

Our Ref: MLLSEC/127/2022

Date: 5 August 2022

To,

**BSE Limited,**  
**(Security Code: 540768)**  
Phiroze Jeejeebhoy Towers,  
Dalal Street, Fort,  
Mumbai - 400 001

**National Stock Exchange of India Ltd.,**  
**(Symbol: MAHLOG)**  
Exchange Plaza, 5th Floor, Plot No. C/1,  
"G" Block,  
Bandra-Kurla Complex, Bandra (East),  
Mumbai – 400 051

Dear Sirs,

**Sub: Transcript of Earnings Conference Call - Regulations 30 & 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations")**

**Ref: Intimation of earnings conference call vide letter dated 14 July 2022; and Outcome and audio recording of earnings conference call dated 1 August 2022**

We refer our intimation dated 14 July 2022 informing the schedule of the earnings conference call with several Analysts/Institutional Investors/Funds on the Financial Results of the Company for the quarter ended 30 June 2022 on Monday, 1 August 2022 ("Q1FY2023 Earnings Call").

Further to the outcome and audio recording of the Q1FY2023 Earnings Call submitted by the Company vide letter dated 1 August 2022 and uploaded on the website of the Company, please find enclosed the text transcript of the Q1FY2023 Earnings Call held on Monday, 1 August 2022.

The audio and text transcript can be accessed on the website of the Company at the below weblinks:

Audio Transcript	<a href="https://mahindralogistics.com/wp-content/uploads/2022/08/SGP7620220801142127.mp3">https://mahindralogistics.com/wp-content/uploads/2022/08/SGP7620220801142127.mp3</a>
Text Transcript	<a href="https://mahindralogistics.com/wp-content/uploads/2022/08/TexttranscriptQ1FY23-1.pdf">https://mahindralogistics.com/wp-content/uploads/2022/08/TexttranscriptQ1FY23-1.pdf</a>

This intimation is also uploaded on the website of the Company at the weblink: <https://mahindralogistics.com/investor-information/>

Kindly take the same on record and acknowledge receipt.

Thanking you,  
For **Mahindra Logistics Limited**



**Ruchie Khanna**  
**Company Secretary**  
*Enclosure: As above*

#### Mahindra Logistics Limited

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“Mahindra Logistics Limited Q1 FY2023  
Earnings Conference Call”

August 01, 2022

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges – BSE Limited and National Stock Exchange of India Limited and the Company website on 1<sup>st</sup> August 2022 will prevail



**MODE** : **AUDIO CONFERENCE CALL - CHORUS CALL**

**MANAGEMENT** : **MR. RAMPRAVEEN SWAMINATHAN – MD & CEO –**  
**PRESENT ON THE CALL** **MAHINDRA LOGISTICS LIMITED**

**MODERATOR:** LADIES AND GENTLEMEN GOOD MORNING AND WELCOME TO THE MAHINDRA LOGISTICS LIMITED Q1 FY2023 EARNINGS CONFERENCE CALL. AS A REMINDER, ALL PARTICIPANT LINES WILL BE IN THE LISTEN-ONLY MODE AND THERE WILL BE AN OPPORTUNITY FOR YOU TO ASK QUESTIONS AFTER THE PRESENTATION CONCLUDES. SHOULD YOU NEED ASSISTANCE DURING THE CONFERENCE CALL, PLEASE SIGNAL AN OPERATOR BY PRESSING “\*” THEN “0” ON YOUR TOUCHTONE PHONE. PLEASE NOTE THAT THIS CONFERENCE IS BEING RECORDED. I NOW HAND THE CONFERENCE OVER TO MR. SHOGUN JAIN FROM STRATEGIC GROWTH ADVISORS. THANK YOU AND OVER TO YOU SIR!

**Shogun Jain:** Thank you. Good morning everyone and thank you for joining us on the Mahindra Logistics Limited Q1 FY23 earnings conference call. We have with us Mr. Rampraveen Swaminathan, Managing Director and CEO of the company. Due to some exigencies Yogesh Patel, CFO of the company could not be on the call today.

I hope everyone got an opportunity to go through our financial results and investor presentation uploaded on company's website and stock exchanges. We will begin the call with opening remarks from the management, following which we will have the forum open for a Q&A session.

Before we start, I would like to point out that some statements made in today's call may be forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Ram, MD and CEO of Mahindra Logistics Limited to give his opening remarks.

**Rampraveen S:** Thank you Shogun. Good morning everyone. I hope you and your loved ones and colleagues are doing well and keeping safe, and I hope you all have had a chance to review our results and the presentation, which is available on the stock exchanges and our company's website.

This morning I will provide a quick update on the external environment trends in our end markets, and businesses before sharing commentary on our operations, order intake, and some key corporate developments during the quarter. I will wrap it up with the comments in our financial performance for Q1 FY23 and the focus areas for the rest of the year.

Just beginning with our external environment in end markets, the external environment remains uncertain with broad indicators indicating a mixed outlook. The challenge with increasing inflation, rising fuel prices as well as global uncertainties, which persisted to last quarter will continue currently. Our interest rates continued to become firmer in India and globally and the rupee has continued to see pressure and depreciate against the dollar. While the direct impact of the Ukraine crisis has been moderate based on different industries, the trends of uncertainties continue. On the positive side through the last quarter and currently, we continue to see a debottlenecking of global supply chains and key components. Our commodity prices have started cooling off and unemployment especially in India seems to

be under control. The continued focus of the government through multiple initiatives have seen further acceleration in several areas, such as highway infrastructure, which continues to expand and the Gati Shakti Programme is driving greater convergence across multiple areas, which impact logistics. With the development of modern technology, the logistics industry will see a significant differentiation of unified logistics platform initiatives and ONDC will further help accelerate transformation in the sector.

Moving onto our markets. The auto sector was obviously impacted in Q1 FY2022 due to both COVID and supply chain issues thus on a comparative basis the first quarter of the year has been very strong. The sector is making a concerted effort to un-bottleneck supply chain issues and rise above the pre-COVID levels. Therefore the consumer confidence particularly in rural India, a high cost of ownership and inflationary pressure continued to remain the growth of two-wheeler sales. On the EV front the, two-wheeler and three-wheeler industry has started seeing the shift accelerating and there is increased customer preference towards EVs across the board. The passenger vehicle market continues to expand along with the increasing acceptance of four-wheeler EVs as well. The semiconductor scenario is getting better and we have seen higher shipments across all the OEMs we are partnering with, despite that waiting times particularly in compact SUVs and large SUV segments remain lengthy. Strong bookings for newly launched vehicles indicate a good pipeline of demand and we are optimistic about beyond the fact that second half of the year will accelerate the recovery. After a weaker Q4, we saw a strong rebound in the tractor market which continues to perform strongly due to an increase in food prices resulting in stronger cash flows for farmers.

Moving onto other markets, I will begin with e-commerce the pandemic obviously has had a significant effect on the e-commerce industry and the crisis accelerated with the growth of several e-commerce players and a consumer shift in terms of the way people purchase/bought luxury items and every day necessities. In the recent quarters, the growth has been lower in some categories compared to expectations and in the near-term that phenomenon seems likely to continue. Our market places and B2C brands regressively driving optimization across the value chain while also looking to leverage technology to make the supply chain more agile and efficient. The focus now has moved towards productivity and network efficiency rather than just network expansion and most players are trying to sweat the existing infrastructure more aggressively. There continued to be network expansions actively in the quick-commerce, sub-same day delivery models, groceries and upcountry geographies. On the consumer side, the durable industry has been strongly benefiting over the last couple of years supported by the larger home improvement theme which has paid out during COVID. Our increased input prices recently have prompted companies to raise prices to offset cost increases that partially result in demand moderation. Due to severe summers and multiple heat waves, the air conditioning and fan sectors and our customers in

those segments performed strongly during the quarter. Commercial institutions reopening and operating at higher capacities have also resulted in demand recovery in the commercial air conditioning space. Consumer appliance demand was fairly robust in April and May, but did decrease in June as there was a sentiment due to rising inflation. Although the onset of the monsoon season will probably have an impact on building and renovation activities, momentum is still robust across the board, demand growth in FMCG and personal care categories remain moderate. Like in e-commerce most of our clients shifted their action towards efficiency and productivity versus network expansion. The emergence of omni channel has also become a larger factor for player to consider in the design of their network. The freight forwarding segment has seen a mixed market trends during the quarter while the overall demand still remain robust. We did see variability across patterns and the supply scenario was also highly variable during the quarter. Given the challenges we saw from a supply perspective, there was some margin pressure through the quarter we believe across the industry especially right in the Asian lanes. Demand and availability and the outlook for the European and US based lanes still remain extremely strong. Enterprise mobility is gaining traction due to increased implementation of working from the office by many organizations. We anticipate significant consolidation in the industry going forward and post-COVID there will be a sharper focus on service quality and safety standards. Our business and other travel continues to grow and this has results in stronger demand environment for airport transfer and transportation both from the enterprise and B2B segments, and we expect that this trend will continue. Post-COVID, the focus on safety and security has increased significantly and we think this is the positive headwind that strip counts start inching back to pre-COVID levels. Shortage of supply due to a large number of driver cum operators leaving the industry during COVID and the increase in total cost of ownership due to BSVI vehicle pricing and rising fuel cost has put supply pressure across the industry.

Given this context, I will talk a little bit now about how our businesses were performed in Q1. We continued to witness robust volume growth in 3PL and the network services businesses and supply chain during the quarter our 3PL business grew by 40% on year-on-year basis driven by both recovery in auto and the continued volume growth across our existing sites and accounts. Integrated solutions implemented over the past quarters continued to drive volume growth in the non-M&M side and the non-auto side of the business. The M&M grew business both in auto and farm grew by 40% with robust growth across both the markets. Farm especially grew significant sequentially on a quarter-on-quarter basis. Our non-M&M businesses grew by 33% in 3PL segments year-on-year driven by growth across the board, across e-commerce consumer and manufacturing. The share of solutions and warehousing grew by upwards of 60% on a year-on-year basis. Sequentially compared to Q4, we saw an 8% to 10% growth in 3PL volumes. Our Network Services which comprise Freight Forwarding, Last-Mile Delivery and B2B Express grew by 20%

during the year-on-year. The freight forwarding business grew at a healthy rate. We were impacted by volatility on lean demand and carrier availability, especially to & from Asia, which carry some pricing pressure. Express driven by continued volume growth across our network where we now directly serve over 4000 pin codes and Last Mile Delivery growth was consistent right with prior quarters. The last-mile delivery numbers here did not include the operations of result in our numbers. The EDel Fleet now stands at nearly 700 vehicles with a strong vehicle on road ratio. During the quarter due to asset configurations and overhauls our fleet in 2x2 remained inoperative over the large part of the quarter. There was rebuild are growing on right now and assets are being introduced back on the field. We may expect that to be completed fully by the end of the current quarter. Our warehousing network remains stable with most capacity additions allotted for late Q2 and Q3 we estimate to add another 1.5 to 2 million square feet in FY2023 and we will see additions of the last block at Luhari and new facilities in Bhiwandi and Nasik during the second quarter. During the quarter, we also had several key account wins of one of the largest quick commerce companies. We launched regional fulfillment center operations in Hyderabad for one of the leading retail networks, we expanded the work the integrated distribution work we are doing in added one more state. We now work with them across three of their states operations. We will launch sub-same day delivery for leading e-commerce delivery company in nine cities and we also launched a network-optimization model of a multimodal transport for both surface and air for the leading global pharma companies. Overall wins for the quarter on the non-M&M basis carried an annual contract value of Rs.200 Crores. The impact of this of course will not been seen immediately; this impact will flow through the next four quarters based on the launch in commission based of different businesses. The mobility business continue to register recovery path. Volume of airport business at MERUs up significantly and close to around 50% on a year-on-year and the eTMS business on a trip count basis is also up 20% to 30% across the cities, which we operate in. Despite some of the overall headwinds, our operations remain pretty robust during the quarter. I would like to also add some comments on recent corporate developments. Let me start with credit ratings recently ICRA Limited has reaffirmed the long-term credit rating of AA and the short-term credit rating of A1+ assigned earlier to the Rs.235 Crores credit facilities and has also assigned a long-term rating of AA and a short-term rating of A1+ and enhanced credit facilities of Rs.100 Crores.

During the quarter, we announced to incorporated two subsidiaries one each in India and United Kingdom in order to undertake supply chain management, find Middle East freight forwarding and air charter businesses across geographies outside India. The new operations will enable our company to further address growth opportunities in cross-border logistics and other market spaces and will also help expand and build an international presence. Businesses in these areas will be launched through the end of this financial year.

Whizzard - our investment objective in Whizzard has been to strengthen the company's footprint and capabilities in last-mile delivery and micro fulfillment services for our customers. In line with that, we have acquired a stake in Whizzard, which operates a large pan-India interest free distribution network for e-commerce and Last Mile Delivery and has strong technology capabilities. This acquisition accelerates our expansion in that space. On April 8<sup>th</sup>, we acquired 36% of Whizzard's paid that capital on a fully diluted business to become an associate of the company. For Q1 FY2023 Whizzard's revenue, which has not consolidated was Rs.29 Crores up 30% year-on-year. Losses attributed to our shareholding at a net basis was Rs.30 lakhs during the quarter. Our synergy programs are well underway and we estimate that the long-term potential of Whizzard remain extremely strong and will be accretive to our overall portfolio.

Meru in addition we also completed acquisition of Meru Cabs Ride-Hailing Company, which we all are aware of and has a strong space presence in the airport services and on-call business market. This purchase will provide significant synergies by combining Alyte in Meru's capabilities and supply technology management and electric mobility as well as enabling services for our enterprise and B2C customers with broader bookings. Meru has a total number of 430 vehicles in its port fleet of which 250 vehicles are EVs of a fairly decent vintage and 180 vehicles are ICE. During the quarter, Meru generated Rs.22 Crores as revenue and incurring a PAT loss of Rs.2 Crores. Revenues grew by over 50% year-on-year and loss declined from a negative 6 Crores in Q1 FY22 to Rs.2 Crores in Q1 FY23. Our earnings reflected the full consolidation impact and our earnings for same quarter of last year had been restated for comparative assessment. As we continue to invest in synergies, we believe operational performance and customer satisfaction will continue to see positive traction driving greater synergy and value in the enterprise mobility segment.

Let me now quickly cover the consolidated financial performance right for the quarter ended June 30, 2022. Revenue for the quarter increased 36% to Rs.1200 Crores as compared to the same quarter in the prior year, revenue grew by approximately 10% on a sequential quarter-on-quarter basis. Revenue from supply chain management comprised of 95% and mobility business contributed 5% in the quarter under consideration. Gross margin for Q1 FY23 stood at 10.3% as compared to 10.5% in Q1 FY22, a decrease of 27 basis points, gross margins were impacted favorably by higher volumes and cost management while we also be impacted by a higher mix of transportation., the limited operations of 2x2 and size softness in the margins of our forwarding business. EBITDA for the quarter stood at Rs.69 Crores compared to Rs.43 Crores in the year gone by. PBT was up on a fully restated basis was up by 211% from Rs.6 Crores in Q1 FY22 to Rs.19 Crores in Q1 FY23. PAT was up on a fully consolidated basis by 337% to Rs.13 Crores in Q1 FY23. These are numbers on a consolidated basis prior to the consolidation of Meru and their share of Whizzard. PAT grew from Rs.9 Crores last year in the first quarter to approximately Rs. 15

Crores this year registering a growth of 60%. The proportion of revenue from the Mahindra group comprised 52% during the quarter.

Let me also share some highlights of segment performance. Revenue from the supply chain segment grew from Rs.840 Crores to Rs. 1143 Crores and mobility segment on a fully consolidated basis grew from Rs. 57 Crores up by 33%. Our revenue from the Mahindra group supply chain business increased from Rs. 440 Crores in Q1 FY22 to Rs. 616 Crores up around 40%. Our non-M&M businesses grew from Rs.400 Crores in Q1 FY22 to Rs 526 Crores in Q1 FY23. We also saw a strong growth on a quarter-on-quarter basis. Our warehousing and value-added services for non-M&M businesses has grown from Rs.130 Crores in Q1 FY22 to Rs.211 Crores in Q1 FY23 registering a growth of 60%. Share of warehousing and value-added services in the non-M&M SCM business has reached 40% in Q1 FY23 compared to 33% despite the strong growth we saw in transportation services.

Broadly of the non-M&M SCM business, auto consumer and manufacturing contributed nearly 35%, e-commerce contributed around 30% and the rest of it distributed across multiple markets. As we look forward, we continue to be committed to the driving growth and building our strategic platforms from a long-term perspective. At the same time, we have focused on cost management, operating cost productivity and driving improving capital efficiency. The Bajaj End-To-End Solutions Project is nearing full implementation guide as we have indicated earlier in Q1 it is almost completed. Post the same, touchwood, it will be completed in the early part of this quarter fully and we will now focus aggressively on steady state margin enhancements there. We expect to see a demand uptake in our existing accounts driven by accretive volume throughput and uptake on global forwarding through the second quarter. With that said, external markets remain uncertain and therefore we remain focused on driving cost improvement and productivity across our entire network. The continued focus on initiatives combined with the initiatives were mainly expanding services inorganically hold us on cost at a cyclical long-term strategy. With this, I will open the floor for questions and answers.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Damodaran Kutty from Acuitas Capital Advisors. Please go ahead.

**Damodaran Kutty:** Congrats on a decent set of numbers. I have basically three quarters, two on margins. First is your unallocable expenses, they have now reached around 4.9% which is including Meru, which seems to have contributed around 50 to 60 bps of that. In light of this 4.9% how do you revised your guidance, which you had earlier given that it would be in the range of 4% to 4.5% on a long-term basis. The other one was on SCM gross margins, we are still while you have highlighted few positives that payout in the quarter, we are still down 50 bps



down on a year-on-year basis. You had said that margins will normalize by H2, what additional lever do we see from current levels for margins to expand and what would be the delta from current levels that we would be looking at; that is second. The last one was on warehousing space. Now about a year ago we had said that there will be 4 million additional warehousing space, which is contracted and supposed to come in by Q1 FY23 and you are talking about 2 million space additionally come 17 million, so that still leaves us 2 million short, so would love to know your comments there.

**Rampraveen S:**

When we start off obviously with the unallocatable expenses number, which you showed which you kind of referred to. As you know Damodaran, we do not give any specific guidance, but I would say from a broader aspiration perspective, which we would like to call dial out that remains consistent what we had earlier disclosed and remains pretty much what we are aspiring to do and obviously you will see the impact at consolidations and acquisitions which have to be added into that. We can share the pull outs and kind of work with you to help you better and give you the clarity, but from a boarder aspiration perspective, our portfolio is stabilized. Despite the acquisitions, we expect to be at the same level. If you look at the warehousing question you had, we ended FY22 with around 17.5 million and that is when we kind of said that we have 4 million, which is going to get constructed over the next 12 months and we have another 2 million plus, which has been tendered and if you actually look at it from that period onwards a pure warehousing excluding stockyards has already grown from 11.1 to 13.3 million so 2 million, 2.2 million of that has already been completed and as I mentioned earlier we have another 2 million, which will get done in the near-term. We are having several launches and go live will happen later this quarter itself; those projects constructions are a function of multiple things; Luhari for example the last block was delayed because of weather issues and government regulations around that and with commodity prices going up substantially, many of our vendors have come back for price increases, we have to negotiate downwards again, so have resulted in some delays, but the 4 million which I said in Q1 last year, which has also covered in our annual report in our chairman's remarks those will be completed this year. There will be some additional piece for warehouses, which will happen along the way. Another 2 million as I said has already been tendered and is getting into construction right now in a second phase of network expansion in existing and new locations. The big delta you have to adjust there is that we are reducing our stockyard capacities. We are driving more automation and technology across our stockyards to actually drive more volume throughput with lesser space and that is a long-term trend, which you will see will continue but will actually help us improve our margins in stockyards. It generally has been a very low-margin business for us. Lastly as far as your supply chain margin comment is concerned, the way to look at obviously is during the quarter we had on a year-on-year basis around a 30% increase in our transportation business and so that remains a very large part of our overall volume guide and that includes some of our network services businesses,

which are expanding which we're still investing in like B2B Express and Last Mile which are lower than our average margin and we are expanding that, so it is really mostly been a shift mix there, which has resulted in that drop of around 50 basis points year-on-year in the supply chain margin space, but most of that is really a call out of two things. One is the shift in margin mix and the second one which is there is that during the quarter if you see the detailed schedules and accounts you will find that in 2x2 we actually had a loss during the quarter because we were basically rebuilding those assets and that had an impact, so couple of those things actually mixed and 2x2 by the larger factors this growth were declined in gross margins otherwise we have probably been slightly higher than the same quarter last year. I do not have the exact waterfall with us with me right now, but you can contact our investor relations team and they can share more context with you.

**Damodaran Kutty:** Just one clarification on the 4% to 4.5% guidance, is there any timeline to achieve that and on the SCM, will the current sort of mix continue to persist or will there be a mix change, which will also add to margins.

**Rampraveen S:** The first one that I will be perfectly candid, I do not actually remember when we give this how specifically in terms of a quarter time as I said there is no guidance there is an aspiration we have and we will get back to you on that specifically we will just check our notes and be sure before give you a specific commentary and this is the aspiration is still in that range. This year as you said earlier also as the automotive recoveries come through automotive is much higher of a transportation business than the warehousing and solutions business, so as the automotive businesses comes in we will obviously see a skew towards transportation that will reign on the margins. In terms of a mix impact, this year right now while we have had good order intake in the first quarter, I said uncertainty still remains, we have to see how the peaks go this year. There is still lot of callouts and possible ups and downs and therefore, this will probably be a year where we will see higher transportation growth we have seen and that will have some impact from a time period in terms of the margin mix.

**Damodaran Kutty:** Thanks a lot.

**Moderator:** Thank you. The next question is from the line of Depesh Kashyap from Equirus Capital. Please go ahead.

**Depesh Kashyap:** Thanks for taking my questions. Firstly, given the recent successful launches by M&M, can you give some colour on what kind of growth visibility you have for the M&M SCM segments specifically for this year. Secondly, just wanted to clarify that, that only Rs. 2 odd Crores revenue of Meru Cabs that you have booked in this quarter, is it the full quarter revenue or the revenue since acquisition that is 17th May. Lastly, your EMs Alyte segment

that still looks to be getting at 30% of the pre-COVID level. Can you give some color on how you expect it to grow going ahead? Thank you.

**Rampraveen S:**

Let me kind of answer all of those I will start with the first one. Obviously M&M is our marquee customer and they have had some pretty strong launches, 3 grade blockbuster launches that is something, which as part of group leadership I am obviously very proud and excited about. At this stage I do not think has there been strong traction and M&M is seeing volumes grow given their debottleneck supply chains. I am not in a position to have a specific view on how their volumes will be. What I can say is that we do expect to see in our business higher volume growth of movement from the Mahindra business as well as good volume growth in the non-Mahindra businesses on the automotive side, but I do not have a specific guidance on how volumes will move with the new launches. As far as your question in Meru is concerned, the Rs. 22 Crores it is the full quarter accounted revenue and the platform revenue of the business and reflects that fully. The third question if you had was an EM, net of Meru the EM business is running at was around Rs. 35 Crores in the quarter that is approximately 40% of peak pre-COVID period. What we are seeing is that while trip levels have actually come back to higher than 40%, but one thing which we have also seen is the shorter trips. Before COVID, we used to have a lot of people for example going from Noida to Gurgaon that is between the NCR We had a lot of people move from Noida to Gurgaon for example, but that is not happening so much. The trip counts have come back, but the kilometers have not come back fully and therefore we are seeing that counts going up by 20%-30%. We were specifically mentioned trip counts by comments, but that is not actually translating to revenue because the kilometers are not growing so much. On the positive side almost all our accounts are coming back strongly in terms of declaring work from office, but it will take another three four quarters before it becomes a place that point where everybody comes almost every day to office and that is what you need to see to get EMS back to historical levels.

**Depesh Kashyap:**

Great. Thank you and all the best.

**Moderator:**

Thank you. The next question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

**Mukesh Saraf:**

Good morning. I had a couple of questions. First is going back to your warehousing space, this quarter was 13.3 million square feet and in opening comments you had mentioned that you will add about 1.5 million this year. Do you think it is a bit too conservative especially given your long-term target and you had a 5-year target in FY21 saying in probably add 20 million square feet around that number, so how do we look at that target vis-à-vis slightly muted growth that we believe as a share valuation?

**Rampraveen S:** The way I have put this is that if you look at a 20 million, we are pretty much on target to get there by middle of early next year and if you actually take up...

**Mukesh Saraf:** The addition was...

**Rampraveen S:** Yes, addition we have said over five years will probably be in that range and this year we will overall in the year if you add the first quarter, second, third, fourth quarter, we will add around 2 million this year. We have had some movements, which are moving around because of the inflationary environment. As I said we have already contracted another 2.5 million. Now bear in mind, these all just have multiclient facilities, this excludes capacity additions we do on a bespoke basis. The bespoke basis is driven by how demand needs as we get more projects this require something to be added we had obviously will continue to add that, but we are also trying to drive a lot whether yield on our warehouses so by driving better productivity, faster velocity through our warehouses. We are also trying to increase in expanding yield from the facilities, but the long-term vision remain the same there is no conservatism on it. Given the broad inflation, which has happened across on some of the commodities in last three to six months, we have had to go back into recontract or renegotiate several of our facilities and slow down a little bit of the contracting, but as I said we have got another 5 million actually which is in construction 2 million will happen this year another 2.5 million will be in contracted it should happen somewhere in the early part of next year and you will also see as increase is going down to smaller cities, so we are launching in Guwahati, in Patna, in Lucknow; we will be launching in Nasik this quarter, so we are also going in that second level expansion, which I have talked about earlier will also continue to happen.

**Mukesh Saraf:** My second question is when I look at the annual report, you had mentioned in that the freight forwarding B2B Express and Last Mile we see business together are now 20% of your overall revenue and broadly we will have more than 1.75 million packages on the part of the all business, so how do we look at these segments because we are focusing obviously a lot on the SCM side of it, but if I kind of step away from SCM and look at these other businesses a lords in freight forwarding and the B2B Express and last-mile, can you give some sense on the growth there, the profitability there.

**Rampraveen S:** For us the 3PL business and the network services businesses are the two broad constituents of supply chain. Supply chain intern first is broken into 3PL and the network services business. The network services business is not a lumpy business. The 3PL business which move as we had projects you will see the full revenue of the project starts coming up within three four months and therefore you will see some of this lumpiness in growth. Whereas the network services business is really a fractional business where you are doing small volumes with each individual customer and therefore the growth tends to be more consistent. If you

go back and look at our volumes our revenues over the last eight quarters they have been growing every quarter. You do not a flat, slow growth, and then sudden high growth. The trick in our basis to actually continue to see growth there and we remain here, it is roughly 20% of our revenue, I have mentioned earlier that our long-term vision is that it should probably go up to 30% of our revenue and we remain very optimistic about the opportunity in the potential around those businesses and our ability to take those business and combine them with 3PL and give customer unique value props. Now from an earnings, for us the 20% growth is actually is good because it is consistent with the kind of growth curve which we have been maintaining and the ability to do it every quarter, it is critical quarter-on-quarter and then expanded this kind of the way we are looking at the business. From an earnings perspective, you will see the lords numbers., lordshas come from a low base we have actually been able to raise through pricing discipline, increase scale, been able to get that margin up to a curve where the margins are actually better than the rest of our 3PL business. The B2B express business and the last-mile delivery businesses are not at the same earnings level. We are investing in building the network in those and just like we did in lords, it is a three, four-year window before you will start seeing the kind of the sweet spot in terms of margins, so that is the investment. We will continue to do as we build revenue growth and capability development.

**Mukesh Saraf:** Just a follow up lastly. You mentioned that the margins are not yet there for the B2B Express and Last Mile, but you are saying potentially these can be higher than the core business margins that we have had.

**Rampraveen S:** Yes. If you look an industry councils, you will find as a network services businesses are at a higher margin and that is kind of what our aspiration to be as well. In fact our aspiration is to really say how we can take the 3PL business and the network services business and integrate them to get into solutions for our clients and that is where the magic will really happen. There is both obviously a segmental earnings potential, but there is the value of integration which we have seen playing out in several accounts as well.

**Mukesh Saraf:** Got it thanks a lot I will get back in the queue.

**Moderator:** Thank you. The next question is from the line of Manoj Bahety from Carmelian Asset Management. Please go ahead.

**Manoj Bahety:** I have three questions. The first one is if I look at your margins, last two quarters there was some impact. A few of our customers operating at a lower operating level and which was impacting our margins so going forward how do we see the sustaining as well as improvement of margins from here looking at the way the competition is there, then I will get a new customer, so do we expect that this margin volatility will continue or this

operating benefit coming back, you will see a gradual and sustainable improvement in the margins.

**Rampraveen S:**

There are two different probably two different questions Manoj and let me answer those both. In Q3 last year we obviously did have lower op levels in many of our sites that was on the back of frankly a weaker peak than we as expected and because of the way the considerations were, we have since then as you know put a lot of effort on that and now most of our facilities are actually seem stronger throughput and you would see for example that the warehousing in solutions revenues grew by around 13% to 15% sequentially in the year, in the first quarter even though capacity was flat. The total amount of space was flat, so that kind of work we are doing to actually get better throughput and velocity. Most of our assets right now are operating I would say at peak levels, I do not see that anymore as an issue. From a market perspective, markets are tight really because obviously pricing is competitive and we are in an inflationary mode right now and so that is always a difficult place to be when we are seeing in an inflationary environment with a lot of pressure from customers and competition on pricing. Thus far, what we have done is we have to continue to invest a lot more than differentiating ourself and ensure that we put in better pricing discipline, and we fully expect that these margins will kind of hold themselves. In fact, we are actually committed to the broader improvement we said as well, which is that on a mix adjusted basis that we actually are hope to see 30 to 50 bps improvements every year and that is something which we remain committed to as well. There is a significant amount of leverage we have in terms of doing continuous improvement in our business and obviously we have to be very careful about the contract and maintaining good pricing discipline on the demand side, but that is kind of what we are hoping to continue to deliver.

**Manoj Bahety:**

My second question is on your strategy. Earlier you have mentioned that Last-Mile Delivery in the business which is not profitable so Mahindra Logistics initially stayed away from this business, now we are entering into this business, so do you think that in the medium-term investors can expect that some kind of margin pressure because of our SCM into this business which earlier we were refraining from, right.

**Rampraveen S:**

Yes. To calibrate, we said as a company we said that we are that margins in Last-Mile Delivery remain extremely challenging and we are investing in building a playbook to be able to win that space. Over the last two years, we are trying to investing in building that through a combination of doing distribution as a service and not just delivery as a service. We just do not do plain bikers going in rock and stock we actually try to run the hubs, the delivery station and do integrate that with delivery. I am doing more of that and building an increase focus on electrification. We now believe we have a really good playbook on Last-Mile Delivery and we have line of sight to target margins over two three years. With the Whizzard acquisition, we feel good about the opportunity to get scale because that is a

largest space frankly in e-commerce and other parts it is a very large segment, Last-Mile Delivery. Now we have got a playbook in place we are actually now in the process of executing that playbook, building deeper micro fulfillment capabilities, investing a bit more in tech and expanding the network, but our unit examines are actually fairly good and therefore as scale builds out we will be able to now get to the target margins we hope to have.

**Manoj Bahety:** My last question. Still I am not able to understand why Mahindra Logistics is doing capital allocation as well as bandwidth allocations toward Meru. I am not able to understand. Any kind of synergies between your business and Meru, just wanted to understand what is your game plan for Meru. You are just holding it for medium-term, eventually it will be like sold off, so that is one thing I need some color.

**Rampraveen S:** Yes. Historically, there have been synergies between the businesses and there are some amount of overlap in terms of customers, their mobility business and I will first address where there is synergy and where there are no synergies. There are some synergies, which are there. They are mostly two folds; on the non IT customers there is a fair amount of common overlap like we do business in mobility for a GE or for an e-com customer and we do that in mobility and in supply chain, so there are some overlaps in terms of go to market. The second piece actually has been procurement. The one of our strengths, we believe across our business is actually both supply chain and mobility is our ability to drive procurement and scale and leverage a partner network we have across multiple service lines. We have many partners who do multiple things; they are doing intra city trucks they do car carriers; they do full truck the 25 tons multi axel vehicles and that partner base is something which is very important. Those have been the three areas of commonality or synergy. There have also been areas of divergence because the business is more tech or IT services driven obviously, the asset classes are very different, it is a very different, the terms of winning are actually quite different. We have actually developed a strategy two to three years ago Manoj, which I have shared earlier to really be very focused on doing two things. Driving increased presence in the enterprise segment and driving more supply driven synergy and margin expansion that are the strategy we developed before COVID and of course COVID happened so we were actually upside down. In the long run, the business is something, which still we believe as very favorable macros. Operationally, it is not a very significant divergence for us. The business pre-COVID had very good return on equity. I mean this is not have consume capital at the cost of the supply chain business. We have a strong independent team, which now has been integrated between Meru and alyte and that integration is one of the things which have drive earnings improvement across alyte and of course Meru which have already alluded to. In that sense, it is not a distraction it is a part of our portfolio. Over a period of time, the board and the management will conclude a review,

how well it fits with the rest of our portfolio and I am sure board will take considerate decisions on that.

**Manoj Bahety:** My only point was when you are having such a large opportunity in such a complex business, your bandwidth can be better allocated by handling the complexity of existing business rather than entering into a Meru kind of business where other than commonalities of customer, I do not feel much synergy.

**Rampraveen S:** I appreciate your feedback Manoj and it is well noticed and I can assure its one of the internal debate happening quite often.

**Manoj Bahety:** Thank you and thanks for taking my questions.

**Moderator:** Thank you. The next question is from the line of Sumit Kishore from Axis Capital. Please go ahead.

**Sumit Kishore:** My complements on a very strong growth performance in Q1. My first question is, is there anything in Government ONDC or open network for digital consumers for Mahindra Logistics as a 3PL and network services side. Will that be integrated in your 3PL with government's ONDC. The second one is like a suggestion and a question is that given you speak about Meru's numbers Rs. 2 crores to launch alyte ; would it be possible to have a slide where you put revenue gross margin EBITDA profit for all these entities. It you help us appreciate your performance better and give you a lot of questions. Similarly, your network services, Freight Forwarding, Last Mile, Express need to be it will be great if you can have some color on these metrics on a slide because may yourself speak about growing importance of network services in terms of revenue share going forward. My second question is on the strong operating leverage that we have seen with the topline growth during the quarter your thoughts around that and is there new scope for operating leverage led margin gains. Thank you.

**Rampraveen S:** Let me get into the first one. We are obviously continuing to work on I would say the open logistic network interfaces, not just ONDC, but unified logistics protocols and what it means and what opportunities it presents us. At this stage while we do not have anything specifically to announce, you would see more action around that clearly from us in the coming quarters. Overall I would say that ONDC is a very positive move and then in an industry which is very fragmented, it provides stronger accessibility across dispirited customers. Of course, it will be great if ONDC also drives better standard setting in service levels, which as you know as we got the challenges in our country is that as an unregulated industry, logistic carries, very low standard thresholds and that is one of the things which creates a very wide pricing corridor in our industry, but I am sure the government has got



the feedback and from others as well and some of the work which they are doing already price cutting logistics infrastructure and so on have been steps in that direction. As far as, your suggestion is concerned that is very well taken and we have been increasing the level of information we have been sharing on the businesses; both in terms of markets, account wins and so on, but this is a split which we will work on and provide you. Definitely the entity roll up is something, which we will work on sharing with you because we will be able to clearly see what is standalone versus the roll ups. Most of the roll up businesses are very specifically either in mobility or network services, so that I am sure but also partially help you understand your third thing which you asked.

**Sumit Kishore:** The investor relations if they can send across some of these details that you motioned post this call will be very useful.

**Rampraveen S:** Yes sure. Can you just add your last question if you could just repeat it I am sorry?

**Sumit Kishore:** Yes. We saw pretty strong operating leverage even the gross margins were bit impacted, but your operating leverage has gone up well, so just wanted to understand given the momentum on growth is likely to continue and what are your thoughts on operating leverage and what exactly is driving that.

**Rampraveen S:** We have got two elements from leverage from at least one of course is mixed and we have to look at any gross margin any individual mix and could have roll it up because when you have large movements in volume, it is an impact, so if you look at what happened year-on-year, the transportation business grew by Rs. 207 Crores while the warehousing and supply chain business grew at around Rs. 75 Crores or Rs. 80 Crores. Even though the growth in supply chain and the warehousing was faster and index level, obviously to make sure grow the ware transportation was driving the growth of warehousing, so you see that payout in the gross margin level from an operating leverage perspective our big leverage is actually in the warehouse's facilities we operate and there it is vary from two things; it vary from the productivity of our workforce and how much more we can do it less really by using automation, by doing more mechanization, by doing improving dexterity of our employees and the second one is how we can design facilities to actually run far more throughput and that allows us to contend the space we require for operations and leverage with the yield per square feet a lot better. Those are things we have been working on in the last six months and those remain as opportunities for us. The point we have talked about earlier that said I would also say that even in an inflationary environment, your supplier power is always higher. We are the challenge of being in an environment where the inflationary on the cost side and slightly inconsistent at demand side, and therefore the leverage often is hard to monetize fully and a lot of that leverage is what is going into my comment earlier to Manoj, that we are confident that despite some of these things we will go to hold our margins, so

that is more to be done but that is kind of where are you probably that is probably is some of my thoughts on it.

**Sumit Kishore:** That is very useful thank you. Just one last point on Freight Forwarding we see that seaborne freight rates etc. have all come up quite sharply off late and they actually down on a year-on-year basis also so does that have any implications for your freight forwarding business the internal margin performance going forward.

**Rampraveen S:** Obviously, softness does affect our revenue. The same thing happens when fuel prices go up and that is a headwind if you may from a revenue top line perspective not so much from margin percentage margin perspective. I would also say that our own forecast is that last quarter we saw some softening on ocean lines or prices on specific lanes. We expect that towards the second quarter we actually seeing firmness will start coming back on the end license. Right now not expecting that to be a big tactical issue for the year and not really a very strategic issue.

**Sumit Kishore:** Got it thank you so much and wish you all the best.

**Moderator:** Thank you. The next question is from the line of Sachin from UTI Mutual Funds. Please go ahead.

**Sachin:** Two questions from my side. One is more to do with this non-stockyard warehouse space that we have. How do we understand per square feet revenue profile or margin profile of this business and eventually the ROCE profile of this business that is the question number one. The second question is more to do with like a parent, which follows a strong discipline about some of its businesses where eventually he wants most of its business to graduate towards high ROCE businesses, now what is our thought process regarding some of our subsidiaries and some of the new ventures that we have got into. Will we follow the same approach for them and maybe if you can also help us along with this any capital allocation plan that you have towards them?

**Rampraveen S:** I will take the second one first. First of all, we have clear investment hurdles on the board and all our businesses whether they are consolidated or whether they are standalone or subsidiary, I can maybe actually have the same sward of earnings expectations and there is no divergence in that from a governance perspective. Each of these businesses comes off at different levels of maturity and one and what we look at is what are the earnings at a maturity level. If you look at the forwarding business, the forwarding business three years ago was extremely weak on earnings, but today we have had the business has build scale and has build a value proposition and now actually has an ROE, which is actually more favorable than many of other businesses in the company. We expect the same curve to be

followed in each of these subsidiaries because they are just divisions of the company the way we operate them, so you would expect we expect Meru and the Mobility Business to get into the same thing. From a long-term perspective, we expect our investments in Whizzard or Last-Mile Delivery to actually yield the same kind of returns. 2x2 was a business, which was actually getting into that zone in 2019-2020 before the automotive hit happened and then the automotive decline happened obviously, we saw a significant downtime and then as last year fuel prices increase that also became a double whammy. Of course, we have consciously chosen to upgrade all the assets as we are hedging and get the fleet in better shape, which is why there has been a bit of downtime last quarter, but the earnings target for the same and I would say that my long-term perspective that is the expectation our management and our board have and that we actually are delivering similar returns across all the businesses and there is no difference between them. To your first question, on the way we should look at warehousing that is a great question especially with AS116, warehousing has been obviously we accounting for it has all changed, so first on obviously is a pure gross margin and typically on vehicle assets, which are more than 11-month leases. We are obviously accounting everything under 116, so there is an AS116 charge, which is there. The first you have to take is look at the pure gross margin adjust the AS116 charge and then adjust the right to use depreciation and the interest which is underlying those reasons, then you will actually then be able to find comparable gross margin in that sense and then be able to look at the return on capital employed of that. That is kind of a build out, which has to be done that we do that internally to obviously look at the value of each project actually, so that is one thing which has to be done. You have to adjust for AS116, adjust obviously for the below EBITDA line items both in terms of the right to use assets. The third to look at warehousing to look at saying what is the integration value it provides for transportation because you have much better control of your transportation and your ability to optimize transportation when you control the nodes which design the network. Because warehousing transports trust around the plane between the Warehouse and from warehouses to customers. The mode you can actually control and design the architecture warehouses, the more leverage you have on optimizing the way you are able to get transportation and the margins you make on the transportation business, so that is what we call integrated solutions and so since that is the third leverage of the return equity of warehousing. For example we invested a lot in Luhari; we have done that because it is 1.5 million square feet, but it is also a gateway to 28% of India's population right, so what it does for us in terms of being able to optimize outbound transportation from that faculty and optimize it is quite significant. Those were three dimensions how you typically want to look at the value of warehousing on a standalone basis and as well as the portfolio and if you want a little bit more color on how we look at it, you can reach out to our investor relations team and Yogesh, they can share some of that with you.

**Sachin:**

Sure thank you.

**Moderator:** Thank you. The next question is from the line of Paradyam Choudhary from JM Financial. Please go ahead.

**Paradyam Choudhary:** Thank you for the opportunity. I have two questions. The first is related to the B2B Express business. You spoke about how for the next couple of years we will be investing. I just wanted to understand where exactly would we need to invest and like how exactly? Are we planning to scale up and become amongst the bigger players here and what exactly is the value proposition in the B2B Express Business compared to our existing 3PL Business. The second one is more on the competition in the logistics space. We see that recently a listed peer, which is strong in the B2B Express space mentioned that they might want to consider entering into the 3PL space sometime in the future then we have had a very recent listed peer, which is strong across most of these spaces and you are also talking about going big in the B2B Express Space, so how do you see the industry panning out in the future.

**Rampraveen S:** I just say couple of things that you have very broad questions. From a competitive perspective, almost everybody in industry in some form is multiservice. Almost all logistics firm or either 3PL company or a network services company are combination of these. Most companies had scale have their retention of having multiple services there that is to in India as well as globally, but even if you take a pure parcel company or an express company, they actually will have a supply chain services business a freight forwarding and a few other segments, so that is the nature of the industry. The key thing which differentiates it ultimately is saying what is the ability to convert that, whatever you are stating to actually value from a client perspective and how does it actually drive margins and margin expansion for the business. Now for us in the B2B Business, there are two three things which are there. The first one is now we are very focused on what I call service quality, which means that we are very focused on ensuring that we deliver product safely properly on time there is no damages and no shortages, no interchanges and so on so that service quality piece is a big part of our focus and our proposition. The second part of our proposition is our integration because if you are often using an Express Service to move material in and out of our warehouse, which we are already operating today so that saves the customer a lot of headache because then they actually have to holding one company as countable for both pieces otherwise what they are doing is they are saying I am going to have the whole company accountable for the way warehousing does then the handover is something they have to manage and then they have to hold the express company accountable with the second piece, so our second part of the value proposition is the ability to both bundle and integrate this for our clients, which gives them more convenience, more accountability from the network allows them to get better cost control and transparency and visibility around cost that is the second part of our value proposition, which is there and that is kind of what we have been trying to drive to grow our express business. The express business is a bit difficult from the 3PL business. The 3PL business is more like a project

business, we design a solution we sell it and we start building the solution after we win the contract and we win a contract which are a multiclient facility we build out that solution there. The B2B Express Business a bit different, you actually have to run the network whether you have demand or not, so you actually have to expand to pin codes, you have to actually build, you have vehicles plying consistently between these hubs, you have to build out hubs and you have to build and have a proper schedule operation between these hubs to actually get your get service levels up. Investments we are making the business is really that with these expanding the network, building better throughput and network accessibility, and then investing in technology which is actually help put all of this together. You see most express companies have an investment curve before they actually hit maturity. What I can tell you is our express business has like all our businesses generally has positive unit economics; we have investments obviously on the utilization of the network and how we are building it out, all our transactions, but we do maintain a pricing discipline that we do not do business below unit part at negative unit margins, so now it is really about how we scale up and how do you build a network to build to support that scale.

**Paradyam Choudhary:** Yes Sir that is really helpful thank you.

**Moderator:** Thank you. Ladies and gentlemen this will be the last question for today, which is from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.

**Pranay Roop Chatterjee:** Good afternoon everyone. I have two broad questions. Firstly on margins and second is on revenue growth. On margins, the previous participant had requested some incremental information on some of your new businesses especially given freight forwarding has become pretty big now, so it will actually help us understand margin trajectory because right now I've collated around like 8 points, which have affected your margins in the last two to three quarters and there are lot many moving parts right now, so it is very difficult to figure out where the business is heading. For example, the fundamental thing is that what our understanding is warehousing gross margins are higher than your external transportation margins, which are slightly higher than your Mahindra & Mahindra transportation margins, then you also have operating leverage coming into play basis volumes, then the stopping issue is temporary so we can discount that then you have something going on with 2x2 logistics as well, which impacted last quarter and like you said this quarter as well then freight forwarding you had mentioned is EBITDA accretive at around 5.5%, so that is one aspect then Express and Last Mile value dip understandably because last mile is at a early stage then you had some impact of Bajaj as well and then finally fuel price impact, so again I do not wanted to discuss all these points, but given what you see right now in all these criteria, in the next two to three quarters what can we expect in terms of the direction of margins because it is extremely difficult to predict basis on the lever so none of these are actually in the public landscape.

**Rampraveen S:**

Pranay thanks and you have done a great job I must first complement you on capturing all the puts and takes of our business as we keep shuffling portfolios and moving stuff and I understand a little bit of the ambiguity, which is there in some of the stuff, as I mentioned to the earlier question, heard from sumit from Axis, we will try and put out deeper clarity on the businesses. Now broadly how it look at in terms of outlook, I expect that we will not really the Bajaj thing which we had said earlier and startups in general, which we had called out Bajaj is a largest part that is going to be there a little bit of it will carry over into this quarter, but otherwise that program is stable and there is no burn on it in that sense and we will then start focusing later half year on or expanding those margins out as per our kind of solution design and plan. The 2x2 was a temporary issue, it is a conscious choice for us to build out the assets and therefore we do not expect this issue to continue through the second quarter of this year. By second quarter, all vehicle be deployed so that is a temporary thing which is there. I would say that forwarding and last mile and B2B our investment areas, so once we show you the picture as we will probably discussed earlier, you will be able to better understand how to kind of how the constituencies on the chess board stack up. Broadly from a margin profile perspective, we have said that the FTL transportation business has a lower margin profile than our warehousing business. The pure warehousing business has a lower margin profile than our solution business, so it is kind of a margin ladder however the one thing I would point out is that it will be inappropriate in our view to say that the Mahindra Transportation Business has lower margin than Non-Mahindra Transportation Business. As I just said earlier to you as well others that we essentially get the pricing based on account, so if we have two customers probably from Mahindra movement from Haridwar and somebody else has movement from Haridwar, will be roughly the same. The pricing we have actually get will not be the same. It is driven by service line and volume density, so it is not an overall thing that Mahindra is lesser than non-Mahindra. It is driven by service line name etc., etc. but as I said we will call out and do the categorization of it and share that and try and make an attempt to share that in the coming quarters, so you are able to look at that broadly. From an overall outlook, I expect volume to be strong in the second quarter to maintain trajectory in the second quarter. From an outlook perceptive, what we are seeing right now is generally the same tailwinds we saw in the last quarter are persisting in this quarter. I do believe that there is some uncertainty in demand as we look at it going out because of inflation and, because of genuine softness. This year August will be very important. August peaks and demands are fairly indicative of how the industry will move and therefore we will have to see how the peak will happen. Q3 is normally an important quarter for us in terms of growth, so there is some moving parts there, which we would be optimistic, but we cannot confirm that we have a great Q3 outlook in terms of tailwind right now. Right now things are holding up and we are optimistic about Q3 and Q4. As I mentioned earlier, we have had an ECB annual contract value in terms of non-M&M order wins of around Rs. 200 Crores from the first quarter, which is very robust in terms of pipeline, which will be executed through the rest of this

year, but that is something which we are hoping to sustain from a win perspective. I have answered all the eight things you ask probably I did not do them exactly the same order but as you said.

**Pranay Roop Chatterjee:** No problem, on the revenue growth, you have already partially answer that, but I will just structure my question anyway. My question was more on the lines of in your annual report. It has already been called out and discussed that 20 million square feet incrementally within the next 36 months, we are already lagging it, so my question is slightly different. When you did this math that you need 20 million square extra you also had your vision in mind that Rs. 10000 Crores vision, you must have done some demand forecasting at that point of time. Now what my hunch is that the demand that have actually played out is actually materially below what you would have forecasted at that point of time. Because of which, the additions is not much, which obviously make business sense. If there is no demand you would not add network. Now incrementally in your opening remarks, you also mentioned that everyone is focusing on network efficiency rather than expansion, which is also a sign of things slowing down and people looking at the cost more than the revenue, so the larger question here is do you see a change in the larger warehousing story temporarily or is this a blip of four, five quarters that you are seeing.

**Rampraveen S:** It is a blip; what we really said is that I do not really see three years I has just to be honest and I will just check that again because it is not driven the units it is my memory of the annual report, I do not want to say you're wrong so let me just check that. You are right. We said that we have to add 17 to 20 million square feet in other forums as well to support that vision for growth. That would have partially come with a cost of the stockyards going down and that is still pretty much intact, I would say in terms of us we had to build the network to support that growth. I do not think that fundamentally changed. Obviously, as we improve yields on our warehouses or if demand soften in specific bits and pieces, we may see that number moving around but our intrinsic desires, I have said this again and again is that we do not see warehousing as the end. We see warehousing as a means to an end. The end is providing more value-added solutions for clients and building networks and not just doing transportation, plain vanilla transportation of warehousing. Our building capacity is a very important step in doing that, which is why we have done it in last year and this year despite the AS116 impact, we continue to make the investment and I do not think that direction fundamentally remains unchanged. There are some blips which happened along the way. Some of it as I said it is not just demand some of it is also been we have gone through a phase of re-contracting and almost holding our contracted prices in many of our facilities because commodities went up very sharply in the last two three quarters and so many of our partners wanted to re-discuss that and what we said is we want to build on 12 million square feet of build-to-suit warehouses by FY2026 we are at around 3.5 million now so that is we have got 3.5 million 2 million is coming this year 2 million

more has been contracted, so your kind of in that exact range but what we will do is we will take this and come back to you. Our investor relations team has your contact, so I will get them to call get out of some clarity on this.

**Pranay Roop Chatterjee:** Just to close out the call, I had one question for Yogesh I will just drop it in any way and I will reach out separately is that. If you look at in on a year-on-year basis your non-stockyard space which is basically the yield space has gone up only 14% around 11% to around somewhere in the range of 13% million square feet, but your quarterly depreciation year-on-year has gone up around 43% and it came in at around Rs. 40 Crores in this quarter so just want to understand what is causing this, I understand the Ind AS charge. What I just wanted to clarify is with the space grow while depreciation growth outpacing space growth materially essentially that is the question, but otherwise I am done at my end thanks a lot.

**Rampraveen S:** I'll let Yogesh probably answer that specifically **I think the way lease** works I said before is how within a quarter timing of the leases come in, but probably since you have already scheduled reach out to Yogesh I let him just take that and speak to you separately.

**Pranay Roop Chatterjee:** Okay thanks for that.

**Moderator:** Thank you. As that was the last question for today. I would now like to hand the conference over to the management for closing comments.

**Rampraveen S:** Thank you all for joining us here today. I hope we have been able to answer all your questions adequately while you have any other question, please feel free to reach out to SGA our investor relation partners or our leadership team and I am sure we are happy to provide you more and adequate detail around those queries. Thank you once again for your continued interest in Mahindra Logistics and I wish you all a safe day and week ahead. Thank you.

**Moderator:** Thank you. On behalf of Mahindra Logistics Limited that concludes this conference. Thank you all for joining us and you may now disconnect your lines.

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