TCI EXPRESS
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Date: August 11, 2023

Listing Department, **The National Stock Exchange of India Ltd.,** "Exchange Plaza", Bandra Kurla Complex, Bandra (East), Mumbai – 400051 **Scrip Symbol: TCIEXP**	**Listing Department,** **BSE Ltd.,** Phiroz Jeejeebhoy Towers, Dalal Street Mumbai – 400001 **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 August 05, 2023, please find enclosed the text transcript of Investors Conference call, with regard to financial results for the quarter ended June 30, 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=16. 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: 2023.08.11 23:11:54 +05'30'

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

"TCI Express Limited

Q1 FY 2024 Earnings Conference Call"

August 04, 2023

MANAGEMENT: MR. CHANDER AGARWAL – MANAGING DIRECTOR

MR. MUKTI LAL – CHIEF FINANCIAL OFFICER

MR. PABITRA MOHAN PANDA – CHIEF OPERATING OFFICER

Anshul Agarwal: Good evening, everyone. Welcome to the Q1 FY 24 Results conference call of TCI Express, hosted by Emkay Global. We have with us today senior management of the company, represented by Mr. Chander Agarwal, Managing Director; Mr. Pabitra Mohan Panda, Chief Operating Officer and Mr. Mukti Lal, Chief Financial Officer. We thank them for giving us this opportunity to host this call. I shall now hand over the call to Mr. Mukti for taking us through the investor presentation post which will open the floor for questions. Over to you, sir.

Mukti Lal: Good evening, everyone. We welcome to the TCI Express Earning Call and thank you all for joining us here today for this Q1 earning call. We have uploaded our earning presentation on our website and I trust you had a chance to review it. To start with, I will present you an overview of our quarterly performance, the prevailing and projected industry environment and the financial performance of the company for Q1. So, the highlight is that we started this Q1 on a very positive note, and we achieved a growth of 5% and revenue of Rs.306 crores . And this growth is basically supported by strong support from our MSME customer, which is contributing almost 50 to 51% revenue to our overall revenue. In spite of continuous high inflation, our margin has been further improved by almost 30 basis points. We maintain our PAT level margin on 10.6%, which is the highest in this industry. Our utilization level in truck in this quarter was again around 83.5% plus. So, this is some extract from our MD's comment on this business. So, we as a management team, hopeful to the manufacturing sector, as it is receiving strong government support, and it is leading to and we anticipating a growth of 13-14% in volume and 15% to 16% in revenue part. The company's ramp up its production activity, the demand for express logistic is expected to be shared in time to come. And this trend is likely to be significant growth in the express logistic industry as business relies more heavily on efficient supply chain management and transportation services to meet increasing demands. So, our focus on that. And you all aware that like, this Pune has already been operational in 2021. And we are now in the process of automation of the same. And hopefully, we will be getting automated by end of this FY 24. And we are happy to announce that we receive LEED certification for our these two centers, both Tajnagar and for Pune centers. And this is for sustainability basis, they are covering like three, four aspects of that and we did that well.

Thereafter Mr. Mukti Lal had given the presentation on Q1 FY 2024 and also explained on the same slidewise, which is also uploaded by the Company on Stock Exchanges.

Then Mr. Mukti Lal had given the vote of thanks to all and requested Mr. Chander Agarwal to say something on the same.

Chander Agarwal: So, thank you shareholders for being here and in the investor call, Q1 FY 24. I'm very happy to see the performance of Q1 in the positive direction. The rest of the year will also be in lines with what our expectation is for the year as the economy opens up and gears up for further growth with aspirations to reach $5 trillion. It will be definitely conducive to our express logistics business. With this, I thank you. And we can take on some questions now.

Mehak Rohra: Participants can raise their hands to ask questions. Alok sir, you can go ahead.

Alok Deora, Motilal Oswal: Sir, I just had a couple of questions firstly on the growth side. So, this year we have grown at around 5% on a kind of an already weak quarter of last year. So, what's the outlook on growth now? Because to maintain a 15% growth for this year, we would be requiring quite a big jump up in the remaining three quarters. So, just wanted your thoughts on that first.

Chander Agarwal: Okay. So, a couple of things. First, that we have been, the economy has been on a, already on a much higher base growth, since COVID and that base growth is now equalizing. So, which means that if we had like 22% a top line, then we had 18% . And it's obvious that the high baseline is now equalizing. So, this is totally in trajectory with the economy growth. Rest to be assured, there's not going to be any change in what we have projected about the 12% to 14% growth top line. And this will be in tandem with the economic growth also. (Overlapping 21:02) I'm not able to hear.

Alok Deora, Motilal Oswal: Yeah. Can you hear now?

Chander Agarwal: Yes. Better.

Alok Deora, Motilal Oswal: Yeah.

Chander Agarwal: I can't hear.

Alok Deora, Motilal Oswal: Hello. Hello. Hello.

Mukti Lal: Yes, Alok. Please carry on. Yeah.

Alok Deora, Motilal Oswal: Yeah. Just question on the margin, the margins, which have come off quarter-on-quarter. Do we see that going back to 16% plus in second quarter onwards?

Mukti Lal: Yes, this is sure. Alok actually like Q1 is always started as a weak. And if you see on a year-on-year basis in this quarter, we improve our margin level of 30 basis points. And that will be continuing. And it's margins are always slow in comparison to Q4 because Q4 is always the highest margin quarter. So, certainly we will be improved this in this year.

Alok Deora, Motilal Oswal: Sure. That's all from my side, sir. I'll come back in the queue if I have more questions. All the best**.**

Mukti Lal: Thank you.

Mehak Rohra: Jainam, you can go ahead next.

Jainam Shah: Yeah. Am I audible?

Mukti Lal: Yes. Yes. Jainam, please.

Jainam Shah: Yeah. So, first question on the volume side. So, what kind of volume we did in the first quarter?

Mukti Lal: So, volume in this quarter is 2,40,000 tonnes. We did in Q1.

Jainam Shah: Okay. And sir, can you bifurcate the revenue of other services during this quarter out of our total revenue of Rs.306 crores versus same of the last year, same quarter?

Mukti Lal: So, now, these all services ratio is like we are earning around 17% revenue from all other services put together. This is like C2C and Rail, Air, E-comm all put together. Like E-comm ratio has been reduced from earlier. We have around 5%. Now it is reduced to 2.5 to 3% only. And if you put together, it is around 17%. Last year, in the same quarter, it was around 15%.

Jainam Shah: Okay, sir. Got it. And sir, like we have given the outlook earlier of around 15-17% growth, wherein we have taken 2% price hike growth. So, how has been the acceptance of those price hikes in the first quarter?

Mukti Lal: So, first quarter, as per plan, we have taken a price hike of like 75 basis points to 1% in this quarter. And hopefully we will be taking further in remainder part of this year. We will get the price hikes of around 1% more. So, hopefully did with 2% price hikes.

Jainam Shah: Got it. And sir, just last question on the Rs.750 crores of our revenue target. So, that would be growing at somewhere around 30% plus for this year and next year. So, how we are looking at that particular target in the top line?

Mukti Lal: Yeah, Chander sir, you would like an answer on that?

Chander Agarwal: Can you repeat the question, please?

Jainam Shah: Yes, sir. We are standing at around Rs.1,240 crores of revenue last year and around the 5% growth we have seen in this particular quarter. So, and we are targeting somewhere around 750 crores plus revenue in FY25, which will be around 30% plus growth on a year-on-year basis for consistent two years. Whereas our growth has been on a single digit for this quarter. So, how we are looking at like achieving that guidance?

Mukti Lal: It is Rs.1,750 Crores.

Jainam Shah: Yeah. Rs.1750 Crores. I'm talking about Rs.1750 Crores.

Chander Agarwal: So, you have to again, see the level of the economic play. All right, that is very, very important. And again, it is something which is possible to do that much amount of business also, but at what cost it'll just be, I'll be paying 10 times, we will be paying 10 times of the cost, 100 times the cost to do that business. So, we don't want to be in that level. So, if the economy is growing, as I have always said, at 12% this year, sorry, at 6% this year, we will grow at 12%. If it's at 7%, we will grow at 14%. So, that is no change in that. Compared to what it was a while back, things are much different post COVID. So, please keep that in mind, that the top line is, again, will fluctuate. What the guidance we gave four years ago, is very different from where we stand, only because of the how situation is evolving globally, we never expected the war to happen, which has globally pushed inflation so high, people have stopped consuming. So, I think this trickledown effect of the high interest rates, and everything will possibly be also seen in the economy. But logistics, again, is such a sector that it will keep continue going even if the economy slows down to 5%, or I think to even to 2%, the logistics will keep continuing. So, I don't think that it's static, or it will be static in other larger economies.

Jainam Shah: Got it, sir. Thank you.

Mehak Rohra: Krupa Shankar, you can go next.

Krupa shankar: Hi, I'm audible?

Mukti Lal: Yes, yes, please.

Krupa shankar: So, a couple of questions. First is on margin specific. I did see that on a quarter-on-quarter basis that utilization levels have come off, of course, factoring in the for Q1 effect, but margins, of course, have held strong. So, is there a contribution from other services due to which the margins are relatively higher? Or is it, are we seeing benefits of the automation in the Gurgaon facility due to which you have seen that margins have relatively held?

Mukti Lal: Yeah, so very good question. Basically, the combination of three things. Firstly, we are getting a benefit of this automation, like I said, the 15-basis points benefit we have taken from that and also like price hikes we are taken from the customer in this quarter. And third one usually these 83.5%is also like contributing a good way. This fill factor of our trucks. So, these are combination of three things put together we have been able to benefit of this improve this margin level by 30 basis points.

Krupa shankar: So, Mukti ji, would it be possible to share as I could see that you had mentioned in the presentation as well that the new services are maturing, would it be possible to throw some light on what would be a contribution from railways or other services?

Mukti Lal: So, as I mentioned, we are not giving the specific number for these and few new services because these are not big numbers right now. So, if you put together in this quarter, we are achieving 17% growth in these sectors, like put together C2C, Rail and Cold Chain Pharma and our Air domestic and international and E-com put together.

I would also like to express here like Rail getting good attraction from the customer because we are giving the fight to our competition on that and on a very good rates and with a good margin level actually so we reducing our customers rate almost like 2/3rd and even more than that and getting the good profits also and with the same kind of service level, giving competition on air. So, that's why customers are happy, but this is a very niche segment, so we have to be convinced to customer. They taking as a pilot consignment to us and then subsequently we have to take this as a service level, as they are trusting us and then giving the new cargo frequent cargo for that. So, it will be growing very fast on that.

Krupashankar: One more question from my side is on Pharma side. So, what we hear is that the government is intending to propose mandating pharma, a cold chain for Pharma sector. That's what was communicated on the TCI call. So, just wanted to get some commentary from your end as to how much of a benefit, you believe we can get with this transition to cold chain for the entire Pharma sector.

Mukti Lal: Chander sir, you would like to answer on that.

Chander Agarwal: So, I have recently been nominated as the co-chair for the FICCI infrastructure and logistics committee and the plans are still being worked on. This is nothing which is set in stone. And of course, if this happens, if it's mandatory, then it'll be a good definitely a good, opportunity for us.

Krupashankar: Got it. Thank you and all the best.

Mehak Rohra: Keshav, you can go next.

Keshav Bagri: Hello.

Mukti Lal: Yeah, yeah, please.

Keshav Bagri: Yeah. So, my question is on branch addition actually. So, initially we used to see figures in the range of 25, 27, 30, but the last year it has come down to single digits, I mean, 5, 7. So, has the level saturated? Of course, you're not in (Inaudible 31:28).

Mukti Lal: You are on mute, Keshav.

Chander Agarwal: Next question. We can take the next question, Mukti.

Mukti Lal: Yes, please. Yeah, please. Next question.

Mehak Rohra: Next question is from Amit.

Mukti Lal: Yeah, please.

Amit Dixit: Yeah. Hi. Good evening, everyone. I hope I'm audible.

Mukti Lal: Yes, you are audible, Amit.

Amit Dixit: I have a couple of questions. The first one is essentially, where do we see growth coming from in this, I mean, on all the segments that we operate? Is it from Auto? Is it from manufacturing in general? Where do we see growth for this year actually? And in this quarter?

Chander Agarwal: Yeah, I would like to answer that. First of all, MSME will play a very big role. And it is something where we have seen that the Auto has gone through a very like a nice boom. But again, it's a very cyclical industry also. So, whatever we are doing with MSMEs will continue to flourish. We will also see other sectors, like IT and Technology also, being an important role, playing an important role in going forward. So, because we don't have all our eggs in one basket, we are very well stabilized to perform as per how the economy is growing in all the industry sectors.

Amit Dixit: Okay, fair enough. The second question is essentially on the Sorting center in Pune. Now, you indicated that you got 15 BPS benefit from the Sorting sector in Gurgaon. Now, with Pune also coming up, there should be some, I mean, synergistic benefits also, because now between point A and point B, you will get the benefit. So, is it possible to quantify what kind of margin improvement we can expect from both these centers coming on board in FY25?

Mukti Lal: Yeah, so Mr. Amit, you rightly said, once we will be establish, this Pune center, then we will be getting the right benefit of that. Because in what we are doing right now, we are only one center, and we are not able to get the full benefit. So, once we coming up with this, synergy would be there. And I think we will be getting the overall benefit of 40 basis points once we will be stabilized this operation of this new center. Of that already 15 basis points benefit is there. So, remaining 25 basis points benefit will be come for that. And basically, there is three, four benefit of this center is there ultimately. The dependence on labour is reduced and at the time of this festival and all, our dependence on labour is very low. And that time either we have to be paid to very higher amount and they may go on a leave. So, we have to compromise on our service level ultimately. So, that we will be in this center, we did very well. And in this festival time, we not face any challenges on that part. Second part efficiency of this truck will be improved in this Gurgaon center. The third thing is customer ultimately is the getting the benefit of that because, we are able to improve our service level due to this automation. And this operation efficiency is very key factor in any express logistic industry, where we are fighting on a time sensitiveness and all, where we deliver on time service level, 95% plus every customer is expecting from us and we are able to do with this, this kind of automation. Yeah.

Amit Dixit: Okay. Thanks a lot for the elaborate answer and all the best.

Mukti Lal: Thank you.

Mehak Rohra: Next is Dalal & Broacha.

Dalal & Broacha: Yeah. Hi, sir. Am I audible?

Mukti Lal: Yes, please.

Dalal & Broacha: Oh, yeah. So, my question is, I want first of all, clarity on the new businesses that you've added that is rail express and C2C and all those kinds of businesses. Currently, you said that you had a 17% growth year-on-year in those kinds of business. So, what percentage does it form currently of the top line, the new businesses?

Mukti Lal: So, I just said it is a contribution of these all revenue put together is 17%. I have not said as a growth basically.

Dalal & Broacha: Okay. So, all these new businesses are currently contributing 17% to the top line.

Mukti Lal: Yes.

Dalal & Broacha: The previous year, they were contributing around 15%.

Mukti Lal: 15%. Yeah.

Dalal & Broacha: Okay. And what kind of growth have we experienced on a year-on-year basis?

Mukti Lal: So, again, if you see like Rail has the higher growth in there, there's a number is very low numbers or so that's raised kind of like in rail, we had taken a growth of like 20% in this quarter and other. So, this way, other all services are similar one what we are in a surface growth basically.

Dalal & Broacha: Okay. And so, my second question is on the Capex front. So, what is the Capex that y'all are estimating to do in this fiscal?

Mukti Lal: So, we are anticipating a Capex of Rs.90 to 100 crores in this year.

Dalal & Broacha: Okay. Rs.90 to 100 crores of Capex for this fiscal and the total estimate of Rs.500 crores till 2027 that remains same, right?

Mukti Lal: Yes. There is a no change. Yeah. Absolute correct understanding.

Dalal & Broacha: Thank you, sir.

Mukti Lal: Thank you.

Mehak Rohra: Keshav, you can go next.

Keshav Bagri: Hello. Am I audible?

Mukti Lal: Yes. Now audible please.

Keshav Bagri: Yeah. So, I wanted to check them on the branch expansion, which we are doing. So, initially we used to see a figure of around 25-30 per quarter, but now it has fallen to 5 to 7. So, what is the outlook over there?

Mukti Lal: So, basically, if you always see in a first quarter, we open up the less branches because there is a transition period of our all employees from one location to another and all. So, that's why usually opening 10 to 15 branches. This time we opened 5 branches because there are some other challenges also kind of the scene flood and all. So, this is not unusual thing. We will be keeping a target of opening up 70 to 75 branches in this year, in a full year. And we will be maintained that nothing unusual on that.

Keshav Bagri: Okay. And my second question would be, we had to downgrade our guidance, like initially we had given the guidance of around Rs.2,000 crores revenue by FY25. And now we have tapered it down to around Rs.1,800 crores. I think by this year, we will be choosing of around, I think Rs.1,400 crores. So, how, how confident is the management in achieving Rs.1700 or 1,800 crores by FY25?

Mukti Lal: Yeah. So, as our MD has explained on that, we have taken a target initially for Rs.2000 crores, obviously in a 5 to 6 years back. And then there's all situation depending on economy, how economies are moving. Everybody has earlier talked about it, 8% plus kind of growth rate and GDP and now is maintaining like 6.5%. So, you're always saying our growth is like 2X of GDP growth rate. And we continuously did that and we will be keep continuing and we will be keep Rs.1,750 crores revenue for sure by FY25. And this is also like; you see demand is low by continuous inflation in last one and a half year. And so, kind of like fuel cost is so high, like increased by 60%. Nobody has thought of that. So, some situation is arising, which is beyond control. And then we can’t do anything on that. And yes, still we did on our like 2X of GDP growth rate, and we will keep going on that.

Keshav Bagri: Okay.

Mukti Lal: Yeah.

Keshav Bagri: Thank you.

Mehak Rohra: Tanushree, you can go ahead.

Anshul Agrawal: Tanushree, your line is unmuted. You can go ahead. I think we'll go to the next participant.

Alisha Mahawla: Hello. Hello.

Anshul Agrawal: Yeah. Alisha, please go ahead.

Alisha Mahawla: **Hi, good evening** So, two questions. One, we already used to talk about a margin expansion of about 100 BPS annually. Do we believe that is still possible?

Mukti Lal: Yes, in this year Alisha, we're trying to be improved our margin level at least 50 to 75 basis point in this year. And in this Q1, we already improved like 30 basis points. And we will be keep growing on that pace. Because this is a part of strategies, we had made to improve my price level. We did already like a 1% and hopefully we'll be do another 1% in a remainder part of this year. Second part, our utilization level of truck will be keep continuing in the range of 84 to 85%. That will help us. Third part, obviously, newly added services of like Rail and all, we will be able to maintain growing this margin levels of like last year we did around 16%. So, this year, hopefully we'll be having 16.5 plus margin level on the EBIDTA level. Yeah.

Alisha Mahawla: And next year, when we're targeting the Rs.1,750 crores of revenue with a 20% kind of margin be possible? Because that was the earlier aspiration.

Mukti Lal: No. So, in the last annual conference, we said, now we are targeting to be 18% because again, if revenue is not achievable, so margin will also be come down. So, we are taking a target of like around 17 .5 to 18% now.

Alisha Mahawla: And the competitive intensity in the last 2-3 years in our segment, especially in the last couple of quarters has increased significantly. Do we feel that is impacting our growth and our margins where we had to revise our guidance downwards or is creating a challenge for us?

Mukti Lal: I think Chander sir, will give an answer on that? Chander sir, you would like answer on that, please?

Chander Agarwal: I don't think that is the case because the segment that the competition is in, they may be saying that they are in the same line of business, but they're actually not, the pricing that they have is more towards the cargo side, the more towards the freight side kind of business, where they are not doing express, but they're doing the freight kind of business. So, I don't think that the impact has been here. The reason why the guidance has come down is only because of the economy. It is totally dependent on the way the current manufacturing is moving and the way it will be going as per the inflation and the interest rates move forward. So, with that we have to understand that our fundamentally the company is very strong and there is nothing that the company can do, go to the space or something and try to get business with margin. So, I think rest again, be assured that it is not that the competition or the structurally, there's a problem. Most of our competition has structural problems, manpower problems, and has no branches. They only do top line to keep everyone happy. But we are not like that. We are a company that will ensure that we are giving full justified return to our shareholders.

Alisha Mahawla: That's the point. We are focused on profitable growth. Competition is focused on growth at any cost and will start putting pressure on everybody in the industry. That's what we're trying to understand that is that making us maybe leave unprofitable or less profitable business? or by competing with them, impacting our ability to do the 100 BPS plus margin expansion that we used to work with.

Chander Agarwal: So, we started off with that low profit business only, right? We were doing that. The reason why we left it is because it does not add any value for growth. We cannot do any automation. We cannot do any sort of new development. We cannot do AI development, nothing. So, all this again is basically, it's the output of profitability. Now, we are also not taking Rs.1,000 crores loan or something like that and trying to service the market. But question is that the top line, if you see is again, it's a fundamental of how the economy is. If I try to get that two-rupee, three-rupee business, it will never allow me to grow in a structured manner. I will grow just for the sake of top line growth and I'm not really keen on that.

Alisha Mahawla: Sure. And just one last clarification, the newer services that we were talking of, which the share of which is 17%, they offer relatively higher margins than our Core Express business?

Chander Agarwal: No, all margins are the same. It's the propensity for the business to take on competition. The Rail takes on the air competition, the Air cargo business.

Alisha Mahawla: Okay, great. Thank you so much.

Mehak Rohra: Mayur, you can go next.

Mayur Parkeria: Hello, good evening. Am I audible?

Mukti Lal: Yes, Mayur, please go ahead.

Mayur Parkeria: So, sir, what we are saying now is instead of Rs.2,000 crore in FY25, we will do Rs.1,750 crores by FY25 and instead of 20% margins, we are targeting 18% margins. Is that what I got?

Mukti Lal: Yeah, correct. Yes, correct understanding.

Mayur Parkeria: All right, Sir, and it was good to hear that we focus on profitable growth continuously. It's not very easy to downgrade our own estimates. A couple of times earlier, we also had Rs.2000 crores in FY25. During FY19, we had four-year targets of doubling. Then FY25, we had this Rs 2,000 Crores now. So, it's okay to downgrade as long as the quality of growth is intact. So, best wishes for that. Just wanted to understand, we have large corporates and MSMEs as 50-50 as share. What has changed in the last 3-6 months that is bringing about this kind of a downgrade in our outlook?

Chander Agarwal: I can answer that question. So, you have to look at it, from two main factors, inflation and interest rate. From last Diwali, both have been on the rise. And what has happened is again, because of the reason why Q4 wasn't as for the whole economy wasn't as great is again, because the sentiments were very weak. And we should not forget that just because we see 1 to 2 sectors being very glamorous in growth, that the whole economy is doing well. We have to really see what the situation down the road is. When we go down to the village, when we understand and talk to people, not in the big cities, what's going on. Yes, people do have enough savings. But the fact is that the companies are not really, manufacturing companies are not really expanding.

They're not putting empower new factory, they're not doing anything rather substantial. Yet, we are able to ride the wave of the GDP growth and extract the business. So, like I always say, if I want Rs.10,000 crores top line, very easy. Our group could have done it long ago. Where would we be still with that? We would not pay anything; we would not be able to eat our food the same day without taking a loan. So, that sort of situation we don't want to be. And of course, the understanding is that because of these two factors, high interest rate and inflation, the entire economy had a very subdued growth. And the third biggest factor which I would like to highlight is that we have emerged, economy has emerged from a high base, high growth, high volume base because of COVID. So, that is all now subsiding and all that is all equalizing. So, you will now see the real growth coming, going forward.

Mayur Parkeria: So, sir, will it be right? I am seeing in a different way. So, will it be right to say that so current GDP growth remains at overall number remains broadly intact, but it is driven by government expenditure. So, from our perspective, when we say B2B Express, our tilt is more on the consumption kind of economy where the growth in other verticals also we see being subdued. So, as long as that remains subdued, our growth trends would be more aligned to that part of the economy and hence this is playing out, right?

Chander Agarwal: But we have a backup. We also have MSME, a large chunk. So, that really takes us forward compared to other companies.

Mayur Parkeria: Okay, sir, any thoughts on expanding ourselves into 3PL or any other segments of the logistics?

Chander Agarwal: I mean, we can study 3PL market how it is playing out. All the other companies have very large top lines, but then they're not able to sustain. They're not able to move forward even with captive business and this and that because logistics is such a industry where the profitability will always be at question and it will always be at people's minds where, especially in India, where the cost structure is so high and the complexity is so high that making a little bit of profitability is also a big, big challenge. So, I mean, if you look at it globally also, logistics companies will not be able to give that kind of return that we are giving only because, again, if we place the same model in another country or another situation, we will also get that top line. But in India, because it is still evolving from VAT to GST and with so much like political issues, here that going forward is for any industry is always uphill task, but yet we are doing it.

Mayur Parkeria: Sir, last final question, just to clarify, so do we have any play on supply or transportation with respect to export and import side of the economy? Do we have any alignment there or will it be largely domestic and fulfillment?

Chander Agarwal: We have international Air cargo and as we all know that International Air cargo is again something new that we are doing and it's growing, but not to the level that we want.

Mayur Parkeria: Okay sir. Thank you and wish you all the best.

Chander Agarwal: Thank you.

Mehak Rohra: Harsh, you can go next.

Harsh Vijaykumar Shah: Yeah, I just wanted to clarify if I missed, what is the FY24 revenue guidance and EBITDA margin guidance?

Mukti Lal: So, Harsh, we have 13% on volume side and 14 to 15% on a revenue side. Yeah.

Mehak Rohra: Karan, you can go next.

Karan: Yeah. Hi. Hello.

Mukti Lal: Yeah.

Karan: So, my question related to the value chain, first of all, I want to know the value chain of the businesses, the fast-growing businesses or the major contributing businesses, which is your Surface express and also the Rail express, where we can read the value, expand our margins, expect what we are doing, the Sorting centers, other than that.

Mukti Lal: Chander sir, you would like answer on that?

Chander Agarwal: I could not hear the questions completely.

Mukti Lal: Yeah. Okay. Karan, can you repeat, please?

Karan: So, in a simple word, I want to understand the value chain of our major contributing businesses, where we can create the value or read the value in our supply chain, Surface express, Railway express, because these are the most profitable businesses as well.

Chander Agarwal: So, your question is?

Karan: The value chain of the business.

Chander Agarwal: I don't understand. What about the value chain? What is the value chain?

Karan: See the margin expansion.

Mukti Lal: Yeah. So, I think, Karan, you want to know, basically if you see there is a combination of two types of customers we have, as Mr. Chander had mentioned, so we had 50% businesses from MSME customer and 50% business coming from the top 3,000 or 4,000 manufacturers of India. So, that's why if you see value chain is, because we carrying the kind of high value cargo in this industry. And that's why its value is there, how fast we deliver to their customer, it is important. Second importance is there because we delivering the goods to our customers' customer, like you take an example where we delivering the goods of Maruti’s to their dealers and retailers across the India. So, that is the value chain we're creating, how with good behaviour we're delivering and obviously on time and damage free. So, these kinds of things and with the fully complied of E-Way Bill and everything. So, that kind of value chain is there and ultimately that's why the high growth business and this is growing very fast. And the second part is these are the similar kind of services, mode is different. Like in Rail, if you take an example, we are moving the goods through passenger rails. So, where, what we did, we are getting the, we are giving the competition to my Air business companies where we are diverting their business from air to this rail and why it is having high attraction because they are getting cost reduction of almost 67% to 75% on where the supposing when somebody charging of Rs. 100 per kg for through air, we are charging in rail like Rs. 25 or 30 . So, that's why it is a value chain we are creating for through these new services. Second aspect of that, like if you talk about C2C, this is also in this segment where we like picking the cargo from two destinations and delivering on two locations or we are picking the carge from two locations and then delivering on a one location. And then in return, we are utilizing that track from our normal business, from that destination to back to this origin place. So, that's why there are so many different services having the different value chain for that and different customer profile also there. In our case, the good thing, because we have the highly diversified customer base in terms of MSME and Corporate, in terms of not dependence on a big customer, like my top 25 customer is not giving more than 15% revenue to us. Also, like my five-segment major segment contributing only 55% revenue to us. So, that sense we create in a long, long value chain for all the businesses separately, or you can say services separately. Yeah. I think I have answered your question.

Karan: Yeah, fair enough. Next related to the Sorting center. I know that is, I think is the profitable kind of thing. The model is profitable globally as well as about the E-commerce, large E-commerce business also doing that. But in India, except us, any competitive player doing the Sorting center? Do you have any fair idea?

Mukti Lal: Yeah. So, basically you rightly said in India, no one has this B2B kind of Sorting center in India. We are the first company taking this risk. And efficiently, we run that show. That's why we are the first one to launch this. And we are able to reduce this halting time of truck. Because now our probability of service level is higher. We can understand like earlier, supposing my truck is load or unload in six or seven hours, put together these two activities, now it is reduced to one hour. So, you can imagine like 80 to 90% time has cut for that and dependency on labor is also reduced. So, that's actually, customers are happy for that. And this ultimately in India, helps to create operation efficiency continuously, it is very, very important for any express logistic company. With the management team support and management support, we did that.

Karan: Okay, okay.

Mukti Lal: Yeah.

Karan: So, as we have the presence in more than 200 plus countries, right?

Mukti Lal: Yeah.

Karan: So, we are facing competition in terms of this Asset Light Model, because we are more focusing on this Asset Light Model. So, globally, who are the players we are facing the competition with? And, they are Asset Light Model or not. So, FedEx are the merge kind of players are also the asset heavy players.

Chander Agarwal: We are not present in 200 countries. We have agents in those places and we are doing Air cargo import and export. We have the ability to send material to those countries and pick up material from those countries and by air only, not by sea.

Karan: Yeah, yeah. Presence is in sense; we are delivering there. So, yeah, that's the benefit of the Asset Light Model is that. That's great you achieve this thing. In the Asset Light Model, you are net zero kind of debt. So, that's great, but the over-reliance on vendors, when we think about the, some demerits of Asset Light Models, so over-reliance of vendors is the point coming out in the mind. So, do you think on the freight side, when you are the containerized kind of model you have, so on the freight side, do you see anything over-reliance on the vendor or do you see anything, the challenge from the vendor side?

Chander Agarwal: Karan, I must tell you that the important thing to note is that we have owned vehicles before and again, the financial ratios before and after are very different. I will suggest that you have a look at maybe the presentations before, earlier before listing, or maybe talk to Mukti separately as to how it was when we operated vehicles, when he owned and operated vehicles versus going Asset Light Model.

Mukti Lal: Also, Karan basically, if you see, we are highly diversified on that side also, and that's why this is the fantastically, we are running this show and now everybody is following us. In India it's a different aspect of that because there is a huge fleet is available, supply side is so high and it is easily available. So, what we did, these 5,500 trucks is owned by almost 2,000 people and we also taking it on a local basis. So, that's why, if you see this diversification is important in India, once you're giving a thrust, like depending on 100 or 200 people, then there is a problem. So, what we did, since last one decade, we fantastically run this show and with such kind of high returns, why we are able to do that? Because we have the high diversification of that, because we are not depending on a particular route, we also not depending on a particular vendor, we are doing like two, three vendors on that route, so nobody can be monopolized on that. Second part good thing in we are able to get the credit from these guys in India versus if you see other companies or supposing I own vehicle, then I need to put the money before. So, that's why it's fantastically running and it is a company's DNA where we know how to ground level working, how to deal with these kinds of people, because how we are able to do that because we have the highest transparency. Every truck owner knows what kind of cash flow he will be generated on particular month before start of month. So, that's why in India, nobody can be projecting that supposing one guy is owning truck, so they don't know how much cash flow they will be generating this month, but once they will did an agreement with us, they know what kind of cash flow they will get and we give continuously paying the money to them. So, that sense various things we did, it is a completely ERP driven, so there is no question of our dependence on these all-supplier side. We did well and in each segment, we had different, different kind of, and again, interestingly, we are, these all are the individual guys like owning 2, 3 trucks. So, that we also did like, we are not taking more than 5 to 10 more than almost like 7 trucks from the one guy. So, that's where we did so many things internally. And then we are doing the show. Yeah. I hope I am able to answer on your question, please.

Mehak Rohra: Last question from Deepak.

Mukti Lal: Yes, please.

Deepak Lalwani: Yes. Am I audible?

Mukti Lal: Yes, Deepak, please.

Deepak Lalwani: Sir, the lower growth rate that we had in this quarter, if you can explain, if it was industry specific maybe the discretionary side, like fashion goods and electronics were on the lower side or, or was this lower growth across all the B2B corporate clients that you have?

Mukti Lal: Okay. So, basically Deepak, if you rightly said there are two segments, which is not did well, like on a Fashion and Lifestyle products that are not did well, there's a low demand on that. And second part, obviously everybody heard about Electronics is not moving and it's a slow growth. Like if you see in North India, there's no AC sell at all. So, that's why, yes, you rightly said the segment wise, like Mr. Chander has said, Auto has nicely done well Engineering is keep going. Pharma is always all-weather friends. So, there is no problem on that.

Deepak Lalwani: Okay. And sir, on your outlook of 13 to 14% growth, if you can break it up for us for your ongoing business, what should one look at? And for the new business, which is 17% of your sales, what should be the order? What should be the volume growth that one should expect?

Mukti Lal: So, basically, if you see these other services will be, I think in year end, we will not be more than 17.5 -18% maximum. It will be same kind of situation would be happened, but obviously we are keep adding the customer, new customers~~.~~ So, we will be keep continue to add the new customer and get the business from SME and Corporate customer both ways. And now festival season will be start. So, I think this Lifestyle product and that will be also ramp up the demand and all. So, we are hopefully achieved that.

Deepak Lalwani: Okay. So, one should assume that both the segments would grow at a similar rate and not that the new services maybe grow at a higher rate. It will be similar across both the verticals.

Mukti Lal: Yeah. Exceptionally like rail, maybe grow kind of 30% and C2C also grow like slightly higher, like maybe 17-18% rest, I think would be in the same way.

Deepak Lalwani: Sure. And so, are we, have we seen any green shorts in the month of June, July, August as we progress towards better time, are we seeing any revival in the demand?

Mukti Lal: So, demand is continuously like April month was the weakest month of this financial year. After that is each month - on - month, we are growing on that part I can say.

Deepak Lalwani: Got it, sir. Thank you, sir. Yeah.

Mukti Lal: Yeah. Thank you.

Anshul Agrawal: Participants that was the last question for the day. Mukti sir, if you have any closing remarks.

Mukti Lal: Chander sir, you please.

Chander Agarwal: I must thank you all for attending the conference call of TCI Express. And I look forward to speaking to everyone again, post quarter two. Thank you.

Mukti Lal: Thank you, everyone. Thank you, sir.

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