"TCI Express
Q4 FY2021 Results Conference Call"

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MANAGEMENT: MR. CHANDER AGARWAL – MANAGING DIRECTOR – TCI EXPRESS LIMITED

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Moderator: Ladies and gentlemen good day and welcome to the Q4 FY2022 Results Conference Call of TCI Express Limited hosted by ICICI Securities. 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. if you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now handover the conference over to Mr. Chander Agarwal, Managing Director. Thank you and over to you Sir!

Chander Agarwal: Thank you. Good evening everyone and welcome to the Q4 and full year FY2022 Earnings Call of the TCI Express Limited. I would like to thank all of you for joining us here today. I will start first with the industry and business overview for the quarter and then we will hand over the call to Mr. Mukti, CFO to discuss the financial performance of company for the quarter.

Our earnings presentation has been uploaded on our website and stock exchange and I hope you had a chance to review it.

Q4 FY2022 was a mixed quarter, where production and logistics movement slowed down in the month of January and February due to the new wave of COVID-19, however, it picked up again in the month of March. Both the data for index for industrial production and e-way bill generation showed a recovery trend with 7.8 Crores e-way bill generated in March 2022. The IIP growth was led by all sectors in March, with the index increasing 1.9% to 131.5. With revived economy activity express logistics industry performed well; however, the slight increase in inflation at that point of time added pressure to the macroeconomic environment. With broad-based recovery across industries,

TCI Express continued to set operational benchmarks and delivered a year filled with new accomplishments. The company has delivered highest quarterly revenue of Rs. 300 Crores registering a growth of 6.2% Y-o-Y and 3.9% on a sequential basis. The growth was primarily driven by strong demand from both SME customers and corporates. EBIDTA for the quarter stood at Rs. 52 Crores registering a sequential growth of 6.2% with strong margin of 17.4%. Margin remains stable backed by higher capacity utilization and operational efficiencies. Our profit after tax stood at Rs. 36 Crores with margin of 12% compared to Rs. 43 Crores in Q4 FY2021. If you remember the Q4 FY2021 net profit was exceptional as it had Rs. 1.5 Crores of nonrecurring other income and around Rs. 2 Crores of tax reversal.

I am elated to share on an annual basis; the company has delivered a strong performance despite the first and fourth quarter of the year being impacted due to the pandemic. In FY2022, TCI Express recorded revenue of Rs. 1,081 Crores from operations with Y-o-Y growth of 28%. EBITDA grew by 29% to Rs. 183 Crores and our EBITDA margin remains strong at 17% even after reversal of certain costs and increase in employee costs during the year. Profit after tax grew by 28% to Rs. 129 Crores.

In the light of strong performance during the FY2022, the Board of Directors has recommended a quarterly dividend of Rs. 2 per share taking total dividend to Rs. 8 per share for the FY2022 representing a payout of 400% on the face value and 24% on the EPS. In addition, the board has approved the buyback amounting to Rs. 75 Crores through the open offer route at an indicative price of Rs, 2,050 per share, which is subject to shareholders' approval.

Now coming to a brief update on sorting center, we have successfully commissioned India's first and largest automated B2B sorting centre in Gurgaon, named GIGA Sorting Centre, spread over 2 lakh square feet area equipped with 600 meters of fully automated loop sorting system with a throughput capacity of 15,000 parcels per hour. Additionally, the system is capable of loading and unloading over 140 containerized trucks in a single run reducing parcel handling time and vehicle halting times by 40% while also increasing operational and fuel efficiency. Following the success of automation at the sorting centre, the strategy will be implemented at other sorting centres as well. Pune sorting centre has been operational since June 2021 and we will be using the learning from Gurgaon centre and will implement automation in this coming year.

During the year, to augment our business growth, we have added 45 new branches in FY2022 and 10 branches in the Q4. This allows us to penetrate deeper in the key growing markets, primarily in the south and north regions catering to the growing demand of the SME customers. In addition, we have also launched three new services Pharma Cold Chain Express, C2C Express and Rail Express which have not only received positive response from our customers but also aligned to our growth as multimodal express delivery company in India. These are new offerings, and we expect them to contribute meaningfully by the end of FY2023.

Overall, the logistics industry contributes significantly to the country's economic growth. Government's effort to expand the integrated logistics and multimodal connectivity via massive infrastructure investments, various schemes like Gati Shakti, Bharatmala project, and the Public Private Partnership is certainly a positive step for the logistics industry in India. Capital expenditures, infrastructure developments and policies to support the survival and growth of SMEs are some of the key focus areas of the budget 2022-2023.

The express logistics industry is expected to clock a robust growth while growing demand for faster delivery, government initiatives, policy supports, improved road connectivity and reducing the turnaround time. Given our wide network of branches and balanced mix of large corporates, TCI Express is well positioned to capitalize on growing market opportunities and deliver long-term sustainable growth through its asset light and comprehensive express offerings.

With this, I would now like to hand over the call to Mr. Mukti to discuss financial performance of the quarter. Thank you.

Mukti Lal: Thank you, Chander Sir and now I would like to discuss the financial performance of the company.

Our total income stood at Rs.300 Crores for Q4 as compared to Rs.289 Crores in the previous quarter and Rs.283 Crores in the same period of last year. The company posted a sequential growth of 4% and Y-o-Y growth of 6%. This growth can be attributed to multiple factors like growth in demand from SME which contributes around 52% to the revenue, pickup in economy activity and increased demand from rural areas. Our EBITDA for the quarter stood at Rs.52 Crores as compared to Rs.49 Crores in the previous quarter and Rs.57 Crores in the same period last year. Despite rising fuel costs, we have been able to maintain strong EBITDA margin of 17.4% with our asset light model, high-capacity utilization and various cost control measures.

The net profit of the company stood at Rs.36 Crores with a margin of 12% in this quarter. On a full-year basis, the total income for FY2022 stood at Rs.1,090 Crores as compared to Rs.852 Crores last year registering a robust Y-on-Y growth of 28%. EBITDA for FY2022 was Rs.183 Crores as compared to Rs.142 Crores for the same period last year registering a robust Y-o-Y growth of 29%. This improvement can be attributed to growth in top line as well as improvement in overall efficiency. Net profit for the whole year was again Rs.129 Crores with a margin of 11.8% registering a Y-o-Y growth of 28.1%. We continued to generate strong cash flow of Rs.111 Crores and maintain cash balance of Rs.104 Crores. With flexible capital structure, we are well positioned to fund our strategic growth plan. During FY2022, we have incurred a capex of Rs.80 Crores towards construction and automation of our new sorting centers and will continue to implement the automation strategy in another sorting centres to enhance overall operational efficiency and ultimately drive profitability further.

Thank you very much and now I would like to open the floor for question and answer. Over to you moderator!

Moderator: Thank you Sir. We will now begin with the question-and-answer session. We have the first question from the line of Mr. Ravi Naredi from Naredi Investment. Please go-ahead Sir.

Ravi Naredi: Thank you to give me this first opportunity. Mr. Chander, you are really doing very good despite margin down in this quarter. I would like to know the reason for Y-o-Y. What is the reason?

Chander Agarwal: If you see operationally, we have no problem. It is only that the salary cost has gone up because for the new products we have added the new team and that will equalize this quarter, so that is the one of the main reasons only and of course last year we had the sale of a property and some tax reversal, but officially we see no problem.

Mukti Lal: To add to what Mr. Chander is saying, if you see on a gross margin level again 34% gross margin we have.

Ravi Naredi: Yes. Sir due to Gurgaon sorting centre start which type change we may expect in current year and after the Pune sorting centre will start, what type of changes we may expect in current year that is my question?

Chander Agarwal: I think we will have labor reduction then we will have faster delivery of goods and then the turnaround time will be much faster. You see now 12 hours a truck will stand in our sorting centres, With this it has come down to almost 5 to 6 hours and that is the biggest game changer. When we will show it to the whole of India and world that the kind of savings we are doing, I think it will be phenomenal, so we are happy because our customers are also very happy now.

Ravi Naredi: Right and my last point is how is Air Express going on and after Air Express what is new thing in your super genius mind? What will you do in Company?

Chander Agarwal: Air Express in India is not growing. Everybody who is doing air express is only doing e-commerce and trying to do air express by putting their material in train, but the real fact is that the capacity of air cargo in India has not increased. You see the air cargo companies are not doing domestic as much as international, so every company has their own strategy to utilize air express in different ways.

Ravi Naredi: My point is that other way air express which we are doing with train, how is that going on and how we are seeing new thing in company?

Mukti Lal: Whatever we are doing, in the same ratio what we are doing in surface we are growing on that part and new changes like we are not robust on air side because India’s lengths are not big one like US and China have, so our more focus is to convert other competition air customer into rail customer because in that we almost matching the same time of delivery, like maybe delay by like 24 hours, but it is okay, customer is okay with that because in rail and air if you see air cost is almost four or five times higher than this rail express. They are happy to get these services.

Moderator: Thank you. We take the next question from the line of Rajesh Kothari from Alfa accurate Advisors. Please go ahead.

Rajesh Kothari: Good evening Sir. Good set of number in an otherwise kind of still challenging markets. My question is, can you a little bit more elaborate on the new initiatives that you have started right now and what is your progress over there? How much it has started contributing to your revenue and what kind of ramp up you are looking for that?

Chander Agarwal: That is 15% now of our revenue and we will take it up to 25% by 2025.

Rajesh Kothari: It has already touched 15%, which is a good progress and you mentioned that by FY2025 you want to double revenue kind of thing, so you are talking about FY2025 that one should assume?

Chander Agarwal: Yes, we will achieve it by FY2025.

Rajesh Kothari: Perfect, in terms of freight index and our pricing power, what are the recent trends and how do you see that?

Mukti Lal: Yes, in our company we have a system to ask annual price hike from the customer apart from the diesel. Last year was also a challenging year due to the spike in the diesel rate, so the annual hike was slightly less but in this year I think hopefully diesel will not be increased, so we will again go for annual hike much for that. We are anticipating almost price increase of 4%-5% in this FY2022-23, last year we were just able to take a kind of like 1.5% to 2% on an overall basis on account of annual hike.

Rajesh Kothari: Okay and last question from the competition perspective how do you see that? Any specific trends which you are seeing? Is it becoming a little bit more aggressive in the market, some color on that?

Chander Agarwal: What is happening in India is that there are five people running after the same business. Ultimately the customer goes to the company that gives the best service and the best customer feedback, of course which means that which company has the most profitability also has the best quality of customers. I do not think there is any challenge as such. The market is very, very big. Opportunities are humongous, so we are not unfazed by competition.

Moderator: Thank you. We take the next question from the line of Shalini Gupta from East India Securities. Please go ahead.

Shalini Gupta: Good evening Sir. I just had a few thoughts. There is a high likelihood of crude prices coming off because of world recession or world slowing down and the rest of it. So, you will have to pass on the benefit of lower prices to your customers. Does the target of Rs. 2000 Crores top line by FY2025 still hold because you would have to do that much more volumes to be able to reach that in a situation of lower prices?

Chander Agarwal: We are not a traditional transportation company, we provide transportation to MSMEs and large corporates in the high value segment so in that the freight does not really come down because the component of this express facility is before time, on time in containerized vehicles, so it is a value addition. Here we do not see the propensity of pricing coming down.

Shalini Gupta: Okay and Sir, in the presentation you have talked about owning your sorting centres in major metros. I am just asking you; how will this help, are you expecting a shortage of warehouses or what is it?

Chander Agarwal: It is because we do not want to compromise the operations and in certain locations the overall cost of ownership is very low because they are not in the city, they are far away from the city.

Shalini Gupta: Okay and Sir, right now our capacity utilization is close to around 85% odd, when will you increase capacity and why I am asking is once you increase capacity will you not see a dip in margins because of higher costs?

Mukti Lal: Currently we are utilizing 85% in this quarter, we utilized almost 85%, we supposed to do around 86%, but January month was hampered due to the regional lockdown, so our utilisation was slightly less in January month that is why we kept it around 85%, but our endeavor is to increase at least 50 to 100 basis point in each year on capacity utilization level and we will keep continuing that.

Shalini Gupta: Yes, that is what I am saying, let say you are at 90% capacity, then at that point will you not have to increase capacity and once that happens do you not see a dip in your margins because of higher costs?

Mukti Lal: No. I am just explaining Shalini. This is not working like that. It is a very dynamic one. Suppose we have only one 9-tonne truck right now, tomorrow supposedly I have started to have the cargo regularly 12 tonnes on that route, I will just replace that truck with a higher capacity truck so then my per unit cost even reduced further, so there is always a room to change the capacity utilization level and ultimately we will be saving something there. What benefit you saw in 2021 we changes our capacities dramatically, like we change from 9 tonnes to 11 tonnes, 14 tonnes to 17 tonnes that benefit we get like 400 basis point margin improved in one year itself, so this journey or this kind of dynamic changes in capacity utilization and replacement will continue because we also have a policy to change the truck once it has reached to seven years of age then we have to replace the truck, so this way we will continue replacement of the capacity. At that time, we will not add another truck of 9 tonne, rather we will replace the 9 tonne truck capacity into 14 tonne truck capacity.

Shalini Gupta: And Sir my last question is what are the value-added services that you are offering better than competition which the others are not offering, I was just curious?

Mukti Lal: Basically, like you are seeing we have added two new services, C2C and rail express we provide to customers. Other than that, we are also giving specific deliveries for B2B customers like mall deliveries, army deliveries, scheduled deliveries like if mall guys say please come only at 10 o'clock at night after mall closes, so these kind of services and further we are also giving out of delivery area services also, like supposing somebody saying from my branch that is 300 kilometers so I am still delivering there, obviously charging premium on that and customer is ready for that. So this way we are far ahead in providing these value-added services to our customers.

Moderator: Thank you. We take the next question from the line of Rushabh from R. S. Capital. Please go ahead.

Rushabh: Sir I do not understand for the sorting hub that we are adding, what kind of technology are we using? Is this something different from other players because even we are seeing other competition is adding hubs aggressively, so if you please explain on that?

Chander Agarwal: It is nothing very different. We are doing what is required like expanding and we are doing the normal things. We are not doing anything out of exception.

Rushabh: Okay and second thing Sir, are we using any electric vehicles in our fleet?

Chander Agarwal: India does not have the infrastructure or the availability of electric vehicles. When it comes here, then we will see.

Rushabh: Okay and how much price hikes have we taken in this full year?

Mukti Lal: It is around 2.5% for the full year.

Moderator: Thank you. We take the next question from the line of Mr. Druv Jain from Ambit Capital. Please go ahead.

Druv Jain: Thank you so much for the opportunity. Sir if you could just let us know the volumes for this quarter, please?

Mukti Lal: Yes, in this quarter we achieved a volume of 2,35,000 tonnes and for the whole year we had done almost 8,65,000 tonnes.

Druv Jain: Okay Sir, thanks, very helpful. Sir I had a question on your value-added products, you mentioned that about 15% of your overall revenue is your value-added mix?

Chander Agarwal: They are not value-added mix, they are more of additional services.

Druv Jain: Okay. Sir what would be the share of these two new products that you have added in this year?

Mukti Lal: We intentionally do not want to be diverse because these are not a sizable one. If you put together, we are at 15%, as Mr. Chander has mentioned.

Druv Jain: Okay, so basically you are saying that currently if it is about 15% that means close to what 160 Crores revenue comes from that right now and in the next three years that will go to about 500 Crores.

Chander Agarwal: Yes, that is true.

Druv Jain: Okay and Sir, what would be the key risks because this is a very, very tall target. I am sure, you will do your best to achieve it, but what would be the key risks here to basically achieve that? What do you foresee?

Chander Agarwal: Economic risk if India slows down, shuts down, then we have a problem. Our growth rider is only the Indian economy. So if Indian economy is doing well, we will also do very well.

Moderator: Thank you. We take the next question from the line of Radha from B&K Securities. Please go ahead.

Radha: Thank you for the opportunity, Sir and I would like to congratulate you on your extremely resilient performance. I just wanted to ask one or two questions. My first one was including this

Gurgaon and Pune sorting centres what would be the total area under management for the company as of today?

Mukti Lal: It is not really a matter for us because this is not the warehousing space. It is basically sorting centre, but I think we have around 2 million square feet area right now which is owned ones.

Radha: So this is in total including all the sorting centres that we have 2 million square feet.

Mukti Lal: Yes.

Radha: Okay, also my next question would be you mentioned that 15% of your revenues were from these value-added services now and previously our target was that these new services would have EBITDA margin of about 20% so are we in that range for these new services or are we on path to achieving that range for the new services?

Mukti Lal: Whatever services we added, with the full thought we added these services, and all the services and other SOPs for surface business that kind of SOPs we are also following, like asset light model we are not adding any asset for that. Margin has to be in the range of like 17% to 20% EBITDA level that we are following in these services as well. We are getting the profits at the same level what we are getting with these kinds of surfaces.

Moderator: Thank you. We take the next question from the line of Ankit from Bamboo Capital. Please go ahead, Sir.

Ankit: Thanks for the opportunity. Sir in Q4, we saw volume growth of this 4.4% and if you look at it from month wise perspective, did we see degrowth in January and February and then March picked up, how was it like? What was the key reason for low growth in Q4 FY2022?

Company Speaker: Your voice is not clear, can you please come back in queue?

Moderator: Thank you. We can take the next question from the line of Aman Vij from Astute Investment Management. Please go-ahead Sir.

Aman Vij: The first question was you talked about there was degrowth in January and maybe February, if you can talk about degrowth, what number percentage did we see in January and now the traction in March and April, what was the growth?

Mukti Lal: Yes, January basically was around same level of last year that was flat, and I think it was 2% minus over last year January and flat in February and then March we had around double-digit growth and ultimately we achieved a growth of 7% in this quarter.

Aman Vij: Sir, in April and May, are you seeing that very healthy growth like in March coming back or are you seeing some slowdown?

Mukti Lal: In March the growth was fantastic, there has been a robust growth going on.

Aman Vij: Okay what kind of volume growth do you see we can achieve?

Mukti Lal: Are you talking about FY2023?

Aman Vij: Yes, full year what is the volume growth you see?

Mukti Lal: We are targeting to achieve in this year volume side of 16% and revenue in the range of 20%-22%.

Aman Vij: Sure Sir that is really very helpful. Region wise split, are we dependent on any particular region or is it like 20%-25% across the four regions: North, South, East and West?

Mukti Lal: Always we are focusing across India and that is why our utilization level in truck is also always high because we penetrate very deeper across India and we usually grow in all sectors or across zones like North, West, South and East is always a consumption center so that is also growing in the same pace, sometime maybe like 1 or 2 basis point is okay that way it is happening.

Aman Vij: But we are not dependent on any particular region like 40%-50% from a region?

Mukti Lal: Like 85% revenue is coming from three zones South, West and North put together and 15% revenue is coming from East sector.

Aman Vij: In terms of growth, you are seeing across all the regions or any region which is growing faster, any region which is growing slower?

Mukti Lal: No, that is not there, and all sectors and all zones are growing in the same range.

Aman Vij: That is also good to know, Sir. Final question I have is, you talked about 15% of the revenue, so roughly Rs. 160 Crores came from the new services. If you remove that portion, the base business is like Rs. 900 Crores only and we did not have most of these services three or four years back, so it does not seem like our base business if we exclude these services has grown much?

Mukti Lal: Basically, this includes our existing service of air express also, so put together air express, internal air express, rail, cold chain pharma and C2C, all put together then it became a part of new services.

Moderator: Thank you. We take the next question from the line of Vikash Khatri from Aviral. Please go ahead, Sir.

Vikash Khatri: Good evening Sir. My question is in this year we have registered very good growth. What is our three-year CAGR because in between there was a negative year of pandemic. How is the three-year CAGR and attaching to the last question that 15% is the contribution from new services, we do agree that year was hovering around 5% to 6% three years back, so our core surface CAGR is how many percent in last three years and second question is what is the impact on EBIDTA due to automation of these two sorting centres? These are the two questions.

Mukti Lal: I am giving the answer for the last question first. Basically, we mentioned in the last call also that we will get the benefit once we have full automation and stabilized the operations which we just started in Q1, so benefit will be almost 50 basis point from this one center and regarding other services we also said like earlier we have almost around 12% kind of revenue from this air express and others put together we have these kinds of services now it has reached 15% because we just started this service last year only and not before that.

Vikash Khatri: And what is the overall CAGR for three years?

Mukti Lal: Three-year CAGR I think is almost 5% only because two years were washed out due to the corona time.

Moderator: Thank you. We take the next question from the line of Krupal S from Spark Capital. Please go ahead.

Krupal S: Thanks a lot for the opportunity. Sir with respect to the pricing side so you did allude to the fact that there will be another 4% to 5% price hike, so just wanted to understand if the tonnage comes under pressure would it be possible to take such steep price hike in such a market given even fuel is also going up, all these aspects have to be considered right?

Mukti Lal: You are right because in this year in FY2023, we are not anticipating increase in fuel price because government is also concerned about that and RBI as well also, that is why I am saying we are looking for an annual hike in this year because last year again diesel was sharply hiked and we have passed it on to customers very efficiently and in this year if it is also happening then we will again pass it on to customers and annual hike maybe like restricted to 2%-3% only then that all depends on the circumstances that are happening in this year.

Krupal S: Right and also in addition to your overall strategy of adding new branches, now in FY2022 you have seen around 45 new branches getting added so what is your target for FY2023 and the tonnage growth what you have alluded to earlier about 60% what is the extent of contribution you are expecting from the new branches?

Chander Agarwal: We plan to add about 100 branches across country and so new branches speak about almost six months to nine months to come into stream, so it will be tough to say how much they will be adding because it will depend also a lot on the economic activity of India and how we are progressing.

Krupal S: Right got it, Sir and one last question if I may. I did note that you have capex plans scheduled over the next couple of years at least and there is a healthy dividend payout as well. Any rationale behind buyback because your cash balances including cash and bank balances?

Mukti Lal: Basically, rest and all buyback because we have surplus funds, like Rs.100 Crores we already have and in this year we will be generating in the range of Rs. 175 to 200 Crores. So if you put together, we will be having Rs. 300 Crores cash available by year end. On capex side, we have a plan to spend up to Rs. 100 Crores and this buyback of Rs. 75 Crores is easy for us and ultimately we will retain again the same way like Rs. 75 to 100 Crores by year end. Other good thing in our business is to run the daily operation we do not need any money; our net working capital cycle is hardly 15 days which you have also seen in balance sheet and we also have given 400% dividend. We have done dividend, we are doing investments, so with excess cash we are doing buyback. Even this year you have seen we almost generated a cash profit of Rs. 140 Crores, out of that we added assets of Rs.80 Crores, we dispersed dividend of Rs. 30 Crores and then remaining we have put into investment, so very simple cash flow balance sheet and P&L we have, nothing to worry about that.

Krupal S: Got it, Sir. Just wanted to say that if we have such a capex plan, I think it would have been better to invest towards growth prospects, which is what I was perhaps alluding to. Of course, I do get your point of view as well. Thank you Sir, and best wishes.

Moderator: Thank you very much, Sir. We take the next question from the line of Shrinjana from RatnaTraya. Please go ahead.

Shrinjana: Sir on the capex that you are doing how much time does a sorting center take to reach a respectful utilization, say some 75%-80% and in your earlier comment you mentioned once your Gurgaon sorting centre fully comes online it will contribute 50 basis points to the entire revenue margin, is it for the entire revenues or only for that?

Chander Agarwal: As soon as the sorting centre starts it is like 100% utilization, so there is difference in that. Now when you do automation, we do trial run, we are learning, we have to do reprogramming, rerouting and all that process takes about one or two months, two months usually so that process is on and it becomes easier after the first sorting centre is made then if you just follow it through the same processes everywhere else. Then becomes cut, copy, paste and we are in that learning stage and we will see the results coming out definitely by Q2.

Shrinjana: Okay and impact on margins, you said once it is fully operational it is 50 basis points on entire revenues that we will do is?

Mukti Lal: Yes, up to that.

Shrinjana: Okay and broadly, what would be the IRR for these kinds of sorting centres that we are targeting?

Mukti Lal: We are targeting payback period in the range of 6 to 8 years maximum.

Shrinjana: Okay and majority of Rs. 500 Crores capex in five years that we are talking about, I am assuming is for sorting centres only?

Mukti Lal: Yes, that is correct.

Moderator: Thank you. We take the next question from the line of Mr. Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: Yes, good afternoon and congratulations on good results and buyback proposals. I wanted to know this quarter we have seen logistic companies getting impacted by COVID, suppose Delhi was under severe lockdown say about 45 days compared to other regions which were not under lockdown, but since too and fro from Delhi to other regions might be impacted, so overall volume growth gets impacted for the company?

Mukti Lal: Yes, this is true actually, in some points, you rightly said if Delhi is under lockdown, the to and fro will be impacted accordingly. Not only as the big manufacturing hub and the consumption is done all over India, so it really impacted overall consumption cycle and production cycle first.

Ronald Siyoni: Okay, thanks. We have not pushed for increasing market share or dilution of prices in terms of growing our revenues as we see in other players, so we would be employing the same strategy going ahead also, right?

Mukti Lal: We will keep the same strategy.

Ronald Siyoni: Okay and the other thing was in terms of CapEx, going ahead as you said Rs. 100 Crores of capex per annum. Sir would it be mixed for automation in existing, are there any Greenfield automation centers coming up over the next two to three years for the company?

Mukti Lal: Yes, the existing one is in Pune, which is already operational in this current year FY2022 only that we will put on automation then other one will be the new Greenfield one and not put an old one.

Ronald Siyoni: And which location or any region wise locations?

Mukti Lal: Kindly ask us separately and we will provide that.

Moderator: Thank you. We have the next question from the line of Mayur Parkeria from Wealth Managers. Please go-ahead Sir.

Mayur Parkeria: Good evening, Sir. Thank you for taking my questions and congratulations on a decent set of numbers. I had a couple of questions. How many customers would we have added in FY2022 in such challenging environments, new customers?

Mukti Lal: We added almost 5000 customers in this FY2022.

Mayur Parkeria: 5000 customers and would the base be now closer to 2.5 lakhs?

Mukti Lal: No. We have almost 2 lakhs, so it may be like 2,20,000 customers right now.

Mayur Parkeria: And pre-COVID Sir, what was the trend of roughly annual addition, I am just trying to understand that is this number already back to on the growth side or is it below the pre-COVID?

Mukti Lal: Pre-COVID we had around 2,10,000 customers and in these two years we have done almost 10,000 addition and majorly SME customers, big customer number is less obviously.

Mayur Parkeria: Annual addition pre-COVID would have been in the same region 5000 plus or minus?

Mukti Lal: Yes, I need to check that again. I do not have the ready figure.

Mayur Parkeria: No problem Sir. The other thing is a very broad question I am trying to ask here, may not be relevant for one quarter, but just your thoughts would help us to understand because our margin expansion would be based on two large factors, increase in the share of SME business, and also increase in the share of international air express, right?

Mukti Lal: No. There are so many things which helps to improve our margin level. One is obviously operational efficiency in terms of utilization level increase.

Mayur Parkeria: I meant on the product side and on the offering side?

Mukti Lal: Basically on the offering side, all offering whatever we started last year only that will contribute very good in this current year and as years ahead.

Mayur Parkeria: What I was trying to understand is the SME mix gradually improving the way you earlier was thinking and will it help in improving the margin on that side?

Mukti Lal: Actually, to increasing the business with SME in proportion to big customer is not possible in a big way, like we cannot change the ratio of SME like 55% and other big customer of 45% this is not possible. That is why we always want to maintain the ratio of 50:50 where we get the good prices from the SME customer and good volume or you can say high volume with the big customer. That is why we are able to maintain our operating efficiency at the rate of utilization level 85% plus kind.

Chander Agarwal: One thing also we have to keep in mind that some SME also become large customers, that also happens. It is always important to have a large SME base because one customer can suddenly become a very large top 500 company also. We have seen that happen in 10 years that many companies which are small suddenly become very big.

Mayur Parkeria: Okay that is great. Sir final question from my side. Indian ministers have been focusing a lot on improving the coastal waterways and for the domestic transportation and improving the water infrastructure. I know it is a very work in progress and slow progress on one side and on the other side if we look at some of the developed countries in Asian region, they have very high share of waterways in the logistics?

Chander Agarwal: The countries that you are talking about their GDP per capita must be $20,000 to $30,000, ours is $1600-$1700, so it will take some time.

Mayur Parkeria: We are not seeing any inquiries or anything from our side right now?

Chander Agarwal: In India, they do not want to spend on cost.

Moderator: Thank you. We take the next question from the line of Mr. Alok D from Motilal Oswal AMC. Please go ahead, Sir.

Alok D: Good evening, Sir. I just had couple of questions. One was on this Gurgaon sorting centre, since it got operationalized a couple of months back, what is the progress there, how is it shaping up because I believe that after the success of that we were going to look at whether we will be doing automation at Pune or no, just some insights on that?

Chander Agarwal: I think the trial run has gone pretty swift and we experienced a thunderstorm also in Delhi recently and we saw what would happen so we had the scenario also laid out and in general the understanding is very clear now. What we are working on is how we reduce the overall time it takes for the halting time and everything. We have come to the levels that we wanted, we are achieving and we will replicate the same in Pune without any issues, so the next phase of this automation will start possibly in H2.

Alok D: Sure Sir and I also wanted to understand have we taken any price hike in April because of the sharp increase in diesel during the end of March?

Mukti Lal: Yes. Price hike completely is a set process because our agreement with the customer is rolling on in each year, these are spreading each month or even on a daily basis, like some customer maybe make agreement with us in April then May and June, so always we have to go for annual price hike with the customer. Diesel is completely not affecting our price size. Diesel is completely separate and wherever it is increased, we have to pass it on to customer.

Alok D: Sure and just one last question, Sir. I think I missed on that number because there was some network issue so what is the growth, we are looking at in FY2023 on the volume and basically on the top line and the margins would be at similar levels only, just wanted your thoughts on that?

Mukti Lal: By FY2023 we are looking for a revenue growth of 20% plus, kind of like 20%-21% and on volume side it will be around 16% and margins again we are looking forward to improving by 50 to 100 basis points.

Moderator: Thank you. We take the next question from the line of Rahul Sony from SMIFS Limited. Please go ahead.

Rahul Sony: Sir, as you said before that this quarter you picked up late so I would like to understand by what margin you fell short of your targeted volume during Q4?

Chander Agarwal: We fell short, we were expecting to be growing more than Q3, but unfortunately the COVID thing happened so we could not achieve the targets.

Rahul Sony: Because if I see the last 12 quarter data is 2,35,000 tonne volume is the highest volume I guess and still it is just 2.2% Y-o-Y growth over last year?

Mukti Lal: The growth of almost is 4% over last year same quarter and you rightly said that was the highest revenue of a quarter.

Rahul Sony: Okay, during Q4, we did not take any price hike, I am not asking about this fuel price?

Mukti Lal: No, we are able to get that price hike, annual price hike is a different one from this fuel hike, fuel like is as and when it is happening, but other process was to increase the price with customer is completely different and we are getting this price hike, but again this is impacting wherever there is a sharp increase in diesel price then we were able to get obviously less percentage. If it is not happening, then we may charge like slightly higher.

Rahul Sony: And one last question, as you said, 15% of your revenue is coming from Eastern region, so what percentage of your total branches are located in the eastern region and whether they are performing at par with compared to other regions or they are underutilized or they are performing in line with the economic growth in the Eastern region?

Mukti Lal: That is happening, but right now I do not have the number readily available, that is why I am saying East sector is also performing well because they are filling our trucks as a return load, otherwise our fill factor will be reduced. So they are also equally performing throughout the year.

Moderator: Thank you Mr. Rahul. We take the next question from the line of Mr. Naveen Bothra, an individual investor. Please go ahead.

Naveen Bothra: Good evening, Sir. Congratulations for good set of operating performance even in the challenging situation. Sir my question is regarding the capital allocation policy. We have announced Rs. 75 Crores buyback at a price of Rs. 2,050, in the press release it is written that through an open offer, if you can explain this through an open offer?

Chander Agarwal: Of course, you have to check online Sir. We have to discuss this. If you have any other pertinent questions regarding operations or something we can tell you.

Naveen Bothra: Can we say that it will be a regular effort because since we will be generating around Rs. 200 Crores each year?

Chander Agarwal: Hard to say because each year will have different set of investment cycle, so next year our investments in sorting centers will grow more?

Naveen Bothra: If I may, will promoters be participating in this?

Chander Agarwal: No, they will not.

Naveen Bothra: One question I have regarding your interview to ET Now, you said that in the next one decade we will be having EBITDA of around Rs.3500 Crores and PAT of Rs.2000 Crores, if you can throw some more light on this for the benefit of all the shareholders?

Chander Agarwal: It is a very simple calculation. When we have Rs.5000 Crores revenue let us say, then at about 25% margin we will have about approximately Rs.2000 Crores, so that is the calculation.

Moderator: Thank you, Sir. We take the next question from the line of Radha from B&K Securities.

Radha: Thank you for the opportunity again, Sir, I wanted to just wanted to know, you mentioned your guidance for FY2023, but could you just say from a three to five-year perspective your volume and margin guidance?

Mukti Lal: We have given like Rs. 2000 Crores revenue by FY2025 with a margin level of 20%.

Moderator: Thank you. That was the last question. I hand over the conference to Mr. Chander Agarwal for closing comments.

Chander Agarwal: Thank you everyone for joining us today. The year ended with a positive note with strong numbers and broad-based recovery across industries. We remain optimistic of the growth trajectory that we are on and I am excited about the opportunities that lie ahead of us. With our strong value proposition, we will achieve our targets. We look forward to meeting you again in the next quarter. Please be safe, healthy and feel free to reach out in case any questions that are not answered. Thank you once again.

Moderator: Thank you. On behalf of TCI Express Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your line

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