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To,

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National Stock Exchange of India Limited
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Dear Sir / Madam,

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

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, as amended, please find the attached transcript of the Earnings Presentation call held on 8th August 2023 for your information and records. This information is also available on Company's website on below link:

https://www.vrlgroup.in/investor_download/Investor_Meeting_on_08_08_2023_Transcript

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY & COMPLIANCE OFFICER

PLACE: HUBBALLI
DATE: 10.08.2023



“VRL Logistics Limited
Q1 FY '24 Earnings Conference Call”

August 08, 2023



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

MODERATOR: **MR. ALOK DEORA – MOTILAL OSWAL FINANCIAL
SERVICES**

Moderator: Ladies and gentlemen, good day, and welcome to VRL Logistics Limited Q1 FY '24 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 then zero on your touchtone phone. Please note that this conference is being recorded. I'll now hand the conference over to Mr. Alok Deora: from Motilal Oswal. Thank you, and over to you, sir.

Alok Deora: Thank you, Neerav. Good morning, everyone, and welcome to the 1Q FY '24 Earnings Conference Call of VRL Logistics. So we have with us today Mr. Sunil Nalavadi, CFO of the company. I would now hand over the call to Mr. Nalavadi to give opening remarks and discuss on the performance of the company, and then we can take the Q&A session. Thank you, and over to you, sir.

Sunil Nalavadi: Thank you, Mr. Alokjee. Good morning to all participants. I am Sunil Nalavadi, CFO of VRL Logistics. I welcome all of you once again for the earnings conference call for the quarter 1 of FY '24.

At the beginning, I would like to inform you that this is a year start with standalone goods transport business along with other small business that is for the passenger by air. This passenger by air business consists of 1 aircraft, as informed the Board has approved to sell this business being an only unrelated business in the company. And accordingly, this business has been sold from July 31, 2023. During the quarter, the total revenue increased by around 11% from INR617 crores to INR683 crores on a year-on-year basis.

The increase in revenue is mainly on account of increase in tonnage to 1,020,000 tons from 940,000 tons, with a growth rate at 11%. The increase in tonnage is mainly on account of increase in branch network of the company. We added almost around 205 branches from April 2022 to June 30, 2023. And these branches have contributed approximately around 6% in booking tonnage and approximately 8% for delivery tonnage in quarter 1 of FY '24.

Our strategy of expansion of branch network is going to be continued and planning to add around 25% to 30% every quarter, especially the untapped market. Apart from the expansion in branch network, the contribution from the existing customers also supporting for our growth. Further, we are acknowledging that many of the customers are shifting from unorganized operators to organized operators on account of increasing compliance under GST law.

On the other side, due to delay in variance in the monsoon priority during the year, there are such as there were fluctuations in the demand from certain sectors, especially the agro-related products and consumer durables, and these products have not contributed as per our expectations.

And further, during the current quarter, we have implemented the bar code and QR code system for all our consignments for smooth and efficient movement of the consignments. We see some

initial interest, especially in our hubs, due to which there were some cases of delay in loading and unloading activities. On account of these interruptions is impacted on the growth in tonnage in the quarter to some extent, especially for the spot bookings.

Within the quarter, this project has been successfully completed. Now the entire operations earnings across our branches and transshipment hubs. During the quarter, the realization per ton is almost maintained. We have not increased any freight rate. And moreover, the other income increase as compared to the last year on account of one is around INR1 crores, INR1.5 crores on the profit on sale of certain old vehicles. And we received other incentives from OEMs also for the warranty period performance.

When it comes to EBITDA, it has increased from INR94 crores to INR110 crores, and percentage to revenues increased from 15.26% to 16.22%. The year-on-year EBITDA benefited from a decrease in fuel costs as a percentage to the revenue by almost around 1% plus. And the average procuring cost per liter of diesel has decreased from INR93 in Q1 '23 to INR87.54 in Q1 '24. The procurement for refinery is as a percentage to total quantity increase to 32% as of in the current quarter, whereas in the last year, same quarter, it was almost nil.

And apart from that, there are deductions in certain expenses, especially the lorry charges as a percentage to the revenue is reduced. The tyre cost is reduced, the cost of spare parts consumed is reduced due to increase in the kilometers doubled by the own vehicles.

Total charges as a percentage on the other side, certain expenditures are increased as a percentage to the revenue and impacted on the EBITDA margin. One is the toll charges increment. It has increased almost around from 6.9% to 7.76% on account of increasing toll prices as well as increasing the toll rate. The loading and unloading charges also increased by around 0.35% from 6.24% to 6.59% due to increase in hamaliya rates -- loading and loading charges rates at various places.

The rent expenses also increased from 1.8% to 1.97% as a result of addition of new branches and enhancement of spaces in certain key branches and transshipment hubs. The employee cost increased by 0.33% from over 15.95% to 16.28% on account of increase in the employee spend by around 1,100 people. And this is on account of increase in the branches and also internal promotions on selective basis.

The rest of the expenses were in line with the increase in the revenue and not impacted on the EBITDA margins. The EBIT of food sample segment is reduced from 9.86% to 9.06% on account of increase in depreciation. The depreciation and amortization cost has increased from INR33 crores to INR49 crores on a year-on-year basis. The increase in depreciation is mainly on account of increase in the capex and also increase in ROU as per Ind AS 116 on accounting of rental expenses of a long-term lease agreement centered for the enhancement in major management transshipment hubs as during the quarter.

The finance costs also increased from INR12 crores to INR16 crores, going to increase in debt to some extent and also increase in lease liability as per Ind AS 116 accounting. The profit before

tax we reduced from INR49 crores to INR46 crores, and as a percentage to the revenue reduced by around 1.22%. This is mainly on account of increase in depreciation and finance costs.

The profit for the quarter had been reached to around INR34 crores and which is reduced from INR36 crores on a year-on-year basis. And percentage to the revenues also dropped by around 1% and again it is mainly on account of increase in depreciation and finance cost.

Similarly, on a quarterly basis the goods transfer segment is -- the revenue is decreased by around 2% to 3% and this is mainly on account of decrease in the tonnage. And during the quarter the realization per ton is almost maintained. The EBITDA is decreased from INR118 crores to INR111 crores and decrease in EBITDA is mainly on account of to some extent the [inaudible 0:07:51] charges have been increased on account of disturbance in the operation on account of this bar code or QR code system introduction.

And the tyre cost also increased little bit on account of replacement of tyres on a periodical basis even for the new vehicles. The toll charges also increased on account of increase in the toll charges and toll booths. The loading and unloading charges again it is increased on account of increase in the loading and unloading rates.

The employee cost also increased a little bit in the current quarter. Again, this is only on account of the internal promotions on selective basis to the key employees. The rest of the expenses were in line with the increase in the revenue and moreover the fuel cost as a percentage.

On the other side, the certain expenses have been reduced as a percentage to the revenue and supported to increase in the EBITDA margins. One is the fuel cost which is almost reduced by again 1% and this is mainly on account of increase in the procurement from the refineries. This is almost increased by 7% on a quarter-and-quarter basis.

And also the fuel prices have been -- the procurement cost has been reduced from INR89 to around INR87.5 in the current quarter. Again the EBITDA margins of this segment affected mainly on account of depreciation and the depreciation increases only on account of increase in capex and increase in ROU and moreover finance cost also increases because of increase in debt to some extent and also increase in the lease liability as per IndAS accounting.

The profit before tax is again reduced by almost around 1.89%. This is only on account of -- to some extent, the EBITDA margins impacted and also on account of increase in depreciation and finance cost. The profit for the year -- for the quarter has been declined as compared to quarter-on-quarter basis. Again because of decrease in EBITDA as well as increase in depreciation and finance cost.

During the quarter we have invested around INR87 crores in capex and mainly in commercial vehicles and most of this capex has been increased -- incurred for the replacement of the existing capacity. The net debt of the company reached to around INR193 crores as of 30 June and considering our expansion plans in terms of expansion of branch networks, shift of customers from unorganized players to organized players, and increase in the fleet size, we are confident in our growth plans going forward.

We wish to state that we are adding another two-ohm fuel pumps in Delhi and Ambala. This will further increase the fuel purchase from the refinery, and which will further reduce the fuel procurement cost. And we are also expecting that the fuel prices are not going to increase in the coming days on account of lower crude oil prices as of now.

So, since the fuel cost is a major cost in operations, if it is in the controlling manner then definitely we can see there is some improvement in EBITDA margins going forward. Apart from that, the barcode or QR code system what we introduced for each and every parcel now we are having the codes so that it will increase a lot of efficiency in the system and the smooth flow of all the containment across our system.

This will reduce, increase a lot of operational efficiency especially the short or excess of materials in various places and to that extent whatever manpower we are deploying that cost can be minimized. And please note that the increase in depreciation and finance cost in the current quarter is fixed and periodical in nature. We are hoping that once our tonnage growth reaches at our expected level then these expenses as a percentage to the revenue will come down and further it will give boost to increase in EBIT and PBT margins.

With this, I wish to conclude my initial remarks. Now I request to the participants to open up questions-and-answer session.

Moderator: Thank you very much. We will now begin the question-and-answer session. First question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

Amit Dixit: Yes, hi. Good morning, everyone, and thanks for giving me the opportunity. I have a couple of questions. The first one is essentially on tonnage side. So, in this quarter, if you see there was an impact, as you mentioned in your prepared remarks on delay in loading, unloading and as well as aggro remaining a little bit soft. So how much can you quantify the impact if these things were not there, then how much tonnage would have gone up by?

Sunil Nalavadi: Yes, actually agriculture and the consumer durables, I can say around 1%, 1.5 percentage of tonnage has been declined on account of that. And moreover, about this QR code system, at least around 2% to 3% tonnage has been impacted. Most of the spot bookings are impacted in many of the bigger cities.

Basically, the booking branches and transshipment hubs, because of certain initial steps in the system, they were unable to move the containment. And to that extent, whenever spot booking customers comes actually because of these delays the booking have been shifted to other operators temporarily.

Amit Dixit: So it could have been around 5% is it reasonable to assume that?

Sunil Nalavadi: Yes, overall around 4%.

Amit Dixit: Okay sir. Second question is essentially on the vehicles. So if you look at the vehicles have been reduced mainly because we have procured vehicles and we have scrapped some. Now did it have

any impact on volume and profitability and when we can see, I mean, during the year vehicles increasing again for us?

Sunil Nalavadi: No, this has not impacted on any performance and other things. Basically, what we do every time, we conduct a lot of preventive maintenance in the quarter one before the rainy season starts. Every year it is. Now during that, what we did, whatever some major maintenance for the older vehicles, instead of doing preventive maintenance for those vehicles we scrap those vehicles. So that is the reason whatever vehicles have additions have been done so they are those are all replaced as the older capacity.

Amit Dixit: Okay so I mean during later the second half of the year possibly we will see...

Sunil Nalavadi: Yes subsequently this will be the additional capacity that is going to be in the system. The scrapping portion will be reduced to not be to the extent what we did now.

Moderator: Thank you. Next question is from the line of Mukesh Saraf from Avendus Spark. Please go ahead.

Mukesh Saraf: Yes, so questions first regarding the pricing environment. We took a 5% price hike in December, but I guess in the Jan, Feb, March period, we didn't see too much of an impact of that because we had to take some discounts etcetera. So now how is that playing out now this quarter how is it being the pricing environment any of those discounts still continuing and when can we see the effect of the 5% price hike we took?

Sunil Nalavadi: The discounting whatever the same prices are continued even in quarters 1 also that is the reason if it is a realization per turn that is almost maintained. So the same strategy is going to continue even during coming quarters. So the realization overall basis it will be maintained.

Mukesh Saraf: Okay, all right. And secondly, sir, this from 1st August, the key invoicing threshold is now further reduced to INR5 crores. So in this first week of August, have we already started seeing some shift again from unorganized to organized? I mean, what is the impact we've seen so far in August of that threshold coming off?

Sunil Nalavadi: Yes, basically on certain products, again, which were dependent on unorganized players, most of those sectors are interacting and coming forward for booking in our places, in our branch offices. And definitely this will support us and see FICO's between this INR10 crores to INR5 crores there are you know huge number of customers in the system so those are going to be shipped to us gradually.

And especially in this textile market and all dry fruits market and even in leather products actually we are conducting this meeting, association meeting at various places. See all these traders are having association in a local place, actually our management is going and meeting these people, especially the marketing team. So that lot of inquiries on -- we will sometimes management calls me directly from the meeting places about the inquiries on the customers on this front. So definitely it is going to help us.

- Mukesh Saraf:** Right, right. Understood. And so I think until last quarter and the last quarter you had provided some color on the geographic volumes, East, West, North, etcetera. So if you could give for the first quarter how that mix has been for us?
- Sunil Nalavadi:** Mix is very much similar to what I stated. Almost around 30%-35% is from the South origination I am saying. Again around 20%-22% from the North and east and remaining from the north and west and remaining from the eastern.
- Moderator:** Thank you. Next question is from the land of Hirenkumar Desai, individual investor. Please go ahead.
- Hirenkumar Desai:** Yes. First question is, during the month of July and maybe part of August, was there any impact of this flooding situation in many parts of North and Western India?
- Sunil Nalavadi:** Yes, to some extent it affected in July, but in August actually the momentum is very good. For the last one week we are expecting them.
- Hirenkumar Desai:** Will you be in a position to indicate like what kind of impact it may have on overall volume?
- Sunil Nalavadi:** Around 1% or 2% not beyond that.
- Moderator:** Thank you. Next question is from the line of Suraj from Sampada Investments. Please go ahead.
- Suraj:** How much reduction in turnaround time do you expect from the implementation of QR code and bar codes?
- Sunil Nalavadi:** Yes, especially for the loading and unloading, at least we used to take around four to five hours in the transit meter for each vehicle. So now what is happening, the time is reducing almost around 3, 3.5 hours initially and further we can reduce it.
- Suraj:** So have you implemented this at pan India basis or we have just implemented it?
- Sunil Nalavadi:** Yes, it is for each and every consignment movement across the company.
- Suraj:** Okay. And so, are you still giving discounts to the branches, new branches that were opened last year? The first set of new branches that were opened when we embarked upon this expansion plan. So, are we still getting discounts in those branches?
- Sunil Nalavadi:** Yes. We set the rate at the time of beginning. But still, those rates are continuing. There is no revision in the rates.
- Suraj Nawandhar:** So we still haven't got the required amount of volume that we would want?
- Sunil Nalavadi:** No, we got the required amount of volumes. But what is happening further, the revision will take place normally whenever certain -- see, from April, we plan to increase. But considering again the volumes, what we are facing and again we hold back, that increase in the price rate. And going forward, we are looking for this season now, how it is going to be turned. And depending

on that on a periodical or some selective routes, which is we may increase the rate. But as of now, the same rates are continued.

The internal cost process is there to analyze the, which are the route and the product was analysis is happening. And the branches performed very well. So as I said, around 6% of the tonnage is in the current quarter came from these new branches alone.

So the tonnage is coming as per what we better than what we expected. And the rate -- freight rates, we have not taken a call to increase in those routes.

Suraj Nawandhar: Is it because of the competition that we are not increasing rates or we are just not... No, not a competition.

Sunil Nalavadi: No, we want to customers stay with us for a longer term. Normally, we see what will happen, at least we are to maintain around a period of 12 months. So that confidence will come in the minds of the customers.

Suraj Nawandhar: Okay, sir. No problem. Thank you and all the best, sir.

Moderator: Thank you. Next question is from keshav from VT Capital. Please go ahead. Keshav may I request you to go ahead with your question please. We move on to our next participant. Next question is from the line of Krupashankar from Avendus Spark. Please go ahead.

Krupashankar NJ: Yes, sir. Thank you for the opportunity. A couple of questions from my side. First is on the tonnage growth guidance. So given that, the first quarter has been relatively weaker and agree it's also seeing a fair bit of slowdown then given that I also contribute roughly about 10% of our portfolio. Do you intend to revise the guidance for the tonnage to some of those? Or would it more or less be offset by the incremental new customer addition?

Sunil Nalavadi: Basically, now after this -- the new invoicing policy has been changed now, that has been reduced to INR5 crores between from INR10 crores to INR5 crores from others to one. That is one.

And second thing, whatever tonnage is impacted in the quarter 1, these are having a specific reason. And we are not seeing that those reasons are going to impact further in the quarter 2 or going forward. So that's the reason. Because of these two reasons, we are hoping that definitely, the tonnage will bounce back in the coming quarters.

So definitely, on a year-on-year basis, we are hoping at least around 15% plus tonnage growth, we are expecting.

Krupashankar NJ: Got it. And the second question was on the scrappage. Do you have a number in mind for the number of scraps, you will be scrapping this year?

Sunil Nalavadi: No. I'd say that, we cannot define in advance. But however, around 900-plus vehicles still we are having more than 15 years.

Krupashankar NJ: Okay. There is no state plan as such that 400.....

- Sunil Nalavadi:** That policy is also not compulsory now. It all depends on the status of that particular vehicle. If any major maintenance, major expenses done in scrap. otherwise, this will continue with those things.
- Krupashankar NJ:** Understood. And last question from my side is on the hub release agreement were in which you had was renewed. Would it be possible to share, what is the location at which the new agreement was reviewed -- and can we expect any other major leases to get renewed over a period, which will drive up the ROU component?
- Sunil Nalavadi:** The major revision in the hubs in the country; one is Delhi, whatever is the new expanded area, we look at still almost around additional -- existing, we were having around 2.5 to 3 lakhs square feet godown. Now that another 2 lakh square feet area of warehouse has been added in the Delhi. So that is one.
- And in Hubli also, the existing premises were, we are having the one facility, this was -- we were unable to handle the volumes. Then again, we have taken an additional 1 lakh square feet area has been planned in Hubli. Similarly, like Pune, Ahmedabad, Raipur, Salem, Chennai we did, Kanpur, Patna we did, Guwahati we did, Siliguri, Cuttack, Ludhiana and Madurai.. Here are some of the key places.
- Krupashankar NJ:** So there is no major hub, which we perhaps lease can get renewed due to which, there can be substantial spike? Maybe addition will come in to support the tonnage growth, but nothing which can drastically change?
- Sunil Nalavadi:** No. See, Delhi is a major impact in the current quarter. It was almost addition of another 2 lakhs square feet. That impacted a lot of the ROE on the lease liabilities.
- Krupashankar NJ:** Understood. Thank you and all the best, sir.
- Moderator:** Thank you. Next question is from the line of Keshav Bagri from VT Capital. Please go ahead.
- Keshav Bagri:** Sir, my first question would be like, we know that there is a big disruptor for logistics as an industry and we are seeing in each slides and all the disruptions happening in the world right now. So have seen impacted our numbers and volume terms like you just mentioned, it impacted in the range of 20%. So in branch addition, have it impacted that as well?
- Sunil Nalavadi:** Sir, your voice is not clear. Will you...
- Moderator:** Is it possible to speak through the handset please?
- Keshav Bagri:** Yes, of course. Is it now? Is it okay now?
- Sunil Nalavadi:** Yes.
- Keshav Bagri:** So my question is on the fact that, we know that weather is a disruptor for logistics as an industry and we have seen recent disruptions happening in Gurgaon as well. So you just mentioned that, tonnage might be impacted by 2%- 3% at max. So what is the outlook on branch addition? Has it been affected as well?

Sunil Nalavadi: Yes, branch addition every quarter, we are planning to add around 25-30 branches. That plan will continue.

Keshav Bagri: Okay, and so the second question would be, you have mentioned in your previous talk that you are targeting a volume growth of around 18%- 30% for the year and this would translate to revenue growth as well because we are not planning for any price hikes. So are we confident of maintaining this guidance or do we want to increase or reduce the guidance?

Sunil Nalavadi: No, previously I mentioned that, the tonnage growth will be upward to the 15%. That is maintained.

Keshav Bagri: Okay. And so like you mentioned that, consumer discretionary and other sectors, which have actually outperformed, like underperformed your tonnage expectations. So are there any specific sectors, which have really performed well more than what you expected them to?

Sunil Nalavadi: Yes, the performance, there are certain commodities, we performed well, especially just a minute. This is some of the automotive spare parts and other things, we performed better. And similarly, in the hardware items actually, the performance was better.

Keshav Bagri: Okay. And sir, any capacity utilization numbers and capex numbers for this quarter?

Sunil Nalavadi: Yes, every quarter, the capex will be in the range of around INR85 crores to INR90 crores, that is going to continue.

Keshav Bagri: And capacity utilization?

Sunil Nalavadi: The capacity utilization again the vehicle action will be based on the increase in the volume, so based on the requirement. See always our capacity action will be based on the growth in the connection. So always it will be with 100% utilization.

Keshav Bagri: And from the last question would be like, we are adding branches to tap in more into hinterlands and getting new customers. Apart from adding branches are there any conscious efforts, which are undertaken by the company to add more customers and make sure that, the existing customer also increase their volume with us?

Sunil Nalavadi: Yes. Basically, what we are doing, we are approaching this MSME and small SME customers because of this reduction in the e-invoicing policy from INR10 crores to INR1 crores -- or INR5 crores from this August 1. We are approaching a lot of these associations, like the Cloth Merchant Association, Dry Fruit Merchant Association, and there are some good leather product association, especially in UP and surrounding area.

And recently, our management did the Customer Association meeting in Srinagar as well. So basically, we are going to various places conducting this association meeting, and the many people are having a lot of confusion about the compliances as of today. So we are giving confidence to the customers that once they ship to us, definitely, we will take care of the compliances. So all this confidence we are building and we are putting some competitive rates also on the initial time, especially in the untapped market. These are all efforts we are doing.

And wherever we are doing the promoting the people, especially we did in this quarter, we are giving a lot of additional responsibility for them. And most of the promotion happened in the operational and management team, to focus -- sorry, operational and the marketing team. So this intentionally, we did this kind of a promotion to give a lot of responsibility to these people to increase the business. To increase the volumes to go and approach to the customer. That's the reason. These are all in addition to that, we are putting all these efforts.

Keshav Bagri:

Sir last question would be realizations are expected to remain flat for the year? Or we are planning to take some price hike or something on some selective routes, specifically?

Sunil Nalavadi:

Since see, selective price increase and decrease, it is a continuous exercise. But overall, the relation will not change. And basically, since the fuel price is under control and even we are taking the initiative to reduce it further. Anyway, it is the internal policy that the purchase of the refinery and other things. But even on the market set the government also not increasing much of a fuel price because of the crude oil prices are under control, and even the election is due now. I don't think so the fuel price is going to be increased in the coming days.

So because of that, see everybody -- if we increase the rate, then everybody will ask about what is the same in the fuel price. They will not consider increase or decrease in other expenses. Considering this environment of this scenario, we are not going to change or increase the rates.

Moderator:

Thank you. Next follow-up question is from the line of Hirenkumar Desai, an individual investor. Please go ahead.

Hirenkumar Desai:

Yes. My next question is since we are doing a lot of capex buying new vehicles and all that. Will you be in a position to approximately give a number to interest outgo and depreciation numbers on a quarterly basis?

Sunil Nalavadi:

Yes. Basically, the interest cost will not increase because of the capex. Because most of the capex we are going to incur through internal accruals. Even in the current quarter, if we see we did a capex of around INR85 crores, but that is increased hardly around INR25 crores to INR30 crores. And apart from the capex in the current quarter, we also funded for the buyback of shares in the current quarter. Because say around INR61 crores has been utilize for the buyback of shares as well. So basically, on account of this, around INR30 crores debt is increased.

Going forward, since there are no these kind of outflows and the entire cash generated by the business will be utilized for the one -- first for the capex and then if any surplus then it will be utilize for the repayment of existing debt.

So considering this scenario, if we incurred even capex of around INR85 crores to INR90 crores every quarter, the debt will not increase. So if debt will not increase, then interest cost will not increase. But depreciation on this is anyway, it is going to come through additional around INR2 crores to INR3 crores additional depreciation cost is going to come.

Hirenkumar Desai:

Okay, so this quarter if I see it is INR49 crores. Will it remain around this number or will it go up a little bit?

- Sunil Nalavadi:** Around INR1 crores or INR2 crores increase will be there.
- Hirenkumar Desai:** For next -- and one more question is, so we have ordered this new vehicle. By when is the entire stream of supply getting over, like when are we likely to hit that maximum capacity, hope so?
- Sunil Nalavadi:** No. We are planning to add this capacity in the current year itself. Again, as I said, it completely depends on the increase in tonnage also. Unless these vehicles are required in the system we will not buy the vehicle and keep idle capacity. So, it depends on how the quantity increases. See, now we are expecting year-on-year basis around 15%-plus on a cumulative basis. So, that much of additional capacity will be brought in.
- Moderator:** Thank you. Next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.
- Alok Deora:** Yes, I have just one question. What is the branch addition we are looking at in this financial year?
- Sunil Nalavadi:** Every quarter around 25 branches to 30 branches.
- Alok Deora:** And sir, last year you had mentioned that branch turnaround time is taking nearly three months to four months. So, that's the run rate now also or it's gone slow now?
- Sunil Nalavadi:** No, no. It is maintaining at the same time period. Wherever we are opening this untapped market, the performance of those branches are very good. And even on an overall basis, if you see in current quarter, around 6% of the growth is only on account of this addition of 200-plus branches over a period of last one year.
- Alok Deora:** Sure. And this year you mentioned about 15% volume growth. So similar number would be there for next year as well?
- Sunil Nalavadi:** Yes, next year also. At least around two to three per year we are having this guidance and this Q1 is on a specific reason, because of some internal modification in the system and all. But in long term it will give lot of efficiency and even control on the operational manpower definitely it will bring lot of control on the manpower also in the operational process. The bar coding and QR code what we implemented in the current quarter. But one time we have to do this because to bring that much of efficiency in the system. Otherwise, the growth will be normal as per our expectation of at least around 15%-plus.
- Alok Deora:** So, just last question. So, our margins have come down from 16%-plus to nearly 15%-plus now. So, we will move back towards 16%, 17% or what's the target now? Because what we understand is that...
- Sunil Nalavadi:** One, the EBITDA margin will support going forward the fuel price. Basically, that currently around 35%, 36%, almost around 37% we are buying from the refinery. After addition of these two firms, again, it may reach around 40%, 45% from the refinery alone. So, definitely there again the cost is difference is increased. Earlier the savings was around INR2. Now we are saving almost around INR3-plus, compared to the market price versus the fuel worth we are purchasing from the refinery. So that is going to help us to increase the EBITDA margin. And moreover,

the bar coding system what we could again it will give you a lot of efficiency in the operations. Again, that will give boost to increase the EBITDA emerging going forward. So we are hoping that definitely the EBITDA margin will be better than this quarter going forward.

Alok Deora: Okay. So that's all from my side. Thank you, sir.

Sunil Nalavadi: Yes.

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

Sunil Nalavadi: Yes, thanks for all the participants. Basically, as I mentioned one is our tonnage growth will be intact going forward and also the EBITDA margins will be better than what we achieved in the Q1. So with this I thank so much all the participants and conclude my presentation. Thank you.

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