

**Corporate Office:**

Giriraj Annexe Circuit House Road  
**HUBBALLI- 580 029** Karnataka State  
Phone : 0836- 2237511  
Fax : 0836 2256612  
e-mail : headoffice@vrllogistics.com

To,

**BSE Limited**  
**Phiroze Jeejeebhoy Towers**  
**Dalal Street**  
**Mumbai- 400 001**  
**Scrip Code: - 539118**

**National Stock Exchange of India Limited**  
**Exchange Plaza, Plot No. C/1, G-Block,**  
**Bandra – Kurla Complex, Bandra (E),**  
**Mumbai – 400 051**  
**Scrip Code: - VRLLOG**

Dear Sir / Madam,

***Sub: Disclosure under Regulation 30 (6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of the Earnings Presentation Call***

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, as amended, please find the attached transcript of the Earnings Presentation call held on 21<sup>st</sup> May 2024 for your information and records. This information is also available on Company's website on below link:

[https://vrlgroup.in/investor\\_download/Investor Meeting on 21 May 2024 Transcript](https://vrlgroup.in/investor_download/Investor_Meeting_on_21_May_2024_Transcript)

You are requested to kindly take note of the same.

**For VRL LOGISTICS LIMITED**

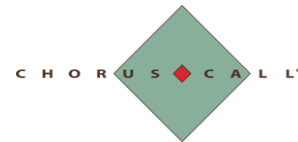
**ANIRUDDHA PHADNAVIS**  
**COMPANY SECRETARY & COMPLIANCE OFFICER**  
**Place: Hubballi**  
**Date: 23.05.2024**





“VRL Logistics Limited  
Q4 FY '24 Earnings Conference Call”

May 21, 2024



**MANAGEMENT: MR. SUNIL NALAVADI – CHIEF FINANCIAL OFFICER –  
VRL LOGISTICS LIMITED**

**MODERATOR: MR. ALOK DEORA – MOTILAL OSWAL FINANCIAL  
SERVICES**

**Moderator:** Ladies and gentlemen, good day and welcome to VRL Logistics Q4 FY '24 Earnings Conference Call hosted by Motilal Oswal Financial Services Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Alok Deora. Thank you and over to you, sir.

**Alok Deora:** Thank you and good afternoon, everyone and welcome to the Q4 and FY '24 Earnings Conference Call of VRL Logistics. So we have with us today Mr. Sunil Nalavadi, the CFO of the company. So I'll hand over the call to Mr. Nalavadi to give some opening remarks and discuss on the performance and then we can take up the Q&A session. Thank you and over to you, sir.

**Sunil Nalavadi:** Yes. Thank you, Alokji and good afternoon to all the participants. I'm Sunil Nalavadi, CFO of VRL Logistics. I welcome all of you once again for the earnings conference call for the quarter four of FY '24. During this quarter, we maintained a revenue growth of around 10% from INR703 crores to INR772 crores on a year-on-year basis. The growth in revenue is mainly on account of growth in volumes in goods transport business.

The volumes were increased by around 10% from 10,31,000 tons to 11,30,000 tons in the current quarter. The overall growth in volumes are mainly coming from enhancement in our branch network in goods transport business. In last financial year, we added around 83 branches and these branches have contributed around 3% to the total tonnage in quarter 4 of FY '24 and around 184 branches which were opened in financial year '23 have contributed around 7% to our FY '24 tonnage.

Apart from the expansion in branch network, the increase in contribution from the existing customers also supported for our growth. Further, our customer base has increased from 8 lakh customers at the beginning of the financial year to 9 lakh customers by end of the year due to shift from dependency on the unorganized transport service providers to organized transport service providers on account of better service level and also increase in GST compliances.

On the other side, impact of slower demand in southern states due to unfavorable monsoon spread has impacted on our volume growth in earlier period of this year and the same has continued in the current quarter also. Accordingly, commodities related to agro sector, etcetera, growth were below the average growth of our tonnage.

However, the exponential growth in tonnage from east, north and northeast states on account of expansion in branch network in these locations has supported us to maintain our overall tonnage growth close to at around 10% during the current quarter. During the quarter, there was an increase in total realization per ton by around 1% from INR6,650 to INR6,724. The increase is mainly on account of change in route mix in our overall operations. Otherwise, the realization is almost muted in the last year since we have not increased the freight rate.

In our segment of operations, since the freight rates are predominantly linked with the retail fuel rates in India and the fuel rates were constant, we were unable to increase the freight rates. Due

to this, the increase in other costs other than fuel has not been passed on to the customers. And the same has impacted on the EBITDA margin in the current quarter as compared to the last year.

The key changes in the operational costs, which are reasons to decrease in EBITDA margins are: the major impact is on account of increase in employee cost. The employee cost as a percentage to the total revenue increased by around from 15.4% to 16.6%. The overall employee cost expenses increased from INR108 crores to INR128 crores. The increase in employee cost is mainly on account of annual increments effective from September '23 and also internal promotions on a selective basis.

The number of employees also increased by around 1,132 numbers as compared to the last year and mainly in -- on account of expansion in branch network and also due to increase in number of drivers because the number of own vehicles are increased. The vehicle repair and maintenance cost, consumption of spares, tire costs increased due to increase in own vehicles and also increase in contribution in kilometers by the own vehicles. The toll charges further increased due to increase in toll plazas from 1,257 numbers to 1,383 numbers and also due to increase in toll rate. The rent expenses increased due to increase in number of branches and increase in spare space in key transshipment hubs during the year.

We increased the space in key location considering our expected growth in tonnage for the subsequent period. The same is resulting into lower utilization of space in the current quarter and impacted on the EBITDA margins. The loading and unloading expenses increased mainly on account of increase in the loading and unloading rates. The lorry hire charges also increased due to, to some extent, on account of increasing kilometers by the hired vehicles.

On the other side, the fuel cost, which is a major cost in our operation, has decreased. As a percentage to the revenue, it has decreased from 31% to 29% in spite of increasing kilometers covered by the own vehicles in the overall kilometers operated by the company. The reduction in fuel cost is mainly on account of decrease in average fuel procurement cost from INR89 it was there in Q4 FY '23 now it has been reduced to INR87 in Q4 of FY '24. And also the bulk purchase of the fuel from the refineries at a discounted price is increased from 28% to 31% in the current quarter.

The EBIT of the company decreased from INR73 crores to INR50 crores. And the decrease in EBITDA margins and increase in depreciation and finance costs are the reasons for decrease in EBIT and EBIT margins. The depreciation and amortization cost is increased by 28% from INR45 crores to INR58 crores due to increase in capex and also increase in ROU as per Ind AS 116 accounting of rental expenses of long-term lease agreements entered for expansion in branch network, also enhancement in branch and TPT space during the year -- during the quarter.

The finance cost has increased from INR13 crores to INR22 crores, owing to increase in net debt from INR167 crores to INR262 crores on a year-on-year basis and the increase in the lease liability as per Ind AS 116 on account of increase in the rental expenses. Because of reduction in, again, the EBIT margin, the PBT also decreased and the reduction of PBT is further impacted on the reduction on PAT margins.

On a sequential basis, we maintained the increase in revenue and increase in revenue is mainly on account of growth in tonnage, again. And the key changes on a sequential basis is improvement in margins. The EBITDA margin has increased from 13% to 14% and the improvements in EBITDA margin is on account of the decrease in fuel costs, which is a major cost in our operations.

And the fuel cost as a percentage to the revenue is reduced by almost 1% from 30% to 29% due to decrease in diesel procurement cost from INR88 per liter to INR87 per liter. The cost per liter is decreased due to reduction in fuel rates and further increase in bulk purchase from the refineries from 22% in Q3 to 32% in Q4.

The next major expenses, which is the employee cost, also decreased as a percentage to the revenue from 17% to 16.6%. The major portion of the employee cost is fixed in nature and most of the increments which were periodical in nature, have been carried out in earlier period of the year and that has been resulted into decrease in percentage to the revenue on a sequential basis.

The other expenditures which are supporting to increase in margins are decrease in tire cost, bridge and toll expenses and other expenses. So the increase in EBITDA margin and also decrease in depreciation cost as a percentage to the revenue supported to increase our EBIT margins on a sequential basis. The finance cost also decreased on account of decrease in net debt. And also, we maintained the lease liability at a par level on a quarter-on-quarter basis and the same has been resulted into increase in PBT and PAT margins in the current quarter.

For the full financial year, we completed FY '24 with a revenue of around INR2,910 crores with a growth rate at 9%. Again, the entire growth has come only from the increase in volumes in our goods transport business. The growth in revenue in the current year is not at par with estimated level and impacted on account of slower demand in southern states due to unfavorable monsoon spread in the current year, due to which some of the key commodities, including the cloth and textile materials and also commodities related to agro sectors growth were below the average growth of tonnage.

However, we have seen some exponential growth in the tonnage in northeast and northern states on account of expansion in branch network and these locations have supported us to maintain our overall tonnage growth close to at around 10%. The lower growth in tonnage and no improvements in realization per ton due to maintenance of the same freight rates during the year resulted into decrease in EBITDA margins and same has resulted into a decrease in EBIT and PAT margins as well.

In quarter 4, we invested around INR67 crores in capex, which is predominantly for the purpose of addition of the trucks. And the total investment in capex in the financial year '24 reached to around INR290 crores, again, which is predominantly for the purchase of addition of trucks. With this, our own vehicle capacity has reached to around 86,405 tons capacity as at 31st March 2024.

Even after investment of INR290 crores in capex, the net debt of the company increased earlier from INR167 crores to INR262 crores. The strong cash flows from operations have supported

us during the year for investment in capex without much increase in debt level. And also the reduction in net debt from INR271 crores as of 31st December to INR262 crores as of 31st March.

Going forward, we are accelerating the increase in our branch network further, especially in untapped market, which will support to increase our growth in tonnage. We wish to state here that about 184 branches we opened in FY '23 have contributed around 7% of tonnage in FY '24 and all these branches are working profitably. These branches have been already crossed their breakeven.

And in FY '24, we opened around 83 branches and these have contributed almost around 1.5% to the tonnage. We are expecting that these branches were having further potential to increasing growth rate in coming days. On account of expansion in network and increase in GST compliances, our customer base has increased from 8 lakh customers to 9 lakh customers. Based on the recent reports, there are positive outlook towards the monsoon season in the coming year also. And we hope that the same will support in growth in commodities, which were underperforming in financial year '24.

However, in quarter 1 of the current year, in April and May period, we faced some performance impact because of some disturbances in our operations on account of short in attendance by the drivers and loading and unloading labors, especially in the metro cities like Chennai, Bangalore, Pune, Ahmedabad, et cetera.

So most of these category of staffs are belonging to different geographies of the country and they have traveled to their native places after the announcement of general elections in India. Gradually, this issue is resolving, considering the completion of election in most of the places and operations are normalizing.

On the cost side, we are having good control on fuel cost, which is major cost in our operations. And any upward change in the fuel rate will benefit us to revise our freight rates considering the increase in other expenses as well. The rent and employee costs are fixed expenses. The impact of these expenses on the margin is much higher in current year due to tonnage growth is not at expected levels.

The same expenses as a percentage to the revenue will gradually decline as against the growth in tonnage in the coming days. And it will support to increase in EBITDA margins to some extent. This has been already evidenced in quarter 4 performance of this year on a sequential basis. Please also note that increase in depreciation and finance costs in the current year are fixed and periodical in nature and expecting gradual reduction as a percentage to the revenue and which will support to increase EBIT and PBT margins.

As mentioned in the presentation, we are concentrating more on addition of trailers in our fleet that will result into increase in turnaround time of the vehicles and the increase in the utilization of drivers, etcetera. Further, we are monitoring the loading pattern of vehicles in our transshipment hubs on a real-time basis, which will further support to enhance our capacity utilization of our vehicles.

So with these initial comments, now I request participants to open for question-and-answer session. Thank you.

- Moderator:** The first question is from the line of Vikram Suryavanshi from PhillipCapital India.
- Vikram Suryavanshi:** Sir, we used to share the numbers on biodiesel. So how is currently opportunity in biodiesel, which we used to get advantage earlier?
- Sunil Nalavadi:** No, currently, we are not using biodiesel because the cost of the biodiesel is much, much higher as compared to the bulk purchase. So that's the reason instead of biodiesel, we are more concentrating on purchase of fuel through the refinery. So as I informed in the Q4 that percentage of bulk purchase has been reached to around 32%.
- Vikram Suryavanshi:** Right. And just to give a sense on the competition because what we are hearing from market, there are some pressure on basically because of competition where even some express players are also reducing the rates to gain the volume. So to some extent, although we are not into time sensitive, but are we seeing like some pressure from the competition or how is the overall competition in the market since the volumes are not growing as expected?
- Sunil Nalavadi:** Yes, competition is again part of our business. And basically, what's happening, one is, yes, express serve companies, so actually they are coming and offering the rates like what the non-time sensitive rates are. And basically, that will bring a lot of pressure on margin side on their side.
- And apart from that, there are some local operators are also increasing in the sense on the diesel side, operator, actually, they are coming forward. And even on some route basis and even on a geography basis, yes, competition is increasing. And keeping this in mind how we are doing, basically, we are enhancing our network and that's the reason most of the branches have already in FY '23 we opened in FY '24.
- And aggressively in the current year, actually, most of the branches we are planning to open in quarter 1 only because we identified those places and those are very potential areas where actually we can enhance our business in those locations. So that's the reason even on the other side, we are also expanding our network and growing aggressively in the market.
- Vikram Suryavanshi:** And last question on trailer addition. So how different is -- like what are typical tonnage capacity of these trailers and how it can add value to us in terms of compared to normal heavy vehicle?
- Sunil Nalavadi:** Yes. In trailers, actually, each engine will have multiple trailers in the sense the trailer is different, the engine is different. Here in rigid vehicle, what will happen, the vehicle has to go and wait for loading unloading activities also in the transshipment hubs. Here, what will happen, the engine will go, just it will detach that unloading trailer and wherever the filled trailers will be there, it will carry the filled trailer and move to the next destination.
- So because of that the waiting time at a hub for loading and unloading activities is not there for the trailers. And moreover, the drivers are also happy that actually those vehicles are covering

more kilometers rather than waiting for the loading and loading time. So that's the reason actually we are more concentrating on those categories of the vehicles.

And currently, our trailer capacities are in the range of around 25 to 30 tons capacity. In that range, we are operating and we are looking for some higher capacities, some advanced vehicles also in this category wherever we are having both the sides enough load and long routes, especially like Delhi-Bangalore, Delhi-Hyderabad, Delhi-Chennai. So these routes, actually, we are planning to introduce even larger, the big-size trailers also.

**Moderator:** The next question is from the line of Krupashankar NJ from Avendus Spark

**Krupashankar NJ:** First up, on your overall FY '24 numbers, can you quantify what would be the extent of growth from perhaps the north and east and northeast market versus south and west market? And also on subsectors also, if you can clarify what are the sectors, for example, textiles and agro and what has been the growth in respective sectors?

**Sunil Nalavadi:** Yes, basically on full year basis, you can see the south zone, which is a major contributor to our overall tonnage. On an origination basis, actually, south zone contributed around -- growth is around 2% and the north is around 15% and east is around 20%, northeast is around 25% and the rest is around 10%.

**Krupashankar NJ:** Got it. And with respect to the underlying sector, sir, if you can quantify how textiles have done?

**Sunil Nalavadi:** Again, on an overall basis, the cloth -- textile and cloth which is contributing almost around 17% to 18%, on a full year basis, it has grown by around 6%. And the agro commodities they have grown by around 4% to 5% and the remaining commodities growth were in the range of around 10% to 12%, 13%, 14% like that.

**Krupashankar NJ:** Okay. So basically, with the -- where we are looking at 1 first quarter getting margin impacted because of driver shortage, how would you rate your outlook for FY '25? Because are you hiring more lorries on a hire basis, on a temporary basis to fulfill demand? Or is it -- are you seeing -- you're letting go of this tonnage and maybe from second quarter onwards, you will start ramping up? What's the thought process over there?

**Sunil Nalavadi:** Yes, it's a temporary scenario as of now. And what was there during April last week, that scenario is not there as of today. But still, most of these people have traveled to their native places and they are coming back to their working places. And we are hoping that in next weekdays or so, this issue will be resolved.

So on a temporary basis, yes, some service levels have been hampered. And because of that, see, overall performance, to some extent, actually, it may impact in April and May. But again, we are hoping that it will bounce back very soon. And once this issue is resolved, the demand is there in the market. So that will continue and we are hoping that, on a full year basis, this impact will not -- on an overall basis, it is not at a considerable level, that's what we are hoping.

**Krupashankar NJ:** Okay. So your outlook on volume growth for FY '25 still holds at 12% to 15% is sort of a number? Or is there expectation of a relatively lower number because of...



- Sunil Nalavadi:** Considering the current scenario, yes, we are at that level. In the sense, the outlook per se is concerned, just I mentioned about the branch network has been expanded and moreover, those branches are performing very well and aggressively, we are planning to open branches in the first quarter of this current financial year. So all these matters definitely will hold good for the remaining financial year. And at the end of the -- on a full year basis, yes, definitely, you can expect around 12% to 15% volume growth.
- Krupashankar NJ:** Got it, sir. Last question from my side. With respect to fleet addition, I noted that most of the addition has come in, in the 10 to 15 tons vehicle category. We had earlier placed orders on -- for a higher tonnage vehicle as such. Is there any change in thought process with respect to fleet addition wherein we are inducting more smaller fleet or am I reading something wrong here?
- Sunil Nalavadi:** No, the more suitable vehicles for our operations are in the category of 15 to 20 tons. So that's where actually we are concentrating more.
- Krupashankar NJ:** Okay. But in the starting of the year, we had stated that we'll be adding more on Ashok Leyland 3120 format truck, right, which is larger than 20 tonnage truck, right, which was a predominant portion of our fleet addition. Am I..
- Sunil Nalavadi:** No, even if you see our order, most of the vehicles are part of this category only, up to 20 tons.
- Krupashankar NJ:** Okay. That's -- so when you state the capacity, that's the net tonnage, which can be carried by fleet. That's the way to look at it. Isn't it?
- Sunil Nalavadi:** Yes. It is the net and the core what you indicated, it is the gross weight of vehicles.
- Moderator:** The next question is from the line of Rajesh Mangal from Rajesh Mangal & Co.
- Rajesh Mangal:** Sir, my first question is what artificial intelligence and machine learning we are used to enhance our EBITDA and PAT?
- Sunil Nalavadi:** Yes and basically, in operational matters, yes, we are bringing a lot of new technology assets. Basically, about the monitoring of the CCTVs which are installed in the transshipment hubs and branches, centrally, we are monitoring. And that automation is already on in transshipment and we are going to extend it to branches also.
- And second thing, see, about the vehicle loading pattern, how the mixing of goods are happening, how the mixing of weighty and non-weighty goods are happening at a branch and transshipment hubs. Currently, we are concentrating in some of the selective transshipment hubs and again, we have established a system that at a central monitoring system, we will monitor how their loading pattern is happening.
- So accordingly, we can guide to the people that wherever if at all suppose underutilization of the capacity or something, immediately the system will inform to them that still there is a scope for loading in that particular vehicle. So accordingly, after initiating all these systems, again, our utilization levels have further improved.

So the moment things improve at the transshipment hubs and the loading patterns and definitely the carrying capacity in a particular load or a particular vehicle will be increased and that will lead to increase in the performance.

**Rajesh Mangal:** Yes. Very nice. Sir, second question is, you have already told that you want to add a number of branches, many number of branches in the first quarter itself? So how many branches you are expecting and how many you have already added in the first quarter right now?

**Sunil Nalavadi:** Yes. Till date, we already opened around 40 branches. Normally, we used to open around 20, 25 branches on a quarterly basis. Now till date, we have already opened around 40-plus branches and further branches will be added before end of the quarter.

The purpose of the addition of the new location is, we have already identified the potentiality of business in these locations. So instead of waiting for further time, we are taking the -- we have -- the surveys have been completed and considering the potentiality, we opening in the current quarter itself, so that these branches contribution will be there for the entire year and for the further period.

**Rajesh Mangal:** Yes. Sorry, I missed the number, sir, 40 already opened and how many we will open?

**Sunil Nalavadi:** No, now 40-plus and before this quarter, it may reach around 50-plus branches.

**Rajesh Mangal:** Okay. Sir, third thing and last. What is the GST rate we are charging to our customers?

**Sunil Nalavadi:** Yes. We are operating under a reverse charge mechanism. Actually, the rate of GST is applicable on service is 5%, but we are not collecting any GST from the customers. The customer has to pay at their end at a 5% again and they can claim an input tax credit.

**Rajesh Mangal:** Pardon me, I am a GST practitioner myself, okay? And I think we should convert this model to 12% charging. And by that way, we will get so many of inputs, input tax credit and that will increase our profit PAT too much.

**Sunil Nalavadi:** We examined this option. In fact, we are closely working with the government ministry also. And the thing here that we analyze, we made a survey of our customers and everything. And based on that outcome, what rate we are already practicing, at 5% on a reverse charge, that is beneficial to us compared to the 12%. So based on that study, actually, we are continuing with the 5% under reverse charge mechanism.

**Rajesh Mangal:** Sir, I am requesting you to please repeat -- please recheck these things and if we will charge 12% GST, then we will get so much of input tax credit and it will be helped to increase our PAT immensely. Right now, there are many patterns, 12% forward charge, 5% forward charge and 5% reverse charge, okay? No doubt, we have to compliance a little bit, but our PAT will increase too much. See, we are adding too much of capex year-by-year and it will be beneficial, sir. Please recheck this. This is my request.

**Sunil Nalavadi:** Thank you.

**Moderator:** The next question is from the line of Vinit Mutha, an individual investor.

- Vinit Mutha:** Last year, in the conference call, it was told that our fleet size will increase, we will have lot of more branches and a lot of business from unorganized sector will move to organized sector. And hence, the revenue should shoot up. But the growth is not as much. So what is the reason? And how this thing will be taken care of in the future?
- Sunil Nalavadi:** Yes, the reasons have been already explained, sir. So basically, even on a zone-wise contribution we explained. The south zone, which is a major contribution to our overall business, that south zone has not been improved. And the thing here is mainly because the demand from the south has been drastically impacted because of the lower monsoons.
- Otherwise, on the other side, the addition of the customers, it's already in place. In the beginning of the year, the customer base was around 8 lakh customers. Now it has been added to 9 lakhs. And similarly, we opened up our branches in untapped market. Again, that contribution is coming.
- And since I mentioned even the contribution from -- in those branches, only those quantities have been supported to increase our growth in the overall tonnage. So that's the reason, the main reason for the growth impact in the current year only on account of southern region and which impacted because of the poor monsoon.
- Vinit Mutha:** So are we the only affected party? So what can you tell us about the market share? Has it gone down, the organized sector market share, has it gone down or is it still stable or is it growing for us?
- Sunil Nalavadi:** Yes, especially in last year, it impacted to everyone, especially from the southern region. In our case, what is happening, that is contributing the major volume in our overall tonnage.
- Vinit Mutha:** So we are saying we are the affected party?
- Sunil Nalavadi:** We are more affected because the contribution from the south region is more.
- Moderator:** The next question is from the line of Anshul Agrawal from Emkay Global.
- Anshul Agrawal:** My question is on the capex front, sir. Any guidance for FY '25 capex numbers and on vehicle additions as well?
- Sunil Nalavadi:** Yes, since to grow at around again, 12% to 15% growth in tonnage, definitely we need to have a capex in the range of around INR300 crores.
- Anshul Agrawal:** Okay. And this will be predominantly vehicle capex or...
- Sunil Nalavadi:** Yes, this is for the vehicles.
- Anshul Agrawal:** Okay. So INR300 crores in entirety would be on vehicles?
- Sunil Nalavadi:** Yes.
- Anshul Agrawal:** Got it. And our cost per vehicle, sir, on an average would range around INR3 million per truck?

- Sunil Nalavadi:** Yes, around INR30 lakh to INR35 lakh.
- Anshul Agrawal:** Okay. INR30 lakh to INR35 lakh. And any investment in transshipment hub in the current year that we are expecting?
- Sunil Nalavadi:** Yes. We may invest in 1 or 2 properties, but nothing is concrete as of today. So in the meantime, as and when the things are materialize, definitely, we are going to inform that.
- Anshul Agrawal:** So if I got you correctly, INR300 crores additions in the fleet and with an average cost of around INR35 lakhs per vehicle, are we looking to add like a very sizable number of vehicles in the fleet because FY '24, we added roughly around say net addition was only 323 in fleet, right?
- Sunil Nalavadi:** Yes. You see, some of the vehicles we scrapped in the last year and that process will continue even in the current year wherever the older vehicles are there and wherever there is a high maintenance cost. And definitely, instead of incurring those maintenance costs, actually we are planning to scrap those vehicles.
- Anshul Agrawal:** Got it. So the fleet addition -- the gross fleet additions would be roughly 800 to 900 as per the number that you've given.
- Sunil Nalavadi:** Yes, around 800 to 900 vehicles.
- Anshul Agrawal:** Got it. Very helpful. Sir, my second question is on slightly qualitative in nature. Have you undertaken any analysis that at the next level of volume threshold, the cost of owning a truck versus leasing outside lorries become beneficial in terms of returns or in terms of margins? How do we look at this? Because...
- Sunil Nalavadi:** See, the moment more volumes are there, definitely, the owning of the vehicles is a good option. Since we are growing in the volumes, then definitely, we will continue to own the vehicles and to add the fleet.
- Anshul Agrawal:** Okay. Got it. Sir, just one last question. Our FY '25 number, branch addition number for the whole year would be still 100 despite the aggression that we are in quarter one?
- Sunil Nalavadi:** Yes. More branches is in Q1 and in subsequent period, there will be lesser additions. And on a full year basis, definitely it will be in the range of around 100-plus branches.
- Anshul Agrawal:** Got it. And these branches will be added in the north and the east region only?
- Sunil Nalavadi:** Yes, especially in the eastern market, north market, northeastern.
- Moderator:** The next question is from the line of Rohit from Samatva Investment.
- Rohit:** Sir, my first question is, so recently, I had an interaction with an express logistics company, where they were saying that the small MSME commoditized players, they don't differentiate a lot between the express and the LTL segment. So I just want to know -- I just wanted your view, your comments on that statement. Is that also -- does that hold true for you also?

**Sunil Nalavadi:** Basically, see, this SME segment, what they look is, one is these are not time-sensitive commodities. What these customers always look into is, even in our case, so all 1,200-plus branches, we are having a storage facility at a delivery point.

We are giving a free storage facility up to 7 days. Even after 7 days also many customers, especially in cloth and other category of commodities, are giving them free storage facilities even up to 20, 25, 30 days in some locations. The reason is customers actually want the commodity as and when they require instead of the moment it reaches to the destination.

So for express cargo companies, the issue is they cannot ship to this model. The reason is they do not have enough infrastructure facility at a delivery point. The purpose of this express cargo companies is door pick up and door delivery. The moment it reaches to the delivery point or deliver transshipment hub, they have to deliver it to the customers.

So complying or keeping this into mind and given these kind of services, it may become difficult for the express cargo companies. But the customers what they expect, they want commodities as and when they want rather than as per our schedule.

**Rohit:** Got it, sir. Understood. Fair enough. Sir, my second question would be that I missed the point on how much was the growth from the South India market this entire year, for financial year '24?

**Sunil Nalavadi:** Around 2%.

**Rohit:** 2%. Okay. Sir and going forward in FY '25, what will be your growth estimates for the textile segment and the agro segment, considering both of them contribute around 1/3 of our total revenue? So has the demand -- have you seen demand picking up or what's your outlook on that?

**Sunil Nalavadi:** Yes. Cloth, really, it has been picked up. So if you see in our first 9 months, till December, the growth was in the range of around 3%, 4% and cumulatively, now it has been reached to 6%. Means in Q4, the textile growth is again normalized and it has been reached to 9% to 10% growth.

So we are expecting that the textile which was impacted in the last year, again, the growth in textile we are expecting at least around 14% to 15% in the current year. That's one. And agro commodities, still the improvement is not there because the rainy season is yet to start now. So since most of the reports are giving positive outlook on the monsoon in the current year, we are expecting that definitely that growth, even agro commodities may grow in the double digits in the current year.

**Rohit:** Got it. Understood. Sir, just 1 last question on the debt part. So you highlighted the capex for FY '25 will be around INR300 crores. So how much will be through debt? And on the overall debt part, will there be any reduction? How much are you seeing the debt increase in the next financial year?

**Sunil Nalavadi:** See, even with capital expenditure of INR300 crores, our debt level will not increase from the current level. The reason is we are having good cash flows. And on a periodical basis, there will

be some movement. So if we decide to add more vehicle in this quarter, the debt will increase to some extent.

And again, it will normalize in the subsequent quarter. Again, debt level will come down. Since we are having the cash flows of almost close to around INR350 crores to INR400 crores as our free cash flows, so that will support to add this capex. And definitely, the debt level will not increase from the current level.

**Moderator:** The next question is from the line of Vikash Khatri from Aviral.

**Vikash Khatri:** My question is first is that you have said that you will be deploying more trailer. What's the difference of average monthly revenue of tractor trailer model versus a fixed vehicle model? Second question is my related to time-sensitive, just somebody asked that time-sensitive players are trying to penetrate into the truck LTLs or the market which is not time-sensitive. Does the VRL having any plan to -- compelled it needs to enter into some time-sensitive service or some expedited service if not completely time-sensitive, something which was done earlier also in VRL? So these are two...

**Sunil Nalavadi:** Definitely your question is a little bit -- is not audible. But what I understood from question number two is about the time-sensitive service. Even if you compare the express cargo versus non-express, most of the corporate clients actually what they want, they want door pickup and door delivery service. Even in our case -- that is what the express cargo companies with the time commitment. In our case, what is happening, even we are giving door pickup, door delivery service. And out of the total business what we are doing, almost around 35% to 40% of business still we are doing a door pick up, door delivery.

And even the same customers, the customers who are seeking for express cargo service, actually they are with us because our service if they compare with express cargo companies and us, even our service level is much better as compared to them. That's the reason actually almost around 20%, 25% of our business we are having the contract with the corporate clients and they are with us from the long time.

And second thing, when it comes to cost wise, cost-wise, actually in case of door pick up, door delivery consignment, our rates versus the express cargo company rates are not much different. Because, for the normal general parcel rate, what we are carrying, if you add door collection and door delivery charges, it will match to the express cargo rates. So on an overall basis, if we are doing door pickup, door delivery to the corporate, it is nothing but the faster service and definitely if there is express cargo company, we are competing with them.

**Vikash Khatri:** So my first question was average monthly running of tractor trailer model versus fixed vehicle model, especially considering the either single driver on both or double driver on both?

**Sunil Nalavadi:** No, all trailers -- our policy is, all vehicles, whether it's a trailer vehicle or other than trailer vehicle, if the route is more than 400 to 500 kilometers, definitely, we are putting double drivers. And in trailers, most of these trailers are operating beyond 400-kilometer destinations. So all trailers are having double drivers. And in terms of kilometers, definitely the trailer kilometers is -- obviously, it will be around 1.5x more than the normal vehicles.

- Vikash Khatri:** The average monthly...
- Sunil Nalavadi:** About daily, if you take, these normal vehicles, we are covering almost around 300 kilometers. So trailer will cover around 450, 500 kilometers per day.
- Vikash Khatri:** Still it will be much lesser than express industry which covers around 750 kilometers on fixed traffic.
- Sunil Nalavadi:** No, I am talking about for all the routes average. If you take on a longer route, the kilometers obviously will be much more than what I'm indicating.
- Moderator:** The next question is from the line of Krupashankar NJ from Avendus Spark.
- Krupashankar NJ:** Just 1 more question on the trailers part of it. I can see here that the trailer addition has been consistent at around 50 trucks per annum, at least for the last two years. Is there, first of all, a plan to add more trailers in this particular year? And what should be the ideal proportion of trailers in the entire fleet mix given we operate both on intra zone as well as interstate movement? So what would be the ideal or the maximum potential mix of trailers in your ecosystem? And added on to that, also wanted to check with you if are all the hubs which we have, how many of them would be trailer competent, I mean, with the ability to handle trailers?
- Sunil Nalavadi:** Yes. About the numbers is -- the second part is more relevant here because wherever the hubs are more relevant or more competent to adopt these trailer practice where only in those locations actually, we are adding the trailers. And moreover, these are all high capacity. As of now, the average is around 25 to 30-ton capacity, but what we are planning still higher capacity trailers. For that again the number of hubs further it is restricted.
- So that's the reason, instead of calculating based on the number of trailers, I can say that at least around in the near future, we may reach around 10% of overall carrying capacity what we are having, it will be through trailers, in the sense, currently, we are having around 86,000-ton capacity of our vehicles. So going forward, it may reach to around 10% of the overall capacity may reach to the trailers.
- Krupashankar NJ:** Okay. And how many hubs are right now are trailer-enabled?
- Sunil Nalavadi:** Out of the 50 transshipment hubs, around 15 to 20 hubs are -- we can use the trailers.
- Krupashankar NJ:** Okay. So does it mandate that you will invest more in larger hubs in specific locations? Or are you saying that for the moment, 15 to 20 hubs, let it scale up and then we'll think about expanding hubs?
- Sunil Nalavadi:** No, that is, again, a continuous process. But currently, what we are concentrating, wherever it is possible, wherever the hubs are feasible to adopt these vehicles where we are adding the -- or introducing the trailers.
- Krupashankar NJ:** Understood. So my second question was on pricing. Now typically, your annual hike also comes in the month of June. Any thoughts around the price hikes which you would be planning to take?

Or are you deferring it until you -- after the elections or the favorable outlook, how -- what is the thought process around that, sir?

**Sunil Nalavadi:** No, basically, the thought process is very clear because the freight rates are directly linked with the fuel rates. So it all depends on the movement in the fuel rates. And if a substantial increase in the fuel rate, then definitely, we look forward to increase the freight rates along with to take care of increase in other expenses. That's what the thought process is. Until the fuel rate changes drastically, then the freight rates will not change.

**Krupashankar NJ:** So -- but the fuel rates have come down by almost INR2 towards the end of March. So that benefit we have been able to retain, right, sir?

**Sunil Nalavadi:** Yes, that actually we are not passing on.

**Krupashankar NJ:** You are not passing on. So the next indicator is only when the price hike comes through. Okay. Sorry, the price increase in diesel comes through.

**Sunil Nalavadi:** Yes.

**Moderator:** The next question is from the line of Shrinidhi from HSBC MF

**Shrinidhi:** Sunil sir, may I ask EBITDA margin adjusted for the lease accounting, like margins before Ind AS accounting for full year '24 and last year?

**Sunil Nalavadi:** Yes, it's around 4% lesser EBITDA, if you remove the Ind AS adjustment.

**Shrinidhi:** So both for last year as well as this year, right, 4% lower?

**Sunil Nalavadi:** Yes.

**Shrinidhi:** And sir, company used to operate at lot higher margins, right? Before this, we used to have 16%, 17% margin. We are operating in more of 10%, 11% margin. Lot of this has come through overhead, right? Employee costs going higher. So do you think that you're probably structurally can operate at about 10% margin Ind AS adjusted? Or you can go back to more of a 13%, 14% kind of margin as the demand environment improves? That's my question.

**Sunil Nalavadi:** Basically, improvement in margin is possible. That's the reason last year, we expected the tonnage growth at least around 15%-plus. Since the tonnage growth is not at the expected level, again, it impacted on the margin side because most of the fixed expenses like employee cost, rent expenses, those are all actually, we increased the space in selective area, but unfortunately, the tonnage is not carried through that increase in this space.

And that's the reason actually that additional burden came on and impacted on the margins. Similarly, employee cost, most of the employee costs are in-filled in nature and the movement tonnage growth happens, then proportionately, it will not increase to the extent of revenue. So again, it will come down as a percentage to the revenue. So since the tonnage growth is missing in the last year, some impact is there on the margin. Otherwise, if growth in tonnage is at expected levels, then definitely we can -- our EBITDA margins will be back to the origin.



- Shrinidhi:** Okay. And what trend levels of margin do you think you can go back to?
- Sunil Nalavadi:** Even if the tonnage growth, say, at least around 12%, 15%, then again, our EBITDA margin is around 16%, 17%.
- Shrinidhi:** These are like post Ind AS, right, like more of a 12%, 13% pre-Ind AS, right?
- Sunil Nalavadi:** Yes.
- Moderator:** Ladies and gentlemen, due to time constraint, that was the last question. I now hand the conference over to the management for closing comments.
- Sunil Nalavadi:** Yes. Thank you all participant for your patient hearing. Again, we are having some aggressive plans in the current year also, especially on the opening of branches and to add more number of customer base into our foray.
- So considering that, except some little disturbance as of today on account of some elections and the labor impact, especially on the drivers and loading, unloading space, we are already prepared, our capacity has been enhanced, our branch network is enhancing. Then definitely, we are hoping better days in the near future -- in the days to come. With this, actually I would like to conclude the call and thank you.
- Moderator:** On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.