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To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001
Scrip Code: - 539118

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G-Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051
Scrip Code: - VRLLOG

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 (6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of the Earnings Presentation Call

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, as amended, please find the attached transcript of the Earnings Presentation call held on 22nd May 2023 for your information and records. This information is also available on Company's website at:

https://www.vrlgroup.in/vrl_investors_desk.aspx?display=investor_concall#

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA ANIL PHADNAVIS
Digitally signed by ANIRUDDHA ANIL PHADNAVIS
Date: 2023.05.24 10:20:07 +05'30'

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY & COMPLIANCE OFFICER

PLACE: HUBBALLI
DATE: 24.05.2023

"VRL Logistics Limited
Q4 FY '23 Earnings Conference Call"

May 22, 2023

MANAGEMENT: **MR. SUNIL NALAVADI – CHIEF FINANCIAL OFFICER – VRL LOGISTICS LIMITED**

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

Moderator: Ladies and gentlemen, good day, and welcome to the Q4 FY '23 Earnings Conference Call of VRL Logistics Limited, hosted by Motilal Oswal Financial Services. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal and operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Alok Deora: Thanks, Michelle. Good morning, everyone, and welcome to the 4Q FY '23 Earnings Conference Call of VRL Logistics. So, we have with us today; Mr. Sunil Nalavadi, CFO of the company.

I would now hand over the call to Mr. Nalavadi to give opening remarks and discuss on the performance of the company. Thank you, and over to you, sir.

Sunil Nalavadi: Yes. Thank you, Mr. Alok. Good morning to all participants. I'm Sunil Nalavadi, CFO of VRL Logistics Limited. I welcome all of you once again for the earnings conference call of the company for the quarter 4 and year ended March '23. As we informed earlier, the company is going to focus only on the high growth-oriented Goods Transport Business. And accordingly, the sale of business and Wind Power Business, as approved by the shareholders, the transactions have been completed in the current quarter.

The company has made a profit of INR187 crores out of these transactions and shown as exceptional items in the profit-loss account. The company has realized an amount of INR223 crores, net of taxes on these transactions. The company has used these proceeds predominantly for capital expenditure related to Goods Transport Business and as well as for repayment of debt.

On the sale and transfer of these businesses, the company now is only engaged in the Goods Transport Business, which in the context of Indian Accounting Standard 108 Operating Segments constitutes a single reportable business segment as on 31/3/2023. Accordingly, the Transport of Passengers by Air segment, which was previously considered as a reportable segment, is no longer considered as a reportable segment.

However, to give more clarity on the numbers, the unallocable revenue and expenditure details, along with the EBITDA of Goods Transport segment in comparison with earlier reported numbers, have been shown separately in our earnings presentation, Page 11, which depicts the changes in revenue and expenditure on account of no reportable segment in the current year.

With this background, going forward, we'll have only one business in the company, which is the high-growth-oriented Goods Transport Business. The performance of the Goods Transport Business is better than what we expected during the financial year, including in the current quarter. During the year, the revenue overall, we reached around INR2,663 crores. However, if we would have continued with the bus operations and windmill project, we would have crossed around -- our revenue would be around INR3,000 crores plus.

So we have grown around 22% in the Goods Transport segment. The increase in revenue is mainly on account of increase in tonnage. The total tonnage has then reached to 39 lakhs 12,000 tons in the current year, which has grown by around 21%. We wish to say that our average daily tonnage delivery has been reached to 11,400 tons in Q4 FY '23. The increase in tonnage is mainly on account of increasing branch network of the company. We added around 184 branches in the current year. And the contribution from these branches is around 5% to the total booking tonnage. Our strategy of expansion of branch network is going to be continued and planning to add around 20, 25 branches every quarter, especially in untapped market.

Apart from this expansion in branch network, the steps taken by the GST authority to increase in compliances especially with respect to applicability of e-invoice for the movement of the goods is further supporting the shift of customers from unorganized to organized players. Recently, the GST Department issued a notification stating that all business entities having turnover of INR5 crores and above, compulsorily, they have to generate e-invoices with effect on 1st August 2023. Initially, when they started this mechanism, the limit of turnover was around INR500 crores per entity. On account of these developments and we are hoping that going forward, the GST department is going to compulsorily make it for every GST and registered holders to generate e-invoices.

The customer base has also increased from 7 lakh to 8 lakh customers in the current year. On account of these developments, we have seen drastic growth in transportation of some of the commodities in the last few years which were highly dependent on unorganized small fleet operators earlier. For example, the coconut product, the betel nut product and other spices from the South; leather and footwear product from UP and surrounding area; the textile materials from West; and hardware materials from Punjab and surrounding areas, the growth of these products are highly contributing in our tonnage growth.

During the year, the realization is around 1%. To achieve better growth in tonnage and market capitalization, during the year, we have not increased the price rate except from mid to December '22, during which the rates have been increased for the noncontractual customer businesses.

However, considering the further expansion in branch network in Q4 and offering better rates to match the return loads in various routes, we offer a discount on a selective basis. On account of this, the increase in rate in December '22 was compensated with discount in quarter 4. In spite of this, EBITDA margin in quarter 4 reached to 17% as against EBITDA margin in quarter 3, which was around 15.7%. The EBITDA margin for FY '23 declined from 17.9% to 15.6%. The margin is impacted on account of increase in fuel cost.

As we informed earlier, due to withdrawal of subsidy on bulk purchase of diesel, we are unable to continue our practice to purchase fuel from the refineries and save the cost in diesel approximately INR2 per litre. The same was talked about between February '22 to December '22. We wish to say that currently on account of reduction in crude oil prices, the bulk-purchase diesel prices are in line with retail prices. And again, we started to buy the bulk-purchase diesel from bulk purchase from mid-December '22. In quarter 4 FY '23, around 28% of diesel quantity has been purchased through refineries.

Further, the average procurement cost of the diesel is also increased from INR87 to INR90 in FY '23. With this, fuel cost as a percentage to revenue increased from 29% to 30% and impacted on EBITDA margin by almost 1%.

The lorry hire charges also increased as a percentage to the revenue from 7% to 9% due to increase in kilometres by the hired vehicles, increase in lorry hire charges as per kilometre -- charges per kilometre and increase in charges for last-mile collections and deliveries. Overall, owned vehicle capacity increased by around 16% in the current year, while our tonnage increased by 21%. To meet this gap, we're dependent on the hired vehicles.

The increase in toll charges sharply impacted on the EBITDA during the year. The toll charges as a percentage to the revenue increased from 6% to 7.28% and impacted EBITDA by almost 1.12%. The increase in toll charges charge is on account of increase in toll plazas across the country. These numbers were around 850 at the beginning of the year, now increased almost to around 1,200 numbers. Further, the toll rates also increased by almost 5%. The loading and unloading charges also increased on account of increase in loading and unloading charges per ton.

On the other side, certain expenses have decreased and supported to increase in EBITDA margin during the year. The vehicle repair and maintenance cost has decreased almost by 1% on account of low maintenance cost on the new vehicles. And also, the kilometres covered by the new vehicles increased on a year-on-year basis.

The tyre cost also reduced as a percentage to the revenue by 0.46% due to increasing kilometres covered by the new vehicles, which have been supplied with the fitted tires. The employee cost, which is major fixed cost in our operation, is decreased by 0.33% from 15.91% to 15.58%. It is evident that the increase in tonnage always support to have a better control on the fixed cost, and the same manpower can handle additional volumes of business. With this background, the EBITDA margin is reduced by 1.68%. This is only on account of a clear decrease in the EBITDA margin.

Similarly, the year-on-year performance of Q4 quite satisfactory on account of increase in revenue, it has increased almost 17% from INR600 crores to INR703 crores. The increase in revenue is on account of increase in tonnage by 16%, which is -- the increase in tonnage, again, is on account of better performance of newly opened branches during the year and even after pandemic and which leads to addition of new customers as well.

The realization per ton also increased by 1% in the current quarter. The year-on-year [inaudible 0:10:09] decreased mainly on account of fuel cost, and the fuel cost is impacted almost 2.4% on the EBITDA margin. The fuel cost increased due to increase in diesel procurement cost by INR3.21 paise. So as a percentage to revenue, it has increased from 85% -- the per-litre cost has increased from INR85 to INR89. Similarly, [inaudible 0:10:32] charges, toll charges, rent and hamali expenses have been increased, whereas tire cost, vehicle repairs and maintenance cost, employee costs have been reduced.

When we see the quarter-on-quarter performance, the revenues increased by 2.46% from INR686 crores to INR703 crores. The increase is mainly on account of increase in tonnage by 2%. Normally, we see quarter 3 as best quarter in terms of performance of revenue and EBITDA margin. But during the year, the quarter 4 has surpassed the quarter 3 performance in terms of growth in revenue and also increase in EBITDA margin. The increase in EBITDA margin in Q4 is mainly on account of decrease in lorry hire charges by 2.15% from 10% to 7.88% on account of increase in owned vehicles.

The improvement in the performance of the company has resulted into increase in cash flow from operating activities before working capital changes from INR413 crores to INR462 crores. The company has incurred a total capex of INR412 crores during the year. Out of this, INR384 crores is related predominantly for the Goods Transport segment. The net debt stands at INR168 crores as of the end of the year.

Considering the improvements in profitability, improvement in the cash flow, lower debt level, the Board has decided to reward to the shareholders by way of buyback of shares worth INR61 crores at INR700 per share, which was much higher than the prevailing share price in the market. Further, the board has recommended a final dividend of INR5 per share, which is subject to approval of the shareholders in ensuring -- AGM.

Going forward, we are very much confident in our growth momentum, expecting to grow tonnage in the range of around 15% to 20%. Our branch expansion plan is going to be continued, and we are planning to add around 20, 25 branches every quarter. The further increase in compliance by the GST authorities will further shift the business from unorganized players to organized players, which is more -- major portion in our industry. Being an organized player, this will support us in a big way. We are confident to increase our customer base from -- further on the existing levels.

To meet this growth in tonnage and considering the scrappage policy announced, we placed an order to buy 1,667 customized trucks, which are expected to buy in financial year '24. The addition of owned vehicles supported to increase in operating margins by reducing the dependency on hired vehicles, which was resulted in quarter 4 of the current year. Since the bulk purchase of fuel is also started, the crude oil price is at a lower level, we are confident to maintain our EBITDA margins in the range of around 16% to 17% going forward.

In view of government regularizing the scrappage of vehicles, we wish to establish our own registered vehicle scrappage facility. We are in the process of applying for registered vehicle scrappage facility. This facility will be at our centralized maintenance facility at Hubballi, Karnataka. The total project cost will be in the range of around INR3 crores to INR5 crores.

The Board also granted in-principle approval for the sale of Transport of Passengers by Air segment, which is another segment associated with the Goods Transport Business as of today. We are in the process to get the requisite regulatory approval, et cetera, to complete the transaction in coming days.

With this, I will conclude my initial remarks. Now I request participants to open for question-and-answer session. Thank you.

Moderator: We have the first question from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have 2 questions. The first one is on realization. Now realization we saw in Q4 was essentially flattish compared to last quarter, and you indicated reasons for that. Now going ahead in FY '24, are you planning to take any increase -- further increase in realization because it was limited to the retail guide earlier? And secondly, what kind of realization increase can we expect given that new branches are going to be opened? That's it.

Sunil Nalavadi: Yes. So basically on the increase in the prices, now the costs are under control. Basically, the major cause is the fuel price, so we're not seeing any increase in the fuel rate. That's point number one. And point number two, seems that we are on an expansion mode, especially to open up new branches, new customers. Considering these points in view, we are not planning to any increase in the rates. And however, we will see that we analyse our margins regularly on a monthly basis. If at all any costs are impacting on the margin side -- on the EBITDA margin side, then we will take an appropriate call. Otherwise, blindly, we will not increase the rate.

Amit Dixit: Yes. So sir, you didn't face any problem of customer acceptance in the fourth quarter as far as the realization -- price increase is concerned?

Sunil Nalavadi: Absolutely no. That's the reason what we did -- wherever there are competitions, we maintain the rate. But wherever we opened new branches and wherever we were facing problem of retail loads, in those routes especially we have reduced the rate.

Amit Dixit: Sir, the second question is on trucks. So we are procuring a good quantity of trucks in this particular year, FY '24, 1,667.

Sunil Nalavadi: Yes.

Amit Dixit: Just wanted to understand at what level of capacity to be -- or to start contributing, the breakeven point essentially? And I'm sure this procurement will be in phases. So I mean from these new trucks specifically, what kind of profitability can we expect? And when do we expect them to become profitable?

Sunil Nalavadi: Yes. These trucks will earn profit from day 1 itself because whenever we put our own vehicles, initially, it will be replacing with the hired vehicle. And apart from that, we buy the vehicle based on the requirements. We will not buy vehicle and hold it for the load. So depending on the requirements of the trucks in the system, accordingly, we put place an order or supply schedule will be given to the OEMs.

So in that way, these vehicles are going to be purchased. And even last year, we bought almost around 1,300-plus vehicles. So basically, these vehicles were purchased gradually over a period of time, over 1-year time. Even these new vehicles are also going to be purchased in the same way. We will buy the vehicles as and when required based on the growth in tonnage.

On a net basis, just to inform, based on the scrappage of the vehicles and increase in the capacity, these new vehicles are going to be at around 20%, 25% in our tonnage capacity. And we are expecting at least around 15%, 20% growth in the tonnage. The additional capacity, if at all we buy, it will be replaced with the outside vehicles.

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

Krupashankar NJ: My first question is on the e-invoicing. What you clearly stated is that, of course, this has been made mandatory for companies wherein revenue is higher than INR5 crores. I understand that earlier, based on the expectation as well, we had an outlook of about 18% to 20% growth over the next 3 years. But with more pool of potential customers coming in, is there a possibility of a higher tonnage growth going ahead? And what is the -- I mean, is there any challenge why you're not guiding for a higher tonnage growth over the next 3-year period?

Sunil Nalavadi: No, given say if you -- historically, if we see we grow -- our growth in tonnage was in the range of single digits. So it was in the range of around 6% to 8% or maximum of around 10%. But last year, our growth is around 21% in the tonnage. And similarly, the step, we always concentrate on the profitability also. Our growth plan is related to, again, maintenance of the EBITDA margin as well.

Considering this success wherever there are profitable business, which will earn at least EBITDA margin in the range of 15% to 16% or up to 17%, then only we will do such businesses. That's the reason, considering all these points, we are very conservative in our growth. And definitely, in my view, 15% to 20% is a very good number as compared to earlier.

Krupashankar NJ: Right. Okay. And sir, what you've clearly seen is that your capacity addition has been lower than the tonnage growth at least in FY '23. So while you've given the number, I think it's 1,667 trucks, and I'm assuming that another 400 plus from the previous order is also going to be added in the current financial year, are you going to -- can you give from a tonnage standpoint what would be the growth number vis-a-vis the tonnage expectation?

Sunil Nalavadi: After the addition of these vehicles, considering the scrappage of old vehicles, it will be around 25%.

Krupashankar NJ: Okay. Net basis in FY '24, it's around 25%. Okay. Got it.

Sunil Nalavadi: Yes.

Krupashankar NJ: And last question from my side. So sir, of course, you've highlighted in the presentation that there's a higher contribution from new branches as well. Can you break it a little bit further, sir, again, is it from a specific geography, as in for example, is it North or is it East region, where you're seeing a comparatively higher growth coming in?

And the next set of branch expansion, I mean, are you planning to do in any specific or are you targeting any specific geography? Because there is a plan of about 30 to 50 branches per quarter over the next 2, 3 years, I think, so I just wanted to take your sense on that.

Sunil Nalavadi: No, just I want to refer the Indian map, actually, we said even in the presentation, if you see the state-wise number of branches, the South states are having higher numbers. And if you see the North states, actually, the numbers are less. See, if you take Karnataka as example, we are having around 222 branches. Geographically, UP is a now bigger state than Karnataka, where we are having 54 branches. And similarly, if you take Rajasthan, we are having 24 branches. And Gujarat, which has highly potential for commercial activity, we are having 88 branches.

So these locations definitely we can replicate. We can -- still, there is a lot of scope to increase in number of branches. So basically, we are planning to open more number of branches in these areas. And apart from that, even in my introductory comments, I mentioned that in some of the commodities which were totally in the hands of the unorganized operators, especially the spice products, the other would be -- all these products, the coconut, Betel nut, which were predominantly in the hands of unorganized operators. Now because of the improvement in the GST compliances, all these customers are shifting to organized players. There actually we are seeing a lot of growth.

And similar to that, we used to do a lot of business, Surat to South market. Now whatever we are doing, Surat to East we are doing; Surat to North we are doing because our network is established in those areas. So considering these points, our main focus will be on the Eastern and North-eastern side, even to some extent on the West side also. And in the South, there also we'll open up branches.

Krupashankar NJ: So for the year gone by, can you highlight as to geography-wise, what would have been the contribution, for example, North, East, West and South?

Sunil Nalavadi: Yes. Again, geographically, the East is contributing, say, around 20%. And the North and the East are contributing almost around 25% to 30% to the business. And the South is contributing around 30%, 35%. And the mid, MP, Chhattisgarh, and these are contributing another 5%, 6% to the tonnage.

This is again based on the origination. See, we cannot define these businesses related to South, West or North because if the consignment is booked in South, it will be delivered in North or it will be delivered in West. So it depends on all the geography. And to give more clarity on that, say for example, if you open any branch in the Orissa, that branch will be connected to the rest of all 1,200 branches in our network. It may be booking or delivery. It's one of the reason why actually that branch starts operating.

Moderator: The next question is from the line of Ritesh Poladia from Girik Capital.

Ritesh Poladia: Sir, we are adding about 10% of trucks this year, I think, from 5,600 to approximate 6,100 for INR700 crores. And that's like about 40% increase in your balance sheet. So your return ratios will be a bit under pressure for this year? Is my understanding correct?

Sunil Nalavadi: Absolutely no. See, the reason is, initially, yes, these are all going to be added over a period of time. See, we have to see the average capital employed. So always, if you see the average capital employed, still even in the current year we are maintaining around 20%-plus return.

Ritesh Poladia: Yes. But next year, your capital employed will increase by 40% with the INR700 crores capex. And I believe this INR700 crores capex will happen in 2024 only.

Sunil Nalavadi: Yes. That INR700 crores is based on the list price what the OEMs have been displayed. But in actual cost, if you compare in the current year, for example, for 1,300 vehicles, we invested almost around INR400 crores. So in that calculation, if you see, the total investment will be in the range of around INR470 crores, INR480 crores.

Ritesh Poladia: Okay. So your capex would be like, say, INR400 crores. So that's about a 20% increase in your balance sheet. And your capacity also will increase to that extent.

Sunil Nalavadi: Yes.

Moderator: The next question is from the line of Gaurav Gandhi from Glorytail Capital Management.

Gaurav Gandhi: Congratulations on the good set of numbers. Just one question, sir. What control do we have over the behaviour of the person at our branches? Because there is a good competition at the ground level, so to get up to our full potential and to get good new clients, how do we control those things?

Sunil Nalavadi: So basically, see, we are having exclusive market -- say, marketing team in the, say, 8 metro cities. We call the 8 cities as metro cities, top cities. Their exclusive marketing team will deal with the customers. And rest of the places, we are having the general managers, the deputy general manager, area managers. They will approach and do marketing. And in smaller cities or smaller towns, the branch manager looks at administrative along with the marketing.

So the area manager level, these are all highly educated, good-educated people. And definitely, they are dealing -- the behaviour of these people are good with the customers. And that's the reason, if you see it is evident from the reports, that the customer base also increased from 7 lakh to 8 lakh customers.

Gaurav Gandhi: All right. I mean, we are confident over there, right? I mean, there is no question of going any business to other competitors due to just behaviour of the person at branches. Because I've observed somewhere, some branches, that the person sitting over there is not guiding us properly or is not giving good service, that's why I'm asking.

Sunil Nalavadi: There are no such -- no incident. And moreover, we conduct continuously meeting of these people, the senior management meeting. And every 2 months, we conduct a senior management meeting, and the communication from the top level will go very clearly to these people. And apart from that, the local area heads, they educate the people. And moreover, we are having a long-experienced management team, including the branch people. So they are experienced with the company. They've grown up with the company. So there are no such incident.

Moderator: We'll take the next question from the line of Ankita Shah from Elara Capital.

Ankita Shah: Sir, I wanted to understand what would be a sustainable GP segment margins going forward?

Sunil Nalavadi: Yes. Sustainable EBITDA margin will be in the range of close to around 17% madam.

Ankita Shah: For GT segment -- for the company send. Okay. Okay. And for the capex that we are planning -- so the net capex for FY '24 is 1667, right, sir?

Sunil Nalavadi: No, those are the number of vehicles but the capex should be in the range of around INR420 crores to INR480 crores.

Ankita Shah: 470 to 480. So -- and how much would be for these?

Sunil Nalavadi: Per vehicle you're saying?

Ankita Shah: Yes.

Sunil Nalavadi: Per vehicle, it depends on the category of the vehicle.

Ankita Shah: No, I meant for the vehicles. I mean this entire thing is for the vehicles only?

Sunil Nalavadi: Yes, yes. Vehicles only.

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

Krupashankar NJ: Just checking up on the realization at while there were discounts given in the fourth quarter, are you expecting. Can we expect that the realizations will increase by about 2% to 3% starting in from 1Q, given that there's almost a 5% hike on close to about 30% of your revenues. So can you -- can we expect that change coming in from first quarter? Or do you see some softness right now?

Sunil Nalavadi: No, no, that has been already delivered to the customers. So, again, it will not be taken back. So the same kind of -- similar kind of realization will continue even in next year, quarter 1, quarter 2. And again, it is subject to the increase in costs and other factors. So for example, as I said, we review our financials every month, we review our expenses. Depending on that, we will take a call.

Krupashankar NJ: Understood. And with respect to the behavioural change on the unorganized side, I mean, while we have seen time and again that unorganized have eventually have come out when they are put in the corner. So are you seeing any change in the way they are operating or something wherein which they continue to remain relevant because I mean, clearly, someone is taking away their revenue shares, they will fight back. So what is the typical reaction you're seeing and how does we plan to counter that. That's something which I wanted to understand.

Sunil Nalavadi: So majority of the small fleet operators, what they do it is the overcome -- owner cum operators. Basically, in today's world, what is happening, a lot of practices have been changed. See, for example, even in terms of the availability of the vehicle, the BS VI vehicles, it needs proper maintenance and everything. And the kind of new age vehicles are coming be it electric vehicle or CNG vehicles. In that front also, they need good experience team in the operations. And apart from that, compliance is what the GST is imposing regularly. They are had to meet the requirement of the compliance.

Otherwise, they will end up with paying huge penalties. So all these factors, actually, they have to change all their practices still their year together. It would be a very tough time for them. That's the reason we are confident and we have seen a lot of products which -- we were unable to get those products, but now we are getting. So that's how the competition from the unorganized people will not be so forceful as was earlier going forward.

Krupashankar NJ: All right. And you don't see them naturally discounting prices on specific trade lanes because time and again, that's a function which has impacted our margins in the past. So they're just getting checked the confidence level, at least at the management end is quite high with respect to ensuring the margins remain at clear these levels? Is my understanding correct?

Sunil Nalavadi: No, no. In the compliance transaction, they cannot compete with us because the scale of operations, what we are having, the cost of operations where it is very much, much lesser than as compared to them, be it fuel, be it a purchase of spare parts or even tie up with a lot of the suppliers. So these kind of arrangements that can do. And that's the reason all these days, actually, they used to earn premium margins in non-complied transactions and to compete in the complied transactions.

Since the non-complied transactions are getting very badly, they cannot compete in the complied transactions with our nice players. And moreover, just 1 more thing I would like to bring even the CNG vehicles and all. Even though it is not cost effective, but still we have to add a vehicle because in some of the locations, it is compulsory. Saying Delhi and surrounding areas. So these kind of restrictions for the unorganized players further little burden on them?

Krupashankar NJ: Got it. And last question from my side. While you...

Moderator: Sorry to interrupt sir, I would request you to kindly re-join the queue because there are several participants who are waiting. We have the next question from the line of Abhishek from Dolat Capital.

Abhishek: How was the revenue mix for B2B and B2C business in FY '23?

Sunil Nalavadi: Yes. Again, predominantly, it is B2B segment, almost around 90% -- 90%, 91% is coming from the B2B segment. And around 8% to 9% on the B2C.

Abhishek: Okay, sir. And you have a less presence in the e-commerce segment and the tanker segment. So do you have any plan to expand those business in these areas?

Sunil Nalavadi: No, no, no. See, we are completely focusing on the B2B segment, which is a highly growing market in India and a profitable business. So we want to concentrate on the B2B market and no e-commerce or B2C business.

Abhishek: What is the contribution in the e-commerce segment; are you present there or you don't have any presence there?

Sunil Nalavadi: No, presence wherever the suppliers, which are moving goods to e-commerce operators, some people are booking through us. But we are not delivering to the customers to the -- directly to the customers -- I mean to say retail customers. That service we are not doing.

Abhishek: Okay, sir. And how is revenue mix from the different segments like the automotive and textile and other segments if you can give a breakup?

Sunil Nalavadi: Yes, it is spread across different product, but major contribution is coming from cloth and textile, which is almost around 18% to 20%. And rest of the products are in the range of around 6% to 10% range. And next is agriculture commodity, which is contributing almost around 10% to the tonnage, whereas the remaining products or remaining sectors were contributing in the range of around 6% to 7%.

Abhishek: Okay. And sir, my last question is related to your current capacity utilization of your fleet, sir?

Sunil Nalavadi: Capacity utilization, as I said, we add a vehicle or buy the vehicle only when required. And moreover, the moment we buy it is replaced with the outside vehicle -- and always, it will be used with a complete capacity. And moreover, how to have operations we maintain 100% utilization. So that have to spoke, normally, we will not see the utilization of the vehicles because it is a compulsory service from hub-to-spoke. Their utilization levels are in the around 60%, 65%.

Abhishek: Okay. And your capex plans for FY '24, sir?

Sunil Nalavadi: Yes, FY '24, as I said, we are going to add around 1,667 vehicles. This will result in to around INR470 crores to INR480 crores capex.

Moderator: The next question is from the line of Aman Vij from Astute Investment Management.

Aman Vij: My question is on the industry growth in, say, April and May. So any initial signs you have seen -- if you can talk about this?

Sunil Nalavadi: Yes, normally see after the end of the year, April will slow down in every year. And currently, see again, it is recovering. And April, May, yes. Normally because of some of the new year plans and all always it will be slow. And a lot of these holidays will be there. And that's the reason, every year, it is the same scenario. And again, from Q2 onwards, again, it will be picked up.

Aman Vij: So that point I understand because March is normally the best month. But apart from that, any other slowdown or improvement you are not seeing compared to normal April?

Sunil Nalavadi: The normal operating metrics are there. There are no drastic improvement or drastic reduction in the growth.

Aman Vij: Sure. Sure, sir. And my second question is, sir, is e-way bill a good way to understand the growth of the industry? And compared to the industry, what kind of industry growth are you seeing for the whole industry? You've talked about our growth, but for the industry, if you can talk about? And is e-way bills are good way to understand that the growth in e-way bill?

Sunil Nalavadi: Yes, growth in e-way bill. One is on the growth aspect of the industry. And second thing, there are many customers who are shifting from non-complied to comply. So that -- on account of that, also the e-way bill growth is happening. So definitely, if you indicate the growth in the industry as well as the shift from unorganized to organized players.

Aman Vij: Sure. And what -- so the question was also what kind of growth are you seeing for the industry for FY '24?

Sunil Nalavadi: From industry side, even in the current year, if you see a normal growth is around 8% to 10%. And this year, again, it may slow down because -- last year, what happened after the COVID that growth was much, much higher. And compared to last year to this year, the industry growth may expect around 6% to 7%. Again, it is a GDP growth what we are talking here.

Aman Vij: And in spite of that, you are still guiding for a strong growth like we did last year?

Sunil Nalavadi: Yes. See, for us, what will happen, 1 is growth from the existing industry. That is point number one. Point number two, The expansion to the newer geography of new branches, that will come additional growth. Even in the current year, if you see the growth it was almost around 5% to 6% additional tonnages on account of the new branches. That is going to continue in the next year and further shift from the unorganized to organized. So all put together, we are expecting our growth range -- growth in tonnage in the range of around 15%, 20%.

Moderator: The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management.

Abhijit Mitra: Congrats on a good set of numbers. And just to understand the volume guidance a bit more. So for this year, we can see 15% coming from the existing branches and 6% coming from the new branches. You just repeated that 6% from the new branches is possible in '24 also, but whether 15% on the existing branches is possible without -- or with the existing resource base -- or I mean, what are the constraints to sort of repeating that 15% from the existing branches is what…

Sunil Nalavadi: See, the total growth, what I indicated in the range of 15% to 20%. So assume that if new branches -- again, these branches, 186 branches will open in the current year. So similar kind of numbers will not be there. So we are planning around 20, 25 branches. So it will all put together around 80 to 100 branches.

So, contribution from additional new branches will be lesser because the base for the current year for these 184 branches is already fixed, growing over and above, again, it will be in the range of these branches growth from this level will be in the range around 10%, 12%. So considering this parameter and the new branches what we are planning in the next year, it will be in the range of around 15%, 20%.

Abhijit Mitra: Okay. So essentially, this year, 2 lakh tons has come from the new branches. So it will probably assume 10% additional from that?

Sunil Nalavadi: Yes.

Abhijit Mitra: And it is 80 to 100 new branches, which will contribute additional 5% and the rest from the existing set of branches, I mean that's the broad...

Sunil Nalavadi: Yes. Yes.

Moderator: The next question is from the line of Nemish Shah from Emkay Investment Managers Limited.

Nemish Shah: Yes. So I wondered some data points. So in Q4, what would have been a bulk procurement for diesel?

Sunil Nalavadi: Around 28% of the total quantity.

Nemish Shah: Okay. And what was that in Q3?

Sunil Nalavadi: Q3, it was not this, hardly around 4% to 5%. This has started in December -- mid of December. Yes, that contributed hardly around 4%, so. But in Q4, it is 28%. And going forward, again, the contribution will be around 28% to 30%.

Nemish Shah: Okay. And generally, what is the differential between bulk procurement and retail?

Sunil Nalavadi: Yes, around INR2, the difference, the bulk purchase fuel is cheaper by around INR2.

Nemish Shah: Understood. So this quarter, if I can just compare Q3 versus Q4, the fuel cost went up by 1.24% so and that bulk procurement from 0%, it went up by about 28%. So I know you have written in the presentation that this was largely due to an increase in consumption. So if you could just highlight what would have been the net benefit of procurement of bulk fuel?

Sunil Nalavadi: See, every day, we are consuming around 2.5 lakh to around 2.7 lakh litres. Out of that, around 80,000 to 90,000 litres are from the refineries for that, around INR2, we are saving. It is roughly around 1.5 lakh to around INR2 lakh, we are saving per day. That's one. And here, the reason why fuel cost has increased, the lorry charges have been decreased by around 2%, means the dependency on hired vehicles have been substantially reduced in Q4. That has been -- those kilometres have been covered by the owned vehicles. That's the reason the fuel cost went up. If you merge these 2 are still we are saving at around 1% EBITDA margin.

Moderator: The next question is from the line of Rajesh Aynor from ITI Limited.

Rajesh Aynor: My question -- most of the questions are answered. But 1 question I had on the fuel mix and what are the dynamics? And where do you see it the way it would pan out maybe in the near- or medium-term future, because we have also been ordering CNG vehicles? And of course, EV, I don't know if for last mile connectivity, if you're still looking at it. So just wanted your thoughts on this particular area.

Sunil Nalavadi: So basically, CNG, we added hardly 50 vehicles in the current year, that too only for the Delhi and surrounding areas for local operations. Otherwise, in rest of the roads, we are operating the diesel vehicles. And in some of the locations, we added the electric vehicles, which are hardly around 60 to 70 in numbers, again, the small capacity vehicles. So there is a lot of maturities yet to come on the e-vehicle side. There are no specific guidance as of today, even from the OEMs.

That's the reason we are waiting for those guidance. And definitely, if that market is matured, we are the first people to grab that opportunity and subject to it is beneficial to the company. And till that time, definitely to meet our growth plan, we are going to depend on the diesel vehicles only.

Rajesh Aynor: And sir, any other class, let's say, even OEMs keep talking of LNG vehicles and et cetera, but...

Sunil Nalavadi: Yes, it maybe any class. See being the large scale operators, we are open to all these opportunities if these are beneficial to the company, then we are the first people to use that new technology.

Moderator: The next question is from the line of M B Mahesh from Kotak Securities.

M B Mahesh: Sir, just 1 question. On the INR500 crores of fresh capex that you're doing for taking out on the truck side, how has been the interest rate changes from the lender side?

Sunil Nalavadi: Interest rates you're saying?

M B Mahesh: Yes, sir.

Sunil Nalavadi: Yes, actually the rates have been increased recently. But however, last year, most of the loans we get at around 7.9% to 8%. Now the rates have increased to around 8.4% to 8.5%. But still we are telling it around -- we are trying for around 8% deck.

M B Mahesh: Okay. Sir, second question is that when you say that as each and every passing cycle when GST compliances have increased, how much of delta are you actually seeing on the ground in this latest move of INR5 crores, how much of incremental benefit do you see for companies such as yours? That will be all.

Sunil Nalavadi: See, that's the reason I mentioned some of the commodities, which we were unable to get earlier, say it, like a betel nut market or even the coconut products, the leather product. So these are indicators from our side. But in the market side, again, the different people are getting different kind of a benefit. But overall, it is converting the market from the non-complied to complied market. We cannot bifurcate exactly. This is what the percentage is roughly.

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

Jainam Shah: Sir, my first question is related to the scrappage of vehicles. So any kind of smaller inflows are you expecting for the same like for this around 1200 vehicles. How the mechanism is there?

Sunil Nalavadi: No. Please, will you repeat your question, please?

Jainam Shah: So just wanted to understand, as we are heading around INR500 crores of capex plan, are we envisaging any kind of inflows from the scrappage of vehicles like any kind of scrap sales or something, any smaller number or something?

Sunil Nalavadi: Yes, scrap sale, again, it is going to increase. whichever vehicles we are scrapping definitely, but we are not going to get benefit under the government. As of today, what we are doing, we are scrapping ourselves and moreover, what we are planning is, we are planning to establish our own registered scrappage facility under the license from the government. So that is going to help us because the moment we scrap our own vehicles we can use around 50%, 60% of the existing spaces available in those vehicles will be used for the rest of the vehicles, be it an engine, be it hub, so many things. So that's the reason we want to have our own facility and you get a good kind of a benefit out of it. And whatever skeleton remains only that we will sell.

Jainam Shah: Got it. And sir, on the other part, that is at around INR170 crores and I guess buyback cash flow would be post this only like INR60 crores of debt. So around INR100 crores -- sorry, INR100 crores of -- so how we are seeing the debt levels to be pan out with this INR500 cores of capex that we are going to be in FY '24? How much would be from the internal accruals and what kind of additional debt we are going to have.

Sunil Nalavadi: Yes. Considering the profitability plus depreciation, we are having the cash flows in the range of around INR450 crores to INR460 crores. So definitely -- and this is a pre-tax and post-tax this amount will be in the range of around INR380 crores to INR400 crores. So most of these cash flows will be used for the capex purpose? And apart from that, whatever amount required, we will borrow. And initially, what will happen when -- at the time of purchase, we go for a debt. As and when surplus money will be there, that will be used for repayment of the debt.

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

Ash Shah: So just a bookkeeping question. Can you give the annual numbers for all segments for FY '23?

Sunil Nalavadi: Annual numbers?

Ash Shah: Segment-wise annual numbers, FY '23 from bus operations and wind energy segment, if possible.

Sunil Nalavadi: You want top line or profitability?

Ash Shah: Top line.

Sunil Nalavadi: Yes. From bus, see goods segment, it is around INR2,600 crores. Almost INR2,660 crores. And wind power normally the revenue will be around INR20 crores, INR24 crores. And for bus business, it will be around INR320 crores to INR330 crores.

Ash Shah: Okay. And also one more thing the net debt increased Q-o-Q from INR46 crores to INR168 crores. So any colour on that? So why -- because you were planning for INR100 crores of net debt in the last con call. So why is such...

Sunil Nalavadi: Yes, we did a buyback again, the INR61 crores has been deployed for a buyback. The internal sources have been used because of that, again, the debt level is increased. And see, in the current board meeting also, the INR5 per share the dividend is again subject to approval from the shareholders in the Annual General Meeting. So these are some of the outlooks of which the internal accruals have been deployed for these purposes.

Moderator: The next question is from the line of Aman Vij from Astute Investment Management.

Aman Vij: Yes. My next question is basically if you can break our revenues in terms of key clients and MSME customers?

Sunil Nalavadi: Yes, see. Again, the clear breakup we cannot do because 1 way the corporate book, the delivery will be MSME and MSME will book the corporates will take a delivery. But however, we are having a different kind of booking in our company. Basically, we call it as pay to pay and account customers. For account customers, we are having quotations or agreement with the customer that consumes almost around 18% to 20% of our revenue.

And the to pay, the person who is receiving the goods, he pays a freight before taking the delivery of the goods, which is almost around 60% of our revenue. And 10% of the -- 10% to 12% of the revenue is paid booking means customer pays a freight amount and book the consignment. And remaining is mix of all these some FTL and all some consignor will pay part amount. The remaining is mix of all his pay to pay and account.

Moderator: Mr. Vij, does that answer your question?

Aman Vij: Yes, yes.

Moderator: The next question is from the line of Alok Deora from Motilal Oswal Financial Services.

Alok Deora: Sir, just 1 question I had. This branch addition we did nearly 180 branches, which is much higher than what number we had guided for. So now we are again doing -- again 180 when our outlook is again significantly positive, while we are going slow now on addition, any particular reasons or does that…

Sunil Nalavadi: See, even earlier, we guided around 100, 120 branches in a year, but actually, we did 184. See depending on the local survey, if opportunities are there, definitely, we will grab it. And currently, our plan is like this. So we've opened up around 20, 25 branches every quarter. If there are more opportunities than definitely. See, as I said, again, we are very cautious even in a branch expansion where it should not burden on the margin. With that background actually we grow. Our is a healthy growth. See always, we concentrate on margin plus growth.

Alok Deora: This is kind of an initial estimate, it could be slightly higher than that.

Sunil Nalavadi: Yes.

Moderator: Ladies and gentlemen, as that was the last question, I would now like to hand the conference over to Mr. Sunil Nalavadi for closing comments. Over to you, sir.

Sunil Nalavadi: Yes. Thank you. Thank you all participants for your patience herein. And definitely, as I said, we are focusing only on Goods Transport segment. The entire management of the company is concentrating on this business. And definitely, we are seeing a good development and good environment, both from the growth in the industry as well as from the government initiatives about the control or curve on the nonaccountable transactions or non-complied transactions.

So definitely, these kind of initiatives are going to help us. And considering these scenarios or this kind of environment, we are planning for more expansion into this business. And that's the reason we've grown almost around 21%, 22% in the last year. And that is having a good base for us. On that, definitely, our growth will be continued with the maintenance of good operating margins going forward. With this, I would like to conclude this call. Thank you.

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