



TCI EXPRESS

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August 10, 2022

To Listing Department BSE Limited Phiroze Jeejeebhoy Towers Dalai Street - Mumbai- 400001 Scrip Code: 540212	Listing Department National Stock Exchange of India Ltd., Exchange Plaza, C-I, Block G, Bandra Kurla Complex, Bandra (E) Mumbai -400 051 Scrip Symbol: TCIEXP
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Sub: Transcript of analyst/ investors conference call

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

Dear Sir/Madam,

In furtherance to our letter dated August 04, 2022, please find enclosed the text transcript of Investors Conference with regard to financial results for the quarter ended June 30, 2022, in compliance with Regulation 30(6) read with Schedule III and other applicable provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The transcript of the call has been hosted on the website of the Company and can be accessed at www.tciexpress.in.

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

Thanking you,

Yours faithfully,

For TCI Express Ltd.



Priyanka
Company Secretary & Compliance Office

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**“TCI Express Limited
Q1 FY2023 Results Conference Call”**

August 03, 2022



**MANAGEMENT: MR. CHANDER AGARWAL - MANAGING DIRECTOR -
TCI EXPRESS LIMITED**

**MR. MUKTI LAL - CHIEF FINANCIAL OFFICER - TCI
EXPRESS LIMITED**

**MR. PABITRA MOHAN PANDA - CHIEF OPERATING
OFFICER - TCI EXPRESS LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q1 FY2023 Unaudited Results Conference Call of TCI Express Limited hosted by ICICI Securities. We have with us from the management Mr. Chander Agarwal - Managing Director, Mr. Mukti Lal – CFO, and Mr. Pabitra Mohan Panda – COO. 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. If you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chander Agarwal – Managing Director – TCI Express Limited. Thank you and over to you Sir!

Chander Agarwal: Thank you. Good evening everyone and welcome to the Q1 FY2023 earnings call of TCI Express Limited. I would like to thank all of you for joining us here today. I will first start with industry and business overview for the quarter and then will hand over the call to our CFO, Mr. Mukti to discuss the financial performance of the company for the quarter.

Earnings presentation has been uploaded on the website and stock exchange and I hope you had a chance to review it. The first quarter of financial year 2023 was backed by strong demand driven by key industrial sectors. A growth in the industrial activity was visible in all the fronts and E-way bill generation June ended on a strong note reaching 7.5 Crores, which indicates a brisk pace of economic growth. However higher crude prices, rise in commodity prices, overall inflation continues to add the pressure.

Amidst the landscape, TCI express continue to deliver yet another quarter of solid performance. The company has delivered quarterly income of Rs. 292 Crores registering a strong growth of 30% year-on-year basis. The growth was primarily driven by increase in economic activities and rise in the industrial production, which both was subdued in the comparative quarter because of the second wave of COVID-19. EBITDA for the quarter stood at Rs. 45 Crores registering a year-on-year growth of 33% with a strong margin of 15.3%. The margins were slightly lower compared to the previous quarter due to an increase in employee cost as the team is being built for the newly launched services. The margins are expected to improve definitely in the subsequent quarters with a pickup in utilization levels and increase in overall operation efficiencies. Our profit after tax stood at Rs. 31 Crores a growth of 30.5% year-on-year with a margin of 10.6% compared to Rs. 24 Crores in Q1 financial 2022.

Now coming to a brief update on the developments during the quarter, we have added 10 new branches in the west and north region and we expect to add another 50 branches during the full fiscal year to strengthen our presence by expanding our services deeper into the key growing markets and to cater to the growing demands of SMEs. In line with a target to add and increase the size of our sorting centres we have incurred a capex of Rs. 33 Crores

primarily towards the land purchase in Kolkata for setting up the automated sorting centre. The recently launched Gurgaon sorting centre is now operational 24x7 and we expected to contribute meaningfully by reducing turnaround time and enhancing the operational efficiency in the long run and ultimately reducing direct cost. In June 2022 around 18% of total tonnage has been processed from Gurgaon centre, which reflects the scale and capabilities of the centre.

Amongst our newly launched services we are seeing a strong demand for Rail Express service from our customers. In a very short span of one year, we have strengthened our customer base from 250 to 1000 and expanded our presence from 10 routes to 60 routes. Our dedicated team intends to make significant progress during the year and meaningful contribution is expected in full fiscal.

Now to give you an update on recently announced buyback, last quarter the Board has approved buyback amounting to Rs. 75 Crores through an open offer route at an indicative price of Rs. 2050 per share. It was placed before the shareholders in the AGM today and the shareholder voting results will be out in the next couple of days subsequent to which the offer will open for participation.

Looking ahead demand for key industry segments such as textiles, FMCG, automobile, chemicals, pharmaceuticals and industrial goods coupled with various government infrastructure development initiatives are expected to bode well for the industry. I remain confident of delivering strong quarter-on-quarter growth in the line of upcoming festive season and the remaining on track to deliver the annual growth of reaching to 20%. With this I would now like to hand over the call to Mr. Mukti to discuss financial performance of the quarter.

Mukti Lal:

Thanks Chander Sir and now I would like to discuss the quarterly performance of the company. In Q1 FY2023 our total income stood at Rs. 292 Crores as compared to of Rs. 225 Crores in the same period of last year suggesting a robust growth of 30% on year-on-year basis. This growth was driven by growth and demand from both corporate and SME which contributes equally around 50% each to the revenue in this quarter.

Our EBITDA also increased by 33% into Rs. 45 Crores as compared to Rs. 34 Crores in the same period of last year. EBITDA margin was 15.3% flat compared to same last year, lower compared to previous quarter. We continue to maintain high EBITDA margin despite increase in employee cost due to expansion in workforce. The net profit of the company increased by 31% to Rs. 31 Crores with a margin of 10.6%. During the quarter we have incurred a capex of Rs. 33 Crores towards the purchase of land in Kolkata setting up automated sorting centre there. So, thank you very much and now I would like to open the floor for question and answer. Over to you moderator!

- Moderator:** Thank you. Ladies and gentlemen we will now begin with the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Dhruv Jain from Ambit Capital. Please go ahead.
- Dhruv Jain:** Thank you for taking my question, Sir. I had a question on the gross margin, so we have seen that gross margin has declined sequentially so if you could just throw light on that?
- Mukti Lal:** If you see gross margin, compare with Q4 to Q1 it is always slightly lower because in this industry Q1 is always the weakest one and then we are strengthening and Q2 is better and then Q3 is more than better to that, so if you see the last year trend or five year trend the same trend we have and this will be subsequently will be again increase in Q2 and Q3 onwards.
- Dhruv Jain:** Sir, even if I look at it on a Y-o-Y basis there is a sort of 100 basis points decline?
- Mukti Lal:** That is actually happened because in this quarter we have business growth from west region is more and slightly less growth from the other regions like east and south, so basically some increase on those routes so that is why this utilization level of this quarter around 84.50% in comparison of last year of 85.50%.
- Chander Agarwal:** Adding on to that, It is not like a major change or something that has happened. it is a temporary phenomena.
- Dhruv Jain:** Sir, the second question was if you could just give data with respect to tonnage and you mentioned the utilization, so if you could just give the data with respect to the tonnage?
- Mukti Lal:** Tonnage we are carrying this quarter 230,000 tons and this is growing almost 28% over last year same period on year-on-year basis.
- Dhruv Jain:** Thank you so much for that. That is all.
- Moderator:** Thank you. The next question is from the line of Depesh from Equirus Securities. Please go ahead.
- Depesh:** Thanks for taking my questions. The tonnage data that you just gave, just wanted to clear that thing that is inclusive of all the new services also right the rail and everything that you have started?
- Mukti Lal:** Yes, that is right.

- Depesh:** So, just a question on this that if you look at like go back years right and if you look at the Q2 FY2020 or Q3 FY2020 we are at the same tonnage level, so the tonnage is actually not going, so when and how do you think that the tonnage we will be able to break through this barrier of 2.3% to 2.4% per quarter that you are doing?
- Mukti Lal:** You compare with the quarter of Q2 or Q3 or so?
- Depesh:** For FY2020. So, obviously the base was weak, but if you look at the previous year quarters, we have been fixed at this kind of tonnage number for a quarter right, so how and when we will be able to break through this tonnage number that we have?
- Mukti Lal:** So, tonnage is increasing, like you compare with the 2020 that was also not the great year for us and now this is quarter-on-quarter basis is increasing.
- Depesh:** Okay, also if you look at the quarter-on-quarter there has been a 2% decline, so just wanted to understand if there is any market share loss or any loss of customers that you want to highlight?
- Mukti Lal:** No, this is not the case, as I have mentioned Q1 is always like lowest revenue we have or this industry has the same pattern and then on each quarter it will improve, so that is only same thing is happening and we have grown almost 30% over last year same period, so this way it is not on a big task, you see the last year figure it is also the same, if you see the last like five to seven year period the same thing is happening.
- Chander Agarwal:** Just to add to this if you see given higher than Q4 it means that the price cut has been taken and that is not in our case, we have not done any price cuts for greater topline, so this is typically the case in logistics industry where Q1 if it is higher that means the profitability has been compromised.
- Depesh:** Got it sir. Lastly on the rental cost, if I look at the rental cost in FY2022 that was around Rs. 32 Crores versus Rs. 30 Crores in FY2021, while understanding that when you basically do capex for your own sorting centres the rental cost should have ideally come down, so just wanted to be clear that if that benefit are still to come and how much will be benefit?
- Mukti Lal:** Basically if you see that is the one aspect that in Pune we started in June and that benefit for the whole year will come in this year. Second aspect because we also shifted Gurgaon one that benefit also will come in this year and other thing is to grow the company we always continue to add the capacity in the sorting centres and branches, we opened like 50 to 60 branches in last year, so we have taken that space and that is also adding in this expenditure. Other aspect was because now the economy has opened up and slightly rent has also

increased because inflation is there, so that also slightly has increased like I think is 2% to 3% impact of that is also there in the rent over FY2021 to FY2022.

Depesh: Got it, Sir. Can you just quantify what is the Pune and the Gurgaon rental cost that will go up this year?

Mukti Lal: We cannot give exact number.

Depesh: Got it sir. I will come back in the queue. Thank you.

Mukti Lal: We will share on one-to-one basis.

Depesh: Sure, Sir. Thank you.

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

Dev: Sir, just have a doubt in the margin front, so when will margins recover, you had mentioned that Q1 is really a weak quarter, but when the benefits kick in from the new sorting centres in Pune and Gurgaon and how that will help in the margins Sir? That's it, Thank you.

Mukti Lal: So basically, in Q2 onwards we will be again come back on the same territory of 17% plus kind of margin level because now again the revenue is increasing very fast and pattern of revenue is also sometimes depends. So that will be happen likely if you see same kind of thing of last year pattern, same pattern has been happened in Q2 onwards we have started to improve the margins level and that will be sure it will be again come back to 17% plus.

Dev: Thank you.

Moderator: Thank you. The next question is from the line of Prit from Wealth Finvisor. Please go ahead.

Prit: Sir, first I wanted to understand if you can share any insight of the Gurgaon automation and if that has been fully running and all the teething issues over?

Mukti Lal: Chander Sir would you like to answer on that please.

Chander Agarwal: So, it is running in full force and I think in the history of Indian logistics we are seeing that first time that the labour utilization has reduced in such a large facility and the time it has taken for truck to turnaround has reduced from one-and-a-half days to now we are talking only 12 hours, so I think from September or October onwards it is going to be eight hours, I think this is a very big game changer for the industry and as we go along, we also start

putting the same in other cities where we will see a combined effort of better utilization, faster customer connect and customer satisfaction to a greater level.

Prit: Other plans to apply that to Pune this year or will that be next year?

Chander Agarwal: So, we have done all the R&D for Gurgaon so it is ready with us and September onwards we will start the process for Pune and that we should be able to put it up by next year Q2.

Prit: The other thing I want to understand is that are you seeing any slowdown on the ground for the month of July given that a lot of industries especially chemicals, textiles are seeing certain level of slowdown, is there anything that you guys are seeing on the ground and what would be your guidance for this Q2?

Chander Agarwal: I do not think that we have seen any slowdown in our sector that we are in because we do not really deal with chemicals in a large way or any of the verticals in a large way and I think whatever we have guidance we have given for Q2 is intact I do not see any change in that, of course one who has to be very mindful that we all are in a very precarious situation where the war is still looming and all of that, so as a economy as a whole in India we can expect 7.5% or even 6.5% growth so if that is the case then we definitely would be doing about 18% to 20% growth for the full year.

Prit: This growth you are mentioning is on the topline or that is the bottomline?

Chander Agarwal: Topline, 18% to 20% topline.

Prit: So this would be about 12%, 14% tonnage and the remaining would be price growth?

Chander Agarwal: Capacity utilization and all of that also, all the factors combined. it cannot be just two factors or one factor completely.

Prit: Alright, great. Thank you, wish you all the best.

Moderator: Thank you. The next question is from the line of Radha Agarwalla from B&K Securities. Please go ahead.

Radha Agarwalla: Thank you for the opportunity Sir. My question is on the pricing scenario I believe the pricing for the company is fixed on a per kilometer basis and the rates are primarily dependent on diesel prices wherein the basic price is fixed and changes are made basically according to the fuel prices, so can you guide me how the pricing scenario works in a rising fuel cost scenario as well as in a declining fuel cost scenario?

Mukti Lal: So basically there is a two aspect of that, one is to passing on this diesel increase to our customer and another one to passing on to diesel hikes to our vendors. so vendors we are paying as a per kilometer basis and wherever diesel is increasing we are passing on and it all depends what kind of hike is there and sometime it is also a positive arbitrage for us because we can be like have a lag on passing on to vendors. The second aspect of customer, we are charging from them as a per kg not a per kilometer basis, so per kg we are charging from them and we have a diesel hike clause with each and every customer and we are almost 90% cases in all the like whatever past hike is happened we almost able to pass on to 90% customers on that case.

Radha Agarwalla: Sir, the basic price is fixed and there has been no change in the basic price for the last three to four years now, is my understanding correct?

Mukti Lal: No, so basic price we start to improve this price level also and last two years we almost increased 4% to 5% on a basic price also.

Radha Agarwalla: Actually, my question was regarding let's say for FY2022 last year, our revenue growth was 28% and our volume growth was also 28% and on previous concalls you had mentioned that you have taken a price hike of about 2.5% to 3% something like that. so that price hike of 2.5% is not visible on the overall the subtract revenue growth with volume growth, so is my understanding correct that the price hikes are being passed on or price hikes are taken only for few customers especially for SMEs, can you please guide me how to understand these numbers?

Mukti Lal: So, basically first thing our volume was grown and last year I think 27% in against of revenue growth of 28%, second aspect this volume is basically because we are Pan India Company, so basically our revenue is depending on which sector we have more cater like longer the distance our per kg rate would be the highest one and supposing shorter the distance then our revenue per kg would be on the lower side, so this way it is a combination of various factors, which factor we have generated more revenue, what is the distance we have covered, so this way it is also happening so it is not exactly it will be increased in a same manner.

Radha Agarwalla: Okay, when we say that we take a price hike of 2% to 3% at least every year it means that we are talking about majority of our customers and majority of our routes, so on a blended basis the numbers might be plus, minus 1% or 2% points?

Mukti Lal: Yes, because this all depends on what kind of distance we cover, the whole year we are doing a kind of lakhs of kilometer we are running, so how much we had distance covered like supposing we carry the cargo from Delhi to Guwahati is the highest per kg rate would be there, but supposing carry the cargo from Delhi to Lucknow that is a different rates. so

put together we are analyzing cargo separately and overall revenue separately, so last year we have done that way, so cargo has almost increased 27% and revenue grow on 28% and we had taken a price hike of 2.5%.

Radha Agarwalla: Sir, you mentioned that basic price also you have increased, so apart from the fuel price increase I believe the basic price increase includes any kind of rise in inflation or any other cost, so there was basic price increase covers all the other inflationary charges?

Mukti Lal: Yes, basically inflationary pressure will start only from this year only, last year that we have not faced so much challenges on that.

Radha Agarwalla: Sir, my next question was that if I see the revenue per branch for the company, so revenue per branch was in the range of I think 12.9 million for FY2020, but for FY2022 it is about 12 million, so I can understand that per branch revenue is actually not on an increasing trajectory, are we taking any steps to increase the per branch revenue for the company?

Mukti Lal: Chander sir would you like to answer on them?

Chander Agarwal: I do not know which quarters have been compared, but if we look at quarter-to-quarter, it is all on the increasing trend because each branch is a contributor in the topline and part of the bottomline also, so you'll have to be more specific as to what data you are comparing.

Radha Agarwalla: What I am comparing is on a yearly basis?

Mukti Lal: Madam, you can give a separate data to us so we will reply on e-mail which quarter and what numbers you are comparing with that.

Radha Agarwalla: Okay Sir. Thank you, I will come back in the queue.

Moderator: Thank you. The next question is from the line of Nidhi Babaria from Envision Capital. Please go ahead.

Nidhi Babaria: Sir, thank you for my question. Sir what could be the reason for Q-on-Q decline in sales on a historical basis also?

Mukti Lal: There is only one reason is there because always Q4 is the highest revenue month because March, everyone is clearing their stocks and then suddenly in April everything has come down heavily, so that pattern is going on always and May month is also slightly relaxed one or slightly slow growth month always and then growth is started on June onwards then because now is a pre-festival period, this Q2 is also growing well because again it is a pre-festival season started now. so that business has started in overall industry and then revenue

started to increase robustly, so some months and some trends are there for slightly supposing there is one factor is hit there is a separate part like sometimes demand is lower in textile industry or so that is a separate part, otherwise the normal pattern is that one.

Nidhi Babaria: Sir, would you be able to give rail and air segment breakup how the revenue growth has been and what are the margins as of now?

Mukti Lal: So basically we are not divulging the number, once it become a sizable then will we start to give a separate number for each services, but yes, rail is growing like 75% kind of growth rate on year-on-year basis and air is growing and the whole surface is growing in a normal pace and profit margin is highest in rail and air both, it is slightly higher than surface business.

Chander Agarwal: But the volumes are not as high as surface.

Nidhi Babaria: What type of Q-o-Q growth are we targeting for this year because as you said Q1 is normally a very weak quarter so for us longer term targets and even for FY2023 targets what type of growth rate are you expecting for the next three quarters?

Mukti Lal: So, we will grow in the range of 15% to 20% in the next three quarters and we obviously will try to achieve the revenue what we give as guidance in inception of this year.

Nidhi Babaria: This 15% to 20% would be on a Q-o-Q basis or Y-o-Y basis?

Mukti Lal: Y-o-Y basis.

Nidhi Babaria: What type of price hikes have we taken for this year?

Mukti Lal: Chander Sir, you would like to answer?

Chander Agarwal: We are taking the price hike the year has just started and by year end depending on inflation and all of that it should be in the range of 3% to 4%.

Nidhi Babaria: Sir, any colour on freight rates for the rest of the year like by what percent is the industry expected to grow its freight rates on an average basis?

Chander Agarwal: So we run on a vendor management system, so I am not sure about the market freight rate, but if we look at the overall demand versus supply, the demand also is depending on the economic activity of the country, so if the economy is strong then the demand will be strong also, so freight rates could move up, but we are not in that on the spot hiring system so it does not really affect us.

Nidhi Babaria: Thank you Sir. Thank you for taking my question.

Moderator: Thank you. The next question is from the line of Kunal Bhatia from Dalal and Broacha Stock Broking Limited. Please go ahead.

Kunal Bhatia: Thank you for the opportunity. Sir you did mention about the utilization currently was at 84.5%, I can see that last year it was actually lower at 83.5%, am I right on that?

Mukti Lal: Sorry, you are talking about Q1 of last year?

Kunal Bhatia: Yes Sir.

Mukti Lal: What you are mentioning is 83.5%?

Kunal Bhatia: Yes right.

Mukti Lal: No, that was high actually, because that time corona was there, so generally we can take some advantage of delayed of some consignment because that time load was not proper because revenue was less, but this time because now in full revenue months so we can't be compromised on service level, so we have to be sent the truck so utilization level is 84.5% is just like a temporary one, in this quarter this will be certainly in the range of 85.5%.

Kunal Bhatia: Sir, I was just looking for a competitive number last year, how much was it?

Mukti Lal: Sorry.

Kunal Bhatia: Last year same time how much was the utilization?

Mukti Lal: It was 85% plus.

Kunal Bhatia: My second question is in terms of the Gurgaon facility, we have mentioned that we have reached approximately 18% of our revenue was from the Gurgaon facility, so how much that can be scaled up to? because I believe that will give you addition on the margins?

Mukti Lal: So, again it all depends what kind of revenue we will generate from this sector actually, so yes, it may be like, it is scalable even up to 40% we can scale up in Gurgaon sorting centre that capacity we have, so time-to-time if you see over the period we will increase that number of tonnage carrying through the centre and subsequently it will be positive for our margin level.

Kunal Bhatia: Sir, this 40% kind of overall volume from the Gurgaon facility will take how much time to reach there?

- Mukti Lal:** I think it takes 5 years.
- Kunal Bhatia:** Okay, so it will be a very gradual processing you mean to say?
- Mukti Lal:** Yes, it is not an overnight process, it will take time.
- Kunal Bhatia:** Sir, this new capex, which you have mentioned about where you have spent about Rs. 33 Crores odd could you just give some sense on how big is that facility or what you intend to do from there, so little bit on the asset turn what kind of revenues you are expecting from this?
- Mukti Lal:** So basically we have bought a land in Kolkata and that facility will be also like in the range of 2 lakhs square feet, we will be built up there, so we are in a process to file the application to take a permission for construction and layout of that. so it will be all process is slightly will be happen, but facility will be 2 lakhs square feet, it will be also automated one which we have done in Gurgaon. so now whatever facility will we add as a Greenfield we will be making as automated one.
- Kunal Bhatia:** Sir, what will be utilization level for the Pune facility currently?
- Mukti Lal:** For Pune facility, if you see now it is a manual one is the facility which earlier we have only one-third kind of facility we have there now it is a 1.5 lakh square feet, so you can see it is like 40% right now we are using that facility.
- Kunal Bhatia:** Because that we started in FY2021, so we have 40% in one year's time if I am not wrong?
- Mukti Lal:** Yes, it will gradually grow because this will increase the utilization with the increase in the business over the period.
- Kunal Bhatia:** Sir, just a rough calculation you mentioned about the 20% growth for the entire year, so that gives us about for the next three quarters you will have to grow at around 18%, so is that a reasonable number to work with and we didn't get back to those 16% to 17% EBITDA margin for the next nine months?
- Mukti Lal:** So, again if you see last year we have also said the same thing, our endeavor is to increase the margin of 50 to 100 basis points each year which we have done in the last seven to eight years and in this year also we will certainly increase our margin level, so we have reached 17% in last year, this year we will be targeting to 18% and surely we will do that.
- Kunal Bhatia:** Sir, just the last question from my side, would you be able to share how much was the contribution from the new businesses, the C2C express, cold chain and the railway?

- Mukti Lal:** If you put together then it is almost 6% to 7% and including air this is combination of all services, which is other than surface we have 15% share right now.
- Kunal Bhatia:** Including air it would be 15%?
- Mukti Lal:** Yes.
- Kunal Bhatia:** Fine, thank you so much and all the best. Thank you Sir.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.
- Alok Deora:** Good evening sir, I just wanted to understand very similar to a followup to the previous question only, so first quarter after seeing the numbers and we are talking about 20% growth so that means around 17% to 18% growth in the Rs. 330 Crores to Rs. 340 Crores sort of quarterly run rate, so just wanted to understand how confident are we on achieving that because from a festive quarter standpoint we can still understand that one quarter we can have that kind of number, but is it sustainable for all the three quarters on an average basis?
- Mukti Lal:** Chander, Sir, you would like to answer on that?
- Chander Agarwal:** So, what we have done is that and what I understand is the business here is in streamline to have that sort of a growth, the economy is also now ready to have that sort of a growth. there is some again God forbid any problem of like a sudden war and new issue or something, then overall the entire economy can get affected. if that happens our business will get affected, but as of now I do not see any challenge happening because the country is also poised to grow, the economy is poised to grow and our number one rider for company growth is the strength of the economy. so that will come for sure.
- Alok Deora:** Sure, and how was this July being for us, how is the momentum in July because we heard of some slowdown in selected pockets?
- Chander Agarwal:** No, we had not seen that happened in our business, but what I hear also is that automobile which we are not in the business that might be slowing down from next month or something, I don't know.
- Alok Deora:** Sure, and also sir I might have missed this answer you might have given previously, but this margins which are now at around 14.7% or so, so how fast we are looking to get it back towards the 16%, 17% kind of a range?

Chander Agarwal: This will happen from Q2 only and this was something which in Q1 we have all the salary increased increments, we have all the additions of planning done, so all those things usually in the month of April and May they add up for the year. so that is typically the sense in logistics also, logistics volume also come down because consumption comes down in the first quarter, schools finished, people go on holidays and all that, so that part of the economy you will see travel, hotels and all that doing pretty well, but here consumption and all that is reduced, so now Q2 onwards it always starts normalizing and we are seeing that at least in our business.

Alok Deora: Sure, just over one last question, so has there been a case where we had a higher diesel prices, but we are yet to pass on or we have just passed on that increase to customers in July?

Chander Agarwal: I can give you a very good example, last year in the month of Diwali immediately the price of diesel was increased and we were unable to pass it on immediately. so if something like this happens then it is beyond our control, otherwise things are under control. I don't see any challenge in not being able to increase the price and of course the fact is that when we are doing something which is rather totally not different we are not trying to garner topline because of the cost of bottomline. that's where we really see the upside happening because we are not compromising on quality of the service, customer will only give us the price increase that is quality of service, otherwise he will say you reduce the price first. so keeping that in mind and keeping all those factors in mind we are able to increase the price along with the levels of our service, which we have maintained intact and actually improving now with this new sorting centre that we have automated.

Alok Deora: Sure, actually this question just came up because the gross margins were down so just wondering whether we take some price increase, which we are yet to take?

Chander Agarwal: Our business what you see down is all temporary because again if it's down it means the economy is down look at it this way and if the economy is up, we will see that everything is up also, that is typically the case. we do not do any, we are not a new age company where we will just burn the PE money and do anything and everything. we are a conscious business, so keeping that in mind we are able to sustain and keep it going forward and we do not show any abnormal profits or abnormal revenue growth anything of that sort. so keeping that intact we are able to sail through any of the challenges.

Alok Deora: Got it. I think that is all from my side and all the best Sir. Thank you so much for taking my questions.

Moderator: Thank you. The next question is from the line of Prit from Wealth Finvisor. Please go ahead.

- Prit:** Sir, just a followup question, are we seeing any increased competitive intensity? say for example GATI is coming back or other players like Mahindra Logistics and others are getting into express.
- Chander Agarwal:** I do not think Mahindra is getting into logistics, they don't have the network or infrastructure. GATI is only if you see that what business they have put, where to add or to increase topline they only know because they are able to now the talks of their parent company or whatever adding the logistics business to GATI, so if you look at clear cut express business we are the only company that is transparent and visible in terms of what the numbers are showing. so, I don't think that competition has eaten into any of our shares or has the strength to do that because they can only do that by reducing their prices and that is also a temporary phenomena because if the service fails the customers also come back to us.
- Prit:** So, the followup here that we are seeing a lot of slowdowns in the PE money as well and if that continues some of the PE players will not get the kind of funding they used to get to burn. are you seeing any of that sort of changes now on the ground where we are not offering ridiculous prices?
- Chander Agarwal:** I don't see anything of that happening anywhere on the field. it is kind of very hard to gauge what they are thinking, what they are doing. if then money is drying up then they would probably. The problem with these companies is that there is no owner, and if there is no owner it means that there is no skin in the game, if there is no skin in the game they don't care. so it will only be beneficial for a handful of investors that's all. so for them that's the way they get the returns and happy but that is a short term.
- Prit:** Okay.
- Moderator:** Thank you. We will move on to the next question that is from the line of Nidhi Babaria from Envision Capital. Please go ahead.
- Nidhi Babaria:** Yes, I am done with my question. Thank you.
- Moderator:** Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.
- Ronald Siyoni:** Good afternoon Sir. I just wanted your take on going for sorting centres through purchase of land and everything rather than leasing those facility, if you can talk a little bit about having our own sorting centres versus leased one or might be having a combination of both of owned and leased. what kind of model you want to operate it and during these upcoming

festive season, are you going to put up more lease facilities because own sorting centres would be taking a little bit of time?

Chander Agarwal: I will clarify with you two things, number one all major locations you need to have your own sorting centre. because you cannot have any sort of operational situation where it will shut down because of landlord or whatever reason it might be, number two those companies which do not have any of their own profitability they go into lease model, we do not go into lease model of the large centres, we go after the smaller locations, so that is where the difference lies, that is why we are able to bring this 2 lakhs square feet facility and able to generate efficiencies unheard-of. so that of course takes time for the shareholders to see and eventually they will see it, it is something which is visible. so to make it happen some centres you need to own them. it is a 60:40 principle, 40% of the sorting centres you have to own or rather the other way round 60% you have to own and 40% you can lease smaller locations.

Ronald Siyoni: Right sir and with festive season period, during that point of time do we have capacity or we have to go with leasing of some facilities?

Chander Agarwal: Usually we do not have any issues, maybe in small locations there could have been previously, but not now.

Ronald Siyoni: One last question, is it better to have such large facility in a particular area say Gurgaon whether we should have two to three facilities because sometimes what happens on that particular facilities get affected like we have seen farmer agitations or those kind of things that is a big toll on the company, but still what could you prefer that a large facility in a particular region or distant thing two to three kind of facility?

Chander Agarwal: That is a very good question and I think looking at we have to understand that the fuel cost and labour cost are very high in India. therefore having many multiple facilities, it kind of we loses the focus of having an asset light or even just efficient system. so, a large facility is beneficial when it is automated. Now when we have a situation as you said that farmers agitation or something like that, we did find the operations did not stop it is just the route network that was changed, everything else is running in perfect sync. Also what happens is that when you have multiple facilities then you are compromising on the most important thing, which is service. in express industry service, we need to have very high service standards. so imagine if you are taking a flight Delhi to Mumbai and your flight is stopping in Jaipur, it is stopping in Ahmedabad and then reaching Mumbai it is taking 12 hours versus direct flight of two hours so obviously you will be happier with two hours and you are ready to pay higher price. so that's how it works, that's how the benefit comes in.

Ronald Siyoni: Thank you very much Sir!

Moderator: Thank you. Ladies and gentlemen, we will be taking the last question that is from the line of Radha Agarwalla from B&K Securities. Please go ahead.

Radha Agarwalla: Thank you for the opportunity again, Sir. Just one question, on the annual report I noticed that the number of air gateways that we had in FY2021 were 51 and in FY2022 this has increased to 73, so as the industry is moving from air to road and rail, etc., so with respect to that what is our strategy on the air express segment?

Chander Agarwal: It was increased because we are sending goods directly the booking of the consignment from that location itself. for example all the airports which were smaller in size and the flights are not touching there we were able to send the material by road to a larger location and then it was sent by flight. now the smaller locations have opened up and the bigger airports are opened up, so we are able to ship out the Air shipments. Air shipment, Air cargo in India is not growing at all; it is just running on the backbone of a few companies and airlines. Once the airline daily space comes back to full capacity, we will see that the air cargo price will drop considerably, we are already very low and it will get lower even when that happens when the capacity increases. In India, customers are not inclined to pay very high price, so whatever is happening in air cargo industry it is just a mix and match of different services put together and shown as Air Express. in our case we do purely Air Express if the customer wants next day delivery and that % was very less.

Radha Agarwalla: Okay, thank you Sir.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Chander Agarwal for his closing comments.

Chander Agarwal: I must thank you all for joining us here today and we look forward to meeting you in the next quarter. Please stay healthy and feel free to reach us if any questions remained unanswered. And I also invite you to please visit our automated sorting centre. Thank you very much.

Moderator: Thank you. Ladies and gentlemen with that we conclude today's conference. We thank you for joining us. You may now disconnect your lines.

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