“TCI Express Limited
Q2 FY25 Earnings Conference Call”

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MANAGEMENT:	**TCI EXPRESS LIMITED** **MR. CHANDER AGARWAL - MANAGING DIRECTOR.** **MR. MUKTI LAL - CHIEF FINANCIAL OFFICER.** **MR. HEMANT SRIVASTAVA, COO - SURFACE EXPRESS** **MR. ASHOK PANDEY, COO - MULTI-MODAL EXPRESS**
MODERATOR:	**MR. NAVIN AGRAWAL – HEAD INSTITUTIONAL EQUITIES, SKP SECURITIES LIMITED.**

Navin Agrawal: Good day ladies and gentlemen. I'm pleased to welcome you on behalf of TCI Express and SKP Securities to TCI Express Limited's Q2 FY25 result webinar. We have with us Mr. Chander Agarwal - Managing Director, along with his colleagues Mr. Mukti Lal - CFO, Mr. Hemant Srivastava - COO, Surface Express Business and Mr. Ashok Pandey - COO, Multi-Modal Express Business. This webinar is being recorded for compliance reasons, and during the discussion there may be certain forward-looking statements which must be viewed in conjunction with the risks that the company faces. I now hand over the webinar to Mr. Agarwal for his opening remarks, which will be followed by Q&A session. Thank you and over to you, Chander ji.

Mukti Lal: Thank you. Good evening, and a very Happy Diwali to everyone. Welcome to the Q2 and H1 FY25 Earnings Conference Call of TCI Express Limited. Thank you for taking the time to join us today. We have already circulated our earnings presentation on the website and stock exchanges, and I hope you've had a chance to review it. I will start by providing an overview of the (1.31 – audio cracks) to ensure long-term growth and value for our stakeholders. Following that, I'll hand over the call to our CFO, Mr. Mukti Lal, to walk you through the presentation in more detail.

TCI Express showed modest improvement in revenues and maintained its margins sequentially in Q2 FY25, reflecting the company's efficient operational strategies, innovative service offerings and market adaptability, strengthening its position as India's most trusted and fastest growing and (2.34 – audio cracks) slight dip due to several factors, including prolonged (2.50 – audio cracks) . Audio not clear (2:50 onwards).

Navin Agrawal: Chander, apologies, I need to interrupt you for a second.

Chander Agarwal: Additionally, lower activity in manufacturing and automotive sectors, coupled with geopolitical situations, softened the logistics demand.

Navin Agrawal: Please just give me a minute. I think there's some technical issue. Bear with us for a minute. We're just fixing it. Thank you.

Friends, Mr. Chander Agarwal is having some technical issue. So, we'll have Mr. Mukti Lal, the CFO to take over. Mukti, please go ahead.

Mukti Lal: Yeah, so good evening, everyone and apologies for that. So good evening and very Happy Diwali to everyone. Welcome to the Q2 and H1 FY25 Earnings Call of our company. Thank you for taking time to join us today. We have already circulated our Earning's presentation on the website and stock exchanges. And I hope you have had a chance to review that. I will start by providing an overview of the business trends, and then I will be going through with the presentation.

TCI Express in this quarter showed modest improvement in revenues and maintained its margin sequentially in Q2, reflecting the company's efficient operational strategies, innovative service offerings and market adaptability, strengthening its position as India's most trusted and fastest growing express delivery company. However, YoY base revenue saw a slip dip due to several factors, including like prolonged monsoon rains led to water logging and flooding, causing supply chain disruption and delivery delays. Additionally, lower activity in manufacturing and automotive sectors, coupled with geopolitical tensions, softened logistics demand. So, amidst these challenges, TCI Express advanced on multiple fronts.

Our Rail Express service is gaining traction with the customers, contributing positively to margins and is essential as we aim for the

Multi-Modal services to make up 20 to 22% of revenue over the next 2-3 years. Automation remains a key focus, exemplified by our newly automated Pune sorting centre, which has improved operational efficiency and reduced turn down time by almost 40%. We are extending next automation to be in Ahmedabad and Kolkata centre to better handle increasing volumes. This year, we introduced a money back guarantee, reflecting our confidence in timely delivery across surface rail and air modes. This offering has been well received by customers and strengthens our position in express logistics.

We are honored to receive recognition, including the Iconic Brand of India, 2024 and the Rajasthan Business Award for Best in Logistics. And we are humbled that Mr. Chander was given the ET Business Leaders Award 2024. We are pleased to share that we announced our first interim dividend for this year as Rs. 3 per share, which is 150% on face value. This reflects our commitment to creating value for our shareholders and shows our focus on steady growth and profitability.

On our CSR front, we formed TCI Express Foundation and opened our first Jaipur Foot and Rehabilitation Centre in Lucknow, offering free artificial limbs, etc. to almost around 100 individuals so far within a two-month time. And the PD Agarwal blood donation drive 2024 also showed 1,334 participants nationwide.

Now, as we move into the second half of FY25, we are optimistic about the future. We anticipate a recovery in demand with the upcoming festive seasons. TCI Express remains steadfast in its commitment to leveraging its strengths, seizing growth opportunities and maintaining a customer-centric approach.

So now, with that, Navin ji, we can start with the presentation, please. I will give you a brief on that.

Navin Agrawal: Sure. Just give me a minute. Hey, Mukti is my screen visible?

Mukti Lal: Yeah, it is visible please.

Good evening, everyone again. So this is the synopsis of our company. We demerged this division from TCI and have completed almost eight years. Our business offering is 97% B2B and 3% of B2C, and we are serving 60,000 plus locations. Next, please.

So I'm just going to take you through this. This is our USP where we are continuously following an asset-light business model, even in Multi-Modal Express also. We don't have any franchises. We're carrying high value cargo and low volumes. So this is a high margin business. And we continuously need low working capital requirement in this business, and it is within less than 20 days in net working capital requirement. I think you have like gone through this presentation. So you see, we have the lowest cost structure in this industry. We are expanding our Multi-Modal services. And also, IT is very important for our kind of business. That's why we also focus on a various aspects, including API. We're dealing with the customers and getting automated data. Then we have track and trace facility as well. So various things we are doing. Our trucks completely have containerized movement. And our USP is to be continuously focused on automation. Next, please.

So this is a second automation we completed in Pune. We seamlessly integrated the system, and now their turnaround time has also been reduced in the range of 30 to 40%. Service offerings are the same what we have discussed in last quarter. Next please.

This is Rail Express. So, I just would like to update here. Rail is really growing very fast. And now we have a 5,000 plus customer base in this segment. We are present in more than 150 routes, which is increasing day-by-day. It's good that repetitive customers are giving business to

us and it is profitable. It is midway of Surface Express and Air Express and giving the same kind of turnaround time which we giving in Air Service. So customers are very happy and we expanding very well.

This is C2C. It also like growing on a steady path, but on a slower growth and not how Rail is growing. Next please. We can skip that.

Money Back Guarantee, just to give you an update. We're giving this service to all modes of transportations like Surface, Rail and Air. It is basically meant for new customers, which is attracting customers, so that they can rely upon our services and then can give a repeat order. So it is also getting very good traction from customers. Next, please.

These are the Q2 highlights. So we have achieved an income of around Rs. 314 crores and EBITDA is around 40 crores. The PAT level has improved sequentially from 23 crores to 26 crores, and we declared a dividend of Rs. 3 in this quarter. And in this quarter, our capacity utilization of the overall fleet is 83% and in the last quarter it was 82%. So average it is around 82.5%, which is still below the expected numbers as we wanted to achieve atleast 85%. When the volume starts to normalize, we will achieve 84-85% again.

And, although industry verticals So still, automobiles, lifestyle products and some engineering companies are still facing challenges on the demand side. Overall, the consumer demand is still weak, though we have seen some uplift in the demand on a QoQ basis. But on YoY basis, we have still flattish numbers. And the industry is also the same way. Next, please.

So, this is the income we've shown quarter-wise where in Q2 of last year, we achieved around Rs. 322 and now we achieved Rs. 314. So it is negative by 2%. And that's why is has also impacted the margins. But the good thing is that operating margin is intact and or you could say,

hit by 150 to 200 basis point. But EBITDA margin has also come down from 16 to 13% due to like other costs like salary and some admin costs, which have increased, next please.

Accordingly, once these volumes come back, then we have to be… In the past, whenever achieved a growth, we had to be 2x of that to earn a profit margin. So in same way, if you see from Quarter 1 to Quarter 2 story where our earning has grown by 6% and our profits have grown by almost 14%.

These are the H1 highlights. So total income is Rs. 610 crore and EBITDA is Rs. 76 crore and PAT is almost Rs. 50 crores. Next, please.

So, this is the dividend side. As per our policy, dividend payout ratio had to be in the range of 20-25% of net income. So we will be on the same path. This time we have given Rs. 3 and by year end we will maintain the ratio in the range of 20-25%. Return on Capital Employed – So, we work on mostly core assets. Non-core assets like current investment and office land which we bought, we have removed from that. And, if you see the operational ROC, in H1 it is 12.5% and for the whole year we will achieve around 30% plus, which we earlier achieved. So, all numbers are excluding core assets. And, Return on Equity is the same purely on numbers. In H1 it is almost 7.5% and last year it was around 11%. Cash Conversion Ratio is again robust. So there is no challenge on that side. Usually, it's low in H1 and in the full year it's in the range of 70% plus. Next, please.

Yeah, it's the same as I mentioned. So on the Capital Expenditure side, we spent almost around Rs. 11 crore in H1, because fortunately, unfortunately, we were not able to crack any land deal, which we anticipated at either on Bangalore or Chennai or Mumbai; we were not able to get that. So that is why CapEx is on the lower side. And we have

not yet started the construction at Kolkata and Ahmedabad. Soon we will be starting that. Next, please.

This is our leverage profile. Like you see, receivable days are maintained at 55 days, and payable days is in the range of 33. And accordingly, networking cycle is 22 days. So we have a very robust profile and we are continuously in a debt-free status.

This is our balance sheet. You can compare H1 of last year with this year's H1. Whatever is added is the CapEx. Ultimately, we have added Rs. 40 crores. Basically, it's converging from work-in-progress to the capitalization part. And it's less, which I think is normal. In the same way, current assets have also increased. So basically, it is increased because current investment surplus fund has been increased. So basically Rs. 45 crore increase is contributed by that only.

And on equity side, all liabilities and current liabilities are all the same. So whatever we earned as a profit, is added to that. Nothing significant on that.

So this is a comparison with peers. In spite of our margin taking a hit in H1… in Q1 too that was the lowest margin levels. So in spite of that, we are still ahead with the other industry players in the margin profile.

Yeah, that we can skip. There's nothing new on that, we discussed earlier.

So strategic outlook – we will be more focused to grow these Multi-Modal services. So we'll keep that. On the CapEx side, like I'd mentioned earlier, FY23 onwards, we had a CapEx plan of Rs 500 crores. And in these 2 ½ years, we have spent almost Rs. 180-200 crores. The remaining Rs. 300 crores plus we'll be spending in the next 2 ½ years.

That will majorly go to sorting center automation and IT improvement, etc. So that would be the path ahead.

We can skip that.

So again, the growth drivers for the logistic industry is also heavily depending on the manufacturing in India, and key changes like focus on sustainability is very important. That is growing in India because the logistic industry is giving highest carbon emissions. So we have to be cope up with that and we're taking so many steps on how to be carbon neutral. That's given in our Sustainability Report. Secondly, we will continue to focus on Multi-Modal services. Infrastructure development is very important how it will play. That's because, cities are choking and the weather conditions are also given threat to this business from time-to-time.

Yeah, please next

This is our leadership team.

We have put this slide to show you overall how the logistics industry played out in H1. So, you see transportation cost is persistent. Inflation has really led to higher transportation costs. Two components are very important here – toll tax and labour costs. As volumes are muted and we are bound to increase our labour costs, that would not be mitigated by volumes. That's what has impacted the profit margin of every industry player. Another thing you're continuously seeing is the decline in manufacturing output. PMI is slightly down. Also, you can see, consumption of fuel was not happened and it is flattish over last year H1. The weather conditions have also posed a set back to our logistics industry with heavy monsoons, etc.

Navin Agrawal: Mukti, we lost you there.

Mukti Lal: Am I audible now?

Navin Agrawal: Mukti, we lost you there.

Navin Agrawal: Yes, you are.

Mukti Lal: So, these are few numbers as broader points for this industry. Vehicle sales is also down or having very low growth. That's because of the cost concern and the rise of the used-vehicle demand. Diesel consumption, as I mentioned, is hardly 1% growth over the same period last year. So, I think demand would be similar. It won't be much and would be rather moderate. We may achieve a mid-single digit kind of growth in the 2nd half. Next, please.

These are our ESG initiatives. Next please.

These are the awards and recognition I have just mentioned that.

ICRA and CRISIL have reaffirmed our ratings. It's AA- by CRISIL for the long term, and A1+ on ICRA which is the highest for the short term. We were also Certified as Great Place to Work for 2024-25.

Navin Agrawal: Mukti?

Mukti Lal: Yes, Navin ji. Am I audible now?

Navin Agrawal: Yes, you are. Should we open the floor for the Q&A session?

Mukti Lal: Yes please, it's already too late. Somehow, these technical glitches are there.

Navin Agrawal: We open the floor for the Q&A session now. We take the first question from Jainam Shah. Jainam, please unmute yourself and go ahead.

Jainam Shah: Hi, sir. First on the volume numbers. So, if you can provide the volume for this particular quarter?

Mukti Lal: So volume is exactly 2,50,000 tonnes for this quarter and 4,85,000 tonnes for this H1. In comparison to last year, same H1, it was 4,92,000 tonnes and in Quarter 2 it was around 2,52,000 tonnes.

Jainam Shah: Got it. Also on the branch addition, I guess we have targeted for around 50 branch additions. I guess in Q1, we did 3 and in Q2, we did 2. So, what could be the guidance for the branch addition? And are we going intentionally slow in terms of branch addition, given that volume is not picking up?

Mukti Lal: Yeah, this is true, actually. So basically, we just muted the expansion of branches for the time being as the volumes are not picking up. So we'll wait and watch. Once we start to get the volumes, we'll expand on a very fast mode.

Jainam Shah: Okay. Sir, in the 1st Quarter there has been impact because of the Air Express business as well, where our margins has been squeezed during Q1. Has there been any impact in Q2 or everything was settled in Q2, wherein we have passed on the cost to the customers?

Mukti Lal: Yeah, so basically, if you see, this Air business cost is also like impacted in Q2 as well. That cost is still on a higher side due to consolidation of airlines and secondly, privatization of the airports. Third, we're also expanding our direct network, as I mentioned in the last call. So, that is going on. The cost has increased, but we were not able to pass that on to the customer because the customer too is not ready to accept a high cost. So that will continue in Q2 as well. So overall if you see, that impacted 100 basis points in our overall cost. The remaining costs were impacted by increase in toll tax and labour cost specifically. And third component that contributed to this increased cost was lower utilization

of fleet, which now in this quarter was around 83%. That's why you see we were able to reduce the cost by 70 to 80 basis point sequentially.

Jainam Shah: Got it. Sir, on the price increase side, there will be a few competitors who have increased the pricing from July, and there have been few announcements that they will be increasing from January too onwards, which is also in the range of 78% on an average. So have we done anything on the price increase, or we are just following the model that we generally follow of around 1 or 2% increase on a yearly basis?

Mukti Lal: I really doubt what the competitors and other industry players are saying, that they will be giving one notice and will be able to increase the prices. I have big doubt on that. Because in this industry usually it is not happening in that way. Rather, you have to… The SME customer is possible to have an increase, but it's not possible for big customers. The cost increase could be passed on, specifically on the diesel side. But normally, annual hikes are not possible to be given by one notice. So, we are in wait and watch situation. If they are able to, then it's good for the overall industry because everyone is facing continuous cost pressures. So, I hope that happens. But we have not yet taken any price hikes and we will start that effort in the last quarter i.e. Q4, actually. But still, we are not much optimistic about this price hike because of the high inflation and muted volumes. So really, I don't expect high increase on that.

Jainam Shah: Got it. And just a last question from my side. Our volume has been, as you said, 2.92… like 10 versus 2.85 like. So, it has been a kind of a degrowth in H1. And overall, we have been targeting earlier 15% plus, then 10 to 12% last quarter. And now you can see a bit of single digit kind of a growth that we are expecting for FY25. This is question is for the next 2 to 3 years' perspective. How are we seeing the situation? The GDP growth of the India has been in the 6-7% range. And if we see

that that particular growth is eventually coming down, then how would we be coping with the competition? And if we are targeting to grow at 7-8%, what kind of market share gain we can expect and what kind of thing are we doing eventually to achieve a growth momentum for next 2-3 years? Because overall, last 2-3 years have been quite stable numbers and there has not been any increase in the top line. And of course, we have been doing a significantly good bottom line as compared to the competitors, but eventually that is also getting impacted. So overall, your view for next 2-3 years' time.

Mukti Lal: Yeah. So, as I said, in 2022-23 we'd grown at 15-16%. So, it is not a slowdown as such, but a muted growth which has started to impact us just last year, which has also been faced by the overall industry. Even this year… we are also constantly surprised, because sometimes customers is giving confidence that we will give so much volume and growth numbers but ultimately they were not able to give as per their commitment to us because they also faced the same kind of problems, they also trying to grow, but were not grown. September is supposed to be a very good month for all, but that hasn't panned out like that. We are also seeing that in the diesel consumption number. So, I think, this is a temporary thing.

But this year is full of challenges in two ways; one is muted growth and secondly, cost pressures. But hopefully, next year onwards, we will keep our guidance for volume growth at 13-15% and 1-2% for value. What's giving us confidence is the pipeline we're creating. We're discussing with so many customers. So customers come to us and that gives us confidence. We have expanding by opening up 200 plus branches in the last 4-5 years. So, we are ready with that. Operational efficiency is also fantastic. So, once the volume starts to pick up, then we'll be the first to get that benefit here.

But, second part is, like you said, the GDP is growing at 7%. So, it's unproportionately growing through the service sector and other manufacturing, and we are not in that segment if you see at the industries we serve. This has impacted us continuously. Last year we'd seen that lifestyle companies didn't do well, and this year too they're facing lots of challenges. So in the same way, I think consumer demand is important rather than growth in overall GDP, because there having different components.

So, I think we will keep continuing like we grow to 17 to up to like 20. We have grown a CAGR of almost once before that corona time grown almost 14% and then in last FY22-23, we again grew 15%, so once this will be normalized, we will be growing. Overall industry is facing you know this pain for that growth numbers, but yes as you mentioned good thing is that we are not compromised in the margin and margin level is also impacted due to like muted growth only and due to not like operational things, the operational cost is maintained, but other cost like salary and other admin costs is slightly bound to increase and we don't want to give like you know - we want to give the increments and everything to our like sales force and everyone.

Jainam Shah: Got it, Sir. thank you so much for the elaborative answer. That's it from my side and wish you a Happy Diwali to the entire team. Thank you so much.

Mukti Lal: Same to you and wish you, yeah.

Navin Agrawal: We'll take the next question from Lokesh Manik. Lokesh, please unmute yourself and go ahead.

Lokesh Manik: Hello.

Navin Agrawal: Yes, Lokesh. Please go ahead.

Lokesh Manik: Yeah. Thanks, Navin. Good evening, Mukti ji. Wishing you a very happy Diwali.

Navin Agrawal: Lokesh, your voice is cracking.

Lokesh Manik: Hello.

Navin Agrawal: Yes.

Lokesh Manik: Yea. Is it better now?

Navin Agrawal: Yes, it is. Please go ahead.

Lokesh Manik: Yes, yes. Good evening, Mukti ji. Wishing you and your team a very Happy Diwali. 36:45 Voice Breaking

Navin Agrawal: Lokesh, this is not helping.

Lokesh Manik: Hello?

Navin Agrawal: Yes.

Lokesh Manik: Yeah. Is it proper now?

Navin Agrawal: Yes, it's better. Thank you.

Lokesh Manik: Thank you. Mukti ji, my question was that a few quarters back it was mentioned that we had hired consultants for business strategy and expansion. So, just clarification on that as to what is the expense that has come in on that side and the other expense for this quarter one and the second is on what is the duration of their consultancy contract, if you can just share some details on that?

Mukti Lal: Yeah, very good. So, basically that consultant was hired for expanding the branch network and all and they already did work on that and then

you know they have also given their reports on where we have to be like more focused on that. So, that we will be there in time to come, but that is not a like big cost. We have not given like - sometime we are giving to you know other industry player giving to linkage with like what kind of benefit we will take, but we have not given them in that way and it's a very you know not like significant amount.

Lokesh Manik: Sir, the duration of the Contracts, when does it get over?

Mukti Lal: Yeah, it is over. Yeah.

Lokesh Manik: Okay, that is over.

Mukti Lal: Yeah.

Lokesh Manik: Okay. Okay. Thank you so much and wishing you a very Happy Diwali.

Mukti Lal: Same to you please.

Navin Agrawal: Thank you, Lokesh. We take the next question from Alok Deora. Alok, please go ahead.

Alok Deora: Yeah, hi, good evening. Am I audible?

Navin Agrawal: Yes, you are. Please go ahead.

Alok Deora: Yeah, yeah. So, just wanted to understand, you have also given lot of details on the volume side. This mid-single digit growth you're talking about is for second-half, Right?

Mukti Lal: Yeah.

Alok Deora: Okay, okay. Any reason why the volumes are not coming, I mean, you know we are seeing some of the other players still clocking a little better volumes and also they're talking about price increase which may

or may not materialize entirely, but if we are also keeping the prices stagnant and focusing on ensuring that the volume growth is there, but still volume growth is kind of missing. So, in a couple of minutes, if you can just highlight that, is it a structural problem where you know competition is now increasing and it could sustain ahead where volume growth is you know will remain muted ahead, just some color on that please?

Mukti Lal: Yeah, so, as I mentioned, basically there is no structural issues on overall basis. This industry is growing because there's a lot of opportunity for everyone, so basically I don't think everyone is facing lots of challenge on volume side. Like whether it's a full truck load or whether LTL or express or I think except quick commerce everyone is taking a bite on that. So, we are not seeing anyone is increasing market share and we are losing the market share to someone else, that is not the case. Other side, you see price hikes, everybody is saying, but it is not reflecting I think in their numbers. So, to saying they are saying because somehow supposing in one customer we three players are working and when someone is asking then other volume has to be you know sometimes customer is not willing to pay. So, we have not seen any ground at all where anybody has increased the prices for any logistic players. We are not seen at all on the ground. We don't know why everyone is saying, but it is a good thing supposing they are able to do that, it is easy for us to be forced to customer to increase our prices as well. So, we are in a situation of wait and watch because really we are not seeing that you know on ground. Once we will be reflecting this in their numbers and obviously in customer prices, we will be also able to find, but we have yet not find. So, we will be also do the same thing. In the past, we also did, no one has even able to do that but we were able to do it because we are doing on a realistic basis whatever possible we will do. So, whenever these opportunities come and they

will be, you know, able to do that, it is reflecting on customer side as well, then we will obviously push hard for that. Otherwise, no reason for that.

Alok Deora: And Sir, just one more question. So, around 2 years back we had this thing of Gurgaon center getting automated, then eventually Pune will get automated, and you know more operational efficiency, and more improvement in turnaround time, and stuff and which would see margin improvement, so at that point of time, you used to talk about 16% margin moving to 18%. So, I understand these last two quarters were pretty difficult in terms of maintaining your base margin itself, but how do we see those impacts actually coming to the profits because those margins are actually not improving in line with what benefits were expected out of those centers getting operational?

Mukti Lal: Yeah, your concern is right and we are also concerned about that. But see good thing is there, supposing we do not do the automation, then I think that margin is also not you know intact. So, if you compare them with the others what their margin has been reduced and what our margin is intact because last year you seen. So, efficiency is a completely different part and there we also get the benefit of like I had said 25 basis to 30 basis points overall benefit we get from there and that would continue as a story because this has eased out three, four thing as like labor intensity is down and efficiency is increasing, and obviously that benefit of reduction in waiting time of truck and all that happened and that we will keep continuing on that same strategy in future as well. But other side if you see like these all things put together, like muted volumes nobody has anticipated that much actually. So, that is one part. second part like, high increase of toll is never anticipated because government is now allowing to increase to 8% to 10% is becoming significant amount for the overall journey cost.

Third part like because as a volume you know labor cost is also government want to standardize there and want to increase their wages and all. So, government is focusing very high to improve that side. So, that is also like coming in one way and because you know inflation, obviously governments purpose was to keep demand slightly low to keep inflation under control, and that's why they also want to reduce the consumption and that happened on that side. So, that has really impacted volumes. So, put together if you see and now in anticipation of this consolidation of airline nobody has thought, 3-4 airline will be like consolidated in one umbrella and they will increase the prices. So, that put together has created this scenario, but still you will appreciate that 13% margin of 14% EBITDA to achieving in express business is really good effort from our team and obviously once bounce back with the volumes, we will still have the same energy and same thought process and strategy to we get first to achieve like in the range of 15% to 16% and then again increase on the higher side.

Alok Deora: Sounds good. Yeah. All the best. Thank you. That's all from my side. Happy Diwali to you and the team.

Mukti Lal: Thank you from our side, yeah.

Navin Agrawal: Thank you, Alok. We take the next question from Krupashankar NJ. Krupashankar, please go ahead.

Krupashankar NJ: Yeah, hi. Good evening and thank you for the opportunity. Sir, my first question is on the load factors, you know what we have seen clearly is that over the last two years our 85% load factor, while volumes have grown from those levels from FY23 and you know our growth factors at the current level has declined, so are we deploying more trucks for expanding our services due to which, despite the (inaudible 45:40)

growth, the utilization levels are lower, is my understanding correct or is there probably some other reason for these underutilization?

Mukti Lal: Yeah. That is a very good question. So, you know what happened, over the period, we converted all the trucks on a higher axle load. So, that was in FY20, I think most of the chunk we completed in FY23 only and after that volumes have not picked up. So, that's why this vacancy is there slight 1 or 1% to 1½% vacancies in comparison to yeah, please.

Krupashankar NJ: No, Sir, please go ahead

Mukti Lal: Yeah. So, basically that's the only reason because we added like converted these from the like 9-ton truck, to 11-ton, and 14-ton truck to 18-tons. So, those trucks we can't remove overnight because we are waiting for the volume. So, once volume will come, then that vacancy will be like reduced over the time. Further also slight change happened on the business pattern like I also I think mentioned in last call where south side and eastern side is really not doing well. They slightly have more problem in comparison to Western part of India and Northern India. So, are aware that half India is producing and half India is consuming, so that size is also really creating some vacancy for us and if you put into number then you maybe like say 0.5% to 1% utilization has dropped due to that also.

Krupashankar NJ: Got it. So, Mukti ji then would it be our decision to expand in your regions, can it be probably shelved or probably taken up at a later phase when growth is coming back because you know at this point with growth not coming in and we are committing capacities, expansion towards new capacities, it's putting pressure on our return metrics, so just your thoughts on what is the key reason for continuing this expansion?

Mukti Lal: So, basically, two types of expansions are there. One is our branch network expansion and other like capacity expansion of trucks basically. So, both are if you see in our case, as to addition of branch, it is like matter of we first analyzing and then opening up the branches because these branches we are making breaking point and within a 2-month of time and so that's why whenever like volume is back, so we will be again start to be on a very fast mode and we are still opening up the branches, but you know like slower pace, not like you know, high pace. So, it is still going on, but once like volumes will be back, so will increase the pace for the branch network. Second part because in our case supplier side is overflow for that. So, we never felt any challenge to be getting on board our any supplier for the truck. So, whenever we have the volume, we can like onboard them, otherwise as mentioned 90% volumes we are carrying through these vendor guys, fixed this kind of like engaged trucks, and 10% volume we are carrying through the support hiring. So, wherever we have spurt in demand, we can hire more vehicles and wherever, supposing there is low demand, we can be like not hiring any support hiring. So, that why I think this is not the challenge at all on overall basis whenever we want to be and also it is not like obstacle to be you know our growth at all.

Krupashankar NJ: So, what I meant Mukti ji was on the up expansion. So, you are intending to take up an expansion of new cities, right. So, that is where probably most of our capital is going to or CapEx is going to be tied up over the next three years. Is it possible to get that push until we see traction with respect to volume growth?

Mukti Lal: No, no. So, basically, I think I'm not able to make you understand. So, basically CapEx is meant for more significantly for the sorting centers construction and automation, that we will continue because we will soon start the construction at Kolkata and Ahmedabad. All permission

are almost completed. So, I think in Q3 and or Q4, we will be start the construction and next year FY26, we will be able to complete the construction in these big two center like each one is more around 2 like square feet plus. So, long-term strategy is there and we will continue to be like that because we are going to buy the land in Mumbai and Chennai and we're working hard for Bangalore also so 3-4 locations we are already working hard to buy the land. So, that strategy we will continue. Just I'm saying for the branch expansion, we don't need to put on any CapEx kind of thing. If major OpEx is there, not the CapEx, and for the truck supply is also like OpEx part, it is not the CapEx part at all. So, expansion whenever we will be having the opportunity for the growth, we will keep adding.

Krupashankar NJ: Thank you very much for answering my questions. Thanks. Happy Diwali.

Mukti Lal: Same to you as well.

Navin Agrawal: Thank you, Krupashankar. We take the next question from. Koundinya Nimmagadda. Please go ahead.

Koundinya: Yeah, hi. Thanks for the opportunity, Sir couple of questions. Firstly, if you can provide a little bit more granular details and what are the key industries impacting the volume growth that's on the first part and secondly in the current backdrop, you know what will be the revised CapEx guidance say for FY25 and FY26, if you can put some - give some color on that please?

Mukti Lal: Yeah, very good. So, basically industry impacting major highest one still continue to lifestyle and textile companies and second one engineering companies and third one now unfortunately, automobile companies are also not - they have slowed down their productions and second part on CapEx side, if you divide on year-on-year basis, so FY25 we are

anticipating because we will be start the construction soon. So, I think we will finish the CapEx and this year around 40 in the range of ₹40 crore to ₹50 crore for the whole year and in the next year again the similar way where we will be spending ₹100 crores and ₹125 crore each year. Because in next year, full-fledged construction will be there and we may buy one land, one or two land parcel also and similar one in FY27 as well.

Koundinya: Sure, got it, Sir. Sir, just a couple of bookkeeping questions. What is the number of branches and sorting centers that you added in first half?

Mukti Lal: Sorry, we have, sorry.

Koundinya: What are the number of branches and sorting centers that you added in first half this year?

Mukti Lal: So, this sorting center numbers we are not increasing. We just as a long-term strategy, we're just converting them from least to owned one and specifically like out of this 28, we want to be major one which is in the number in 10-12 in all the big cities and handling in and out volume is almost like 75% to 80%. So, we first want to automate them and out of that already 2 are fully automated and next would be Kolkata and Ahmedabad and I think FY26 or mid-27, we will be able to do that for these two centers and follow up in Chennai, Bangalore, Mumbai and all. So, that is for the CapEx plan.

Koundinya: And how about the branches, Sir?

Mukti Lal: Branches, in this year we added almost like not much 5 branches we have added and it is meant for multimodal products.

Koundinya: Understood, Sir. Mostly in the third quarter and second quarter. Understood. Thank you so much. I'm done with my questions. Thank you.

Navin Agrawal: Manoj, please go ahead. Manoj, can you hear me? We move on to the next participant. Anshul Agarwal. Anshul, please unmute yourself and go ahead.

Anshul Agarwal: Hi, am I audible?

Navin Agrawal: Yes, you are. Please go ahead.

Anshul Agarwal: Great. Thank you for the opportunity. Mukti ji, my first question is on our pricing strategy. I see our realizations have sort of remained flat over the last 2-3 years. While in the current quarter, we have mentioned that our revenue contribution from SME customers have sort of tapered a bit, shouldn't we think of reducing pricing for institutional customers to attract volumes at this point of time?

Mukti Lal: Yeah. So, basically this price is flattish in one and half year only like in last year and this year, this first half only. Before that in FY22-23, we were able to take almost I think 150 basis point overall basis. So, that's only one and half years and because there is a muted growth that's why we are not going for that. So, second part like supposing we will be going for the institutional customer as I said in earlier call also there's no price war itself in this industry because customer will keep like 3-4 competition anyhow, whether we will like right reduce the prices, they will not be giving whole volume to us, they want to keep two three players to keep their competitive ways as they're and also - sometime this is not wise to take the whole volume of one customer because this is giving not good profit to us as I mentioned. It is like gap in pricing with the institutional customer versus SME's is also like 25% to 30%. So, sometimes we are intentionally keeping cap on doing business with

us, with big customer, that's why our margin is like you know intact in this testing time. We have initiated it is like to maintain or slightly dip. So, I do not think to cut the prices and get the more volumes.

Anshul Agarwal: Got it, Sir. Second question is on the multimodal services, are they still margin accretive in nature?

Mukti Lal: Yes, yes. This is like rail and air and yeah, both have.

Anshul Agarwal: And the contribution of these services to our overall top line would be still around 17%-18% or higher?

Mukti Lal: No, it is the same way. Yeah. You know, we also have in this space like B2C component also 2%-3%. So, that is also shrinking for us because we are not, you know, going on bigger players and small players are like - so my B2C component is also like 3% in that. Earlier it was like and I think if you talk about 4-5 years back it was around 5% of overall revenue. So, that component, you can say we are not increasing because we are dealing with the customer wherever we have the profit for B2C. so, we're dealing with the small customer only.

Anshul Agarwal: So, possible to share any color around what kind of margins we would be making in these multimodal services or rail express business?

Mukti Lal: These are the services where we are not utilizing our network basically from hub and spoke model. So, basically hubs, we are not using it directly point to point in case of rail, or in case of C2C, in case of cold chain, or in case of air. So, that's why margin is good and is likely like you know, currently it is around in the range of 15% to 16% EBITDA level specifically on air and rail.

Anshul Agarwal: Got it. Many thanks, Sir. That's it from end.

Navin Agarwal: Thank you, Anshul. We take the next question from Manjeet Buaria. Manjeet, please go ahead.

Manjeet Buaria: Mukti ji, thank you for the opportunity. I have three questions. First, I just wanted to go back to the industry structure, you know, to get my bearings right there. If you could help me with how many people have entered the express PTL business in the last 10 years and what are the number of players today in Express PTL, who you think are good competition for you in terms of like to like services which they offer?

Mukti Lal: Yeah, that is very good question you asked Manjeet ji. So, I think new entrants in B2B, one or two player which are really dealing with in B2B segment and they're not able to make the money, so they entered in that segment and one company has acquired like other company that was also like old one. So, I have not seen any much competition where they like getting market share or they are like having a future threat for this industry, I don't see that, but if you see divide in that industry overall, it's like different multiple services and multiple products offerings. Each and every company have their own set of that. Like if you talk about - so in that that layer, one is the FTL industry, then is LTL industry where they are not doing express but doing the LTL less than truck load. So, there is also overlapping sometime, they want our share also as express share to that, but it depends on the customer whether they want lower prices or they want to have good services. So, sometimes that clash is there. Third thing is third party logistics companies are there. So, all our companies they're doing you know, inventory management, they're doing inbound and outbound, these are type of the companies who have different and they majorly doing like I think this auto segment, warehousing and all major portion I'm saying and third thing is express industry is also having dividing in a three, four part like one is B2B, second is B2C. Now, there is new

entrant are quick commerce and courier companies, so each and everyone is having a different product and different opportunity for that, but if you see overall express industry in B2B segment on roadside where our presence and ours USP is there. So, there is not much player and direct competition with them again to keep continue with the unorganized player which is competing with us on a regional level basis and you know zone wise and all. So, I think that will be - is really I don't think it is wise to get the share from this unorganized player getting their business. That business supposing we are getting, then we will be doing our margin profile and also like credibility of that customer is also under question and you may be like bad receivables in our balance sheet that may also happen. So, we are very cautious. So, if you see like 10-year data, our margin has continuously increased, our quality of balance sheet has improved a lot and is robust, and obviously we are like debt free status and giving continuous dividends.

Manjeet Buaria: Okay. But in terms of very like to like as you mentioned on B2B Express side, are there 3-4 players who are like close to us in terms of their network and in terms of their reach and also in terms of more importantly their service quality, on time delivery and you know low damages or losses. So, you know I was looking at how many number of peers like that, do you consider as your competitors really?

Mukti Lal: So, yeah they are listed player which are having two to three players only.

Manjeet Buaria: 2-3 players, okay. Got it. My next question, Mukti ji was, you mentioned that you have taken calls between institutional customers and SME customers by maintaining a certain mix which helps you keep certain healthy margins. Just curious about you know how does the management think about absolute profits? So, you know in Institutional customer maybe lower on margin but adds to your

absolute profit and if you have like spare capacity to utilize, would you still let go off that business because margins could be lower or then you look at more absolute profit perspective and take on that business as long as there is spare capacity which you are not taking away from SME?

Mukti Lal: You rightly said. So, supposing wherever we have a vacancy in truck, we are obviously getting the prices wherever whatever price we can we get. Like I mentioned it is from eastern part of India and southern part of India supposing there any high volume, we are taking that. So, I am not saying we are losing that, but somehow to see that because if I'm again, you know upward flow and like this return flow, this all depends. Supposing I have more business from like upward flow, then you have to lose the money anyhow, if you will not be able to fulfill that truck in return load. So, that way we have opened up the branches and that's why these branches are helping us because in sometime in these part like down South and Upper North and Eastern part of India, there no big businesses and no manufacturing is there, that's why we opened branches to fill these trucks, wherever we are sending. So, this is a strategy because we are not like chasing for the absolute profit, but the mix has to be there to maintain my utilization level of truck is very important for us. This is directly - supposing I lose that proposition, then this will take a hit on my margin levels.

Manjeet Buaria: Okay. I had one last question.

Mukti Lal: I am saying because in one truck I am putting 200 customers business not like I am depending on one customer. So, that's why I think is not like high volume will be held to be getting the profit. It is not mandatory thing or surety, I am saying.

Manjeet Buaria: Got it. I had one last question. You know, assuming that our cost levels remain where they are and you know your mix between SME and institutional stays where it is, right two big items right. At what volume per year and at what utilization should that volume happen for us to go back to 15%-16% margins? So, I'm telling center is paribus, all else remaining equal, what should the annual volumes and utilization rate have to be, to go back to about 15%-16% margin?

Mukti Lal: Yeah. So, this is in simple way, supposing tomorrow we will grow in the range of 10%, then we will be back to normal in 15% place kind of EBITDA, we will be back to that.

Manjeet Buaria: So, 10% value growth basically is to go back to that?

Mukti Lal: Yeah, yeah.

Manjeet Buaria: Okay. Mukti ji very helpful. I'll take other questions later. I think we have past the time. Thank you.

Mukti Lal: Thank you.

Navin Agrawal: Thank you, Manjeet. Friends, we take the last question for the evening from Aakash Bohra. Aakash, please go ahead. Aakash, please unmute yourself and go ahead.

Aakash Bora: Yeah, am I audible?

Navin Agrawal: Aakash, there's a lot of disturbance in your voice is cracking.

Aakash Bora: Hello. Yeah. Is it better?

Navin Agrawal: Yes, it is. Please go ahead.

Aakash Bora: So, Mukti Sir, you were mentioning earlier in the call that you know from certain level inquiries and interaction with your customers, you're

understanding that you know they're giving you strong volume growth guidance in the coming year that is FY26. So, what is the volume

Mukti Lal: Sorry, can you repeat, I just missed like last 2-3 lines. Can you just, yeah?

Aakash Bora: Yeah. So, you were mentioning that you know through your customer interactions, they were promising you certain amount of volume growth coming in FY26. So, in what way are they promising like what kind of growth are they committing?

Mukti Lal: So, basically, we are focusing on three-parts. One is we are putting like separate more sales, people on the ground to be getting - so we want to be in a balance out of here. One is more focus on institutional customer to adding new customer, all the competition customer. Second part like we already have opened up the branches. So, we want to be in a more say from the SME customer and third thing, we want to enhance our customer base obviously in multimodal product also. So, we put together 3-4 strategies. We want to grow and supposing we have anticipation to grow 13% to 14% in volume side, so, 7%-8% volume will come from the existing customer and then remaining will come from the new addition customer. So, that's our strategy and that's where we are working on the ground, very hard and people are on the street and refocusing how we can go to door to door and ask for the business because this business is not like where we sit in our office and people will come to us. Rather, we have to go in their door and ask for the business. So, we are making efforts and enhancing our footprint to get more business and sales team has increased for that.

Aakash Bora: Got it, Sir. Sir, two numbers if you could quantify what are the new customers we have added in these six months and secondly, what is

the top 10 customer concentration in our revenue for these first six months?

Mukti Lal: Yeah. Yeah. So, basically revenue constraint, if you see like my top 25 plus customer is not giving more than 15% revenue to us and number of addition, I'm just not remembering that. So, one to one I can like give that numbers, I'm just really not remembering that number right now.

Aakash Bora: Sure, no problem. Thank you.

Navin Agrawal: Thank you, Aakash. Friends, thank you for your active participation, but we've run out of time completely and I take this opportunity to invite Chander or Mukti for their closing comments.

Mukti Lal: Yeah, Chander Sir, would like to say something. Okay. So, no worry. So, thank you everyone. I would like to thank everyone for joining on the call. I hope we have been able to respond to all your questions adequately. For any further information, we request you to please do get in touch with our investor relation team. So, stay safe, stay healthy, and happy and Subh Deepawali to everyone. Thank you once again.

Navin Agrawal: Thank you very much. On behalf of SKP Securities, I'd like to thank Mr. Agarwal, Mr. Muki Lal, Mr. Srivastava, and Mr. Pandey for the time to interact with the investors. We look forward to hosting you again in the next quarter. Wish everyone a Happy Diwali and have a wonderful evening. Thank you.

Mukti Lal: Thank you. Thanks a lot please.

For more information please contact:

Mukti Lal
VP & CFO, TCI Express
+91 124 238 4090 - 4094 (Extn. 606)
mukti.lal@tciexpress.in

Atul Modi / Lavanya Shreedhar
Churchgate Partners
+91 22 6169 5988
tciexpress@churchgatepartners.com