"TCI Express Limited
Q4 FY2021 Earnings Conference Call"

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MANAGEMENT:	**MR. CHANDER AGARWAL –MANAGING DIRECTOR – TCI EXPRESS LIMITED** **MR. MUKTI LAL - CHIEF FINANCIAL OFFICER – TCI EXPRESS LIMITED** **MR. PABITRA PANDA – CHIEF OPERATING OFFICER – TCI EXPRESS LIMITED**
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Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY2021 earnings Conference Call of TCI Express 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. Should 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 hand the conference over to Mr. Abhijeet Mitra. Thank you, and over to you, Sir!

Abhijeet Mitra: Thanks, operator and good evening to all the participants and thanks for joining in to discuss Q4 FY2021 results conference call of TCI Express. We have with us from the management team, Mr. Chander Agarwal – MD, Mr. Pabitra Panda – COO and Mr. Mukti Lal – CFO of the company. Without further ado, I hand it over to Mr. Chander Agarwal for his opening remarks. Over to you Sir!

Chander Agarwal: Thank you Abhijit. Good evening everyone and welcome to TCI Express Q4 FY2021 earnings call. I hope you and your families are staying safe amidst the ongoing second wave of the pandemic and of course now the cyclone also. It is very difficult time for many people across the country and my personal thoughts go to all. Our earnings presentation has been uploaded on our website and stock exchange and I hope you have had a chance to review it.

We will start this call with a brief discussion on the industry, company's performance and then our CFO, Mr. Mukti will present financial performance of the company.

With all due consideration for the current situation in India today, we did see a normalization of economic and business activity during the last quarter. The growth momentum from Q3 continued in Q4 as we saw sequential recovery in key macro indicators. There was a strong recovery in the manufacturing sector as reflected in the IIP or the Index for Industrial Production where the key manufacturing industry registered a strong quarter and quarter as well for year-on-year growth.

March 2021 was a best month where our key customers industry such as auto, pharma, textiles registered a robust growth thereby driving volumes. These fair results are visible in the e-way bill generation for Q4 2021 which increased by 28% year-on-year and 13% quarter-on-quarter basis. With these market conditions, TCI Express delivered a strong quarterly performance in Q4 FY2021.

The company reported a revenue from operations of 280 Crores, growth of about 18% on year-on-year and 6.6% on sequential basis. The sales are driven by increased business from both SME and corporate customers. We also delivered our highest quarterly EBITDA of 57 Crores more than twice as compared to last year. Margin improvement was driven by improvement in both volumes and realizations.

In addition, the company was able to pass select cost to the customers as we continue to see increase in fuel prices. Our asset light model has allowed us to maintain high-capacity utilization and various cost control measures targets during the year has helped us deliver strong profitability. In light of strong performance in the second half of the year, the Board of Directors also recommended a quarterly dividend of Rs.2 per share taking full year dividend of Rs.4 per share with a payout of 200% on face value.

During the year, we have opened 25 new branch offices as we continue to go deeper into our key geographies. The SME base is growing fast and we remain committed to tap into the growing business from these customers. We also incurred a capex of Rs 55 Crores in 2021 primarily towards construction of our two sorting centers. The Pune sorting centers is complete, and we are waiting for the regulatory approvals whereas Gurgaon sorting center is near completion. We are planning to first automate our Gurgaon center as it is closer to our corporate office and we wanted to ensure full integration with the automation at the center under the supervision of the senior management. We will implement all the learnings and best practices while investing in automation at our Pune sorting center.

I am proud of our employees who have shown great resilience and determination to ensure business continuity at all times despite the ongoing pandemic challenges. For the continued support, management has decided to give an annual appraisal to all its employees; we believe it is in double-digit. We believe in creating an inclusive culture at workplace and as a recognition TCI Express has been recognized as “Great Place to work” for second year in row.

In last five years, we have expanded our service offerings and scaled up our business to become a leading B2B Express company in India. In terms of our operations, we have expanded our reach from 32000 locations in financial year 2017 to 40000 locations in FY 2021. Branch offices increased from 500 in FY2017 to 800+ branches and the customer nos, increase from 1.6 lakhs in FY2017 to about approximately 2 lakhs in FY2021. From financial performance perspective, the company has a five-year track record of consistently delivering enhanced margin and profitability. EBITDA growing at a CAGR of 22.4% and net profit at CAGR of 28%. We have consistently paid dividend and continue to attain higher return on capital employed. TCI Express is a debt free company, and we maintain a strong balance sheet and flexible capital structure to fund our future growth.

Now looking ahead, the company has a clear vision to expand its service offerings and create a niche for itself in new segments. I am pleased to announce that we are expanding our service offerings and we have recently launched two new value-added services called Cold Chain Express and

C2C Express. Cold Chain Express is looking to cater to the growing demand from pharmaceutical and frozen food packaging companies.

The second is C2C Express. We are India's first logistics company to launch customer to customer express service with the end-to-end transportation, door pick up and door delivery, multi-location pickup and delivery. Our modus operandi remains the same that is to have asset-like model and enter into new value-added segments. We had also appointed a separate team to manage these new business offerings, and to ensure robust implementation of business plans in coming months.

With clear strategic direction, TCI Express is well-positioned to drive step up growth in the coming years and create wealth for all our stakeholders. Now I would like to handover the call to Mr. Mukti to discuss the financial performance of the quarter. Thank you. Handing over to you Mr. Mukti!

Mukti Lal: Thank you Chander Sir and good evening everyone. I will discuss key highlights of financial performance of the company.

The momentum of sequential recovery in the business continued during the quarter. We saw a slight slowdown in February however, the demand saw a strong recovery back in the month of March 2021. In Q4 FY2021, our revenue from operations stood at Rs. 280 Crores compared to Rs. 260 Crores in previous quarter and Rs. 238 Crores in the same period of last year.

The company posted a quarter-on-quarter growth of 6.6% and a strong Y-o-Y growth of 18% and we are now at around pre-COVID level. In absolute terms, EBITDA was Rs.57 Crores as we were able to deliver strong margin of 20% in Q4 compared to 18% in the previous quarter and 12% in same period of last year.

Improved EBITDA margins were due to increase in revenue driven by both SME and corporate customer and second is higher operational efficiency due to cost control measure implemented by company in recent past and also due to various initiatives introduced in processes and business. We also continue to maintain high-capacity utilization among our fleets, which has further supported the margin levels.

Net profit of the company stood at Rs.43 Crores with a margin of 15% in this quarter. On a full year basis, TCI Express delivered total income of Rs. 844 Crores from operation down by 18% compared to last year. However, EBITDA was up by 13% at Rs. 142 Crores with margin of 17%. Our company delivered a robust growth in profit after tax of 13% and for the first time crossed Rs.100 Crores.

During the year, we continued our focus on enhancing margins and improving profitability through higher capacity utilization, implementing cost control measures, penetrating deep into the city and tapping into growing SME customer and efficient working capital management. We continue to generate strong cash flow and inQ4 FY2021, cash from operations stood at Rs.119 Crores which increase almost by 47% on Y-on-Y basis.

Overall, it is important to note that the business environment during the year particularly in the first half was challenging, due to the economic slowdown, weaker industrial and manufacturing activity across sector because of the then pandemic spread. Despite these challenges, TCI Express has consistently delivered sequential improvement from Q1 FY2021 and closed the year on strong note.

As we move in FY2022, we are optimistic about the growth prospectus of our company with new service offering as explained by Mr. Chander and we will remain prudent and maintain financial discipline by focusing on efficient working capital management, a strong cash flow conversion cycle and robust collections from our customers.

Thank you very much and we can now open the floor for the question and answers. Over to you! Thank you.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Baidik Sarkar. Please go ahead.

Baidik Sarkar: Chander, good evening and congratulations again on great set of numbers and I hope your team is keeping well. This seems like consolidation at its core. Couple of questions, just wanted to get a sense on the supply side, anecdotally we are seeing that all logistics networks have been kept busy in last couple of quarters from roadways to air cargo traffic, what is your sense of what exactly is driving this trend and how much of these volumes do you reckon are being driven by organic traction and the client sense vis-à-vis the smaller and the unorganized players seeding market share?

Chander Agarwal: I think it has been a very interesting scenario that has emerged last year, we saw the air cargo and the rail cargo really been utilized in the large way because of course there was like shortage of truck drivers and there were road blocks and everything, the highways were not operational but the airlines were operational, the trains were operational, so it was just a blip, I do not think it was something which changed dynamics of the Indian logistics industry, so the trend still remains the same, robust as usual but the roadway is going to be the preferred way of transportation in India because ultimately the cost of roadways justifies our low cost economy. In terms of volume,, if you talk about our volumes, I think we had a negative growth of about -21%, so that is something which came along because of the topline being negative. Now, your third part was the supply from the trucks, as usual there was not so much of an issue there because we run on ourselves, our operations run on the vendor management system as you are aware, we do not really hire from the market, so that is one reason why we would also be able to keep our costs down.

Baidik Sarkar: Sure, so as you move on to the next fiscal, are these margins at 19% defendable. I mean do we have additional levers in terms of moving to higher axle loads perhaps pricing, any thoughts on that, margins going forward?

Chander Agarwal: We have to really balance out the axle load with the demand, so if you increase axle load and the output has not really caught up to the levels of regular economy then there will be serious mismatch, so we do not want to be in that situation, so, we plan it as we go along. We do it bit by bit, we do not change the entire fleet to the high cube volume containers, so I think it is a wait and watch situation, we progress, and we move along as the economy grows and this is the biggest benefit of being asset light as you are also aware.

Baidik Sarkar: The key takeaway here is that as you invest margins, I mean there is a probability that margins might move in a subtle manner I mean should I keep that as a takeaway?

Chander Agarwal: Margins, I do not think there is any reason for that to go down. Our quest is always to increase it and we have been doing that, so I do not foresee any margins falling unless there is like a war or something, , otherwise we have been battling all the ups and downs, including cyclones, virus, bandh and and we ride that tide quite efficiently unlike other companies.

Baidik Sarkar: Okay and last one, has the current phase of lockdown impacted business a lot or is the business as usual especially the last three weeks of May, any thoughts on how April and May have progressed for you guys?

Chander Agarwal: It is a little difficult to say right now. It is very early. It is still the 19th, so in logistics everything really picks up after the 21st, so we still have to wait and watch, I do not see it to be a great month but of course it is going to be better than last year because last year there was zero business, so in terms of that we will be in a better position and profitability also will be in a better position.

Baidik Sarkar: April you reckon was regular month?

Chander Agarwal: Yes.

Baidik Sarkar: That is all. I will come back. Thank you.

Moderator: Thank you very much. We have a next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Really Chander, you are doing wonderful to the company as I am an old shareholder of the company and seeing your working since last few years and how you have done wonderful things and working for the company and I am fortunate, I am shareholder of your company that is my pride. Now, our margin attainment is complete, what you think few years back what is new plan or any hike in margin or in your mind and secondly, in next five years where are you seeing the company in capex terms or in business terms? That is my question.

Chander Agarwal: Thank you Ravi Ji. Thank you for your question. Nice to talk to you again. In terms of capex we will be investing another Rs. 400 Crores to Rs. 500 Crores once this tranche finishes and we will be at least Rs. 2000 Crores company in the next four years for sure which means that our profit will be almost going up more than three times, so if our business doubles then our profit will go near to fourfold and business doubling is very easy in India but to get that right business is what we are focusing on. That is why we have launched new products also. In fact, as we go along the year, we will be launching two more new products or three more new products which I will talk about in 2nd half of the current year. So, I think these new products that we are doing are highly profitable, they have EBITDA of 20% nothing less than that and the way we are going to operate it nobody else in India is doing that, so it will make its own charm and then you will see 20 other new startups coming and I am wanting to do the same thing, so I think it will be a good progression as we go along.

Ravi Naredi: Wonderful and Sir this capex of Rs. 400 Crores to Rs. 500 Crores is in which segment?

Chander Agarwal: We are doing these in two, three sorting centers now, so we will also need to do it in another three, four large ones across India, so there we will be also doing automation in that, for that we will be needing about Rs. 300 Crores, I am giving you an idea, exactly, we will come to know when we will finish Pune and Gurgaon then that is when we be able to give the right number. I think we have already purchased land in Chennai and Kolkata is also being finalized. So, all these things when we look at besides that the other additional Rs. 100 Crores will probably be in IT, infra development and possibly in advertising and all of that, so we need to start doing all the things that we have not been doing.

Ravi Naredi: All the best Sir and fortunate I am shareholder of your company.

Moderator: Thank you very much. We have a next question from the line of Kaushal Shah from Dhanki Securities. Please go ahead.

Kaushal Shah: Thank you very much Sir and congratulations on the great performance. I had two questions; one was if you can share Q4 as well as the full year volumes with us?

Mukti Lal: For the quarter, we have the volume of 225000 ton and for the whole year we have the 6.70 lakh ton.

Kaushal Shah: Okay and I think if I am not mistaken in the last question, Chander, just mentioned that there was a 20% drop, is it in the volumes?

Mukti Lal: Yes, correct.

Kaushal Shah: Okay, so these 6.70 lakh tons is for the full year?

Mukti Lal: Full year, yes.

Kaushal Shah: Sure, and Mukti Sir, you also explained that there was some price increase, and you know even as we speak virtually every second day or third day, we are seeing some increase in fuel costs, so what is the price increase that we have taken and we planned to may be take one more increase after?

Mukti Lal: Actually, you rightly said now a days there is daily phenomenon to increase the price raise on diesel and we have seen in a whole quarter there has been daily increases on that and we being a company is fortunate and converted that as a opportunity and convert into a positive arbitrage for us as we have passed it on to our SME customer fully and also this customer which is on credit or big customers almost 80%, we have passed on to that and another also we had taken a price hike from all kinds of customers over and above that. If you see our operating margins has been improved even from quarter-on-quarter basis and if you compare with the last year, we achieved around 29% operating margin which has increased to 33.5% which is highest one now.

Kaushal Shah: The last question for Chander Sir. Some thoughts on the SME side of the business also I believe in your case more than 50% is SME, so any thoughts on how that particular segment is kind of tackling the second wave?

Chander Agarwal: SMEs are rocking. There is no problem at all. In fact if you see now also when everything opens up, the first guy that is going to zoom up the economy are these SMEs in large way, so if you see even the big automobile consumption has come down, FMCG has come down, in general the industrial or the macro element of the economy, they are coming down, private tourism is dead. It is only the SME which is going to bounce back in a big way. They are flushed with cash, they are flushed with inventory, they want to just go out there and sell. Now lot of the SMEs have also opened in North India, so that has made a big difference, so we are seeing that there is no drop in number as such in a very large way as we were expecting. So, for SMEs, going forward in June, there will be the litmus for super growth and profitability, so I have no qualms or challenges in their performance. In fact our new branches also, we have planned about approximately 100 this year will be all centered around them only.

Kaushal Shah: Okay and if I can just squeeze one last question, for the current year apart from SME any other segments which look promising from a business perspective and where the incremental volume growth can come for us?

Chander Agarwal: I always like to have a very balanced approach in the time of clientele group that we cater to but I am seeing an uptick little bit in the pharmaceuticals, it is fine I mean if people are consuming medicines, if that segment goes up periodically by 1% or 2%, there is no problem at all, so mainly in pharma, I can say that this quarter, we will see a little bit more action happening but later when you know the sickness and the diseases, when they drive down and vaccination sets in then may be pharma will balance out, so that is something which is temporary.

Kaushal Shah: I will join back in the queue Sir. Thank you.

Moderator: Thank you very much. We have a next question from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: Good evening and thank you for the opportunity. My question is regarding the margins, so if you look at the EBITDA per tonne, simply sitting and dividing EBITDA while the tonnage that you have done, in Q4 we are at Rs.2360, last year this was around Rs.1400 odd, so just trying to understand this Rs.1000 jump in EBITDA per tons, what else we have seen drivers for this, so the full factor if I just go back to what you had mentioned last year was around 86%, so again this time also we are at around 86%, so just trying to understand what are all the drivers for that?

Mukti Lal: **Well** you have rightly said, we have almost improved 600 basis points EBITDA margin in this Q4 and that growth actually came from three-four things together like, one is our obviously utilization level which has now touched to highest level of around 87% in this quarter and second thing, we have taken a benefit of diesel-fuel hike that actually plays as a vital role as we werte able to pass on to our customers and also covert it into a positive arbitrage for us like we have managed to pass on to slightly lower to my vendors and taking the full from my customer and/ or there has been gap of rate what I have pass it on my vendor and what rate I have taken from the customer and third thing it is because cost on the last quarter was constant because there is no increase in allother fixed cost including the employees cost and fourth thing, revenue has sharply increased so that has also benefited to us in terms. These are the three/ four things that has allowed us to enhance the margins.

Mukesh Saraf: Okay, so just trying to understand the price hike which also you are saying that you have taken a hike over and above the diesel increase, right?

Mukti Lal: **Well,** actually we had standardized a mechanism to take price hike from each and every customer on annual basis, over and above whatever fuel hike is there, this practice has now started working well in favor of the company, so whenever, whatever contract has come for the renewal, we ask for a price hike and it is an ongoing process for the whole the year. To clarify further, that it is not the case that every contract is expiring on day one of the next year, rather it is renewal of the contract time to time during the year and at that time we ask for the price hike accordingly.

Mukesh Saraf: Right, so again continuation to this, historically there was in general pricing gap between TCI Express and may be some other premium so as to add like Blue Dart, do you see that gap were narrowed down significantly now?

Mukti Lal: No, actually it has increased because they have somehow managed to take a big hike from customers and we were not able to take that much hike. That is why they are in a much profitable position I would say.

Mukesh Saraf: Secondly is on the capex, the plan was to spend 400 Crores in five years, and I think so far, we have in about four years, we have done just about 200 Crores, so what is the plan going ahead, are we going to see one big year of capex this year in FY2022 or the plan has just got deferred to another three years or four years block?

Mukti Lal: Not really, so whatever we have planned that was in a timeline and this year we are planning to spend around Rs. 100 Crores and the same amount innext year as well. Last year has been impacted due to COVID pandemic, thus everything has delayed.. We will chalk out the Capex plan for next five years after completing this first phase.

Mukesh Saraf: Okay and just one last thing, for the full year FY2021, what was the fill factor, what was the load factor full year FY2021?

Mukti Lal: 86%.

Mukesh Saraf: Thank you Sir.

Moderator: Thank you very much. We have the next question from the line of Depesh from Equirus. Please go ahead.

Depesh: Thank you for taking my question, Just wanted to understand a new service offerings like cold chain**,** C2C and I think they also started the rail express logistics, so just wanted to understand like your group company, TCI is already having the TCI Cold Chain Subsidiary and they also had a JV with Concor, where they will provide similar services, so if you can please highlight how you are servicing and pricing are going to be different from the one?

Chander Agarwal: We are actually an express company, so whatever we do has got an express element to it which means that our EBITDA will not be less than 20%. So cold chain is going to be asset light, we are not going to be investing in any infrastructure or something. There is already we are doing vaccination transportation, we are doing drugs and a whole bunch of other pharma company transportation that we are doing where EBITDA will be maintained at 20%. Similarly, for rail cargo we started in a small way, last year because some of the clients wanted to try that. Now the difference between my other group company and this is that, this company is trying to which I do not want to talk about much now, just to give you an idea it is going to be the middle path between air and road**,** that is all I can say now**.** I will talk more about that in the 2nd half of the year. . So that space is totally empty in express. I am just giving out my business plan, so anyway this is the basic difference and we do not need any of that high volume business, we will get good margin business which will be long term and profitable.

Depesh: C2C express that basically needs the full truck load from the customer to customer, right, so just wanted to understand how the margins can be 20% in that kind of business where you do not have?

Mukti Lal: That actually is not the full truck load. This is a different kind of business where we can pick from a customer from three–four locations and then also like multi-location pick up and multi-location delivery. So, we will not involve our sorting centre and branch network including that and we will be directly delivering to customer's door.

Chander Agarwal: Sir, if you heard of a terminology called milk run, so we have already started doing that in a big way across India and that will emerge as the main C2C business.

Depesh: Understood, Sir. So, last question Mukti Sir, the average realization that is there in the fourth quarter is around Rs.12000 is it similar to the last quarter, right. So, the price hike that you are talking about have you taken in April – May or you have taken the last quarter only?

Mukti Lal: Well, we have taken in the last quarter only, but some time, average may be same as it depends on various factors like what sector we have catered, how much distance we have covered and how much volume we have moved in a particular zone, so it depends on that.

Depesh: Understood. Thank you, Sir.

Moderator: Thank you very much. We have the next question from the line of Prit from Wealth Financial Advisors. Please go ahead.

Prit: Chander I want to ask further on the C2C business vertical that you spoke about. So, when you say it will be customer to customer milk run kind of an offering, so will it be booked through a different portal, will there be an app for it, would it follow this?

Chander Agarwal: You know the beauty of this business is that we have 900 locations, 900 offices where it gives us an option of 40000 locations so, the client can actually demand from 40000 locations to another in between that network wherever they want to send so, our branch offices co-ordinate with each other already. So, last year, we generated about Rs. 50 Crores, business in this, so this was like a trial thing how we will set up and everything and how that should be asset light. So, all those things we have tried and tested, and we ended up doing Rs. 50 Crores business. So, when we do it in a full focused way then the potential is going to be massive. Now, what happens is that some of the customers, they may not have one full truck load for one location, but they will have half truck load for one location and the other half truck for the other location close by or not too far away, so they want to send their material this way and and this will turn out to be quite successful and taken out very well by the customers which was very different from the on the spot hiring module, because this is not really on the spot hiring, this is also through vendors. So, in essence we are developing a whole new eco-system of obvious business which is non-existent.

Prit: This is similar to the regular couriers that are around us where if we want to book something we will go and book a parcel and then they will take it forward?

Chander Agarwal: Then we have a TCI Express service already doing that, right but TCI Express service is doing, their customers are doing is that they are sending it to multiple locations. Now, in the number of years, we are looking at large numbers the difference is that where customer is saying I want half a truck, so we do not need to send it to the sorting centre then. So, it creates itself fully prophecy of on time and super-fast and efficient, so that service is there. But the customer may not be wanting that fast service also, but it happens because it is not going through the sorting centre.

Prit: So, where would this customer be doing that, so right now you are saying such a service is not available?

Chander Agarwal: What happens is that this is happening all over the country.

Prit: Right, and how do they fulfill this they book it directly would a customer do it?

Chander Agarwal: No, they book it through the branch office. The branch office is the main thing. They are the igniters, the fire igniter for the customer. They are the ones that the customer can go to, so in essence you need a branch network to really do this. This sort of a model will be more visible when it gets a little bit of scale probably in a year or year and a half time then automatically everyone will understand. This is like within economy there are so many factors of logistics that has not been covered, people always do the same thing, but they do not look deep as I always do, like look deep see where the money is and then go for that. But in India people like to just cut, copy, paste and in that they never end up making money. So, here we have identified these new businesses and we will push forward.

Prit: So, what kind of turnover do you think we can scale this up based on your trial run of last year let us say 50 Crores?

Chander Agarwal: I do not want to be too ambitious also, because for me profitability is very important, so if I get Rs. 50 Crores last year even if I do Rs. 100 Crores this year should be okay, if not I am not going to dive for Rs.500 Crores, but yes in five years this may become a Rs.500 Crores business very easily. There is no problem.

Moderator: Thank you very much. We have a next question from the line of Kanwalpreet Singh from Ambit Capital. Please go ahead.

Kanwaljeet Singh Thank you for taking my question, Sir, the capex which you are putting in the sorting centres for automation, this is one of the time that they understand in the B2B Express in India, so I wanted to know are you catering to newer types of lines here or different kinds of Express cargo compared to your previous model, because as I understand the turnaround time will be higher and we will be able to process much more volume of standardized parcel?

Chander Agarwal: Turnaround time will be lesser, not higher.

Kanwaljeet Singh: Turnaround time will be lesser, so are you catering or creating a new segment for customers in this case and how is it different from your previous customer base?

Mukti Lal: Well, actually, we are not changing the preference of any cargo. We just want to automate our existing processes at sorting centre, because right now supposing my cargo is taking 15-hour as a normal process like first unloading and then consolidation of cargo and finally sorting and loading in destination truck by using semi-manual process. With proposed automation process, we want to cut that time from 15 to 6-7 hours and with this, the particular sorting Centre's life cycle, will enhance to just double on the one side. And on another side my truck turnaround time will reduce, ultimately we will be able to get the reduction in cost. For example, supposing one truck is making three trips in a month, now with the lesser turnaround time, the truck will be making three and a half trips in a month. Accordingly, whatever profit they will make, they will share with us. So, to improve efficiency we are doing this and also want to cut the manual efforts , like labour number. Sometimes on peak, we face big challenges like festival season and all, volumes are very high and labour turnaround is high that time and so we face the challenges we want to cut that also, these challenges and part it will be the showcase in the Indian Express Industry, we will be the first one to launch this automation for For cargo handling.

Kanwaljeet Singh: well,, it is right. Sir, any sense on what is the operational expenses you have incurred around if I am not wrong Rs.25 Crores – Rs. 30 Crores capex for one sorting centre, so what kind of operational expenses or IRR you are looking at from this kind of a project, when would that breakeven?

Mukti Lal: well if you see there is, I think hardly, below 1% is the operational cost for these projects which we understood and we will be going to operationalize this automation by Q3 of this year.

Kanwaljeet Singh: Sir, any idea on the IRR?

Mukti Lal: IRR we are looking for six year..

Kanwaljeet Singh: Okay, so by six year do you think the capex would be at its peak utilization and everything?

Mukti Lal: Yes, we can achieve earlier, but pessimistically, or prudently we have taken six year though internally we are looking for within four year only.

Kanwaljeet Singh: Understood. Okay, alright, thank you.

Moderator: Thank you. The next question is from the line of Rahul Sony from SMIS Limited. Please go ahead.

Rahul Sony: Good evening Sir, and thanks for taking my question. Sir, one thing I wanted to understand, how you arrive at this utilization in the logistics business, if you can give a broad picture on this?

Mukti Lal: You are talking about our truck load?

Rahul Sony: Yes, utilization rate that you give?

Mukti Lal: Whatever suppose we hire a truck of 11 ton, and we are able to fill it up like 9 ton that way, we are making this 87% near to that. So, suppose we have a capacity of 60000 ton and we are utilizing 50000 out of that, because we are paying to our vendors per kilometer, so whatever capacity lies with us and this is our cost or profit.

Rahul Sony: Okay. Sir, can you just provide this utilization rate for FY2019 – FY2020 and the volumes also in tonnage?

Mukti Lal: Please can you give me a separate e-mail I will provide all that.

Rahul Sony: Sir, my question is on your new business. Sir, what kind of a business opportunity lies in this cold chain and C2C FTL business?

Chander Agarwal: This is a very good question.. C2C business, if you look at the total FTL market in India FTL – LTL combined, so there the element of express is missing and that is where we want to focus on. FTL and LTL market size in India is about $200 billion or something, is all not time sensitive, is not really catering to the needs of customer, it is a very haphazard kind of a business. So, the market size is there, demand is there, and we will now fulfill. Now, cold chain let me tell you about that initially in India the market size may not be that big, but the way we will do it is that our only investment will be manpower, because we already have the offices, we already have the locations, we already have the IT network, we already have everything that is required. So, the cost to get that business would be very less, to generate revenue would be almost nil, so automatically we are very highly profitable business, because it is going to be asset light so, once we are able to achieve this, I think in one year or two years you will see that the benefits will be definitely visible.

Rahul Sony: Okay, so just one follow up to this question, what kind of competition will be there, it will be from big, organized players or unorganized players?

Chander Agarwal: All unorganized, you know the situation right now is that there is so much of extra availability of vehicles because there is not enough business. So, eventually that customer goes to that truck which is standing will want to move to a organized player, so ultimately we will be taking share from the unorganized and converting it into this new business,

Rahul Sony: Sir, so have not we seen any consolidation even after the implementation of GST in 2017?

Chander Agarwal: Market is too big and so very hard to see that visually. I am sure it is happening, there are fallouts in the business, but it is not a governed like where you need licence or something. So, truck owners come and go, we cannot really gauge the market penetration or reduction or anything of that sort.

Moderator: Thank you very much. We have the next question from the line of Manish Jain an Individual Investor. Please go ahead.

Manish Jain: Good evening Sir. Congratulations on good set of numbers. My question was regarding first on the volume, we share volume based on a ton, is it possible to share based on a ton kilometers. Second, question was regarding with All Cargo now taking over Gati, do we see any change in the competitive landscape? Thanks.

Mukti Lal: I want to answer on first question, we are not calculating as per ton-per kilometer and we are just giving volume numbers. Because across India, it is very dynamic, you can take other way of round, our distance travelled is atleased at least 1000 kilometer plus for every cargo., so we are not working out per ton-per kilometer and Chander Sir you can reply on another question.

Chander Agarwal: The second part is, I think I am seeing when you say that a company which does not know this business is taking over a business then I do not know if I should be worried or I should be happy so, I think time will tell that.

Manish Jain: Thank you Sir.

Moderator: Thank you very much. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: Hi! Sir, thanks for the opportunity. Firstly Sir, on capex we will be looking at Rs.80 Crores, capex if you like trying to do annual number in two years also and what could be our capex number for this year?

Mukti Lal: This year Rs. 55 Crores, we incurred on capex.

Prateek Kumar: Yes, I mean FY2022?

Mukti Lal: Yes, 2022 and 2023 we will spend Rs.100 Crores each year.

Prateek Kumar: The capex number of Rs. 400 Crores which used to mention that included automation capex which we talked about Rs. 50 Crores additional capex on automation which you have mentioned in the presentation?

Mukti Lal: Yes, this is included in this. It is a part of Rs. 400 Crores.

Prateek Kumar: Sir, just on this C2C business I have one query, that is it some form of 3PL Logistics for the 3PL Logistics companies do, it is similar to that kind also, some of the internet companies like India Mart or Just Dial are also looking for logistic partnership?

Chander Agarwal: No, we would not be near that. We have solid customers, we have known customers, we have GST paying customers, we look at SMEs who are solid we do not know a level of transaction in those online things and all that. It is a risky if they are not paying GST, if they do not have any of the papers in order then we will be in trouble, so all that I cannot afford for the sake of investors.

Moderator: Thank you very much. We have the next question from the line Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Thank you very much Sir, for the opportunity. Sir, just wanted to understand this FY2022, what sort of volume tonnage that we are looking at and is there any haircut or drive that you are looking at in terms of tonnage, because of the second wave?

Mukti Lal: For FY2020 we are looking for around 40% revenue growth and with the kind of 35% volume growth on FY2021.

Deepak Poddar: That is it from me. Thank you.

Moderator: Thank you very much. The next question is from the line of Arjun an Individual Investor. Please go ahead.

Arjun: Congratulations Sir, on very good set of numbers. I had two questions one on customers, you have roughly 2 lakh customers and you have been able to pass on price increases throughout the year that sounds as a very substantial number of customers to deal with. How are you able to manage all of this is the process electronically driven or is it driven by different salespeople managing this individually?

Mukti Lal: Nowadays we are doing through e-mails and also every branch are connected with the customer directly in a local level and that connection has done very well for.

Chander Agarwal: So, our CRM application is in-house, in-built and it is mobile, and it is as well as localised which is connected to a central server, so we have like all sorts of data which is possible regarding a customer and we do not need to buy any fancy CRM software or something like that. So, of course it is CRM controlled and not today since, 20 years most companies are doing computerization now, but we have already been doing this from 20 years.

Arjun: But Sir, when you propose the price change, right and this is a slow type of a business, customers tend to take their own time?

Chander Agarwal: No, not so much, we do not deal with such kind of customers, we deal with corporate organized set of customers which they respond, they understand that the fuel is increasing and you look at a company which will impose their pricing because road network was shut, so the other mode was active but this year they will be able to do that. So, they will go back to where they were, where they started two years ago. So, that sort of thing is there, but in our case, it does not happen we are always improving quarter-on-quarter.

Moderator: Thank you very much. We have the next question from the line of Shreyash Bukhanwala from Canara Robeco Mutual Fund. Please go ahead.

Shreyash Bukhanwala: Thanks for the opportunity, Sir. Just two questions from my end, one was on the cold chain business, you did mention on C2C, how has that been contributed with the business. Is it possible to share what has been the contribution from cold chain in this year and how do you look at that business say three years down the line and probably be this kind of contribution then?

Chander Agarwal: The cold chain business is something which we just started with the vaccination movement and we were doing only because we have the offices everywhere and we have that network of hub and spoke. So, the vaccine suppliers and even the buyers of the vaccine in large quantity for example, UNICEF and all those NGOs, they have to use our service and they realized that this sort of service is beneficial, so we have tied up with even government at Taluk level where we are supplying the vaccines. When things start becoming streamlined, not just for vaccines but in general India will become a market for vaccinations going to the larger population earlier which was missing. This will be a new opportunity which I foresee.

Shreyash Bukhanwala: Sure Sir, and secondly on the margin side, so on the gross margin levels we are almost at 33%. So, with probably do we see further scope of improvement there over next maybe one to two years with better mix or better utilization?

Chander Agarwal: At present, the volumes have not yet kicked in. When volume kicks in, then you will see that margins improve much better. So, when the economy improves, when the topline grows, the margins will start kicking in then. Then you will see a robust jump. This year we have solid plans for the financial year.

Shreyash Bukhanwala: Basically, this kind of margins would be sustainable, the Q4 margins what we have seen?

Mukti Lal: You cannot compare on quarter-on-quarter, each quarter in a same page, but yes next year again our target is always to improve at least 100 basis point in each year. Certainly, we will be improving on yearly basis, we will be improving 100 basis points that is actually our target. Last year we have taken to improve 100 basis points, but we have improved 500 basis points. So, that is different task always because we had taken opportunity in this pandemic time and improved the margins. So, now we again take a big leap and for the yearly basis our next target is to 20%.

Shreyash Bukhanwala: Sure, 20% by 2023?

Mukti Lal: Yes.

Shreyash Bukhanwala: Thank you. That answers my question.

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

Aman Vij: Good evening Chander Sir, and Mukti Sir. My first question is on the new players the unlisted players. So, for some of them have turned profitable and have grown quite well during the pandemic, so any views on the same are you seeing any competition increasing from them?

Chander Agarwal: I am not sure which unlisted player you are talking about turning profitable?

Aman Vij: Sir, E-com Express all that is not like to like but then Delivery also close to that, then payers like Fortan which have done quite well over the last year?

Chander Agarwal: I do not think Delivery is profitable by any means.

Aman Vij: Yes, Delivery is still loss making, but E-com Express?

Chander Agarwal: I do not see any challenge from these non-listed new players, therefore, very hard to talk about these companies and compare with TCI Express, because we have a very strong foundation, and we also have a very strong sense of organization and our company is also in the forefront of that so, very hard for me to say about all these guys.

Aman Vij: Sure, Sir my question is on the margins, so Sir two– three years back when we got listed we had that vision of 100 basis points each year, but we have done way better than we had expected and like Mukti Sir, is also talking about say 20% is now that sustainable numbers. Sir, what has changed that has helped us even with volume drop all those things and you are also talking about this is like the new base and you are right also the volumes are still to come this year we are 30%-40% obviously from lower base. So, what has led to this kind of 20% margin Sir, because anywhere in the world we have not seen this kind of margins in logistic company?

Mukti Lal: If volume grows then our utilization level will certainly improve. Further, because volume grow then volume grow with the SME customer also. As earlier said, the profit with the SME customer is higher in comparison to other corporate customers. Third thing whenever volume grows my fixed cost is not increasing in the same proportion, rather we have very lean cost structure. Fourth thing, we are also going to add these new products and they are high margin products. Fifth thing is, we have now very systematic process to pass on the diesel hike that we have achieved in the last year as well. Last but not the least, we also take the hike on every renewal that was earlier missing in our company. These new things happening in ours company and they are very fruitful to us.

Chander Agarwal: I think one important point is there our costs are very low. Unlike other companies we are not "HiFi" so that way we end up being a very pragmatic on costs and we do not have to show, we do not have to do anything. So, we are there for the long haul and to be in the long haul we need to be wary of the cost.

Aman Vij: Yes Sir, just one clarification, so we have taken price hike with SME and all those things so any chance competition can come in seeing this kind of high margins in the business, so any view on the same?

Chander Agarwal: Of course, they will love to come in and they are trying to come in, but the problem is that you need to have the operations. So, if somebody on a motorcycle wants to drive at the car's speed, he has to buy the car first, he has to learn how to drive the car then only he will be able to race with me, right. So, that way that suitability building will take one generation is what I see for these guys, so I am okay with that.

Aman Vij: You are not seeing anyone trying to undercut you given you have taken this?

Chander Agarwal: No undercutting is from unorganized segment.

Moderator: Thank you very much. Due to the time constraint that was the last question. I would now like to hand the conference over to the management for closing comments.

Chander Agarwal: I must thank everybody for attending the TCI Express Q4 conference call. I am delighted with the results that we have posted. We strive to be the leading and the leader in the express industry in the country just not for now but for generations to come. Thank you very much to all of you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this Conference Call. Thank you for joining us. You may now disconnect your lines.

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