



June 03, 2024

To

BSE Limited 1st Floor, New Trading Ring, Rotunda Bldg., P. J. Towers, Dalal Street, Fort, Mumbai 400 001 Scrip Code: 543965	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: TVSSCS
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Dear Sir/Madam,

Sub: Transcript of earnings call with analysts/ investors

Pursuant to Regulations 30 read with Para A of Part A of Schedule III and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of TVS Supply Chain Solutions Limited ("Company"), analyst call held on May 28, 2024, to discuss the financial results for the quarter and year ended March 31, 2024.

The transcript is also uploaded in the Company's website <https://www.tvsscs.com/investor-relations/>

Kindly take the above information on records.

Thanking You,
Yours faithfully,

For **TVS SUPPLY CHAIN SOLUTIONS LIMITED**

P D Krishna Prasad
Company Secretary

Encl: As above

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BELIEVE IN THE POWER OF US



“TVS Supply Chain Solutions Limited
Q4 & FY '24 Earnings Conference Call”

May 28, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on May 28, 2024 will prevail.



**MANAGEMENT: MR. RAVI VISWANATHAN – MANAGING DIRECTOR –
TVS SUPPLY CHAIN SOLUTIONS LIMITED
MR. RAVI PRAKASH – GLOBAL CHIEF FINANCIAL
OFFICER – TVS SUPPLY CHAIN SOLUTIONS LIMITED
MR. J.SIVAKUMAR – HEAD, INVESTOR RELATIONS –
TVS SUPPLY CHAIN SOLUTIONS LIMITED**



Moderator:

Ladies and gentlemen, good day and welcome to the TVS Supply Chain Solutions Limited Q4 and FY '24 Earnings Conference Call. As a reminder, all participants' line will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. J Sivakumar, Head Investor Relations at TVS Supply Chain Solutions. Thank you and over to you, sir.

J Sivakumar:

Thank you, Moderator, and good afternoon to all. We welcome you to the TVS Supply Chain Earnings Call Q4 and FY '24 full year, ended 31st March 2024. We have with us today, Mr. Ravi Viswanathan, Managing Director of the company and Mr. Ravi Prakash, Global CFO. Our financial results and investment presentation have been posted in the Stock Exchange website and also in the company website.

We now commence the call with opening remarks from our management team followed by an open forum for question-and-answer. Before we begin, I would like to point out that some of the statements made or will be made during today's call may be forward-looking in nature and must be reviewed in conjunction with the risks that the company faces. A disclaimer to this effect has been included already in the earnings presentation that has been shared.

Now I hand it over to Mr. Ravi Viswanathan, Managing Director of the company, to make the opening remarks. Over to you sir.

Ravi Viswanathan:

Thank you, J S, and good evening to all of you. I welcome you once again. We would like to discuss our Q4 and our full year FY '24 performance. I will share with you the highlights of our performance and my colleague Ravi Prakash, the Global CFO, will then take you through the analysis of our numbers. We look forward to interacting with you as part of the Q&A.

Before I begin, I think I will provide a brief background of our company for the benefit of those participants who might be joining our analyst call for the first time. TVS Supply Chain Solutions is a tech-led and asset-light supply chain solutions provider with capabilities across the value chain. We operate in two segments, the Integrated Supply Chain Solutions segment, which is called ISCS, and the Network Solutions, or the NS, segment.

Our presence spans four continents, Asia, Europe, North America, and Oceania, with a diversified customer base spread across multiple sectors. Our customer contracts are fairly long-term in nature, with an average relationship span of 12 years for the ISCS segment and 11 years for the NS segment, reflecting the mutual trust and collaborative nature of the relationship. To summarize, TVS Supply Chain Solutions is an Indian multinational with strong local and global presence in a competitive space with the best in class in the industry.

The management focus is on capability-driven customer growth with profitability. We pride ourselves on the fact that we have over 78 of the Fortune 500 companies as our customers, which has increased significantly from 61 just two years ago. The steady growth of marquee customers positions us favourably in our stated goal to be among the top 50 logistics companies worldwide.



With this short introduction, I shall now move the performance highlights for Q4 and year-ended 31st March 2024. We had a strong quarter and a strong year in the Integrated Supply Chain Solutions segment, with good growth both on revenue and margins. The ISCS segment delivered sequential growth of 8.4% and on a full-year basis it grew by 14.4%. ISCS segment revenues growth were broad-based across all our key geographies, namely India, Europe, and North America, through expansion of current customer engagements and new business wins. And this momentum will continue in FY '25.

The ISCS segment margins for the quarter were 9.6%, which was a 40-bps improvement year-on-year. And on a full-year basis, ISCS segment margins were 10.2%, which was 130 bps higher compared to the year-ended March 2023. The Network Solutions segment of the NS segment, within that the Integrated Final Mile revenues saw steady revenue growth on a quarter-on-quarter basis. The segment, however, faced margin pressure due to extraordinary inflation levels, mainly in the UK and Europe, which it started easing now.

The Global Forwarding Solutions or the GFS business, which is the second segment within the NS, saw revenues for Q4 increase, reflecting the uptake in demand after the slowdown in freight observed in the last few quarters.

Ocean freight rates for the quarter were nearly at the bottom end of the curve, with year-term rate outlook being positive. On a full-year basis, freight volumes, however, reflected the global industry trend and were weak across all our trade lanes. On a year-on-year basis, our NS segment revenues were 26.9% lower. Our margins for the NS segment were consistent on a quarter-on-quarter basis at 4.5%.

In IFM, we are currently implementing pricing revisions with our customers and executing operational efficiency initiatives aimed at margin improvement. In GFS, our focus has been on procurement efficiency and operational efficiency, which has helped soften the impact of low rates. Additionally, we have also taken specific cost reduction measures across both these sub-segments.

Between both the ISCS and NS segments, business development contributed 9% of the quarterly revenue and has been consistent with previous quarter growth. On a consolidated basis, revenues for the quarter were 9.2% higher sequentially and 4.5% on a year-on-year basis, with adjusted EBITDA margins for Q4 at 7.2%. On a full-year basis, our consolidated revenues were down by INR794 crores, a reflection of the rate decline in the global trade. We grew our EBITDA, however, by INR25 crores in spite of this significant reduction in the revenues. On a full-year basis, revenues were down by 7.9% year-on-year, while adjusted EBITDA improved by 80 bps.

So, with this background, I will hand it over to Ravi Prakash, our Global CFO, who will take you through a detailed analysis of the numbers.

Ravi Prakash:

Thank you, Ravi. Good afternoon, everybody, and thank you for joining our earnings call. I will take you through the highlights of our financial performance for Q4 and the year-ended 31st March 2024. Q4 FY '24 marks an important step on our journey to establishing a consistent growth and margin trajectory.



We have reported revenue growth on a consolidated basis after a couple of quarters, and that is on the back of the ISCS segment, continuing to remain strong. The power of a strong portfolio is coming through very well, and most importantly, we have delivered positive profit before tax. The company has demonstrated a consistent turnaround in profit quarter after quarter sequentially.

I would just like to remind the participants that Q1 PBT was a loss of actually minus 10.7, Q2 was minus 4.5, Q3 we broke even and Q4 we are a positive of INR5 crores. In FY'25, we expect to further build on this momentum and deliver improving results quarter-on-quarter.

Along with the release of our annual results, we have provided additional geography and segment-wise financial information. This is something we hope to do on a periodic and definitely on an annual basis. We hope that this detail will provide appropriate context to our performance. As you review this material, a couple of specific callouts from our side.

All parts of our ISCS business have been growing at a 17% to 18% CAGR over the past three years. As we grew, we have diversified our customer base while adding more Fortune 500 clients. And in terms of revenue drivers, as we have mentioned in the past, in our case it is our ability to penetrate more customers, increasing wallet share that matters and not strictly the GDP of the countries that we operate in. We expect to periodically update these and revisit the disclosures for any further information.

With that, let me walk you through an analysis of the key line items in the financials. Q4 FY'24, revenue stood at INR2,426.3 crores compared to INR2,221.8 crores in the previous quarter and INR2,321.6 crores in Q4 FY'23, resulting in a year-on-year growth of 4.5% and a quarter-on-quarter growth of 9%. Revenues from business development maintained their momentum with INR218 crores being clocked in Q4. f

For full year '24, revenue from operations was INR9,200 crores compared to INR9994.4 (Rectified with correct data) crores last year. Despite an approximately INR1,600 crores decline in the GFS business on account of pricing, annual business development revenues of INR881 crores and momentum in the ISCS segment has enabled us to deliver INR9,200 crores revenue.

Other income for the quarter was INR6.8 crores compared to INR21.6 crores in Q3 and INR10.9 crores in Q4 last year. Other income comprises mostly of interest income from bank deposits and other deposits and a little bit of exchange rate. With this, the total income for the quarter was INR2,433.1 crores, which was a growth of 8.5% sequentially and 4.3% year-on-year. For the full year, it was INR9,245.8 crores, down 8.1% year-on-year.

A brief explanation of how our major expense line items have evolved. Freight, clearing, forwarding, and handling expenses reduced significantly, driven by the decline in freight rates and improved procurement efficiencies. This expense line item for the quarter was INR637.9 crores, a reduction of 7.5% year-on-year and INR2,327.8 crores for the full year, down 37.6% year-on-year.

As you can notice, the number has reduced more than the revenue and that is because of the procurement efficiencies and the operational discipline, which are reflected in the variable



margin, which has improved by almost 300 basis points, both for Q4 and full year. And that has been called out in the earnings presentation.

The other major line I'd like to talk about is employee benefit expenses. For the quarter, it was INR568.3 crores versus INR491 crores in the prior year and INR552.3 crores in the previous quarter. On a full year basis, it was INR2,243.2 crores versus INR2,010.6 crores last year. As we have mentioned in our past calls, the year-on-year increase in employee benefit is on account of ramp-up in customer engagement in the ISCS segment, requiring manpower deployment.

And the quarter-on-quarter increase was because North America operations reverted to normal after the UAW strike in Q3. Most of these cost increases are absorbed in the gross margins of the respective business segments. We have provided the segmented results for ISCS and NS segments on pages 21 to 26 of the investor presentation.

Consolidated adjusted EBITDA for Q4 was INR174.5 crores compared to INR173.6 crores in the previous quarter growth and INR170.8 crores in Q4 last year. Adjusted EBITDA for the full year was INR710.2 crores compared to INR685.1 crores previous year. Once again, I'd like to call out that despite INR794 crores decline in revenue, we have managed to grow EBITDA from INR685 crores to INR710 crores.

Lastly, an important step which we have been talking about through the year was completing the debt reduction exercise. We have completely used the IPO proceeds as well as funds from internal sources to repay all our long-term debts and a substantial portion of our working capital borrowings.

As a result, our interest expense, which was running at about INR41 crores per quarter in Q1 has now come down to INR16.6 crores and that is the range in which we expect to see in the next few quarters. Finally, we achieved a profit before tax of INR5 crores compared to a breakeven profit of INR0.6 crores last time and I'd say demonstrating the turnaround. This concludes the summary of the financials.

I will now hand it over back to Mr. Ravi Viswanathan.

Ravi Viswanathan:

Thank you for the analysis, Ravi Prakash. Our business development continues to contribute 10% of incremental revenue across both the ISCS and NS segments and for quarter 4, the business development contribution was INR218 crores. For details, please refer our investor presentation Page 7.

We had significant new customer wins in both the segments. In the ISCS segment, we won in India a diversified equipment manufacturing company and a commercial vehicle OEM and an engine or a generator manufacturer in India. We won new deals with a defence contract in UK and a water utilities company in the UK.

On the Network side, we won a tech or a solutions integrator. We won a large engagement with a tech solutions integrator in the UK, a communication equipment manufacturer in the UK, an auto component or a battery manufacturer in India, an engineering and product manufacturer in the U.S. and a clothing and a paddle manufacturer in APAC.



Our pipeline of new opportunities is strong and currently presents a revenue opportunity in excess of INR4,000 crores. In addition to business development initiatives, continuous customer engagement provides us newer opportunities as part of our encirclement strategy, where the objective is to enhance the share of revenue from the customer through effective cross-selling.

Here it is pertinent to mention that recently we were awarded partner level status by John Deere, which is a recognition of our dedication to providing products and services of outstanding quality as well as commitment to continuous improvement. It also provides us an excellent platform to explore more opportunities within the customer ecosystem.

Also, we have a very long relationship with an American auto OEM. We've been working with them for over 30 years. During the year, we won a contract to provide logistics solution in a second site in addition to the site that we've been engaged in. The reason I say this is, it's coming on the back of a very strong, what I would call a global account management initiative, wherein we are trying to significantly grow our revenues and our large customers through active account mining. As we exit FY'24, we are strategically placed to participate in large opportunities.

When we won the Centrica contract, which was worth over INR2,000 crores, I had mentioned that it is an inflection point where we would be invited to participate in opportunities of that size. I am glad to announce that we have quite a few such large deals now in the pipeline. And the teams are confident that we will convert a couple of them through the course of this year.

We are actively engaged in AI solutions. And today, we have AI deployed or AI and artificial intelligence deployed at scale in the US, UK, and in India. And we continue to drive our solutions through active technology intervention. In summary, we moved from a position of reporting losses after taxation at the end of Q1 and Q2.

We then turned into breakeven profit in Q3, FY'24, and finally to single-digit profit in Q4, FY'24, thanks to multiple on-ground operational and strategic initiatives. Going forward, we are confident of delivering double-digit PBT numbers in the quarters ahead. With that, I would like to open the floor for questions.

Moderator: Thank you very much. The first question is from the line of Krupa Shankar Nj from Avendus Spark. Please go ahead.

Krupa Shankar Nj: Good afternoon and thank you for the opportunity and congratulations on steady improvement in the profitability witnessed during the quarter. My first question was on the ISCS business. While you have stated that there have been multiple business wins, what would be the time frame when it will start contributing materially to our revenues?

And the robust order pipeline, which we have stated as INR4,000 crores, what proportion of it is from the ISCS business? If you can share some light on that?

Ravi Prakash: Hi, this is Ravi Prakash here. I just want to make sure I have heard the question correctly. I think your question was what ISCS business, what proportion is going to contribute. Today, the integrated supply chain business or ISCS is 55% of the company and it is about INR5,500 crores

in revenue. That is actually the major part of the company and that is the reason it's important that it keeps growing at the 14% that it has been growing. So, I hope that clarifies it.

Krupa Shankar Nj:

Sorry, Ravi. My question was, actually -- you have started. You talked about the business development efforts and the business win in the ISCS segment. I was wondering when it will ramp up and contribute substantially to our top line, the one which has been displayed on page 11 of the presentation.

Ravi Viswanathan:

This is Ravi Viswanathan here. So what Ravi Prakash is saying is that it's a continuous process. So it is a deal pipeline which gets converted, which has delivered the 14% growth year-on-year in the ISCS segment. And when I said that we are very confident of growth in ISCS, And I will stick my neck out and say we are very confident of a double-digit growth in ISCS on the back of these pipeline deals that are getting converted.

Typically, ISCS pipeline takes about six to nine months to fructify. So, today, the INR4,000 crores pipeline is in various stages of conversion. So, some of them, in our parlance, it could be in stage five, stage six or stage seven, stage seven being the stage when it gets converted to a contract and gets executed. And we typically have lead times of anywhere between four weeks to ten weeks, depending on the complexity of the engagement for them to start.

I do not know if that answers your question. I hope so.

Ravi Prakash:

And I just want to also add a little bit. See, it's not like a point in time. It is not like a stop-start engine. At any given point in time, if you look at our deal pipeline, it will probably be the same thing and you will have deals coming through all the time. And that is what we are messaging. If you see in the investor presentation, we said that this year we were able to add INR881 crores of incremental revenue because of business development.

That is actually a portion of the deal pipeline which would have existed in the prior year. And that's how it goes all the time.

Krupa Shankar Nj:

Understood. That's very clear. And second question also on that INR4,000 crores of order pipeline. Now, given that we are in the services sector, how do you arrive at this particular order pipeline number? Is it based on the pre-agreed customer contracts which we have signed and that should translate over the next -- how many years does this thing translate into our top-line growth?

Ravi Viswanathan:

So, this is visibility of INR4,000 crores of revenue. So, let's say I convert all of them today, that's the visibility I have for the revenue. But this could be potentially from a total contract value a much higher number. So, INR4,000 crores is not the contract value, but it is the opportunity to convert them as revenue for this current year. So, we are not yet declaring the TCV, but hopefully we will get there in a few quarters' time. How do we arrive at this number is based on what the customer has told us in terms of volumes, in terms of movements, in terms of number of parcels, packages which is based on which we have given the estimates or proposals and that is how we arrive at the numbers.



Krupa Shankar Nj: Understood. So were there any capacities which were already set up based on this order book and the ramp-up could also drive fair bit of margin expansion in the ISCS business? Is that a fair assumption?

Ravi Viswanathan: It is a fair assumption. We have some amount of contract which we will utilize existing infrastructure and network especially the network business That is how it will be, but in the integrated supply chain solutions where we are designing complex solutions to the customers most of the time that is why I said the lead time will change anywhere between a few weeks to 10 weeks depending on the kind of contract.

So for example the large deal that we announced in the UK it took almost 8 weeks to bootstrap because we need to make sure that we bring in the people, the facilities all of that. So every contract has that complexity built in, but I would say the network solution side typically the ramp-up is much faster And the ISCS segment it takes anywhere between 4 weeks to 10 weeks for the ramp-up to start.

Krupa Shankar Nj: Understood. The last question from my side would be on the network solutions business. We have seen suddenly a spurt in container-free trades on key routes. Now how does it place us over the near term with respect to – because last time, when there was such a large gap in demand supply, we could see that there are margins in the business had jumped up to close to about 7%. Is there a possibility of a margin reversal if this sustains?

Ravi Prakash: So, this time what we have done is in the investor presentation since you asked this question, we have actually given 4 years revenue 21 to 24 and we have specifically called out the “incremental pricing impact” because of the COVID pricing and if you look at that and at the bottom, we have also given our volume data.

What I can now say is in terms of rates per container or rates per ton of air freight more or less we are back to what I call 21 levels which were probably pre-COVID levels just before the COVID hit kind of levels. In a way this represents a normalization of the trade lane economics in the network segment. The only aberration now is the Red Sea the incremental cost as well as price because of the Red Sea, but it is not on the same scale that we saw during COVID.

Having said that, if you look at EBITDA margins in the GFS business, we have actually been able to hold the margin percentages because we are and that's where I talked about the variable margins doing much better because we've been very good with our procurement efficiencies. So going forward in the next three, four quarters the outlook would be that we are focusing on volume improvement.

We expect prices to move at a narrow band and with the help of volume and we have taken some very stringent cost containment measures. We expect to see improving profitability.

Krupa Shankar Nj: Got it. That's it from my side and all the very best.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.



Achal Lohade: Just a few clarifications. First on the guidance what you've given. I presume that this is FY27 the margin guidance what you've given 4% PBT margin is basis USD2.5 billion revenue. Have I understood it right?

Ravi Prakash: So, Achal we are talking about a mid-teens growth rate of volume year-on-year. So we have not called out a number in terms of revenue. Yes 2.5 billion is our vision, but the guidance that you see in page 18 of our investor presentation is that by FY27 if you keep growing revenue at about say 15% year on year this is where we expect to hit by FY27.

Achal Lohade: What is the mix here we have assumed because there would be difference between the NS and the ISCS PBT margin. So what is the revenue mix we should assume here it will remain same. Is that so?

Ravi Prakash: You should at the minimum assume ISCS at 55% and a little bit probably maybe a few percentage points better. The IFM business would probably be between 18% to 20%, and the balance would be the GFS business.

Achal Lohade: On the IFM piece if you could help us understand the challenges what we went through, what the solutions and the outlook if you could specifically talk about this particular sub-segment.

Ravi Prakash: Yes, what I'll do is I'll talk a little bit and then I'll probably request Ravi Viswanathan to talk about the business outlook. Look this time we have specifically disclosed the IFM business revenue separately and the reason we've done that is to actually put out that the IFM business has been growing revenue consistently. It's an INR1800 crores business today as we speak.

So the challenge we've had is actually on the cost side in IFM and that is because in the last 2 years the IFM business a significant portion of its revenue is from the UK. UK went through an extraordinary set of circumstances. Inflation, which was never seen before between 11% and 12%, energy prices which sometimes went up almost 20%, 25%.

Then on the third minimum wage increases which almost over the last couple of years have gone up 20%, 25%. All of them hit at the same time and then the government also withdrew some of the rate benefits that they had given to properties which they had given during the COVID. So in a way, it was almost like an event which we had never seen that before. It took us time to transmit a lot of these prices to our customers this huge cost inflation.

It coincided like we talked earlier with the ramp down of the very profitable contract that we had on the health sector in the UK delivering the COVID vaccines. So this combination is what put pressure on the cost. So it's actually a cost side problem that we have.

We've been working on it for the last couple of quarters. We have taken significant steps to reduce our fixed costs. We are looking at all elements of our infrastructure, whether it's property, whether it is routes, etc., to kind of bring it to a more optimal level, while also working on pricing. We have seen improving results in Q3 and Q4 of this year. We expect to see continued improvement in Q1. And by the time we close Q2 of FY25, it is our expectation that we will hit the run rate profitability that we would like to get to in IFM.



Ravi Viswanathan: Achal just to add that IFM continues to win significant deals. So for business development and a pipeline perspective, I would say it's very healthy. Like Ravi Prakash said, our focus really is now to pass on some of these cost inflations back to the customer. We have succeeded in quite a few, and we're still in the process, like I said earlier. And of course, ensuring that we are consolidating a lot of our assets to see how we can spread it better. Like Ravi Prakash said, by Q2, we should hit the target run rate for IFM. But it is work in progress.

Achal Lohade: Just a quick clarification on that. In terms of customers, in terms of revenue, how much of the customers have already passed on these cost inflations? Ideally, in terms of the revenue sizes, or if not, in terms of number of customers, percentage where how much is already passed on? You know, customers accepting those cost inflation.

Ravi Prakash: Achal, actually, a significant number of customers have taken at least one round of price increase. And we are working with a few large ones for a second round. Because as you can imagine, typically in an economy like the UK, you would normally see about 1% or 2% percent price increases because they have linked inflation, whereas this is almost like a reset of the contract, because of the property and the other price increases.

So, we have done one round, which has been passed through, and we are in the process of doing a second round. And that's why we gave out Q2 as the target, because by then we hope to complete most of the pricing actions.

Achal Lohade: And if I were to ask you, sir, what is the blended cost inflation? And in the first round, how much is already passed on? I'm just trying to figure out in terms of the margins, what kind of delta we could see from IFM, in IFM and also at the total level.

Ravi Prakash: So maybe, let me put it this way. See we don't give margin breakup by probably at this level, Achal. But if you think about, if you can talk, if you can go back to some of the numbers that I quoted, costs have gone up by almost 10% to 11% in most part of the, what do you call it business. Right. And we are kind of trying to recover that in a couple of price increases.

Achal Lohade: Okay. Got it. Another question I had was in terms of India growth, if you look at the growth, particularly for the fourth quarter, the supply chain business seems to be a little weak. Can you help us understand what is happening here, specifically for India business, I'm saying, for both the supply chain and the network solution, if you could talk in both fashion and what is the outlook here?

Ravi Viswanathan: Right. So, if you look at the supply chain segment, it's been flattish, Achal, Q3 to Q4, while on a year-on-year basis, I guess there's been a slight decline. Actually if you look at the market itself, I would say it's been fairly sluggish this fiscal year. And probably if you do a benchmark comparison, you'll find from a supply chain perspective, we are probably, better than the median number in terms of growth. So, many of our large customers are, probably waiting for June, I hope. But we expect those things to change post-elections.

But FY24 marks a definite sluggishness in the India supply chain business, not just for us, but also for our peers. On the network solution side, I would say that the decline was sharper and

that came on the back of, of course, very significant decrease in the freight rates. However, I would say that network side in Q4, we saw a significant increase linearly.

That is, from Q3 to Q4 we saw a significant growth. And also on a year-on-year basis, we saw a significant growth as we saw a couple of customers' export volumes go up significantly. So, I would say India geography, ISCS, flattish and the network solutions, predominantly driven by freight, showing very good recovery in Q4.

Achal Lohade: Understood. And one of the comments you had made in the interview today in the morning was about the working capital improvement. Can you talk a little bit about that? What are we trying to achieve here?

Ravi Viswanathan: I lost you. What was it?

Achal Lohade: Can you talk a little bit about the working capital improvement? Because that is also one of the contributor to your PBT margin expansion?

Ravi Prakash: Yes. So, Achal, I think we are looking at it in two steps, Achal. The first one was to bring the overall debt levels down. We also moved out of some expensive financial instruments that we had deployed in the past. We have actually reduced the amount of factoring etcetera, that we do. And therefore, the interest cost has come down from a run rate of INR41 crores in Q1 of this year to 16.6 in the Q4. And therefore, we have actually shown what the pro forma P&L could look like with the new interest rate that is going on. In the interview, we had messaged that the gross debt today is about INR794 crores. All of it is working capital debt.

We expect to grow our revenue without materially changing that working capital debt. It may – there may be short-term blips, ups and downs, but we want to fund most of the working capital revenue growth through internal sources. And therefore, what we would like – we expect to see the interest rate not move very much beyond the numbers that we talked about. It may move a little bit up and down, depending on quarter-on-quarter, but in general, we would like it to be in this range.

Achal Lohade: Understood. And, sir, a couple of clarifications. One on the...

Moderator: Sorry to interrupt you, sir...

Achal Lohade: Okay, I'll follow back in with you. No problem. Thank you.

Moderator: Thank you, sir. The next question is from the line of Aryn Pirani from JP Morgan. Please go ahead.

Aryn Pirani: Yes, hi. Thanks for the opportunity and for the details in the presentation. I had a very high-level revenue growth question. If I look at your slide seven, where you've given the revenue waterfall. Now, new business development has been quite consistently, I think, in the INR220 to INR230 to INR240 crores range. And this year, you had a very big decline coming from price and volume impact on global trade.

And price and volume growth in other businesses actually should also be better this year, looking at your commentary. So, if I just add this and assume a positive impact from price and volume in global trade, would it be fair to say that we can look at actually more than a 15% to 20% revenue growth on a console basis? Is that a fair way to think about it?

Ravi Viswanathan:

Amyn, you're forcing something through. But let's just say that we are optimistic. We are cautiously optimistic about the network solution segment. We are cautiously optimistic about the growth and revenues, but I wouldn't want to put a number. I think I said that in the morning interview to one of the channels, that as far as GFS is concerned, I would watch the space. I would watch the network solution space before I put my head out.

But on the ISCS segment, I would confidently say we are running for a double-digit revenue growth. On the GFS, I will hold until we see some stabilization, especially on the Red Sea and the volumes picking up. The key for us, Amy, is the volume growth in the freight business. Volumes have been fairly stagnant, and this is not just TVS supply chain solutions. Our peers, the volumes have been fairly moving in a very, very narrow range.

And that is going to be the key. And that really depends on global trade volumes picking up. The wall is not helping, but we will hold our commentary on the network solution growth, especially on the freight business, until we see things coming back normal from a volume perspective. Rates are slightly higher now because of the Red Sea, but that's, again, a transient and that is something which we don't want to get into a forecast situation. But for us, the key is going to be volume more than anything.

Amy Pirani:

Okay. And you also mentioned that you have actually talked about the variable margin. So even on the GFS side, I think you managed to control costs. So now as freights are rising and hopefully some volumes come in, will you be able to continue to control costs? Are there any cost headwinds? Are we seeing this year?

RaviPrakash:

So the main cost headwind in the – so there are two parts to it. Let me first address the main question on the freight. Amy, if you see Q4 versus Q3, you see actually the variable margin has dropped a little bit in the network segment. That is because the Red Sea costs, we have not been able to 100% pass on because these are being levied as surcharges. Okay.

So if you ask me, the one risk factor at the moment is the – I mean, it will not make a difference to the dollar per container that we earn, but it will make a difference to the reported percentage margin. Because, right, we are not actually in any way moving the needle in terms of the dollar per container because of the increased pricing on Red Sea.

Amy Pirani:

Right.

Ravi Prakash:

That's the only risk. Right. And to your broader question of can we expect – see, variable margins have moved up by almost 300 basis points this year. I would say that is probably – we are now probably at the optimal level. Because in a way, we normalized a very irrational situation that existed last year. Right. So what you see in Q4 is probably a good representation of where the P&L might look like in terms of variable margin and the cost below that at a consolidated level.



- Amyr Pirani:** Okay. That's helpful, sir. I will come in queue. .
- Moderator:** Thank you. The next question is from the line of Nihal Shah from Prudent Broking. Please go ahead.
- Nihal Shah:** Thank you for the opportunity. So my question was in the cash flows. So our operating cash flows from – our operating cash flows have come at INR128 crores coming down from INR734 crores last year. So what was the main reason for that dip?
- Ravi Prakash:** So I think last year, we had probably a very – and you should probably normalize it, Nishant, in terms of – last year, we had a very, how should I say, unique situation at the end of March 31, 2023. We had taken a number of working capital initiatives, which on which actually earlier I said we had pulled back.
- For example, we had maximized our factoring, which reduced our receivables by almost INR300 crores last year. We had also taken a few vendor payment initiatives on vendor financing, which also reduced our payable – I mean, which increased our payables as well. So that kind of drove almost like a INR350 to INR400 crores improvement in working capital, capital which we have normalized in FY '24. The reason we normalized that is we have found that as interest rates have gone up factoring rates are actually proving to be very uncompetitive.
- Now that we have got the IPO funds, and the leverage is under control we can go through regular working capital financing. So that is the reason. So, in a way last year's numbers are probably how should I say, overstated because of this situation.
- Nihal Shah:** Okay. So, it comes out to around 18.5% to 19% of our operating profits flowing into the cash flow. So, can we assume that to be around 20% for the years coming ahead?
- Ravi Prakash :** I can always come back to you in terms of – because you are looking at the reported number, so if you take the FY '24 number the next year number should be a little bit better than that in terms of the – if you take the statutory cash flow and if you are reading off that next year should be a little bit better than that.
- Nihal Shah:** Okay. And another question was like we have a INR4,000 crores deal pipeline. So let us say we win an order. So how much of capex is required there because we are having around INR200 crores of net debt, and we hope to maintain that in the coming years. So how much is the capex that is required if we win an order?
- Ravi Prakash:** So, our capex guidance does not change. I think we will still keep it between 1% to 1.5% of revenue. The only change to this could be if there is any major deal – how should I say – strategic 5 to 10 years which can give us a big – we may look at investing because in the past the only time that we have deviated from this 1% capex policy is when we have got – how should I say – I call breakthrough deals which can change the trajectory of a business or a country.
- That is what we have looked at. Having said that we will still like to manage it between the 1% to 1.5% of revenue and for the medium term, that is the average that we are working with. And therefore, I think that is how you probably work through the debt as well.



- Nihal Shah:** Okay. Thank you. Thank you for the answer.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Philip Capital. Please go ahead.
- Vikram Suryavanshi:** Hi. Good evening, sir. I have two questions. One, partly you try to understand regarding the network services. So, how do we ensure the profitability because trade rates will continue to remain volatile? So, basically is there any scope to create value within that service or it will be largely a function of trade rates going forward? And should I ask the second question or the?
- Ravi Prakash:** Go ahead. Please ask the second question as well. We can answer both together.
- Vikram Suryavanshi:** Sure, sir. Thanks. So, in case of ISCS business or if you look at the exposure to India how we can use the global learning to Indian context, or which are the segments or services we can expand in India as a slightly long-term strategy for us?
- Ravi Prakash:** Okay. So, what I will do is I will quickly -- I will answer the question on network services and then I will request Mr. Ravi Viswanathan to say how the global capabilities is influencing Indian ability to grow in India. Look, on the network side there are two parts of the business and this time in the earnings presentation, we have given a separation between both of them. We have called out GFS which is a freight forwarding business and then we called out IFM; integrated final mile which is a closed-loop spare parts business which is INR1800 crores. The IFM business is in many ways similar to the integrated supply chain business. It is driven by long contracts.
- It has an infrastructure setup and as you push through more demand through that, you actually get better revenue and therefore margin. So, like I said, in the case of the IFM business, we have adequate revenue visibility. Our challenge is more on the cost side and like I was explaining to Achal from JM, in the next couple of quarters, we expect to bring the cost situation to a point where we will probably hit a reasonable run rate.
- On the freight forwarding side, look it is not price is not the only determinator. Like we said, I was explaining to the other gentleman, even though prices came down, we were able to manage procurement to actually improve our variable margins. And so, we have levers at play. And then on top of that, we do have fixed cost in terms of people deployed at various points in the points of the offices in the network, which we can actually vary as demand moves.
- And we have done that as required. So, therefore, there are levers in the case of GFS, like you said, procurement is a lever and cost management is a lever. In the case of integrated final mile, the throughput is a lever, cost management is a lever. I will request Ravi to talk about how the global capabilities have influenced our Indian business.
- Ravi Viswanathan:** Right. So, let me say, there are two major elements that we are benefiting from the global operations. One is bringing some of the capabilities here. For example, today we are an aftermarket leader in India, and that comes from a very strong aftermarket capability that we were able to transfer from the UK.

So, our growth in some of the new segments, both in aftermarket and also in the IFM business has come on the back of very strong capability replication from what originated in the UK. A lot of what we do in our in-plant warehouse in terms of automation, etc. Is coming from some of the global capabilities that we have built.

The second, and I think probably what is most important, is the ability for us to work with some of our large customers globally who are either setting up operations in India or who are present in India, and therefore be able to get into what I would call strong account mining, thereby building on the execution that we have had in the western market, for example, the ability for us to replicate those services here and deep mine those customers. So, global customers and specific global capabilities that we have brought to India, which has expanded both our ability to service the customer and grow the revenue.

Vikram Suryavanshi: So, in service side, I got clarity but in case of sector-wise, are there any sectors opening up for this idea or it will be more like existing customer where we will try to get a walletshare higher, and then it will take some time for other sectors to really go for this services. Are they ready to accept this services on products or sectors, or there are only three sectors which will, I think, initially target?

Ravi Viswanathan: Right. We actually operate in multiple sectors. If you are talking about industrial sectors that we operate in, we probably have a very diversified portfolio of sectors that we operate in. And what we have effectively been able to do is to take this know-how and be quickly able to put the process for different sectors.

So, for example, we started our journey long back in the industrial and engineering side of the business, but we have moved to consumer durables, we have moved to utilities, we have moved to technology services, to consumer retail, and so on. So, I think from a sectorial diversification, we have a very, strong sectorial diversification, and we continue to explore new sectors -- both internationally and in India. So, I think from a sector diversity perspective, we have a very strong distribution of our business across multiple customer segments. I think it's there in page 9 of our investor deck.

Vikram Suryavanshi: Got it, sir. Thank you very much.

Moderator: Thank you. The next question is from the line of Arif M, who is an individual investor. Please go ahead.

Arif M: Hello, sir. Good afternoon, following up on the previous question from the participant, I want to ask you what is the exact time on Indian opportunity, and can you tell us how do you differentiate yourselves from your competitors in Indian landscape? I want to know how organized is Indian market and what is the value addition we are adding compared to our competitors in India?

Ravi Viswanathan: Arif, it's a good question. I think India is an evolving market. We would like to see India evolving into an outsourcing market, which is where we do a lot of our work outside of India. So here I would say, it is more relationship-based.



It is really based on the ability for us to connect with the customer. The differentiation comes from us being a full-scale player. When I say a full-scale player, we are a company probably uniquely positioned to manage global freight, integrated final mile, and, of course, multiple components within the integrated supply chain solutions.

So when it comes to in-plant warehousing solutions or aftermarket solutions, we have a very, very strong differentiation. The second differentiation comes from the fact that we have our own IT stack, which we try to deploy in many of our customers, which integrates with standard software like SAP and so on. So that gives us an edge.

And third, specifically for multinational customers, because of our presence in multiple countries, we probably have built strong relationships or at least early inroads into these relationships before they move to India. And therefore, we are able to manage early wins with these MNCs who are coming and setting up shops in India. So differentiation comes from multiple layers.

One is specific capability, which we have, which we differentiate, like I said, an aftermarket or an integrated final mile. Second is in terms of the ability for us to provide an end-to-end solution from global freight to transportation to a complete reverse logistics kind of setup. And the third is the strength that we bring on multinational. And all of this is tied very strongly with our own tech stack, which differentiates us in the market.

Moderator:

Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Ravi Viswanathan:

All right. Thank you. First of all, I would like to thank all the participants for being part of this discussion on our business performance and the outlook. This is the first annual result submission of the company as a listed company. In our investor presentation, we have laid out a clear vision in terms of where we want to be as a global logistics company. Our action plans would be guided by the goal, and which will lead us to profitable growth. Once again, let me thank all of you. It is a pleasure interacting with you and look forward to speaking with all of you very soon.

Moderator:

On behalf of TVS Supply Chain Solutions Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.