"TCI Express Limited
Q2 FY2024 Earnings Conference Call"

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MANAGEMENT: **MR. CHANDER AGARWAL – MANAGING DIRECTOR**

MR. MUKTI LAL – CHIEF FINANCIAL OFFICER

MR. PABITRA PANDA – CHIEF OPERATING OFFICER

MR. HEMANT SRIVASTAVA – CHIEF OPERATING OFFICER, EXPRESS BUSINESS (NON-SURFACE)

Moderator: Ladies and gentlemen, good day and welcome to the TCI Express limited Q2 FY2024 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

This conference call may contain forward-looking statements about the company which are based on the beliefs, opinions and expectations of the company as on the date of this call. These statements are not guarantees for future performance and involve risk and uncertainties that are difficult to predict.

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 call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is now being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital. Thank you and over to you, sir.

Vikram Suryavanshi: Thank you, Rohit. Good evening and a very warm welcome to everyone. Thank you for being on the Call of TCI Express.

We are happy to have the management with us here today for a question-and-answer session with the investment community. Management is represented by Mr. Chander Agarwal – Managing Director; Mr. Pabitra Panda – Chief Operating Officer; Mr. Mukti Lal – Chief Financial Officer; and Mr. Hemant Srivastava – Chief Operating Officer for Express Business (Non-Surface).

Before we start with the question-and-answer session, we will have opening comments from the management. I will hand over the call to Mr. Chander Agarwal for opening comments. Over to you, sir.

Chander Agarwal: Thank you. Good evening and welcome everyone to Q2 and H1 FY2024 Earning Call of TCI Express Limited. I would like to thank all of you for joining us here today.

To start with, I will give an overview of Industry developments and business performed and then we will hand over the call to Mr. Mukti, our CFO to brief on our financial performance for the quarter and half year financial year 2024.

Our Earnings Presentation and Press Release has been uploaded on the website in stock exchange. I hope you all had a chance to review it.

We are delighted to announce that TCI Express delivered another quarter of consistent performance with improved sequential margins. The growth and margin improvements during the period were primarily driven by execution and acceleration of automation and steady demand from the MSME sector which has witnessed a strong uptick in last few quarters.

In line with our reflection of our performance and shareholder friendly capital allocation policy, the Board of Directors have recommended an interim dividend of Rs. 3 per share and a payout of 150% of the face value, reaffirming our commitment to delivering value to our shareholders.

Coming to the business update, I am pleased to announce the appointment of Mr. Hemant Srivastava, as Chief Operating Officer of Express Businesses (Non-Surface) of TCI Express. With a distinguished career spanning two decades at the TCI Group, he has undertaken diverse and impactful roles in finance and management including positions as a Zonal Manager and Regional Express Manager. Under his capable experience leadership. Mr. Srivastava will head an independent team responsible for overseeing (Non-Surface) Express Businesses, which also include the new business verticals ushering into a new era of innovation and excellence within TCI Express.

As far as our future focus is concerned, we will continue to invest in technology and automation to drive more efficient operation to provide superior customer service. We are on the track to complete automation of our Pune Sorting Center by March 2024.

During the first half of FY2024, we have incurred a total capex of Rs. 21 crore, which has been primarily spent towards expansion of branch network, automation and construction of sorting center. These are integral to our goal of improving operational efficiency in customer service.

Additionally, we have expanded our footprint by adding 12 new branches during H1 FY2024, deepening our presence in key business geographies. This expansion not only enhances our market research and reach but also improves accessibility to customers making us more agile and responsive to their needs. Our newly launched services are growing strength-to-strength, and we expect service offerings to contribute productively to the top line in the forthcoming quarters, enabling us to deliver higher business volume and margin levels.

From a balance sheet perspective, we continue to maintain a strong capital structure providing us with financial flexibility to focus on balanced capital allocation. Looking ahead, we were optimistic about the industry's potential, and we also look at the half year H2 being better than H1 as the volumes have started picking up already.

At TCI Express, we believe that sustainability is essential to our long-term success. In recognition of our set past commitment to sustainability, we are happy to share that TCI Express has received the esteemed title of “Sustainable Organization” from Economic Times for adopting sustainable practices and promoting environmental consciousness.

Our growth strategy remains focused on achieving a balanced growth of revenue quality, expanding margins and ensuring sustainable returns on capital. With our unmatched combination of skill, expertise, and technology, we are well positioned to capitalize the growth opportunities presented by the Indian economy and the evolving logistics landscape.

Now I would like to hand over the dais to Mr. Mukti to talk about the financial performance of the last quarter.

Mukti Lal: Good evening, everyone. Now I would like to discuss the financial performance of the company. Our Managing Director has already highlighted the achievements of during the quarter, and I will delve into the financial aspects.

During the quarter, our revenue from operations stood at Rs. 320 crores for Q2 FY2024 as compared to Rs. 305 crores in Q1 FY2024 and Rs. 310 crores in Q2 FY2023. The total income for the quarter was Rs. 322 crores as compared to Rs. 306 crores in Q1 FY2024 and Rs. 312 crores in Q2 FY2023, registering a sequential growth of 5% and 3% on year-on-year basis.

Despite the delay in the festive season, we witness an improvement in EBITDA and PAT margin on a sequential basis. The EBITDA for the quarter stood at Rs. 52 crores registering a sequential growth of 9% with a margin of 16.2% and PAT for the quarter stood at 36 crores with a margin of 11.1% compared to a Rs. 32 crores and margin of 10.6 crores in Q1 FY2024.

Overall, the income for the H1 FY2024 stood at Rs. 628 crores as compared to Rs. 605 crores same period last year registering a year-on-year growth of 4%. The EBITDA for the period was Rs. 100 crores with a margin of 16% and profit after tax was Rs. 68 crores with a margin of 10.8%.

With the festive season on the horizon and resilient domestic demand, we are optimistic of higher capacity utilization, better contribution from our new offerings like rail, cold chain pharma, C2C etc. The impact of these changes will be reflected in our financial performance in the forthcoming quarters. Our commitment remains rooted in balanced growth and revenue quality. We are dedicated to expanding our margins and ensuring a sustainable return on capital.

Thank you everyone, and now I would like to open the floor for question-and-answer. Over to you, Moderator, please.

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

Amit Dixit: I have a couple of questions. The first one is on the appointment of five senior management personnel. While you mentioned Mr. Hemant Srivastava's role, just wanted to understand in greater detail about the other key personnel, the specific responsibilities that they would be expected to shoulder. As well as in Non-Surface Express for which Mr. Hemant Srivastava is the guardian, would like to understand the broad contour from this business, what kind of revenue we expect, what kind of contribution margins, one or two years from now?

Chander Agarwal: I think there is some confusion there. Not five new people. It's only Mr. Hemant Srivastava who has been appointed.

Amit Dixit: Because the release mentions five. So, that's why I was asking about it.

Chander Agarwal: So, probably it's five. I have to check again, but the five are the products.

Amit Dixit: There are five people mentioned in the release. Anyways, if you could just highlight the broad contour of this Non-Surface Express Business, because that seems to be a focus area and the growth also you have mentioned in the PPT is also attributable to the better traction on non-Surface Express. If we could get some specific revenue targets you might be having in mind at this point in time, the growth that you see. With the appointment of Mr. Srivastava, I think, the focus is in a more acute manner towards this particular business vertical?

Chander Agarwal: We have thought that these products will be part of the business, overall business of at least 25% in the next couple of years, but we are also wanting that it will become half of the business in going forward in the next six to seven years.

So, I think this will give us a very good chance to grow the company with a straight direct management control and, of course, this will be very new, because I don't see any other logistics company do like that, any other Express company focusing so much on development of the new products like that. If you see competition also, nobody is that focused to have just defined people for their products which has substantial growth prospect.

Amit Dixit: The festive season this time around is little bit back ended. So, what kind of volume growth for the year can we expect? And what segments do you see particularly going into second half that would contribute to this growth more?

Mukti Lal: Basically in this second half of FY2024 would be much better, and we will be looking whatever guidance we have given, we are aligned with that, and we will be achieving a very great revenue growth in remaining two quarters. I would like to mention one thing here, in this quarter, we could have also achieved slightly higher growth because the pre-festival month has been shifted to this October and that's why we will get the benefit in this Q3 FY2024. So, in Q3 and Q4 FY2024, we will have higher growth and we will achieve the volume whatever we committed to that.

Moderator: Thank you. Next line from Alok Deora, Motilal Oswal. Please go ahead.

Alok Deora: Sir, just wanted to understand what the volumes would be we would have done in the Q2 FY2024?

Mukti Lal: Volume we have taken 2,52,000 tons in this quarter.

Alok Deora: Earlier we had mentioned a double-digit growth in for FY2024. Now in the first half we have done like around a 3% to 4% growth on average. So, even if you were to do like a 10% - 11% growth in the remaining two quarters, we will still be like ending the year with a 6% to 7% sort of a growth. So, just wanted to understand what's the growth number we are looking at for this financial year?

Chander Agarwal: I don't see any change in our numbers in whatever numbers we had set out for because the economy is again, it's very fluid. It is not as what we project how it is and suddenly nobody could imagine that the automobile sales are through the roof and it's such things are very dynamic now. I don't see any sort of like change in the way the company has given out its growth plans.

Alok Deora: We saw decent margin Improvement coming in despite the kind of subdued growth. Margins are nearly at around 15.8% at the EBITDA level. What's the trajectory on margins going ahead once we gain even higher volumes in Q3 and Q4 FY2024?

Chander Agarwal: Definitely, I am going to be seeing the margins improve in the second half year for sure.

Alok Deora: If you could just highlight again on the Capex for this year?

Mukti Lal: On Capex side, we are in line. We spent Rs. 20 crores in the H1 FY2024. The second half would be like again around Rs. 60 crores. So, I think we will finish this year around Rs. 80 crores.

Alok Deora: Similar number next year also? It could be slightly higher.

Chander Agarwal: We will have around again Rs. 100 crores target. Mainly through internal accruals only as usual.

Moderator: Thank you. The next question is from the line of Akash from Dalal & Broacha. Please go ahead.

Akash: My question is more from the industry point of view, wherein we are seeing the good growth in the number of E-Way Bills that are being generated. There's again good growth when we are seeing our competitors as well the likes of Gati and all have posted good numbers on a month-on-month and even on a Y-o-Y basis. So, why are we struggling to grow and are we losing market share here?

Chander Agarwal: I cannot talk about what a company is giving out month-on-month till I see the end result what comes out. So, I think you should wait and see what the final result comes out, and then I think that question will be answerable.

Akash: Are we losing market share, sir? Because everyone is posting double digit growth when it comes to logistics. I was just a bit caught up by TCI.

Chander Agarwal: You can tell me which company is doing it, let the results come out and then we will talk. Because for the first 10 months we are giving out results, right?

Akash: Yes, correct.

Chander Agarwal: Then please have a comparison and then you see.

Akash: The other companies give business updates. So, they have already given a business update for this quarter.

Mukti Lal: I have also seen their like Q1 FY2024 numbers and they were not matched up what they have shown in their volume numbers and subsequently revenue numbers were saying different story. So, it may not mean the volume has grown, so their revenue has also grown. So, we don't see whether is like match to these numbers with revenue or not. If you see, compare their numbers in Q1 FY2024, you will have your answer on yourself.

Akash: I am not only speaking from a peer side point of view. I am speaking on the whole India, like even the E-Way Bills have grown at a 15% plus rate, right, if you look at a Y-o-Y number.

Chander Agarwal: E-Way Bill is like this is a barometer of that, but it does not mean Express industry is also like growing in the same way of that. We are majorly driven by manufacturing happening in India. That number you can see manufacturing is not as great what everyone has anticipated for this year actually. The second thing is it’s also important that what segment we are really in. If these segments are like really no such thing happening in these segments or not, that is also very important. So like plan, but you will have to see the E-Way Bills is not giving any sense of that growth here in link to this Express industry.

Akash: Like you reassured earlier that you are sticking to the guidance that you had given earlier this year, so where do you see the growth coming from, let's say, for the next half of the year and even FY2025, where would the growth come for TCI?

Pabitra Panda: We see a strong demand from our existing customers, specifically this festival season. Garment is doing in this month, you can see more than 20% this lifestyle products, that is also growing. Even consumer durables are growing, and our major source of business is pharma and auto are stable, and this second half that is also about to grow. So, these are the sources, and this new product will also grow. This is a basic source of business growth.

Moderator: The next question is from the line of Krupa Shankar NJ, Avendus Spark.

Krupa Shankar NJ: My first question is, can there be a breakup provided in the end user industry? For example, right now it was mentioned that lifestyle, consumer durables, pharma and auto, can there be a proportion shared for the current first half performance?

Pabitra Panda: Our Auto and Pharma vertical have stable business that is growing, and the second half we will seeing better growth. And this garment and lifestyle, these are not that much grown in first half. There was not that much pick up, but in the second half, all our customers are doing well, and we see a better proportionate contribution.

Krupa Shankar NJ: What I was more referring to this, the existing contribution of these end user industries to your overall revenue based on the first half performance or FY2023, if you can share. What would be the contribution with respect to either tonnage or revenue of, let's say, Pharma and Auto, consumer durables, and lifestyle and garment?

Chander Agarwal: Around revenue share wise we get percentage wise; it is roughly 17% - 18%, that is Pharma and Auto, that we do, and garment and lifestyle, these are up to double digit, but these are in top five.

Krupa Shankar NJ: And that is going to grow.

Chander Agarwal: Then that is going to grow more.

Krupa Shankar NJ: Then with respect to the asking rate in the second half, it's looking quite steeper, while I do understand that in the third quarter that the base effect would result in a strong, healthy growth, but still fourth quarter also has to fire all engines for you to achieve your guidance. So, just wanted to understand that is this primarily only going to be a function of base or is it also a function of new branch additions? Because I could see that you added 12 new branches. Is there any incremental contribution coming in from new geographies or new services for that matter?

Chander Agarwal: For new services, we have appointed Mr. Hemant as COO, he will be responsible for even more growth in the coming quarters and thereafter onwards. So, yes, our quest is to open the branches. We will open another 10 to 12 branches depending on the scope. We have done basically realignment also of the network by having the own manpower for the new products and also shared branches in the main locations of business for the new products. So, this sort of like focus way and focus approach of generating more business from the new products has been activated and it will reap results in the short and long term.

Krupa Shankar NJ: Last part from my side, if you can highlight on the Sorting Center side, has it the benefits of the automation is started reflecting in your margins and incrementally it's more going to be more of operating efficiencies? Is my understanding correct or there is further scope for contribution?

Chander Agarwal: Operation margins and operation efficiency will relate in better higher business revenue and better profitability. That's for sure, because we have such amazing highways, I have always said, but our quality of trucks is really not up to the mark. Therefore, we have to see that how we can really make the difference of reducing the transit time in India and also delivering faster to the customer.

All these things have started, everything takes time here in India, and it's not like you putting up a plant or something that gets ready in six months, and you are ready to go. Our Pune Sorting Center will be up in by March 2024 and thereafter, we will definitely see the dual effect of these sorting centers. I think connecting the two most important golden points in India for business, north to west, will be one of the most important aspects in any operational organization structure.

Moderator: The next question is from the line of Kunal Bhatia from Dalal & Broacha Stock Broking. Please go ahead, sir.

Kunal Bhatia: Couple of questions from my side. One is, I just wanted to know this time our utilization was approximately 84% for the entire quarter. So, if you could just give some sense on how did it moved on a month-on-month basis? What was it at the start of the quarter, middle, and end, if you could give us some sense on that?

Mukti Lal: So, basically, utilization level is increasing with the business is increases and this good thing is happening in this year like we are growing sequentially, and that's why in this quarter is higher than last quarter. It is around 84% and monthly in last September, it was around 84.5%, and last two month is around 83.5%. In October month it will be like 85% utilization level and so on.

Kunal Bhatia: In terms of the since we are already 18 - 20 days in the current month, what is the kind of growth or volume pickup you have already seen in terms of the numbers and also meaning just a rough back of the envelope calculation if one does, even if you want to grow say 10% the first double digit number on the overall basis for the year, we will have to at least cross the 14% to 15% mark for H2 FY2024. So, how confident are you to go on that line?

Mukti Lal: That answer already we given two times. So, I think we can also discuss it separately.

Kunal Bhatia: Any price hikes we have taken in the current quarter?

Mukti Lal: Yes, that is actually in last quarter we taken kind of 1% price hikes, and also in this quarter around half basis point we already taken, and we take a target for this year to increase prices by almost 2%. So, we are aligned with that, and we will shortly achieve 2% price hikes target in this year.

Kunal Bhatia: Finally on the value-added business, what was the contribution in this particular quarter vis-à-vis the same quarter last year?

Mukti Lal: The same quarter there was a contribution of around 15.5%, and now it is a 17% of overall revenue.

Kunal Bhatia: Generally, this value-added business, H2 FY2024 would have a higher contribution? How has been historically the case?

Mukti Lal: Basically, air and rail express business obviously is getting more margin than surface. Not like much but yes, it is slightly higher than that.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities Private Limited.

Jainam Shah: My question relates to the branch addition that we have done. We have added somewhere around 12 branches this H1 FY2024. Just wanted to know in which part of the country it has been added? And you have initially given the target of 50 to 75 branches addition for FY2024. So, are we on track to have that 50 - 75 branches given that 2H would be having major branch addition?

Mukti Lal: We have taken a target to be added like 50 to 75. We have already added 12 branches. Major branches we have opened in West and North India, and in this year second part of India we also plan to open around 25 to 30 branches. The basic reason why we are not opening up, so we really not opening up without any study of these branches. So, wherever opportunities come, we are opening the branches. Somehow, we are not seeing any growth aspect. It's not just about opening branches for the sake of it; we want to ensure growth potential before expanding further. Not any specific reason for that.

Janam Shah: If you see the contribution of the newer businesses that we are having Rail Express and all other businesses, and if we exclude that from the revenue, then for on a Y-o-Y basis, revenue has not grown significantly, and despite we have added almost like 30 - 40 branches over a period of time. So, on a Surface Express, our volume has been Stagnant for a Y-o-Y basis. Of course, there could be some festive impact last year which has not come this year, but overall, how we are looking at the Express industry going forward? Is it going to be a challenging year specifically for the Express industry as compared to the LTL or something?

Chander Agarwal: I don't think it will be a challenging situation for the Express industry because again, if we are in challenged, then the whole economy is challenged, very simply put. If we see that the logistic sector is not growing is not because there is a problem with the company, is because of the problem with the economy, simply put. I am talking not just for my company for TCI Express, but I am talking for everyone. That makes a big difference is how the demand is playing out, how the supply is playing out in overall the micro and the economic situation.

I think a lot has to play when it comes to logistics, not just a few factors for turning up 15% to 16% EBITDA and we still have capacity to grow. So, I you can see very nicely that it's been cyclical because of the demand, a sudden rise in demand, then demand flattened out and then again, the growth will start. I mentioned this also in the last quarter that the high base created from COVID now is flattening out and then the growth will start. It's obvious. That's how the economy works.

Janam Shah: Basically, we maintain that 2x of GDP guidance for the industry and which is we have seen in the past as well.

Chander Agarwal: Exactly.

Moderator: The next question is from the line of Ravi Naredi from Naredi Investment Private Limited.

Ravi Naredi: Our Gurgaon Sorting Center I visited with help of Mukti Lalji. Thanks for the assistant and the working we saw is tremendous and will grow in time to come, we are sure for that. How Sorting Center, we may work for daytime only, so in nighttime only, can we improve to daytime also?

Chander Agarwal: It's a very valid question but it is not required because operation is efficient in the night time. Then it is no use hiring extra labor and extra costs for what? It is not like the whole idea of automation is to reduce the cost, the time it takes to corporations reduce the manpower. So, all that is achieved. So, we don't want to go back reverse and add more manpower unnecessarily just because it's not idle in the morning.

Ravi Naredi: You always said earlier that rise in GDP will boost our business, but in last five quarter we barely grew and increase in margin will also not there. So, can you tell the specific reason?

Chander Agarwal: It's a very simple thing. Again, economic growth is very critical and depending on how and which sector of the economy is growing, we must study that carefully. We are pretty much the barometer of the manufacturing sector of the economy, and when we see that past, I have been noticing also that last year things have not been great for the country, and again, one of the main reasons is because of the economic cycle. You know, in COVID, it became negative. Then it suddenly shot up because of low base. Then it simmered down. It started flattening out, and then it's going to go up. It's a normal thing. It's nothing wrong with the company or any wrong strategy that we have taken Rs. 1,000 crores loan or anything like that. So, I think we have very strong fundamentals, and everything is still very strong. So, there is nothing to worry about but just wait and watch. That's all.

Ravi Naredi: That is important, and we wish all the best and Happy Diwali to all of you.

Moderator: Thank you. And the next question is from the line of Mayur Parkeria from Wealth Managers India Private Limited. Please go ahead.

Mayur Parkeria: Sir you mentioned right now and couple of times that we are more linked to the manufacturing side of the economy and rightly so the Q2 GDP for manufacturing was in the region of 4%. So obviously, how does that percolate down at the company level? We would expect slightly better numbers because we have execution capabilities, which is more, and we are a more efficient company. But having said that, will it be right to say that even with the export side of manufacturing, which is doing better, we would benefit out of that over the next two, three years or do we will be more aligned on only the domestic demand side of the manufacturing?

Chander Agarwal: The exports are also down. It is not high as you are saying, and again, our air international products that we have, is growing, but of course, not at the pace that we would like it to grow because of the factors affecting outside. There are two global wars going on, you know. So, we have to be very alert and careful that our money doesn't get stuck, and we have to be wary of too many things nowadays.

Mayur Parkeria: And sir, on a vertical part of it, do we have exposure on the electronic side in GDP or the economy? Because that is one segment which is showing a lot of growth because of the set-up of manufacturing capabilities along the electronics and digital products.

Chander Agarwal: We are doing business in the manufacturing side of electronics, but again, it is something which is very, very highly cyclical, and we have to be very careful because what happens is that when we used to work with mobile manufacturers earlier, the Indian companies, our payments used to get stuck. It was a given thing. They used to delay payments for 90 to 120 days, and that was not acceptable to us or our shareholders. So, then we had to really relook and refocus our business with those type of companies.

And the same is the case with your electronic goods. Barring one or two companies, major companies have a strong policy of delayed payments. So, are we ready to accept it? Perhaps not at this stage. So, we have to look at it also that demand is slowing down and all of that. So, we have to be very careful in how we proceed.

Mayur Parkeria: Sir, it's very heartening to know that the focus is on both balancing growth and the efficiency. One small last point from my side. Sir, last quarter or rather two quarters before and last quarter, you were more specific on that that there the outlook was actually quite weak because you explicitly mentioned the prolong impact of the economic slowdown happening and we reduced our FY2025 target to Rs. 1,750 crores from Rs. 2,000 crores earlier which we had, and so now we are saying that the outlook is more optimistic than what we were seeing. Is it only because of the festive season for these H2 FY2024 ? Or do you believe that over the next two years, we will be able to achieve those targets by FY2025?

Chander Agarwal: See, as a promoter, I don't look at short-term. I always look at short and long-term. So, the long-term goal is never described by or never given out by just a short-term spurt in demand or something. So, I think 2025, it's a very high possibility that we will achieve the 2,000 crores mark also. I don't see any sort of a hindrance internally. We have to be very careful as to how everything plays out. There is also election coming up and considering all this, if you do a SWOT analysis, if you consider all of the existing issues, I think, it is quite achievable or very close to it is quite achievable now that we have also streamlined our management where we have now two COOs. So, I think, it will add that focus of that Rs. 2,000 crores that we were not looking at, we had stopped looking at for one quarter.

Mayur Parkeria: That's a very positive sign I think people should take note of because we are at Rs. 1,250 crores and in two years, in one-and-a-half year we are talking of almost Rs. 2,000 crores. Sir, that is a very strong turnaround outlook which you are looking at.

Chander Agarwal: Yes, I think I also like looking at the possibility of M&A and all that. So, we are working in all, we are firing in all cylinders. So, we have to see how everything plays out.

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

Krupa Shankar NJ: Thank you for the follow-up, sir. One question. So, you have taken the price hike of 0.5 basis points. Was it towards the end of the Q2 FY2024, sir?

Mukti Lal: Yes, it is in the Q2 FY2024.

Krupa Shankar NJ: The remainder of your growth guidance, what is that? So, you were targeting about 2% price hikes and already 1.5% almost has already been done in the first two quarters. So, the entire growth would come in from volume growth in the second half of FY2024. Is that how it is?

Mukti Lal: Yes, that is true and also whatever hikes we have to be is also applicable in the second half also similarly.

Krupa Shankar NJ: So, for the entire year, but it was 2%, right, sir?

Mukti Lal: Yes.

Krupa Shankar NJ: You have already taken 1.5%. So, only 0.5% is remaining and then remaining, of course, the growth in the volume side would be upwards of again 15% plus or 20% plus. So, am I understanding things correctly here?

Mukti Lal: Yes. So, volume and revenue growth difference would be like 2%.

Moderator: Thank you. The next question is from the line of Prit Nagersheth from Wealth Finvisor. Please go ahead.

Prit Nagersheth: My question is more in regard to, see, if I look back the Con-Calls that we used to have two years back, we have seen that the absolute volume, volume in absolute numbers has only increased, but the utilization has come down. It used to be around 86% say about four, six quarters back, so how is that possible? Why is the utilization coming down while absolute volumes have only increased?

Mukti Lal: That is a very good question. I have said earlier also that this is basically capacity is very dynamic. So, supposing wherever we are not addition the truck, rather we are replacing with the higher capacity. So, that's why we are able to manage this utilization level, and that's why we are able to manage like 85%. Supposing we always add wherever we need the higher capacity, or you can say like additional capacity, then if supposing we add another truck, then we're always underutilization level, like maybe even below 80%.

So, that is actually very dynamic and this room we are getting because we have the like completely outsourced model we are using here and wherever we want to replace higher capacity truck, we are replacing that. So, that's why we able to maintain this level of full year of around 84% to 85% and with the high value, high growth, we will be like achieve even 86% and then we can go up to 88% on these numbers.

Moderator: Thank you. The next question is from the line of Lokesh Manik from Vallum Capital. Please go ahead, sir.

Lokesh Manik: Chanderji, my question was on competitive intensity. If you have observed heightened competitive intensity in the last six months on ground or do you believe that is a normal business that is going on?

Chander Agarwal: I think it's absolutely normal business. There is no heightened competition, there is no like anything that is being laid out in a very different way. It's business as usual. The question is whether other companies will be able to manage their costs or not better than like how we are doing.

Lokesh Manik: The second question was, do you believe we are underrepresented in any part of the industry in this economy, or do you believe we have captured all the industries that were in our target area?

Chander Agarwal: We are also very choosy. We cannot be in the raw material transportation business where they have 1% - 2% margin. There is enough business over there, but again, there will be no return to shareholders. So, looking at that, I think we have captured the right sectors that are poised to grow and that are in control. We are not doing sectors which are totally, suddenly the demand will fall, or our money will be stuck. If you see outstanding of other logistics companies, it's like almost 50% which means almost 135 days. So, how can any company be operational in that sense? So, that way we are quite well-positioned for the future growth which is going to happen.

Lokesh Manik: So, we should be looking at geographic expansion in terms of branch opening for growth, I mean, given that we have captured the industry. We have identified the areas where we want to grow. Is that correct?

Chander Agarwal: Absolutely, and I have mentioned also that we have appointed a reputed big consulting firm to do that.

Moderator: Thank you. The next question is from the line of Anshul Agarwal from Emkay. Please go ahead, sir.

Anshul Agarwal: Since we plan on growing profitability, profitably, what parameters do we look at before we select customers or before we enter new verticals? You just mentioned Chanderji that certain electronic players don't pay up on time, etc. So, apart from probably customer health, what are the parameters do we look at before we select a customer, before we select a new vertical that we want to enter?

Chander Agarwal: We do a full check of the type of customers. We do an audit of the customer before we sign a contract. A full check of whether they are all doing any sort of like working against what the government policies are in terms of environmental, social and in terms of if they have any large financial liabilities or if have any large debts which they have to pay off. So, all these things really matter a lot. That's why you see also that some of the large commodity types of companies, we are not working with them. If you see the likes of steel, aluminum, all commodity types of companies, we stay away from them.

Moderator: Thank you. The next question is from the line of Rahul Soni from ICICI Bank Limited. Please go ahead.

Rahul Soni: Sir, a couple of questions from my side. Sir, as you said earlier that you have like a high single digit exposure to the textile sector like garment and lifestyle, and this sector is currently not doing well. So, how has this slowdown in textile readymade garment has impacted your volumes and if any impact was there, which other sector has compensated for that?

Chander Agarwal: Majorly in this H2 FY2024, this segment is also picked up. So, this will be given a bounce back and whenever inflation is high, this is a sector which first impacted overall, and now it is also come up. But the second, good sectors which we have seen as an attraction is like bathware and kitchenware, these are the new sectors which is like itself is organizing. Earlier it was highly unorganized and now it is organizing and good companies entering into that sector, and we are getting the business from them.

Rahul Soni: Second question, sir, on the vehicle scrappage policy, have your vendors or you experienced any kind of negative impact due to this? And I want to understand what the impact of this as a sector will be as a whole and on your company.

Chander Agarwal: If you see like in our case, we replacing the truck once reaches on a 7-year age. So, there is no impact on us at all. Second thing, if you see all these trucks are not moving on these express routes or highways. Basically, this is utilized for a regional level and even sometime in only tier three, tier four cities. So, overall, there is no impact of industry at all or in and out on supply side also, demand side also.

Moderator: Ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to the management for closing comments.

Chander Agarwal: Thank you everyone for joining us today. We have tried to address all your questions, if you have further enquiries, please connect with our Investor Relations team and we will be happy to address the same. We look forward to meeting you in the next quarter, please stay safe and healthy. Thank you once again.

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