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Date: 27 October 2023

To,

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

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

Dear Sirs,

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

Ref: Intimation of earnings conference call vide letter dated 12 October 2023; and Outcome and audio recording of earnings conference call dated 25 October 2023

This is with reference to our letters dated 12 October 2023 and 25 October 2023 giving advance intimation and outcome including the weblink of the audio recording of the earnings conference call of the Company for quarter and half year ended 30 September 2023, held on Wednesday, 25 October 2023 with several Analysts/Institutional Investors/Funds ("Q2H1FY24 earnings call").

Further to the above and in compliance with Regulation 30(6) read with Para A(15)(b) of Part A of Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the Q2H1FY24 earnings call of the Company. The transcript includes list of management attendees and the dialogues including but not limited to the Q&As' and assents/dissents.

The text transcript and audio recordings of the Q2H1FY24 earnings call are also uploaded on the website of the Company at the weblink:

<https://mahindralogistics.com/investor-interaction/recording-amp-transcript/>

No Unpublished Price Sensitive Information was shared/discussed by the Company during the earnings conference call.

This intimation will also be uploaded on the website of the Company and can be accessed at <https://mahindralogistics.com/investor-interaction/>

Kindly take the same on record.

Thanking you,
For **Mahindra Logistics Limited**

Ruchie Khanna
Company Secretary
Enclosure: As above



“Mahindra Logistics Limited
Q2 FY '24 Earnings Conference Call”
October 25, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchanges — BSE Limited and National Stock Exchange of India Limited and the Company website on 25th October 2023 will prevail



MANAGEMENT: **MR. RAMPRAVEEN SWAMINATHAN – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER –
MAHINDRA LOGISTICS LIMITED**
**MR. SAURABH TANEJA – CHIEF FINANCIAL OFFICER –
MAHINDRA LOGISTICS LIMITED**

MODERATOR: **MR. SHOGUN JAIN – STRATEGIC GROWTH ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Mahindra Logistics Limited Q2 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference to Mr. Shogun Jain from Strategic Growth Advisors. Thank you and over to you Mr. Jain.

Shogun Jain: Thank you. Good afternoon, everyone, and thank you for joining us on the Mahindra Logistics Limited Q2 and H1 FY '24 Earnings Conference Call. On the call today we have Mr. Rampraveen Swaminathan, MD and CEO; Mr. Saurabh Taneja, CFO and the senior management team of MLL. I hope everyone has had a chance to view the financial results and investor presentation recently posted on the Company's website and stock exchanges.

We will begin the call with opening remarks from management, followed by an open forum for Q&A. Before we begin, I'd like to point out that some of the statements made during today's call may be forward-looking. A disclaimer to that effect was included in the earnings presentation.

I'd like now to invite Ram, MD and CEO of MLL to make some preliminary remarks. Over to you, Ram.

Rampraveen S: Thank you, Shogun and good afternoon, everyone. I hope all of you had a good Dussehra and Vijayadashami break. I am, of course, joined today by several members of our management team, including our new CFO, Saurabh Taneja, having on board. Saurabh joined us a few weeks ago. He comes to us with significant experience across the finance domain. He has worked in the audit and the corporate side and has worked closely as part of leadership teams in growth-oriented businesses.

So we are happy to have him on board. And I'm sure you all get a chance to engage with him more in the coming months. I also trust you all had a chance to view our presentation and financial results, which are available in the stock exchange and our Company's website. As I normally do, I'll provide a short update on the external environment, our end markets, performance across our five business segments, supply chain, mobility and some key operational highlights.

Finally, I'll discuss our financial performance in Q2 and H1 F '24 and kind of elaborate some of our focus areas for the remainder of the year before opening for questions from all of you. So moving on, I think the macro environment, the first half of the fiscal year has gone fairly well with no notable surprises in the Indian or global economies. Of course, we had seen continuing geopolitical tensions in Europe and now more recently, in the Middle East. But those have not significantly altered economic carry yet.

Inflation rate in India has remained high but has been fairly well managed. Monetary policy had tightened further resulting in higher bond yields, flatter liquidity and rising capital costs. Demand for logistics services, as always, is driven through the untold and underlying sectors and those continue to change, as you can see increased digital commerce, total consumption, industrial activity and an increased focus on Make in India. These trends drive a greater focus on visibility, agility and productivity in supply chain as organizations try to respond to these opportunities.

Companies are moving towards integrated logistics solutions, which is providing them with better productivity across the supply chain. Furthermore, increasing consumer demand for Tier 2 and smaller towns requires an increased focus on TAT and reliability compared to more conventional urban consumption centres. This, in many ways is the core of our focus in the supply chain space. Our strategy always has been built around the hypothesis that transition from a 12% to 14% GDP level for logistics cost to 8% to 10% as envisaged for the government requires focus and increased infrastructure, improved regulatory efficiency and higher productivity, in the way companies and firms operate their supply chain. Our vision of providing integrated solutions is thus predicated really on the third lever, which is to help our enterprises manage their supply chains towards higher productivity levels. And this requires moving away from just providing a bouquet of services to integrating into services using technology, processes and human capital. So, the supply chain becomes more efficient in total cost of operations, that's again the core of our strategy over the last few years.

And before I talk about our specific businesses, let me briefly recap how our end markets are shaping, at least from our Company and our sectors' perspective.

Let me begin, the automotive sector as this year has unfolded, India's autos retail sectors embarked on kind of a note of cautious optimism. The first half of the fiscal year has been a continuing period of resilience and recovery over the total auto retail, growing from 9% year-on-year, passenger vehicles retail in the first half of the year hit an all-time high of more than 1.8 million vehicles, exceeding the previous record, which was set last year, around 1.7 million vehicles. On a year-on-year basis, that represents approximately a 6% growth. The passenger vehicle industry has continued to grow over the last two years but has been evidenced by the recovery post COVID and the continued response to the sector's focus on diverse and innovative products and services.

On the commercial vehicle side, we have seen some uptick in sentiment across our commercial vehicle customers. In specific niches and segments, we have seen some signs of break-out. But across the board, there has been no big breakout yet and I think across the industry, they are all looking forward to some kind of uptick as we come to the end shraddh and the beginning of the festive season.

The consumer durable industry is kind of a mixed quarter there. Rising temperatures and slightly weaker monsoons in some parts of the country have led to a rebound in RAC demand and of course, in segments like air conditions. But demand in the ECD segment, especially lighting and

fan, remained fairly weak. The kitchen appliances sector is still growing, though we are seeing a lot of the growth actually in the premium end of the market, right, the entry-level volumes are still being fairly muted.

Competition in the industry in this market is intense, making smaller players adopt aggressive strategies. And as commodities have cooled off, there has been more intense price-led competition in the markets. However, structure is diverse, such as increased construction activity kind of an uptick in real estate, the increased capex, and a general trend towards premiumization, growing support, and growth across the segment. We are quite optimistic about it as we look at the next couple of years.

Let's look at the FMCG segment. The rural market was initially expected to rebound to lower inflation, rising income levels at the beginning of this year. We've not seen a significant change in many ways. Still, we are seeing a consistent improvement with our clients and expect the industry to recover through the upcoming holiday session. And as the liquidity pressures relax and government spending increases with the upcoming elections, we do see a positive move there.

On a more positive note for our products specifically, I think we have seen a greater expansion post-GST distribution restructuring by many of our customers. Most of the logos that we are working with have now started working on expanding their network again. And we knew that they were becoming more omni-channel in their approach. And this is allowing a faster transition to 3PL providers with stronger technology and integrated distribution capabilities.

And compared to a couple of years ago, I think we see a sharp uptick in this in terms of productivity right now, and that's a positive sign across the board. After the substantial impact of inflation in the previous fiscal years, the rural market is showing better signs of recovery this fiscal year. Obviously many FMCG companies are focused on building the yields or the prices as there has been challenge of an increase in raw material costs and frankly some increase in logistics expenses over the last couple of years with the continued impact of high fuel charges.

Moving on to e-commerce, I'm not going to talk much about the sector's tailwinds broadly because I think we talked about that many times. In the recent past, of course, we have seen some slowdown as the post COVID fuelled growth has started kind of flattening out. And we've talked about this I think both at our calls and probably at the industry level. The big question always has been whether we are starting to see bidding up in the industry.

While we haven't contributed to consolidation in mid-mile, we have started seeing green shoots this quarter as peak approaches. There has been an uptick in terms of bidding activity and, obviously, in terms of order intake. And these include demand for 3PL, last mile delivery and services institutions and some of these are beyond upcoming peak itself. We believe we remain very well positioned.

We have strong partnerships with customers such as Amazon and Flipkart, and the strong growth relationships with other marketplaces and quick commerce companies. From a long-term

perspective, the segment remains pretty important for us. India is still underserved from a digital or online perspective. Given the strength of our relations and our network, it's something which we are excited about and kind of upbeat and then you can truly innovate in terms of offering solutions for this market.

And finally, just a quick tap at the mobility sector. Domestic air passenger travel has more than doubled over the last several years. More recently I think from April to September '23 in the first half of this year, domestic air passenger traffic increased by 142% to nearly 113 million passengers, right. So that's been a strong uptick. The increased demand for air travel, along with the start of India's festivals, is projected to result in record levels of air traffic in the coming quarter.

And therefore, we have seen strong traction in the B2C airport services business. More importantly for our business, returning to office has become far more formal across the board. In addition to BFSI, we are seeing a clear move in several of our IT to tech customers who announced return to work or office. And that is something you can see regarding an increasing volume and growth for us coming from the business. But we remain very well positioned in the enterprise mobility space, right, public market leadership across more than 20%, 22% market share across the 7 big cities which we serve and therefore, we are optimistic that as RTO accelerates, we should see a bit of a hockey-stick playing as we have predicted will happen in the past.

Now, let me talk briefly about our businesses themselves and I will begin with 3PL contract logistics business. As you all know, the contract logistics business is primarily housed in the MLL standalone entity and includes 2x2 joint venture. The business did have a positive quarter.

Order volumes, the momentum and others to remain robust, while increased order intake on consumer and manufacturing e-commerce meant that we could start drawing into the churn we saw in the previous quarter. Overall, our business grew 6% sequentially on a quarter-on-quarter basis.

As I mentioned in the earnings last year, there had been a churn impact, especially from e-commerce, more than other segments as we saw a consolidation of capacity in the mid-mile and this quarter, we have been able to outstrip that churn with new business and that's shown up in our sequential velocity of growth, right, and that's been positive. For the quarter, we had 3PL contract draw this order intake of over INR100 crores on an annual contract value basis, our second straight quarter in a row.

And that's been important for us after slightly weak Q3 and Q4 of last year in terms of order intake. We remain optimistic that we should see this consolidating further in the coming quarters. During the quarter, we had some key wins, including a large program of Cummins India to establish their India logistics centre in Maharashtra.

We have started working with J&J for their Western India integrated warehousing and largest distribution solutions. Some of you might notice we launched a program with Flipkart for

providing network line haul service across their IWIT network and we also have been selected as a single partner for Ashok Leyland's in-plant logistics services across the nine plants in India.

During the quarter we also commissioned our kind new facility in Bhiwandi, a multi-client facility of around 6.5 lakh square feet. It is the largest single block facility in that part of the country. Construction is on plan in expansions in the Chakan Talegaon region in Kolkata and Guwahati. Our warehousing operations for 3PL alone were around 18.1 million square feet at the end of this quarter.

As a matter of note, I think the investor deck also carries our warehousing operations specifically for the 3PL business, right. And going forward, we have removed reporting warehousing yields for express and other services. And warehousing for 3PL alone was 18.1 million square feet at the end of the quarter. Our continued focus on cost reduction has resulted in healthy gross margin improvement on a year-on-year basis. And you'll see that in our warehousing yields, which are included in the investor deck for your reference.

On a sequential basis margins were impacted a little bit by mix as we've seen slightly higher transportation in the quarter. Some peak related costs as peaks are coming a bit earlier this year. And foreclosure costs of one of our e-com sites in India, where we foreclosed a site and took an impairment on the assets invested in that site.

The 2x2 joint venture has continued the ramp up. It's been a positive thing as we got the fleet back on growth. And it's back on the pathway to profitability, and we expect to see further growth in coming quarters as we are going to at fleet expansions in that part of the business. So overall, the 3PL business has been having a continuing positive quarter, right, given some of the challenges from an overall market perspective.

Moving the freight forwarding business has been a particularly tough quarter for the forwarding business. Q2 is a seasonally weak quarter generally. And we also continued to see pressure on ocean freight prices and higher levels of competition across the board. In the quarter specifically, we also saw some key customer contracts in telecom, especially those services we are providing for the 5G network rollout, those contracts saw a deferral in their volume.

Volume, which is expected or kind of forecasters of this quarter moved significantly. Those will come back to us in Q3 and Q4. They have been deferred due to customer rollout plans. But that didn't significantly impact quarter-on-quarter revenues, right, in the second quarter. On the positive side, despite some reasonably intense competition, we have managed to hold on to our margin levels in the segment. Our gross margin levels continue to trend well, and we are hopeful that the build focus for us is on getting the volume back.

During the quarter, we also commenced commercial operations for air charter services. As you will recall, we launched air charter services in Dubai, a business based in Dubai, in June this year. And we are investing in business development through the quarter. We started our first air charter in September and expect a further pickup in that business through the second half of the year.

So the forwarding business, why it is going on through a tough part largely driven by broader macros. We are focused on driving the recovery, and recovery plan is focused on volume growth. While you can get some exposure on downside pricing that has largely bottomed out and a big part of the focus is on driving that volume growth, growing some large enterprises and mid-sized companies again.

Recent conflicts in Europe and the Middle East now point towards increased volatility in cross-border logistics, but we have not yet seen any immediate impact in pricing or the primary trade names being operated. Coming two quarters, we are hoping that we will get back to the higher level of volume growth. Some other deferrals we saw in revenue in the second quarter will flow through in the third and fourth quarters. And we rolled out a series of initiatives to increase our account penetration, both in large enterprises and inside business as we try to deal with some tough industry and other macro trends.

I know we haven't talked about the express business, which has been at the heart of our conversation, not -- the part of our conversation in the last earnings call, right. In the last quarter, we outlined some of the challenges we had the integration had been impacted. And there have been delays due to multiple factors in the speed and the quality of integration.

During the quarter, we continued to see some challenges, but we also saw broader positives. On the positive side, we have seen revenue yield been stable. Realization per kilo across our network has been pretty stable through the quarter and we have not seen any declines there. On a delivered volume basis, we saw a 3% quarter-on-quarter growth. During the quarter, we signed new contracts that should have ideally been on 9% growth if the volume had come in fully.

That volume of course has not come in fully because of timing. We signed several contracts through the quarter and there is a ramp-up period. Through the quarter, we also through the quarter, we also added 27 new retail partners and 12 new customer accounts on the enterprise side. So we made some progress in terms of expanding demand generation though slim and shorter than expected. We also focused heavily on increasing our service levels, the challenge we had during the integration. We completed the transition to one physical network and technology architecture across the entire express business.

Despite this, as I said earlier, our volume growth has been lower than we estimated in the recovery plan, which I commented on last quarter. As some of you might note, we had indicated that we had seen a volume drop of around 30%, 35% through the integration. We have recovered around 7% to 8% of it. We still have a distance to go.

Through the quarter, as we focused on service level improvement, we did our line haul network at higher levels to ensure service levels met. And we did that at lower utilization to ensure that service levels were constant or recovered.

So, operating the network without the volumes we expected, but higher levels of operations did increase line-haul costs, and there's a higher cost overrun because of this, which impacted our

earnings during the quarter. Overall, our margins declined quarter-on-quarter, despite higher volume, largely because of the cost of running the network at a higher level.

As we look forward, we still believe we are running close to 6 months behind the initially planned transition. Most of the improvement actions we had put in from a back-end operations perspective are now in play, and the focus is on recovery volume growth.

So there is pressure on the engagement to win back the customers and drive the volume growth, while we continue to enhance service levels and drive the network growth and yields across the board. And there will be a continued carry of this, as we had mentioned, but we remain focused on getting to EBITDA breakeven by the end of this year as EBITDA aspiration made out earlier with all of you as well.

Moving on to last-mile delivery business. Again, a business section improving quarter despite the intense pricing environment, we have grown 4% year-on-year. Underlying volume growth net of pricing impact because we have seen pricing impact, the underlying volume growth was around 8%.

We have continued to grow our distribution and service business with focus on niches such as grocery and EV-based delivery services, and that has helped us kind of tighten improved margins during the quarter on a year-on-year basis. We've also seen similar growth in improvement in Whizzard as losses have shrunk year-on-year by more than 40% and are on a good path in earnings recovery there.

Overall, the immediate focus has been on sustaining and improving gross margin with a broader focus on growth. We are in the process of launching our ONDC partnership, for last mile delivery, which we estimate will go live this quarter.

In the upcoming quarter, we hope to complete the second tranche of investment in Whizzard, which should make us a majority company and will consolidate the business. That acquisition will be contingent on profit closure of terms, which we have signed with Whizzard promoters and other regulatory filings and requirements.

Now lastly comment on the mobility business. Our mobility business is well-positioned as we operate on 6,000 cabs in nearly 14 cities with a network of around 350 business partners. We have shown strong growth in ETMS volumes and B2C services across both. And a big part of that growth has been, as we envisaged earlier would get better growth.

But we've also seen a stronger level of new client acquisition on the ETMS side and a renewed focus on what we call city to airport, which supplements the airport facility services. We reported a PAT positive quarter for the Q2 F '24 and are on track to remain PAT positive for the full year, as indicated earlier.

Since the Meru acquisition, through volume growth and operational synergies, we have been able to move that business from being a fairly high loss-making business at the time of

acquisition to becoming profitable on a consolidated basis, reflecting our continuous focus on integration and synergies across our portfolio.

Before discussing consolidated numbers, I'll cover the specific components, MLL standalone, which largely comprise the 3PL business, Revenue for Q2 was INR1,136 crores compared to INR1,195 crores in Q2 F '23. PAT for the quarter was INR19 crores compared to INR11 crores in Q2 F '23. Revenue grew sequentially compared to the Q1 F '24.

Profits declined sequentially due to specific elements like the mix moving and some onetime charges in the quarter. LORDS, the freight forwarding business revenue for Q2 F '24 was INR53 crores, down 50% compared to INR106 crores in the same quarter for the last year. The company was at breakeven level with a PAT of INR 0.1 crores compared to a PAT of INR4 crores for the corresponding quarter last year.

The Express business reported a quarter of a revenue of INR87 crores, which largely reflected the consolidated impact of the erstwhile MLL business and the Rivigo business. Overall, revenues for Express grew by 68% on the back of that combination. As I said earlier, I've outlined the reasons for our earnings hits and we reported a loss after tax of INR45 crores for Q2 F '24, which compared to around INR31 crores in the prior quarter.

Mobility business revenue in Q2 F '24 was INR86 crores compared to INR22 crores in the same quarter last year. That growth is a function of both underlying market growth and the impact of the transfer of the enterprise mobility business from MLL-to-MLL Mobility, which happened in the second half of F '22-'23.

As I said earlier, we reported a profitable quarter with a part of about INR1 crore for Q2 '24 compared to a loss of INR3 crores for the corresponding quarter last year. Our Whizzard (commented on this is a matter of significant) revenue for the quarter was around INR31 crores as compared to INR33 crores last year, PAT loss shrunk substantially compared to a loss of INR1.7 crores in Q2 F '23. We had a PAT loss of around INR0.4 crores. So, we are close to breakeven, which we hope to achieve by the exit of this year.

The 2x2 business, which largely serves the 3PL business, has done well, and the division made a profit of INR1 crore in the quarter compared to a loss of INR1.1 crores for the corresponding quarter last year.

I'll now move on to the consolidated performance for the quarter. Revenue for Q2 F '24 increased by 3% on an overall consolidated basis to INR1,365 crores, up sequentially by 6%. Revenue from the warehousing segment was around INR256 crores for Q2 F '24. Supply chain management includes our 3PL and network services businesses which contributed around 94% of overall revenue, while the Mobility business contributed 6% of overall revenue for Q2.

Gross margin at a fully consolidated basis stood at 9.2% for Q2 F '24 compared to 9.7% in the same quarter last year. However, without the impact of MESPL business, the gross margin was around 11.2% and 150 basis points improvement on a comparable basis to Q2 of F '23. EBITDA

for the quarter stood at INR54 crores, down from INR68 crores in Q2 F '24. This again saw the consolidation impact from Rivigo, without which of the consolidation EBITDA grew on a year-on-year basis.

PBT on a fully consolidated basis is down to INR8 crores, a loss of INR8 crores in Q2 F '24, and we reported a loss of INR16 crores for the quarter, largely on account of the carry of the network expansion in MESPL. Excluding the MESPL business, the profit grew in most parts of the business.

Before I close out, a few other operational highlights. As I said earlier, new multi-client BTS facilities are being constructed in Chakan, Talegoan, Kolkata and Guwahati. These will collectively add around 2.3 million square feet of multi-client, platinum certified warehousing capacity in the next 15 months.

We will further continue to consolidate our green logistics portfolio. Edel, our EV service today has nearly 1600 vehicles, and we have around 250 passenger vehicles in the mobility fleet. We have operated nearly 28 million green kilometers at the end of Q2 of this year.

In addition, nearly 40% of our last mile in mobility fleets are also CNG operated is in line with our commitment to sustainable transportation and logistics. We today have over 3.3 million square feet of IGBC or LEED certified warehousing as we continue to grow our sustainable warehousing portfolio. And almost all of that is carbon neutral or energy neutral.

Our one carbon program focuses on developing our client partnerships and supporting their energy transition. This digital platform is fully integrated with the rest of our technology stacks and provides customers with online measurement of their carbon footprint. And we continue to expand and bring more customers online.

During the quarter, we also certified as a great place to work again, reaffirming our commitment to creating a performance driven inclusive culture. And during the end of the quarter, we recently launched an initiative called #DeliverHappiness to support and recognize delivery associates across the logistics industry for their efforts during the upcoming festive season.

Before I open the floor, let me just quickly summarize how I think we stand today and our focus for the rest of the year. Our core 3PL contract logistics business is in positive momentum with improving performance at 2x2 logistics. Despite some cost-intrusive trends, we remain positive about the upcoming festive season.

The mobility business has now completed the turnaround, which we had indicated we'd do by the end of this financial year. And at the time of the Meru acquisition, we had indicated we will be able to combine the business and estimated to make it profitable at the end of FY '23-24 and remain on track to deliver the integration and synergy value.

The last mile business is improving momentum, and we continue to believe in electric or a green future for the segment. Today, we operate India's largest EV cargo provider, and we can hope to

continue to accelerate this contingent to the acquisition of majority ownership in Whizzard. We'll then start working on accelerating synergy opportunities between MLL's last-mile delivery business and the Whizzard business, and we believe that should further improve earnings across that segment.

Our key challenges today are at LORDS and the Express business. As you look at the rest of the year, we focus on getting volume growth back. We are putting actions on service level improvements on MESPL, and we now believe that the offering and the network are in good shape, we have to work closely with our customers to get the volume back. And similarly, we are working on several initiatives to drive growth, and volume growth in the forwarding segment.

With this, let me open-up the floor for questions and answers. And I'll hand it back to the moderator.

Moderator: We will now begin the question-and-answer session. Anyone who wishes to ask questions, may press star (*) and 1 on their telephone. If you wish to remove yourself from the question que you may press star (*) and 2. Participants are requested to use only handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question que assembles.

We'll take the first question from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Hi, Good Afternoon.

So, sir, I had a couple of questions first. One first one on MLL Express. So, we have seen that quarter-on-quarter, there has been a marginal increase in the revenues, but the profitability has gone down quite, I mean, the loss has increased further. So what's our view here because this kind of the festive season we have entered now where volumes are expected to be on the higher side, then again, it could be slightly muted. So, this profitability trajectory, if you could just highlight here because earlier in the last call, we had mentioned about a breakeven by mid-third quarter. So how are we looking at this segment now?

Rampraveen S: Sure. Is there any other question, Alok? I can take them together then.

Alok Deora: So this was on the Express side. Second was on MLL standalone as well. If you just look at the EBITDA margin on MLL standalone, that has also come down on a Q-o-Q basis. So just your thoughts on that?

Rampraveen S: Sure. So let me take the first one first, because that's a question probably the other shave as well. As I mentioned earlier, compared to Q1 of the year, we have invested substantially in getting our service levels back Alok. We saw a regulation in our net service levels in the quarter. Getting service levels back in our business is a big function of reducing TAT or turnaround times for our customers.

And to reduce our turnaround times, we have to run the vehicles more consistently and more regularly, even if the load was not there, right? Because the customers who do give us loads, we have big commitments on TAT. And so even if we don't get loads, we still have to run the vehicles up substantially.

And therefore, that's kind of what is the story of Q2, while we did get the service level up. We had to invest more in that period to run those vehicles, which resulted in carrying costs with transportation of us going up substantially. And unfortunately, the volume we envisaged in the quarter did not happen, which was the problem.

So if you see our contribution margins are still positive, you would note that our contribution margins declined quarter-on-quarter but reflect the impact of the higher transportation costs without adequate volume there. The lanes we ran were at substantially lower levels. Now what are we doing to fix that? As I mentioned, our first step -- the playbook is still the same, Alok, which I mentioned earlier.

The first step is to get back to an EBITDA breakeven. We are around 30% off on volume to get our EBITDA level. The gap has shrunk. It was 35% at the end of last quarter. It's down 27% now. So our focus is to get the volume back, or if the volume comes back Alok, the transportation costs will not go up because the vehicles have a lower utilization now.

A large part of our network is running less than 70% utilization. So as the volume comes back, utilization goes up, transportation costs will not go up linearly with the revenue and margin growth. And so the big part of our focus is to get that volume back. I'll be honest, we had hoped to be at a closer point at the end of the second quarter, the gap would have been lower. That's kind of what we have given as guidance or indications earlier, Alok.

We are running a little bit behind on that volume growth. We are very focused on it and I think the base is what I'm seeing right now and what we see in the market with festival happening and some other things that are happening in our service levels getting better.

And we're hoping that we will get a point of EBITDA breakeven by the end of this year. That requires us to recover volume around 20-25% over the next 5 months or 6 months, which is roughly 4% to 5% month-on-month growth. And a large part is getting customers who have dropped their share of business with us, back in the fold.

So we have such a customer programs focused on getting that volume back. But as I said earlier on, we are running behind the lineball here a little bit, but a lot of work is there. We have very high confidence that we will be able to get to that point by the end of the quarter.

So that's my comment on the Express business. Apart from that, the Express business has not seen any significant change. We did see losses on impact in the profits because of a higher level of provision on receivables. As you know, we inherited some part of the receivables as part of the acquisition, and we have taken to them as we get closer to the period of completing the

acquisition accounting, we have taken a stronger look at the numbers there and kind of have taken some prudent actions there in terms of our depreciation level.

Now going to your other question, which is on the EBITDA level. I think I'll make some general comments there and request Saurabh if he wants to add anything as well. But I think on a quarter-on-quarter basis, EBITDA did come down on a standalone entity, but as you look on a year-on-year basis, we did show an improvement.

That impact largely on quarter-on-quarter basis a couple of things there, Alok. One has been the mixed. I think we have seen warehousing revenues were flat to down quarter on a sequential basis. And therefore, we see an uptick in transportation revenues for the quarter. And that means that we will see that impact, affecting our EBITDA margins on a standalone basis compared to the sequential quarter.

We also had a one-time impairment of some fixed assets. Some assets, we shut down a fulfilment center in the western part of India as part of our customer consolidation and that had an impact of approximately 20 to 25 basis points of EBITDA and the rest of it largely was for the large part, a mixed level issue.

I think the more relevant thing is a year-on-year comparison, where our EBITDA compared to last year on flatish income was slightly down and the standalone entity grew from INR64.3 crores to INR74 crores for the quarter. That is in performance.

Similarly, you can see the first half of the year, standalone EBITDA grew from INR127.6 crores to INR157.2 crores, which is a around 19% year-on-year growth on the back of around a 3% to 4% decline in revenue. Maybe you can also see if Saurabh you want to add something or else, we can go to the next question.

Saurabh Taneja:

Thank you, Ram. I think you've covered it well. Nothing to add from my side.

Alok Deora:

Yes. Thanks for the elaborate answer. Just a last point. So MLL Express, we are looking at a 5% volume growth every month, but when we speak to other industry players, the Express market for the full year, they're not talking about even a 10% volume growth. And so this INR24 crores sort of a loss in the EBITDA, which we are doing in current run rate kind of a scenario, if these volumes don't come through, this could be a little extended till the mid next year also?

Rampraveen S:

So obviously, Alok, it's math, right? Math is exactly as you pointed out. Our confidence -- so you're right. If the volume doesn't come in, there is obviously as suggested this is going to be extended. We have done optimized options for further cost optimization, volume is the big driver. I also concur with your other comments at the industry level, there has been a bit of softness on Express and therefore, generally, industry growth is down in the early to mid-teen levels.

What's important from our perspective Alok, is to kind of see where the volume growth is going to come from? And for us, a big challenge is the decline which we saw in volume, a 35% drop

in volume on the back of the integration and that's all -- most of the customers have not stopped trading with us. Those customers are trading with us. There are also customers of us in the third-party logistics business.

And therefore, the key thing for us is to bring customers back. These are accounts already trading with us. So we're not looking at new account expansions. For new account expansions, we hope to acquire only roughly the same level at which the industry growth is pegged at. But the key thing Alok, is to get back the customers who kind of drop their share of business with us.

Now that's why we are confident that we will be able to get that kind of volume growth and it won't necessarily happen 5% month-on-month, some months will be higher, some months will be lower, but that's what we are targeting to focus. But you're mathematically right. If we're not able to deliver that, then there will be an extension to the somehow.

Alok Deora: Got it. Thank you, sir, and all the best.

Rampraveen S: Thank you.

Moderator: Thank you. We'll take the next question from the line of Namit Arora from Indgrowth Capital. Please go ahead.

Namit Arora: Yes. Thank you for the opportunity. I have two questions and they're sort of related. I would be very grateful for your thoughts on the organic opportunity versus inorganic pursuits. And secondly, the domestic India opportunity versus your international initiatives that is sort of one stand of question.

The second question is any learning as an institution from the Rivigo acquisition and other acquisitions and other key takeaways. And thirdly, how are you insulating or managing management time and bandwidth in the turnaround of Rivigo, so that you are able to do justice to the organic opportunity? Thank you very much.

Rampraveen S: Namit, thank you for that question. It's always good to get questions from you. So let me try and get through that in some order. Organic opportunities versus inorganic opportunities. I think, it's a good question. And thank you from our perspective right now, as I mentioned earlier, we are not out there in the market looking for any further inorganic. So first, I want to clarify that.

We had always laid out three years, four years ago, that as an integrated services provider, we are looking at four main services, right, third-party/contract logistics, freight forwarding, cross-border, B2B Express and last mile and today, we've got the deck in some ways, setting all of the numbers. So there's no focus on further inorganic in terms of our attention and energy. I can't say there will be no inbound interest to us, but we have no outbound interest. Just a very straightforward perspective on that.

In terms of domestic and international, I tend to look at the international business for the forwarding business, we look at the international business as an important part of that story,

because, as you know, a substantial amount of trade into India does not originate in India. The commercial offerings are actually outside the country.

And therefore, a large part of the international operations for the forwarding business need to have, right? And we're doing it cautiously. We're not throwing the kitchen sink at it; therefore, we're waiting for each of them to stabilize. I mentioned last quarter that we are looking at doing Europe, for example this year. But given the slowdown in some of the international tensions and Middle East's continuing challenges in Europe, we, for example, have slowed that rollout.

So it is a wait and watch learn kind of process. And therefore, I see international mostly as set of pilots for the business. And back into 2021, we did pilots in forwarding, in Express, in last mile, right, in electric vehicle cargo to establish the business model efficacy and we are doing the same thing on the international side today. So it's not a significant amount of -- it is not intended to be a significant investment at this stage.

Though for a longer-term perspective, broader opportunities exist globally, but they only happen after we have cemented a strong domestic business, which remains our priority for us.

In terms of acquisition and our takeaway, obviously, all acquisitions are the same in some ways and different from it. So it's hard to put a specific one-size-fits-all approach. We do have a playbook in the Company, both in Mahindra logistics, and we take some support from our parent M&M as well on this.

And if you look at our acquisitions, several have gone well. I think the LORDS forwarding acquisition, the barring the short current macro impact has gone by, we've seen strong earnings, working capital and brand value and good integration of the core business contract.

Similarly, if you look at what happened with the mobility acquisition of Meru, we've been on track with what we told the Street, we told all of you that, we expected in the 18 months, we'll get this back on track. Meru, at one time, was losing. In around FY'19, FY'20, FY'21 had a PAT loss of INR19 crores on revenue of around INR40 crores, right? And we kind of said that we are confident through synergies and build out that we'll be able to kind of fix that and we have, right.

We are now at a point that we're confident about the profit certainly there. So, those acquisitions have gone well. The business, while it's an associate of ours, there's a lot of collaborative work which have happened between businesses and the way we look at different things and learnings and synergies on an ongoing basis.

So there are acquisitions, some of the acquisitions have gone very well. I think on the Rivigo acquisition, we've taken those earnings and put them into the MESPL acquisition as acquisition. And there are some learnings for us, clearly, around network integration, around culture management and those are learnings which you are cementing.

As I said to an earlier part of your question Namit, on organic versus inorganic, we're not out there in inorganic space as it completes the MESPL integration consolidation, we will further sit

back and take those earnings into our playbook. And they are good learnings. So the Rivigo acquisition is the first largest one we did, the earlier acquisitions are smaller and probably we had the benefit of scale or lack of it at the pace at which we did it.

But the acquisitions, these are seven-years/ nine-year business models, right, when we lay out these acquisitions and the network acquisition of RSPL was not based on a two-quarter business case go and went on a seven to nine-year business case that we shared with our Board and other stakeholders.

And while we are behind, we continue to believe that longer term business case is not adulterated in any form. If you look at other companies are building networks. Some companies are losing money after 11-years, 12-years of building a network.

The Rivigo acquisition has given us probably a six-year to seven-year head-start in that process. There is a bit of a burn. It doesn't take away the fact we not executed very well. We are putting measures to fix that. But the learnings will be consolidated, obviously, over a period of time.

In terms of insulating management bandwidth, how I look at it Namit is that we run a multi-business unit structure. Each business unit is fairly engaged and self-contained from a sales operations perspective. It also has for the large part, except for technology and brand and marketing, except for those two and legal even in other areas, we have a dedicated team for each of the businesses.

So the businesses are fairly self-contained in that form., And the 3PL business leads the solutions for where it pulls in the other parts of -- other businesses as required. So, it's a very well structured, the self-contained business.

Each of the businesses has general managers, our leaders, our business leaders and many of them are on this call and we all have individual pieces to do it. And so, the management focus is a bifocal one. There are individual heads for each business, right, who are focused on delivering to their targets.

As you've seen in several parts of our businesses, we've driven improvement, those teams are delivering ahead of the curve, right? And are getting there. And obviously, at an MLL group level, we are focused really more, which largely is our core functions, the technology, marketing, finance, legal myself.

There are a lot of other stuff go into an enterprise transformation. Obviously, We are focused on supporting the individual businesses where they're running well on track and providing additional support and involvement for the businesses where they are not.

And so, today after some amount of higher bandwidth, it goes on the Express business as a large part of our functional resources are engaged in working with them, whether it's ops excellence or transportation. I forgot to mention them earlier but they're all focused on supporting the other

businesses, so that's kind of the way we run the thing and therefore it's not a significant bandwidth challenge.

We get asked this question at times and obviously on earnings calls and in small -- smaller group meetings as well which, these are -- it's a business of multiple services predicated on one or few individuals and it's not. It's a fairly elaborate team. And as you can see, many of our businesses are now at sweet spots in terms of increasing earnings and driving the value.

So it's something I have -- this model I have a fairly high level of confidence in. Logistics is a fairly hyper local business in the end, and therefore, you need to have empowered teams that are charged and that are charged, highly accountable, and responsible to deliver results. Centralization is not a great approach for us. So, we believe the structure works, and on the large part, it's working for us. I hope that answered your three questions, but.

Namit Arora: No, it does very, very comprehensively. So I appreciate your detailed and candid perspectives on all my questions and the very best to the entire team. Thank you, sir.

Moderator: Thank you. Ladies and Gentlemen, in order to ensure that the management will be able to address the question from all participants in the conference, please limit the questions to two per participant, should you have a follow up question, please re-join the queue, thank you. The next question is from the line of Jainam Shah from Equirus Securities Private Limited please go ahead.

Jainam Shah: Yes, hi, sir. Thanks for the opportunity. Sir, there has been always an industry commentary that Express Business and Contract logistics, 3PL SCM business will have some synergy benefits. So, as we have acquired the Rivigo, we might be giving our Express part of that 3PL business to some other counterparties.

How has been the things has moved for this part of the business in last one year? and how we are looking at, apart from external volume growth, has there been any growth that came from internally from this kind of synergies?

Rampraveen S: So, thank you, Jainam. And there is not too much of insource. So, first question. I think there isn't a huge insourcing left. Back in 2021, we had started our own express services internally, and therefore, we didn't have a high market share, but we are serving a fair number of our express requirements locally in-house, right.

And therefore, the process of insourcing has already started. And before we did the MESPL acquisition, there wasn't a huge amount of outsourcing. We do sign up new outsourcing partners on the Express side, but that's a lane-specific or geography specific strategy, because even at a state level and local intra state level, for example, we may not always have the depth which other players have in inbound geographies and therefore, we co-load with partners which are there.

But I don't see a significant amount of in sourcing benefit because we already were doing it in-house and that's kind of what we transferred. What we think is a larger benefit, which is there is,

when you look at supply chains, they comprise three, four different things. They do always comprise full truck load volumes, right, they do comprise warehousing. But there is also a substantial part truck load and time-defined part truck load movement which happens.

And as India expands consumption to Tier 2 and Tier 3 cities, right? And Indian good infrastructure gets better, the propensity to do more part truck load will increase because companies today are often moving full truck load because they find the transportation is unreliable. It takes a lot of time. They think a full truck load gives them better security.

But as infrastructure gets better and they go to smaller demand consumption points, there'd be no choice but to increase part truck load. And therefore, having a strong express capability is, in our view, essential to the long-term view of the Indian logistics space. And therefore, the synergy will come as you provide more integrated warehousing and distribution services.

So today, if you look at, as an example, for Dr. Reddy's in Northern India, we run a fulfilment centre across the country. And if you look at what we do, we bring drugs from different Dr. Reddy's plants into that FC and run that fulfilment centre which is stem controlled. And from that FC we use, the 3PL business uses its own trucks for full truck load, it uses the Express business for part truck load and it uses some air partners for air movement.

So, those are the kind of solutions which you can do more and more of because we have stronger express power. Our own express capability, especially one which is highly evolved in terms of time-defined deliveries. So the synergy over a period of time, you should see, and we are hoping, we believe in the exercise, is the ability to sell more integrated solutions for our clients and win more business with them as we provide them better productivity across the supply chain.

Today, our customers don't have to work with one company for Express, another company for warehousing, a third company for full truck load, and we are seeing that shift happening.

If you see some of our bins which we've been reporting, you'll see more and more bins moving towards integrated warehousing and distribution, where express is a very important part.

Jainam Shah: Got it got it, sir. And sir, just on one data point question. So, how much of the SCM or consolidated revenues has come from the parent group?

Rampraveen S: From the...

Jainam Shah: For this quarter?

Rampraveen S: I think, it's on 53%, but we will send you a more specific number, Jainam. But it's around 53% for the quarter for the 3PL contract logistics piece.

Jainam Shah: Got it got it, sir. Thank you so much, sir.

Moderator: Thank you. We'll take the next question from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Thanks for the opportunity. Sir, in 3PL business, how much is for auto versus non-auto segment?

Rampraveen S: Yes. auto is around 68% for the quarter. That includes the Mahindra businesses and the non-Mahindra businesses. Auto and manufacturing are around 68%, 70%. Close to 70%.

Abhishek: That is for the 3PL business only, no?

Rampraveen S: Yes, for the contract logistics business.

Abhishek: Okay. And then, non-auto segment, how much is from the e-commerce and consumer durable?

Rampraveen S: No, we don't report that specifically every quarter, but I would say at a bellwether level, it's probably half and half, right? I think the consumer business is around 15% or 14% and the e-commerce business, excluding last mile delivery is around 17% - 18%.

Abhishek: Okay. And sir, in the 3PL industry, penetration is quite low in India, that is around 5% versus global average of 10% and expect a 20% to 30% CAGR growth going ahead. And you have also a good market share of around 6% to 7%. So what is your plan to gain market share in the fast-growing industry, sir?

Rampraveen S: No, I think all the statistics you provided are accurate. Figures of 3PL business, third party logistics business in India is underpenetrated. But the definition also is that it's a mixed bag. When we look at the market, the challenge we have even in India is what the third-party logistics providers do? They essentially provide productivity by integrating different service lines across, right, for a customer.

And, in India, the challenges in 3PL penetration has really been the high level of fragmentation in the industry and the lack of regulation. And because of that, delivery quality and capability has always been a problem. And therefore, the Indian industry has always depended on asset owners and aggregators rather than third-party logistics companies.

Now, this is slowly shifting. post GST, there was a big expectation that will change at a very rapid pace. That change has not happened at the pace everybody expected because companies found it difficult to move income, and networks out completely. And, across India, there's a lot of variability in the ability of us to provide service across India. So a company cannot run with its own trucking -- with direct trucking in one state, with 3PL in a second state, with a CFA in a third state.

Companies obviously want to have common fulfilment models, right? So, those have been challenges for companies in transitioning towards a more 3PL model. But as I mentioned in my opening comments, I think as we are seeing today, what we are seeing is companies we are seeing far greater consolidation as companies are laying out newer networks, there are -- the three big challenges they are looking at: One is how do they bring down the cost of the supply chain by reducing waste. Right.

It's not that any company India is very bad at purchase prices. Normally the waste in the supply chain which has to be eliminated. The second one is, companies are struggling to establish supply chains, which are multi-modal, right. Because you have been a multiple modes of transportation, different kinds of warehousing in there. And the third thing is that demand inherently has become omnichannel. It's not just one traditional network, it is modern retail, it's online. And therefore, companies have far greater complexity in their supply chain. And that is driving a greater transition towards 3PL.

So, while I would not specifically hold the candle to a 25% CAGR going forward. Over the next few years, we should start seeing that 5% to 6% penetration of 3PL going to around 9% to 10%. And hopefully, within that space as well, a greater formalization because even inside the 3PL space, if you see it, at 6%, 7% market share, we are probably the largest or the strongest position there, because even inside 3PL it's fairly flat bunked with a lot of smaller players. And hopefully, that will actually give you some better consolidation as well.

Abhishek: Thanks sir, thanks for your detailed answer. That's all from my side.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead. Mr. Suryavanshi I have unmuted your line, kindly proceed.

Vikram Suryavanshi: Yes. Sir, can you highlight about absolute revenue in terms of warehousing? We have given per square foot, but in terms of absolute revenue and growth and how is the outlook?

Rampraveen S: Revenue from warehousing services for the quarter was around INR246 crores. I think I mentioned that in my comments and that's largely on the 3PL side. As you know, we use warehousing for express and last mile also, but we don't count the warehousing revenue, right? So, the revenue for warehousing solutions is around INR246 crores. I don't have more specific confirmed numbers, but it's around INR246 crores in a quarter.

Vikram Suryavanshi: Got it. Thank you, sir.

Moderator: Thank you. We'll take the next question from the line of Krupashankar NJ from Avendus Spark. Please go ahead.

Krupashankar NJ: Hi, Good afternoon and thank you for the opportunity. One question on the mobility business, Ram. On the return to work, I think what I was looking at broadly is that in FY'19, this segment was generating about INR385 crores of revenue, and now you add Meru's overall operations on top of that. Assuming it comes back to the levels of FY'19, can we expect somewhere a 25% higher number vis-a-vis FY'19 numbers in FY'25?

Rampraveen S: Hi Krupa, good to share the question. But just to put some context, I think in 2018, '19 which was peak year for the mobility business, we had INR370 crores of revenue and that's around 4% PAC in the MLL business. And at that time, I think, corresponding revenues in the Meru business was around INR55 crores. On an accounting basis, platform revenues have probably been higher.

The business was reporting a loss. So, consolidating this at a revenue level, that's been on INR420 crores to INR430 crores, right?

And obviously, with return to work happening now, we should start an underlying inflation per kilometre prices, your hypothesis is right. If we get to full volume on the pre-COVID level, which is what we've been saying as well, Krupa you know this, that we do expect a hockey stick playing out in mobility and I'm cautious about calling on a timing for the hockey stick. But we are, I think, definitely seeing a convergence or the start of the hockey stick now, right? How quickly it ramps up is hard to predict because some fundamental shifts are also happening in terms of work from home.

It's not like even though RTO is becoming more significantly required, I think the work from home is also a reality. And therefore, there is probably, at least in the long term, there's probably going to be a 30%, 35% reduction in volume happening because of work from home. Right. So, if you take that index, reduce it by 20%, 25% because of a long-term work from home pattern and do a kind of organic CAGR growth, you'll probably land up at INR450 crores, INR500 crores number at least, right.

But that's a point, that's an endpoint. The question has always been, Krupa, we have said earlier on that that's an endpoint we see clearly. The question for us is, how do we kind of get the ramp-up and the shape of the hockey stick? I don't know if it's going to be by '24, '25, but I'm sure it'll happen at some point.

Krupashankar NJ:

Sure. Second question was on the freight forwarding business. So I did see that the profitability has weakened quite considerably out here. Any one-offs you want to call or any commentary on profitability coming back to at least on an EBITDA basis at around 3%-odd percent levels in the second half?

Rampraveen S:

To be honest, Krupa, this is just a volume play. I think if you look at the details of it, there is not -- it has been a drop in gross margin dropping down to EBITDA and dropping down the PAT, right. Gross margin percentages actually have held for the large part, because I won't call out a specific improvement because it's a bit of a moving number. But percentage of gross margin have generally held.

The question really has been the volume shrinkage, right. If you look at it, we are roughly down 50% on revenue compared to last year. If that revenue had held and we added INR56 crores more of revenue with 10.5% to 11%, gross margin, we'd have probably been in the same INR4 crores PAT level. right? So it's really just a straight volume play and the key thing for us is to get the volume play back, while we are maintaining discipline in investing in the business as well, right?

We don't want to shrink our long-term investments in the business because this correction will happen. This is an industry-level macro thing. So volumes I think I have great confidence in our organization, in our sales teams there and I'm confident the volumes will come back over the

next couple of quarters. It'll probably take a bit more to further accelerate itself, but it's just a volume play.

Krupashankar NJ: Got it, Ram. Thank you and all the best.

Rampraveen S: Thanks, Kripa. Take care

Moderator: Thank you. The next question is from the line of Alok Deshpande from Nuvama Institutional Equities. Please go ahead.

Rampraveen S: Hi, Alok.

Alok Deshpande: Hi, Ram. Good afternoon. Three questions from my side. First, on the Express business, so the opex cost that we have, I'm simply going by the difference between revenue and EBITDA here. This opex of about INR110 -INR112 crores. Now, as the revenue ramps up, can we consider this as an absolute sort of floor, is there any chance of this opex going down by any chance, maybe due to any one-offs or anything of this sort due to or you see this number going up?

Rampraveen S: Why don't you finish the questions, Alok, and I'll answer all of them together just in the interest of time.

Alok Deshpande: Okay. The Second question is on the core business. I think somebody did ask this a little earlier before. I just wanted to get some clarity on this EBITDA margin going down in the core business or the standalone business. In the last couple of quarters, this Q4 and Q1, we have seen that number around 8% or so. So, as we enter the festive season, do you see margins going up in the second half and closer to 8%-odd or what's your outlook on that?

Rampraveen S: Sure. So, Alok, I'll take the first one first, the express side of the business. So, I think, to your question whether our total costs are going to remain is that INR111 crores level, which is, I guess, the way you're concluded that you have sort of taken the EBITDA loss and the revenue, right? And kind of added them up.

Alok Deshpande: Yes, yes.

Rampraveen S: Right. So, if you look at INR111 crores, there are three parts to it. There is a pure line haul transportation -- there's a pure transportation piece, which is around 60%, 65%. That is, of course, the physical network, which is the warehouses and everything else. And then there is an overhead and management cost, etc, around 10%. Of course, the overhead and management cost will not change at all. That's kind of pretty much, I think, at an optimized level now.

The network cost should not dramatically change. I think we have laid out the network, and we got -- there'll be some puts and takes as we look at expansion. But those are going to be revenue and growth led. They are not just going to be fixed in nature or intrinsically negating, but the key thing for us is to optimize the transportation piece. It's the transportation piece right now in the transportation, so in the warehousing piece, as the volume goes up, it's purely leverage, right?

The operating costs are approximately -- is probably around 30% of this, the cost of running the network, right? That network is probably not going to see a significant amount of cost increases Alok to probably around 1.5x to 2x the current volume, right. And to that extent, we should be able to run it without adding a substantial amount of cost to that, right. So that's just pure leverage for us, which I think we've explained to you earlier as well, I think in an earlier call, which was there.

Alok Deshpande: Thanks.

Moderator: Thank you.

Sir the participant has left the que, His questions have been answered. We'll move on to the next question from the line of Sumit Kishor from Axis Capital. Please go ahead.

Sumit Kishore: Hi, good afternoon, Ram. Just one question. I heard your commentary around the contract logistics business, around autos, FMCE, e-commerce. Basically, we have had about 5% odd top line growth in the first half of the year. One would have expected this business to continue growing at closer to say, mid-teen levels more from a medium-term perspective. So, is there going to be a pullback to double-digit growth in the second half of the year, or is this more or less the sentiment that is likely to show up in numbers for the full fiscal year as well?

Rampraveen S: I think it's a good question, Sumit. And there are a couple of things if you look at the quarter-on-quarter velocity of growth has been around 6%. I think last quarter we told you that we did see a bunch of the churn impact coming in. and the focus is on ensuring that we will get that velocity to maintain the velocity, right?

Order intake has been positive; therefore, I can't call out saying this full fiscal will be in the 12% to 15% growth level, Sumit. But if we take out the impact of the Bajaj volume and some of the churn, I think by the end of the year, we should be running this. Our run rate should be at a double-digit growth level, which is what I would expect we will be at right?

Now, would that be the full fiscal impact? It's hard for me to say at this stage, Sumit. I don't have the numbers except one number to set in front of me. But at a run rate level, we should return to the double-digit number. I think equally important is we are maintaining, trying to maintain stronger commercial discipline as well, Sumit.

So that's something which we are trying to ensure we are trying to enforce. The idea is not growth for the sake of growth. And so that's something which we are trying to be cognizant about. We're trying to drive tighter pricing as well, which had some impact on distribution kind of contracts. But, to your broader question, the run rate should be in the early teens, definitely net of these kind of adjustments by the end of the year.

Moderator Sir your audio is a bit broken. Can you please go to an area with better network. You can go ahead with your question.

Sumit Kishore: Just on your broader vision, I know it's a vision but FY'26 getting to INR100 billion, is there some recalibration required in light of what we've been seeing on freight forwarding side as well as softer growth so far this fiscal?

Rampraveen S: Yes. Sumit, it's hard to kind hard to hold it exactly to a specific thing. I think, as we've said, what I do feel very good about is we had laid out a vision of around INR6,500 crores for the 3PL contract logistics business. We feel we're in good place to get that over the next 3.5 years, right, on a run-rate basis. I think the challenge for us is some of the macros that affected forwarding likely affected mobility, right?

And as those macros get reset, hockey sticks will come back on the forwarding side as well. So, are there upsides which should exist? Clearly, we think the upsides do exist? Do I think we need to go back and start reworking those long-term aspirations right now? No, right. Those aspirations could move a quarter or two here or there. It's about doing the things which will deliver those aspirations which are important, right?

That it's remains very much a focus. We've not tried to be shy about putting the aspiration out. As you know, we put it out in the middle of COVID, right, bring that because we believe that that's a potential the sector and our business model offers. There is more -- can it move a quarter or two here and there? Of course it could. I'm not going to say, there are things we still don't know over the next three years could happen, right.

There was the COVID effect and so on. But at this stage, I think our focus as a management team is to do the things we which will drive that, right? And to see -- that's what we've been doing in the contract logistics business. It's kind of now as a run rate at probably north of INR4000 crores on a rate basis, between INR4000 crores and INR4500 crores on a run rate basis. Can -- we feel good about it? Waiting for it to grow to INR6500 crores in the next 3.5 years, right? Similarly, some of the other stuff has to play out.

And the intense focus is on getting the leading things done and then we get the right leading things done, Sumit, then a couple of quarters here and there to us does not make a big difference. But if you run it just on the market, on markets being favourable, then probably some say the markets will move against where the number will not hold, right? So, that's kind of my broad answer. We are not hurrying to change that number or recalibrate it right now. We'll do it at an appropriate stage. Probably at the end of the year, we'll take -- obviously, we take a strategy review at the end of the year and we'll relook it at that point.

Sumit Kishore: Sure. Thank you and wish you all the best.

Moderator: Thank you. this will be the last question for today, which is from the line of Ankita Shah from Elara Capital.

Ankita Shah: I just have two questions. So, if you can help me with the volume number for B2B express renewals for 2Q? And how much do you expect to close this year by 4Q, one? And second, how has been the order spend in 3PL business for the quarter versus Y-o-Y?

Rampraveen S: So, Ankita, I don't have the exact forwarding volume number, but if you reach out to our team, or SGA Investor Relations we should be able to get that out to you. Don't have to write off the cuff. I know that all well, as I said, our volume did grow 3% on a Q-o-Q basis sequentially. But if you reach out, we'll give you a more specific number. I think on the contract logistics side, the quarter's order intake volume was north of INR100 crores.

So that has been accelerating itself. We had a weak Q3 and Q4 last year, because of some of the churn happening. And I think the Q2 last year was very strong. Order intake is in line with Q2 last year. E-com is slightly still lower than Q2 last year. Non e-com is up, E-com is down. But it's pretty much in line with Q2 last year. But what we find is that the bidding activity is very strong right now.

So we are pretty confident that Q3 and Q4 will hold. The pipeline is good compared to last year,; we saw a fairly big impact in Q3 and Q4 because of some of the churn and slowdown in e-com sales.

Moderator: Ms. Shah, does that answer your question Ma'am?

Ankita Shah: Just one part you missed, I think for the B2B Express business, what level do you think will close this year in terms of volume, tonnage?

Rampraveen S: Yes. So, I think, as I said, our aspiration is to be able to get back and to regain a full recovery of the volume loss. So we have under 20%, 25% growth to go there, Ankita. So, I think I mentioned it earlier in a question in response to, I think, Alok's first question on express.

Ankita Shah: Okay, got it. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, as that was the last question for today. I would now like to hand the conference to management for closing comments. Over to you, sir.

Rampraveen S: Thank you, everyone. I hope we've been able to answer all your questions satisfactorily. However, if you need any further clarifications or want to know more about the company, please contact our team or SGA Investor Relations advisors. On behalf of my colleagues at MLL, I wish you all a very happy Diwali and hope the year and the festive season bring happiness to you and your dear ones.

Every year during the festive season, millions of our delivery associates across our industry will call you at home to deliver festive joys. These delivery associates are the backbone of our industry and our celebrations. I urge you all, if possible, to spend a few minutes spreading kindness to them, providing them a glass of water or some snacks and just thanking them for their work. I think it makes a big difference to our industry. Wish you all a very happy Diwali and a prosperous year ahead. And thank you, once again, for taking the time to join us during this call today.

Moderator:

Thank you very much, sir. Thank you, members of the management. Ladies and gentlemen, on behalf of Mahindra Logistics Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.
