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Ref: MLLSEC/108/2024 29 July 2024

To,

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National Stock Exchange of India Ltd.,
(Symbol: MAHLOG)
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Sub: Transcript of Earnings Conference Call - Regulations 30 & 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI Listing Regulations”)

Ref: Intimation of earnings conference call vide letter dated 12 July 2024 and Outcome and audio recording of earnings conference call dated 23 July 2024

In compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI Listing Regulations, please find enclosed the transcript of the earnings conference call of the Company for the first quarter ended 30 June 2024, held on Tuesday, 23 July 2024, with several Analysts/Institutional Investors/Funds. The transcript includes list of management attendees and the dialogues including but not limited to the Questions & Answers.

The text transcript and audio recordings of the Q1FY25 earnings call are also uploaded on the website of the Company at the weblink: https://mahindralogistics.com/investor-interaction/recording-amp-transcript/

No Unpublished Price Sensitive Information was shared/discussed by the Company during the earnings conference call.

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

For **Mahindra Logistics Limited**

JIGNESH ASHOK PARIKH
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Jignesh Parikh
Company Secretary

Enclosure: As above

"Mahindra Logistics Limited
Q1 FY '25 Earnings Conference Call"
July 23, 2024

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

Moderator: Ladies and gentlemen, good day, and welcome to Mahindra Logistics Limited Q1 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Shogun Jain from SGA. Thank you, and over to you, Mr. Jain.

Shogun Jain: Thank you. Good evening, everyone, and thank you for joining us on the Mahindra Logistics Limited Q1 FY '25 Earnings Conference Call. We have with us Mr. Rampraveen Swaminathan, MD and CEO; Mr. Saurabh Taneja, CFO; and the senior management of the company. I hope everyone has had a chance to view the financial results and Investor Presentation which were recently posted on the company's website and Stock Exchanges.

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

I now like to invite Ram to make some preliminary remarks.

Rampraveen S.: Thank you, Shogun. Good evening, everyone. I trust you all had a chance to view our presentation and financial results, which are available on stock exchange and our company's website. As always, I'll provide a brief update on strategy, external environment, our business operations and key corporate actions, and I'll finally conclude by discussing our financial performance for the quarter just went by and our focus areas for the remainder of the year.

As a quick overview of the logistics sector, India boasts second largest road network globally. The pace of National Highway Construction is accelerated, significantly increasing from 12.1 kilometers a day in fiscal year 2015 to around 34 kilometers a day in FY '24. The Indian trucking industry is crucial to the nation's logistic sector with approximately 12.5 million trucks navigating Indian roads as of FY '24.

The preference for road transport reflects its adaptability, accessibility and flexibility catering to a diverse business and industrial needs nationwide. Furthermore, India's commitment to continuous development, policy reforms and technology advancements bode well for future of road transportation and logistics in general, this commitment offers significant opportunities for growth and innovation.

The nation continues its trajectory of economic growth and industrial development, the importance of road transport is set to remain paramount, enhancing efficiency, connectivity and economic prosperity. The growth will unlock avenues for expansion improvement. And it's an important part of our own growth philosophy as we look at the sector, increasing these levels of formalization.

Looking at some of our end markets in the last quarter, and I'll just begin the automotive industry as I normally do. in Q1 FY '25, automotive OEMs reported volume growth of around 10% on a Y-o-Y basis with broad-based growth in almost all segments. Two-wheelers interestingly outperformed with 11% year-on-year growth, followed by passenger vehicles with 6% growth.

Commercial vehicles and tractors grew by approximately 4% each. The passenger car volumes continue to underperform utility vehicles as demand for entry level categories remain weak. Overall automobile demand in Q1 was subdued, impacted by the effects of continued heatwaves in many parts of the country and some election-led slowdown, especially in commercial vehicles.

As a result, retail demand lagged wholesales in almost all segments, including 2-wheelers, passengers and tractors leading to an increase in dealer stock at the end of Q1 '25 as reported by FADA. The consumer durables industry has performed better, especially the electrical consumer durables industry supported by pickup in demand due to the increased level of heat due to the summer season leading to a stronger demand for the product portfolio of RACs and air coolers. The fan industry has witnessed sequential improvement and the market stabilizes post instruction of the BEE norms.

In lighting prices are gradually stabilizing as the industry witnessed good growth for Q4 FY '24, which has been sequentially improving in the current quarter as well. The kitchen appliance category continues to remain impacted as almost all segments continue to post the growth. Professional luminaires saw lighting upand picking pace, so the government's focus on lighting, infrastructure and also in terms of -- which is driven by broader commercial construction.

Structural demand drivers like improving construction activities, real estate upcycle, increasing capital expenditure, premiumization, and recovering rural market will stimulate growth for the cable and wire segment. Strong real estate sales should help drive demand for consumer durable products and increased recovery in rural markets should drive further growth during the rest of the year.

The FMCG industry has seen overall demand rise, especially towards the end of the last financial year. The summer demand, as witnessed in Q1 has remained healthy, healthy due to increased heat, especially in Northern and Central India. Overall, the industry is bolstered by favorable input prices. Advertising and sales promotion spending were higher due to stiffer competition from local players, an increasing number of launches and a broad volume pushed by all incumbents.

E-commerce end markets have been seeing continuing growth over the last couple of quarters, even though growth has been moderated over from historical highs. Despite a broader slowdown in growth, we have seen some segments, such as hyperlocal and grocery grew at a strong pace, and this should help us grow significantly, and well positioned within the segments. The optimism for this year has also seen -- the upcoming peaks this year have also seen the larger amount of interest in flex and pop-up solutions, and that has helped us enhance our order flow from the same.

At MLL, a deliberate focus on growing new accounts, expanding our regional focus in areas like the East and focusing on grocery and large appliances helped us increase our order base and recover the loss of business, which we experienced in the previous year.

Telecom, the industry's growth is expected to be driven by increase in RPU mix and growth in industry subscribers. Capex remains relatively stable compared to the last quarter, given the ongoing investment in 5G infrastructure and efforts to densify rural networks. Our range of transportation services, warehousing solutions and value-added solutions focus on network expansion and operations has been demonstrating strong growth in this past quarter, and we continue to remain focused on deepening our coverage in this segment.

A few operational highlights for the quarter. As you have seen earlier from my earlier comments, we have seen a mixed demand environment, elections and slower consumption, some categories affected our volumes in shorter cycle businesses at B2B Express and also resulted in slower ramp-up and rollout of new sites in our Last Mile Delivery business and 3PL Contract Logistics business.

Despite that order intake of over INR210 crores during the quarter, comprised of long-term contracts showed a steady and continuing growth, including our 3PL Logistics -- Contract Logistics, Last Mile Delivery and Forwarding businesses.

During the quarter, we won several key orders including four new FCs for a large international, personal care, cosmetics company and new FC and sort center for a large e-commerce marketplace. A new micro-fulfilment center for leading foods and personal care products company in Western India.

In Freight Forwarding, we saw a robust growth in ocean import, and our new pro-trucking network transport offerings or expansion orders from a leading paint manufacturer. While the order environment was positive, we are witnessing a longer construction period, resulting in higher pre-operating costs and expenses largely to customer deferrals. This has resulted in lower than projected order conversion in the quarter, but we remain confident that we should correct itself in the second half of the year.

During the quarter, we also launched a new 300,000 square feet multi-client facility in Guwahati, Assam. This is the largest facility of its kind in the Northeast. It is a Platinum certified facility, which is completely powered by renewable energy and will be our gateway for the Northeast. While we did go live with the site due to customer changes, we had to push back occupancy rates, and this has resulted in a higher one-time cost during the quarter.

Weakness in the farm sector has impacted our transport solutions business in the auto and farm segment this quarter and we had some carry because of that. Operating costs in the 3PL business are further impacted by unfavorable labor conditions, both in terms of third-party contract availability and costs. We have overall seen a 4% to 5% increase in contract labor costs, though partially offset by productivity measures, these did impact our continuing earnings.

The Express business has had a challenging environment, volume drops on a sequential basis, which affects our ability to further optimize costs, volumes dropped approximately 8% on a tonnage basis sequentially, while we did maintain yield through better account management. The drop in volumes, we believe is an industry-wide phenomenon driven by a sharp reduction in account volume in April.

And some amount of impact of election-led liquidity issues across the market. While we did see a recovery in the second half of the quarter, that challenge remained persistent at the full quarter level. Despite that, we continue our cost improvement journey. We still come a little bit short of our expectations in the quarter, but we look forward to improving EBITDA margins on a quarter-on-quarter basis.

We continue to work to get the business EBITDA breakeven by the end of second quarter of F '25. All other businesses apart from 3PL business and Express business had very stable operations. We did see some broad impact of a tighter pricing and volume environment, but that all largely offset through focused cost management. EV penetration continued to grow. We have now completed over 13 million green miles.

During the quarter, we also launched our center of community excellence in Bhiwandi, which is a program to which we trained larger set of members in the local community for job opportunities in the Logistics and Mobility segment and we follow the location in Bhiwandi with another one in Guwahati later this year and other locations as well.

In the quarter, we also announced the formation of a joint venture with Seino Holdings, one of Japan's leading auto logistics company. Under terms of the joint venture, we collaboratively with Seino focus on Japanese automotive OEMs, a large segment, which is significantly underpenetrated by our existing business operations. The incorporation of the company, the formation of the companies will stretch out through the rest of this financial year, and we expect to start seeing operating results from the business towards the tail end of this financial year.

With that, let me move on to the financial performance. And let me begin first with our component performance of our individual companies. Mahindra Logistics revenue for the quarter was INR1,157 crores compared to INR1,051 crores approximately for the same quarter last year, and margin down compared to the sequentially prior quarter. PAT for Q1 FY '25 was INR10.2 crores as compared to INR23 crores in Q1 F '24, down by approximately 55% on a year-on-year basis.

At Lords Freight Forwarding business, revenue for Q1 F '25 was INR71.1 crores, down compared to INR76.8 crores in the same quarter last year. Revenue, however, showed a strong improvement on a sequential basis, with revenue growing by 12% compared to Q4 FY '24. PAT for Q1 FY '24 was INR1.8 crores compared to INR1.6 crores in Q1 FY '24 and INR1.2 crores sequentially prior quarter.

The Express business Q1 FY '25 revenue was at INR89.2 crores, up by around 6% compared to the same quarter for the prior year, but down compared to the immediately sequential quarter. PAT losses for the quarter shrunk from INR29.4 crores in Q1 FY '24 to approximately INR24.6 crores in Q1 '25. PAT losses also shrunk compared to the earlier quarter by approximately 1% earlier -- sequential earlier quarter.

The Mobility business continues its turnaround process. Revenue for Q1FY '25 was around INR81.3 crores as compared with INR81.1 crores in Q1 FY'24, impacted by some slowdown in our enterprise business. Our PAT for Q1 FY'25 showed a marked improvement and squared to INR1.7 crores as compared to losses of INR1.8 crores in Q1 FY'24.

In Q1 F '24, we have taken a onetime charge of around INR2.8 crores on account of an earnings charge which we have taken on bad debt due to go air. Excluding that charge upon of INR2.8 crores, PAT doubled from around INR1 crores to INR1.7 crores.

The Whizzard business continues to improve its journey towards path of its profitability. Revenue for the quarter was INR37.7 crores and PAT swung from a loss of INR0.2 crores in the same quarter last year to a profit of around INR0.2 crores for the quarter.

The 2x2 Logistics business, which provides auto outbound services as part of our '25 3PL Contract Logistics business also continues to show a strong improvement. The division made a profit of INR1.7 crores in Q1 F '25 compared to INR 10 lakhs in the same quarter for the prior year.

Moving to our consolidated performance for Q1 for the quarter. Revenue for Q1 FY '25 increased by 10% compared to Q1 of the prior year to INR1,420 crores. Revenue from the Warehousing segment in 3PL business stood at INR259 crores in Q1 FY'25, up compared to INR227 crores for the same quarter last year. Supply chain management, including our 3PL Contract Logistics and Network Services businesses contributed 94% of our overall revenue, and Mobility business contributed 6% of our overall revenue for Q1 FY'25.

Gross margin at a fully consolidated basis stood at 9.5% in Q1 FY'25 compared to 10.5% in Q1 FY'24. Gross margin without the impact of the MESPL business was down from 12.3% in the same period last year to 10.6% for Q1 FY'25. The impact of that was largely driven by the factors which I said earlier in terms of higher labor costs and extended start-up period, which resulted in pre-operating expenses, and the additional cost of the capitalization of the new facility in Guwahati.

EBITDA for the quarter overall stood at INR66.3 crores, up from INR56.6 crores in the immediately prior quarter due to consolidation effects of the Rivigo acquisition. Overall PAT for Q1 FY'25 stood at a net losses for the quarter were INR9.3 crores compared to loss of INR8.6 crores in the same quarter in the prior year and improvement from approximately a loss of INR13 crores in the sequentially preceding quarter.

As a company at ML, we continue to learn our core principles, which we believe will help us adapt to ever-changing logistics industry. We think our success depends on the well-being of our employees, customers, vendors and logistics community. And we strive to create an inclusive, welcoming and safe workplace for all our individuals to learn, grow and flourish. Our commitment to creating a value-based culture gives us the confidence to move forward.

With this, I'll open up the floor for questions and answers.

Moderator: Thank you very much. We will now begin the Question & Answer Session. Anyone who wishes to ask a question may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking questions. Ladies and gentlemen, we will wait for a moment while the question queue assembles. To ask questions, please press "*" and "1". The first question is from the line of Alok Deora from Motilal Oswal.

Alok Deora: Hi, this is Alok Deora from Motilal Oswal. So sir, I just had a couple of questions. So first is on the MLL Express business, which is the Rivigo business. So, we have seen kind of flattish quarter-on-quarter profitability. I mean, the losses are at very similar levels. So could you just indicate -- I mean, we were looking at loss reduction here and it stands similar.

We understand that the quarter has been soft for the industry. So just some insights here: How are we looking at the breakeven now? If you just look at it, since the time we acquired it, we have incurred around INR115 crores to120 crores of EBITDA loss, right? So just how are we seeing this business now?

Rampraveen S.: Thanks, Alok, for that question. I think it's good that you got it out of the fences because it's probably a question others will have as well. So if you look at the numbers overall, obviously, it's a difficult quarter for the business -- for the industry as a whole. And for us as well, the revenue dropped 8% on the back of tonnage drops of around 8% to 9%. I think from -- despite that kind of reduction in volume, obviously, we did show an improving operating performance. Contribution margins in the business grew by around 300 bps, largely driven by our continued focus on cost optimization.

EBITDA at a percentage level remained stagnant at negative 15.3% last quarter to around negative 15.4% in the quarter which just went by. So despite lower leverage in the business on account of a volume drop, we did manage to maintain and continue operating performance. And that has meant that at a PBT level, our losses have come down by around 3% compared to the preceding quarter, sequentially preceding quarter, and of course, down by around 16.3% compared to the same period last year.

So those are just the facts from the highlights. From our perspective, the demand environment, Alok, has been a challenge for us. That said, I think the quarter was really in two parts. The first part, which was equivalent, was particularly challenging for us. But we did exit June with a slight uptick compared to the March numbers.

As you look forward between July, August and September, I think there is really a very big part of our improvement focus that is going to be on getting more volume. The increased volume will allow us to obviously not going to accrue the contribution margin from that tonnage, but also allow us to further optimize the cost side, which has been important for us, especially on the line-haul side of the business.

So we are as of now hoping that we can get -- and planning that we can get a 10% to 15% improvement through the quarter, we should not be very far away from our EBITDA breakeven targets. We will probably not be able to exactly give EBITDA breakeven at the end of the quarter. But from a run rate perspective, we hope to be able to start getting to that point, if we can get 15% plus kind of growth through the quarter. It may slip a little bit, but I think -- but we are still fairly confident that we will be able to get there.

From a contracted volume perspective, I think we've actually grown contracted tonnage by around 4,500 tons in the quarter, right, which is approximately 15%- growth. The challenge for us during the quarter was a sharp downgrade, which happened in our existing accounts in April and May and that has to reset itself.

So I think really -- so I think the turnaround delivery of functions, Alok, of two things; how quickly we get back to recovery on the downgrades, a lot of that has happened through the end of June; and how quickly we can get the volume scale up right through the month.

If you look at our run rate EBITDA right now, it's around INR4.6 crores loss. Now that's compared to INR8 crores, which is where we ended Q3 of last year, right? So we've always had half the number in roughly similar volumes. So we do need to get the volume in. And as we stand right now, I think we feel very confident about our ability to bring that volume in through this quarter. But we have to wait and watch, right?

I think there is a risk. We will have some slippage through the middle of Q3, but we are working towards it. I think all other elements if you see, I think, have generally been under control. We have had a small uptick in financing costs. But otherwise, I think all our costs -- other cost elements have been getting compressed in line with what we have shown.

Alok Deora: Sure. Thanks for the elaborative answer. The reason I was asking is because the whole industry is kind of talking about -- especially in the Express side of it, it's talking about almost no growth or kind of a degrowth and even in 1Q for us also we have seen now Q-on-Q kind of a degrowth here even in volume, even in realization. And nothing has significantly changed, even in July, and you know so far in this month.

So 15% Q-on-Q growth, I mean, unless you are doing something very different because none of the other industry participants have even highlighted any number close to that. So do you think that this breakeven could go you know practically speaking, could go to end of the year? Because even like mid-last year, we had spoken about breakeven by end of FY'24. And now even in the first quarter, we are at INR14 crores EBITDA loss. So considering the industry is very slow right now, just some...

Rampraveen S.: Alok, I won't discuss -- I won't obviously say that you are wrong in terms of the materiality of the risk. I think the risk is real. If the volume doesn't come, we will not be able to try the optimization to get the improvement. So that I think is a fact. I think what really hurt us is actually new account growth. As I said, we added around 28 accounts during the quarter.

We did grow contracted volume in line with what we had expected. I think the down trades on our existing accounts were the real challenge for us. So when I say 15% growth, I think you need to bear in mind that we are -- we were down in the quarter 8% compared to the preceding quarter.

So, compared to Q4, our revenue was down around 8%. Volume was down 8% to 9%. So when I say 15% from the Q1 numbers, it's actually a recovery to 9%, which is offsetting the Q4 reduction plus a 6% growth. Is there risk? I think there is definitely a risk. I mean, market conditions are pretty muted right now. And we are, of course, trying to defend yield.

There was a minor drop in yield during the quarter, but not a very substantial drop in the yield and that was largely because of mix changes between retail, surface, air and enterprise or large account surface. So there is really the mix in terms of our customer segments since COVID.

In-customer and in-segment yields are fairly stable. So I'm not so worried about the yield part of it, but definitely there is a sensitivity to volume. We are updating back on those accounts. I'm confident or optimistic about it, but there is definitely a risk of slippage, right, from Q2 probably to somewhere in the middle of Q3 or even probably the end of Q3.

Alok Deora: Sir, just one last question. Now from a longer-term perspective, we have taken this business, we have incurred nearly INR115 crores of EBITDA loss and INR170 crores of PAT loss since the time it has come in. And I'm sure we didn't have these kind of numbers. We were expecting a breakeven much, much faster. SoI mean if this continues, then how are we looking at this segment?

Because the segment doesn't really fall in sync with the 3PL business and most of the other players who are doing only Express business are also struggling here, struggling to maintain the volumes or to maintain the margins or both. So we are operating this segment in a separate way.

I understand it may be integrated it some way, but Express industry is very different than 3PL. So how are we looking at it because there has been a lot of cash burn here? And if it continues for three more quarters, we are looking at nearly INR30 crores to INR-40 crores of more EBITDA loss coming in.

Rampraveen S.: Yes. So I think it's -- so Alok, it's a very broad question, but I'll try and simplify in the interest of other people in the queue as well, and then we can pick it up again later on in the call. But there are two parts. If we look at businesses, firstly, strategically from a long-term respective. And we do believe that as for multiple macroeconomic drivers, we expect that part of it will continue to see strong secular growth as a service line and also as part of our kind of approach towards Integrated Solutions. And that will kind of play itself out very clearly.

I think in terms of the earnings, obviously, you can look at the past and you can look at the slope. I think -- and that's a situation of a glass half full or half empty. I think we are confident in the forward-looking view that we continue to drive the optimization. While there is definitely a risk at the pace of the optimization, Alok, may not be exactly in line with what we had said earlier, given the current market conditions.

I think from a broader construct, which you said -- which you remarked, we have lost INR150 crores, etcetera. I think a couple of things, which one must be cognizant of -- I'd look at it. I think the first one is how much time does it take network business to structurally build out. I think in our experience, most businesses -- most networks take a decade and plus to build out, right?

And to get strong coverage across 19,000 to 20,000 pin codes with traded volumes across them is not easy. And many businesses who have been scaling up networks have gone through that pain. What the acquisition gave us firstly was in chance to kind of jump start that. And therefore, I think that's one thing we must be cognizant of that factor. And therefore, I think today, while we are looking at and we said it will take us 15 or 18 months to get to PAT breakeven into the transaction, we're probably looking at around 24 months or probably 27 months now. It does not materially change the fact that that's still a whole lot shorter than spending 10 years on building a network, right? So that's one thing that I look at it.

And the second thing is that while we have lost INR150 crores in terms of EBITDA losses, we acquired the company from INR210 crores net, if I added all that together, the acquisition costs around INR360 crores, which still is roughly one-time revenue, which is still kind of fairly undertreated in terms of what I think many comps in the industry are.

So none of the states that we are need enough focus to get the returns back, right, get the earnings up. But I just want to give you a flavor of how at least we tend to look at it. What I'll encourage, Alok, is in the interest of all the other people in the queue, if the moderator can go to the next person and we'll have you back in the queue based on how the queue looks.

Alok Deora: Sure, Thank You.

Moderator: Thank You, The next question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: Yes. Hi good evening everyone, thanks for taking my question**.** I have a couple of questions. The first one is on your warehousing yield. So if I look at the chart on Slide 39, it is indicated that the yield was INR6.2 per square feet. Now I understand that has been impacted due to, as you mentioned, pre-operating cost of new launches. But these new launches will keep on happening.

So I just wanted to get a sense of the trajectory of this yield, when can we return back to, let us say, Q1 FY'24 level? And is there a broad number you have in mind that this would be the ultimate sustainable yield that you are targeting.

Rampraveen S.: Yes, Amit I think the same question -- if I recall you had asked a similar question in last quarter. So our answer is the same. I think compared to INR7.2 to INR7.5 which were in earlier preceding quarters of last year. I think we believe the anchor for the business is around INR7, it's around INR6 right now INR6.2 is what has been reported in the slides.

And I think we said last quarter as well that we think we are anchoring the business around INR7 kind of return, right yield on the warehouses and obviously what has impacted us in the quarter. I think there are two different parts to it. I think one the pre-operating expenses have been higher. Of course, we are continuing in nature as we drive growth.

We will have some pre-operating expenses every quarter, which have been there. We have had some delays in projects at our end. So that's cyclical check from INR6.2 to INR7 around INR0.25 to INR0.30 of that is really around just unusual or exceptional pre-operating expenses. There's probably around INR0.35 paisa to INR0.40 paisa every quarter in terms of pre-operating expense yield. There's around the INR0.40 to INR0.50 paisa, which has happened because of higher labor costs during the quarter which we are resetting now.

We offset some of that through productivity, but it's an ongoing journey. I think we have seen a tighter labor market in some of our contracts on a cost per unit basis. They do get reset periodically and not basis in quarter. So there's just been the work which has been done around that. And that did affect our -- has affected it and that is actually the same issue which happened last quarter as well. So last quarter also we had some of this kind of inflation tearing in.

But we are anchoring the business would be around INR7 of margin per square feet. And I don't think we'll be there at the end of Q2, but we expect to be there somewhere at the end of Q3. There's a lot of optimization work which we're already doing and that should get us back to that level. This quarter would have been around INR6.6, INR6.7 extra for some of these labor costs, which gave us a bit of swing, but we are working on getting them under control.

But I don't think we'll necessarily get to INR7.2 or INR7.5. I think preceding year-on-year the same quarter of INR7.5 the prior quarter at INR7.2. So we think INR7 is obviously the most stable range.

Amit Dixit: Okay, Great. The second question is, again on your Express Logistics business. And so you mentioned that you expect a 15% volume growth. So is this for Q2 or do you expect for the rest of the year, that's number one Q2?

Rampraveen S.: Yes I think Amit it was in response to Alok's question saying how do you see the turnaround accelerating. And what I felt is, obviously, we did 15%. We need to fix the up down trades which are around 8% or 9% and then get an additional growth of around 6%. We can do that.

Amit Dixit: Yes. I got that. My question was that which sectors do you see contributing to this growth specifically?

Rampraveen S.: Yes. So I think Amit 8% to 9%, 8% roughly was just down trading we had in our existing accounts, not actually loss of share. It has largely just been the customers drop volume. That needs to get back, right ,and that has to kind of get back to that level. And then I think be around 7%, 8% from growth. And I think we are largely expecting that to come partially halfway.

Half of it to come from FMCG and probably another half of that growth essentially come from existing accounts of the 3PL Contract Logistics business where we have synergy opportunities to create better leverage. So it's really those two we should add 30% kind of growth from new accounts.

Amit Dixit: Okay. Great. A related question if I may you mentioned that volume dropped 8% on Q-o-Q basis. Is it possible to give the similar number on Y-o-Y?

Rampraveen S.: Y-o-Y it's actually up around 3% -- 2% to 3%. If you compare revenue as well, it is up from INR84.3 crores to INR89.2 crores, I think a percent variance on revenue. So INR 89.2 Cr which is roughly a 6% growth and I think that largely is the volume growth number as well.

Amit Dixit: Okay. So 6% Y-o-Y volume growth?

Rampraveen S.: Yes, yields have not changed much for us. I think probably a little bit less than 6%, a PAT bit less than 6% because compared to last year yields have actually firmed up.

Amit Dixit: Okay wonderful. Thank you and all the best.

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

Rampraveen S.: Hi Krupa,

Krupashankar NJ: Hi Ram, Thanks for the opportunity. I think I had one question on the Express piece of it. Given the subdued environment are you seeing the industry pricing environment softening? Because we've typically seen that under pressure a lot of companies doing those utilization levels compromise on the yield. So any such trend observed at your end? I do note that you have maintained on a Q-o-Q basis, but just wanted to get sense from you on the overall basis as well as implications on our operations?

Rampraveen S.: I think it's a tough market. I mean so Krupa there is obviously a tough market in terms of pricing. Pricing is a very tight corridor right now for usand therefore it's hard to say that there is in the pricing problem. There is a real challenge in terms of defending yields.

And that's especially on the enterprise or the large account side, I think the retail side it's little bit easier in terms of yield management. So we are seeing some of that and there is some churn happening already in our base because we are exiting accounts where we are exiting the bottom of all yield curve and replacing them with slightly better accounts as well.

So long story short, I think there is a lot of pressure. I think there are lanes especially pressure on some sectors and some set of lanes, but we are just blocking and tackling our way through to ensure that we are maintaining yields. I think our strong retail network does help us. As you know, we have around 270 branches. We have more than 260 business partners across different geographies.

We are expanding that, especially in the East and the South. So that gives us slightly higher yields Krupa and allows us to balance some of this. But there is very intense price pressure and it does affect us then the trade-off is always between share of wallet and profitability or yield in the business. So, there is no perfect answer, but it is a challenging and tough environment.

I think from our perspective Krupa as I said our challenge in the quarter probably like many others in the sector has just been some volume down trades happening without losing share of wallet just customer who actually dropped lower volume. That has been recovering and we have not seen too much of price pressure there, but on new accounts and new business it is quite intense. The price pressure is quite intense.

Krupashankar NJ: Understood Ram. The second question was on the warehousing piece of it. You did state that there is an emerging demand for flex warehousing and the enquiries have been quite good. I mean a couple of years back we did face certain challenges relating to increasing flex warehousing commitments, but eventually underutilization. So how are we thinking about the flex warehousing piece at the moment, and what sort of a capacity expansion are you building up on warehousing temporarily for catering to the business market?

Rampraveen S.: So Krupa you have been out for a long time. So we had seen a couple of these. I think in 2021 we saw the flex boom, if you remember that we previously had this massive boom of flex. We had nearly 2.5 million square feet of flex which is extremely good for us. We will develop the playbook around it and scale it up. In the next year, in '21, of course, we had bit of burn around and that's probably the one which you're referring to. We had some stress on flex. And obviously that remains a bit of a challenge in terms of what we learn from it.

I think this year it's still early. I think lot of our customers are planning flex. I don't think all of that's done in yet because we are obviously having wait through the August peak to some extent to firm that more clearly, but we are doing basically operating on three principles. We are avoiding large boxes. So we have in the past I think, in '21, '22, pre-hired so many large box spaces for flex for season and we kind of have a bit of a burn and that's one thing which we are avoiding, Krupa.

And the second picture's kind of focus is really aggressive on flex, where we have white space. We have traditionally been roughly a 4% white space business. In the last quarter especially, we went on this quarter just by they count around 7% that's largely, of course, partial account of the Guwahati launch, but also there's a bit of white space creeping across all our sites. So that’s the second thing which we are doing. And the third thing I think we are trying to contract much closer to the season.

So I think just overall softness in warehousing. In '21, '22 warehousing was hot, and I think we had to bit ahead of the cycle and place some leasing bets which we have avoided this year. I mean currently I think in the space environment is -- especially the buildings coming out of construction remains fairly favorable.

So we should be able to push back any leaks, bookings, etc back towards probably August, September timeframe. And if we can do that, then obviously, we'll have a far more contracted -- fasting new contracting space, there is amount of flex space. I hope that kind of answer your question.

Krupashankar NJ: Yes. I understand Ram. I think then just to follow up on that then how do you see the overall e-commerce piece of it, then the contribution from e-commerce shaping up for the company over the next year or so? We have won some great contracts as I was just questioning that front?

Rampraveen S.: Actually, we lost some as well. So I think it's both. I think e-commerce if you remember was around 17 -- 3PL e-commerce. So e-commerce is having I would say, had two divergent impacts on our business last year. The contract loss is faster -- declined year-on-year. As you know we have seen a fair amount of churn, especially on large box warehouses, FCs which, as our customers in-source that. And we will see a fair amount of churn because of that. That hurt us first in terms of revenue drops and also towards the end of the year in terms of the peak in white space.

I think at the same time last year our last mile delivery business which is just purely volume driven despite a very challenging environment actually showed some -- shown a 16% to 18% revenue growth and volume growth. So it's a bit of a mixed bag. Part of our business is concluding to be driven by volumes, and the last mile has grown.

The parts of our business that are more asset-driven in the first and second miles actually had that churn. I think positively -- and revenues which are approximately on the Contract Logistics business around 14%, 15% of our business was 3PL that actually declined towards the end of the year to around 12% -- 11%, 12%. I think the actions our team have taken as countermeasures on that have helped.

I think we are focused on three things. We're focused on some geographies where we think there is emerging demand and our customers are underrepresented especially the east where we have been expanding in Kolkata, Guwahati and now we are expanding in Agartala as well. The second thing I think has been focusing on more complex offeringespecially around grocery, which has helped us strengthen our business. That part of the business is growing in general. And that I think has helped us a lot.

The third one is expanding to new accounts, where we have actually picked up a bunch of new accounts in terms of warehousing and transportation, things like supply pickups, and so on. So those three actions I think together I think have helped us. We also launched a pro-trucking service for one of the larger marketplaces. So I think a combination of those I think has now allowed us to recover the losses of the churn which we've seen.

And this year I think I expect that e-commerce on the Contract Logistics piece will come back on 15%, 16% of our revenue. Obviously, on the last mile delivery business we continue to grow year-on-year and organically inside the MLL part of the last mile delivery business also grow in the Whizzard part of the business. So together that business should continue to see and a lot of that is e-com driven, probably 85% of that is driven by e-commerce and that should also see that growth.

But that's I think the broad outlook I think this year it really is about getting our offerings in place doing the optimization on cost and getting revenue back. We are doing an incredible job on the revenue growth. We still have some work to do on margin expansion, recovery, and capital efficiency, but I think the trends are in the right direction, Krupa.

Hopefully, well positioned by the end of this year I think next year I believe we'll be able to have a breakout in e-commerce as facilities in last mile is filled and our goal is to set ourselves up well for us.

Krupashankar NJ: So I was referring to the Valmo order win which of course has gained a lot of traction. And that's where I was wondering if profitability-wise is there some challenge because it's a very cost-conscious segment and that's where probably, I think partly you've answered some part of it that grocery is some place where you're looking at any other further view on Valmo business for you?

Rampraveen S.: No, I think you should ask Valmo they are in the best position to answer that. Since they they made the announcement I think they are in well position to answer that.

Krupashankar NJ: Okay. Thanks Ram. Thanks a lot and all the best.

Moderator: Thank you. A reminder to all of the participants that you may press star and one to ask question. The next question is from the line of Aditya Mongia from Kotak Securities. Please go ahead.

Aditya Mongia: Thanks Ram, for taking my questions, I'll start with the first question. This is more on the eDel business. If you could give us a sense of the scale of business in terms of revenues, EBITDA, PAT for this business would be useful. And some sense of the breakeven revenue per day per vehicle, how far we are from that point?

Rampraveen S.: Your question is around the eDel electric vehicle business?

Aditya Mongia: That's true. Yes.

Rampraveen S.: And any other question Aditya, so I can answer them together?

Aditya Mongia: Those are more related to Rivigo, so maybe I can give them separately.

Rampraveen S.: So eDel fleet is around 1,600 vehicles right now Aditya, is almost completely 3-wheelers. There is a factoring of 4 wheelers which are largely sub-1 ton and now we're adding some -- probably going up to around 7 tons on the fleet, but it's almost dominantly 3-wheelers.

We, as you know, we do transportation or delivery as a service from that business where we essentially just provide vehicle-based deliveries, and we also provide -- either also operates an integrated model on station plus delivery together. So it's difficult to pull out a specific number.

But broadly, what I would tell you is that we operate up around INR1,200 to INR1,300 per day, right, on a revenue basis. And at that level, we will be at around 18% to 20% gross margin, right level. The game then is always figure out the right level of utilization, right? And it's actually where the continuing operating part is.

Right now, the fleet is utilized around 75% to 80%, we make those kind of margins in that business. We have only 15% to 18% of vehicles, which are in downtime, they are either not utilized, because of lack of customer contracts, other are in transitions between the locations or they are under service contracts.

So the service requirements railway stations. Overall, I think if you look at it and if you did the math, we are probably running at around INR45 crores to INR50 crores run rate on that business in revenue terms. And on the operating action, the gross margin would be in line with that.

The business is not burning, if that's the question. We are not burning money out of this. We still have some headwind in terms of timing utilization. And when you fully pick it up, we should be above the 18% return on equity target we should have for the business.

I hope that's sufficient. If you do one more detail, I can provide that. But I think in the coming months, we do obviously hope to expand our 4-wheeler business which are, as you know, large appliances and non-e-commerce customers have stronger requirement for that.

And we are doing some non-e-commerce right now. For example, we're doing deliveries for the consumer product business. We just started Micro fulfillment, using electric vehicles for a personal care products company. So we are scaling it up. But it's a lot harder to run every thing to run a very tense network on non-e-commerce customers.

So optimization remains a challenge. And so larger vehicles help there. And we should be targeting through the rest of this year to launch 2-wheeler based offerings. So our vision for retail is not to be a similar vehicles, it's essentially to be package on the go. So whatever the title package ensure we support that, whether it's a 2-wheeler, 3-wheeler or 4-wheeler in the fleet.

Aditya Mongia: So is this business a PAT positive business? I understand the gross margins are heavy. I'm just trying to get a sense that are we against INR1,200, INR1,300 of revenue. Are our aggregate costs higher or lower?

Rampraveen S.: No, our per vehicle cost, it is per vehicle PAT positive, including overheads right? As I said, it depends a little bit on how utilization works. Last quarter, for example, utilization was good. Utilization doesn't work every month exactly Aditya. But I think through the year, if I run up FY'24, it's an EBITDA PBT positive business, I will come back and confirm that you. Saurabh and I will do it, but that should be fairly close to our numbers.

Aditya Mongia: The next question that I had was more on from your remarks. This is in the B2B Express business, wherein some amount of down trading is happening, if 100 was your revenue scale in a year back, how much of that revenues could have been taken out? And what's the reason behind the same?

Rampraveen S.: No, I think if you compare to 100 revenues, last year, our revenue was actually up by 6%.

Aditya Mongia: What I'm saying is that that's a net effect, right? On a gross effect basis you are adding new accounts and the existing accounts kind of extreme away?

Rampraveen S.: So net 100 has become 106. In that, I would say, we have dropped around 13, 14. We have probably talked about 13 and 14 compared to Q1 last year. 4, 5 of that is because of the performance issues let's say, probably on slightly more than half of that is because of the performance issues, which we had coming out of the network integration.

So probably 100 became 93, right? And 93 became other I think 87, 88 because of accounts are revisiting to either because of lane balance or because they are not profitable for us, right? And that also happens. I think together, we probably dropped down 13. And then we clawed back around 19.

The 19 claw back as being new accounts and it's also been in-account growth. So as our performance got better, we have increased share in some of our existing accounts, right? And you've seen, as I said, addition of new accounts in the business.

And together, that actually, so that's been the comeback of around 18, 19. So that would broadly be the math I would say. It's a very specific question. But I think my answer would be fresh, it would be close to being fairly accurate. And so win rates have been healthy.

And even in last quarter, I think as I said, we did sign up 28 new large accounts. We have added around 20 new retail partners, business partners and the annual volume from those from a contract perspective is probably around 4,500 tons a month. So that's reasonably large for us. It's like a 15%, the 16% monthly growth. And there is an issue about how well we are able to monetize that. But that's kind of just some flavor on how the volume is.

Aditya Mongia: Just a related question. Is this issue of performance linked kind of issue in down trading, is it continuing? Is it stopping? What are the trends over there?

Rampraveen S.: We've had less than 1% churn on performance and SLA issues in the last 2 quarters, quarter-on-quarter, the churn because of performance issues has been less than 1% of our revenue. We've had some losses, Aditya, because commercially somebody goes and undercuts us substantially, and we will lose some business because of that.

And I have explained before as well that we remain very focused on yield protection. And we are not going to chase the revenue. So some level of down trade will happen because of that Aditya which happens all the time. We also do -- for example, if we have a regional balance, we'll probably a little bit more be aggressive on the pricing there.

But price independent if we just look at performance issues, I think less than 1% of churn. Network is very stable now. There are some ups and downs always, it's 19,000 pin codes, 640 lanes. So with all of them bang on every day, but it's pretty stable right now.

Aditya Mongia: So the next follow-up question would be that, see, from what I recall, utilization levels are fairly high in the B2B Express business. And then you are probably improving the profile of customers who are letting go of those which are paying you less. Is there enough kind of leeway that you can see of turning around this B2B Express Logistics business? Still not very clear. As utilization levers has broadly kind of played out, if I'm not wrong, right?

Rampraveen S.: Yes and no Aditya. I think I'll just go back to what I said last quarter. I think last quarter, I said, forward lane utilization is around 90%, 92%, 90% and tonnage utilization is around 74%, 75%. That was Q4 numbers. In Q1, those numbers dipped.

We think to run obviously the lanes because of the fact our service levels have to be maintained and both forward lanes also dipped, especially in April, when volumes kind of tanked. We'll see a big dip in forward lane utilization. So right now, at the end of Q1, utilization on forward lanes is in the, mid to high 80s, and we have a 12% to 13% kind of headroom there.

And the reverse load backhaul return in utilization even lesser. So we do feel we have the headroom to get and that's exactly what I said last quarter as well. But we do think we have the headroom to get to that to 15% growth level. We then obviously have to just add more lane capacity after that, not necessarily more or hub capacity, but we always have to add some lane capacity in terms of vehicles pass that.

But we do feel pretty good about our ability to ship that if we can get the volume come again and can play the math out little bit more detailed Aditya for you if you wish. But I think that's -- from the last quarter still remains all that's more this quarter we moved down on volume and move down on utilization.

And we still have the headroom, we think, in the network to run the facility at much higher volume. And, on lane base basis, we'll have to add capacity as required.

Aditya Mongia: Thanks, Just one more question from my side and then I'll kind of give it to other participants. And just coming from your remarks on labor cost. Isn't this becoming a periodic issue in the warehousing business for us to manage given our contracts and the way they are structured and how it ends up kind of hitting us? And if so, what is the solution over here? Do we need to kind of rejig the contracts? Do we have that leeway? How do you think through this?

Rampraveen S.: We think it as -- it's 2, 3 things. And first one, obviously, is automation. I think we are automating more our systems and processes. It's not easy. Some part of the warehousing solutions allow that fairly easily and some don't, but that does affect us a little bit.

I think the second one is -- has been more remarkable. This has been more pronounced in some geographies of the country. I won't get into specific details because I don't want to make a geography call out and say, the south is bad or Tamil Nadu is bad, etc. Probably enough of it to make that put color at that level.

But yes, we do have some geography-based challenge. And the third one is improving dexterity. I think as warehousing contracts require us to continuously improve our optimization, improve our opportunity. What I heard that is not being the underlying cost per person Aditya, it's being a sharp increase in terms of absenteeism through the year -- through the last couple of quarters.

And it's happened, I think, when you remember, it happened around 4 quarters, 5 quarters as well, it's have been a 3-quarter. We kind of lost our share 2 years ago in the peak because it happens. So we do these flameouts or scale-ups. What's kind of hurt us specifically this year has been since Diwali, I think we've had a continuing challenge in different geographies with just a higher level of absenteeism, weather issues, etc.

Have obviously added to that, but it's been a particular challenge for us in the last 7 months or 8 months. This past quarter is probably a little bit more severe with increased heat, weather challenges in different geographies. We just saw much higher absenteeism Aditya. And when that happens obviously, you have to bring in people with much lower dexterity levels.

And that means productivity gets impacted. We are working on multiple approaches there in terms of partner, workforce retention, better dexterity building out larger temporary tools. We launched, for example, in the e-commerce business, we launched a program to get better gig workers who can actually help us to turn around and try to train them better. We do similar things in our Contract Logistics business in the consumer side.

So I think it's 3 or 4 things that you have to do. And Aditya fair point, we have to get on top of this Aditya because this only when increase over time. I don't think it's going to come down. Nobody is going to get cheaper over time, and obviously, our workforces are going to get more demand in terms of work-life balance and personalization and so on and so forth.

So we are trying to invest a lot more in flow productivity, flow measurement on the shop floor. But also we are trying to fundamentally drive continuous improvement in skill and dexterity. And that's something which we have been doing and invested a lot more on. So we tend to continue to invest in that.

I think it's a bit of a onetime flash point without giving a lot of detail. But that -- but it's something which, as you point out, we need to get a better handle on because it comes every 5, 6 quarters and kind of fits us away.

Aditya Mongia: Noted, Thanks for the cover, appreciate that, those were the questions from my side and all the very best to you.

Rampraveen S.: Thank You, Aditya.

Moderator: Thank you. The next question is from the line of Saras Singh from Haitong Securities. Please go ahead. We have lost the participant.

Ladies and gentlemen, that was the last question for today. We have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Rampraveen S.: Thank you all. I hope we have been able to answer all your questions completely and I respond to all your queries. If you have any questions, further questions, you may come back SGA, our Investor Relations Advisors or our team at Mahindra Logistics. Thank you all once again for your interest in the company. I wish you all a safe and good evening. Thank you.

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

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