February 17, 2025

BSE Limited 1st Floor, New Trading Ring, Rotunda Bldg., P. J. Towers, Dalal Street, Fort, Mumbai 400 001 Scrip Code: **543965**	National Stock Exchange of India Limited Exchange Plaza, 5th Floor, Plot No. C/1, G Block, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051 NSE Symbol: **TVSSCS**

Dear Sir/Madam,

Sub: Transcript of earnings call with analysts/ investors

Pursuant to Regulations 30 read with Para A of Part A of Schedule III and other applicable provisions of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended, we attach herewith the transcript of TVS Supply Chain Solutions Limited ("Company"), analyst call held on February 11, 2025, to discuss the financial results for the quarter ended December 31, 2024.

The transcript is also uploaded in the Company's website https://www.tvsscs.com/investor-relations/

Kindly take the above information on records.

Thanking You,
Yours faithfully,

For **TVS Supply Chain Solutions Limited**

KRISHNA PRASAD P D

Digitally signed by KRISHNA PRASAD P D
Date: 2025.02.17 16:53:11 +05'30'

P D Krishna Prasad
Company Secretary
Encl: As above

"TVS Supply Chain Solutions Limited

Q3 & 9 Months FY '25 Earnings Conference Call"

February 11, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges on 11th February, 2025 will prevail

MANAGEMENT: **MR. RAVI VISWANATHAN – MANAGING DIRECTOR – TVS SUPPLY CHAIN SOLUTIONS LIMITED**
MR. RAVI PRAKASH – GLOBAL CHIEF FINANCIAL OFFICER – TVS SUPPLY CHAIN SOLUTIONS LIMITED
MR. J. SIVAKUMAR – HEAD INVESTOR RELATIONS – TVS SUPPLY CHAIN SOLUTIONS LIMITED

Moderator: Ladies and gentlemen, welcome to the Q3 and 9 Months FY '25 Earnings Conference Call of TVS Supply Chain Solutions Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during a conference call, please signal an operator by pressing a star then zero on a touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. J. Sivakumar of TVS Supply Chain Solutions Limited. Thank you, and over to you, sir.

J. Sivakumar: Thank you, moderator. Good morning, and welcome all to TVS Supply Chain earnings call for Q3 FY '25 and 9 months ended December 2024. I hope everyone had a chance to look at the financial results, which was posted in the company's website and also in the Stock Exchange last night.

We have with us today Mr. Ravi Viswanathan, our Managing Director; and Mr. Ravi Prakash, our Global CFO. We commence the call now with opening remarks from our management, along with the business performance update. It will be followed by an open forum for question and answers.

Before we begin, a customary remark. I would like to point out that some of the statements made during this call may be forward-looking in nature, and must be reviewed in conjunction with the risks that company faces. A disclaimer to this effect has been included in the investor presentation, and I request and hand it over to Mr. Ravi Viswanathan, Managing Director of the company, to make the opening remarks. Over to you, sir.

Ravi Viswanathan: Thank you, JS, and good morning to all of you. Firstly, let me welcome all of you once again to our earnings call to discuss the performance in quarter 3 of the fiscal year '24/'25, and for the first 9 months of the fiscal year '24/'25. I will share with you the highlights of our performance. And as always, my colleague, our Global CFO, Mr. Ravi Prakash, who will take you through the analysis of our numbers. We look forward to interacting with you as part of the Q&A session.

For the benefit of those participants who might be joining the analyst call for the first time, please note that TVS Supply Chain Solutions is a tech-led and asset-light supply chain solutions provider with two main business segments, namely ISCS or Integrated Supply Chain Solutions and, NS or the Network Solutions segment.

We operate across four continents: Asia, Europe, North America and Oceania, where we offer bespoke and tailor-made solutions in the 3PL space and also offer 4PL services in the select markets. For more details about the company, please refer to our web page www.tvscs.com/investor relations.

So let me get into a brief business overview, followed by the operational highlights, financial performance in Q3 FY '25 and 9 months ending December FY '25. And our focus area is the last quarter of the year.

The ISCS segment continues as the main revenue contributor, thanks to sticky long-term contracts. On the freight forwarding space, the Red Sea crisis continues, resulting in higher shipping costs, delayed delivery along with other factors which affect of the GFS business. The recent Gaza ceasefire has given ray of hope but shipping lines are not likely to restore the routes until long-term security is guaranteed.

That said, the mantra for companies like us TVS SCS is to be nimble, flexible and be continuously innovative, which the company has been able to demonstrate over the years and we shall ensure the same in the future as well.

Now moving on to the performance highlights for Q3 of the fiscal year '24/'25 and 9 months of the fiscal year '24/'25. Q3 FY '25 consolidated revenue grew by 10% on a year-on-year basis. And in terms of segmental performance, the Network Solutions segment continues to support trajectory and grew by 20.4% on a year-on-year basis, whereas the Integrated Supply Chain Solutions segment grew by 2.3% on a year-on-year basis. Business development continues to be robust across the segments and it contributed to 10.4% of the Q3 FY '24 revenue in this quarter.

The company reported a PBT loss of INR15.2 crores for the quarter, and this came because of three main factors. Firstly, the company encountered a delay in commissioning a major project for a key customer in the U.K., thereby delaying the revenues.

Our customers in the utility services business and the transformation project will now go live post-winter during the summer months, that is in Q1 FY '26. Secondly, multiple customers in the U.K. region outsourced lower-than-expected volumes in an unusually soft quarter, which impacted the revenue of the company.

And lastly, one of the key contracts with the governmental agency in the U.K. got delayed due to procedural issues, and we expect the contract to start now in Q1 FY '26, amidst this relevant costs were already built in and thereby impacting the profitability of the company. The company is taking specific initiatives in this regard for the profit turnaround, which Ravi Prakash will cover in detail later in this call.

In the freight forwarding segment, the company grew revenue impressively on a year-on-year basis. The ocean freight growth movement was driven by rising freight rates in the market while air freight rates remained resilient in the quarter.

The incremental ocean freight rate did not translate to margins due to Red Sea surcharge, which was a pass-through in nature, and hence, margins were subdued. With regard to Integrated Final Mile or IFM as a subsegment under the Network Solutions, we are in the last lap of the turnaround to profit-led growth.

Now a quick look at the 9-month financial year '25 performance. Consolidated revenue for 9 months FY '25 grew by 10.7% compared to the corresponding previous year and PBT for the same period was INR16.4 crores. We note that the customer volume drop in U.K. is seasonal in nature and will be possibly addressed in the coming quarters.

With this brief background, let me hand it over to Ravi Prakash, our Global CFO, who will then take you through a detailed analysis of the numbers.

Ravi Prakash: Thank you, Ravi. Good morning, everybody. Welcome to the TVS SCS quarter 3 earnings call. I would like to start off by talking about four items, four key factors, which are actually going well for us in the business and then analyze the financial results in detail.

In the ISCS segment, both India and North America margins are trending well, and that is expected to continue, and that is actually a solid foundation as we work through the next couple of quarters. As our Managing Director has already talked about, the IFM business turnaround is on track. We had messaged that by Q3 of this year, we would probably be getting to breakeven and start moving towards run rate profitability in Q4 and Q1 of FY '26, and that trend continues.

And the last point is that the, the GFS business has demonstrated robust volume growth on a year-on-year basis. Yes, there was pricing benefit as well, but volume growth also benefited. So these are four positives that we as management and we would like everybody also to take note of as we go through the rest of the financials.

Now let me walk you through the numbers line by line. Q3 FY '25 revenue was INR2,444.6 crores compared to INR2,221.8 crores for the same period last year. That represents a 10% growth on year-on-year basis. Where the network segment grew very well, almost 20%, and the ISCS segment grew 2.3%.

The Network Segment revenue was driven by healthy volume growth in the forwarding business. The volume growth was supported by higher freight rates as well. Revenues from business development have maintained their momentum, the INR231.3 crores being clocked in the quarter, and that reflects the healthy order pipeline. We have shared these numbers in our earnings presentation.

Today, the pipeline stands at about INR4,500 crores. The combination of a good momentum on the freight volume, the ISCS' strong customer base and the business development has sustained the revenue performance.

Other income for the quarter was INR24.6 crores and that was primarily due to the interest from bank deposits and forex gains. With this, the total income for the quarter was INR2,469.2 crores, which is a 10.1% growth on a year-on-year basis.

When we look at 9-month performance versus 9 months of last year, revenue grew at 10.7% in line with what we've been indicating in the past. 9-month revenue was INR7,496.9 crores versus the corresponding number of INR6,773.7 crores last year. Segmentally, ISCS grew 5.6%, where the Network segment grew 17.4%.

Now let's take a look at the major expenditure items. Material costs for the quarter were about INR391.4 crores, which was lower by 9.9% on a quarter-on-quarter basis and 4.9% lower on a year-on-year basis. This cost reduction is on account of a change in the business mix in some of our overseas entities, which will carry inventory as required in some contracts.

The freight clearing, forwarding and handling expenses being variable in nature, increased due to the higher volume of trade handled in the GFS business and due to the additional surcharge levied by ocean carriers on account of the Red Sea situation, and that's why the increase on a year-over-year basis at 27.6%. Quarter-on-quarter, they were lower by 5.4%.

Employee benefit expense for the quarter was INR590.3 crores, which is an increase of 2.4% on a quarter-on-quarter basis and 6.9% on a year-on-year basis, primarily due to the change in customer mix. And this is mainly because of the deployment of people and contracts, which is absorbed in the gross margin of the customer contracts.

On the EBIT front, while depreciation and amortization expenditures were lower by 3% both on quarter-on-quarter and year-on-year basis, the lower EBITDA generation in the ISCS segment has impacted the overall EBIT, which was down, which was a loss of INR3 crores.

Now let me walk you through the 3 key factors which impacted Q3 profitability. The first one, as Mr. Ravi Viswanathan already mentioned, is a delay in commissioning of a major project with the U.K. customer. The projects were expected to go live in Q3. It has now got pushed to Q1 of FY '26. And the infrastructure for the pilot is in place, revenue recognition is pushed back, that has impacted the profitability.

Second, and this is important to note, in general, the December quarter is a softer quarter outside of India because of the volumes -- because of the holiday season, we had anticipated that, but this Q3 was unusually soft for a few customers in the U.K. This is clearly a onetime impact because as we go through Q4 and Q1, we do not see any such trends.

So -- but that has had an impact in Q3. And in the GFS business, there has been lower margins. The three factors that I've talked about have more or less, what you'd say, these are the key factors which have contributed to the drop in profitability.

The focus of management is to act on a few initiatives to ensure a quick turnaround from the numbers that are coming through this quarter. First strategic price adjustments in many contracts in the IFM business. We have talked about in the past that the IFM business, we are taking price corrections to improve margins, and that is currently on.

And so we expect to see that benefit in about 20% of the revenue of the company. Second, headcount rationalization. We are streamlining the workforce. We have already taken some steps in the first 9 months, but we are going to be focusing a lot in the next coming quarters. Third, overhead reduction. We are taking steps to reduce overheads across the board. And again, we should see the benefits in the coming quarters.

Fourth, infrastructure consolidation, particularly in the U.K. We have already acted on consolidating a number of warehouses into larger ones, and that cost benefit also should be coming through in the coming quarters. And lastly, outsourcing to India. We have a Center of Excellence in Madurai. We have been moving work here, but we are pushing this harder in the coming months. We believe these measures, which are in different stages of implementation, would push it back to the normal profitability that we expect to get from this business.

At this stage, I also want to make it clear, our mid-term goals of a 4% PBT do not change. The three factors that I outlined are a onetime quarter impact in this quarter are not anything, what should I say, structural with the business. And therefore, we expect to turn them around. So I just want to kind of reaffirm our mid-term guidance.

Finally, there's a clearcut plan to address the impact on overall profitability. And I would be happy to give you greater details during the question-and-answer session.

With this, I'll hand it back to Mr. Ravi Viswanathan.

Ravi Viswanathan: Thank you, Ravi Prakash for the analysis. I would like to touch upon the business development and key engagements. The revenue momentum of the company is backed by strong deals. BD contributed about INR231 crores for Q3 FY '25 and INR757 crores for the 9-month FY '25, reflecting robust performance. And we have those details in the Investor pages 14 to 16.

We informed in the last earnings call how the company is able to win large deals in mature markets, both in the U.K. and in the U.S., after winning transformational deals in the U.K. and U.S.A. We continue our focus on Fortune 500 customers, and we will continue to add the Fortune 500 customers in to our tact.

During the quarter, we won a notable 4-year contract with the U.K. Ministry of Defense for the provision of maritime consumables and furniture to support the Navy. This enabling contract will ensure the seamless procurement of a wide range of essential items supporting operational efficiency for the Navy.

Further, in the ISCS segment, we onboarded an Indian electrical company, Indian consumer durable company, a global agri equipment company in the U.S.A. an international railway infrastructure company based in the U.K. and a global manufacturing company based here in India.

Some of the new customer wins in the Network Solutions segment include a global wind turbine manufacturer, a U.K.-based consumer health care company, a global consulting and outsourcing company, and engineering and electrical equipment company. So a very diverse set of customers across the areas of our focus.

As in the past, the pipeline of the opportunity continues to be very strong, and we are building on that strength quarter-on-quarter. It currently represents a revenue opportunity annualized in excess of INR4,500 crores. Some of the key opportunities we are working in India include a warehousing solution for a large Indian retail chain and integrated solutions to a global home appliances manufacturer, a 3PL solution including buy and sell for a global wind turbine manufacturer, an integrated 3PL solution for an automotive parts provider.

And some of the key opportunities we are working outside India include a warehousing solution for a global auto component and engineering company, an integrated 3PL solution for a U.K.-

based automobile OEM, a technical repair solution for an industrial giant and an integrated 3PL solution for an American auto OEM and a field service management solution for the large retail chain.

In the U.K., in a Fortune 500 company, we have been now down selected and in the final stage of contracting for a large transformational 3-year INR1,000 crores contract, and we expect to give you details over the next few weeks. That reemphasizes our positioning and to our ~~-- the~~ strength of our solutions and the ability for us to work with the Fortune 500 customers.

To grow the scale, the company's global customer account management program is well underway. This program leverages our cross-selling opportunities, and we continue to see success and more importantly, a very strong pipeline with our global customer account management customers.

On top of the global account management, we're also laying emphasis on operational excellence, more specifically around the total customer life cycle, starting from opportunity development to launch and deployment, and into post- launch continues in growth. As such, we have created the operational excellence pillar, which has been used in all key customer implementations and will be replicated in all our geographies and large customers. Further, as a tech-led company, we continue to offer best-in-class IT solutions, loaded with security features to the customers from time to time.

In summary, our year-on-year revenue growth reflects the resilience of our business. We continue to secure large deals and capitalize on significant market opportunities, leveraging our global capabilities and technology expertise. With the robust order pipeline bolstered by strong customer engagements, we remain bullish about our long-term growth outlook.

With that, let me open the floor for questions. Thank you.

Moderator: The first question is from the line of Disha from Ashika Institutional Equity.

Disha: So my first question is regarding the U.K. contract. Can you specify the reason for the delay in contract? I'm assuming it is a 7-year strategic contract that we had signed with the government, I think, last quarter. So if you could specify what is the reason for the delay in contract?

And as well, you had mentioned in the presentation that the margin impact should continue in the next quarter as well as a slight margin impact in 1Q FY '26. So if you could help us quantify certain -- like how much cost impact should we estimate?

Ravi Viswanathan: All right. Let me take the first part of the question, Disha. So if you look at customers' engagement, our contract to run two sets of operations for them. The first set of operations went live in September. Second set of operation, which was more transformational in nature, which had a lot of new technology, new business process and a new set of teams, which was migrating from the existing distribution center to the modern distribution center.

So the delays were on multiple counts. One was the facility itself got a little bit delayed. Further technology integration took a slightly longer time. And given that we were not able to complete what we call the business resilience testing, it is too risky to go live in winter. So that's the synopsis of the delay. Ravi, you want to add?

Ravi Prakash: Disha, in terms of the numbers, we normally -- we do not give out contract-wise impact. But if I take the kind of the PBT change that you've seen quarter-on-quarter, the 3, 4 factors that I've talked about probably have an equal contribution, right? I talked about 3 or 4 factors. They all have an equal contribution to the delta that you've seen in our EBIT performance, right?

And we expect -- and like we said, because the contract is going to go live -- expected to go live in Q1 FY '26, while we have said there is an impact in Q4, and there is -- the contract will go live in Q1 FY '26, that is specific to the contract, but we as a company are doing other things to make up for that. So that's also something that I just like to tell you.

Ravi Viswanathan: Just to emphasize on that. Ravi Prakash spoke about quite a few initiatives, which are all underway, which will give a significant opportunities for us to make up for that single contracts contribution to the PBT. So I think from a program or a project perspective that expected go live in Q1, that particular project will have an impact in Q4, but we're confident that we'll be able to make do with all of the initiatives that we have supported by new BD.

Disha: Okay. My second question is regarding the ISCS business. While you mentioned in your commentary that the ISCS India as well as North America business has been supporting good margins, if I see the growth rate of ISCS India business, it is just 0.5% on a year-on-year basis for the quarter and it has declined by 3.9% for the 9-month period.

So could you just specify what is the reason behind it? I remember earlier in the quarter you had specified sometime that the elections led to lower manufacturing activities, but this quarter was -- I mean if you could just quantify some reasons.

Ravi Viswanathan: So Disha, two things. One is, yes, we have said that Q2 manufacturing was definitely on a lower trend. It had a slight pickup in Q3. But I think it's important for us to look at India from both short term and a long term. We continue to win significantly large deals, which is giving us a good set of, I would say, visibility towards what it is in the future.

But specifically on Q3, I would say the performance, given the fact that we -- there are a couple of projects we've exited, it is still something which we are very comfortable with from a momentum perspective. Maybe Ravi Prakash can share more details.

Ravi Prakash: So Disha, I think in the last couple of quarters, we've been talking about the fact that in India, there have been a couple of contracts that we have chosen to move out of. And we have always said that the revenue growth in India will normalize. So it is a matter of 1 or 2 quarters before you start seeing the revenue growth again. But maybe I want to spend a bit of time on the comment I made on margins.

The India business has managed margins well. They have adapted -- they have quickly worked on -- both at a gross margin as well as at an EBIT level to kind of -- and cash flow management -- to kind of improve their margins. And that's why we specifically called out that despite the revenue shortfall, the margin performance has been good. And in -- the same has been the case in North America.

And the reason we kind of called this out is, we've always been messaging that the supply chain segment is something that we can depend upon. All 3 businesses have performed well -- on a margin front for the last many quarters. This onetime in SCS U.K. is a onetime event, and therefore, we expect to get back. So that's the reason we called out the margin performance in India and in North America.

Disha: If I may, I would like to ask another question. See, FY '25, we just have 1 quarter left for it and considering this decline and the delay in order execution, how do you see FY '25 ending? You said that your medium-term goal for FY '27 remains intact, but -- and we have a robust order pipeline. But the conversion of that order pipeline, that is taking time due to various reasons, fundamental and technical reasons. So how do you see FY '25 ending?

Ravi Prakash: So look, from a quarter-on-quarter perspective, what we see is, we don't -- normally, we do not offer very quantitative guidance, but we would expect Q4 revenues to be a little bit better than where we had in Q3 from a revenue perspective, and then continue to build from there.

Disha: And any qualitative guidance on the profitability front?

Ravi Prakash: See, from the profitability front, I'll just go back before this quarter, for, I think, almost 4 quarters in a row, we have continuously expanded both PBT margins. We had gone from a breakeven of INR5 crores to INR12 crores to INR17 crores, INR18 crores PBT. We view this quarter as a, how should I say, as a blip in the overall journey, and we expect to go -- get back to the normal EBITDA margins in the coming quarters -- normal EBITDA and PBT margins in the coming quarters. Yes, there is probably one more quarter to navigate in terms of the 3 challenges we talked about. But after that, again, we should be back on a normal trajectory.

Moderator: The next question is from the line of Vaibhav Shah from JM Financial.

Vaibhav Shah: Sir, in particularly in the NS segment, we are looking for a mid term target of around 7-odd-percent in terms of EBITDA margins. So how near or how far are we from there? And should the implement be gradual over the next 2 years?

Ravi Prakash: Yes, Vaibhav. If you look at right -- and I'm glad you pointed out to the NS segment. NS segment, actually the margin has improved quarter-on-quarter. And we are on track to that 7% margin. A big component of that is the IFM turnaround, and that turnaround is well on track. So the 2 year's time frame, look, I don't want to put an exact time frame, but I think we should be getting there in terms of the 7% EBITDA margin. The target doesn't change.

Vaibhav Shah: So '26 should be somewhere margins in between both the years. So sales would be a marked improvement in '26 as well?

Ravi Prakash: I think that's a fair assumption. In the '26, definitely better than what we have in '25, and on our way to getting to that target.

Vaibhav Shah: Okay. Fair enough. And secondly, on the ISCS segment, we had mentioned that in last call that 11% margins can't be replicable on a quarter-on-quarter basis. So there has been some softness in 3Q. But in 4Q, can we be somewhere closer to double digits?

Ravi Prakash: So Vaibhav, on ISCS, you're right. I just want to kind of again call out, last quarter was an extraordinary quarter with 11.1%. In general, in ISCS, we are targeting a range of 9.5% to 10.5% EBITDA margin, right? So we should -- I think we have one more quarter where we have to work through the situation in the U.K. And afterwards, we should again be getting back to, in general, for the last, if you take out this quarter, we have been operating upwards of 9% for the last 5 or 6 quarters. And that should start, as we get into FY '26, we should get back to the trajectory. We have one more quarter to work through.

Vaibhav Shah: So Q4 also should be similar? Yes, some improvement can we -- we can expect?

Ravi Prakash: I mean, look, I think this time, it was 8.8%. Q4 should be slightly better. I probably can't put an exact number on that. But like I said, Q4 is also not the normal quarter of 10% as well.

Vaibhav Shah: And like you mentioned that your target of 7% for NS segment, maybe next couple of years, so for the ISCS segment, that could be 9.5% to 10.5% or we can even go beyond that maybe FY '27 or '28?

Ravi Prakash: Look, in ISCS, you know that in 1 quarter we were able to do 11%, and immediately, we were careful to kind of caution that -- look, that was an extraordinary quarter where everything worked, the mix worked. We had some very high-margin contracts coming in revenue. Everything worked. It was a great quarter. So that 11% demonstrates the possibility of what we can do.

I think at this stage, we would like to stay with the 9.5% to 10.5% guidance. And then once we get through the next couple of quarters, we can always revisit where we can go to. Our aim is always to keep pushing the margin. But at this stage, probably it's good to stay in that range.

Vaibhav Shah: Sir, lastly on the revenue side, we have seen a very strong growth in the NS segment at around 17-odd percent in the 9 months, so it is quite encouraging. On the ISCS segment, we have seen the softness. So it has been in the range of, say, 4-to 5-odd percent, so Q4 also could be similar? And how do you see '27/'28 panning out for ISCS in terms of revenue growth?

Ravi Prakash: So look, ISCS -- I just want to focus on ISCS for a minute. In general, and this time, we have given you the quarter -- seasonal quarters as well. December, outside of India, is normally a slightly softer quarter. If you look at all the last 3 years, quarter-on-quarter revenue we've given, the Q3 revenue is slightly below Q2 revenue.

That's what we have put out in the -- if you look at Page 7 of the earnings deck, that's what historical information shows. And then we get back, right? But before that, ISCS was delivering double-digit growth for many quarters. So if I take '26 and '27, that would be our objective. And we do have a pipeline.

Yes, I mean this quarter, a few projects got moved to the right. And therefore, this quarter revenue didn't come in as expected. But there is nothing that has changed fundamentally in terms of either our pipeline or structurally in terms of our business engagements. Therefore, the double-digit ISCS revenue growth is something that we would be returning to in FY '26 and '27.

Vaibhav Shah: Okay. But Q4 also would be similar to Q3? Or we can see some growth over the last year, given the last year, we were around 14 billion.

Ravi Prakash: Look, I think Q4, let's see how it progresses. I think I've given you a fair idea of where the margins will have come through. Normally, in some parts, like, for example, India, Q4 is normally a strong quarter. But we'll have to see how it evolves in the rest of the world.

Vaibhav Shah: And lastly, whatever projects have been delayed, so we expect them to start mainly pushing in Q1. So that's a fair assumption, right?

Ravi Prakash: It's one project. I also want to kind of maybe place this in context. Look, this is a massive project for a very large company in the U.K., and it's a significant transformation project. It's quite normal that projects of this size, which impact the entire value chain -- supply chain of a large company that sometimes the customers and both us could be measured in terms of pushing them to go live, considering the impact on the supply chain.

So a 3-, 4-month delay towards the right in a large engagement, normally, we are on time. Because of the size of the engagement, we've had to call out the impact, is not unusual. It's just the 2, 3 factors work together, which is, again, how should I say, again, unusual that -- the project got delayed, some it happened in the Q3 quarter where volumes were soft. And we had softer margins in GFS, all 3 coming together, which has impacted the P&L.

Going forward, the project will, like we said, by Q1 FY '26 would be on stream. We expect -- in fact, as we see, we expect volumes in the other U.K. customers to get back to normal. And we also expect to take the actions. And the most important thing is, we've listed 5 actions. We are working very hard and on a timely manner on those actions. We expect those actions to start showing benefits.

Moderator: The next question is from the line of Payal Shah from Billion Securities.

Payal Shah: I have two questions. First, you mentioned in your opening remarks about the profitability in IFM business in the next quarter. So I just wanted to understand what sort of margins and numbers should we look at? Does this business have a potential of the size and scale of our ISCS business.

Ravi Prakash: So Payal, we already messaged that Network Segments, we would like to hit 7% EBITDA. And today, we are at about just under 4%, right? The objective of the IFM turnaround is to push towards that 7%. Both the businesses in the Network Segment, GFS and IFM, as a first step should hit the 7%, right?

The good news is that the trajectory we have mapped out and we have clearly messaged that probably last year itself that it is going to take till December of FY '25 is on track. And from next quarter, we should see the journey towards the 7% mark. So that's the first step. Now I think your broader question, given the scale, should we start moving towards the ISCS margins?

Look, internally, that is something that we would always like to get there because when we initially talked to the markets, we always said there's probably going to be 100 to 150 basis point difference between ISCS and Network. What has really happened is ISCS has gone faster into the higher-margin territory to the 9.5% and 10.5%, and Network is now trying to catch up towards, how should I say, the norm, which is about 7%. So I think right now, we are focused first on getting to the 7%. I think once we get there, we can have a good discussion in terms of where else it can go.

Payal Shah: That's quite helpful. My next question is on, like, what would be the contribution of GFS and IFM of the overall NS segment? And what will be the margin for these business?

Ravi Prakash: See, I think we have probably not disclosed the split between GFS, and we do it on an annual basis, right? When we do the March quarter results, we typically give out the region wise numbers. At the moment, the margins are kind of pretty similar right now. One is not holding back the other or it's kind of -- both are contributing equally to the kind of Network Segment.

Moderator: The next question is from the line of Kunal Shah from Anova Capital.

Kunal Shah: Sir, on ISCS front, I just wanted to know how is the North America geography performing. You have talked about India and U.K. Can you throw some light on this region as well?

Ravi Prakash: It's doing extremely well. In fact, in my opening remarks as well as I talked about the margin, North America is doing very well on a margin front. It's doing well on the revenue front, and we also see a strong outlook –further as we go into FY '26.

Ravi Viswanathan: Yes, I'd just like to add that, North America has won significantly large deals, which we have announced early quarter. And from a pipeline perspective, it looks extremely robust. So North America is a very significant engine of growth for us as we look forward to the future.

Moderator: The next question is a follow-up question, it's from the line of Disha from Ashika Institutional Equity.

Disha: I just have one question. You mentioned that the contract in U.K. was a very strategic contract that is the reason why there was a 3-, 4-month delay and you have to call it out. Now considering that we are expanding in the rest of the world market and we are going to take -- undertake any such strategic contracts, I believe we are undertaking one in North America as well.

So if in case any future delays such as like this happen, it impacts your profitability and your profitability margin. So is there any particular step or any change in contract type that you will undertake to ensure that no such profitability margins are impacted?

Ravi Prakash: Disha, I just want to kind of place this contract in perspective. I think -- and actually, thank you for asking the question. Maybe I'll share a little more information. We've been working on this project for almost 18 months. The project itself was supposed to evolve in 3 stages. The first 2 stages went exactly as per plan, and we've actually recognized revenue and margins from that. This third stage was a step-up in terms of the revenue and the margin we're going to get from this project, which is what got delayed.

Now the reason we are calling out this in this quarter is, to be very honest, if 3 or 4 factors have not come out together, we wouldn't have expected this kind of an impact on the quarter profitability. Normally, what happens is most of the business performs as expected. We would have 1 or 2 projects kind of getting impacted, that's part of normal business. And the company has adequate profit cover to kind of manage through the profitability.

It's a very unusual quarter where you have -- and that too is the most predictable part of our business. ISCS U.K. is our most predictable business for the last 25, 30 quarters. It's unusual to have a project delay, lower volume, all happening in the December quarter. And that's why we had to call it out. So the combination of factors that I talked about, look, it's very unlikely that everything will come together like this in a single quarter. That's one.

So we -- second thing I want to talk about is, as we see this, when we budget for contracts also, we are quite measured in terms of the way we budget how contracts come in, how revenue is budgeted. So because all these contracts would have some bit of uncertainty. We make sure that we bring that in -- in our own budgeting and messaging to the market, right? So we do that. And then we have robust project management systems to manage it.

The last part I want to talk about is, as management, we don't want to stop by saying that, look, this has been an unusual quarter. The reason we are messaging 5 initiatives, and I'll go through them once again, I talked about strategic pricing in IFM, when I say strategic pricing, I'm talking about significant pricing, not the normal 2%, 3% that the market would expect.

We are talking about infrastructure consolidation. We are talking about overhead reduction. We are talking about headcount rationalization, and we are talking about increasing outsourcing. Now all these are stuff that you would anyway do, but the reason we are calling that out is we want to be extra sure that we create space in the cost structure as we go forward, right?

And that's the learning that management takes away from this quarter, right? So I hope that kind of gives you a little bit of, how should I say, context in terms of the way we manage projects and how this quarter was and what management is doing.

Moderator: The next question is from the line of Vikram Vilas Suryavanshi from Phillip Capital.

Vikram V. Suryavanshi: Just to take it forward on global freight forward business. In terms of network expansion, how much scope is there for at least for, say, our direct services or read it like a more and probably, as you said, cost control would be the focus area.

Ravi Prakash: Vikram, can you -- do you mind just repeating the question? Because was it network expansion or freight something that you're asking, wasn't very clear.

Vikram V. Suryavanshi: So my question was regarding global freight forward business. How much scope is there to expand our service for direct route? Or is it more like a captured most of the medium market?

Ravi Viswanathan: So let me answer that. Today, we operate around 16 lanes. Lane being a target and destination. So we have no immediate plans to expand our network. We continue to focus on these 16 lanes. And these 16 lanes are predominantly based on the kind of shipping frequency velocity that we see from our key customers. So no immediate plans for any network expansion. So we'll continue to focus on bringing more efficiency and more throughput in the existing network. I hope I answered this question, Vikram.

Vikram V. Suryavanshi: Yes, And also there was some volume pickup between China, U.S. prior to election. Apart from the Red Sea, we also have seen that impacting the availability of containers. So how is that situation playing out going forward? Now we have seen U.S. particularly playing with the tariff rates. So in this backdrop, what kind of growth or what are our strategies to grow volume?

Ravi Viswanathan: From a container shortage perspective, I think that phase is over. That was more because I think it is a more a Q2 phenomenon where there is maximum shipments going from China to U.S. We are not active on the China-U.S. lane, Vikram. So it's not an area of focus for us. But our focus is really China to Europe. So we'll watch that space because we need to see how these tariffs get pan out. So we keep a close look on it to see how it impacts our key lanes.

So India-U.S. is a strong lane for us. China to Europe is a strong lane. And China to Australia is a strong lane. So we keep watching these based on what's going to happen with the tariff wars that are out there. But right now, the China-U.S. is not impacted -- we are not impacted because we don't play on that lane.

Vikram V. Suryavanshi: Okay. But broadly, just to take it, for this quarter only, within our Network Solutions, was that integrated final mile margins were more impacted compared to GFS?

Ravi Prakash: See, IFM margins were impacted last year. And probably, as we got into the early part of the year in FY '25, we have seen a good improvement in the margins in the last 3 quarters, and we expect them to get to run rate in the next couple of quarters.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Ravi Viswanathan: Thank you for all your questions. And just want to say that we are very, very bullish about where we see ourselves in the medium term to long term. Our pipeline is extremely strong. We continue to have a very, very strong velocity of proposals going into Fortune 500 customers. We expect higher rate of conversion.

Like I said, we are pretty much on the verge of closing a very large deal within the Fortune 500 segment again. So our focus on large customers, our focus on global account management, these will continue to drive our business development efforts.

And a lot of the measures that Ravi Prakash spoke in terms of bringing in a significant amount of cost management will bolster our profitability as we go forward. And we continue to remain extremely confident as we get into the future quarters.

Thank you once again, and we appreciate all your time and efforts.

Moderator: On behalf of TVS Supply Chain Solutions Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.