24th May, 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 19th May, 2023. The same is available on the website of the Company at: http://cdn.tcil.in/website/tcil/investors-analyst-corner/concall-transcript/TCI%20Concall's%20Transcript_19th%20May%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: 2023.05.24 16:26:45 +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 Q4 Investor Conference Call FY 2023"

May 19, 2023

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

MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER

Simran: Good evening ladies and gentlemen. I Simran, the moderator for this conference call, 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

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, good evening and thank you again for joining us today. We will begin with our earning presentation followed by questions session.

Now, without much delay, I would invite Mr. Agarwal for investor presentation. Thank you. Over to you, sir.

Vineet Agarwal: Thank you and good evening. It's always a pleasure to meet all of you here at this investor presentation, our annual presentation today. Let me start by giving you a broad update as to what has happened over the quarter. In the last three months, I think we've seen a record EV bill movement, which means and GST collection, which is essentially a push towards a lot of sales in the month of February and March. Of course, that push means that momentum typically and this is quite not unusual, very common that we see that it impacts the first two quarters of the new financial year, mostly. So, in overall, things seem to be okay. We will discuss more about that as we go forward. The next slide is this is giving you a consolidated view as to how the company is structured with its three main divisions and subsidiaries and the overall framework of the major metrics of the company. So, predominantly, of course, the kind of assets that the company has from trucks to ships to containers has been on a steady rise and also it has but it has been kept in line with our strategic plans also, we have been able to increase our warehousing space by about a million square feet approximately between last year and this year and we are also about 140 million cubic feet of space that we're utilizing right now. Interestingly, we have moved more than 1,800 trains in the last year, which has been a substantial increase.

Next slide, please. I think many of you have been repeated, you've shown repeated presence to these analyst calls, know about the logistics road drivers. In the country, these drivers have become very important and logistics sector has been at the forefront of many, many changes, or rather the changes that will happen to the logistics sector as well. So, from a consumer perspective, from a customer perspective, industry as well as from a regulatory perspective, there have been numerous amount of changes, as well as drivers that are there, which is definitely helping the sector as a whole. Supply chains are clearly a very, very important aspect of today's any kind of board-room discussion, whether it is a resilience of supply chain, whether it is the agility of supply chains or whether supply chains are greener or not. So, when we look at from all those perspectives, the drivers that are coming in from our customers are essentially leading, talking about how can we outsource more and more, how can we look at moving towards more and more green logistics. And simultaneously, we have the other positive drivers for our business, like the PLI scheme, which is creating opportunities for logistics or the fact that there is more organization that is happening is the formalization of the industry as a whole and clearly, the most important out of all of this is the infrastructure growth, the kind of infrastructure development that is being seen across the country today. And I think all of you might have experienced the sea change in the last five, seven years in terms of the road network or the quality of roads is directly impacting the logistics sector positively. With the PM-Gati Shakti program, multimodal is now getting the flip with a lot of investments coming in and the connecting infrastructure is also coming through. So, clearly, this is something that will fare very well for our industry and this kind of road drivers are quite unique today. They've never been before and these are the reasons why we anticipate for the next 10, 15 years, the logistics sector will continuously grow with leaps and bounds.

Next, company strategy in terms of our USPs are very clear cut. We have a wide range of services. Let's go to each one specifically and talk about it. So, here, we are possibly the only company in the country today in the logistics space that is offering such a wide range of services. And clearly, it might seem that there is a limited focus, but what we have seen is that customers do require with one product, something else as well. So, it has never been just uniquely FTL or uniquely warehousing, but customers require all kinds of solutions and I think we have been able to reach and capture a larger wallet share from almost all these verticals that we serve. Customers also see that benefit. They don't need to interact with multiple people. They are interacting with one person from TCI, and that helps them a lot also. An example of that is what we are doing in terms of the finished logistics for EV manufacturer and here, the idea has been that we've created a distribution network, which is essentially B2C. Literally from the factory floor, we are taking the product directly to the owner of the mobility device which means that we are bypassing, in some cases, warehouses, there are no dealers, and it's a directly B2C kind of a delivery. We do have central warehouses and 15 state DCs that manage the inventory and a network that is on a last mile basis delivering, can deliver up to 1200 deliveries a day. It is a combination of both road network, providing road services that is, providing finished good management services at the warehouse which could be pre-delivery inspection, charging of the vehicle, invoicing, and battery management, etc. Then it is management of the warehouses, then the ultimate delivery, which is the last mile, and in some cases, payment management also. So, this overall kind of a solution started with just us bidding for just the outbound movement of the particular item, but we've now expanded that to a lot more services for the client. The other USP is that we've been able to use some of the major road drivers and convert them into a large segment for us and the rail business is one example of it, cold chain is the other example where we formed a joint venture. And similarly, we are seeing that the growth potential in some of the other areas is just phenomenal. We are seeing in chemicals with the China plus one strategy, a number of companies setting up their supply chains out of India, in terms of agriculture, which is a large percentage of our GDP, and subsequently adding to the cold chain business also with finished products. It is a very, very important aspect for food security. Renewables along with battery movement, etc. is also again linking with cold chain also in some ways, because some of the batteries need to be in ambient temperature. So, all these segments are cross linking with each other, with the services that we are able to provide to our clients.

The third USP for us is clearly the fact that we are completely a technology driven operations run a very tight system where almost all levels of our engagement, whether it is with our stakeholders, with our customers, and with our employees are tech based. So, even with our drivers at the field level, we use apps for our employees, we have mobile apps as well and for customers, we provide control towers. An example of that is in the next slide, we'll show you two examples of control towers. This is one for a multimodal logistics contract where we had several issues with the client where they were first issue was that there were a lot of errors when they used to place orders on us and we move that to a system-based planning where the orders are read by our system and then it is placed as a indent. The second was that when the inventory was available for dispatch, it used to be always very difficult to track which inventory is supposed to go out or has to be moved out there itself, the identification of that, as well as a certain amount of positioning of that particular inventory what had been started happening so that it was very accurate in terms of the first item that was produced should be the first item that is dispatched rather than anything that's available is getting dispatched. So, identification of that was also useful. Managing the government related tracking or rather getting the rakes from Concor, etc. that helped by connecting the entire system through the railway tracking system as well. That helped us in the customer also in getting their exception alerts, etc. And simultaneously, we were able to move between several of their plans to really integrate all the processes together so that there was no ambiguity in terms of what inventory needed to move out. This entire work used to earlier happen as a road contract. And the customer in this case now not only has greater visibility of their products through this control tower, but also has saved cost and the third benefit is clearly green logistics. So, it is a case in point in terms of how we have been able to convert the solution also into a tech-based solution for the client.

The second case study is of an engineering company that is looking for freight solutions and this engineering company has multiple locations, multiple factories across the country and the dispatches are also multiple locations, maybe in 1000s. Simultaneously, the customer also wants not just full truckload services, but also part load services, that is LTL, as well as some amount of warehousing. Just imagine the amount of orders that are coming in every day and each of these orders were earlier processed manually, which meant that there could be there were errors, as well as there were issues in terms of servicing the client. Now we use an email bot that does the order processing and straight away sends the message of placing the truck to the traffic control and that happens simultaneously. The customer requirement for a consignment node or the documents that move has now moved to e-consignment system. The visibility is now to that extent that we are now trying to build algorithms around estimated time of arrival. Just to take two minutes here to explain estimated time of arrival. Today, if you have an order that you place with a Zomato or a Swiggy, you can see the estimated time of arrival because the distances are much lesser. So, that would be possibly next in an hour, you are able to see where that particular package that you've ordered is. However, in the case of a long-distance movement, especially trucks, etc., which have do not have a GPS on them, the way to track that and then subsequently predict an ETA means that there has to be a management of a lot of variables. Those variables include traffic situation on highways, weather situation. Maybe there are some buns or some rides somewhere or something that close off certain highways and then, of course, the most optimized routes that are there from a toll perspective also. So, when we start feeding all of this, we've created a learning model so that it can predict the right ETA. So, these are some of the things that have started to happen around these tech-based case studies.

The other USP for us is clearly the presence across all industries. I think this is a very, very strong area for a company like ours because we are not dependent on just one sector as a whole. If there is a sector that doesn't do well in a particular year, there are other sectors that we are working with and we are able to ensure that there is some amount of business growth. So, overall, being diversified into almost all major sectors has really helped us to keep up our growth momentum and I think I do not need to mention each of these sectors specifically, but clearly, they are all high growth sectors and with some amount of government or direct implications towards growth of that particular segment. In terms of a quarter, the quarter was quite strong from a revenue perspective. Our overall services have helped to grow the business quite rapidly. Our net borrowing continues to remain at zero. We have about more than 200 crores of cash surplus available with us.

Now I'll go specifically into each division. I think you would know the nature of each of these industry segments. So, I'm not going to go into too much detail, however, just about each of these divisions. The freight division has a large infrastructure of hub centers as well as offices, and they are able to provide solutions across the country, both on an FTL and LTL basis. We provide, again, a detailed amount of customer integration from an ERP perspective, provide mobile apps, et cetera, as well as a centralized control center to track the clients on a regular basis, track the cargo on a regular basis, and ultimately share that information with our clients as well. Operationally, the division grew at about 8% on the quarter-on-quarter basis with slightly better margins. On a full-year basis, the business grew at about 16%, and we were able to maintain the ROCEs, which is now in the excess of 25%. What did not work for us in the last year is the FTL and LTL mix. The mix remained flat and stagnant at the same level. We lost some momentum in the beginning of the year in FY23, so that we could not catch up. We tried quite hard, but now we are seeing the momentum starting to reverse also. We have a good idea that this should perhaps not get to 40%. To get to 40% by 2025 is what we are targeting, and we should be able to get there.

We have taken a number of action plans around that also. We have increased the sales force with better analytics and tracking for the sales force, as well as we are looking to strengthen our branch network by opening more new branches wherever there is new capacity or other new industrial zones that are coming up. The outlook for this division also remains the same in terms of growth. We would be able to maintain the margins as well as the ROCE. The supply chain business, again, the nature of the business is that it is growing quite rapidly with 10% to 15% top-line growth, and the changes around the industry are quite robust as we speak. Demand for warehousing services has been growing on a continuous basis. Going forward, the business itself is mature, as well as has a large infrastructure at play with 55 yards.

We are now handling almost three-fourths of a billion production parts every year, which is, again, very unique and very large, as well as more than 1,000 trains that are being operated for the Finish good movement every year. The business is also managing some of the largest warehouses in the country for FMCG, FMCD companies today. Overall, supply chain division grew at about 27% in the last years, mostly by the growth of the automotive side of the business and again, the margin structure, though EBITDA has come down slightly, the EBIT margins have been maintained. The ROCE of the business has also moved in the 20s range to 22.6%.

The seaways business, again, seaways has a large growth opportunity, as we are aware of, the business is only, the country moves only 6% or so of its cargo by seaways or by coastal shipping. So, the growth potential is massive, especially because of the government's push towards it, as well as the need for green logistics in the country. The art business is stable, we have six ships and 8,000 of our own containers, as well as serving some important ports across the country.

Next slide. In terms of the business, it is flat. If you do recollect last year, we had a substantial growth because we were opportunistic and went to some of our neighbouring countries and took the benefit of the high freight rates at that point in time. As I had said then also that this is not, that we will not be able to maintain that. But the dry docks in the last year, FY23, was just limited to one, which helped us to keep most of our ships operational and hence, we are able to still maintain the revenue that we had done last year. The margin came off a bit, if you notice about on the EBIT level about 15 odd crores. But again, that is clearly because of the lower or lack of any EXIM business as this year in FY23. The ROCEs in the business remain in the high 40s and going forward also, we expect this business to maintain this trend. In terms of our joint ventures, the CONCOR and the cold chain joint venture businesses were relatively flat over the year. In terms of CONCOR, it had recorded a substantial growth two years ago and still there has been some consolidation that has happened in this segment because road has been more competitive than the rail in some sectors and hence, that business has not grown.

Cold chain, we actually removed some clients, some contracts that were not performing in terms of profitability. So, in order to maintain that profitability, we sacrificed some revenue growth. But going forward, again, we're looking at some very interesting contracts and development. The Trans-system joint venture grew phenomenally at more than 42% over the year and again, this is a back of very strong growth that we are seeing with Toyota in the production of all its vehicles. Toyota has also got the project to manage the manufacturing of Suzuki vehicles, as you would know. So, that is also helping us in this business.

As far as the financial highlights, overall, I would concentrate on the console level. At the overall level, the revenue growth has been about 16%. EBITDA growth is negative for the quarter is because in the last quarter last year, we had excess depreciation that we put in because of the life of ships that we changed, as well as that impacted the profitability, the PAT numbers for Q4. But on a year-on-year basis, all these numbers are up in both on the standalone as well as console level. A year, I would just like Ashish to explain about the dividend that we have received and how it has impacted the console numbers.

Ashish Tiwari: Thank you. Yeah, so last year, we had a dividend of around 31 crores. And FY22, we had a dividend of around 10.5 crores. So, this year, we had a higher dividend. In the console level, you would find the numbers, which is in the other income. This dividend basically is from the trans-system logistics and the TCI Concor. Simultaneously, in the consolidated level also, you would find the joint venture share and that dividend set off. So, these two numbers, while we calculated the EBITDA numbers, we have included the joint venture share and excluded that dividend part. So, this is how the one calculation which I wanted to talk about.

Vineet Agarwal: Thank you. The next slide is some key numbers for the businesses, for the company as a whole, with the ROCE numbers are retained at the 25% plus numbers. A PAT is grown at about 21% on a CAGR basis and RONW numbers are also in the excess of 20%. The board decided to overall give a dividend of about 350% for the full year, which is about close to 18% of the pay-out of the PAT. So, again, it has been almost at the same level as last year. The rating of the company is retained at AAA positive, as well as the ICRA rating is also A1+. And from an ESG perspective, the company is very strongly working on a lot of goals and ideas. One of the most important developments in the last quarter, or rather actually this year itself, is the, we've started a sustainable supply chain sustainability lab in partnership with IIM Bangalore. This is to do studies on decarbonization in supply chains, how can logistics be greener, we've come out with a greenhouse gas emission calculator also in this lab and slowly the company is moving towards green logistics with almost 30% of our revenues now coming from multi-modal logistics. We have close to 200 plus vehicles that are CNG vehicles. So, again, very strongly focused towards decarbonization and also helping our clients towards that goal as well.

The next slide is essentially on our CAPEX for the full year. Unfortunately, we were not able to maintain the CAPEX, or rather come up to the CAPEX that we had budgeted for the full year and we ended up with close to about 120 odd crores. The plan for this year is 375 crores. Again, it's back to buying a new ship, which we have been waiting for. Hopefully, this year, we have a lot more better visibility around it. So, we are hopeful that in Q3 of this year, we should be able to get a ship. Apart from that, the containers are a regular addition of about 30-35 crores. We would be buying another rake for about 45-50 crores, as well as some trucks and the continuous investment into warehouses, some warehouses, hub centers, etc. will continue.

So, the guidance for the full year will be a little tad lower from about 10% to 15% because we do see some headwinds when it comes to global recession, as well as the export market has also, as you have seen, has become a little bit subdued. So, there are some challenges that are there. It is also the start of an election year. So, there could be some reduction in government spending. However, or rather increase in government spending should help us overall. But notwithstanding, I think for us as a company, we have always been slightly conservative because we believe that the long-term story for not just our sector, as well as for us as an organization is very strong. So, we would not like to take any short-term bets on anything. So, clearly, from a perspective of growth, 10% to 15% is what we're looking at, both on the top line and bottom line. Thank you so much and we're happy to listen to you. Look forward to your questions.

Ashish Tiwari: Thank you, sir.

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 Alok Deora. Sir, please go ahead.

Alok Deora : Good evening, sir. This is Alok Deora from Motilal. So, sir, I just had a couple of questions. So, first on, you know, the seaway segment. So, you know, same period last year, we had this visibility of ship coming maybe three, six months down the line. But again, I mean, due to the higher prices, maybe the ship has not come on board. So, by when do you really think because, we have seen the freight rates almost coming back to the two years levels of what it was two years back. But still the ship has not come in. So, because that's a very high margin segment for us. So, just your thoughts there, sir.

Vineet Agarwal: Yeah, you're right. So, the shipping rates have come down. Unfortunately, the rates that the ships that we want to buy, the size of the ships that we want to buy, the smaller end ships, there the prices have still not come down. And that has been quite unique because it comes back to the whole theory that if I'm not able to move a large ship of products, can I move a smaller ship? So hence the market for these smaller ships have become quite robust and they continue to remain strong and hence the prices are not there. But we had a team that was in China in the last week, 10 days, and they are exploring all kinds of options, looking at not just old ships, but also at new ship possibilities as well. So, this is a very, very strong and active discussion that has been happening and rest assured that this year we will ensure that there's some amount that is an acquisition.

Alok Deora : Sure. So, if this is a new ship, which comes on board, then this 125-crore capex, which is for particularly for the ship, that would be much higher then?

Vineet Agarwal: Not necessarily because we do not know yet. But if it is a new ship, it is not going to come in one year. It takes its time. But the capex process will start, you know, as advances and so on and so forth. But again, this is still undecided. We are thinking about all kinds of possibilities.

Alok Deora : Yeah. And also, sir, so this year, what's the dry-docking status of the ships which we currently have and what kind of growth specifically in the seaways we could be looking at?

Vineet Agarwal: So, this year also, we have just one ship that is going to go for dry dock. Actually, it's under dry dock as we speak in the first quarter itself. So, that's the good part that we will be able to close all this dry dock and all these kinds of any kind of repair maintenance in this quarter itself and we'll get the full year of all the six ships operating. So, again, our estimation is that the business, given the current state with the six ships, given the fact that this one dry dock is underway, we expect the business volume to be at the same level as last year. We expect the margins also to be at the same level as last year.

Alok Deora : Okay. Actually, we were under the impression that last year we had more dry docks, so this could be a better year for shipping revenues.

Vineet Agarwal: FY23 was the same. We had one dry dock.

Alok Deora : Okay. Okay. Got it. I'll come back in the queue, sir. I think we have a lot of questions. Thank you so much.

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

Vikram Vilas Suryavanshi: Yeah. Hi, sir. Good evening. Sir, just to continue with this shipping side, can we get what was the container volume we handled on shipping side of a business for say last year and this year or what kind of a growth we have seen?

Vineet Agarwal: Hi, Vikram. No, we don't share that number as you're aware about shipping volumes specifically, but clearly the volumes have been higher because the value that we used to get from the Exim cargo was definitely a lot more. So, volume growth has definitely been much more this year.

Vikram Vilas Suryavanshi: Got it. And in terms of container acquisition, what we have been talking about as we increase our shipping side of a business, are we procuring them from India or also import from China?

Vineet Agarwal: Container shipping, containers we are buying from China from overseas right now. I'm sorry. I'm also, I stand corrected on the dry docks. There were actually three dry docks last year, Alok, and the same that happened in FY22. So, yes, this year we will get a little bit better traction in terms of availability of the ships. But again, the volumes will also depend upon what's happening in the market. So, that's why we're still maintaining the same level of revenue for FY23 as for FY24, same as FY23. Sorry, sorry, Vikram.

Vikram Vilas Suryavanshi: It's okay. So, when we talked about this JV with Concor and particularly the road is becoming very efficient in terms of network.

Vineet Agarwal: Sorry, Vikram, I can't hear you. Can you be a little louder?

Vikram Vilas Suryavanshi: I'm talking about the way road sector is becoming efficient and able to provide the services. Are we seeing bigger opportunities now to grow our business aggressively and how is the situation and outlook there?

Vineet Agarwal : Aggressively growth of freight business, you said?

Vikram Vilas Suryavanshi: Yeah, yes, sir.

Vineet Agarwal: No, I think the freight business has its growth trajectory of this around 10-15% typically because of just the fact that there is a certain momentum of that business. And also, but we are continuously careful to see the cycles when it comes to credit, etc., where sometimes there are customers that are bad paymasters and you don't want to get stuck there. So, I think the moderation that business has helped us in the long run, as you've seen in the last five years, we've been delivering high teams in terms of ROCE and of course now in the excess of 25%. So, yeah, so we would like to maintain this 10-15% top line growth in the business. I think the margin growth can be better once the LTL business starts picking up. I think we lost him. Maybe we can take the next one Simran.

Simran: So, the next question is from Mr. Preet Nagar Seth. Sir, please go ahead.

Prit Nagar Seth: Good afternoon. The question that I had in mind was on the roll and rate rail side. So, we've been hearing a lot about how DFC will impact road. But here you're saying that even the road share has actually increased or is giving tough competition. So, can you share some light on why that's happening?

Vineet Agarwal: Well, it's clearly that the road sector is far, far bigger today compared to the rail sector. So, the rail sector, I mean, if the road is double the size, rail has to grow at four times the size to four times the speed to really catch up, right? So it's a matter of trajectory is getting clearer that rail will start going up in the next few years and road will stagnate (inaudible 38:34). It's a much, much slower process. It's not going to be immediate. It's not going to be so abrupt. It will take time.

Prit Nagar Seth: So, for example, for TCI, then it means that on both sides, because there is freight and there is Concor. So, on both road and rail, we would be able to capture whatever area that there is growth in.

Vineet Agarwal : And vice versa, in the sense that we can also do both together, because when we go to clients, it is not necessarily only one or the other, but it's a combination.

Prit Nagar Seth: Right. Okay. The other thing I wanted to understand was on ONDC. So, I mean, one of the things that I understand is that ONDC allows even people in on the transport side or supply chain side to be part of the entire process. So, is that something TCI is looking to be part of as well?

Vineet Agarwal: Yes, certainly. You know, we've already integrated ourselves very closely with ULIP, Unified Logistics Interface Platform. We're already in the process of integrating with ONDC. ONDC, our belief is that it is going to move towards more and more towards B2B. B2B is going to get a maximum amount of benefit rather than the B2C element, because the platforms around B2C are very well established. Platforms around B2B are not there so much. So, in fact, I have personally spoken to many people in the ONDC team, as well as with the government, that we should definitely start positioning ONDC as a B2B platform rather than a B2C as much. And there itself, we will, companies like us will have a huge amount of it because, you know, we are present in all parts of the country and we are able to provide those services.

Prit Nagar Seth: Wonderful. Thank you so much.

Vineet Agarwal: Thanks.

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

Aejas Lakhani: Yeah. Hi, Vineet. Aejas here from Unify. Congratulations on a good year. Vineet, I have one question around each of the segments. So, I'll start with Seaways. In Seaways, you know, firstly, could you give one data point that the last ship you had bought, what was the size of the ship and what was the cost you had paid? And the equivalent ship today, you've mentioned on call several times that it's been 2, 2, you know, 1.5, 2, 2.5 times. So, what is it today at? How does the dynamics between the new and the old ship really work? Because you mentioned at the start that you may consider a new ship as well. So, if you could call out some of the difference of how unit economics works in that. And, you know, the Myanmar-Chennai route, I mean, when did it taper off? I mean, is it that we had no volumes in the year or low volumes? When did that taper off really take place? And this quarter specifically, is it just that freight rates were lower or is there anything else that from a volume side you could follow up? Thanks.

Vineet Agarwal: So, the last ship was, I think,

Ashish Tiwari: 2019.

Vineet Agarwal: 26,000 tons?

Ashish Tiwari: Yeah. And the year is 2019. Around 80, 85 crores.

Vineet Agarwal: So, the similar kind of ship is available at double the price and clearly that did not make sense because you have to see the life cycle of the ship rather than just see the year when you're buying it and the rate that you can get for that year. So, clearly it is still not viable from a second-hand perspective. Even from a first-hand perspective, the kind of ship that we're looking for would be possibly much smaller rather than larger so that we are able to use it for very specialized applications. Again, this is, as I said, still under discussion and still being explored. So, I think both on the new ship as well as any second-hand ship, the price points are still quite high. The second question around Myanmar route, I think the first quarter there was some movement that happened. But then subsequently, we've been talking about in every quarter that it has tapered off and has started to come down quite substantially. There is volume that is moving, but it is not of right pricing. So, it is not justifying us to go there and then bring back cargo because the pricing is still quite low. So, that's why we have not been doing any EXIM trade in this financial year.

Aejas Lakhani: Got it. And could you quantify how unit economics for an old ship and new ship work? Like what is the life of a ship? What are the breakevens? Because you're considering one and what is the kind of willingness to pay for a new ship?

Vineet Agarwal: So, all our ships are container ship. We don't do any break bulk. Secondly, these ships have a typical life of anywhere from 25 to 30 to 35 years based on the build and the location of the build and the maintenance that the ship has gone through over the course of the year. Third is that typically these ships, if it is a second-hand ship, it takes us roughly about four years or so to break even. But the volume starts right away in the first year itself and four to five years, we are able to pay off the ship. If it's a brand-new ship, we don't have that experience. But we think that it will be at least double the period, if not a little longer. It also, as I said, depends upon the application. So, there are specialized applications. It will have perhaps a higher value in terms of the returns on the ship. So, again, these are broad numbers that we look at and I guess when we get the specific ship, we can share specific details about breakeven.

Aejas Lakhani: Got it. Thanks, (inaudible 44:38). That's helpful. And just secondly, on supply chain and freight, in supply chain, you've had a very strong exit in 4Q from an EBIT perspective and given that volumes for at least auto, which is a dominant sector for you, continue to be strong at least for 24, how should we think about margins for that segment? And on the freight side, I just want to understand that you have about 4,500 trucks. What is the share of your own trucks and revenues vs outsourced?

Vineet Agarwal: The last question is faster to answer. We don't own any of the trucks. We have less than 100 trucks that are operational in freight. So, almost all the trucks are either vendor trucks or spot hire in the freight business. In the supply chain side, the margins are a little compressed because the depreciation is lesser in FY23 in terms of the trucks, etc. So, there itself, we did not have the EBIT, sorry, the EBITDA margins came down a bit. However, EBIT margins have remained the same. So, overall, there was some pressure in terms of pricing and that has resulted that the overall gross margins are slightly lower. But going forward, we believe that the automotive market remains quite robust. So, we should anticipate our 20 plus percent top line growth also in this business.

Aejas Lakhani: I got it. Thanks, (Inaudible 46:12). I'll fall back in queue.

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

Divyansh Gupta: Hi, sir. Am I audible?

Vineet Agarwal: Yes. Please go ahead.

Divyansh Gupta: Yeah, I wanted to understand. There was a disclosure that a Middle East subsidiary is being incorporated. So, can you just tell about the business? As in, is it India to Middle East or within the Middle East area itself and the CAPEX and revenue capability of that business of that area?

Vineet Agarwal: Yeah, the idea around our opening of any new subsidiary overseas is the fact that we want to follow our customer and even when we started Bangladesh or Nepal, there were lots of clients of ours who wanted the services there. They had the presence there and they wanted us to move cargo for them. We are seeing the similar kind of requirement and demand coming in from the Middle East, essentially for predominantly for the chemical base, chemical cargo that is coming originating from there and also going from India to the Middle East. So, this is something that looks very attractive at this point in time. The kind of investment that we're looking at is very low, just to start off with perhaps one to two crores only and the revenue potential perhaps about maybe in the first year of operations about a million dollars. So, maybe seven, eight crores of revenue. These are just to build a sector. We don't intend to do any domestic or local logistics in the Middle East. So, this is a broad plan and over time, as we see more maturity, we'll keep updating you.

Divyansh Gupta: So, I'm assuming this is going to be a seaway driven business movement of chemicals?

Vineet Agarwal: Yeah, in the sense that we don't need to move our ships around it. We can just take slots and bring them. But the important aspect is to provide an end-to-end solution, which could mean that pick it up from a factory, do some warehousing, do some value addition, and then move the cargo or similar thing is happening when you're bringing in the cargo. There are customers that we work with today that bring in shiploads of contracted shiploads of chemicals onto the ports in India and then we are moving them by rail to different parts of the country. So, similar activities can happen if we are able to connect from the Middle East itself.

Divyansh Gupta: Got it. Coming to the shipping division, if you can move to the slide. What I recall from your earlier presentations, the depreciation, the revaluation of the life of the ship happened in FY22. And therefore, that saw an increase in depreciation. But what would be the reason for increase in depreciation in FY23? So it has gone from about 12% to about 14% in FY23.

Ashish Tiwari: That is because of the fact that we had three dry docks in FY22 as well as FY23. Therefore, the dry dock amount is also to be depreciated in next 26 months. So, that's how that amount is increased.

Divyansh Gupta: Got it. Understood. Understood. Just a couple of more questions, if I may. For the freight division, the ROCE has been at the all-time high. But you have also mentioned that you do not operate any truck of your own. And therefore, my understanding is that the operating leverage that you would have otherwise realized by owning the trucks would have been a reason. It could have been a possible reason for increase in ROCE. But now that you mentioned that there are no trucks of TCI, how sustainable is, let's say, the higher ROCE that we realized in the freight division? Or is there a chance of it going down?

Vineet Agarwal: Well, we believe that it should be in the 25-plus percent range going forward. Essentially, if you see the working capital increase because the business of FTL grew a little bit more than the LTL business, as is quite evident. If the numbers were the same in terms of the ratios, clearly, the volume growth in FTL was more, which meant that working capital requirement was higher, which meant that capital employed went up. As the capital employed comes down with the growth of LTL business, which, as you know, does not require any, it does not need any receivables. We will see that the capital employed will come down and which will help the ROCE also. So, I think we got some benefits last year because of the increase in volume. But to sustain this, we would have to move towards more LTL and hence bring down the ROCE, bring down the capital employed. So, yes, we do believe it is sustainable in the excess of 25 percent.

Divyansh Gupta: Got it. And my last question, in a couple of investor results, you had mentioned that you're also planning to increase the auto rakes, the ATOs. So, is there any visibility on, let's say, ordering that you have done or expected delivery of these rakes? And also, you mentioned that there is some specification that is going to come that is going to allow SUVs to move, to be moved through the railway network. So, if you can throw some light on these two points. This will be the last question.

Vineet Agarwal: So, we are under the AFTO policy, Automobile Freight Transport policy, and there we are right now having three rakes of our own. We've also placed the order for a fourth rake, which is expected to come in the end of this financial year. We're also working closely with some manufacturers to design a specialized rake, as I mentioned in the past, which could carry SUVs, MUVs, etc. better. And clearly that design will require approvals and testing and so on, so forth. So, once that happens, we will be able to then place orders for those rakes and we would own the design trademark of that as well. So, it is still early days on that, but the fourth rake is planned for the end of the financial year.

Divyansh Gupta: Got it. Thank you. Thank you. That's all from my side. All the best.

Ashish Tiwari: Thank you.

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

Mohit Dhaka: Hello, sir. Congratulations on the fantastic results. So, my questions are pertaining to the freight division only. So, just wanted to know, since we touched upon the working capital part of the FTL, just wanted to know what are the average rate receivables for the freight division, respectively, for FTL and FTL can share. And second question was around, can you give some idea around the yield for KG and the tonnage trends, considering the peers are commenting on increasing their yields because of the increase in the toll expenses and as well as the pool expenses. And my third question was, can you also share a split of our spot versus the contract customers? Because that also talks about our ability to pass on the cost escalations. And fourth question, if I may, around our asset-owned model, like do we own any assets like branches or hubs or gateways? Because in the question you just answered that we don't own any trucks. That would be all from my side.

Vineet Agarwal: Okay, so we don't specifically share yield numbers. I think what happens with any kind of increase in either fuel or toll or any such, we pass it on to our customers. And there's a mechanism of doing that. Also, if it's an FTL contract, then it is part of the contract. If it is a LTL business, it is a part of a rate system that we have, where we are able to pass it on. The second question was spot and contract. Again, the numbers vary. Contracts are usually for FTL, very limited contracts for LTL business. So,rry, I missed your first question was around the receivables. All the receivables are essentially for FTL business. And I think we are at what 80 odd days, Ashish?

Ashish Tiwari: Yes, 70, precisely 78, 77-78.

Vineet Agarwal: And in terms of asset ownership, we have warehouses that we own hub centers that are there, which are the corporate books that are shared, not just by that division, but perhaps by other divisions, as well as the offices also. But we own only about, as I mentioned, less than 100 trucks in this division. And we do not have any other assets. Yes, of course, the branch network also is all rented offices. There could be some offices that are owned, again, under the corporate books.

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

Krupa Shankar: Good evening, and thank you for the opportunity. Am I audible?

Vineet Agarwal: Yeah. Yes. Hi.

Krupa Shankar: Yeah. One question on the rail side, just wanted to check. While, you know, there have been a lot of talk about domestic rail being a good medium of transportation for most of commoditized products. Was just understanding, are you seeing by any chance any traction with respect to other commodities moving to rail? And do you see rail perhaps as one of the emerging modes coming in? Because see, eventually India has, if you're going to become a logistics efficient country, then you need that multimodal aspect coming in. So, what are your thoughts on how the transition would be vis-a-vis, you know, from current scenario wherein it's just commoditized products to let's take high end goods moving on rail? Some of your thoughts on this.

Vineet Agarwal: Yeah. So, I think, you know, the movement is clearly driven by several factors. There could be movement on the container side as well as on the bulk movement as well. On the high value goods, I think it's going to be still a little tougher for railways to catch up because the pricing mechanism that they have today is really more lopsided towards weight rather than a volume of cargo. However, notwithstanding the higher value of cargo that has moved substantially in the last post-pandemic is the automotive sector where a large percentage of whether it is four-wheeler or tractors or other items have moved via rail. So, it's going to be sector specific. We'll see sectors that will adopt railways a lot faster than others. We will see as improvement in the services, more and more sectors really then adopting railways also. Like, you know, the kind of benefits railways was providing during the pandemic or post that because there were not enough passenger trains running was that cargo was reaching very fast. Today, we are not seeing that. There is a lot of congestion that is on the tracks. There are still delays that have started. And that means that for railways to really make a difference, there has to be a substantial cost differential and then at some point, the service differential. So, both of these things are a catch-up game with railways and I think it is the DFC coming in. We should see some respite, but it is not going to happen overnight. It's going to take some time.

Krupa Shankar: So then, with regards to that, are you looking to add more and more containers, given that domestic containerization is something which needs to catch up and that being a preferred model, do you see that, you know, the large portion of your capex going ahead would be towards these containerization?

Vineet Agarwal: No, not necessarily, because the containers that we are buying today are basically for our shipping business. Because, you know, when we have a ship that requires 800 containers, 800 is on the ship, 800 is at the origin, and 800 is at the destination. So, every such moment, you require 2,400 containers for 800 container ship. So, that is an addition that we're doing. We had a lot of lease containers. We slowly removed them. And as a new ship comes in, we keep adding more containers also. For domestic logistics, I think Concord and other companies also have a lot of containers available. We do take that as well. If there is any kind of slowdown in the seaways business, we do use some of those containers. But we're not looking to add any domestic containers as we speak right now for domestic use. We do take some specialized containers. Like, for example, we are getting the chemical container) specifically because the special regular trucks are easily available from the market.

Krupa Shankar: Got it. Then, with respect to shipping, then where do you see that, you know, the demand topping up? I would say that, for example, if more and more products are not moving on the multimodal way, and it's going to be one way traffic coming in from the west to south, do you see that perhaps, you know, the growth will slow down eventually, perhaps after a four- or five-year window? Is that something which is likely?

Vineet Agarwal: No, I don't believe that the multimodal business is going to slow down. I think we'll see ups and downs, but it is generally going to keep moving up only. I think everyone has recognized, starting from the government that multimodal is the way to go. And it will keep increasing for sure and also, it comes from a very low base, if you see. So, that, you know, the ability for it to grow is also very, very high. So, I don't anticipate that the postal shipping business is going to really lose out in the next five years. I think the growth will continue easily for a decade.

Krupa Shankar: Thank you and all the best.

Vineet Agarwal: Thanks.

Ashish Tiwari: Thank you.

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

Anshul Agrawal: Hi, thank you for the opportunity. I wanted to understand, Vineet. How do we judge utilization levels in an LTL network? I suspect there are multiple variables at play here, like hub utilization, vehicle utilization, routes, etc. So, I wanted to get a sense on how do we judge if we are optimally utilizing our network?

Vineet Agarwal: So, optimization in the network is an ongoing and a never-ending process, because the moment you reach a 60-70% of capacity utilization, you add more capacity. You don't want to be ever left without any capacity. So, that means that at that number, you keep adding capacity and clearly, the business in the last year has also grown, overall volumes have grown. So, that helps with the capacity. However, you have to keep optimizing. So, I cannot give you a number exactly on what is capacity utilization, because typically, all trucks move as a completed, as a complete, it is full. But not necessarily all hubs are full, because hubs are more efficient. They're working 24 hours a day. And they're able to create a certain amount of throughput. Now, that throughput could increase more, even if we had more volume. Yes, it is possible. So, I would say capacity utilization at the hub level is lower. But capacity utilization at a truck level is quite up.

Anshul Agrawal: Fair enough. And what would be the EBIT and PAT margin profile of an LTL network versus an FTL network or business?

Vineet Agarwal: So, the margin profile on a gross margin basis, not EBIT, is 20% for a LTL business vs 10% for an FTL business. Plus, there is hardly or no receivables for a LTL business. So, yes, that's why it's a better mix. However, we also believe that just doing LTL is also not good enough. You need to have a combination of services, because there are many, many clients who want both FTL and LTL. In fact, almost all clients want both. I think we lost him. Simran, we can take the next question.

Anshul Agrawal: Hey, sorry. I got muted. I'm sorry.

Vineet Agarwal: Okay, please go ahead.

Anshul Agrawal: I got muted. I couldn't answer. Sorry. Thank you. Thank you, Vineet, for that detailed answer. Very clear. I also read a recent media article that the government is planning to provide financial incentives for eco-friendly vessels as well as priority services under a green ship scheme. Any thoughts around this? Or if we can quantify the benefits that we get for our sea-based divisions basis this?

Vineet Agarwal: You know, it's still just a news item. I don't think we've seen anything yet around it.

Anshul Agrawal: All right.

Vineet Agarwal: We cannot comment on it.

Anshul Agrawal: That's it from myself. Thank you so much.

Vineet Agarwal: Thanks.

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

Divyansh Gupta: Just a couple of questions and more in the cash flow statement that has been given in the disclosures to BSE, the CAPEX is mentioned as 150 CR, whereas the CAPEX mentioned in the presentation is around 120. Can you help me understand?

Ashish Tiwari: Sure. Yeah. So, Divyansh, this actually disclosure in the SEBI, this is something which is a standard disclosure. This also includes the dry dock amount and that is the difference.

Divyansh Gupta: So, then FY24 budget for CAPEX also excludes the dry dock expense of about 20 CR.

Ashish Tiwari: Yeah. Dry dock basically is something which is a OPEX. But because of the standard and financials, we used to take it as a semi-CAPEX. So, it has been amortized in three years or so.

Divyansh Gupta: Got it. Understood. And Vineet just one question to you. So, you had mentioned for the Middle East market, the revenue will be around 7 to 8 crores. So, that will be the revenue booked in the Middle East entity or TCI hold because like in SARC, you had mentioned that some revenue gets booked in India and some in, let's say, Bangladesh. So, these 7 to 8 crores is TCI console or Middle East only?

Vineet Agarwal: This is jointly. It could be some amount originating from here, some amount originating from there.

Divyansh Gupta: Got it. Understood. That's it. Thank you.

Simran: Thank you, sir. We have the next question from Mr. Vikas Khatri. Sir, please go ahead. Mr. Vikas, are you there?

Vikas Khatri: Am I audible?

Vineet Agarwal: Yes, please go ahead Vikas.

Vikas Khatri: Yeah, my question was related to part load. When the part load, all companies are expecting their infrastructure and TCI is also focusing on the expansion or focus on the part truck load, are there any plan of the investment on the infrastructure for the part load trucking, especially on the hub infrastructure, branches infrastructure? And second question was related to supply chain. Is the TCI having any plan to move to the next level as a 4PL player and pitching for a complete integrated project?

Vineet Agarwal: Sure. So, yes, we are continuously investing into infrastructure for LTL. We have hub centres that are already there, about 25 hub centres. Some of them are being upgraded on a continuous basis. We're looking for new ones also. If they are not able to be upgraded, we are opening branches on a regular basis. So, all that is underway and to grow the LTL business. On the 4PL side, yes, we do occasionally work for customers on a 4PL basis also. We do understand the process and the logic around it, but I think it's more important that the customers have to understand the value proposition around it. So, as we build control towers for our clients, we are seeing acceptability towards 4PL more and more. And I'm confident that in future, we will be able to do a lot more 4PL as well.

Vikas Khatri: Thank you.

Vineet Agarwal: Thank you.

Simran: Thank you, sir. We have the last question from Mr. Preet Nagarseth. Sir, please go ahead.

Prit Nagar Seth: Yeah, just one small thing, Vineet. Would the LTL business gain by any kind of automation similar to what one of the group companies is doing, TCI Express, that is, on the sorting centre side?

Vineet Agarwal: So, yes, we do automation, but not at the sorting centre level, because the kind of cargo that we get in LTL is very different from the one that Express businesses typically get. So, that's why it is not equitable from that perspective. But the technology that gets used is, for example, in hub automation in terms of moving things faster, we use tablets, etc. for loading and unloading. We use different kinds of tracking mechanisms. We have apps for customers to book their cargo. We track the drivers with GPS, etc. and RFID. So, on an operational perspective, yes, some technology is used, but not at the hub centre for sorting. It's not equitable.

Prit Nagar Seth: Because I think the kg-wise minimum load for an LTL is what, 50 kg and above. Is that the differentiator between the two?

Vineet Agarwal: In a freight kind of business, it is much higher. It typically goes up definitely a lot more that's why. And the kind of material is also very different. It could be pumps and motors and this and that, which you cannot put in a sorting machine.

Prit Nagar Seth: Okay, thank you.

Vineet Agarwal: Thanks.

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

Ashish Tiwari: Thank you, Simran, for moderating this call. And thank you, everyone, for joining this in your busy session. See you in the next quarter of this year. Thank you so much. Take care.

Vineet Agarwal: Thanks a lot. Thank you. Bye.