tiwari: Thank you, Simran for moderating this call. And my sincere thanks to all of you, all the other participants to taking out time and out of this busy schedule and call session. See you in the next quarter. Thank you. Take care.

Vineet Agarwal: Thank you. Thank you, everyone.