“TCI Express Limited
Q3 FY2022 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q3 and nine-month FY2022 Earnings conference call of TCI Express Limited hosted by ICICI Securities Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now have the conference over to Mr. Abhijit Mitra from ICICI Securities Limited. Thank you and over to you Sir!

Abhijit Mitra: Thanks operator and good evening to all the participants for joining in. We are here to discuss Q3 FY2022 results of TCI Express. From the management, we have today Mr. Chander Agarwal – Managing Director and Mr. Mukti Lal – Chief Financial Officer. Without further ado, I hand it over to Mr. Chander for his opening remarks. Over to you Mr. Chander.

Chander Agarwal: Good evening everyone and welcome to Q3 FY2022 Earnings call of TCI Express Limited. I would like to thank all of you for joining us here today. I hope you and your loved ones are staying safe and healthy. I will first start with industry and business overview for the quarter and will then hand over the call to CFO, Mr. Mukti to discuss the financial performance of the company of the quarter. Our earnings presentation has been uploaded on the website and stock exchange and I hope you have had a chance to review it.

Q3 FY2022, started on a positive note with strong economic activity in October ahead of festive season and broad-based recovery visible across industries. The recovery trend was visible in both the data for index for industrial production and E-way bill generation in October; however, in November the e-way bills declined to five months low, as demand moderated after the festivities, but recovery was again visible in the month of December. As a result, the Q3 for logistics industry remained mixed.

In this background, the company delivered highest ever quarterly revenue from operations of 287 Crores registering a growth of 9% Y-o-Y and 5% on sequential basis. The top-line growth was primarily driven by both SME customers and corporates. EBITDA for the quarter stood at 49 Crores registering a sequential growth of 5% with margin of 17%. Margins remained stable backed by higher capacity utilization and operational efficiencies. Our profit after tax stood at 35 Crores with the margin of 12.3%. On Y-o-Y basis, the company has delivered a stellar performance with the revenue from operations at 783 Crores, a growth of 39%. EBITDA grew by 55% to 131 Crores and PAT grew by 60% to 93 Crores. In the light of strong performance during the first nine months of the year, the board of directors has recommended a second quarterly dividend of Rs.3 per share, taking total dividend to Rs.6 per share for nine months FY2022, representing a payout of 300% on the face value and 25% on the EPS.

To give you an update on the construction of the Gurgaon sorting centre, I would like to inform all of you that it is going as per plan. The construction is complete and we are in the process of applying automation. It will be fully operational next month, in the first week of February 2022. TCI Express will become the first B2B express delivery company in India to install a conveyor belt system for heavy cargo at the sorting centre. Now, this will help in reducing trucking halting time by around 40% which will improve overall operational efficiency. We will be carefully evaluating the success of this automation at the sorting centre and subsequently implementing the complete automation strategy at the other sorting centres.

During the quarter, we have also added five new branches mainly in south and north regions to penetrate deeper in the key growing markets. In addition, our recently announced new offerings are getting good traction among the customers, especially rail express where we continue to see new customer acquisitions every month.

Looking ahead, the threat arising from Omicron variant is expected to be temporary and the time restrictions in certain states have impacted the movement of goods; however, we are expecting quick recovery in the coming months. Overall, logistics industry is an integral part of country's economic growth and the government's increased focus in spending on developing road and railway infrastructure will set a course for rapid growth for logistics sector in India. In addition, the demand for logistics services is poised to grow with the increase in manufacturing activity under the government’s initiative of Make in India and also led to increase in SME customer base engaged in the trading of goods. TCI Express with its asset light model and comprehensive express service offerings is well positioned to capitalize on the growing market opportunities and deliver long-term sustainable growth.

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

Mukti Lal: Thank you Chander Sir, now I would like to discuss the financial performance of the company. During the quarter, our revenue from operation is Rs.287 Crores for Q3 as compared to Rs.273 Crores in Q2 FY2022 and Rs.262 Crores in Q3 of last year. The total income for the quarter was Rs.289 Crores as compared to Rs.276 Crores in Q2 FY2022 and Rs.264 Crores in Q3 of last year, registering a sequential growth of around 5% and 9.4% Y-o-Y basis. This growth can be attributed to multiple factors like growth in demand from SME customers, higher capacity utilization, increased demand from rural areas and festive season. Overall, the total income for the nine months of the year stood at Rs.789 Crores as compared to Rs.569 Crores last year registering a significant Y-o-Y growth of 39%. Our EBITDA stood at 49 Crores with margin of 17%. Sequentially the EBITDA has grown by 3.5% and 5% on Y-o-Y basis. This improvement can be attributed to growth in top line as well as improvement in overall operational efficiency.

I am happy to report that for the first nine months of this year our EBITDA was 131 Crores as compared to 85 Crores for the same period last year. The net profit for the company in Q3 was 35 Crores with the margin of 12.2% and net profit for the first nine months was 93 Crores with the margin of 11.8% percent registering a stellar growth of 60%. We have incurred a capex of Rs.65 Crores towards construction and automation of our new sorting centre at Gurgaon and Pune. I am happy to report that we are on schedule to make this sorting centre fully operational by February, which will 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: Thank you. Ladies and gentlemen we will now begin with the question and answer session. Anyone wishing to ask a question may please press "*"and "1" on your touchtone telephone. If you wish to remove yourself from the question queue you may press "*"and "2." Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Good evening Sir and congratulations on decent set of numbers. Sir, I just wanted to understand how much would have been the contribution from these new segments like C2C express and cold chain in our total revenue during the quarter?

Mukti Lal: Total is around 12% to overall revenue for this quarter from these other services.

Alok Deora: Okay, and also there was a very strong massive cut in diesel prices in November, since the margins have been largely flat should we understand that it was completely passed on immediately or we did not really get any benefit out of that?

Mukti Lal: If you see this year an interesting thing has happened, in October there was a sharp increase in the diesel prices and that was the highest business month, so at that time we hold on passing on to customer and then subsequently on Deepawali day it has been reduced and we bear the impact of one month. It has impacted our margin level and it was a temporary one.

Alok Deora: Sure. I just wanted to understand once this Gurgaon facility gets operational by February or say by March, how much can we seen improvement in efficiency or some colour on that if you can just highlight because if we are doing this first of a kind company in doing B2B automation, so just wanted some insights in terms of how much it could reflect in the margins if any significant number there?

Mukti Lal: Theoretically we have done calculations on excel sheet because it is yet to start, so it is very early to say something. But we have planned it in such a way that ultimately we will be able to reduce our truck halting time at this centre by almost 40% and then it will improve our operational efficiency. We expect it to reduce the direct cost by at least 50 basis points to 70 basis points in our overall direct cost in one year's time.

Alok Deora: Sure, and then after this it will happen in Pune?

Mukti Lal: Yes, after successful implementation of that and taking the experience, then we will implement automation in Pune because it is readily available, a lot of reorganizing of the routes, the short routes and the long routes and all of that is required. Once we get this going, I believe the first month will be trial and error, and then we will be going ahead and implementing. The real benefit would probably come in about a month to month-and-a-half time, and that would be the clearcut learning point and possibly by April also when everything is in order, we can place order for automation in Pune also in the first quarter of next financial year.

Alok Deora: Sure Sir, one last quick question. How is the competition now in the B2B segment if you could throw some colour on that?

Chander Agarwal: It is still very largely unorganized. I am not seeing any major shift happening in any direction. The problem is that operating efficiently, profitably, and delivering consistently to consumer in these challenging times requires the company to have a very solid foundation. So, there is not any company like that at the moment. So, if you do an industry analysis, on the ground there is a totally different picture versus what is being reflected say in a con-call or any other way. Ultimately the results decide what is really going on. If it is the same on the ground as the result then you know that the company is moving in the right direction, but if things are not good on the ground then immediately it will not reflect in the balance sheet. So, saying that they are facing a lot of challenge, lot of competition really bore the brunt of this unexpected fuel price, and I think that will impact their overall yearly performance.

Alok Deora: Sure, thank you and all the best Sir.

Moderator: Thank you very much. Ladies and gentlemen in order to ensure that the management is able to address questions from all participants in this conference, we request you to limit your questions to two per participant only. The next question is from the line of Depesh from Equirus Securities. Please go ahead.

Depesh: Thanks for taking my questions. Sir, just continuing on the competition part, post the Spoton acquisition any changes you have seen? I understand the market is fairly unorganized, but in the organized space you are the core bigger guys right now and any change in the pricing strategy of the other companies that you are seeing in the movement of the wallet share of the clients?

Chander Agarwal: I do not know how many core companies you are talking about. I only know two, but amongst the two companies that I know, our pricing has increased and I will not be able to talk about the other competition.

Depesh: Sure, but the Safe Express, Gati, and Spoton are bigger than you in terms of revenue isn't that right?

Chander Agarwal: I cannot say because I do not have their financials, so have not seen it and I do not know what it is because each one has their own set different businesses in those companies. We are nothing but a pure play express company we only do express, we do not add this or that, warehousing and all that, we do not do any of that. It is very hard for me to say on those companies.

Depesh: But Sir within your clients you are not facing any pressure on the pricing right because those guys are being more aggressive now?

Chander Agarwal: No, we have actually increased the pricing very effectively and there has been no resistance and I think what matters is that with the pricing, we are giving decent servicing also.

Depesh: Got it. Sir given the nine-month results and the restrictions that you are seeing in this quarter, what will be your growth guidance for the full year? I think at the start of the year you gave some guidance but how will you revise that now?

Mukti Lal: We will finish in the range of 30% to 35% and profit margin would also be like 35% to 40%.

Depesh: Profit margin in the sense growth you are saying?

Mukti Lal: Yes, growth at PAT level.

Depesh: Understood Sir. If you can give the total tonnage that you have handled in this quarter?

Mukti Lal: This quarter we have 2,30,000 tonnage handled in this quarter. In the last nine months total we have handled almost 6,30,000 tonnes.

Depesh: Got it. Lastly Sir, post this Gurgaon automation centre being completed, what is the CapEx plan for the next year because you have given the guidance of 400 Crores for five years, but any particular city that you are targeting for the sorting centre next year?

Mukti Lal: Yes, we again have the same Rs.100 Crores capex plan for FY2023 and we will spend the money basically for Chennai and Nagpur, where we want to construct the sorting centre and we want to do automation in Pune sorting centre.

Depesh: Got it Sir, thank you and all the best.

Moderator: Thank you. The next question is from the line of Sandeep Agarwal from Naredi Investments Private Limited. Please go ahead.

Ravi Naredi: Chander ji you are doing fantastic, after 400 CapEx what is our next plan in FY2024 onwards?

Chander Agarwal: First of all, thank you for your encouragement. We will do the same investment of 500 Crores in the next batch and this will involve automation of the remainder of the sorting centres of the larger ones. That itself will come to Rs.300 Crores, and of course expansion of the existing sorting centres where the business has outgrown the size. So, in general our plan is quite straightforward. We are not doing anything which is totally extraordinary.

Ravi Naredi: Right, and in this air cargo business how much is share of turnover in Q3 in 287 Crores?

Mukti Lal: Air cargo is almost 7% to 8% in this turnover.

Ravi Naredi: Okay, all the best Sir, keep it up.

Moderator: Thank you. The next question is from the line of Krupashankar Nj from Spark Capital. Please go ahead.

Krupashankar Nj: Good evening and thank you for the opportunity. I have question relating to the newer segment contribution. You had mentioned that it is about 12% of our revenues in this quarter. Can you break it up between Rail Express and the other two C2C and cold chain?

Mukti Lal: Basically if you see the two products that we recently launched pharma cold chain and Rail Express that is not having any significant size right now and in C2C maybe we have around 4% or like that.

Krupashankar Nj: Got it Sir, and my second question is relating to your volume growth. What are the sectors which had contributed to the growth at least on the volume side in this particular quarter and where were the key misses if you can highlight on that, sectors like retail and textiles, etc.?

Mukti Lal: I would say in nine months the volume growth is around 36% and in this quarter almost around 7.5% growth we have on the volume side, and that basically is coming from the mix of again existing customers and newer customers. Our endeavor is always to be keep the balance between SME and big customers and we want to maintain that, and that is also maintained in this quarter as well.

Krupashankar Nj: Right, what I was enquiring more on was respect to the sectors, for example the automotive sector or the textile or retail sector, which are the sectors which are relatively contributing higher vis-a-vis others which are lagging behind because of perhaps lower offtake in volume?

Mukti Lal: This quarter is interesting because earlier in last quarter textile sector was lagging behind, but in this quarter that also came up due to the festive season. In this quarter, every segment has contributed. Basically no segment has been lagging behind in this quarter.

Krupashankar Nj: Okay I understand. Thank you and all the best. I will get back in the queue.

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

Rahul Sony: Thanks for taking my question. A couple of questions from my side. First is what was your utilization rate for December quarter and during the last corresponding quarter of FY2021?

Chander Agarwal: Our utilization level in this quarter was around 85% and in the last corresponding quarter we had 85.50%.

Rahul Sony: Apart from doing adjustment in your pricing related to changes due to decrease in fuel price have we seen any upward or downward revision in the rates?

Mukti Lal: In this quarter, the quantum of fuel is flat basically because in October prices have increased sharply and then came down in November month. Usually, there will be no impact on the side of diesel basically, it is flat.

Rahul Sony: Okay, one last question. These Chennai and Nagpur sorting centres, these are the new sorting centres and are we also planning to do automation of any existing sorting centres like expansion or automation?

Mukti Lal: We will do automation in Pune centre only and then whatever automation we will do in the future will be on new one centre. Like Chennai and Nagpur is also proposed for that. So, whenever we add on a new one, we will be making it fully automated.

Moderator: Thank you. The next question is from the line of Alok Deshpande from Edelweiss Financial Services. Please go ahead.

Alok Deshpande: Good evening, two questions, I just wanted to understand your outlook on margins, I am sorry if you would have commented on it earlier in the call, but any outlook that you can give for this current quarter and going forward how we plan to expand the margins, also in the near term on the pressure because of the fuel prices?

Mukti Lal: Yes, in this quarter we maintained 17% EBITDA level and in Q4 we also intend to have that kind of like in the range of 17% to 18% and for the full year it will increase over last year. we will improve almost 50 basis points. we also have an endeavor to be increased almost by 100 basis points each year.

Alok Deshpande: Okay. Once this phase of CapEx gets over you briefly mentioned about another 400 to 500 Crores of CapEx in a sort of a new three or four years' phase. What is the timeline for that phase, is it from FY2023 onwards or even after that?

Mukti Lal: It will start from FY2024, we launched this 400 Crores four years back and hopefully by 2022 we would have finished Rs.300 Crores CapEx. Remainder 100 Crores will be spent in FY2023 and in next year we will launch for the next four years again and that would be also in size of like Rs.400 or max Rs.500 Crores plan and again it is very simple, we will be adding our sorting centre, the existing are on lease, we will be adding on one by one and we intend to have everything automated one, so this way it is a simple one.

Alok Deshpande: So this phase which will get over in FY2023 the capacities that would have got added in this current phase that should last us for the next three to four years as the revenue growth comes in, is that a fair assumption?

Mukti Lal: Whatever capacity we are creating, there are two advantages. It will last more than 10 years because once size is like three times of existing one and another one is a kind of automation we are doing. That will also reduce my idle time there. So ultimately it will be used for 15 to 20 years.

Alok Deshpande: Okay, that was my question Sir. The later CapEx that you are talking about that is also for capacity expansion or just new locations?

Mukti Lal: No. It is again for capacity expansion only. Location may be change, but in the same area, so number would be the same. Right now, we have 28 sorting centre and number would be the same. We are not increasing the number. We just add the capacity and we also want it to be automated.

Alok Deshpande: Okay Sir. I will take more details from you separately Sir.

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

Prit: Congratulations on very good number. How much time would it take for you to set up the sorting centre automation in Pune?

Mukti Lal: Thanks for your appreciation, it will be taking around six months.

Prit: Okay. You mentioned there will be 50 to 75 basis points improvement in terms of direct cost, but could this also lead to additional revenue because if your turnaround time decreases then your service levels will increase and would that then make TCI Express even better solution for many clients?

Chander Agarwal: Absolutely, that is the whole idea, that is the whole point that you know. We bring the experience or the goods faster to be where they want and I think this would be a very strong competitive advantage against all competition and even air cargo for that matter. So going forward with the enhancement of service levels, with the enhancement of capacity utilization, point-to-point customer delivery also becoming faster. We could also see much higher increase in pricing gradually. I think the domino effect of that will be quite strong and that is what we have planned. We are making the company future ready.

Prit: Right. So, in connection to that wouldn't it make sense to fasten your CapEx and automate more centres rather than doing them sequentially?

Chander Agarwal: No, faster by doing like Rs.1000 Crores worth of projects and all that is not viable here in logistics industry. First of all we are all self-funded. We do not need any loans from the bank and doing anything faster is of not much value because ultimately anything that is beyond the norm in India the price point is almost 50 times more for doing that. So, I do not think it makes economic sense to make something which can be done gradually over time and anyone attempting to set up several facilities without trial and error is definitely going to run into major hiccups. So, it is better to be cautious.

Prit: Right. What I was referring it to is that once your Gurgaon centre is tried out and tested and you see the benefits on the ground and say the model gets proven then would it make sense to say in parallel setup automation at other centres?

Chander Agarwal: The next one is already ready right. We already started working in Pune and we just have to plug and play then, so that is the whole idea. Plug and play will be done everywhere. The main learning would be coming from this Gurgaon centre.

Prit: Lastly, on the rail express side you mentioned that you are seeing more traction that you are offering, so could you share some colour in terms of say how it is grown Q-o-Q and what is the kind of feedback and do you see this becoming a major revenue stream?

Mukti Lal: Well, basically the Rail is growing very well, though it is in very inception phase and we are now expanding our coverage to city on city basis. We started with 10 cities and now we almost reach 60 cities and the plan to reach by the year end is to double up that, like 100 at least. So this way we are expanding. Business is low obviously and it will continue to increase in time to come and customers are very excited to convert their air cargo which is basically where the competition is and that we are targeting to be converted to this business and that is also going very well. I think next year we are planning to have at least 3% to 4% of our total revenue in FY2023 to make this business.

Prit: Thank you so much and all the best to both of you.

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

Radha: Thank you Sir and congratulations on the result. Just wanted to know that this quarter as per the presentation we have seen that there is a stretch in working capital days and we also have to take short-term loans for a short period of time, so is there a particular reason for that?

Mukti Lal: No. If you see whatever we have generated as cash in the last nine months we had a CapEx of Rs.65 Crores and we increase our business, so receivable in days are the same, but in amount they have increased by almost Rs.20 Crores over March and that is why there is a temporary increase on that capital working requirement. That has already come down in this January month and it will be at the same level what we had in March 2021. In FY2022 it will be the same. So, there is no pressure on working capital cycle and in days term it is the same one.

Radha: But, the working capital days that has been calculated is only on the basis of receivable and payable dates, that excludes the short-term debt you are talking about. I was asking mainly on the basis of receivable and payable dates?

Mukti Lal: Payable date is also the same, that is why I am saying if planned you see the increase of whatever we earn in nine-month time that has been put onto the capex plan and whatever increase we have in our debtors that has been funded through this temporary short-term loan which have already cleared in the January month.

Radha: Okay. My next question would be that on a Q-o-Q basis the utilizations have reduced from 85.5% to 85%, however, the employee expenses as a percentage of sales have improved for the company, so was this reflecting the higher automation in sorting centres?

Mukti Lal: Actually, utilization level is of 85% and previously that was the capacity in Q2, we have generated almost 289 Crores business. Once volume increases then we will further get the benefit of utilization level, we can reach 86% or 87%.

Radha: Okay, just one last question, what is the addressable market for these value-added businesses, which is C2C, cold chain, and rail express?

Chander Agarwal: The market size if you look at the quantum of logistics that will be cold chain as well as the C2C. The C2C is about almost over 20% to 25% of the trucking part in the economy and cold chain express is possibly not more than 3% or 4%.

Moderator: Thank you. The next question is from the line of Aejas Lakhani from Unifi Capital. Please go ahead.

Aejas Lakhani: Thanks for the opportunity and congratulations on the numbers. Mr. Mukti, I just have one question. In the nine-month period, what is the price increase that we would have taken as a whole on the business?

Mukti Lal: As a whole, in nine months we have taken 2.5% improvement in pricing.

Aejas Lakhani: Okay and that's been largely on account of the diesel pass through, right?

Mukti Lal: No. Diesel is actually different. We have diesel hike clause that has been passed on to customer and this is pure and pure on just price hikes, annual price hike we are getting from customers.

Aejas Lakhani: Got it. Is it fair to say that every year we can take anywhere between 3% to 4% kind of price hike?

Mukti Lal: Yes, that is our target, to achieve at least 3%, because last year what happened was there was a sharp increase in diesel prices also. Then coupled with that to get the annual price high that is sometimes very challenging one. Customer is not allowing to both kind of price increase. It all depends. But our endeavor is to get at least 3% to 4% annual hikes.

Aejas Lakhani: Okay and this is a reset that you do at the start of every year or is it through the year, could you just speak about when the reset takes place?

Mukti Lal: It is always actually throughout the year, because whenever they make the agreement then it gets renewed each year on different time.

Aejas Lakhani: Got it, okay. So with different customers it's different, so it takes place through the year. Okay, got it.

Moderator: Thank you. The next question is from the line of Vikash Khatri from Aviral. Please go ahead.

Vikash Khatri: Thank you. Chander, first congratulations for setting up such a beautiful automated sorting centre. My question is related to B2B service. When Q3 usually is a festive quarter for the industry, when normally industry grows by 10% to 12% sequentially, we have grown by 4%. Have we lost some share because of the newcomers or aggression of players like Delhivery or Spoton? Second question is related to the weight. The weight growth, just Mr. Mukti said that is 7.5% Q-o-Q while revenue growth is 4%. Has our realization per kg gone down and if gone down, then how is our outlook in maintaining operating margin at the 16% or 17% level?

Chander Agarwal: Thank you for your encouragement. The market share you know has not been touched at all. In fact, the industry has not grown 10% to 12% this quarter. I have not seen any company or anyone growing more than 1% to 2%. Of course, you have companies which can lower pricing and then grow substantially, but if you look at all sectors, especially auto sector and in general FMCG, and all of the other segments have not grown the way they grew in the first half. So I do not think we have de-grown or not grown according to the industry standard. Second question is on realization. Just to clarify on realization side, we had given a number of 7.5% growth in nine months. In quarterly, we have just grown 4% on volume side on a sequential basis. So pricing has not come down actually.

Vikash Khatri: And what is our outlook on the operating margin which is hovering currently at 16%, previous quarter it was 16.5% and last year it was 16.9%?

Mukti Lal: We will improve almost 50 basis points by FY2022 end and again subsequently 100 basis points in each year.

Moderator: Thank you. The next question is from the line of Pratik Singhania from SageOne Investment Advisors. Please go ahead.

Pratik Singhania: Good evening. Sir my first question is with respect to the learning that we have got from the Gurgaon sorting centre's implementation in terms of cost, like when we had started it what cost we had envisaged and then ended with what cost? And going forward, per square feet basis, based on the automation, like automation for Pune or other sorting centres, what will be the reduction in the cost, if any?

Chander Agarwal: Because this is the first one and whatever cost we have fixed that is there and we are implementing that. Once we implement that and see the practical results, how we can further make improvement or anything then we will be evaluating. I think in Q1 of next year, we will be able to comment on that on cost part, on even equipment cost part, on whether we can execute it or how we will be going through.

Pratik Singhania: Okay, so execution like once it gets operationalized the learning will flow in much more than what it is as on date. And Sir, in terms of CapEx, like because you are saying that the capacity that you are creating is good enough for 15-20 years, so when does this CapEx plan actually stop, like after this CapEx you are saying you are going for another 400 to 500 Crores, so when will this exactly get completed, like how much Crores will be required to do the entire envisaged CapEx as you as you have desired?

Chander Agarwal: You are asking a question for 10 years down the line, I do not think I have an answer for that yet.

Pratik Singhania: Okay. Alright Sir, these were the two questions which I had. Thank you.

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

Aman Vij: Good evening. My first question is on the Q4 visibility which you are seeing in the month of January specifically. Given we have a very high base for Q4 last year where we did around 280 Crores sales, and if you have to maintain that 30% growth for the full year, which Mukti Sir is also talking about, we have to grow on that very high base, so are you seeing demand coming back? What are your initial thoughts on the same for Q4?

Mukti Lal: Yes. We are seeing very good demand, because always if you see trend of last five years or seven years, Q4 is always the best one, and that way, subject to this third wave, though we are not seeing much impact. I think it will go very well and we will surpass the Q4 numbers very much and we will finish the year at 30% plus kind of growth for the whole FY2022.

Aman Vij: Sure Sir. And the second question is now assuming we will get that 35% to 40% profitability growth for the full year, so we will be ending up like 130-140 Crores PAT and then we have depreciation also, so we have very good cash flows, versus we will be spending like 100 Crores a year if we even include the next set of CapEx. Sir any plans of higher dividend or buyback or what are your thoughts on the extra cash flows which the business will be generating?

Mukti Lal: Yes, this is a very good question. You rightly said we will have Rs.200 Crores kind of cash flow from next year onwards. In this year though, I think we will finish with the capex of around Rs.90-100 Crores and then we have also announced a dividend this time. So almost Rs.30 Crores we have given as disbursement of dividends. And I think that will be finished with that and whatever excess we have we will be putting it in investment in short term. Next year onwards, yes, once again we will keep growing our cash flow, we maybe give a dividend slightly on a higher side. If you check from the last year, we had given only Rs.4 per share as dividend, and this year we have already given Rs.6. So, we will keep growing that way.

Aman Vij: Sure Sir. The final question I have is on the value-added services. So we have like four segments, rail express, C2C, pharma. Sir which segment do you think will reach the 150-200 Crores number first, and maybe if you can talk about order, based on the current visibility where you are seeing the maximum growth which can scale the fastest.

Chander Agarwal: Yes, it is again very early to comment on that. Firstly C2C will grow very fast, second would be rail express, and then third will be the pharma cold chain express.

Moderator: Thank you. The next question is from the line of Rajesh Kothari from AlfAccurate. Please go ahead.

Rajesh Kothari: Good evening Sir. A few questions from my side. If I look at the hub and spoke model of Delhivery and if I compare it with TCI Express, their network versus our network, can you just explain which business model is probably better particularly express logistics B2B business? That is my first question.

Chander Agarwal: Firstly, express delivery and express pickup is only possible through hub and spoke model. B2B hub and spoke model is possible if you have your own branches across the country and you have your own sorting centres. I am not sure what B2B express service they are providing.

Rajesh Kothari: Okay, but Spoton provides B2B right?

Chander Agarwal: If you look at the competition, see their sorting centres there are many sorting centres, they are like probably little godowns which have been kind of manifested into hubs or whatever. But hub and spoke model requires substantial investment.

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

Prit: Just one small thing. The EBITDA margin for Q4 last year was pretty high. Do you see any chance of getting to that number this quarter?

Mukti Lal: Yes, I think we will see that kind of EBITDA margin this Q4, but our manpower cost is slightly higher, so it may be flat or like last year. We maybe achieve 19% or 20%.

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

Rahul Sony: Sir just one more question from my side related to your utilization rate. If we see the data of last four to five quarters, we have achieved utilization rate of around 85% on an average, my question is, is it practically possible to have an utilization rate of 90% or 95% and what are we doing to achieve that kind of utilization rate apart from automation of the sorting centres? My indication is towards increasing your business share to SME segment, so I think increasing your business share from SME which is like 50:50 between SME and corporate, are we focussing on that to increase our utilization rate?

Mukti Lal: Yes, you have a very good question on that. Utilization level beyond 90% is not possible in this industry. Firstly, we want to reach on 88% to 90%. Second thing is even still on 85% or 86% this utilization level is very dynamic which I have also explained in last call, like suppose in one route we have 9-ton truck capacity and we have the cargo for 8 ton, suppose tomorrow we have 11-ton cargo then we will not add another 9-ton truck rather we will replace that truck with a higher capacity of 14 ton. So, this is always dynamic capacity. It is not a static kind or fixed kind of thing. Wherever we use like 6-ton truck then we will increase up to 9 ton. If we are using 9 ton and if it reaches complete utilization then we will put in 14 ton, so it is a very dynamic market and we will always have a scope to improve this utilization level.

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

Chander Agarwal: Thank you everyone for joining us here today. I would like to conclude by saying that we remain optimistic of quicker economic recovery and with a strong value proposition we will achieve our targets. We look forward to meeting you in the next quarter. Please stay safe and healthy and feel free to reach us in case any questions remain unanswered. Thank you.

Moderator: Thank you. On behalf of ICICI Securities, that concludes this conference call. We thank you for joining us. You may now disconnect your lines.

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