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To,

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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 6th February 2025 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_6_Feb_2025__Transcript.pdf

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA ANIL PHADNAVIS

Digitally signed by ANIRUDDHA ANIL PHADNAVIS
Date: 2025.02.10 17:12:40 +05'30'

VRL LOGISTICS LTD. HUBLI-580 029.

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY & COMPLIANCE OFFICER

PLACE: HUBBALLI
DATE: 10.02.2025

"VRL Logistics Limited Q3 FY25 Earnings Conference Call"

February 06, 2025

MANAGEMENT: MR. SUNIL NALAVADI – CFO, VRL LOGISTICS LIMITED

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

Moderator: Ladies and gentlemen, good day and welcome to VRL Logistics Limited Q3 FY25 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 '*', then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Alok Deora from Motilal Oswal. Thank you and over to you, Mr. Deora.

Alok Deora: Thank you. Good morning, everyone, and welcome to the Q3 FY25 Earnings Conference Call of VRL Logistics.

So, today, we have with us, Mr. Sunil Nalavadi – the CFO of the Company.

I will now 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. Good morning to all participants. I am Sunil Nalavadi - CFO for VRL Logistics. I welcome all of you once again for the Earning Call for Quarter 3 of Financial Year '25.

This is sequentially a very strong quarter marked by substantial revenue growth, improved profit margin and robust cash flows, demonstrating efficient implementation of increasing freight rates, control on cost and strategic execution in many aspects by the management of the Company. As communicated during the last call about the increase in freight rates, we have successfully implemented the freight rates like across all sectors and geography. This exercise has resulted into bringing back our operational margins at optimum level along with maintaining growth in volumes.

Apart from the increase in freight rates, the management of the Company has undertaken many steps to control the key operational costs such as increase in quantity of bulk purchase of fuel directly from the refineries at lower cost than the market value, key route mapping to minimize reaches of consignments to multiple transshipment hubs before reaching to end destination, which resulted into increase in efficiency in the movement of consignments, increase in kilometers of the own vehicles, minimize the loading and unloading expenses and minimizing the dependency of the hired vehicles, etc. Due to these steps, we reach to one of the highest ever EBITDA margins in the current quarter.

On a year-on-year end basis, the revenue of this quarter has increased from Rs. 739-Rs. 831 crores with a growth rate of around 12%. The growth in revenue is mainly on account of increasing freight rate across all the sectors and geographies in June 2024 due to which the realization of freight for return increased by around 11% from Rs. 6,670 per ton to Rs. 7,390 per ton. The growth in revenue is also on account of growth in volume by almost 1% from 10,91,000 metric tons to 11,04,000 metric tons in the quarter.

The growth in volume is from enhancement in our branch network in Goods Transport business. Year-on-year basis, we added around 60 branches, and we continued our initiative to increase the number of branches in the current quarter and added around 10 new branches. The EBITDA is increased by around 78% from Rs. 97-Rs. 172 crores and percentage to revenue increased from 13% to almost around 21%. We reached EBITDA at optimal level again and this is mainly on account of the increase in freight rates by passing all incremental costs which were impacted our margins in the past. Further, the margin improvement is also due to good control on fuel expenses, which is the major cost of operations in our business.

We further increased the bulk purchase quantity in the current quarter from 22% to almost around close to 40% to the total quantity consumed. The fuel procurement cost per liter is reduced from Rs. 89 to almost Rs. 84. And on overall basis, the fuel cost as a percentage to the revenue is reduced from 30%-26% in spite of increase in quantity consumed. The improvement in the operational efficiency in the current quarter also leads to improvement in EBITDA margins. We saw major efficiency in improvement in vehicle utilization by improvement in kilometers per vehicle, increase in turnaround time of the vehicle and load factor carrying by each vehicle. This has supported us to reduce the dependency on the higher vehicles due to which the Lorry Hire charges are decreased from 7% to 5% to the revenue even no addition of own vehicle capacity. The rest of the expenses, even though increased in absolute turn, the percentage to the revenue are reduced due to increase in freight realizations.

The improvement in EBITDA leads to an increase in EBITDA and PAT margins in the current quarter. The profit of the Company has increased from around Rs. 13 crores to close to around Rs. 60 crores and the percentage to revenue has increased from 1.8%-7% in the current quarter. On a sequential basis, we have seen further improvement in terms of revenue growth and improvement in the margins. The revenue has increased from Rs. 802 crores to Rs. 830 crores and the growth in revenue is contributed by increase in freight rates and realizations have improved from Rs. 7,241 per ton to Rs. 7,390 per ton. It has increased by almost 2% with a growth in volume by around 1%. The EBITDA margins also improved from 16%-21%, mainly driven by an increase in the freight realization, decrease in fuel costs due to lower procurement costs and account of increase in bulk purchase from the refineries and improvement in efficiency due to route mapping, control on hired vehicles, etc.

Further reduction of fixed expenses, which is employee cost as a percentage to the revenue also reduced due to improvement in realization and on account of that EBITDA margins have improved. With this, we reached the revenue of around Rs. 2,375 crores for the first 9 months for the Financial Year ‘25 with a growth of around 11% on a year-on-year basis, with a net profit close to around Rs. 109 crores which is almost more than the full year profit of the last financial year. Further, our business is a B2B focused LTL business with a customer base of around 9 lakh customers covering with wide range of factors. Our key strength is having a different mode of collections from the customers and president of our LTL business is on paid and to-pay basis collecting the freight on the spot from the customers immediately after the booking or after the completion of the service.

Our receivables days from the customer are hardly around 11-12 days and which is lowest in the industry as compared to other operators. Considering the improvement in the turnaround time of the vehicles and control on usage of hired vehicles, we moved slower on vehicle CAPEX during the quarter and invested around Rs. 10 crores. During this 9-month period, including the current quarter, we did major investments in land and building properties to effective investment of our cash flows for the future growth. As we briefed about the investment in Bangalore Transport Hub facility during the previous call, we have completed the transaction in the last quarter with total investment of around Rs. 231 crores, the same amount funded by low-cost debt at 8.6% and we borrowed Rs. 185 crores for this investment and the remaining amount is funded through internal accruals.

The total area of the property is around 1,12,000 square metres, which is almost around 27 acres consisting of readymade warehouse spread in 4,82,000 square meter and the immediately financial benefits for this transaction are one is the reduction in annual rent by almost around Rs. 15 crores rental expenses have been reduced and we are getting the third-party rental income of around Rs. 1.5 crores in a year and we kept with some deposit, around Rs. 9 crores deposit, we kept with the earlier owner that has been realized now. And moreover, during this last 10-12 years in the least period, we invested lot of the facilities over this asset like internal Road wok, Fuel station, Weigh bridge, Solar installation, etc., and around Rs. 3.5 crores outstanding amount of those assets also became our own assets as of now. And because of this, the ROU, the right-of-use assets and lease liabilities which accounted under Ind AS 116 which has been reduced, the ROU is reduced by around Rs. 27 crores and the lease liabilities reduced around Rs. 29 crores. Out of the total investment of around Rs. 214 crores, around Rs. 178 crores is related to the land value itself which is non-depreciable even for the future product. So, there will not be depreciation cost related to this investment.

And one of the key factors is about the low cost debt we borrowed at 8.6%, if we calculate the total interest payable on this loan amount, which is lesser than what the rent we used to pay on this facility. Apart from these investments, we also invested around Rs. 43 crores in Mangaluru to expand our existing transshipment facilities and in Mysore also, we invested around Rs. 21 crores. Due to the above CAPEX, the net debt of the Company reached to around Rs. 459 crores, but considering our good cash flows which we are earning almost around Rs. 90-Rs. 100 crores in a quarter, we will use this cash flows for repayment of debt in the future period and we are expecting drastic reduction in the debt level in coming quarters. Experiencing of this strong financial performance of the Company and we are expecting similar performance in the coming quarters with the growth in revenue as well as profitability, definitely we can deliver strong financial results in the coming quarter as well.

With this brief introduction, now I request participants to go for question-and-answer session.

Moderator: Thank you. We will now begin the question-and-answer session. Anyone wish to ask a question may press '*' and '1' on your touchtone telephone. If you wish to remove yourself from the question queue, you may press '*' and '2'. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question comes from the line of Amit Dixit with ICICI Securities. Please go ahead.

Amit Dixit: Yes, hi. Good morning, everyone, and thanks for the opportunity. Congratulations for a very strong performance in a very testing quarter for your peers. Couple of questions from my side. The first one is we saw, of course, the realization picking up significantly as highlighted by you during the last call. My question is, is the entire price hike being absorbed in the market and whether there are few areas where you expect that realization can further go up during the next quarter? And also on the volume front, we saw that growth was little bit slower. Is it expected to pick up in H2 so far in Q4? This is my first question, yes?

Sunil Nalavadi: About the increase in rates, yes, we covered almost all areas. Now in the new structure, what we did basically, we simplified our rate structure. Earlier, we used to charge one is the basic freight, along with that we used to collect other charges. Now, we simplified very much on the freight structure. One is we used to collect additional toll charges, additional freight on value from the customers and we used to collect some door delivery charges as for the fixed formula and all. Now, what we did basically, we simplified these charges and we added in the freight rate so that we can communicate to the customers very clearly that this is inclusive of all these expenses and this is a total chargeable freight to the customers. So, because of simplicity, the customers are understanding very quickly about our rate, and it is becoming very easy for us to convince the customers about increasing the rates. Now, earlier, we were having, lot of terms and conditions also to the customers say around 35-40 conditions depending on the product. Now, we want these terms and conditions have been brought to around 10-12 conditions. So, because of this, now our team is able to convince to the customers about our new phase structure and even the customers are accepting or convincing about why we increase the rate. So, because of this reason, this rate increase is a sustainable model, and the realizations will continue even in the future. When it comes to the freight volumes, volumes yes, whenever we take a rate hike, a little bit disturbance will be there in the market, but in our view, since we have increased the rates in 2 quarters back, in June '24 itself, now most of the customers have been accepted and now it is stabilized. So, considering this fact, going forward in Q4, actually we can maintain the volume in the similar growth of around 1% or 2% or lower single digit, but overall revenue growth will be there in the range of around 12%-13%. But when it comes to say about Q1 or Q2 of the next financial year again, we can expect the volume growth in the range of around at least around 8%-10%. And moreover, now what is happening because of as I said, we have brought a lot of efficiency in the route mapping and other things, our service has become very fast and our customers are acknowledging our service that it is very fast now. And another change or difference between other competitors to us is about the safety of the consignment. Since we are using our own vehicles across all the routes and our claim ratio, if you take a damage or test ratio, it is very minimum as compared to other operators. That is the reason the trust or reliability with customer seems very high. So, with this back up, we are very confident that again volume growth will reach to around 8%-10% from Q2 or Q3 of next financial year.

Amit Dixit: Wonderful, sir. Thanks a lot for the elaborate explanation. The second question is.

Moderator: Mr. Dixit, sorry for interrupting. Can you please come in the range because your voice is breaking?

Amit Dixit: Yes. Is it better now?

Moderator: Yes, please go ahead.

Amit Dixit: So, second question on Bangalore hub, so while you have highlighted the financial benefits very aptly in your PPT and prepared remarks, is it possible to also give some qualitative/quantitative aspects of the operational benefits that we will get from this hub?

Sunil Nalavadi: Yes, basically, given the operational benefits also mentioned in the slide. Basically, now we are having a workshop facility over there which we are doing only some repairs and maintenance which are very minimum activities what we are earning today. Since the property has been converted into own property, then we wish to create a Satellite workshop over there so that even it will handle some major repairs and maintenance to avoid vehicle bring back to only for major maintenance. So, it will give lot of maintenance on the sport to the vehicles because majority of the vehicles reaching to this hub for distribution across South and moreover we are providing Vertical storage stacks also. Currently, what is happening because of the rental premises we cannot do any internal structures over there. Now, considering our own facilities, then definitely we wish to create some vertical stacking and because of that additional space will be created. Now, the square foot area for that entire warehouse is around 5 lakh square foot area. With this vertical stacking again, the total storage area will be automatically increased without further investment in the warehouses. And currently, the labor work what we are doing is completely with some forklifts and other machineries are using and we are using a manual methods predominantly. Now, again we can bring out a lot of machinery installations, the belt, conveyor belts and all installation, that again bring back efficiency in the loading unloading pattern, again it may reduce overall hamali charges, so loading and loading charges going forward. And moreover, the biggest advantage of this property is about the solar panels. Currently, the existing, earlier we were not permitted to install the solar facility over there. Now, the entire roof actually we can use for implementation of the solar panels and we can generate a good electricity for our forklifts and other equipments what we are using and moreover, some of the smaller EVs also, electric vehicles also using for local delivery. Even we can create a charging facility over there by using solar energy. And moreover, currently, there is some empty space also like parking space and all. Again, effectively we can use this space to give further benefit in our future operations.

Amit Dixit: Great, sir. Very clear. Thanks a lot, and all the best.

Moderator: Thank you. A reminder to all the participants that you may press '*' and '1' to ask a question. Next question comes from the line of Lokesh Maru with Nippon India Mutual Fund. Please go ahead.

Lokesh Maru: Thank you for taking my question. Congratulation sir, on the excellent set of results. Two-three points from my side, the first one being this year we have taken steep hikes in realizations right since last few quarters and as we enter next year, you already highlighted in your comments that realization hike is going to be sustainable every year, but if you could throw some color in that if our expectation on volume front is 8%-10%, same time next year, do you think we will be able to achieve that 13%-14% revenue growth, even 5% extra hike or next year should be the one where we work only with volume growth per se in your opinion?

Sunil Nalavadi: Yes, basically, we are expecting revenue growth in the range of around 12%-13% even in the next financial year which will be the combination of the increasing the realization as well as the volume. See, how it will happen in the current quarter, we did a revenue growth of say around 12% year-on-year basis. In this, majority of the contribution is coming from increase in the freight and around 1% is coming on account of increase in the volumes. In Q4 and next year quarter 1, the similar trend will come. The realization contribution will be very high in the overall revenue growth and the volume growth contribution will be in the range of lower single digit. But by that time, our rates will be stabilized in the market and actually we can convince more and more customers even we are doing aggressive marketing and because simplification of the rates, we are expecting that the acceptance from even new customers will be very high. So, with that hope actually, we are expecting that even in Q2 and Q3, our growth will be in the range of again around 12%-13% in the overall revenue.

Lokesh Maru: Sir again, key driver, which you mentioned was route optimization and the speed that we have achieved now, the turnaround times and delivery, if you could help understand was this like a yearlong process the result of which we are seeing now? Or was it the strategy which happened last quarter and operationally, what has changed?

Sunil Nalavadi: Yes, it is a continuous process. See, we cannot define any timeline for this. So, the reason what I am saying here is depending on the loads or tonnage availability in each area, accordingly we design the route. See, to give one example, even I have mentioned in the presentation also, we shifted our Ahmedabad transshipment location from old premises to the new locations. Earlier, we used to operate with two warehouses, now we shifted to 4,00,000 square feet single warehouse. Here, what actually we did, the entire movement of goods from Rajasthan, Punjab, Jammu and Kashmir and some part of Delhi and surrounding Himachal Pradesh and all, earlier most of the consignments used to go to Ambala transshipment hub or to the Delhi transshipment hub for further movement. Now, what we are doing, instead of, say, for example, if material is moving from say, Jammu to Coimbatore, earlier Jammu material used to come to Ambala, Ambala to say Bangalore transshipment, Bangalore to again Coimbatore. Now, what has happened that material directly will come to Ahmedabad and go to Coimbatore. So, almost we are avoiding one or two transshipment hubs in most of the routes wherever we are getting a good volume. So, this exercise will continue and even we are analyzing in such a way that wherever two transshipment hubs are there, we are restricting to one and wherever the booking branches itself are contributing very high volume, then directly that material will go to the delivery station rather than reaching to any transshipment hubs. So, because of these initiatives, the vehicle turnaround time, the utilization levels are increasing.

Lokesh Maru: Understood, sir. Thank you so much for that. Just a few more questions, if I can take. Two-three things, one is what is your savings per liter compared to retail because of our 40% direct procurement? That is one? Number two, number of branch additions has been lower for the year, for the 9 months compared to what we planned out for the start of the year, if you could throw some light on that? And number 3 on CAPEX side, CAPEX for this year has been very heavy on CAPEX, right, so some guidance on FY26 would help? That is all from my side? Thanks.

Sunil Nalavadi: One is the difference between the retail and the bulk purchase is almost around Rs. 5-Rs. 6 now and because of the lower crude oil price and again the bulk purchase price changes every day, so depending on that moment that the savings also varies. And about the branch expenses or branch expansion are considering, see every quarter, again we are planning at least around 20-25 branch in new branches, so that effort or that process will continue even for the next year. So, on a full year basis, definitely we can open around 80-100 branches even in the next financial year. And when it comes to the capital expenditure, see currently this year, the majority of the investments in this land and building in three locations because of that, the CAPEX has increased. But the normal CAPEX on the vehicles will be in the range of at least around Rs. 150-Rs. 160 crores even in the next financial year.

Lokesh Maru: Thank you, sir.

Moderator: Thank you. Next question comes from the line of Mukesh Saraf with Avendus Park. Please go ahead.

Mukesh Saraf: Yes, sir. Good morning and thank you for the opportunity. Congratulations on a great set of numbers. Firstly, on again going back to the volume versus pricing, so you did mention that the second-half next year, you will start seeing some volume growth and based on that, basically these customers who have right now kind of not engaging with VRL, they have gone back to say unorganized kind of operators or what has happened there because of the price hike that you have done?

Sunil Nalavadi: Yes, temporary purpose actually they shift to the other operator, whether it will be organized or unorganized, predominantly the unorganized people, because the good thing here is since our network is expanded across all the country and many remote places also we are having branches, most of the organized players, actually they do not ever reach to the remote places. So, even in our rate increase, we did in such a way that wherever our service level is very high, wherever our network is very feasible to the end users, so based on that actually we did increase in the rates. So, considering these facts and considering the temporary shift of these customers, even in some of the customers, they are already saying that they have wanted delay in service. Some of the customers' feedback is in such a way that we are unable to trace our consignment in other transporter, kindly, book our consignment transports whatever rate it is. That kind of feedback also we are getting from the customers. And moreover, because of the number of branches widely spread in our case, we are not collecting additional or outer delivery area charges from that, ODA charges from the customers. So, our rates are fixed from one to two branches. So, that it is very easy to accept from the customer side that they already know that what is the transport or logistic cost in VRL, but in other cases, what will happen at the final billing they charge ODA and other charges which they cannot assume at the time of booking. So, these are the differences.

Mukesh Saraf: Got it. And I mean in terms of management strategy, do you envisage the situation where you might have to cut back on some prices if they basically you have in the last couple of years also taken price hikes, but we haven't seen this kind of margin improvement because you mentioned in the past that the entire pricing has not been absorbed by the customers. This time, maybe you have enforced it a bit more, but how long are you willing to go without say, volume growth? Are you willing to go with 1% volume growth for a longer time this time or if, say, volume growth doesn't come in, you will be forced to cut prices?

Sunil Nalavadi: No, our strategy is very clear. Actually, see, we are expecting that based on whatever feedback we are getting from the ground, we are expecting that the revenue growth will be in the range of around 12%-13% again, which will be the combination of volume and the freight rates. So, initially, the volume contribution will be lower, but as and when we cross another one or two quarters, again, the volume growth will be picked up very high. That is what we are expecting and we are expecting that the margin maintenance, currently we reached around 21% EBITDA level, but going forward, definitely around 18% of the EBITDA range, around 18% we can maintain.

Mukesh Saraf: Got it. And secondly, fleet addition, we have seen that you scrapped more trucks than you have added in the last two quarters. So, actually the total fleet that you have, net addition has been negative last two quarters, any sense on that? And is it because temporarily, you are going to see lower volumes and you want to increase your own vehicle running that you are not adding trucks right now?

Sunil Nalavadi: No, it is again temporary change in the mix and moreover now what we are doing is some of the vehicles which are closer to the 15 years and all and which are very high capacity like 28-MS and all, so we have scrapped some of those vehicles and added with the vehicles which are in the range of around 20 tons, 24 tons which are more suitable across all routes. That is the reason that overall, the tonnage capacity had been little bit impacted because in terms of the number of vehicles, actually we added more vehicles. Around 300 vehicles have been added in the 9 months, and we scraped earlier around 200 because of change in the vehicle capacity the overall tonnage capacity is a little bit impacted, but even going forward the vehicle addition plan will continue and depending on the load factor, again the plan of vehicle addition is a continuous exercise. See, depending on the load factor in each transshipment hub, we take a stack and we decide to add the vehicle, so based on that we are expecting that around Rs. 150-Rs. 160 CAPEX anyway it will be there even for the next year only for addition of the vehicles.

Mukesh Saraf: And sir, every quarter you do mention the amount of tonnage that the new branches have given you. This time you have not so and we have seen only 1% growth. So, can we assume the new branches also have not seen volume growth? Or is it that the existing branches have seen a significant decline, and the new branches are just offset that?

Sunil Nalavadi: No, new branch again, the contribution is in the range of around 3% or so to the total tonnage.

Moderator: Thank you. Mr. Saraf, please rejoin the queue for more questions. Next question comes from the line of Harsh Shah with Reera Holdings. Please go ahead. Mr. Shah, please go ahead with your question.

Harsh Shah: Good morning, sir. Sir, my question is again on the volume growth side. So, if I look at last 5 years, we have grown our volume at around 8% CAGR and during the same period, our branch has almost been at the similar range from only 830 to almost 1250 branches where we are today so is it fair to assume that the volume growth is only subject to branch addition and there won't be anything like as we call it would there be any organic growth in the existing branches that we have or we have reached a saturation point on that front?

Sunil Nalavadi: No, volume growth obviously is more contribution from the existing market alone. With the new branches, actually we have taken the initiative to open new branches in the potential area that is giving additional contribution to the volume. But if you see overall market trend, see even on MSME sectors, for example, which is a major contribution to our overall tonnage, that segment is suffering very high and we are hoping that in the current budget, the more trust has been given to MSME sectors and the rural economy, then agricultural sector, so even from these sectors we are getting a good volume and we are expecting that because of these government initiative, we may get good volumes. So, it will not be basically from the increase in the branches, but even from the existing areas also overall contribution is coming, means we are seeing some growth. So, in the future, what will happen because of the government initiative and because once the rate increase is stabilized, from Q2 onwards, the next financial year again, we are expecting growth in all the areas, all the geographies.

Harsh Shah: And sir, if I have to ask you the other way, today if you stop expanding new branches to 1250, you keep your branches same for the next two years, do you still expect you can see volume growth from these existing branches only?

Sunil Nalavadi: No, I am not getting your question, please.

Harsh Shah: No, my question is hypothetically, if you assume that we don't add any new branches, we added 1250 branches today and say for next 2 years, we don't add any number of branches, we will still be able to grow our volume?

Sunil Nalavadi: Yes, definitely. Definitely, we are still able to grow volume because what happened the recent added branches in the last 2-3 years those growth will be very high in the coming days. Those are all new geographies where actually we added. Those contributions will be more and apart from that even the contribution from the existing branches, the existing market also or existing customers depending on the growth in GDP, again it will contribute addition to the volumes.

Harsh Shah: And just last question is on the volumes in this quarter, it would be the highest ever margins that we ever clogged at 20% and we also have taken the price hike, we have introduced lot of efficiencies in your businesses, and we are also expecting volume growth going ahead, so is it fair to assume that this 20% kind of a number could be sustainable going ahead?

Sunil Nalavadi: No, I already communicated that sustainable EBITDA margins will be around 18%.

Harsh Shah: 18%, sure.

Sunil Nalavadi: With the growth in the topline of around 12%-13%

Harsh Shah: Understood. Thank you. That is it from my side.

Moderator: Thank you. Next question comes from the line of Rohit with Samatva Investments. Please go ahead.

Rohit: Good morning. Thank you for the opportunity. Sir, I just have one question, how much is the express part or the door-to-door delivery part of our entire business?

Sunil Nalavadi: See, we do not have Express, but we are having a door-to-door service. Out of our total volumes, almost around 34%-35% of the volumes are door pickup, door delivery. The major contribution is coming from the contractual customers, the account for the customers, what we call around 15%-16% of the total volume. It is completely door pickup and door delivery.

Rohit: And these prize hikes that you have taken since June, you were able to pass it on even for these door-to-door service, am I right?

Sunil Nalavadi: Yes, to some of the customers, because most of the contracts are due for the renewal from the month of April and in the current quarter actually we are interacting with these customers to renew the agreement. There actually we can see some additional realizations in the current quarter, but anyway wherever again, some overall factor, it may not boost more into the realization.

Rohit: Got it, sir. Thank you so much and all the best.

Sunil Nalavadi: Thank you.

Moderator: Thank you. Next question comes from the line of Ankita Shah with Elara Capital. Please go ahead.

Ankita Shah: Yes. Hi, sir. Congratulations on a very good set of numbers.

Sunil Nalavadi: Yes. Thank you.

Ankita Shah: This vehicle addition for next year will continue to be in a similar range?

Sunil Nalavadi: Yes, around Rs. 150-Rs. 160 crores what I indicated that kind of a CAPEX we do even next year.

Ankita Shah: But that would include branch additions also, so on number of vehicle addition would be how much?

Sunil Nalavadi: No. For branch addition, there is no capital expenditure. Only we open branches in the lease premises, so most of those expenses are charged to P&L account only. But only our CAPEX is on the vehicle side.

Ankita Shah: So, we can assume around 200 odd vehicles approximately that could be added?

Sunil Nalavadi: Yes. Each vehicle cost will be around 40 lakhs. So, total investment will be around Rs. 150-Rs. 160 crores. Around 200 vehicles what you are saying.

Ankita Shah: Got it. Also sir, on the biodiesel consumption which is high this quarter, is it likely to continue at this level?

Sunil Nalavadi: No, biodiesel is not there, ma'am. Actually, we are not at all purchasing any biodiesel. This is the bulk purchase of fuel has.

Ankita Shah: Bulk purchase, I meant that, will that continue?

Sunil Nalavadi: Yes, it will continue. And now what happen the Company to retail price versus the bulk purchase, the gap is very high now, that is why the benefit is coming. But the bulk purchase is purely depending on the crude oil price, and that price changes every day depending on the crude oil prices.

Ankita Shah: So, as long as that gap is there.

Sunil Nalavadi: Yes, as long as that premium will continue, then this quantity will continue and it may increase a little bit also.

Ankita Shah: Got it. And sir, last question, have you gained market share? And do you have any numbers around, market share number?

Sunil Nalavadi: On overall business side, yes, some of the products actually we gained and basically, again, it is out of the GST compliances, because of increasing the compliances because the government is further going to strengthen this verification of the transactions and again the one good development that the government has done now, even whatever invoices we are raising today, the charge or liability will automatically come in later and not only the e-invoices, so they are fixing the liability also. So, because of that the compliances are further increased, and we are expecting that again because of this new customer may be added to our foray.

Ankita Shah: And number of unique customers is around 9 lakh or has that?

Sunil Nalavadi: Yes, around 9 lakh customers who are having as of now and gradually it is increased.

Ankita Shah: Great going, great going. Thank you so much.

Sunil Nalavadi: Thank you so much.

Moderator: Thank you. Next question comes from the line of Ankur Kumar with Alpha Capital. Please go ahead.

Ankur Kumar: Hello, sir. Congrats for a very good set of numbers. Sir, I wanted to understand regarding you said as in we did 20% margin this quarter, but you are guiding that sustainable should be around 18%. But given we have taken so much price hike, and the customers have also accepted it why are we expecting our margins to reduce on that consent?

Sunil Nalavadi: No, basically, as I said, the major contribution of around 2%-3% is coming on account of the fuel charges because of the fuel efficiency, because the bulk purchase, what we are buying that gap is almost around Rs. 6-Rs. 7 as of now. So, if at all any changes into these rates, then it will directly impact on the margins. Because of that reason on a sustainable basis, around 18% is maintainable. That is what I said.

Ankur Kumar: So, for FY26, should we work with the assumption of 18%?

Sunil Nalavadi: Yes.

Ankur Kumar: Got it. And sir, what are the CAPEX plans for this full year as well as next year?

Sunil Nalavadi: In current quarter, again, there will be lower in vehicle CAPEX, but next year on a full year basis around Rs. 150-Rs. 160 crores what I said. Why again the vehicle CAPEX is always it is linked to our tonnage. So, we analyze this moment in time and engagement of the outward vehicles periodically accordingly, we decide the number of vehicles which needs to be added. Since the tonnage is almost around 1% or 2% growth, then because of that, again addition will be lower. But once again, it is a normalized group will come, say again, the CAPEX will be added.

Ankur Kumar: So, sir, in terms of our total vehicle, what would be your roughly utilization rates at which we are working right now?

Sunil Nalavadi: See, hub to hub operation always it is operating at full capacity. See, there out of 6100 vehicle, hardly hub to spoke we are using around 1000-1100 vehicles but remaining all vehicles are operating between those. There utilization is fully at 100%. And one more development, what we are doing in the current quarter is even earlier we were not monitoring the vehicle utilization between hub to spoke. Now, we are creating a mechanism in our system that even the utilization of the local vehicle should be optimum. That exercise is also going on. And we are unable to quantify exactly what is the saving, but definitely there will be savings in that front as well.

Ankur Kumar: Sure, sir. Thank you and all the best.

Sunil Nalavadi: Thank you.

Moderator: Thank you. Next question comes from the line of Sandesh Shetty with HSBC Securities. Please go ahead.

Sandesh Shetty: Hello. Good morning. Sir, just wanted to check on the additional CAPEX that you incurred because of investing into Bangalore facility, Bangalore, Mysore and Bangalore facility. So, sir, if you can give up the breakup, how the CAPEX is spread and also the increase in debt. So, how much of debt has come because of this investment and how do you progressively plan to reduce this debt? Like is it a 2 or 3-year plan or how do you plan to reduce your debt? That would be first question?

Sunil Nalavadi: See, on Bangalore property out of Rs. 214 crores investment, we borrowed Rs. 185 crores which is repayable over one year moratorium is there and 9 years repayment. And the cost of the debt is around 8.6%. And then normally in all our cases, most of the cases actually we prepay the debt. There is no pre-closure charge in any of our loan agreement, so because of strong cash flows we may repay this loan much prior to the tenure what the bank has offered and similarly for manual property also total investment we did around Rs. 42 crores and for that also we borrowed some amount. And going forward again it will be repaid. See currently the net debt is around Rs. 460-Rs. 470 crores. See, basically, our repayment plan is every quarter we are generating almost around Rs. 90-Rs. 100 crores free cash flows. So, over and above CAPEX, definitely these cash flows will be used for repayment of debt. So, considering this part, the debt level will come down drastically in the coming period.

Sandesh Shetty: And sir, second question is on the Lorry Hire charges that have come down around 2% points. Do you think that this is sustainable over long period because of the rules, optimization and everything?

Sunil Nalavadi: We may see forward improvement again dependence on the Lorry Hire. But this is a sustainable charging.

Sandesh Shetty: Thank you, sir. Those were my questions and all the very best. Thank you.

Moderator: Thank you. Next question comes from the line of Vikash Khatri with Aviral. Please go ahead.

Vikash Khatri: Good morning. First, congratulations on a wonderful result.

Sunil Nalavadi: Good morning.

Vikash Khatri: My question is regarding you mentioned that our benchmark damage and pilferage are lower than industry or other players. So, what is the data over there? The second question related to if our damages are lower, safety is higher and with a dense branch network, are we able to attract more loads from the organized express player?

Sunil Nalavadi: Yes, basically. See our services again, the door-to-door service, definitely we are having some of the very good customers over there. Totally, we are having around, 1,200-1,500 very strong corporate. Actually, we are servicing them. And most of the customers, the first step will come about the safety of the commodities. So, because of our own vehicle, because of the covered vehicle, because of the train drivers in our operations, the scam ratio is very low and even we are carrying some of the very valuable commodities also which are so easy to pilferage or anything, say like cashew nuts or even the black pepper, all these materials, so most of the customers are with us on these commodities.

Vikash Khatri: And what is the difference in damage ratio and the benchmark?

Sunil Nalavadi: The damage ratio in our P&L itself we are showing it as a separate line item. The overall claim, including whatever fire incident etc., in a year, it is not crossing even Rs. 2.5-Rs. 3 crores out of Rs. 3,000 crores turnover what we are handling which is lowest.

Vikash Khatri: Yes, thank you.

Moderator: Thank you. Next question comes from the line of Anshul Agrawal with Emkay. Please go ahead.

Anshul Agrawal: Hi, thank you for the opportunity. My first question is on pricing. Am I audible?

Sunil Nalavadi: Yes. Please tell me.

Anshul Agrawal: Sir, my first question is on pricing. Our pricing strategy earlier used to be that we used to have certain discounts on the new branches. Is that continuing?

Sunil Nalavadi: Yes, our structure is in such a way that wherever there are low return loads and all, there actually will be lesser price. It is not that actually from two rates we will take. For example, we opened this Northeast area, two Northeast area our rates are high compared to the rates from Northeast area to rest of India.

Anshul Agrawal: Got it. So, the discounting strategy to attract volumes at new branches that remains the same, if I got this correct?

Sunil Nalavadi: Yes, it was there earlier also and it is continuing now also.

Anshul Agrawal: Got it. Second question is on the bulk procurement of fuel as a proportion of our total fuel requirement, how higher can we grow? Can we go to say 50%?

Sunil Nalavadi: Yes, now it is 40% level we are using. Average, our daily consumption is around 3 lakh liters of fuel or of that 40% we are directly using from the refinery. And we are expecting that it is at a peak level, but there is still scope to increase around 3%-5%.

Anshul Agrawal: And what proportion of our existing fleet would be older than, say, 15 years now?

Sunil Nalavadi: 15 years around, say 700 vehicles, but around 6%-7% of the capacity is older than 15 years.

Anshul Agrawal: Got it. Just a follow up on that, sir. You mentioned that we will expand about Rs. 160 odd crores on vehicle CAPEX next year. That will be roughly a gross addition of 400 odd vehicles, right? And we will say scrap another 100-200, so net additions will continue to be around 200-250 vehicles. Is that math correct?

Sunil Nalavadi: Yes.

Anshul Agrawal: Great. Thank you. That is it from my side. All the very best.

Sunil Nalavadi: Thank you.

Moderator: Thank you. Next question comes from the line of Vikram Vilas Suryavanshi with Philip Capital India Private Limited. Please go ahead.

Vikram Vilas Suryavanshi: Good morning, sir. What is the current turnover limit for e-invoice now?

Sunil Nalavadi: E-invoice again is Rs. 5 crores now.

Vikram Vilas Suryavanshi: And in terms of, I think most questions are answered, so just to get sense on how is our EV addition in last mile basically?

Sunil Nalavadi: No, currently see, we are doing a lot of exercise with OEMs on the EV front. Once they create a sustainable model, then we are going to add. So, still the product has not come into the market, we are awaiting.

Vikram Vilas Suryavanshi: And any thoughts on the LNG trucks basically for long while?

Sunil Nalavadi: Yes, we are putting effort in all the angles, but wherever, it will fit to our model, then definitely. Once the acceptable model comes, then we are the first people to invest on the vehicles.

Vikram Vilas Suryavanshi: Understood. Thank you.

Moderator: Thank you. Next question comes from the line of Rajashri Maitra with Incredresearch. Please go ahead.

Rajasri Maitra: Yes, sir. Thanks for the opportunity. So, my question is on employee cost. So, any plans on salary hikes going forward, so when and what kind of a hike is expected? That is my question.

Sunil Nalavadi: No, currently, the plan is not there. It may come to about Diwali season or something, during Diwali period or something, we may think about it.

Rajasri Maitra: And how much that will be like a 5% hike, or a 10% plus, kind of hike?

Sunil Nalavadi: No, we are not about anything on that front as of now. And moreover, on the routine basis, we promote a lot of people and continuously, even if it is on absolute terms, around Rs. 1.5-Rs. 2 crores healthy cost is increasing. But these promoted people within the one-year period and all will continue as it is. So, these people will not come again and sit it for an incremental list.

Rajasri Maitra: Thank you.

Sunil Nalavadi: Thank you.

Moderator: Thank you. Ladies and gentlemen, as there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Sunil Nalavadi: Yes. Thank you all participants. Thanks for your questions and hope that I replied it properly. If any clarification or anything directly you can call me. And I said, definitely we are having one of the best quarters now in terms of financial performance. And we are expecting that similar performance will continue even going forward on a sustainable basis. And currently, the debt level is high because of a good investment for the future growth in terms of properties and considering our cash flows, again the level of debt will come drastically in the coming quarter. That is what we are expecting. With this, actually, I wish to thank everyone and conclude this call. Thank you.

Moderator: Thank you. On behalf of Motilal Oswal Financial Services Limited, that concludes this conference. Thank you for joining us, you may now disconnect your lines.