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26 October 2024

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

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 11 October 2024 and Outcome and audio recording of earnings conference call dated 22 October 2024

In compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the earnings conference call of the Company for the second quarter and half year ended 30 September 2024, held on Tuesday, 22 October 2024, with several Analysts/Institutional Investors/Funds. The transcript includes list of management attendees and the dialogues including but not limited to the Questions & Answers.

The text transcript and audio recordings of the said 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No Unpublished Price Sensitive Information was shared/discussed by the Company during the earnings conference call.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 weblink: https://mahindralogistics.com/investor-interaction/

For **Mahindra Logistics Limited**
JIGNESH
ASHOK
PARIKH

Digitally signed by: JIGNESH ASHOK PARIKH
DN: CN = JIGNESH ASHOK PARIKH C = IN O = PERSONAL
Date: 2024.10.26 14:45:50 + 05'30'

Jignesh Parikh
Company Secretary

Enclosure: As above

“Mahindra Logistics Limited

Q2 and H1 FY '25 Earnings Conference Call”

October 22, 2024

“E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22nd October 2024 will prevail.”

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

Moderator: Ladies and gentlemen, good day, and welcome to Mahindra Logistics Limited Q2 and H1 FY '25 Earnings Conference Call. As a reminder, all participant line 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 touch-tone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Shogun Jain. Thank you, and over to you, sir.

Shogun Jain: Thank You for joining us on the call today, we have with us Mr. Rampraveen Swaminathan, MD and CEO; Mr. Saurabh Taneja, CFO; and the senior management team. I hope everyone has had a chance to view the financial results and investor presentation, which were 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 maybe forward-looking. A disclaimer to that effect was included in the earnings presentation. With this, I'd like to invite Ram to make some preliminary remarks.

R. Swaminathan: Thank you, Shogun, and good evening, everyone. I trust you all had a chance to view our presentation and the financial results, which are available on the stock exchange and our company website. I think I'll briefly talk about external environment, our end markets, operational highlights by segment and some key corporate updates for the quarter. Let me conclude by talking about financial performance in Q2 and H1 and our focus areas for the remainder of the year.

So as we mark third anniversary of the GatiShakti program, there has been tremendous acceleration in overall infrastructure and development of the sector. Increase in the capital investment by the government and the private sector rose from 0.4% of GDP in FY 2015 to approximately 1%, which is around INR3 lakh crores in F '24.

Over the last 10 years, there's been significant progress in development of national highways, which has increased 1.6 times in the last 10 years. The average pace of national highway construction has nearly tripled during this period driving from 11.7 kilometers per day to approximately 34 kilometers in the current year.

Additionally, in total digitization, digitalization has significantly reduced waiting time at toll plazas decreasing from around 12 minutes to less than a minute over the last 10 years. Indian ports have also been rapidly expanding their capacity with improving trade demand. Since 2014, capacity of major ports has more than doubled, and improved connectivity driven by coordinated planning under the GatiShakti National Master plan, along with its strong emphasis on public-private partnership has significantly enhanced India as a maritime competitiveness on a global stage.

Reflecting this program, progress in India now ranks in international shipment category of World Bank's Logistics performance index, India's rank has grown from 44 in 2014 to around 22 in 2023. The continued focus on the GatiShakti program, the initiatives are critical for the sector, and we continue to drive long-term acceleration for logistics. As India goes towards a $5 trillion economy, the logistics sector's long-term potential will continue to rise.

Let me also quickly cover our end markets, and I'll begin with the automotive industry. In Q2 FY '25, overall passenger vehicle wholesale decreased by 2% year-on-year but grew by around 2% quarter-on-quarter. Passenger vehicle retail sales declined by 3%, with Q-on-Q performance also impacted by unseasonal rains and the shradh period in September, which is generally considered inauspicious by customers.

In the 2-wheeler segment, overall wholesales has increased by 13% year-on-year and 5% Q-on-Q, which is a strong turnaround. But domestic wholesale is growing by 13% year-on-year and 4% Q-on-Q. On the other hand, commercial vehicle sales remain subdued. Commercial vehicle wholesales are expected to decline by 10% year-on-year and approximately 3% sequentially, driven by reduced activity -- and a slowdown in infrastructure spending.

The light commercial vehicle segment is anticipated to fall by 11% year-on-year with flat Q-on-Q growth. Despite festivals like Ganesh Chaturthi and Onam, dealers have reported satisfactory performance, integrating undeveloping market sentiment was flat on negative growth trends. Adding to this downward critical monsoon weather, inauspicious Shradh period have kind of further dampened sales during the quarter.

According to the Federation of Automobile Dealers Associations or FADA, for our passenger vehicle dealers are facing historically high inventory days or approximately 80 to 85 days equivalent around 8 lakh vehicles was on INR79,000 crores due to aggressive dispatches by OEMs.

Looking ahead, the automotive sector remains cautiously optimistic with Navaratri and Diwali following in the same month, raising expectations for a strong surge in vehicle sales. Our OEM customer base has seen mixed trends with a continued trend of NPDs on nonproduction days in some cases, offset by continued strengths from our OEMs. Across the board in our entire customer base, we see a strong focus on inventory improvement in management.

Moving on to FMCG segment. The worst seems to be over for rural markets, although momentum has not picked up significantly compared to the earlier quarter. Over a healthy monsoon has led to a good kharif harvest, which is expected to ease some of the persistent food inflation pressures. Our volume growth is anticipated to remain healthy, especially with a favorable base.

As the festive season approaches in Q3 F '25, our most certain uptick in demand is expected. Additionally, a large portion of pricing declines in home consumption categories, such as edible oil, hair oil and personal care products are now behind us providing further support for improved market conditions.

While we see our customers showing greater optimism with a strong focus on growth in the network, at sites and individual locations, volume remains soft and volatile through the second quarter, and we're optimistic to offer an uptick in the coming quarter.

Moving to telecom industry, telecom operators announced tariffs hikes at the end of Q2 F '25 and in fact expected to start reflecting in the coming quarters' results. As a result, performance is expected to improve sequentially, driven largely by the benefits of higher tariffs.

Additionally, capital expenditure remained stable compared to the previous quarter, supported by ongoing investmentin 5G infrastructure, and efforts to densify rural networks. The strong signals of growing investments in major 5G players, appears well for value-added services and FTTH and Indian distribution for the logistics sector.

In the e-commerce sector, we've talked about a lot. I'm going to focus more in terms of short-term plans . As we get closer to the peak period of the year, the primary focus of the sector has been adding capacity across the networks for major marketplaces. Sales in the early part of Q2 bears reason for optimism, and we have seen an increased activity. However, at our customer end, the focus remains on improved asset utilization, with overcapacity in several products giving capacity additions done earlier in 2022-'23 and 2023-'24. A secular area of growth remains quick commerce and grocery, with increased focus on expanding categories and the network. These segments also translated to higher growth from mid-mile fulfilment services.

We remain optimistic of the quarter ahead based on demand currently shared by our major customers. The mobility industry has not seen any significant changes. Business travel remains strong, and the leisure segment has continued to show positive trends. On the B2B side, we continue to see a slow return to office, and there has not been a significant change in the direction, which has been slow but positive over the last 4 quarters.

Let me just move on to our operating segments. In the interest of time, I will not cover all our segments. But we will answer specific queries you have on any of them later on in the call. I'll begin with the third-party logistic, Contract Logistics business of 3PL Contract Logistics business. The 3PL Contract Logistics business grew by 7% year-on-year during Q2 F '25 as several of our new sites showed volume growth.

Our order intake was healthy with an order intake of annual contracting of orders intake of nearly INR200 crores during the quarter. We won several key programs, especially around fulfilment for leading promise cosmetics players, we will be launching 4 new distribution centers in the coming 6 months.

We also expanded the additional wins in grocery and quick commerce during the quarter through which we'll be expanding our fulfilment center network for the segments. While new order volumes have been healthy, lower demand from current volumes in coming sites had a dampening effect during the quarter. With great demand from consumers, FMCG, e-commerce and auto OEMs.

This has partially impacted the gains we registered from new accounts. During September, we had a seasonal resource additions for the fleet period, which starts for us in October. This is something which we do annually. This year, given the peak has split itself across 2 quarters in terms of resource periods, we saw a strong increase in September.

There are additional resources we've added. We've added the 6,900 seasonal resource workforce in ramp up for the peak, and that has resulted in higher expenses during the quarter from INR3 crores to INR4 crores and impacted the earnings in the quarter. However, this should be offset in Q3 when we see higher volumes basis the projections we have received from our customers. We do continue to invest in our warehousing network in the third-party logistic business. Cumulatively, our total warehousing space today is in excess of 21.6 million square feet. During the quarter, we commenced operations in Guwahati and Kolkata, our new BTS in Agartala is under construction and is set to go live with partial operations in Q4.

All key sites are anchor clients identified and commissioning has already been completed in Guwahati and Kolkata. Overall, the white space in this business has come down marginally compared to the prior quarter. We currently have nearly 1.1 million square feet of white space, which has impacted our year-on-year earnings.

These are on account of closures, mainly of e-comm contracts post 2023 the Diwali peak. We have made progress on new sales of that space and approximately 50% of the white space will be utilized by new orders and new projects shall go live by the middle of Q4 FY 20-25, and then we'll start to incur it to our earnings from that point onwards.

Moving on to the freight-forwarding segment, it was a period of recovery for us in freight forwarding, with growth in tonnage in most of our products other than air imports. The growth was driven by new account additions , and penetration in existing accounts. During the quarter, there was a more favorable pricing environment, especially in terms of ocean freight, which has provided us a strong improvement during the quarter.

While external environment remains volatile, we remain optimistic in the coming quarters given our acquisition, new clients and the growth we are seeing is some of the large contracts. I'll now move on to the Express business. This was a challenging quarter for the Express business. The demand environment, which is challenging in the prior quarter, remained weak with a lot of volatility and lower volumes from several clients.

While we maintained a very low level and healthy level of accounts churn, they did see a 7% to 8% decline in volumes from existing customers on the back of lower business volumes they had. New account additions of around 1,500 to 2,000 tons were also lower than what we had estimated given the market conditions as we had slower closures and delayed start-up on the accounts.

As a result of these volumes for the quarter were generally flat Q-on-Q. And there was also a marginal impact due to lower sales to our retail customers or retail segment. While demand was a challenging situation for us, operationally, we had a good quarter with strong continuing improvement in our on-time delivery rates and our service quality to our customers.

However, volatility in sales resulted in challenges for us during the quarter with higher transportation costs, as you saw peak volumes at the end of each month. Overall, this has been a challenging quarter for the Express business. It's a business which is a critical part of our turnaround plan was in the last and the current quarter. So it has been a challenging because we have lost some ground in the turnaround plan.

However, we have made good progress on underlying factors and we remain cautiously optimistic about short-term volume trends. A few other corporate developments during the quarter. As part of our overall regional expansion, we are well underway in our Go East strategy, wherein will be adding nearly 1 million square feet of multi-client warehouse in Kolkata, Guwahati and Agartala.

This is supplemented by the expansion of nearly 100 hubs branches and delivery stations in our Express and Last Mile delivery business, connecting the entire region. This should show us, position us base strongly in our sector to serve what is generally considered a challenging part of India geographically. During the quarter, we also launched a new offering called Pro Trucking, which is focused on high-volume network transportation solutions for large multi-site clients.

The offering has seen some positive customer adoption by 4 to 5 key customers, and we expect to further ramp up the offering in Q4 and early Q1 or F'25, F'26. As part of our green logistics offerings, we launched EDEL-EAR, which is an industry-leading digital platform for visualization and monitoring of emissions. Supplemented implemented by our secular operating systems, sustainable warehouse and EV transportation services. This will provide customers an opportunity to measure and manage their carbon footprint, especially on Scope 3 emissions.

With those general updates let me quickly move into our financials for the quarter. From a financial performance perspective, I'll begin with consolidated performance of Q2 F'25. Revenue for the quarter was INR1,521 crores, up 11.5% year-on-year. Revenue from the warehousing segment were INR306 crores in Q2 F'25, up approximately 19% from the same quarter last year at INR256 crores.

That includes warehousing and integrated solutions. Overall, our supply chain management business, including our 3PL and network services businesses, which is Freight Forwarding, Express and Last Mile delivery, contributed 95% of our overall revenue and the Mobility business contributed 5% of our overall revenue.

Gross margin at a fully consolidated basis, included was at 9.17% in Q2 F '25 come down marginally from 9.25% for the same quarter last year. Gross margin without the impact of the Express business is 11.4%. EBITDA for the quarter was at INR66 crores, up from INR54 crores in the same quarter last year. Overall, for the quarter, we reported a loss of INR10.8 crores, an improvement over the same quarter last year but a small marginal decline compared to the immediately preceding quarter.

Now moving on to components, revenue for Q2 F'25 for MLL, which was INR1,236 crores as compared to INR1,135 crores the same quarter last year, up by approximately 7%, PAT for the quarter was INR8.5 crores as compared to INR18.6 crores for the same quarter in the prior year. Our PAT was impacted by two broad elements compared to last year.

The first 1 was the seasonal impact of hiring for the peak. Last year, the peak was in Q3 and the second thing which has impacted us was the white space, right, as we had compared to last year when the million square feet or so space which I referred to earlier was fully occupied. Lords, which is our Freight Forwarding business. Revenue for the quarter was at INR86.8 crores as compared to INR52.5 crores for the same quarter last year, up approximately 16%, PAT for the quarter rose sharply to around INR2.1 crores as compared to a margin -- being marginally about breakeven for the same quarter last year.

Our Express business reported Q2 revenues of INR91.7 crores is reported under a subsidiary called MLL Express Services Private Limited. Total losses for the quarter in Express business were INR24.2 crores for the quarter, an improvement by around 4% compared to the previous quarter but trading obviously behind what we had initially estimated, our target for the quarter.

The mobility business continues to show -- continues to move on its profitability improvement process. Revenue for the quarter was INR81.1 crores. It was down compared to last year largely on the account closure of some accounts and higher vacations and disruptions during the quarter which resulted in lesser trips.

PAT for the quarter stood at INR1.6 crores compared to INR0.9 crores in the same quarter last year up by 72%. Whizzard which is our last-mile delivery business. Revenue for the quarter was at INR 51 crores, up 46% from the previous year. PAT for the quarter stood at INR0.2 crores, Whizzard, the Last Mile Delivery business acquisition, Whizzard has now completed 3 consecutive quarters profitably.And we feel good about the scalability of the business going forward.

2x2, through which we run assetized car carrier operations. The profitable business has made a profit of INR1.2 crores in Q2 of '25 as compared to INR0.4 crores in Q2 of ‘24. Revenue breakup for Q2 F '25, automotive business approximately 57%, non-automotive is around 43% of our revenues.

As I look back at the quarter, we have been able to start a sharper volume recovery with 11.5% year-on-year growth. That caps a challenging F'23, F'24, where we had seen slower volume growth. Our subsidiaries are showing stronger traction, profitability in line with the long-term plans we deliver at the time of acquisitions.

We remain focused on running improvements in 3PL to prior periods, driven by focus on reducing white space and driving more operating improvements and getting the MESPL turnaround back on track after what was a challenging quarter for us there. With that, I'll open it up to queries and come back towards the end of the call again.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press star and 1 on the touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handset while asking a question. The first question is from the line of Mr. Amit Dixit from ICICI, go head.

Amit Dixit: Good evening every one and thank you for the opportunity, I have a couple of questions. The first one is on Contract Logistics business. Just wanted to understand the quantum of unabsorbed cost in this quarter because revenue seems to have grown but gross margins haven't grown, so I just wanted to understand that aspect.

R. Swaminathan: Sure, Good Afternoon Amit, Do you want to just give us both your questions, and we'll answer both of them together?

Amit Dixit: Yes. Sure. So one, is the unabsorbed cost. The second one is essentially at Rivigo, what is the cash burn over there? And do we need to pump in more cash at this entity? These are my 2 questions.

R. Swaminathan: Sure, I'll answer both of them in the sequence you asked them. So obviously, we did see volume growth overall in the Contract Logistics business from 7%. Most of the volume actually came from new sites and new accounts, Amit. And our same site -- so we look at this business, obviously, is we've done long-term contracts for our customers and integrated solutions, warehousing and transportation.

And these accounts have a certain running volume and then we add new sites every quarter or every year. Because of slightly softer market conditions, especially on the automotive side and some FMCG customers, our existing customers actually showed some decline in volume. And that was one thing which impacts our operating leverage at those sites.

The second thing, which we did have a challenge on -- while we add new sites, which actually drove the revenue growth offsetting that. From a bottom line perspective, I think there are 3 broad drivers which have impacted us. As I said earlier on, we had some impact because existing sites actually went down year-on-year on volume that obviously got offset by new sites, but if the volume has not gone down, we would have been even better off.

The second thing, which is a challenge is the unabsorbed white space. Unabsorbed white space is approximately 1.1 million square feet, which is around INR7.5 crores to INR8 crores a quarter in terms of -- at a pre-tax level. And the third thing, which impacted us was sequentially and year-on-year, Amit was the peak impact. This year because Diwali is coming in October, we have done most of the resource additions in September.

The volume for that resource addition will actually flow through next quarter. And we've had some -- our total -- as I mentioned earlier in my opening remarks, we added around 6,500 people, right, on temporary contractual basis across around 97 sites which we run in e-commerce, 100 sites we run in e-commerce and that has meant that we've added INR3 crores to INR4 crores impact. In the Contract Logistic Business, there's some amount of impact on Last Mile Delivery business as well, but that's much smaller.

So that's, I think, the broad run up. I think it's big numbers, obviously, are the INR8 crores of white space and the INR3 crores to INR4 crores of the preseason or the seasonal hiring. And that is much of your data between last quarter, last years Q4, Q2 and this year's Q2. In addition, last year in Q2 we had other income, which was sharply higher because of some onetime settlement of prior period tax cases. But those three are your principal waterfall elements from an earnings perspective.

As we go forward, two out of our other income will come and go, but I think the other two will basically get resettled. One is the seasonal hiring, which will go away in this quarter. And as I said, we've kind of already sold out half the white space. And obviously some new accounts as well.

To your second question in terms of Rivigo, yes, the company is having an cash burn. We are, as you can see, the reported PAT losses of around INR24 crores on a noncash basis, the loss is around INR21 crores. Depreciation is roughly around INR3 crores. And that's kind of the is burn which we are funding.

We have capitalized the company, I think earlier this quarter, I think you would have probably seen our stock filings. We're adding another INR50 crores of equity in the company. We have a strong governance mechanism based on the long-term valuation guardrails of the business and what we put in our initial business plan, and we remain committed to funding the business. This has been a challenging quarter for the business.

We are cognizant of that, but we think the underlying building blocks are in good shape. So we'll continue to invest in, Amit, as we try to scale up.

Amit Dixit: At this stage, any guess you will regard for Rivigo to turn EBITDA positive, either in the third quarter or fourth quarter?

R. Swaminathan: No. I think right now -- let me put it this way, we need -- I think last quarter also I said the same thing, Amit. We need around 30%, 35% more volume, right? And we'll say 30% to 40% more volume yield adjusted for us to redo EBITDA breakeven. Now somebody asked me the same question last quarter as well, and I said that one of the risks which we carry is that the demand environment is a bit volatile, it was difficult last quarter as well.

We were not expecting our existing customers to downgrade, which actually happened this quarter a little bit. And has happened across all our businesses, frankly, the exception of Forwarding, cross-border business, and that impacted the Express Business a little bit more. We believe 35% to 40% more volume.

That's been a consistent number I've said now for -- from the quarter, I think we acquired the company, right? And that's kind of the bridge which we need to match, to map, I think -- and right now, we are hoping to do that right around the 4 to 5 months. right? So somewhere in the middle of Q4 is when we should be able to do that.

And there will be some burn which we'll have to fund over the next 2 quarters as well. That's something which we have partially capitalised with the equity infusion that we have done in earlier this quarter. And then we will see how it goes from there. We are, of course, funding we have been funding this through internal accruals.

Amit Dixit: Thank you so much and all the best.

Moderator: The next question is from the line of Jainam Shah from Equirus Securities Private Limited, please go ahead.

Jainam Shah: Hi am I audible?

R. Swaminathan: Yes Jainam, please go ahead

Jainam Shah: This question is related to Rivigo part only. So sir, if we see -- if we go, back 2 years, somewhat where we have acquired the Rivigo, our plan to revamp the operation and make it EBITDA and PAT breakeven was quite a middle of FY '24, and eventually market was not that great or maybe a few players have become aggressive in gaining the market share or maybe any other reason.

The volume growth has not been that much. And eventually, we have lost some market share in terms of volume. And while we are on the peak of stage, I guess there has been 5%, 6% overall revenue growth, which we are witnessing and there has been a cost pressure as well coming from the overall macro environment.

So from this angle, are we looking for any kind of thing which can eventually turn around for the Rivigo in near term? Or is it more of an investment vehicle, as of now, for us, maybe for the next few quarters and then eventually turn it, making it profitable. So my observation would be that on a Q2 basis, our revenue has increased by somewhat of INR2.5 crores, INR3 crores, whereas our

EBITDA has improved by around half of that. So incrementally, 50% EBITDA is flowing through from the additional revenue, but to make it profitable INR12 crores of EBITDA losses is still there. So what would be our overall, let's say, next 2, 3 years perspective on the Rivigo?

R. Swaminathan: So Jainam, I think you answered much of the -- I think much of your answer to your question actually is in your question, fortunately. I think when we acquired the company we had assumed -- so 2 things have happened there. Since we acquired the company, 1 milestone, which we missed was around smooth integration of the networks.

We already have a challenge in integrating the networks, which kind of -- which is something which you carry it from March 2023 to around August or September 2023, which is probably on the fourth or about fifth months of the acquisition until the tenth month. That will give us time to clean up and fix.

I think since then, from an operational or an offering perspective, we have been pretty robust. Our on-time deliveries have continued to improve. We are actually being -- adding more capacity on some lines, on line hauls to support the customer value proposition we provide. So operationally, I think we are in good shape.

Obviously, we move nearly INR6 crores to INR7 crores packages to the network and therefore, you are not going to get it perfectly right all these but it's operationally in a good place, right? And that's also reflected in the yields which we are getting from our customers. The challenge for us is to get volume up. Volume up is the story at a from volume, I think this quarter, we saw better flow-through from revenue to EBITDA.

I think that's probably -- this quarter slightly on the higher side. I would generally say revenue-to EBITDA flow-through should probably be 25%, 26%. This quarter was slightly higher for us. I won't use this quarter as a straightforward benchmark as well. But we need around that -- I think we need 35% to 40% more volume, and that's kind of, that's the thing which will solve for it, Jainam, and there's nothing else to it.

That means we've got to sell harder, we're going to deliver more in a cleaner way, and we have to drive better synergy with the rest of our businesses because obviously, we serve many accounts to the rest of our company and our other segments as well. We had hoped getting into the year that we would have a -- we had a stronger Q4 where we saw some good intake -- order intake in Q4, and we are optimistic in Q1 and Q2.

But market conditions have been weaker than we expected. That has tailed a little bit through in our pricing, but for the large part, it's affected, I think our conversion more than our pricing. So at this stage, I think there is -- the focus purely is on getting our demand and to deliver the volume and driving the conversion. If we deliver that well, we think our volumes will continue to have upside over the next few years.

From a long-term perspective, I'll reiterate what I've consistently said that which we do, we do believe that from an end-to-end solutions perspective, part truckload remain very important lever for customer value creation. And therefore, strategically, MLL is very committed to being in this space. We think it is very, very important for our company and its portfolio from a long-term perspective in terms of the value prop, which we hope to provide.

The segment itself will have secure 13% to 15% growth, it's been a tough year. But if you look at the segment, it has been among the fastest growing segments within logistics. That's something which I think all of us in the industry continue to bear out. And we think that growth recovery will come back even though it's been a couple of weaker quarters.

And the third thing, of course, is I think from a valuation perspective, even with the additional investments we have made in and something which -- when we made the acquisition at 0.67x revenue, everybody asked us, have we got a very low-cost deal and we said, it's kind of, we purchased at a low cost, but we will invest more to turnaround the business.

And we are still roughly running at around onetime revenue in terms of our total invested capital, debt and equity in the transaction, which we think is very even fully including the losses, that's kind of level investment we have made, and we think that very well positioned investment value in terms of the portfolio and the comps in the market and the industry.

I think the focus right now is to get the volume back up, Jainam, and I think if we can do that, we will be in a good place. We have a good order book -- order book quality is good now. That's one of things which we had to clean up in the past. And therefore, that's in a much better shape as well. And we just have to execute on better volumes. I mean that's the simple and more -- it's easy and difficult but that's I think road in front of us.

Jainam Shah: Got it, Just one follow-up question. As you are talking about 35% or 40% volume growth to make it EBITDA breakeven, do we have the capacity for this kind of growth or we will be adding up no more capacity for that?

R. Swaminathan: I think it's a mixed bag. At sites, Jainam, we have the capacity. That's one of the reasons that profitability will go up. So capacity is tied to 2 things. It's transportation and its processing centers. Our processing centers and facilities, we have the capacity. We have to add a few ships, right by and large, we have the capacity.

Transportation right now the line haul network is running at around 85% utilization, 80% to 85% utilization. Utilization came down a little bit this quarter because we ran more lanes given that time requirements. So that is the headroom which is available in the network. And beyond that, we'll have to add capacity as volume comes up.

Jainam Shah: Got it, got it Sir. So that's it from my side. Thank you so much for the lovely answer.

Moderator: The next question is from the line of Saras Singh from Haitong Securities.

R. Swaminathan: Hi Saras,

Saras Singh: Hi, I just had one bookkeeping question. So, what was the volume in the Express segment for the current quarter?

R. Swaminathan: I think around 64,000 metrics tons -- 66,000 metric tons.

Saras Singh: 66,000, is it correct to say that over the last quarter, we've seen a dip -- a slight dip because last quarter, I think we had mentioned a decline of about 8% from like -- from quarter-on-quarter sequentially. Is that correct? Is there a further dip from the previous quarter?

R. Swaminathan: So I think we were down in Q1 versus Q4, we were down 7.6%. This quarter, we are up by around 2% in terms of actual volume now. From a yield perspective -- yield was slightly down this quarter because we had a higher mix of enterprise versus retail and that was an impact. The overall volume in the quarter grew by 2% to 3%. Pickup volume is higher, Saras.

We actually picked up more volume, but delivered volume grew 2% to 3%. Pickup volume grew by even higher, but given the volatility with the end of month swings and seasonal and weather challenges through the quarter and more holidays, we obviously did not -- we had a slight -- we had a higher gap between pick-up and delivery. But delivered volume is up 2% to 3% compared to the sequential quarter.

Saras Singh: Okay and so for Q3, just a basic question, can you expect some seasonality for the PTL business as well?

R. Swaminathan: I think we're expecting -- I mean, to be honest, Saras, I think there are 3 parts where there's obviously seasonal demand which comes from our retail network and our existing customers. There is obviously existing customer account volume; the third one is new account addition. What I think was a challenge for us in Q2 was just the fact that given the overall economic environment.

Several of our accounts just down traded us, not because they were down because we lost share, their volumes just came down, right? We are hoping that, that will come back, Saras. I think, that to us is the biggest immediate lift because those are accounts we're already working on. It's actually volume is serviced at a higher level.

If you see the dip -- if you go back to Q4, the dip versus Q4 is actually a lot of it is that. So hopefully, that volume will come back. We're optimistic it'll come back. It's still early in October to call it. But I think as we get closer, right, we'll be in a better position a couple of weeks where we will talk about it more clearly. But we are expecting obviously a seasonal lift from our accounts.

Saras Singh: Got it, thank you for the answers and best of luck for the upcoming quarters and Happy Diwali, thank you ?

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

Krupashankar NJ: Thank you for the opportunity, So Ram, couple of questions, first one on the -- is there any one-off relating to Flex warehousing, which has impacted the 3PL margins this quarter?

R. Swaminathan: No, Krupa, I think as I outlined earlier on, firstly, I think Flex in general has come down in the sector, in the industry. I think if you notice peaks are getting longer, as in festive sales are just getting longer. And you will see that across the board except for grocery and quick commerce, most of the marketplaces are running slightly longer sales. And if you look at delivered dates on those results, you just see a slightly more stretch out on that.

So inherently, the demand for Flex is the demand growth spurt is not there to justify Flex right now and more of it has been handled operationally. So then it's not there and no one-offs this quarter. I think the impact, clearly, compared to last year, Krupa, it has been the white space. I think I mentioned there's been white space of about INR8 crores. Obviously, the additional impact of seasonal hiring of around INR3 crores to INR4 crores.

Those are the 2 big headline numbers. There's been lower in site volume, that's been offset by some of the growth as well, year-on-year. But these are the 2 big drivers in the 3PL business which have moved volume out. I think the seasonal hiring is an issue of September, it should basically kind of unwind itself in the coming 3 months, and you should see an uplift from it as we build up capacity.

And I think we provide space for the unsold warehousing, we have contacted more than half of it already. So you should see that come down in its impact over the next couple of quarters.

Krupashankar NJ: Also Ram with respect to Last Mile Delivery, are you seeing growth trajectory improving substantially from here on because when I look at the capex numbers, I was quite surprised to see that the capex incurred in the first half is pretty much quite on a higher side in comparison to our past. So is it more to do with this Last Mile? Or is it -- can you just give us a breakup per se as to what are these target areas?

R. Swaminathan: I think I'll answer the question on Last Mile first but there's really not much of an impact on Last Mile. Last Mile business has grown healthily. I think has benefited from specific segments we are working on like grocery and new account addition. I think through the Whizzard business, we run a very cost-efficient model, and therefore, it's not a very capital dense business.

I think during the first half of the year we have spent an increment in capital during the first half of the year that's largely been on account of 2 things. Firstly, I think as you can see our 2x2 results at subsidiary level, we have added around 75 vehicles to our 2x2 fleet, which is was assetized truck fleet, which we run for car carriers, and that fleet has been fully deployed.

I think you can see that, the benefits of that showing up in the results, partially in this quarter. There's some more headroom to go as vehicles get fully utilized. I think the second piece of growth has really been that, as you've seen, our warehousing revenue has grown by 20% year-on-year despite the challenges, and we are adding more offerings and solutions there. And that has seen some amount of capital during the quarter.

We have gone live with a couple of new sites in ramp up for peak. And that has been the other part, which has added capital as well. So if you generally see our -- we have a -- if you generally see our general capital pattern, Krupa, if you go back and we've been on the stock for quite some time, we've generally been a 65-35 kind of company.

65% in the first half, 35% in the second half because a lot of our cap addition has been lagging up to that festive season, right? So we are up this year. But if you take out the fleet additions, I think we are still pretty much in line, we've been a 1.2% to 1.3% of capital investment model, and I think we are generally in that range still in terms of the first half of the year. I think in the second half of the year, we will actually probably see some additional capital investments.

We are working on some several large projects and if those materialize in terms of demand, we should see a higher capital flow there. We're also looking at some fleet addition, more addition in the 2x2 business, which should also probably given the strong demand, we are seeing in car carriers and some of those things, Krupa, will probably add to our capital addition as well.

Again, as I mentioned earlier, capital spend is generally govern by earnings guardrails and we don't approve projects which are not in line with those guardrails.

Krupashankar NJ: Understood Ram, Thank You

Moderator: Thank You, the next question from the line of Alok Deora from Motilal Oswal, please go ahead.

R. Swaminathan: Hi Alok.

Alok Deora: Hello good Evening Sir, just a couple of questions. So sir, just a few quarters back, you had mentioned that the tonnage is around 70,000 or so and we need to get towards 1 lakh tons kind of a run rate to achieve breakeven and in the current market scenario, where most of the companies are talking about at best kind of individual growth there, recouping at 30,000, 35,000 tons quarterly, incremental volume seems pretty far-fetched.

So is it fair to assume that this would be a much longer drawn process here because unless we reach around 90,000, 95,000 or 1 lakh ton of the breakeven seems not happening. So just some thoughts on that. I know you have spoken in detail on Rivigo. But just if you could highlight it in terms of the tonnage?

R. Swaminathan: Alok, I mean all the data points, I think, said are all accurate. I think we had said when we are around 71,000 tons we had said around 30% to 35% more, we said 95,000 to 1 lakh. That was Q4 of last year. We obviously project -- we were down in Q1 7% to 8%. We're up 2% to 3% this quarter. So that's just like this is getting up base lining, all of us on the same pace in terms of base lining.

We do obviously need to get around to the 30% more, which is around from that 65,000, 70,000, 30% more, and that still remains the North Star, if you will, to be EBITDA positive. In terms of the market challenge, I think that challenge -- I think the challenges you articulated are also fairly accurate. If I look at last quarter, Alok, I think we -- you had asked the same question last quarter.

And we said that we need approximately 5,000 tons a month, 4,000, 5,000 tons a month of growth every month to be able to hit that number in terms of growth. Last quarter, we did see around 2,000 tons of additional order intake. So it is not that the order intake was bad. But yes, challenge was that our existing volumes traded lower. And that means that we obviously had to reset our volume growth targets to higher levels.

We are investing more in the front end of the organization to drive that a lot more. We're also trying to drive better synergy between our 3PL business and our Express business. But the risk on volume remains, right? I think to the question I think Jainam asked earlier, and he said -- he asked us to give timestamp a date. And I think I told them that it's a bit hard right out to timestamp an exact date.

I could just give you a date for the sake of giving a date but it wouldn't really help. We do need to get to a 35-percentage volume growth. I think as you see it right now, this is what we are seeing in terms of a run rate of order intake, what we're seeing in terms of churn levels and what we see as a pipeline, both of converted orders, which are yet to trade and new conversions we have.

We think this will basically be a window through February or March. And as you point, I think we acquired -- somebody else pointed on the company we are expected to breakeven towards the end of '24? And we are now looking at probably breakeven at the end of '25, which is like a 12-month delay based on our current visibility, but the volume environment is challenging. I won't undermine that at all.

And we have people -- a challenging quarter for us. But I think we have some high probability line of sight to get into that volume by February or March.

Alok Deora: Sir, how has October been in terms of tonnage, even if you can share the absolute tonnage. But have you seen the incremental, whatever 2,000, 3,000, 5,000 tons coming in October?

R. Swaminathan: We've seen some marginal improvement on traded volume in the first 10 days, 10 to 15 days. I think we will probably get to see that -- as you know, I think there are 2 things here, Alok, there's pickup volume and delivered volume. So we have seen an uptick on the pickup side in terms of what we have picked up from our customers. We are seeing some stretch on deliveries. So we hopefully, we will have a better sense of that towards the end of October.

Alok Deora: Sure. Just last question, sir. So sir, I mean, the first quarter, we were down 7% Q-o-Q, then we are kind of flattish in second quarter and now, as per the revised sort of a guidance in a way that you are telling that by FY '25 end we will break even. So that would mean that we are looking at a 1 lakh or 90,000 sort of tonnage materializing by end of this year.

If we are growing at 2% or 5% or even 10% or even 15%, that might -- growth might not -- the tonnage might not really materialize, right? So -- because I mean, frankly, most of the companies are talking about 5% to 10% at best in the second half. So are we talking about a big share of -- big market share gain here?

Because I mean, 66,000 moving to 90,000 in 4, 5 months that seems pretty challenging?

R. Swaminathan: First, what I would -- I do agree with you that it's a bit challenging task. Just to get the numbers aligned, Alok, it is 65,000 in the quarter, and it goes to 85,000 to 90,000 in a quarter. So it's about 6,000 tons more per month. So in that sense, it's not a step-up change. If you remember, we are still trading on 5% lower than what we were in Q4.

So that's kind of part of what we have to get back in. We have to get that number in and then we have to grow from there. So it is a challenging environment right now. As I said we -- well, I think this is our best line of sight, there are challenges in volume for sure. We are -- but we have a high probability line of sight, and we are working it.

Can I guarantee? It's hard for us to guarantee anything. But we are working it based on what we see as probabilities and our pipelines are pretty strong.

Alok Deora: Yes, absolutely. No, the only reason we asked, this become a very significant part -- so that's the only thing because we are already delayed by kind of a year and still -- I mean we still see difficult materializing in the next 6, 9 months. Sure, That's all from my part, Thank You.

R. Swaminathan: Thank You.

Moderator: The next question is from the line of Ankita Shah from Elara Capital.

Ankita Shah: Hi Sir.

R. Swaminathan: Hi Ankita.

Ankita Shah: Sir, I want to question this last slide, as you mentioned, high probability of line of sight. Sir, in terms of volumes of what we don't see so far what will change so suddenly or gives you so much confidence on the growth in volumes. Also even if I look at your pricing, on an average, your pricing is not very competitive as compared to peers as well, so what is the USP or I would say, what is driving this confidence in terms of volume growth from here on, if at all?

R. Swaminathan: Sure Ankita, so I think we're going to come back to same question in a different perspective, right? But I think what gives us confidence right now is three things. The first one, I think as I said earlier on, we are still 5% to 6% trading lower than what our earlier volumes were. In Q4, most of that has not been share as on a competitive loss in terms of market share with those accounts, a share of wallet of those accounts, it's just been accounts which have been down trading their volumes in general.

As those come back and there is some confidence, which we have got from conversations with them, that approximately, the 15% to 20% is delta we need to bridge. The second thing I think is you know the industry very well Ankita, you've been working with many people. When we close orders, we don't get immediate conversion of all those orders. It takes us some time for us to get an order, convert it into full tradable volume.

Given some of the challenges in the market, that period has got stretched out. So if you look at what we have won or signed up in terms of contracts every month, it's probably around 4,000, 5,000 tons per month of contracts which are already been signed up but only around 30% of that has actually flowed into our books, right?

So obviously, the second part, which gives us confidence is that we really will -- we are not seeing any customer issues in those accounts. So we are hopeful that it actually -- that will chase in into our volumes in the coming 3 to 4 months. And the third one, obviously, is new account addition. So we actually break the 6,000, which I know it's a large number and it seems very large too.

In that, I think the 15% of it is just recovery from existing accounts we've had, around 40 -- around the 50% of it is actually driving more volume conversions from contracts we already have signed right? And the remaining one-third actually is new accounts which we have to win. So that's what gives us confidence.

I think on pricing, it's a mixed bag, Ankita, I'm not -- as far as competitiveness of the pricing, I think it's -- the pricing corridor is large on part truckload. I think there are players who are aggressively obviously pushing price to get volume. There are people in regional PTL, for example, who actually priced it even lower levels.

So it's very difficult to technically call our competitiveness of pricing without looking at our value proposition. I mean our value proposition is simple. We deliver more direct pin codes than many others do. And on the pin codes we delivered directly, which is around 8,000 of our 19,000 pin codes, we actually do have very good tax, we believe, very good turnaround times and delivery time.

And I think our service quality and our tech quality are pretty good. Now that's one of the reasons why we don't see much of our end customer accounts pushing heavily on price reductions. I have said consistently that we will not chase price to -- we will not aggressively use price to build volume, we are confident about our ability to drive the proposition to create volume for the business and that's something which we'll pull the line on.

Tactically, of course, that doesn't mean that we will not adjust volumes for specific customers or very large volumes or specific geographies, where we need backhaul or we need specific volume. But by and large, our approach is not to undercut competition, undercut existing pricing to actually volume for assets. And that's something which we'll remain consistent on. But that's actually why we think we have line of sight on it. That's slightly longer answer, Ankita, the proof of the pudding is in eating it. So we just have to wait.

Ankita Shah: Sir, got it, secondly, the debt has increased in the first half of the year. Does this already take into account the capex and the INR50 crores of additional investment required? Or is it over and above the first half?

R. Swaminathan: I think, Ankita, almost completely, just take it on most accounts. Obviously, part of the increase is because I said we bought 75 new car carriers, which are quite expensive, for the 2x2, that's fully in, in the new numbers. I think most of the capital investments we have made in the 3PL Contract Logistics business is completely in and obviously, for the large part, we also do the MLL, Express funding as well through internal accruals from MLL, and that's largely in those numbers as well. That doesn't show in our debt as much.

Ankita Shah: The loss funding is not included in this?

R. Swaminathan: No, loss funding is largely included in this number. We do a lot of our accruals. We don't borrow for internal -- till now we have not borrowed for loss funding's.

Ankita Shah: Because the core business is also loss business everything is going into that only, right, incremental funding or business as well as this.

Saurabh Taneja: Ankita, Saurabh here. Just to clarify, the core business generated INR140 crores of cash flow from operations

Ankita Shah: Yes, you're talking about SCM business there.

Saurabh Taneja: Yes, I'm talking about the MLL stand-alone entity. It generated INR140 crores of cash in the first half of the year, which was used to fund the equity funding as well as the capex mentioned.

R. Swaminathan: Ankita, I think I would just suggest you can look at the financials in a bit more detail and send us questions.

Ankita Shah: And lastly, you said the work from home has not fully recovered. But sir, last year, FY '24, we were seeing a growth in the mobility segment. And I think in one of the calls you had mentioned also that a large part of the airport business is back to pre-COVID level then why are we seeing slowdown in MLL mobility for the last 2 quarters?

R. Swaminathan: It's a good question. I think in the Express business, the mobility business on 15% to 20% of business is the Meru brand-based B2C business, around 80% of it is Express, is enterprise mobility. I think during the quarter, we saw the full impact we kind of -- our Bangalore-based Airport business came down because the contract with the Bangalore Airport was awarded to somebody else when the renewal came in earlier this year.

And that impacted our B2C volumes during the quarter. And that's the impact we're seeing year-on-year. The B2B business actually is in very stable shape. And it's not growing as much as expected because we've not seen a pickup on return to office but it's in pretty good shape, and that's actually why you see the profitability in a very stable shape and it actually improved year-on-year. It's also sequentially in very good shape.

So we are working, obviously, on strategies now to expand the B2C business. But, when we lose an airport counter, it has one spike or one sharp dip or one sharp spike. Airport to get a sharp spike, we lose an airport, we get a sharp dip. So that's kind time of period impact. But the core part of the business, which is the larger part of the business, which drives our revenue and earnings growth is the B2B business right now.

And that is the one which I think consistently, last year, I told you that the B2C business is back, in fact, it's growing, compared to pre-COVID levels. And I think that's something you can see in terms of passenger traffic data. The B2B business is where the recovery has been slower, and that is still crawling. It's just not -- we've just not found a second step up.

We've got the first step up around August last year. And we are still waiting for a good step-up to happen again. Many of our accounts are projecting more employees coming into work on a full-time basis, but we're not seeing that growth.

Ankita Shah: Okay, Thank You. All the best.

Moderator: Thank you. We will take the last question from Mr. Achal Lohade from Nuvama Institutional Equities, please go ahead.

Achal Lohade: Hello, thank for the opportunity, So the first question is on the supply chain business. You did mention that there have been some reduction in our customer count and some additions. How many customers we kind of seen unwinding? And number two, what kind of impact did it have in 3Q?

R. Swaminathan: So in 2Q we've not come to 3Q yet, Achal, hopefully there will be no impact, I hope so, right. But in Q2, just to clarify, we have not lost –and we didn't have a drop in customers. We actually had a drop in existing customers' volumes. Obviously, we run facilities and networks for our customers, Achal, and if their volume comes down, the volume we process comes down, right?

So if you run a warehouse, we deliver 50,000 packages, from that their volume comes down, it becomes 40,000. Then you, obviously, to that extent, lose some margin and revenue from the additional 10,000. So during the quarter, we did see that impact. It was a mixed bag across multiple sites.

On the automotive side, as I mentioned earlier, we had more non production days or no production days in our accounts. And that meant our run rate revenue from these businesses. Many of those we do want to price per vehicle, price per car, price per truck basis. So we obviously saw some impact of that.

That was on -- I don't have a specific number we can pull out a number, but probably I would say, is probably around $200,000- $300,000, INR2 crores-INR3 crores, right, of impact, right? That got offset by the growth we had in volume. So obviously, we also had a 7% growth in volume and that 7% growth in volume offset that and a little bit more.

That I think was the largest -- that was the factor. I hope I answer that question.

Achal Lohade: The 7% is post the volume reduction in the existing customer? Or is it the new?

R. Swaminathan: Revenue grew by 7% which had some negative impact of revenue and positive impact of revenue. Generally, what has happened, Achal, is when we launch a new site, it doesn't get peak earnings on day 1, right? So first 3 to 6 months, earnings are going to be lesser than peak earnings and therefore, you will see based on apple to apple. I mean, dollar lost in the existing site doesn't always add up to the same margin as a dollar won on the new site.

Achal Lohade: Secondly, in terms of the sectoral mix, you did say auto is 57%. Would it be possible to know what are the other 2, 3 large sectors number?

R. Swaminathan: So I think mobility is around 5%, as you know, okay, on the overall company and the remaining 40%, 39% is basically split the half roughly -- now 20% of that would be FMCG durables and pharma and 118%, 19% would be e-commerce at the end market. E-commerce has served both the 3PL business, our freight forwarding business, our Express business and our Last Mile Delivery business.

Achal Lohade: Understood**,** and just one more question, if I may. With respect to quick commerce, a. how large is this for us at this point in time? And b. in terms of the opportunity in terms of the growth, how do you see it evolving? And is it margin accretive, margin dilutive for us?

R. Swaminathan: The last one is a simpler answer, it's a margin accelerator. I think the way to look at the space, Achal, though, is that I think the quick commerce side we don't do too much of Last Mile Delivery in quick commerce. We largely do fulfilment. So as you look at quick commerce, I think that's an important distinction to make. So we are fulfilling into dark stores. We run some dark stores where we've done very few dark stores in delivery.

We have operating model constraints about how we operate that. So we don't do too much of that. On the fulfilment center side, that's driven a number of stores which are there. And that business is very large for us. I don't have an exact number, actually you probably can mail us and we can send you a more specific number.

But we are running, I would say, probably around a reasonable number of fulfilment centers into the space as it's a growing space for us. I think that space, as customer -- as the quick commerce companies tend to add more dark stores, you should actually see obviously more demand for fulfilment as well because there's dark stores that have to be fed by someone. So we are expanding -- that's one thing.

The other thing I think is quick commerce is also expanding the selection. So it's moving from just groceries or food items or kind of the experiential products to actually more other things as well like electronics and so on and as that selection broadens the density of fulfilment requirements has also broadens.

And therefore, right time, we are expanding for a couple of them, and we are setting up several new fulfilment centres for them across multiple cities in the country. I'm not at liberty to talk about specific details. In terms of revenue contribution, Achal, if you can send us a note to SGA or our Investor connects will send you a more specific response.

Achal Lohade: Sure, will do. Thank you so much and wish you all the best.

Moderator: Ladies and gentlemen, in the interest of time, that was the last question. I would now like to hand the conference over to Mr. Rampraveen Swaminathan for closing comments.

R. Swaminathan: Thank you all. I hope we've been able to answer all your questions satisfactorily. However, if you do need any further clarifications. Do send us your questions. You can contact our team or SGA our Investor Relations Advisors. Thank you all for your continued interest in the company. And I want to take the opportunity to wish you all and your dear ones a very happy Diwali and a very safe one. Thank you and thank you once again for taking time this evening to join us.

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

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