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Date: February 17, 2024

To,	To,
The Listing Department,	**The Listing Department,**
The National Stock Exchange of India Ltd.,	**BSE Ltd.,**
"Exchange Plaza",	Phiroz Jeejeebhoy Towers,
Bandra Kurla Complex, Bandra (East),	Dalal Street
Mumbai – 400051	Mumbai – 400001
Scrip Symbol: TCIEXP	Scrip Code: 540212

Sub: Transcript of Analyst/ Investors Conference call

Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

In furtherance to our letter dated February 12, 2024 and February 05, 2024, please find enclosed the text transcript of Investors Conference call, with regard to financial results for the quarter ended December 31, 2023, in compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The transcript of the call has been hosted on the website of the Company and can be accessed at
https://www.tciexpress.in/investor-analyst-corner.aspx?invid=13&key=c51ce410c124a10e0db5e4b97fc2af39

We request your good office to take the above information on records.

Thanking you,
Yours faithfully,
For **TCI Express Ltd.**

PRIYANKA
Digitally signed by PRIYANKA
Date: 2024.02.17 16:49:35 +05'30'

Priyanka
(Company Secretary & Compliance Officer)
Encl: As above

"TCI Express Limited
Q3 FY24 Earnings Conference Call"

February 12, 2024

MANAGEMENT: **MR. CHANDER AGARWAL - MD**
MR. MUKTI LAL - CFO
MR. PABITRA MOHAN PANDA - COO
MR. HEMANT SRIVASTAVA – COO – EXPRESS BUSINESS (NON-SURFACE)

Moderator: Good day ladies and gentlemen, and welcome to TCI Express Limited Q3 and FY24 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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now handover the conference to Mr. Navin Agrawal – Head Institutional Equities at SKP Securities Limited. Thank you, and over to you, sir.

Navin Agrawal: Good afternoon, ladies and gentlemen. It's my pleasure to welcome you on behalf of TCI Express and SKP Securities to this Q3 FY24 Financial Results Concall of TCI Express Limited.

We have with us Mr. Chander Agarwal – Managing Director; along with his colleagues Mr. Mukti Lal – CFO, Mr. Pabitra Mohan Panda – COO (Surface) and Mr. Hemant Srivastava – COO, Express Business Non-Surface.

We will have the opening remarks from Mr. Agarwal followed by Q&A session. Thank you, and over to you Chander Ji.

Chander Agarwal: Good evening and welcome everyone, to Q3 and 9M FY24 Earnings Conference Call of TCI Express Limited. I would like to thank you all for joining us here today. And I hope you and your family are staying safe and healthy. We have already circulated our "Earnings Presentation" on our Website and Stock Exchanges, I hope you all had a chance to review it.

To start with, I will give you an overview of "Business Trend and Performance" and then we will hand over the call to our CFO – Mr. Mukti to brief on our financial performance for the Q3 and 9M FY24.

Let me begin by providing a brief overview of the economic landscape in which we are operating with the Q3 FY24:

The operating environment in the 3rd Quarter remains challenging, as we continue to face headwinds stemming from muted festive demand, and an extended holiday season. Despite these challenges, TCI Express has demonstrated resilience and agility in navigating the market dynamics. With a combination of a strong customer mix base along with an unmatched network and efficiency, we have maintained stable profitability and margins, outperforming industry peers.

In-line with our shareholder-friendly capital allocation policy, the Board of Directors has recommended a second interim dividend of Rs.3 per share. This brings the total dividend for the nine months FY24 to Rs.6 per share, representing a payout of 300% of the face value reaffirming our commitment to delivering value to our shareholders.

Moving to a brief update on business developments:

Among the newly launched services, Rail Express has gained substantial traction from customers. We have successfully expanded our customer base to 2,000 covering 125 routes to meet the growing demand. These services are expected to contribute positively to our top line in the coming quarters, enabling us to achieve higher margin levels and growth.

I'm delighted to share that the ongoing automation of the Pune Service Center is progressing as planned and is set to become operation in March 2024.

As far as our future focus is concerned, we will continue to invest in technology and automation to drive a more efficient operation and provide a superior customer service.

Over the 9M FY24, we have incurred a total capex of Rs.25 crores. The capex is primarily spent towards expanding our branch network, automation and ramping up our IT infrastructure.

During the 9M FY24, we expanded our footprint by adding 15 new branches in the West and North region to cater to the growing demand with unparalleled services.

Our strategic investments in technology and infrastructure has been instrumental in streamlining our operations, ensuring that we remain in the forefront of the industry.

Furthermore, I'm happy to share that we are honored to be selected in the "Top 500 Value Creator Company" by Dun & Bradstreet. Additionally, we have received recognition from the CI Institute of Logistics for our "Exceptional Implementation of AI," that is artificial intelligence in our business operations earning the prestigious "CII Scale Award 2023" from the Express/Courier Category. This accolade underscores our unwavering commitment to innovation, technology, advancements and sustainable practices.

In our continued effort and pursue the "People First" approach, we have been again certified a "Great Place to Work" for fourth consecutive years. And it's a true validation of our commitment of fostering a positive open working environment.

As we look ahead, the sector is poised for good growth and propelled by government, infrastructure and policy initiatives for the development of transportation infrastructure, particularly in relation to major freight routes, logistics parks, and rural railway and highway connectivity. In this favorable industry trend, we are confident in our ability to capitalize on the exciting opportunities in the Indian logistics market and to create long term value for our stakeholders.

With this, I would now like to hand over the call to Mr. Mukti to talk about our financial performance for the last quarter.

Mukti Lal: Good evening everyone. Now, I would like to discuss the financial performance of the Company. Our Managing Director has already highlighted that development of during this quarter and I will delve into the financial aspects.

During the quarter, our revenue from operations stood at Rs.312 crores for Q3 FY24 as compared to 320 crores in Q2 of this year and Rs.314 crores in the same quarter of last year. And that's why the continued headwind on account of muted festive demand and long holiday season during the quarter and high base effect also playing out this year from year-on-year numbers perspective.

Though we maintained the profit margin intact, the EBITDA for the quarter stood at Rs.48 crores with a margin of 15.1%. Our profit after tax for the quarter stood at Rs.32 crores with a robust margin of 10.3%.

Overall, on a 9M FY24, our revenue from operation was Rs. 937 crores as compared to Rs. 915 crores same period last year registering a year-on-year growth of 2.5%, the EBITDA for the period was Rs.148 crores with a margin of 15.7% and profit after tax was Rs.100 crores with margin of 10.6%. As a result of continued focus on revenue quality and profit growth, we ended the 9M generating a cash flow from operation of Rs. 75 crores and then continue to generate solid cash flow to fund our strategic growth plan.

Our commitment remains prudent with balanced growth and revenue quality. With the additional automation unlocked and flexibility across our network, we remain confident in our ability to capitalize on opportunities and solidify our leadership position with industry leading services.

Thank you very much everyone and now, I would like to open the floor for question-and-answer. Over to you moderator.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from line of Jainam Shah from Equirus Securities. Please go ahead.

Jainam Shah: Sir first question is related to few data points, so if you can provide the volume number for the current quarter?

Mukti Lal: Yes, so volume numbers are 2.5 lakh tonne for this quarter and 7.42 lakh tonne for the nine-month figure.

Jainam Shah: Okay, got it. Sir, have you done a capex of around Rs.25 crores in the nine months so what we are targeting for the 4th Quarter and for the next year and are your intake for Rs.500 crores of capex over FY23 to FY28?

Mukti Lal: Yes, so basically, we have taken a target of five year in FY23. So, it includes FY23 in which we spent Rs.125 crores and in this year we hopefully we will spend around Rs.15 more crores, so Rs. 40 crores total for this year. So, it becomes like Rs.165 crores and remaining part of like Rs.335 crores we will be spending in next three-year FY25, FY26 and FY27.

Jainam Shah: Okay sir. And sir contribution from the newer services would be how much percentage this quarter?

Mukti Lal: So, this quarter contribution from this newer service also remains same is around 17%-17.5% what we had in last quarter as well.

Jainam Shah: Okay. And sir coming to the margin parts, our margin has dropped sequentially during this quarter. So, any specific reason to that?

Mukti Lal: Basically, if you compare revenue numbers with the last year, there is like slightly less revenue, so utilization level of truck is usually drop. So, in this quarter we have 83.5% utilization levels. And that way if you compare with the last year same quarter, we have enhanced this EBITDA margin by 10 basis points, so that way it's okay.

Jainam Shah: Okay. And sir over medium to long term target for the margin how we are expecting because at this nine months number it is somewhere around 15.5%?

Mukti Lal: So, again we are hopeful to be like Q4 must be like, on a good note and we are seeing the traction in January and February month. But we are not much hopeful like double digit kind of growth obviously. So, with a similar way, this year is like challenging year everyone in this industry if you see, everyone faces the challenge on volume growth, but good thing in our company is, revenue is grown 2.5% in nine months, but we also intact our margin level whereas every industry player has been taken a big hit on their margin levels, they have fallen down heavily.

Jainam Shah: Yes, correct. And Sir just last question from my side, in medium to long term how we are projecting our revenue, or other volume growth given that there will be for the first quarter for the next year will be more of an election quarter. So, post that how we are expecting the ramp up in the volumes over a medium to long term?

Mukti Lal: So, I refer this question to our MD, Mr. Chander, can you just reply on that please.

Chander Agarwal: So, if you look at the next quarter it's quite clear that we are looking at the way the economy is moving, we will be expecting the numbers will be the same. And there could be an uptake of maybe half a percent or more, I do not see a large uptick because, again the situation on the ground is very different.

Jainam Shah: Okay. And Sir, are we having that 2x of GDP growth target, going forward as well?

Chander Agarwal: Yes, that's not going to change. I have always mentioned that, looking at the situation, the economic situation of that particular year, in that time period one has to always monitor, and our fundamentals are always intact, and then that's why we are able to maintain double digit margins for so long, so I don't think there is any problem structurally or micro problem that we have, it's a problem of just economy and its demand.

Moderator: Thank you. Next question is from line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Just a couple of questions. First, similar to the earlier question. So, this year has been pretty challenging as we see for the industry, as well as for us. So, next year could it be a case where we gradually improve on this and then we go back towards our double-digit kind of growth target. Is that a very much possibility now because considering that we will be entering the election year and things could be slower in the first half of the year, and then ramps up in the second half?

Chander Agarwal: So, we have to consider three things. First of all, inflation rate, how much it comes down. And then the interest rate is most important, and number three is the fuel charges. So, even though the fuel charges passed on, but ultimately someone is not really benefiting from it. It's not like the airline where you only have two players, or one player where they can just charge what they want and get away with. So, in our case, we have to also see and understand how the demand picks up, what the government is turning out, in terms of its fiscal policy post-election and all of that. So, it's a wait and watch situation, very early to comment because all other days when we would know for a fact that this is how things are going to play out. This is how things are going to be laid out, it was very predictable but now things are very different.

Alok Deora: Sure. And Sir on this margin, we have seen almost flattish sort of a quarterly revenues, quarter-on-quarter revenue, and the margins have come off by nearly 150 basis points. So, any one off in this or can we expect it to go back towards the 15.5% sort of a range, I'm talking about excluding other income, 15.5% sort of margins in Q4 onwards?

Chander Agarwal: Half a percent and more will be achievable in this quarter, there is no problem.

Alok Deora: Sure. Just one last question, so earlier we had mentioned that the new segments as they ramp up, we will see the overall margin also improving. So, that remains or is it a little more competitive scenario now where margins would be kind of restricted in the 15%, 16% range. That's all from my side.

Chander Agarwal: No, see margins are not affected because of any competition. It is only affected because of the demand and economic situation. So, getting back to the same scenario would be possible as the fiscal policy of the government also eases and it kind of changes. So, it will happen, it's not like, it will all shut and things won't change.

Moderator: Thank you. Next question is from line of Amit Dixit from ICICI. Please go ahead.

Amit Dixit: I have couple of questions. The first one is if I again, harping on the same volume question, if I look at nine-month volume growth it is like almost 1.6% and you highlighted that the next quarter would also be in similar lines. So, what do we expect volume growth for this year to be roughly 2% or something and next year because of the election, the election in the first quarter itself. Can we pencil in a volume growth let us say of 5% to 6% or something like that or do you see some other tailwinds helping you?

Mukti Lal: So, basically, in this year we are seeing like, no more than like 3%, 4% kind of volume growth in this Q4. And obviously we are not also asking for the rate hikes, this is challenging scenarios. Next year, yes it is too early to comment on first quarter obviously, there's an election on a whole year. And this challenging is like, if you see the North India, now farmers are on road they have blocked everything. So, it's kind of a challenge also coming. So, sometimes we are not able to even see. Till last quarter also, it's interesting last day of the month, this December month is always a better one for every industry player. And we get the highest business on the last day, and in this quarter last year was a Sunday. So, that Saturday and Sunday is a long holiday. So, we ultimately impacted kind of volumes, so in this quarter yes we will be anticipating again low single digit kind of growth and obviously finish the year in the range of like 4%, 5% volume, next year we anticipating in the range of 11% to 13% as a volume and revenue maybe like more than 1% or 2% price hikes in general. Due to that high inflation we will be asked to customers, let's see how this will be played out because again depending on the demand scenario and various factors.

Amit Dixit: Okay, very clear Sir. The second question is essentially what kind of operating environment you feel in different segments that you operate, are there any sweet pockets you see or there are challenges throughout or some segment that had temporary slowdown that you can share, just a segmental flavor would be nice Sir.

Chander Agarwal: The most important thing is that the favorable segment is obviously surface segment that we are doing and other segments which are really catching up for example, the rail segment. So, the impetus will be only on the surface segment where we are market leaders. And at the same time, our growth plans are to further expand into other locations within India to spend more offices and have a higher base of sales people. So, essentially what it means is that, unlike other companies which rely on franchise and everything, we will be able to have a wider scope of control across our customers and our people. So, this will be a really helpful factor going forward. And we have already started working in terms of how the business has to be kind of attained from other competition. In fact, we will be launching another new service in the next one week or something where we will publicly announce about it.

Moderator: Thank you. Next question is from line of Ravi Naredi from Naredi Investments. Please go ahead.

Ravi Naredi: Sir, my main concern about TCI Express is there because I am shareholder since last many years. Our bottom line has been stagnant since December FY 2020 quarter, it is going around Rs. 30 crores bottom line. So, asking when growth is possible because in last year GDP and size of our country GDP has been rising, and we did Gurgaon sorting centers started and Pune is about to start but growth is not coming.

Mukti Lal: You mentioned like December FY 2020 right Sir?

Ravi Naredi: Yes.

Mukti Lal: I have not the numbers with me, but FY 2020 was COVID year. I really have not seen the number that was with Rs.30 crores.

Ravi Naredi: Sir, I have number Rs. 34 crores in December, March Rs. 43 crores, again June Rs. 24 crores September Rs. 34 crores, then Rs. 35, 36, 31, 38, 32, 38, 32, 36 crores. Now, these are the stagnant net profit in between Rs. 30 to 35 crores in spite about, in two to three years our GDP has risen, everything you are doing in the right direction, but the bottom line is not coming.

Mukti Lal: No. so if you see the margin levels are almost same kind, we are not able to improve that, reason is there, like revenue is basically not growing due to all this year, whatever happened otherwise, all are intact we have tried hard to get branch addition, we have tried hard to be expanding in a new similar kind of services. So, we will keep continuing that way.

Ravi Naredi: Story is there, but bottom line is not coming, that is my main concern and we have done 2,000, 2,050 buybacks also and you see what the share price is now, you are giving good dividend but it is not working in the system such that our net profit rises.

Mukti Lal: So, on that sense, I can say like we are the most consistent company, other companies like doing one quarter in good one and next quarter maybe fallen down like 40% but our company's operations, our company's revenue, our company's customer base is intact and even on challenges time we maintain that, that I can say in this time only. And we are still if you see the graph, our PAT level margin, no competition even in near to us. So, that level sometime Yes, you have rightly said because in one single year in COVID year, we have grown our margin level from 12% to 16% in a single year. So, that was also like supposing we grow on 100 basis points and each year in that year we did well and grown like 400 basis point and then subsequently maintained that so, you can say the sustainability is also important on some time. And obviously this year was specifically it's head wind in business and there the growth scenario was not so good for everyone. And still we are in this year everyone's margin has fallen down heavily in the range of like 40%, 50%. But our team has done very well. And we even in this challenging time, in the same kind of revenue, in spite of increasing manpower costs, and slightly other costs, and appreciations, we are able to maintain our PAT level margin. So, this is showing our different testament for our company and sustainability, we are giving to the market.

Ravi Naredi: And I remember three or four years before, Chander had expected that our company will grow three to four times in next three or four years, but it is not happening. That's why I'm asking what is going on in the company?

Chander Agarwal: Yes, I would like to comment that first of all, we are of course, like I always mentioned, depending on the economy, how it's going. And you are well aware also that the economy is not doing as well, see GDP growth and stock market growth are two different things.

Ravi Naredi: I am not concerned with the stock market growth, GDP is going, GST collection is going.

Chander Agarwal: GDP growth was negative, then it came to 2.5% then to 5%, then what the number will be at the end of the year nobody knows. So, if you go in detail what part of the GDP is increasing, manufacturing is not increasing, consumption is decreasing, services are not increasing, farming is increasing. So, you have to really break down and then see where is it that we can really have the opportunity going forward. Thank you.

Moderator: Thank you. The next question is from the line of Krupashankar from Avendus Spark. Please go ahead.

Krupashankar: I just wanted to check that our load factors had come off from 85% in October, to overall for the 3rd Quarter at around 83.5%. So, given that last we had similar challenges were in we had deployed higher capacity on trucks, and that went underutilized, was that some sort of event, this time around as well wherein, we had faced some challenges with respect to the utilization in the month of November and December?

Mukti Lal: So, basically November, after Deepawali that was in a reduction heavily on various volumes, because Western part of Gujarat was completely shut down for like five, seven days and other part of country also there is low volume. And then surprisingly, this time December was also not picked up the volumes. And that's why this utilization level is in the range of like 83.5% to 84%.

Krupashankar: Got it. So, if I were to look at, while you had mentioned earlier that the newer services, especially the Rail Express has done well, while the contribution is more or less unchanged, obviously I would say not to that material. Any trend of what is the growth in that business, if you can highlight?

Mukti Lal: So, we are not like giving the figure because it's not a significant amount, but yes, it is contributing that's why if you see my margin level in spite of flattish growth, margin has been maintained, otherwise there is a drop in margin because there are two or three reasons for that, one is like contribution from these new services, which is higher profit, or you can say like similar kind of margin level which we have in surface. So, air business is also growing, so that is also helping us and interestingly big customers business had slightly less dispatches in comparison to SMEs and SMEs have a higher composition. So, in this quarter we have maintained a ratio of like, instead of 50:50 it is around 52% to 48%. So, that will also help us to maintain the margin level.

Krupashankar: Okay. If I were to just look at, the disclosures with respect to receivable days and networking capital days that has gone up, SME proportion been higher. So, is it fair to assume that the competitive intensity has gone up quite substantially because there is lack of pricing power, there is limited tonnage growth in the underlying industry. So, is it possible that sort of a trend continuing going ahead as which may put a pressure on your guidance for FY25?

Mukti Lal: No. So, I am just giving my comment on that, it is very simple, actually these last two days were holidays in this quarter, usually we are getting the highest money in last days. So, that's the only reason, it is already normalized in January month. So, nothing is kind of that, because our cash flow since last two decades you will see is a very robust, there is no challenge on that. So, that is already normalized and hopefully the same way kind of like 50 days receivable days would come in March, this quarter.

Chander Agarwal: And competition has gone into that level, they are already there or whatever they are for 15 years, they are already losing money and lost money or whatever it might be. And they are not at the same Express level, they are at the lower level, they do more of the FTL and all that. So, one should always understand that two things why the difference in our yield our margins compared to other customer, is because we are in the high value segment. And number two is because we have the experience for being in formal business, or rather the organized segment, for a longer period of time.

Krupashankar: Understood that Chander, but what my thought process is, and correct me if I'm wrong, there has been a massive emphasis placed by the industry on cracking the SME code over the last two years. And in light of that, we have anticipated that a substantial increase in the competition given everyone is expanding as such. So, just wanted to check if that would be one of the reasons why this tonnage growth has also come off.

Chander Agarwal: See again tonnage growth and all this again function of economy, which is a function of inflation and higher interest rate, we must keep that in mind that is number one, number two, the consumption consuming people that derive the demand are not just you and me, there are majority of the population who are not able to really make ends meet. So, we have to really see break down and if you break down and see where the opportunity lies, and how we will capture it, and how we are capturing it. And one important thing is to note is that, what you mentioned that, I don't think that the demand or the emphasis is ever on, rather the emphasis is not on just the pricing, it is also the service level, what level of service you are able to give, how fast you are able to give, by getting a 50 foot truck, I don't think service level changes. Because again, what you mentioned about the number of branches, if you really go out in the field, and you see who has the branches, who doesn't have the branches, who claims to have branches is all evident. So, today, thanks to the government we are able to see everything is in the open, everything is highlighted, what is actually present and what is not present.

Krupashankar: Understood. Last question, if I may. Just wanted to check is there any way in which we can provide zone wise growth, because we have been adding branches in the North and the West region. So, what would have been the contribution about three, four years back versus now is that possible to be provided on the call?

Mukti Lal: So, basically, zone wise we always try to make a balance, otherwise my utilization level of truck will be fallen down. So, that's why we never increase any kind of dis-balance on a business. So, our 85% business is coming from three zones, West, South and North, and 15%, from Eastern zone as you are aware like, Eastern zone is nothing producing and just consuming. So, more business is originating from these three zones, but still because we have huge branch, our own branch network that's why we are able to generate the business from SME customers, this is a key to generate the business from SMEs like owned branch network. Supposing somebody has a franchisee, then they are not interested to do those small businesses, they are targeting big customers and big volume. And that's why so in our case, we have our own branches. And that's why we are able to maintain that kind of this still is like above the industry level, this utilization level of our fleet utilization basically. So, that's very important to generate a business from SME we need kind of branch network.

Moderator: Thank you very much. The next question is from the line of Vishal Agarwal from Leo Capital. Please go ahead.

Vishal Agarwal: Sir, looking to that as response to the last question, so the MSME in retail business do we give any credit in the market? that's question one. And second, what has been the reason why we have been very successful there because a lot of competitors like you said, talk about building the SME business whether it is a new release Tata or the legacy players, but they haven't seen much success. So, what differentiates us there and what will keep us there?, if you can answer both of those?

Chander Agarwal: Sure. So, legacy players like us, we have the experience, and we have the knowledge. So, that makes a big difference. And we never needed massive amounts of capital to really get the business going on the ground. It's a matter of not rupees and paisa but it's a matter of experience and knowledge. So, that really makes us the leader in this line of business.

Vishal Agarwal: And for MSME do you give any credit in the market?

Mukti Lal: We are giving like, out of this 50%, we are giving just like few customers like 30% out of 50, we are giving the credit which is also like short credit. And remaining part of we are receiving at the time of delivery, either on at the time of delivery or at the time of booking.

Vishal Agarwal: 30% of the 50 which means 15% of the overall you give credit and then the 50% which is key accounts you have to give credit?

Mukti Lal: Yes.

Vishal Agarwal: And short credit meaning how many days of credit?

Mukti Lal: Below 30 days.

Vishal Agarwal: Got it. And how many routes do we currently operate in the Express business?

Mukti Lal: We have already given in our presentation there. There are different kinds of routes like from branch to hub and then express, that we have given there.

Vishal Agarwal: So, it's just 500 express routes and 2,000 feeder routes in one of the earlier presentations. Is that the right number?

Mukti Lal: Yes, that's a right number.

Vishal Agarwal: So, 500 express routes and what was this number say three years back, have you added routes in the last three years?

Mukti Lal: No, so if you see, that landscape is not increasing maybe like 4%, 5% maybe okay, but numbers are almost same because route is, we are 20-year-old company and we have already established networks. So, we are going denser, but not increasing their route, the volume is increasing on that routes basically. So, branch expansion happening on like going denser in cities Tier two, Tier three or Tier one routes are also like same.

Moderator: The next question is from line of Mayur from Wealth Managers. Please go ahead.

Mayur Parkeria: Just, I understand that due to low growth, we are slightly on the defensive side and based on what we had been guiding, but again, just first question on mine is, we had the call post in the Q3 itself after a month of that, that time also you were pretty confident about the H2 being much better than H1, the SME growth was taking off, our capex plan even for H2 was Rs. 60 crores cumulatively we had planned, now we have only put Rs. 5 crores in Q3 and we are saying 15 crores only in the next quarter, so it's only Rs. 20 crores and this is only with the change within three months, I'm saying, our FY25 target was also Rs. 1,700 odd crores after downgrading it substantially and now we are talking of only 10%, 11% growth that also standing today on a low base. So, sir what has changed in this three months, which has led to such a sharp fall in the growth outlook and you being on the cautious note?

Mukti Lal: Yes, so this is a good question basically. So, I will clarify on one by one. So, first I will be taking the capex part. So, capex part you rightly said we plan to buy one land parcel and that yet not actually materialized that's the only reason we have not able to like to put in place. And there's only one reason and remaining capex we plan for the automation of Pune sorting center this is already in line with, we will be starting the operations in March month. And then subsequently, we will be like streamline the operations of that. Second part, October you rightly said October, we met on 17 October, we were on a concall and that was pre Deepawali month and everything looks very rosy. And, growth was very good on October, but again in a subsequent month like November there was again sharp reduction in volumes. And interestingly, as I mentioned in last question, also December was surprising, volume had not picked up. Because last week of that month is also like washed out because there was last Sunday, Saturday and all there and long shutdown of all factories and all, so big customers volumes, or dispatches have been dropped out, heavily dropped and SMEs was maintained. So, that's why our revenue was really intact. And margin level is also like intact. Q4 again, because that's our pattern is going on, that's why we are not excited about more optimistic about the uptake in any volume in this quarter that's why we are slightly cautious. Because if, this pattern is not improving and overall in manufacturing side you see the factory output number and you see other numbers related to that. So, scenario is like that and next year, yes there is an election year so we are more cautious about that because it's too early to say something on that part. So, that's the only reason we have.

Mayur Parkeria: Sir, this is not a question or clarification for the moderator, but sir when you say cautious approach, you mean 10%, 11% growth or you mean even lower than that?

Mukti Lal: For next year?

Mayur Parkeria: Yes.

Mukti Lal: We will be double digit growth in next year.

Mayur Parkeria: Okay, great. The second question from my side actually to Mr. Agarwal actually it's a slightly broader question. Sir, logistics as a percentage of GDP is expected to fall because of efficiency, broadly net but the scale for organized player and opportunity will grow up. We understand that, but on a slightly broader basis. Do you believe that at some point in time, we will have to relook our strategy of growth versus margins, we understand you are the top notch at the margin of 10% net profit margin, very few I don't know, but no logistics player has achieved and for long you have been doing that. But then, there is top line growth, some companies are still showing I'm talking of operational growth, forget other income and profits, but topline growth. So, is it that at some point in time with efficiency customers would ask for lower pricing, we understand that inflation is there, but do you think there will be a case for us to relook this strategy of growth versus margins over the next two, three years?

Chander Agarwal: Let me start by saying that logistics cost is whatever reason you said is not a function of that, logistics cost is a function of the cost of fuel. In India, cost of fuel will always be high. So, please always keep that in mind. Number two, we are not substituting profit for top line growth, I want to be very clear, and I want to be extremely transparent about it that, we are not doing any of that. The point is that India saw good economic growth after GST was launched in 2016. Since then, it has since 2019, it has fallen. Number three, if in India, if you give up your margin, it will never come back, 15 years companies are trying to make profit, they have not made profit. Eight years companies, which were acquired here, they have tried to turn around, they are not able to turn. So, I don't think it's a direct correlation of top-line growth and bottom-line growth, it's a question of the state of affairs of the economy, we can be a normal, regular FTL player and have Rs. 20,000, 30,000 crores revenue as a group is no problem. But what will be the margin, it will be lesser than what we are making. So, we have to be very cautious in not diluting what we want to achieve as a company and for the shareholders.

Moderator: Thank you very much. The next question is from line of Pulkit Patni from Goldman Sachs. Please go ahead.

Pulkit Patni: Sir, in-line with your answer which you just gave. So, what has to change in this sector for companies like yours to both grow reasonable, as well as generate the profitability that you are doing. Do you think something needs to change in the industry, do you think it's just a function of some weaker hands going away and everybody else getting better pricing power. So, it is a very high level, but what do you think needs to change, because it's never both growth and profitability coming together. So, what would be your answer?

Chander Agarwal: What needs to change is that the unorganized segment has to, the share has come down which is happening very strongly, which is being controlled by the government. And this will be a major factor for the benefit to come in. I don't think that any company of any organization would like to give up either or so, in that sense you have some companies which have been trying to do everything and possibly acquisitions and all that and yet not even Rs.1 they are able to make. So, where we want to be is something that we have already planned out. And numbers can of course come down and go up only because of the fact that the environment that we operate in. All the large logistics groups also in the country are not posting very high double-digit growth or anything like that. So, we should be always mindful of the reasons the real reasons behind what is happening?

Pulkit Patni: Sure Sir, in light of that and obviously you spoke about growth in terms of GDP versus what market is building in could be very different. But as you are doing your capacity planning say for the next two, three years in light of all this talk about, the manufacturing growth in GDP and things like that, how are you looking at, how you want to grow your capacity over this period?

Chander Agarwal: What do you mean by capacity, capacity of what sorting centers?

Pulkit Patni: Yes, it's the truck sortation centers like overall.

Chander Agarwal: I don't plan on trucks; we don't plan on trucks because that is not part of our asset proposition. We do not own any trucks, we don't pay emphasis, we don't lay emphasis on an asset which is money losing. We pay emphasis on how our capital value can be increased by doing automation in our existing sorting centers, already it is mentioned that we would be automatizing about 10 sorting centers going forward. And you should come and have a look at the one that we have in Delhi. So, it will have a fairly good understanding of exactly what logistics is, how logistics landscape is.

Moderator: Thank you. Next question is from line of Lokesh Manik from Vallum Capital Advisors. Please go ahead.

Lokesh Manik: My question, Chander was on your initial remarks on the subdued environment, macro environment, so will you be able to share as to which sectors are seeing subdued growth, it is more concentrated to a particular sector or is it more broad based in future, if you share something on that it will be good.

Chander Agarwal: Mukti and Pabitra please.

Mukti Lal: So, basically, we have seen that except pharma and engineering all sectors like impacted by this subdued environment like if you talk about electronics, if you talk about textile and lifestyle products, because discretionary purchase is still not happening and similar way. So, all sectors impacted except these two sector, but otherwise all, remaining factors are impacted.

Moderator: Thank you. The next question is from line of Vishal Agarwal from Leo Capital. Please go ahead.

Vishal Agarwal: How much is the yield distribution between the MSME accounts and the key accounts. And are these accounts both served by the same team in the same branch network or is the branch network mainly for MSME clients and key accounts are handled centrally?

Mukti Lal: So, this is a very good question. So, basically network for both the customers is same on longer haul obviously, going like we have the hub and spoke model where we collected the cargo at branch level and then consolidate that and then forward to origin sorting center and then a longer haul is to be sending to destination location and then from that location to delivery location and then customer. So, that fundamentally is the same kind of network we are operating and obviously there is a huge price difference, or you can say like sometimes more than 20% price difference in between these two kind of customers.

Vishal Agarwal: Understand, and is it the middle mile is common because on the long haul it’s the same but in terms of sales representatives or in terms of pickup infrastructure and all is that different for both of these?

Mukti Lal: Yes, you rightly said, so basically branches are the main source to do the marketing for the small customers because they need to go to door to door and a nearby area and ask for the business and visit all the small factories and everything. For big customers we have a big team at all levels, controlling level, region level and this corporate office level they like pitching to the customers everywhere.

Vishal Agarwal: And how many branches do we have and how many sales team members do we have in the central team for the big customer?

Mukti Lal: So, we have a branch network is of 950 branches and central team put together like around 200 persons we have.

Moderator: Thank you. The next question is from line of Akash from Dalal & Broacha Stock Broking. Please go ahead.

Moderator: The next question is from line of Anshul Agrawal from Emkay Global. Please go ahead.

Anshul Agrawal: So, our FY25 target for new services as a percentage of contribution topline is 25%. While we are currently at around 17%, 17.5%. How do we plan to reach there is my question and if you could just give some understanding about the margin profile of these new services, are they intact at around 20% currently?

Mukti Lal: So, basically if you see, higher margin level is like almost 2%, 2.5% higher than other services. And it's specifically like air and rail is a higher margin in comparison to surface. And that would be fair of services, may not be increase more than 20% in next year.

Anshul Agrawal: Great, last question from my side. After Pune, which are the hubs are we planning to automate and by then, that would be all from my side.

Mukti Lal: So, basically next would-be Ahmedabad and Mumbai, Chennai, but Ahmedabad construction will start soon, in next year FY25 we will be starting the construction and then we will put the capex there for automation and then obviously subsequently followed by Chennai, and Mumbai.

Anshul Agrawal: So, Chennai and Mumbai will start in FY26?

Mukti Lal: Yes.

Moderator: Thank you. Next question is from the line of Ronald from Sharekhan. Please go ahead.

Ronald Siyoni: So, sir I just wanted your views on the kind of growth we are seeing, like we have been seeing more of a government led capex and manufacturing capex has been slower, private capex has been slower. So, one thing on that growth that whether we can, cater to this kind of government capex related growth maybe into infra segments or say EV segments or such kind of segments where government led investments are there and second one on the growth versus the consumption pattern like we have been seeing consumption at malls or at those points, remaining high personal lifestyle or garments or those kinds of things, but a small MSME shops or SME shops are not showing that kind of growth. So, can you maneuver these things with respect to private and government capex and premium luxury mall catering to those and mom and pop stores?

Chander Agarwal: In general, the growth that we have seen now, the profitability that has also come is because of the SME sector. And we have been fortunate that, the margins were maintained because of that. And in general, what I also understand that, going forward the trend will remain the same. The customer that is about to, that is a small-time customers or I should say small customer SME, always has this one desire that his material reaches on time, reaches safely and reaches without damage. And there is someone who can listen to them. So, that customer base will always remain. And this will be and without ever expanding branch network. We and as per what we have planned, this will be a very important, they will have an important role to play in board.

Ronald Siyoni: Okay, sir and your view on government and private capex?

Chander Agarwal: So, the capex as you very rightly said that it's not at all happening, no new industries are coming up. And the current manufacturing, people are not expanding the manufacturing base, we have heard about the PLIs and all that, but on the real ground, it's very different. So, going forward even what the government has planned, is to first build the basic infrastructure of the roadways and the highways, and then they will look at, essentially, possibly, hopefully looking at even lowering the cost of fuel, which will be the major reason for overall economic growth and prosperity.

Moderator: Thank you very much. Ladies and gentlemen, we will take the last question for the evening from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead.

Lokesh Maru: So, few questions from my side, one is what would be the average fleet size that we would be using in our mid mile segment, the larger trucks.

Mukti Lal: So, major truck maximum size of that truck is 18 tonnes. So, you can take average like 15 or 16 tonnes on mid mile.

Lokesh Maru: When we say 83.5% utilization, what will be the number of trucks that we would deploy on the mid mile side?

Mukti Lal: Yes, so we have given a number on our presentation is around 2,000 numbers which we are putting on that.

Lokesh Maru: Okay, sir. Next question is on the line of given our investments within our fixed assets that we are doing for the first time, which is in terms of sortation centers around the conveyors. So, let's say we have just done one and then a second is underway once at least 10 of them are automated, to our mind what is the kind of return on this investment that we envisage in terms of, could be Rs. 400, 500 crores that we invested, we get operational efficiencies, but then when it flows to the bottom line it is 28% kind of return on our capital employed and it is 30% kind of return. So, how do we measure that, what is the evaluation aspect of it?

Mukti Lal: Yes, so this is very good question. Basically, these all are the new age sorting centers, these are basically backbone of all our operation and we want to be improved, more efficiency and want to reduce the turnaround time for cargo from across India, because now we are dealing with only one center and now second is underway, after that, we will be seeing the more benefit because then probability of correctness, probability of time is there, because as we mentioned last time, there is a reduction of holding time has been heavily reduced almost 60% time in this center. So, the next center will be also helping us and once we will reach on reach 10 centers then we will be in a much better way to execute the cargo. So, that sense and another aspect of these because we are building up the centers for like 15, 20 not for the like short term of medium term or five to six years. So, obviously near-term returns are slightly less but, ultimately we want to be like payback period of six-to-seven-year max for the center's. The life of these centers, life is like 15 to 20 years at least for every center.

Lokesh Maru: Okay, understood. So, we are looking at it from a long-term point of view, long term benefit of the investment point of view. Sir can I squeeze one last question?

Mukti Lal: Please.

Lokesh Maru: Sir, given our volume growth in the last three years, would it be substantially different from volume growth of the industry leader operating in the Express segments?

Mukti Lal: So, basically, if you see what kind of environment we are operating like in express segment, which is part of load business in express that is completely different. And we have seen a growth in like in FY22 we grown around 28% and FY23 we have grown 16% And this year, the only challenge is, so we can say like our MD has said, we are running in both way, we need growth as well as profitable growth, we are not compromising on a margin level. So, that sense in the challenging time and other guys like going up and then going down heavily and then come up again and then so that's why we are not going, we are consistently, so our strength is our employee network, our branch which is owned by us, and sustainability on the supplier side, we are also having long, long relationship with them. Our relationship with our like SME customers is intact, like other rightly, someone has rightly said, no one is really able to maintain their level of business with them. They are facing a lot of challenges, but we not because we since last two decades, we have a good relationship with them. And that's why we are opening up the branches. If you deal with only big customers, then we don't need a branch network. So, that said yes, we are differentiate ourselves in many terms, other bigger aspect everyone is talking about like IT improvement, but we are talking about operation efficiency that's why in this B2B industry, we are the only one to putting these automation and the sorting center. So, that I can say.

Moderator: Thank you very much. Ladies and gentlemen, we will take this one last question from Akash from Dalal & Broacha, we will not be able to take any more further questions. Akash please proceed with your question.

Akash: Just wanted to ask, regarding the EBITDA margins, a couple of quarters back, we were promising that due to the automation centers and operational efficiency of the sorting center, we wouldn't be able to scale those margins to 17.5% to 18% in the longer term, but now, we have changed our stance. So, I just wanted your comments on that.

Mukti Lal: Yes you rightly asked. So, basically, our cost reduction due to that automation, we have taken a target of like 35 to 40 basis point reduction and we already did like 25 bps reduction in cost. So, these two things are simultaneously obviously, supposing we could not have this automation then we will not be able to generate even what kind of margin we right now have. So, even to maintain the kind of margin level of 16% is really challenging in this year, you can see drop of these other players is a heavily drop of like 40%, 50% or other aspects of that the service level what we are providing to customers so our resilience with this all kinds of customer due to this efficiency we created through this automation is really fantastic and customer appreciated that. So, that's why in spite of a flattest growth, we are able to maintain margin levels. Again Mr. Chander has mentioned in time to come obviously we want to be back to that trajectory of 17% to 18% margin back.

Moderator: Thank you. That was the last question for the evening. For any unanswered or follow up questions, you may get in touch with Navin Agrawal at SKP Securities. I would now like to hand the conference over to Mr. Agarwal for closing remarks.

Chander Agarwal: I must thank everyone for participating TCI Express concall for the Q3 FY24. We have been experiencing a tough quarter and a year, yet we have maintained our margins, and we strive to always keep our shareholders and our vendors and our customers our top priority. With that, I must thank you all.

Mukti Lal: Thank you, everyone.

Moderator: Thank you very much. On behalf of SKP Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.

For more information please contact:

Mukti Lal
CFO, TCI Express
+91 124 238 4090 - 4094 (Extn. 606)
mukti.lal@tciexpress.in

Anvita Raghuram / Bhushan Khandelwal
Churchgate Partners
+91 22 6169 5988
tciexpress@churchgatepartners.com