Corporate Office:
Giriraj Annexe Circuit House Road
HUBBALLI- 580 029 Karnataka State
Phone : 0836- 2237511
Fax : 0836 2256612
e-mail : headoffice@vrllogistics.com

To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001
Scrip Code: - 539118

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G-Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051
Scrip Code: - VRLLOG

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 (6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of the Earnings Call

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we herewith attach transcript of the earning call held on 5th November 2026.

This information is also available on Company's website on below link:

https://www.vrlgroup.in/Resources/InvestorsDesk/Investors%20Con-Calls

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA ANIL PHADNAVIS

Digitally signed by ANIRUDDHA ANIL PHADNAVIS
Date: 2026.11.07 13:30:33 +05'30'

VRL LOGISTICS LTD. HUBLI-580 029.

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY &
COMPLIANCE OFFICER
Place: Hubballi
Date: 07.11.2026

“VRL Logistics Limited
Q2 FY27 Earnings Conference Call”
November 05, 2026

MODERATOR: **MR. SUNIL NALAVADI – CHIEF FINANCIAL OFFICER – VRL LOGISTICS LIMITED**

MODERATOR: **MS. ALOK DEORA – MOTILAL OSWAL**

Moderator: Ladies and gentlemen, good day and welcome to VRL Logistics Q2 FY27 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the 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 and then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Alok Deora from Motilal Oswal. Thank you and over to you, sir.

Alok Deora: Thank you. Good morning, everyone and welcome to the 2Q FY27 earnings call of VRL Logistics. So from the management side, we have Mr. Sunil Nalavadi, the CFO of the company. I will now hand over the call to Mr. Nalavadi for his opening comments and then we can take up the Q&A. Thank you and over to you, sir.

Sunil Nalavadi: Thank you, Alok Deora. Good morning to all the participants. I am Sunil Nalavadi, CFO of VRL Logistics. I warmly welcome you all to VRL Logistics Q2 and half-year FY27 earnings conference call. Thank you for taking the time to join us today. Our financial results and investor presentations of the quarter and half-year ended September 2026 have been uploaded to the stock exchanges and are also available on our company website.

The first half of FY27 has been particularly encouraging and marks a robust new beginning for VRL Logistics Limited, with strong profitable growth, significant margin expansion, improved cash generation and balance sheet strengthening. We have witnessed a meaningful improvement in our operating and financial performance, supported by the benefits of our earlier freight rate hikes and rationalization initiatives, strong customer engagement, improved network penetration and continued emphasis on operational efficiency.

I am also pleased to share that the company has delivered a strong performance during quarter two of FY27, with significant improvement across total income, EBITDA and profitability. More importantly, this performance reflects an improvement in the quality of our earnings, with higher freight realizations, better cost absorption and stronger operating leverage contributing to our expanding margins.

Let me begin with our financial performance for the quarter on a year-on-year basis. Our total income for the quarter two is increased by approximately 20% year-on-year to INR967 crores, compared with INR804 crores in the corresponding quarter of the previous year. This growth was primarily supported by an approximately 11% increase in goods transport volumes from 976000 tons to 1,079,000 tons, along with a 9% improvement in freight realization per ton from INR8,079 to INR8,840.

The improvement in realization reflects the positive impact of our freight rate hike and rationalization initiatives. Our continued focus on securing remunerative business and maintaining pricing discipline has enabled us to improve revenue quality while retaining and expanding our customer base. Our EBITDA for the quarter increased to INR226 crores from INR158 crores in quarter two, registering an impressive growth of 43%.

Correspondingly, the EBITDA margin expanded to 23.3% from 19.7% in the corresponding quarter last year, an improvement of 367 basis points. Profit after tax also witnessed a substantial improvement, increasing to INR103 crores from INR50 crores, representing growth of approximately 106%. The PAT margin improved significantly to 10.7% from 6.2%. Also here, I would like to mention that the quarter PAT is more than the last year half year profit.

The operating environment during this quarter remained challenging, particularly due to geopolitical developments, crude oil price volatility and the resulting increase in fuel procurement cost. Fuel continues to be one of our major operating expenses during the period. The cost per litre increased significantly from approximately INR 85- INR 97, putting pressure on our operating cost structure. The increase also affected the benefits we traditionally derive from bulk fuel procurement.

However, through timely and calibrated freight rate adjustments, we were able to pass on a substantial part of these cost increases to our customers while maintaining healthy volume growth. At the same time, our continued focus on cost management and operating leverage helped us to contain the impact of inflation across most of the operating expenses, including employee costs.

Employee costs declined from 18% to 16.48% of total income, in spite of increase in absolute terms from INR147 crores to INR159 crores. Administrative expenses declined from 2.28% to 1.43%, largely reflecting lower legal and professional expenses incurred in the last year. Other operating expenses also declined from 10.48% to 10.06% and we also maintained better control over toll and hamali expenses as a proportion of income, notwithstanding the increase in toll plaza, higher toll rates effective from April 1

and increased transportation volumes as well.

There were some moderate increase in vehicle running expenses, primarily associated with higher driver incentives, along with modest increase in driver salaries. Overall, these improvements in expenses ratio demonstrate our ability to manage costs effectively, improve asset utilization and protect operating margins in a challenging cost environment.

On the business front, our primary focus continues to be the expansion of our goods transportation business through a wider branch network and deeper penetration into existing and new markets. During this quarter, we added 51 branches, taking the total number of new branches added during the first half to 67 numbers. This expansion has strengthened our geographical reach and enabled us to access new customer segments and business opportunities.

We have also seen encouraging traction in customer acquisition alongside onboarding new customers. We have successfully regained business and tonnage from certain customers who had earlier discontinued services following our freight rate rationalization and strategic withdrawal from low-margin contracts.

This is an important development because it demonstrates that our disciplined pricing approach, along with unmatched service quality, is helping us improve profitability without compromising our ability to retain and attract customers.

As you are aware, VRL has a strong presence in the B2B less-than-truckload segment, supported by a diversified customer base of over 10 lakh customers across multiple industries. One of the key strengths of our business model is our collection mechanism. A substantial majority of our LTL business operates through paid and to-pay segments, under which the freight is collected either at the time of bookings or upon delivery of the consignment.

This substantially reduces our dependence on extended customer credit and supports efficient working capital management. Consequently, our trade receivable cycle remains very healthy at approximately hardly around 10- 11 days. Our diversified customer base, relatively low customer concentration and extensive branch network and owned asset operating model continue to provide us with a competitive edge over other operators in the industry.

Similarly, the sequential performance is also on a growth trend and both Q1 and Q2 put together, the H1 results are also commendable numbers. An important highlight of the first half has been our strong cash generation. The cash generated from operations before working capital changes is around INR415 crores, compared with around INR314 crores in the last first half year. Net cash generated from operating activities increased to INR363 crores from INR334 crores.

We have strategically deployed these internally generated funds towards business expansion, infrastructure development and strengthening our balance sheet. Our capital expenditure for the first half stood at around INR158 crores, comprising around INR76 crores in quarter one and INR82 crores in quarter two. The expenditure was primarily towards the addition of commercial vehicles and investment in land and building facilities at a strategically important location, including Vijayawada, Nagpur, Lucknow and Raipur.

These investments are intended to strengthen our operational infrastructure, support future network expansion and facilitate long-term consolidation of our logistics hubs. Despite these investments, we have successfully reduced our net debt to INR337 crores as of September 30, compared with INR440 crores as on March 31, 2026. Our net debt-to-EBITDA ratio has consequently improved to 0.3 x from 0.4x at the end of FY 2026. Our own asset strategy continues to remain an important differentiator for VRL.

As of the end of H1 FY27, our fleet comprised 5,941 vehicles. We continue to follow a disciplined fleet rationalization program involving the replacement and scrapping of older vehicles while improving the utilization of our existing owned fleet. Approximately 76% of our total fleet is debt-free, while around 11% is fully depreciated and continues to operate in optimal condition.

This provides us with a meaningful advantage in terms of lower finance costs, better asset utilization and operating leverage. Before concluding, I would like to update you on the company's share buyback program. Considering the substantial improvement in profitability, healthy cash generation and the strength of our balance sheet, the board had recommended a share buyback program aggregating up to INR280 crores at a price of INR320 per equity share.

The proposed buyback covers up to 87.5 lakh equity shares, representing approximately 5% of the company's paid-up equity share capital. The shareholders approved the proposal through a

postal ballot concluded on October 3, 2026. The record date for determining the shareholder eligibility was October 22 and the tendering window operated from October 27 to November 2, 2026. The tendering window has now closed and settlement of the bids is scheduled for November 9, 2026.

The promoters are not participating in this buyback. We believe this program represents a responsible allocation of surplus capital and reflects our confidence in the company's financial strength and long-term prospects. The consequential reduction on equity share capital and other equity will be reflected in the financial results for the nine-month period ending December 31, 2026.

Following completion and settlement of the buyback in accordance with the applicable requirements. The reduction in equity will also support further improvement on return on equity, return on capital employed, as well as earnings per share going forward. With this, I would like to conclude my initial remark. Now the session is open for question and answers. Thank you.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Jainam Shah from Equirus Securities. Please go ahead.

Jainam Shah: Yes, hi. Thanks for the opportunity and congratulations on a good set of numbers. Sir, if we see your strategy over the last 2 .5 years, since June 2024, you started doing this price hikes and all those adjustments to our business. Our realization has improved from around INR6 per kg to around INR9 per kg as of now. Over a period of time, there has been, of course, some, you can say, volume that has gone from our events and books to some other parties.

And now we are eventually back on even say double-digit kind of a volume growth, which probably we have not seen over the last maybe 10, 12 odd quarters. How do we see going forward 2H panning out and also for the next few years, like the strategy of passing on to the cost will continue, or will there be any competitive pressure because of our pricing, or what is your view on this pricing to volume kind of a strategy, like pricing and volume or even say settlement strategy?

Sunil Nalavadi: Yes, one thing on the pricing front, see, initially, for the current financial year also, we expected our tonnage growth at around 8% at the beginning of the year. Now, in the first half, we already reached around 10% growth in our tonnage. This shows very clearly that there is no pressure of the freight rate on the customers.

Considering the inflation cost of, see, be it increase in fuel cost, driver salaries, so many other increases. Now most of the operators in the industry actually, they are increasing the rates. Considering this environment, it will not bring any pressure on the volumes growth.

Jainam Shah: Got it, sir. How do we see volume growth going forward for the 2H and for let's say, near to medium term, or next two to three years' time? This growth trajectory will eventually continue, given that we are back on this double-digit kind of a growth?

Sunil Nalavadi: Yes, basically, this 9%-10% growth in the volume growth will continue. This first half, we already did around 9.5% growth in the tonnage. The similar growth we are expecting even in the second half of the year.

Jainam Shah: Got it, sir. Got it. Sir, one more thing on, you can say, commodity parts. Any specific commodity or let's say goods that has been doing really well for us in terms of volume, or it's across that has been playing out for us?

Sunil Nalavadi: No, across all industry, because it is a widespread operations what we are having. Considering these festival seasons and all, now FMCG and textile, there is a good growth compared to the industrial and other segments. Those are again steady growth across all the segments.

Jainam Shah: Got it, sir. Just last question from my side. We have been always, you can say, suggesting an EBITDA margin of 20 odd percentage, whereas we are beating the guidance overall. By doing any kind of rate adjustment, what kind of margin do we have in mind, or we should take this margin going forward as well for the future years?

Sunil Nalavadi: Yes, around 21%-22% is a sustainable EBITDA margin even going forward.

Jainam Shah: Got it, sir. That's it from us. If you find anything, I'll join back with you. Thank you so much.

Sunil Nalavadi: Yes, thank you.

Moderator: Thank you. The next question is from the line of Krupa Shankar from Avendus. Please go ahead.

Krupa Shankar: Good morning, sir and thank you for the opportunity. Congrats and great set of numbers. Sir, my question first off on the cash generation part, sir. It has been quite strong, quite robust. Just wanted to get a sense around how do you look to deploy cash over the medium term? Would you primarily focus on more capex towards land for hubs, or would it be towards trucks, or are you looking at more of dividend payout?

Sunil Nalavadi: No, basically, in the second half, again, we are expecting a capital expenditure of around INR150 crores, INR160 crores, which is including the vehicles as well as some of the one or two properties what we are planning. The rest of the cash flows will be used for the time being reduction in our debt further.

Krupa Shankar: I was talking about more about longer term, sir. I think because you have seen very strong-

Sunil Nalavadi: Yes, longer term, again, see, our capex is going to be continued on the investment on vehicles and some of the selective properties. The properties where actually we are investing most of the investments again, we are looking to buy the existing properties which we are using for the last 10, 12 years, which are more suitable for our operation. For example, the Nagpur where we acquired, it is an existing facility.

The Bangalore what we acquired just around one and a half year back, again, it's an existing facility. Similar to that, actually, we are looking in other places. But it all depends on the cash flows and again, the debt structure. But the capital expenditure will be at least around INR250 crores-INR300 crores every year it will continue, considering our good cash flow. Yes.

Krupa Shankar: Understood. So sir, looking at the tonnage growth being quite robust and for this year, while on a low base, on a structural basis, are you seeing any volumes coming back because of elevated pricing in an express business or something? Or is there some structural trends you're looking at with respect to your business on your overall growth, sir? Can you estimate the Yes, sorry.

Sunil Nalavadi: The structural is basically since we are opening more and more branches, those branches are contributing good volumes. That trend is going to be continued. Say, for example, again, I would like to mention the state like U.P., Bihar, West Bengal. Our presence is not up to the mark even as of today. So we are concentrating on those areas to add more and more number of branches.

Structural changes, say, for example, we are very strong at South and Western market and North market as of today. So be it interstate as well as intrastate. But in Southern market, on the both side, interstate and intrastate, we are very strong. So considering these experience, we want to replicate in the other zones as well.

For example, now considering our branch expansion in Northern and Eastern part, the most of zone to zone actually the growth is very good compared to the Southern market. That is giving a lot of value addition or volume additions in our overall growth in tonnage.

Krupa Shankar: Understood. This will also promote a lot of intra-city movement, which will also have a favorable realization per ton. Is that understanding is also correct, right, sir?

Sunil Nalavadi: Correct.

Krupa Shankar: Okay, understood. Fine, sir. I have more questions, but I'll get back in the queue, sir. Thank you.

Moderator: Thank you. The next question is from the line of Mr. Achal Lohade from Nuvama Institutional Equities. Please go ahead.

Achal Lohade: Yes. Good morning, sir. Thank you for the opportunity. Sir, two questions. First, in terms of the volume growth, you said 9%-10%, that is for second half. What about medium term? Are we talking about 9%-10% or the 7%-8% what earlier we used to talk about?

Sunil Nalavadi: Yes, considering the present development, what we are seeing from the market, the 9%- 10% is an achievable target.

Achal Lohade: Even for a medium term, sir?

Sunil Nalavadi: Yes.

Achal Lohade: If you could remind us, what is the contribution of the new branches led volume? How it has trended in last two, three, four quarters, if you could give us some sense. How do you see it that playing out?

Sunil Nalavadi: Yes, the 60 plus branches what we opened in the current year, those are contributing almost around 2% in the first half year, out of the overall 10% growth in volume.

Achal Lohade: Right. Okay. Understood. So second part is the fuel prices. If, let's say, theoretically fuel prices were to kind of come off, what happens in that case? Is there any automatic pass-through or you will be able to retain that benefit in that case?

Sunil Nalavadi: No, that case basically, see, with the contractual customers, most of the agreements as of today, we are having a fuel escalation clause. So based on that formula, whatever changes will happen, either it is increase or decrease, accordingly, we have to pass it on to the customers. In case of non-contractual customers, again, decision is on us.

And there actually we are having a flexibility considering the route-wise analysis and the region-wise analysis, we can take a call. Or even some commodity basis, we can increase or decrease the rates depending on the fuel price.

Achal Lohade: What's the contribution of the contractual customers, sir, in the total volume?

Sunil Nalavadi: It is around 17%-18% revenue as of now.

Achal Lohade: Understood. Sorry, I missed on the margin. You think 21%-22% is the new sustainable EBITDA margin? Have I understood right?

Sunil Nalavadi: Yes.

Achal Lohade: Okay, got it. Thank you. I will call back in the queue, sir, for any follow-up.

Sunil Nalavadi: Thank you.

Moderator: Thank you. The next question is from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead.

Madhur Rathi: Sir, thank you for the opportunity. Sir, I wanted to understand how increasing commercial vehicle prices affect our freight rates. Do we see a one-time jump or how does the market generally, historically, how has that evolved into freight rate increases?

Sunil Nalavadi: See, normally freight rate is not completely depending on the capital cost. Most of the freight rates are related to the fuel rates, actually how industry works in India especially. Most of the freight rate determines based on the fuel price increase or decrease. About the capital cost, yes, there is one time some minor improvement or increase or decrease will happen, but it is not a direct link to the freight rates.

Madhur Rathi: Got it. Sir, if I were to look at VRL from a next two to three years, because we are adding a lot of these branches, sir, how should we see the realization per ton or realization improving either via more long-haul routes or would we like to continue our current route density in the sense that we are doing 7.5, eight times capacity turns, if you can help us understand?

Sunil Nalavadi: Basically now the realization, the current year improvement, it is basically on account of increase in the freight rates. We did an increase at the beginning of the year from April 1st around 5% and in mid of May, we increased around 4%. There is a 9% increase in the freight rates. That is what is reflecting in the improvement in the realization. Going forward, because of addition of

new branches and new routes, that is not a significant contribution to the realization. The realization is directly related to the freight rates.

Madhur Rathi: No, sir. I was asking that would we like to move towards more longer haul routes where the realization is higher?

Sunil Nalavadi: No, our. For example, in our case, wherever opportunity is, actually we wish to operate, but it is not a short haul or long haul. For example, within the southern states, we are having more volumes within the state as well. So margin-wise across if you take within state or interstate, more or less it will be a similar number.

Madhur Rathi: Got it. Sir, just one question was on these land and building investments that we are doing. Sir, how do we decide the IRR or payback of these assets versus renting these out, if you can help us understand?

Sunil Nalavadi: Here, for example, the facility what we acquired in Bangalore and all, we worked very strictly on the IRR. So there actually the return payback period was in the range of around 10-12 years. But in smaller acquisition, normally it is on a need basis and it is based on the requirement. So there actually, there is some variance will be there, but in spite of that, considering the requirement of those assets, actually we acquired those assets.

Madhur Rathi: Sir, how do we think about the overall ROCE of our company? Because these are lower ROCE assets if there is a 10- 12-year payback period.

Sunil Nalavadi: No, considering our high-margin business, definitely the ROCE will be much better. If you see in the last year, we did almost around 25%. Considering the buyback and reduction in the capital, this year we are expecting our ROCE will be at least around 30% plus.

Madhur Rathi: Got it. Sir, that was from my end. Thank you so much and all the best.

Sunil Nalavadi: Yes, thank you.

Moderator: Thank you. The next question is from the line of Krupa Shankar from Avendus. Please go ahead.

Krupa Shankar: Yes, sir. Thank you for the follow-up. Just one question on the fleet side, sir. As I can see that the net addition of fleet has, or rather you've scrapped more vehicles or sold more vehicles and despite the underlying tonnage going up, right? Just wanted to get a sense around when do you start procuring fleet, given that you've given a favorable outlook on the tonnage growth as well.

The second part is that we've also seen that most of the vehicles which have been scrapped or which are reduced is also of the higher tonnage. Just wanted to get a sense around your fleet procurement strategy, if you would stick to your 15- 20, or if the density is improving, would you prefer to go higher up with respect to your sourcing around that 25- 30 tons?

Sunil Nalavadi: Yes, basically we are looking for further expansion in the fleet, basically on higher capacity vehicles going forward. The numbers will be less, but overall capacity increase will be more or less equivalent to our tonnage growth. Predominantly, as a company policy, we wish to prefer

to use our own vehicle, our own capacity in the tonnage growth as well, to maintain good, higher operating margins compared to outside vehicles.

Krupa Shankar: Understood. Is it fair to assume that the scrappage of older trucks, which we were doing it for last a year and a half or so, to large degrees is more or less the end of the time. From here on, you would see that the gross addition would be much higher than the-

Sunil Nalavadi: Definitely.

Krupa Shankar: Right. Okay. Understood, sir. Second question was primarily on the profitability side. We typically see the employee hikes coming through the third quarter. The past we have seen that. Any hikes or any cost elements which I missed out, do you see any inflationary trend over there over the next six months or so, sir?

Sunil Nalavadi: Yes, we are examining again to consider the increment process. But shortly we will inform about it. As of today, there is no specific timeline as such, but definitely we are working around it.

Krupa Shankar: Right. As a broader sense, sir, do you feel confident now that incremental cost escalations, be it your toll cost increase or non-fuel cost increase, can be passed on to customers and this price hikes, what you have been taking quite consistently over the last two years or so, would be a sustained trend over the medium term? That confidence is still there with the management?

Sunil Nalavadi: Definitely. See, now the EBITDA level reached to almost around 23% plus. So, considering all increase in toll expenses, other overhead costs, whatever it is, that impact will be not more than 1%-1.5%. So, considering given such increases, our EBITDA level definitely will be in the range of around 21%-22%.

Krupa Shankar: Understood, sir. Understood. That is all from my side, sir. Thank you.

Sunil Nalavadi: Thank you.

Moderator: Thank you. The next question is from the line of Nitin Jain from Fair Value Equity Advisory. Please go ahead.

Nitin Jain: Thank you for the opportunity and congratulations on an excellent quarter. My question is regarding fuel prices. As we know that everything is quite volatile now and for the last two days, we have seen a meaningful correction in fuel prices. Is there a possibility that if this situation persists, maybe in the next month or two months.

We might have to take a correction in the fuel prices where we have taken a hike in the last two, three quarters. Is there a possibility that we will have to take a reduction and what kind of impact do we see that having on our growth as well as margin? That is all from me. Thank you.

Sunil Nalavadi: Yes, basically, see, if any fuel price changes. See, fuel price in India is completely regulated by the government. If any reduction on the fuel price, that too in a substantial number, at least around 5%, more than 5% or so, then definitely we have to rethink on the freight rates. If that is the scenario, then definitely we can pass it on that benefit to the customers, considering our optimum level of EBITDA percentages, EBITDA margins as of today.

Nitin Jain: Right. So in that case, would we still be able to maintain our margins?

Sunil Nalavadi: Definitely. See, in that case, actually, we will have a further savings mode, means we can make some money out of it, even though reduction is there. But ultimately, we will take a call and pass it on to the customer, considering our optimum EBITDA margins as of today. We don't want to wish further make margin out of that.

Nitin Jain: Right. Just one follow-up to that. So in that case, will the bulk purchases become more efficient?

Sunil Nalavadi: Definitely. See, the bulk purchase as of today, what is happening again, it is directly related to the crude oil price. The fuel what we are getting from the outside, if it is, say, INR100 as of today, INR98, INR100, the bulk purchase, it is in the range of around INR120, INR125.

Nitin Jain: Okay.

Sunil Nalavadi: Considering this rate as of today, we are unable to buy the bulk purchase. If tomorrow, assume that the scenario changes, definitely that option will be always open with us. Whatever savings we will do out of the bulk purchase, that is again will benefit to improve in the margins and no need to pass on that benefit to the customers.

Nitin Jain: Right. Just one last one from my side. If we take a correction in the fuel prices, would we see a temporary impact on the revenue growth then?

Sunil Nalavadi: Yes, obviously revenue is a multiplication of volume and realization. If any small correction in the realization, that will impact on the revenue.

Nitin Jain: Okay. That's very helpful. Thank you and all the best.

Sunil Nalavadi: Yes, thanks.

Nitin Jain: Okay, sir.

Moderator: Thank you. A reminder to all the participants, you can press star and one to ask questions. The next question is from the line of Devesh Jhawar, an Individual Investor. Please go ahead.

Devesh Jhawar: Congratulations on a great quarter. I just want to check with the management that have we raised the capex guidance any further after a good check, or we would continue with the capex as we have projected?

Sunil Nalavadi: Yes, we wish to continue with the capex, what we projected.

Devesh Jhawar: Thanks. That's all from my side.

Sunil Nalavadi: Yes.

Moderator: Thank you. The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Yes, sir. Just wanted to understand how the margin. Because if we are going to do the similar volume growth in 2H and if the cost structure remains largely the same or can only. Hello? Can you hear?

Sunil Nalavadi: Yes, please.

Alok Deora: Yes. I was just trying to understand how the margins could shape up, because if the volume growth trajectory remains similar to what we have done in 1H and if the cost structure would be similar or rather can just improve marginally, don't you think the margins could sustain at these current levels? Any reason why it could actually come down from what we delivered in quarter three? Quarter two, sorry.

Sunil Nalavadi: No, definitely it is sustainable, but because of some small increase in other costs, say, for example, the toll charge, some loading and unloading cost, or any change in the rates of these things, definitely there is a small correction in the margin. But as of now, considering these volumes and the current cost structure, whatever it is there, the 23% plus margin is sustainable. But any increase in overhead costs or something, to that extent, there will be some small correction.

Alok Deora: Got it. This revenue growth of 20%, which we are seeing, which is combination of 9% realization and 10%, 11% volume, this will continue through the fourth quarter, I mean, in terms of the realization improvement at least. After that, we will see mainly the volume growth driving the revenue growth. I mean, unless we take any further price change, the revenue growth will be more normalized at around 8%-10% kind of a number. Is that understanding correct?

Sunil Nalavadi: Yes, in that sense, actually, we can expect at least around 10%-12% growth in the revenue. Assume that there will not be no price realization change or something. Basically, one thing what will happen, see, we are expecting the tonnage growth in the range of around 9%-10%, that is one. Whatever correction in the realization from Q1 to Q2 now, again, that will also lead to some 1% or 2% increase in the revenue.

Alok Deora: Okay.

Sunil Nalavadi: Yes. Overall, assume that if there is no change in the realization from now onward, for the next year at least, the guidance will be the revenue will increase at least around 10%-12%.

Alok Deora: Got it. With 10%-12%, the margins will kind of be at around 21% or so?

Sunil Nalavadi: 21%, 22%, definitely.

Alok Deora: Okay. Got it. Sir, just a last question. We have been delivering these margins which are not seen anywhere in the industry, listed or even unlisted side. How are we sustaining that? I mean, it has been many quarters since we are doing almost 19%-20% and now we have moved to a new trajectory of 23%. Now, even for this year and even next year, we are maintaining a 21%-22% kind of a range. How are we kind of doing this?

If you could just spend a minute on this, what is actually making and how much is what is making this possible and how much of this is due to our internal cost-saving initiatives or strategies and how much of this would be more of market-driven, where things can also change in future?

Sunil Nalavadi: Yes. See, one is, our service level is excellent as compared to other operators in India. I want to give one example. Say, during the month of this October, it was a very peak season of festival. Most of the textile goods which are booking from Ahmedabad to Surat, many of the competitor or many of the operators, they were unable to book the consignment because of non-availability of the vehicles.

In our case, what happened, we have never stopped even single minute that the booking has been stopped in these locations. Because of own infrastructure facility, because of the network what we are having today, because of the customer base of 10 lakhs plus customer, without depending on any industry specific, these are all key differentiations between other operators in India.

Because of this, whatever demand actually we made, we are in a position to give the service. Our tonnage growth in the month of October is around 20% plus compared to year-on-year. It is a 20% growth in tonnage in October.

Alok Deora: Right.

Sunil Nalavadi: These are the key differentiation as compared to other operators versus theirs. When it goes to the freight rate to the customers, we are not charging any premium or something much different from the other competitor. But at a service level, we are much efficient as compared to others. See, our claim ratio is hardly in decimal as compared to the other operator. If you compare, it is at least in the range of around 10%-12% claim ratio. But in our case, it is hardly any decimals.

Alok Deora: Got it. So you are saying-

Sunil Nalavadi: So that is the reason we are in a position to retain the customers. Moreover, whoever customer, because of a short period, because of some freight rationalization, they left us, again they came back to us and started the business. Currently, our strategy, how we are changing is, for example, if any corporate customer, if we are providing service in Karnataka or South states, then why can't in North, why can't in East? We are identifying such customers and we are approaching at a top level to get all-India contracts as well.

Alok Deora: Got it. Sir, just last question. If with this recent correction in global crude prices, suppose the diesel prices were to get reduced by, say, INR5 and in that scenario, you also take a price cut of, say, approximately where realization comes down by, say, 5%, then how would the margin shape up? Because one of the key reasons for margin also has been the realization improvement, because of the price hike you took in 1Q. If it is reversed partially, then how the revenues and the margin shape up?

Sunil Nalavadi: See, margin will be again at an optimum level. Margin, it will support further, little bit we can add to the margin. Always, how the maths will work, for every INR2 change in the fuel rate, there is a 1% change in the freight rates.

Alok Deora: Okay.

Sunil Nalavadi: Say, for example, tomorrow if there is a 5% reduction in the fuel rate, then there is a possibility that around 2.5% realization rate it is.

Alok Deora: Okay.

Sunil Nalavadi: Yes. Moreover, during that time, again, we will have some time gap and all and selectively some routes, wherever we do not have much of a competition, we can retain our existing price rather than passing that benefit to the customers. Wherever we are having a competition, actually there, actually we can pass on that benefit to the customer. Like that, it is again some good exercise we have to do and we have to effectively pass it on to the customers.

Alok Deora: Got it.

Sunil Nalavadi: But effectively, if a INR5 is reduced in the fuel rate, we can expect around 2.5% reduction in the realization. In that scenario, the margins will be maintained. The margins will not change.

Alok Deora: Got it. That is all from my side, sir. Thank you.

Sunil Nalavadi: Yes.

Moderator: Thank you. That was the last question for today. I now hand the conference over to the management for closing comments.

Sunil Nalavadi: Yes, thank you all participants. Basically, we are very confident on the tonnage growth. Just I mentioned in the last question, our tonnage growth in the month of October, we reached almost 20% because of some good festival demand. We also acknowledge from the market that some of the operators are unable to provide service whenever there is a very high demand in specific markets, because they are completely depending on the outside vehicle or hired vehicles.

Since we are having our own infrastructure, the own vehicle facility, wherever there is a peak demand in some of the sectors, definitely we can take that advantage and that will further add to our volume growth.

Considering the various cost structure, the change in fuel, or so many things, always we will monitor the expenditure very keenly on a monthly basis or regular basis. And we will try to maintain the EBITDA margins at least around 21% plus going forward. With these closing remarks, I would like to conclude this call. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your line.