5th August, 2023

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

Scrip Symbol: TCI

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

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 1st August, 2023. The same is available on the website of the Company at: https://cdn.tcil.in/website/tcil/investors-analyst-corner/concall-transcript/TCI%20Concall's%20Transcript_1st%20August%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 Limited**

ARCHANA PANDEY
Digitally signed by ARCHANA PANDEY
Date: 2023.08.05 14:30:30 +05'30'

Archana Pandey
Company Secretary & Compliance Officer
Encl: a/a

"Transport Corporation of India Limited Q1 Investor Conference Call FY 2024"

Aug 1, 2023

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

MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER

Simran: Good evening, ladies and gentlemen. I, Simran moderator for this conference call of quarter one, financial year 24, would like to extend a 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.

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.

Mr Vineet Agarwal: Ashish you are on mute.

Mr Ashish Tiwari: Sorry. Good evening, all of you. Again, thanks for joining this call. To begin with, we would have a brief presentation on the earnings for the quarter one, as well as some updates about the company. And then we would like to have the questions from you. For the presentation, I would invite Mr Vineet Agarwal for his comments and presentation. Thank you. Over to you, sir. So, let me share the presentation.

Mr Vineet Agarwal: Great. Thank you. Thanks, Ashish. And thank you everyone for joining in this afternoon for our presentation on quarter one for TCIL. Overall, I think it has been a decent quarter, given the fact that there has been a lot of pressure generally on volumes per se because of the year end that was there in March. Typically, that flows into the first quarter where first quarter is usually a bit subdued, since there is a lot of inventory and a lot of stock that is already there with the customers and customers going forward. So, it is usually a little bit of a challenge to gain more share in the first quarter. But we've been able to do that in all our divisions and we've barring of course, serious business. But otherwise, the business has grown quite well to our satisfaction. Next slide, please. I think this consolidated view about the company is well known. We don't change the slide every year. But we change the slide every year, but not every quarter.

So, nothing substantial has changed from this from any of these numbers going forward. I think the logistics industry growth drivers are very well known to everyone from a consumption perspective, the customer perspective and the regulatory impact that's also happening on the industry. So, overall, I have not noticed anything significant from a customer perspective. A lot of customers have started to talk more and more about digitization. Customers are also definitely talking about green logistics. Customers are also looking at how to optimize their supply chains even more. I guess inflation pressures have led to certain amount of cost pressures for companies, which means that they are looking to optimize their supply chain networks, as well as their cost structures, which means that there are newer and bigger opportunities that have started to emerge in the warehousing space and in other areas of using multimodal transport. We are also seeing some industry level changes that are coming about. For example, we learned about the pharmaceutical industry where several companies have come together to form a cold chain structure. And this is more in line with what the government expectation is that almost all pharmaceuticals should ideally move in some kind of a cold chain. So, again, these are really, really great opportunities that are coming up. I think areas like defense, aviation, and others have also shown a lot of attraction. Government PLS policies, as well as the domestic manufacturing growth, is also pushing a certain amount of opportunities for the sector as a whole, and of course for us.

The company has several USPs. We'll go to some of them, the first one being the customized solutions that we can provide to customers based on our whole range of services. I think this is very unique to the industry where we are the only company that can have, that does have such a large range of services for domestic logistics, and simultaneously diversified into so many different verticals, because there are several companies that are only into some types of verticals, either commodities or only automotive. Whereas we've been able to diversify into almost all the major verticals. Of course, our single window solution as well as providing the control towers for some of our customers is the other value-added services that we are providing now. In terms of the positioning, I think this is an oft-repeated slide, but just the fact that these industries are still very hot in terms of their growth and growth opportunities, and they are accelerating on each of these areas. I think SAARC is a bit on the weaker side because of the currency issues in countries like Nepal, as well as ensuing elections in Bangladesh. But otherwise, our strategy of looking following the customer, where we also look into an open office in the Middle East, is helping us quite tremendously.

And the other areas, chemicals, pharmas are also growing quite rapidly. We are present in all segments, from engineering to food grains, and we strongly believe that all of these segments have a huge potential to grow. As a logistics company, we've just barely scratched the surface of the opportunity that exists, especially because there's also the shift that's happening from the unorganized sector to the organized sector in many, many sectors, and the use of organized logistics companies. And technology is something that we are very, very strong. We have been fundamentally talking about it from day one, and we have been able to enhance it also with the applications that we have, not just at our end, but also at the customer's end, where we are able to provide them greater visibility about whatever they are wanting to look at, in terms of their performance, whether it is our, whether the KPI is related to performance of trucks, or the billings systems, and so on. Quite aggressively, we have been able to grow more than importantly over the last year. I think he got the wrong presentation. No worries. Did I display Ashish?

Mr Ashish Tiwari: Yeah.

Mr Vineet Agarwal: Yeah. Yeah, so the growth has been quite moderate, but it still meant it is still higher than the previous year. And as I said there is a little bit of a feeling of some slowdown. But I think this is also the season for that, with the onset of the monsoon as well as the first quarter. Go ahead, please. The freight business, I think I wouldn't go into specific details about the industry or the growth drivers, I think it's well known. However, going forward, we have the range of services that we are providing in freight also has increased clearly with the full truck load, less than truck load, as well as the control tower management for our clients. And of course, this is cross border, this is not just in India, but we go to the neighbouring countries as well. We have a strong network, which are branches as well as hubs, which is helping us to grow the LTL business also further. Going forward, we are able to garner some increase in our LTL business over the last year, in the first quarter, and we moved from 35% to 36% in line for the FY25 goal of 40%. The margin structure in this business has been maintained with some growth in revenues and some growth in EBIT at the EBIT level. The ROCs of the business have dipped slightly from FY23, but this is again from a quarter-to-quarter perspective. The supply chain business again has a very good growth opportunity. In the last few years, we have seen that automotive has been hit because of the shortage of chips. And today, we also learned even with the Maruti management commentary that the shortage of chips has really come down quite a lot. And we are seeing that tremendous growth. Some of it was felt in the last year, and a lot of it is being felt in this year as well. The other growth opportunities related to warehousing, etc., have increased, as I mentioned earlier, with the rejig that's happening on supply chains. And apart from that, we also seen that the two wheelers as well as the tractor segment is slightly weak. I guess tractors is because perhaps the subsidies are lesser right now. But they have started to pick up also in the rural areas. The business grew quite well at about 20 plus percent in the first quarter of this year. But the margins grew much faster at about 38%. We are quite confident of achieving the growth rates here, continuing the growth rates for the quarter, though we'll hit maybe a little bit on the Q4 with a higher base, we might see a little bit of a slower impact, lesser impact, but we think the growth momentum is going to continue for the foreseeable three quarters as well. Our seaways business, clearly the potential to grow seaways is large. Next slide. And we have a good infrastructure that we've set up with six ships, and 8500 of our own containers, we did buy some containers in the first quarter of this year. And some of them came to this in the second quarter of this year, but I think about 500 odd containers.

Other than that, if you go to the next slide, because the over the last quarter, we've seen that the fuel prices have come down by about 30 odd percent. And hence the freight rates also came down. We also lost a few voyages because of the cyclone. And, and hence that had a little bit of an impact. Apart from that, the margin structure in terms of EBITDA has been maintained, though the overall EBIT numbers have come down in terms of the quantum. Our expectation for this year is that we as we've been saying that the business would be flat. And that is what we're expecting. Also, then we in last financial year, we had three ships that went for dry docks, we had one ship only, we have only one ship in this financial year. So, for the next three quarters, we expect all the remaining ships to be or rather all the ships to be operational versus any going out for any repairs. So, we should be able to drive some more revenue growth. However, as I also maintained in the past that the revenue year is linked to some extent with the fuel prices. And as fuel tends to go up, so does the revenues, because of the container prices move along with the price of fuel and not with the international freight rates. We are confident of maintaining the 40% plus ROCE. The Concor business was slightly weak in the first quarter, because, again, the shift towards rail is happening, but a little slowly.

There were also a few contracts that we let go, again, some impact on the west coast with some loadings because of the cyclone. But we have acquired some new contracts and Q2 onwards, we should see good growth. Cold chain again, business is flat, we've let go of again, one or two contracts, which were large in number, but not very profitable, especially in the quick commerce side. But we're looking to definitely, again, the capex plan here has been expanded. And we are looking to add more trucks this year, so that we are able to catch up with some of the opportunities that are coming in the marketplace. The joint venture for logistics of Toyota has been doing quite well. And it's grown at about 57% in the first quarter itself and a good growth in the margins as well. Overall, if you see that next slide. Ashish, next slide.

Yeah. So, quarter one on quarter one growth at the console level is about 5.3 at the standalone about 7.6%. And again, the PAT growth at a standalone level is about 8.8%. Sorry, at the console level is about 6.6%. I think this is some error in this number. Yeah. Okay, next slide. The return numbers, the performance indicators are all looking good with EV EBIDTA. Numbers also at 10.7. ROCE is still the range of about 23%. And return on net worth is about 20 odd percent. Next slide. And there's no change in the shareholding pattern. The ratings are all the same. The dividend that was paid in the last quarter was maintained and under 20% of the dividend pay-out ratio. We have about 275, approximately 275 crores of cash on our books right now. The ESG goals, we have been working quite hard to transition to alternative fuels wherever it is possible with our customers. And not just that, but of course, multimodal logistics also helps in the movement towards more green logistics. We have now in our fleet about 200 CNG vehicles that we're using some of this own and some of these are vendors. Last time I did talk about a partnership that we have with IIM Bangalore on a sustainable supply chain lab so that we can do research in the area of decarbonisation. Next slide. In terms of the CAPEX plan, the 375-crore budget that we have, we've done about 43 odd crores, still a bit less in terms of our expectation. But of course, the large CAPEX here is the ship. We're still waiting for the good guidance on whether we will get a ship in Q3, Q4 or not. We're looking as we talked about it last time also to acquire, possibly acquire some new ships. And we'll have to place orders of that. So, that is still discussions that are underway. I don't think we can give you a number yet, but I think perhaps end of Q2 is when we'll be able to give you a better guidance on where we are going to end the FY24 in line with CAPEX. But our guidance for the top line and bottom line for 10 to 15% steps. Again, thank you so much for joining us today and we look forward to your questions.

Simran: Thank you, sir, for the valuable insights. Ladies and gentlemen, we will now start the question and answers round. If you have any questions, please use 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 Alok Deora. Sir, please go ahead.

Alok Deora : Good evening. So, this is Alok Deora from Motilal Oswal. So, sir, just had a few questions. So, firstly on the seaways revenues. So, we understand that the ship has not there's nothing concrete as of now when it will come through. So, what kind of revenues we could look at? Because this quarter also if we see it's, there's been a kind of a DE growth there in terms of seaways revenues. So, what's the number we are looking at? Because considering that we would be having lower number of dry docks in this financial year. So, I mean, we were looking at some sort of growth coming in this year. So, any changes in that?

Mr Vineet Agarwal: No, we've been guiding for a flat year in the seaways business in terms of both revenue and profitability. And we are maintaining that. I think as I said, we don't have a guidance on the ship yet. But the more as we do get more and more Q2 will be when we will probably be able to tell you more definitive as to where we are going to be. But so far, we are guiding for a flat 24 for the seaways business.

Alok Deora : Sure. And also, sir, any colour on the freight rates which you could provide on the seaway side, how the freight rates moving off late in the seaside? Because what we understand is that the freight rates have corrected to some extent. And also, is there any return load from Myanmar which have come through in this quarter? Because the margins we have seen kind of marginal improvement there on a QOQ basis.

Mr Vineet Agarwal: So, in quarter one, I think I will keep my comments to quarter one only because I don't want to comment on quarter two, although we are one month down. So, we did not do any return cargo movement from Myanmar in quarter one. The dry dock was there in quarter one as well for a ship. And hence, we did not get that much capacity on the seas. Freight rates are clearly dependent on the fuel prices and not on the international prices. And the fuel prices, as you can see, over the last year, same quarter, it has come down. So, clearly, there is some freight rates have come off as well a little bit. And so typically, I would say freight rates on certain segments are down by 10, 15 percent to 20 percent because of the fuel prices that have also fallen by that much. So, I think overall, that's not very unusual. That is something that happens. And now we are also seeing that the crude prices have started to go up. And if they go up further, then freight rates will also start moving up because the bunker prices are a little bit more closely linked to the international crude prices, whereas the domestic prices that you see that the fuel prices and the petrol pumps is really not linked to the crude so much. As you can see, in the last one year, it has almost been flat. It has been no change in it. So, yeah, so it is linked to the movement of the fuel prices.

Alok Deora : Sure. Just a last question. So, sir, I just wanted to understand this point. Suppose if we close in on the ship, say by end of this financial year, say by between Decembers to March. So, how fast is, how fast it would be possible to get that ship into operation? Could it be a case that for four to six months, the volumes really are not coming even after purchasing the ship and even next year, the growth might be pretty subdued in the seaway segment?

Mr Vineet Agarwal: Not necessarily. I think when we are looking to, there is always some amount of volume that is existing in the market, which we cannot pick up right now because we do not have the capacity. So, I think we do not foresee any kind of lag in terms of utilization of the ship. It is a few months that happens, maybe a quarter or four months or so, where it takes time for the ship operations to stabilize. But otherwise, it is almost at the same time we are able to generate volumes.

Alok Deora : Sure, sir. I think that is all from my side. Thank you and all the best, sir.

Mr Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Mr Mahesh Bendra. He left off the meeting. We will take the question of Mr Krupa Shankar. Sir, please go ahead.

Mr Krupa Shankar: Hi. Good afternoon and thank you for the opportunity. Am I audible?

Mr Vineet Agarwal: Yes. Hi, Krupa.

Mr Krupa Shankar: Hi. So, I had a question relating to the initial comment which you made on the pharma sector as a whole moving towards cold chain. I just wanted to see that, just want to ask if perhaps, is this transition happening over the last few months or is it like a substantial portion of it has already moved to cold chain and you are expecting furthermore to happen from here on?

Mr Vineet Agarwal: There is a government mandate that pharma companies have to move a lot of their critical drugs and certain, I guess, a lot of it. In fact, I think almost 60-70% of their production needs to move into cold chain movement. However, it has not happened so far. It is happening slowly. And so, it is not that it has happened. We expect these changes to start coming in the next few months. And going forward, definitely in the next year or so, we will see some pharmaceutical companies completely moving to a cold chain setup.

Mr Krupa Shankar: With respect to that, I mean, how are we ramping up capacities? Is it more on the reefer truck side or is it more on the cold storage solution side? Is there some aspiration with respect to what sort of a growth you are looking at the cold chain business and so on?

Mr Vineet Agarwal: Yeah, it is both. I think both on the transport side as well as on the warehousing side, we are adding capacity. But that capacity does not have to be, everything does not need to be owned by us. It can also be outsourced to vendors. So, yes, we built up, we started to build up the capacity. We are bidding for some of these new contracts. And so yes, it is quite interesting right now.

Mr Krupa Shankar: Great. And my second question was on the, again, on the (inaudible 27:22) business. Just wanted to understand that given you are seeing a fair bit of weaker demand on the two-wheelers and tractor side as well, what is the outlook for the year and perhaps the year after? Are you seeing perhaps a higher contribution coming in from other segments, non-auto? Or is it going to be, we are going to be susceptible to the auto cycle? Are you trying to break out of it by any chances? Any efforts towards that is what I was trying to identify.

Mr Vineet Agarwal: Well, I think the auto is not really, firstly, auto cycle per se, I think, last year, last two, three years, we've had the issue of the chip, semiconductor chip shortage. So, really speaking, I think that issue was more, more, I would say, very, almost like a black swan event rather than a cycle. First. Secondly, the diversified offerings that we have in automotive, not just for four-wheeler, three-wheeler, two-wheeler, but also for tractor companies or for earth-moving equipment companies, I think that helps us quite a lot. Cranes, for example, are doing quite well. Again, it falls broadly into the range of automotive in many places, but we are able to do work in several of these sectors. And hence, I think what means, it means is that we are part of that 75-80% of our business comes from that sector in the supply chain business, but the growth opportunities there still remain quite high. We still have a very, very small market share there, and we can add more businesses, whether it is on the inbound side or whether it is on spare parts logistics. So, I think looking to increase the businesses in the other sectors are definitely increasing, but it is not necessary that it will shift dramatically from the 75-80% in the next year or two.

Mr Krupa Shankar: Got it. And last question, if I may, on the LTL piece of business. Now, what you have clearly seen is that, are you seeing any benefits of e-invoicing coming your way? Because while I can see that the revenues from the LTL is roughly about 150 crores per quarter, is there a traction with respect to clients on boarded over the last one year or so? And your sense on how LTL business can shape up over the medium term?

Mr Vineet Agarwal: Yeah. Yes, certain amount of move from unorganized players to organized players is definitely there, which means that e-invoicing or use of EV bills is but obvious. So, we are seeing for sure that there is some business opportunities that we are getting. Now, specifically new clients is actually for us, LTL business is quite a large customer base. I mean, you won't get like a very large contract there. So, it's more like smaller, smaller, smaller contracts, and business, businesses across the country. So, it's a lot of feet on the street kind of a business. And that's why there's also higher margins also. So, in that sense, it has been growing. And I think with the continuous effort, including looking to add a lot more about close to 50 new branches in this fiscal, we think the business should start where it was flat last year. In terms of percentage growth, it should pick up this year.

Mr Krupa Shankar: Thank you, Vineet, and all the best.

Mr Vineet Agarwal: Thank you.

Simran: Thank you, sir. Mr Mahesh Bendre is back with us. Sir, you may go ahead with your question.

Mr Mahesh Bendre : Am I audible?

Mr Vineet Agarwal: Yeah. Yes, yes. Yeah.

Mr Mahesh Bendre : So, thank you so much for opportunity. This is Mahesh from LIC Mutual Fund. Sir, you mentioned about 10 to 15% kind of growth this year. But if you have to take a long-term view of two to three years, given the capital expenditure cycle that is seems to be picking up in manufacturing sector, led by PLI scheme, there is a case for global exports and so on. So, in this kind of environment, what kind of growth you see over the next two to three years, I'm not looking for the next year, what kind of size we can achieve in the medium to long term?

Mr Vineet Agarwal: Yeah, I think all the opportunities that are coming up are very interesting and certainly exciting as well. And that definitely pushes our team to look at more aggressive growth targets. However, I think for us, the more important thing is quality growth, quality from a margin perspective, quality from a receivable perspective and quality from a value-added perspective where we are able to continuously add more services for that client, and hence maintain that margin structure. So, it's all those things will be important. And I think 10 to 15%, what we've talked about this year, I would say that it might move up to the 15% range in the next year. And so, so if I have to give you a three-year guidance, maybe perhaps, maybe a 12 to 17% kind of a range in terms of CAGR growth for the next three years.

Mr Mahesh Bendre : Sir, I was not asking, I was not looking for any guidance as such, I was looking at qualitative input from everyone that even the premier position we have in the industry, and the 5 trillion economy and so many things are going up. I think our size could be much, much bigger than what we are right now, maybe 500 on the line. So, I just wanted that view from you.

Mr Vineet Agarwal: No, no, certainly we will be bigger than what we are. But as I say again, that it has to be a quality growth. We have a lot of our competitors, as you know, also, and you follow that they have grown much faster than us. But you can see the margin structure, it is really, really poor. And in fact, one of the logistics companies also reported a loss in the first quarter. So, I think it's very important that we look at qualitative growth versus just growth for the sake of growth.

Mr Mahesh Bendre : Thank you so much, sir.

Mr Vineet Agarwal: Thank you.

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

Ms. Riya Mehta : Thank you for giving me the opportunity. I am Riya Mehta from Aequitas Investments. So, my first question is in regards to the freight division. So, increasingly quarter on quarter we have seen the LTL contribution actually increasing. However, the margins have taken a hit. So, what would be the reason for the same?

Mr Vineet Agarwal: No, it's just a, it's not taken a hit really. It's just the first quarter is usually a slightly weaker for freight also because of the push in the last quarter and also certain cost structures get reset in this quarter. So, hence, it's a little bit of a timing issue. But otherwise, it's more or less at the same level. It's not really a major hit.

Ms. Riya Mehta : So, for the full year, we would maintain similar margins as last year?

Mr Vineet Agarwal: Yes, absolutely.

Ms. Riya Mehta : And on the seaways, since our pulses policy was there till this year end, do we see that we, do we see it?

Mr Vineet Agarwal: Sorry, the what?

Ms. Riya Mehta : The pulses policy for Myanmar is extending till this year end or I think March. So, are we benefiting out of it? Since we in this quarter, we did not. So, going forward?

Mr Vineet Agarwal: I mean, we are keeping a watch on the freight rates. If the freight rates become attractive, then we can definitely look at some voyages there. So, that it all depends on the rates that are available. I think we have to be a little, we are a little opportunistic when it comes to Myanmar kind of businesses because it has to make the case for better margins versus what we are doing, right? So otherwise, why would we shift?

Ms. Riya Mehta : Right. And since we have cash on our books, are we looking for any acquisition apart from the sea ship, which we are going to buy? Smaller acquisition of unorganized players?

Mr Vineet Agarwal: No, we don't have any specific plans around that yet.

Ms. Riya Mehta : Okay, that's it from my side.

Mr Vineet Agarwal: Thank you.

Simran: Thank you, ma'am. We don't have any question as of yet. We can wait for a few minutes as the management suggests.

Mr Ashish Tiwari: Yeah, please wait for few minutes.

Simran: We have with us Mr Ronald Siyoni. Sir, please go ahead.

Mr Ronald Siyoni: Yeah, good afternoon, sir. Just on this freight business now, you have been highlighting that you know, customer wallet share, you're trying to increase and trim down the smaller customer base. So, have we been able to benefit in terms of that in during quarter one?

Mr Vineet Agarwal: We're not trimming down the smaller customer base. I think the smaller customer base is important for the LTL business. In the FTL business, there are large customers as well as small customers also. So, the mix change from FTL to LTL, the shift has started to happen a few years ago, and that will continue. But what we are careful about is not to work with companies where the margin structure might be low or the receivables might be tough to get back later on. And we've seen that happen in the past during some very hot up cycles. Companies have grown very rapidly, but they've had credit issues. So, there we are a little cautious.

Mr Ronald Siyoni: So, during quarter one, we have been able to add new customers on that front?

Mr Vineet Agarwal: Of course, yes, we have.

Mr Ronald Siyoni: And another thing that I wanted to understand that over the past two quarters, say maybe three, the logistic sector overall has been a little bit sluggish of many reasons. So, in terms of organized and unorganized growth, organized players are able to gradually get unorganized share. So, if they're getting this kind of share from unorganized a little bit, and still the growth remains a little bit sluggish. So, are we seeing a flattish or negative kind of industry growth overall for the logistic sector?

Mr Vineet Agarwal: Well, I think to some extent, you're right. But I think overall, the growth will still remain positive because there are lots of other, it's a very fragmented industry, as you know. So, there are lots of players who will come up and take away the lower margin businesses also. So, I think there itself, we are a little careful of, as I said, what is the quality of business that we do with our clients. But generally speaking, the shift is evident. Some quarters is more stronger, some quarters is less, but it is definitely underway. The shift is definitely underway from unorganized to the organized sector.

Mr Ronald Siyoni: Okay. Okay sir. So, thank you very much, sir. All the best.

Mr Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Anshul Agarwal. Sir, please go ahead.

Mr Anshul Agarwal : Hey, good evening, sir. Thank you for the opportunity. Anshul, here from EMKAY Global. My first question is around, are we seeing any change in customers' behaviour with regards to pricing or inclination for (inaudible 40:01) transfer post-operationalization of DFC? While I understand this helps our multimodal business, doesn't it cannibalize our FTL revenues?

Mr Vineet Agarwal: No, not exactly. The FTL business is also very different in the sense that it is not necessary that all the movement happens via containers. And also, the point-to-point element is quite high. Also, we are very small percentage of the overall market. So, the impact on us is extremely, extremely negligible if there is any that too. And the pricing on the DFC is not yet visible. There is some sectors that is operational, but we don't have a clear visibility yet on the entire sector as a whole, entire segment as a whole. But no, we don't expect any kind of cannibalization.

Mr Anshul Agarwal : Great. Thank you. My second question is on the supply chain business. So, I wanted to understand how is the pricing set in these contracts? Any colour on cost of transportation, cost of warehousing, or these are discussions between you and the customer, which are very customized per se?

Mr Vineet Agarwal: Yeah, I mean, in the warehousing contracts, typically there is a fixed minimum in most cases, where the customer still pays for irrespective of any movement, whether there is any movement or not, because we have a fixed infrastructure that has been put up there. So, yes, the customer is definitely recharging the customers for that. And then there's a variable component on that. And different formulas, different kind of working exists in the warehousing bit as well. On the transportation side, also for automotive movement, for example, there is definitely a lot of different kinds of formula where if you're moving something by rail, it is first mile, rail plus last mile, or if there's a yard involved, you add the yard cost. So, it's, again, very customized, depending upon the customer's requirements.

Mr Anshul Agarwal : Thank you for that, sir. And these are all long-term contracts, I believe, 6 to 12 months types or?

Mr Vineet Agarwal: No, even longer. Three plus years in many cases in the supply chain businesses, three plus three plus three also in many cases, in the freight businesses, there are typically one-year contracts.

Mr Anshul Agarwal : Great, great. Just one last question on the seaways business. As and when we secure a ship, would ramping up utilization on the same be a challenge? My question is basically directed towards understanding if post edition of the ship, would that be margin accretive from day one? Or would we wait for certain months to get optimum utilization, and then it will start becoming margin accretive for our business for the segment basically?

Mr Vineet Agarwal: Typically, it takes a few months, maybe three, four months for it to become fully as in, get the SOPs in place and get the entire utilization in entirety. But, and that's where the volumes, the margins start coming in. So, it's not a very long process. And as I said, there's already a lot of volume available for us to take. It's just that we don't have the capacity.

Mr Anshul Agarwal : Lovely. That's it from my side. Many thanks.

Mr Vineet Agarwal: Thank you.

Simran: Thank you sir. So, the next question is from Mr Pratik Kothari. Sir, please go ahead.

Mr Pratik Kothari: Hi, good evening, sir. So, my first question on qualitatively, if you can speak about what are we doing internally in terms of separate technology service, such so we can be an integral part of a customer supply chain, or it becomes harder for others to replicate us?

Mr Vineet Agarwal: Yeah, great question. And I think this is a real distinction between us and many of our competitors is the quality of service, the quality of response, the transparency in our response, as well as incident management, if there is any, through CAPA reports and other kind of methods, and then moving to continuous improvement systems, like Kaizen projects, as well as quality circles, as well as having people who are black belt trained in quality, and so on. So, this is an ongoing process. And we have training centres across the country, very large number of training programs that happen internally, we do send people to local Indian institutes of repute, as well as international universities, as well, like HBS, etc. And that is underlined with a with a philosophy. So, the philosophy is of core, which is customer focus is the number one thing, ownership, responsiveness and empathy. And these go across. And that's where the value system is so strong. In the organization, the culture is so strong. This cannot happen without strong technology backbone. And that technology is ubiquitous for us, because all operations are run through that, all including anything that happens at the HR level to the customer dashboard level, everything is for us at an online or at a digital version. We also prompting our customers to move towards digital, I think a lot of customers do want e-invoicing, but they don't yet what you want EPODs. And once that starts happening, we'll see a dramatic shift where even billing happens online, and we are able to integrate our ERP with their ERP for even better satisfaction and response. So, yeah, so it's an ongoing process for us. Right, sure.

Mr Pratik Kothari: And so, there's 125 pros that we have earmarked for ship, I believe this is for a second second-hand one, right? Not a new move that you're planning.

Mr Vineet Agarwal: That's correct.

Mr Pratik Kothari: And I think in the last call, you mentioned that you had sent out a team to kind of figure out what does a new ship look like how much it costs any colour on that?

Mr Vineet Agarwal: It's under discussion and negotiation in terms of understanding what are the possibilities, the design, the so lots of elements, they're negotiating the shipyards, the quality of material that goes in the equipment that goes in the timelines, the pricing. So, all of that is under discussion and negotiation.

Mr Pratik Kothari: And in terms of your older or second-hand ships, I mean, where are the prices there now?

Mr Vineet Agarwal: Prices as in?

Mr Pratik Kothari: The price of a ship, I mean, it was 2x of what we usually.

Mr Vineet Agarwal: Yeah, it's similar in terms of the pricing right now. Again, I think the more important thing is just not available. So, so I think the pricing sometimes doesn't matter also. So, but it is still at that 2x type of level.

Mr Pratik Kothari: Sure, thank you in all the best. Thank you.

Mr Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Aejas Lakhani. Sir, please go ahead.

Mr Aejas Lakhani : Yeah, hi Vineet. This is Aegis here from Unifi. Thanks for the opportunity and congrats on the results. So, Vineet, I just wanted to get more colour on the fact that in the Seaways, you mentioned that the decline is on account of the cyclone as well as lower freight rates. Could you just quantify how much business we lost and how much the decline is on account of the loss of business because of the cyclone?

Mr Vineet Agarwal: Cannot quantify in terms of that specifically, but we can say we lost a few voyages, maybe two, three voyages that could have happened if there wasn't any cyclone and so on.

Mr Aejas Lakhani : Okay, so basically 80, 20, 20 was on account of the cyclone and 80 was on account of freight rates. Is that fair to assume?

Mr Vineet Agarwal: Yes.

Mr Aejas Lakhani : Okay, got it. And you mentioned that as oil prices are foaming up, you are expecting freight rates to start moving up in the subsequent quarters. Is that understanding, correct?

Mr Vineet Agarwal: If it does move up, yes.

Mr Aejas Lakhani : Okay, could you comment about where it is, I mean I remember seeing it on the PPT, but is the trajectory still looking higher from here on, or are rates maintained today where they are?

Mr Vineet Agarwal: Right now, it is still at the same level, as it was in the end of quarter one. And I mean, yeah, and I think it'll, if there is a upward movement in terms of fuel prices, certainly, I think we'll see some movement on the freight rates. So, it is at the same level to just simplify things. Yes.

Mr Aejas Lakhani : Got it. And as it moves up, you benefit from the operating leverage in this business. I'm sure it'll be small and slight, but you'll still benefit from that, right, as freight rates move up?

Mr Vineet Agarwal: That's right. That's right. We are able to pass on the increase better with a higher freight rate.

Mr Aejas Lakhani : Got it. And the supply chain is really delivering phenomenally for us. So, is it fair to assume, I heard you in the opening remark mentioned that 4Q is again going to be a seasonally strong, I mean, it's a seasonally strong quarter for the supply chain. But do we expect the margins that we have reported to be higher in the entire year or this is the right number to just think about for the year?

Mr Vineet Agarwal: I think this is a, the EBIT margins that you are seeing is what you would, will be what we think will be maintained for the year.

Mr Aejas Lakhani : Got it. Thanks a ton. All the best. Thank you.

Mr Vineet Agarwal: Thank you.

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

Mr Riddhish : Hello. So, am I audible?

Mr Vineet Agarwal: Yes. Yes. Yes. Please go ahead.

Mr Riddhish : Yeah. So, this is Riddhish from Fractal Capital. Sir, I just wanted to understand that, like I understand that there's a difference between LTL and express business, but so my question is that is there been any delivery time differences? Have they converged over the last few years between LTL and express business or for example, pre-COVID versus now?

Mr Vineet Agarwal: Yes, certainly. Delivery levels, delivery speeds have increased generally. I think overall there is a benefit in terms of post GST itself and the RTOs across the states for dissembled as well as generally with the roads improving with the tolls having more electronic fast tag movements. So, all of these factors have definitely helped in terms of the transit times shrinking, but we also seeing some issues where transit inside cities have increased because the congestion has increased. Though in some cities you are seeing ring roads coming up. For example, even in NCR, you have the Eastern and the Western, the KMP that is there. So, like this, the transit times have shrunk to some extent, but of course, express is still relatively faster. I would say 20%, 25% faster than the LTL because typically express trucks have two drivers in them. So, they are able to move much faster with less downtime.

Mr Riddhish : Okay. So, could you just quantify as to what, so as you said, it is 20%, 25% faster. So, what was it pre-GST?

Mr Vineet Agarwal: Maybe a little bit more, but that difference has been constant to some extent because the drivers have been double irrespective.

Mr Riddhish : Okay. So, so you mean there's no overlap in the customers, right? Between express and LTL.

Mr Vineet Agarwal: So, if something was taking a hundred hours in with the LTL business and something was taking 75 hours in express, I'm just giving you a very simplistic example. If that a hundred came down to 90, the 75 has also come down in proportion as well. So, it's basically the proportion of the 20%, 25% faster delivery for express remains. And also, if you remember, it's also last mile. The last mile is also done by first and last mile is also done by express. That is pickup from your doorstep to delivery to your doorstep, which typically LTL does not do much.

Mr Riddhish, Fractal Capital: Right. Okay. So, that's it for my end. Thank you.

Mr Vineet Agarwal: Thank you.

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 the call and thank you all of you again to joining this call out of your busy schedule. We will see you in next quarter. Thank you so much. Take care.

Mr Vineet Agarwal: Thank you. Bye.