

Corporate Office:

Giriraj Annexe Circuit House Road
HUBBALLI- 580 029 Karnataka State
Phone : 0836- 2237511
Fax : 0836 2256612
e-mail : headoffice@vrllogistics.com

To,

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

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

Dear Sir / Madam,

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

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, as amended, please find the attached transcript of the Earnings Presentation call held on 6th February 2024 for your information and records. This information is also available on Company's website on below link:

https://vrlgroup.in/investor_download/Investor_Meeting_on_6_Feb_2024_Transcript

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY & COMPLIANCE OFFICER
PLACE: HUBBALLI
DATE: 08.02.2024



“VRL Logistics Limited Q3 FY2024 Earnings Conference Call”

February 06, 2024



**ANALYST: MR. ALOK S DEORA – MOTILAL OSWAL
FINANCIAL SERVICES**

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

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2024 Results Conference Call of VRL Logistics hosted by Motilal Oswal Financial Services. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal 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. Alok S. Deora from Motilal Oswal Financial Services. Thank you and over to you Sir!

Alok S Deora: Thank you. Good morning everyone and welcome to the Q3 FY2024 earnings conference call of VRL Logistics. So we have with us today Mr. Sunil Nalavadi, the CFO of the company so I would now hand over the call to Mr. Nalavadi to give opening remarks and discuss on the performance of the company and then we can take up the Q&A session. Thank you and over to you Sir!

Sunil Nalavadi: Thank you Mr. Alok Ji. Good morning to all participants. I am Sunil Nalavadi, CFO of VRL Logistics Limited. I welcome all of you once again for the earnings conference call for Q3 of FY2024. During the quarter the revenue has increased by around 8% from 686 Crores to 740 Crores. The increase in revenue is on account of growth in tonnage by almost 8% as the tonnage has increased from 1047000 tonnes to 1092000 tonnes in a quarter. The increase in tonnage is mainly on account of increase in branch network of the company. Year-on-year we added around 120 branches and these branches have contributed around 3.33% to the total tonnage in Q3 FY2024. Our strategy of expansion of branch network is going to be continued and planning to add around 25 to 30 branches every quarter especially in untapped market. Apart from the expansion in branch network the increase in contribution from the existing customers also supporting for our growth. Further we are acknowledging that many of the customers are shifting from unorganized operators to organized operators on account of increasing compliances under GST law. On the other side due to slower monsoon spread in southern states during the current year we acknowledged a lower demand in these states mainly in agro-related commodity. The southern region is the main market for our tonnage contribution which is contributing almost around 45% to the total tonnage. The agro commodities contribution declined in the current quarter by 5% so the textile and cloth commodities have been picked up in the current quarter on account of festive season and maintained a growth rate of 14%. However for the nine months period the growth in cloth and textile materials reached to 3% which is below the average growth rate in tonnage. During the quarter the realization per tonne is maintained at around Rs.6670 per tonne. Since the freight rate is predominantly linked with the retail fuel rates in India and the fuel rates are constant we are maintaining the same realization.

The increase in other costs other than fuel has not passed on to the customers and the same is impacting on the EBITDA margins in the current quarter. The EBITDA is decreased from 108 Crores to 97 Crores and percentage to revenue is decreased from 15.71% to 13%. The year-on-year EBITDA decreased due to increase in employee cost from 104 Crores to 127 Crores and percentage to revenue has increased from 15% to 17%. The increase in employee cost is mainly on account of annual increments which are effective from September 2023 and increase in employees from 20300 people to 21200 people due to addition of new branches and also we carried out some internal promotion to the better performed employees. The fuel cost has increased from 204 Crores to 225 Crores and percentage to revenue has increased from 29.7% to 30%. The fuel cost has increased on account of increase in kilometer covered by the owned vehicles in the overall kilometer operated by the company. However the average fuel procurement cost is reduced from Rs.89.34 per litre in Q3 FY2023 to Rs.88.83 per litre in Q3 FY2024. The bulk purchases of fuel from the refineries at a discounted price has increased from 14% to 22%, similarly the vehicles repairs and maintenance cost, toll charges, tire cost are increased due to addition of own vehicles and increase in kilometers operated by these vehicles. The increase in these costs has been compensated by decrease in lorry hire charges by 2.86% to the revenue. The lorry hire charges have been reduced on account of low dependency on hired vehicles in the current quarter. The toll charges further increased due to increasing toll plazas from 1204 to 1367 plazas and also due to increase in toll rates and loading and unloading charges also increased on account of increase in rates resulted into increase in variable cost and impacted on the EBITDA margins. The rent expenses which is fixed in nature is increased due to increase in number of branches and increasing space in major branches and transshipment during the current quarter. We increased the space in key locations considering our expected growth in tonnage for the subsequent period. The same is resulting into lower utilization of space in the current quarter and impacted on EBITDA margins. The EBITDA of goods transport segment is reduced by 4% from 9.57% to 5.41% on account of increase in depreciation. The depreciation and amortization cost has increased from 42 Crores to 57 Crores due to increase in capex and also increase in ROU as per Ind-AS 116 on accounting of rental expenses for a long-term lease agreement entered by the company. The finance cost has increased from 15 Crores to 21 Crores owing to increase in net debt from 46 Crores as of December 31, 2022 to 271 Crores as of December 31, 2023 and also increase in lease liability as per Ind-AS 116 on accounting of rental expenses of long-term lease agreement entered and enhancement in branch and transshipment state. The decrease in EBITDA and decrease in EBIT resulted into decrease in PBT and also same impacted on the profit after tax of the company. The PAT for the current quarter is around 14 Crores which has been reduced from around 38 Crores and percentage of revenue is reduced from 5.5% to 1.85%. On a sequential basis the revenue is increased by around 3.32%, again the increase in revenue mainly contributed by the increase in tonnage.

During the quarter the realization per tonne again it is maintained. The EBITDA is decreased by 1% in the current quarter on a sequential basis from 97 Crores to 96 Crores and percentage to revenue has also decreased slightly from 13.6 to 13%. The decrease in EBITDA margin on account of increasing employee cost which is increased from 118 Crores to 127 Crores and percentage to revenue has increased from 16.5% to 17.23. The increase in employee cost is due to annual increment effective from September 2023. The remaining costs were compensated each other and not impacted much on EBITDA margin. The rent expenses as a percentage to revenue are decreased; however, the same is impacted on increase in depreciation and finance cost based on the accounting under Ind-AS 116. The EBIT margins also reduced in the current quarter from 6.38 to 5.41% on account of increase in depreciation from 52 Crores to 57 Crores owing to increase in capex and also due to increase in ROU as per Ind-AS 116 on accounting of rental expenses. The finance cost has increased to Rs.21 Crores from 18 Crores owing to increase in lease liability as per Ind-AS 116 on accounting of rental expenses of long-term lease agreement. However the net debt is reduced from 280 Crores to 271 Crores. So decrease in again EBITDA slightly and again the EBIT margins impacted on the slightly decrease in profit before tax and also the same impacted on the reduction in profit after tax in the current quarter as compared to on sequential basis. During the quarter we invested into capital expenditure of around 25 Crores predominantly for the purchase of additional vehicles. The capex is lower in the current quarter considering the slower growth in the tonnage. The net debt of the company reached to 271 Crores from 280 Crores as of June 30, 2023.

Going forward in the near term our growth in tonnage maybe in line with our current growth rate of around 10%; however, considering the network expansion it may reach to much higher than the better growth rate as of today and the realization improvement is possible only after the changes in the fuel rates till the time increase in other cost will impact on the EBITDA margins. The rent and employee costs are fixed expenses, the impact of these expenses is much in the current quarter due to tonnage growth not at expected level and same expenses as a percentage to revenue will gradually decline as against the growth in tonnage in the coming days and it will support the increase in EBITDA margins to some extent. Please note that increase in depreciation and interest in the current quarter is fixed and periodical in nature. We are hoping that once our tonnage growth reaches better than the current levels these expenses as a percentage to the revenue will be reduced and which will support us to increase in EBIT and PBT margins going forward. With this I conclude my initial remarks. Now I request the participants to go for question and answer session. Thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead Sir.

Amit Dixit: Good morning everyone and thank you for the opportunity. I have two questions. The first question is on the capex so capex if I look at the nine month capex it is quite low than what we were targeting at the beginning of the year so what would be your capex target for FY2024 and whether there will be a spillover from FY2024 to FY2025 and hence the target for FY2025 as well?

Sunil Nalavadi: Basically see again our capex plan always it is in line with the tonnage growth. If you see in Q1 and Q2 aggressively we invested into capex whereas in Q3 considering the tonnage growth again we reduced so we can timely adjust our capex even though there is a commitment with the OEMs but this capex can be spread in subsequent period so that is the reason always it will be in line with the tonnage growth, if we are expecting around 15 plus growth in the tonnage then definitely capex will be in that line because always whenever the tonnage will increase to that extent actually we need to increase the capex because most of the tonnage we wish to cover through our own vehicles.

Amit Dixit: So what would be capex guidance for FY2024 and FY2025?

Sunil Nalavadi: The guidance will be around 15% more than currently what we are investing. See for nine months we invested 223 Crores and for next quarter again it will be in the range of around 25 to 30 Crores so on a full year basis it will reach around 260 Crores for the current year. In FY2024 it will be around 260 Crores and 2025 it will be around 275 to 300 Crores based on the current trend then if tonnage growth is beyond this limit then definitely it will be more amount.

Amit Dixit: Got it very clear. The second question is since you highlighted that there are several moving parts now with fixed cost getting higher because of the increment and all and tonnage growth not moving as we expected initially so what kind of EBITDA margin are we targeting in current year and FY2025?

Sunil Nalavadi: For nine months our EBITDA margin we reached around 14% and similarly in the next quarter again we are expecting around 13 to 14% EBITDA margin. On a full year basis it will be around 14%.

Amit Dixit: Next year can we expect some improvement?

Sunil Nalavadi: Definitely see just we are waiting for the changes in the fuel rate so till the election this will continue at the current basis then post that if any changes either increase or decrease both axis will support us. The moment it will decrease no need to pass on the entire benefit to the customer that is point number one because from the last one year actually we have not changed the freight rate, even in the case of decreasing the fuel rate no need to pass on that

benefit to customer, if it increases since the gap of increase in freight rate is very long so that immediately we can take increase in freight rates across all the shipment so in that case definitely it will support for increase in our EBITDA margin just we are waiting for changes in the fuel rate.

Amit Dixit: Great Sir. Got it. Thank you so much and all the best.

Moderator: Thank you. The next question is from the line of Manan Shah from Electrum PMS. Please go ahead Sir.

Manan Shah: Hi Sir thanks for the opportunity so my question what advantage do we see in this asset owned rather than being asset light, correct me if I am wrong but would not our margins be better if we go for asset light model?

Sunil Nalavadi: No, it is not the case because all along our strategy is to own the infrastructure and operate, many times actually our margins were much, much higher than as compared to other operators but during this time also what is happening in last one year since we are unable to change the freight rates that is impacting little bit on the margin side but if you see on the capital expenditure side we are much very control on the expenses, utilization of the assets, utilization of the infrastructure, actually those are not at all reasons for the impacting of the margins, the impacting of margins is mainly on account of the freight rates versus the increase in expenses and most of the increase in expenses are related to one is the variable cost like toll expenses and other charges and the employee cost again there was a huge gap for increase in employee cost so that actually will be effective in September and since it is fixed in nature then gradually again it will come down as a percentage to the revenue and the depreciation and again finance costs are increasing because of the Ind-AS accounting. On the lease basis only actually we expanded many of the premises so there actually what is happening as per the Ind-AS 116 accounting most of the expenses are shifting are accounting in the depreciation and finance costs that is how the margins are impacted but only of the assets worth is the margins these are not direct thing we can compare.

Manan Shah: But if we are asset light so we can pass all the fuel cost increase and everything to the customers right?

Sunil Nalavadi: We cannot do that because again if it is asset light again we will depend on third party infrastructure and how third party will decide entire margins will depend on that. In our case we will have a control on assets, we were having a control on services but the only thing actually since the fuel rate is concerned and must of the customers what they prefer in India they always linked with a retail fuel price. If fuel rate is not increased why are you

increasing the freight rate so convincing of increasing other expenses it is very difficult in this industry.

Manan Shah: Got it. Thank you so much.

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

Krupashankar: Good morning and thank you for the opportunity. The first question is on the entire pricing philosophy which we have so given that there have been substantial price increases and we generally take annual price hikes in the month of March while all the escalations happen in the third quarter with respect to employee and so on, is there a way in which we can sync it with these escalations itself rather than observing the cost for about six to six months given that freight rates is more or less not in our control and the industry freight charges are not under control so any thought process behind the pricing philosophy change if the management is thinking anything about it?

Sunil Nalavadi: Earlier the fuel rate used to change around two to three times in a year going back to around four to five years back during that time what used to happen once in year from the April itself every year we used to renew or change in the freight rate that was the concept now gradually what happened the fuel rates started changing on a daily basis at that time even our freight became daily basis we started changing in the sense once in quarter once in half year or twice in half year we were changing the rates but currently what is happening in the last one year since the fuel rate is not changing so again we are not in a position to increase the freight rates that is what the scenario but the other expenses like employee cost and all these were due in April 2023 itself but we postponed for another five months and increment in employee we took in September that is before the festival season. Now we push for five years at that moment again if you see the fuel rate again it is constant even at that moment we were unable to change the freight rate that is how the impact is on the margin side and we expected tonnage growth definitely it will be around 15 to 20% in the beginning of the year and in first quarter we did that growth so subsequently what happened again because of the critical monsoon condition especially in the southern states which is major portion of our business area that started impacting. If you see this region has grown hardly around 2% growth in the year. Since we are carrying out the expansion of the branch network, focusing on the untapped market we are still in a position to maintain the growth of around 9% tonnage but even at this growth it is not enough to maintain or increase the margins, so one is our tonnage growth has to reach at least 15% plus then at that time again we will reach EBITDA margin of 16-17% or we have to increase the freight rates now. Freight rate

increase just we are waiting for the changes in fuel rate then immediately after that definitely we are going to carry out that activity.

Krupashankar: So with respect to the tonnage growth are you sighting that given that what is the expectation for FY2024 as a whole was it 10%?

Sunil Nalavadi: Yes around 10%.

Krupashankar: So that translates to fourth quarter having a 15% plus growth right?

Sunil Nalavadi: In fourth quarter again it will be similar 9 to 10%. The reason is see the monsoon will not change from the current quarter to next quarter so impact of the poor monsoon will continue in the next quarter as well. From Q1 actually we are expecting things to change again the new monsoon period will start and we are hoping that there will be again fresh demand from the market.

Krupashankar: So logically looking at your branch expansions we are continuing while we could see that compared to last year this year the contribution from new branches had slowed down anything to read over there because you are still hopeful that even newer branches contribution would go up substantially is there any specific trigger due to which it has been relatively weaker this time around?

Sunil Nalavadi: No, always what will happen if we open branch in untapped market say for example in UP again that branch will not do business only in UP because it depends on demand in other regions also, see most of the UP materials move to Karnataka or say to the southern regions. If there is no demand in southern region then that will impact the tonnage contribution from the UP branches also that is the reason the same trend is continuing since southern region's tonnage growth is lower then it impacts even on the newer branches also, so earlier the new branch used to contribute in the range of around 4-5% now it has been decreased to around 3% so it does not belong to one particular place it depends on the entire region and again delivery part is also equally important.

Krupashankar: Got it Sir. I have more questions. I will get back in the queue. Thank you.

Moderator: Thank you. The next question is from the line of Anshul Agrawal from Emkay. Please go ahead.

Anshul Agrawal: Good morning Sir. Thank you for the opportunity. I have couple of questions. First one when do we start seeing the benefits of owning trucks versus leasing external trucks come or fructify in our margins. My question is based on even in this quarter Sir we have seen 20

odd percentage decrease in lorry hire charges but that has been completely offset by vehicle running expenses and other stuff so when do we see these benefits of owning trucks kick into our gross margins?

Sunil Nalavadi: Basically see as I said we had increase the vehicle only when there is a demand so we will not have a idle capacity and the search for the tonnage, so even in the current quarter even the lorry hire has increased a little bit again the fuel cost has decreased and there are decrease in other expenses also so basically my point here is whenever we had a vehicle always we utilize those vehicles with 100% capacity and then only we go for hired vehicles. See we do not have a long term contract with the outside vehicle. Always we have a contract on a spot basis then only we engage the vehicles so the benefit of owning the vehicles starts from the moment we purchase the vehicle not that actually we have to wait for load or something.

Anshul Agrawal: What would be our truck utilization levels in the current quarter versus say last quarter?

Sunil Nalavadi: Current quarter and last quarter again the hub-to-hub operations vehicles are operating with a full capacity with 100% fuel realization and again from hub-to-branch the utilization levels are around 60-65% and we will be always in that range because those are all scheduled vehicles, everyday from branch-to-hub the vehicle has to operate.

Anshul Agrawal: We are not seeing a dip in utilization levels despite adding capacity that is what I am trying to understand.

Sunil Nalavadi: No and I just want to give another example. If you see the growth in tonnage on quarter-on-quarter basis it is increased by around 2% and similarly the capacity has also increased by hardly 3%.

Anshul Agrawal: So capacity will also track volume tonnage on a quarterly as well as on a Y-o-Y basis as well. It will go hand-in-hand and Sir do we have any planned incremental ROCEs for this new trucks that we deploy I am trying to understand what will our ROCE profile look like say couple of years out once we have seen the entire capex go through that we have deployed in 2023?

Sunil Nalavadi: Basically in good times see our return on capital employed we reached even 25-26% so whenever we had a very good margin our ROCE reached to 25-27% so that is our target to achieve that kind of ROCE and it is possible, so for the year actually what is happening the impact is because of the freight rate but to some extent volume growth also not at a expected level but since both will go hand-in-hand then definitely our ROCE is in the range of around 25-27%.

- Anshul Agrawal:** Sir our medium to long term volume growth targets should be still 15% ?
- Sunil Nalavadi:** As I said in Q4 again it will continue with the same line of existing growth and from Q1 we have expected a better growth based on again the new monsoon season how we take. The reports will start especially from the month of April and May how the monsoon reports and other things and depending on that we are expecting our growth will be better in FY2025.
- Anshul Agrawal:** Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Dhananjai from ASK. Please go ahead Sir.
- Dhananjai:** Thank you Sir. Just couple of questions A which segments are we seeing good growth from and which segments are we seeing weak growth from?
- Sunil Nalavadi:** You are saying zone wise or product wise?
- Dhananjai:** Zone and product and end customers in terms of which industry that we focused on.
- Sunil Nalavadi:** Basically see on nine month period we did a good growth in eastern markets and even the north market, northeastern market, the eastern market has grown almost around 25%, the north grown by around 17%, the northeastern growth is 24% so the base is small and western region we were growing around 10% but south has grown by around hardly 2.9% but south is the major contributor to almost tonnage almost around 40-45% tonnage is coming from the south.
- Dhananjai:** Would this be just because of the cyclone or are there any other factors?
- Sunil Nalavadi:** See according to us there is a dip in agro-related commodity it has declined by almost 5% and the total contribution from the agro commodity is around 8-9% of the total tonnage but it has degrown by around 5% in the current quarter and similarly the cloth and textile which is major again contributor in hired goods which is contributing almost around 18 to 20% but the growth of cloth and textile in the current quarter it is around 14% but on a nine month basis the growth is hardly 3% which is below the average growth rate of the tonnage.
- Dhananjai:** Any particular end customers which have done really well in terms of maybe not company names but any particular segments which have done well and which you are seeing some decline coming from?
- Sunil Nalavadi:** Yes, as I said these are all in the consigning market only the cloth, textile, even agro related. Basically our customer base is from the consigning in the sense almost around 60%, 65% of

our business is on (inaudible) 31:08 where actually consign is our customer, the person who is receiving the goods. So within this category again the main products which are declined is one is agro-related commodities and second one is cloth and textile is not at a expected level growth.

Dhananjai: What about competitive intensity is that increase, decrease over time and how we are seeing that coming and able to gain market share maybe from some of the competitors how is that coming?

Sunil Nalavadi: Yes, basically the operators which are operating these commodities most of the operators situation is even much worse than our position, but we are gaining market share basically because of the increasing compliance levels and everything and when it comes to other segments in the sense the newer market where we are entering the north, northeast and eastern market there actually we are creating a lot of new customers that is why the reason actually our growth is much, much higher rate around 20% to 25% growth is coming from those regions and another thing is the south and western we are having very strong position, and not only that our Kharif level cannot be matched with other operator because of these external factors there is impact on the tonnage, but what we are expecting is once things are settled in this season growth will be much, much better in the coming days.

Dhananjai: In longer term maybe after if I can say what kind of growth rate could we see on a steady state basis?

Sunil Nalavadi: You are asking overall growth rate?

Dhananjai: Yes, what can we see for FY2025 or 2026?

Sunil Nalavadi: Yes, as I said see even with this interest actually we are growing at around 9% to 10% in the current year and definitely if monsoon and all other changes then definitely again we can back to at least around 15% plus growth in the tonnage.

Dhananjai: The revenue realization it will stay the same?

Sunil Nalavadi: The realization is as I said this is directly linked with the fuel rate and we are hoping that post election definitely there are changes we are expecting changes in the fuel rates and before election also this government announce something some reduction on the fuel rate again it is going to benefit us because from the last one year we have not seen the freight rate even in fuel rate they decrease then no need to pass on that benefit to the customer.

Dhananjai: Sure. Thank you so much sir.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities Private Limited. Please go ahead. The current participant has been disconnected. We are taking the next question. The next question is from the line of Vikash Khatri from Aviral. Please go ahead.

Vikash Khatri: Thanks for taking my question. My question is we have on-boarded too many new vehicles since last two to three years and new vehicles are more efficient in terms of mileage and fuel capacity so how it has converted to our profitability uses of new vehicles, second question is related to inter zone, intra zone our most of the new branches are coming in north and east so is there any change in the pattern of inter zone versus intra zone business while on the other hand my overall per ton realization is constant?

Sunil Nalavadi: See first thing about the efficiency out of the new vehicles. Yes, definitely in terms of mileage and other things again this BSVI vehicles are in mileage terms there is no much efficiency of new vehicles compared to older vehicles it is more or less same, but in terms of capacity these vehicles are different what were adding to them in the sense we are concentrating more on a higher tonnage capacity vehicles not only that we are increasing the space of the vehicles in the sense see we are using a longer bodies that the length of the bodies is almost around 32 feet which is maximum permissible limit within this category permissible limit. So basically we are looking for the increase in the space of the vehicles plus the adding of higher capacity vehicles that will lead to less dependency on the more number of the vehicles and we can point-to-point the utilization levels will be more or the single vehicle can carry more load instead of engaging multiple vehicles that is the advantage, but in terms of operational cost is concerned one is to some extent the loading unloading service that is again it is a variable cost completely and fuel cost also again it is completely related you see there is no much efficiency improvement compared to earlier vehicle process the BSVI vehicles. So that is the reason the efficiency is those are all the employee cost and the other fixed cost what we are incurring. To some extent there is efficiency in those matters rather than the variable cost. So because of changes in newer pattern vehicle the margin improvement is not much higher. Then second thing as I said the zone wise contribution yes we are much growing in the north, eastern and northeast regions and since base of these zones are in the range of 10% to 15% or even northeast contributing 20% so immediately change in the overall contribution from the zones is not so high but what we are doing currently in the east and northeast and north the inter zone contribution is not so high as compared to the western and southern zones. So gradually still our network has to be expanded beyond the existing level then only we can concentrate more on the inter zone or even intra state tonnage growth. With the current spread of the branches still we cannot more concentrate on the intra state or intra zone transportation.

- Vikash Khatri:** So there is no change in the mix of inter zone and intra zone in last two to three years?
- Sunil Nalavadi:** Not much, but it will take another one or two years, see if we add that is a good growth expectation and that area is to where the intra zone and intra state transpiration is still we are not concentrating much in those newer zones, but going forward if we add around say at least 25, 30 branches every quarter so that will support us for even to serve the intra state transportation in states like UP, Bihar, and even West Bengal. So those are additional area of possibilities of growth in tonnage going forward. See once the network is increased definitely you can have a control on the services and even you can compete with those local operators.
- Vikash Khatri:** Thank you.
- Moderator:** Thank you. The next question is from the line of Krupashankar from Avendus Spark. Please go ahead.
- Krupashankar NJ:** Thank you. My questions have been answered.
- Moderator:** The next question is from the line of Anshul Agrawal from Emkay. Please go ahead.
- Anshul Agrawal:** Thank you for the followup opportunity. Sir correct me if I am wrong, last quarter we mentioned we are going to take 5% odd freight rate hikes for contractual customers from December any update on this?
- Sunil Nalavadi:** Yes, actually we approached all contractual customers to increase in freight rate and the contribution from those customers is around 20%. See almost around 50 to 60 customers have been accepted, but not exactly 5% some customers accepted 2%, 3%, some customers accepted even 7%, 8% also. See considering the overall tonnage the percentage is very low. So that is how it will benefit us to maintain the realizations on overall basis rather than increase in the realization on a good number.
- Anshul Agrawal:** Followup question to the previous participant's question. Once we sort of densify our networks owned intrastate increase in loads impact our realizations because our per parcel kilometer traveled or transported will decrease how should we look at this?
- Sunil Nalavadi:** No, basically even today the 6700 realization what we are reporting in the long route actually the realizations are so there is 11 or 12% decrease per ton also. Since our density of routes except in south and west we are operating in even short haul basis there actually our realization range is around Rs.3000, Rs.4000 per ton. Within Karnataka our realization is Rs.4000 per ton it is contributing major tonnage to our overall tonnage like this. So it all

depends on a route, but there actually what will happen if we start intrastate and intra zone especially in the eastern and northeast states there actually the tonnage growth will be much higher. So instead of the long route if we are carrying one route in short haul we can carry three or four trips given the same time that is how it is. Actually see on the other side the tonnage growth will suffer, but realization will be lower. The realization always we have to go with on a route basis that is more important.

Anshul Agrawal: Thank you so much Sir.

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

Mukesh Saraf: Yes Sir. Good morning and thank you for the opportunity. My first question is on the pricing that you have mentioned in terms of increasing prices to the customers just trying to understand is it because of competitions maybe unorganized or organized, what is the alternate that the customer have basically say now already you had mentioned last time also that unorganized players are probably more expensive than we are so why is not that we have this kind of a pricing power that we can pass through some of these costs, is there risk of us losing market share?

Sunil Nalavadi: See again even in some of the markets where we are operating especially the textile and even in some of the agro-related commodities there actually the whole market structure is in such a way that organized players again contribution is around 20%, 25% and still 70%, 75% contribution is coming from the unorganized or small fleet operators. Since even those operators are not in a position even they are not increasing the rate and if we increase the rate again along with the slower demand again further it will impact on our tonnage that is the reason again we have to go with the market trend in those areas or improve your markets wherever we are having competition from these operators, but gradually the competition will come down and again see most of these operators or most of the customers also they are having a trend that the freight rates are linked with the fuel rates. That is why we are in a position to take sudden increase in the freight rates and show some good realization.

Mukesh Saraf: So basically if I am understanding right it is competition from unorganized that is resulting in this kind of us being unable to increase?

Sunil Nalavadi: Yes, since everybody is maintaining same rate, we do not want to take risk by increasing the rate and impact on the volumes.

Mukesh Saraf: I am just understanding in last say few quarters you are mentioning that unorganized is getting weaker and weaker and the customer wants to shift to organized because of the invoicing, etc., even that trend still playing and still the customer will prefer an organized over an unorganized?

Sunil Nalavadi: Yes, there are several operators actually most of them are converting into compliances and again the percentage will come down currently what they are having the total investor size of around 70%-75% that percentage will come down. Overall there are some decent operators always they will be in the market and again they are shifting they are increasing their infrastructure in the sense basically they are converting into compliance more.

Mukesh Saraf: Secondly we are also kind of inducting a lot of larger vehicles are we goes to pass through some of these benefits because per unit obviously the cost will be lower when you shift these larger vehicles so are we also kind of passing through these benefits to the customers?

Sunil Nalavadi: No, not getting larger.

Mukesh Saraf: So, if we are using a larger truck our user cost obviously comes down the user cost comes down and so are we kind of also reducing the prices accordingly for the customers?

Sunil Nalavadi: No, see internally whatever benefits we are having still we are retaining it. Not exactly equally we are passing out it all to the customers but wherever we are entering the newer market actually we are offering very, very competitive rates to the customers. So that is the reason actually it is compensating on each other so in some routes wherever we are gaining a benefit out of our internal controlling mechanism there we are gaining but we are passing that benefit to the newer market.

Mukesh Saraf: The reason since they are harping on this is because since with the sudden change in this until last quarter I think we are coming with the rest of that the pricing is possible and unorganized is losing that this quarter I think the commentary from your side is changing suddenly so that is the reason just trying to understand what has led to this sudden change?

Sunil Nalavadi: No, that is why I have told you, with contractual customers there was a long gap that 100% of the customers are not affected but we have not discontinued any of the contracts but similarly if we do in a non-contractual customer then we will not have a proper control the whole market will get disturbed that is the reason and more over none of the operations are changing the freight rate, so with this trend actually we do not want to take a risk as of today.

Mukesh Saraf: Understood Sir. Thank you so much I will get back in the queue.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities. Please go ahead Sir.

Jainam Shah: Thanks for the opportunity again. Sir this question relates to the GST. So what I have been hearing is that we will be having a window until March 15, 2024 to convert into forward charge and there might be possibility of increasing the GST credit is converting to that but there might be chances that we might be like some of the customers why not we are getting the credit if we convert to the forward charge so what is the stance on that are we moving to forward charge and if at all we are moving and how much of GST credit we would be getting which would be eventually improving our margins?

Sunil Nalavadi: Basically we are having a good scope of input tax credit but ultimately what is happening it depends on the end customer in our case what is happening most of the commodities what we are carrying both categories are taxable at the rate of 5% so for example in cloth and textile majority of the goods are taxable at 5% even most of these the cashew nuts, Agarbathi and even coconut product and the peanut, these are all products actually taxable at 5% even leather products that matter which is again major contributor to our tonnage which is taxing at 5%. Now actually what we did see we are continuously we are putting efforts that whether we can shift to the forward charge because the forward charge is going to benefit us like anything if at 12% increase we are having a lot of input tax credit in a year actually around 140, 150 Crores credit we are having, but ultimately what is happening it depends on the end user. So we inquired with some of the customers and one-on-one basis with the large customers who are into these categories like cloth, footwear and even the cashew nuts and all, but none of them are in a position to accept the 12% GST because they are already sitting with some of the credit in their books and the utilizations are very lower at their end that is the reason actually they are unable to accept our increase in the GST rate. With this kind of input just we are holding on that decision. So as of now again we decide see in December we worked out on that but ultimately customer feedback is not in acceptable manner that is the reason again we are holding on that decision.

Jainam Shah: Got it, so may (inaudible) 50:03?

Sunil Nalavadi: Yes.

Jainam Shah: Because this number Rs.130 Crores, Rs.140 Crores is quite big number?

Sunil Nalavadi: Why it is quite high because most of the infrastructures owned by us even the purchase of the vehicles we are paying 28% GST and all spare parts, tyres everything, for new tyres we are again paying 28%, spare parts and all we are paying 18% GST.

- Jainam Shah:** Got it and on the cash EBITDA margin, so how much rental we would have paid in this nine months which have been eventually booked in rental and in the interest and depreciation part, even yearly number, estimated number would work is it like eventually come in below EBITDA line item?
- Sunil Nalavadi:** On our interest part in the current quarter other than Ind-AS it is around Rs.6 Crores.
- Jainam Shah:** So out of Rs.21 Crores, Rs.15 Crores is for Ind-AS?
- Sunil Nalavadi:** Yes.
- Jainam Shah:** The depreciation part?
- Sunil Nalavadi:** On the depreciation part, it is around Rs.36 Crores Ind-AS.
- Jainam Shah:** Total would be Rs.50 Crores we would have paid. So EBITDA number is at around Rs.96 Crores, Rs.97 Crores and we are paying around Rs.50 Crores for the rental, is it eventually leading to EBITDA margin, pre Ind-AS EBITDA margin or pre Ind-AS EBITDA number of would be Rs.50 Crores, so how we are looking at this particular things like we are expanding the branches and this expense is increasing, but on the other side definitely it is not increasing?
- Sunil Nalavadi:** On the branch side there is no much of Ind-AS impact because most of the (inaudible) 51:46 because we carried out some of the increase in space of the larger transshipment hubs and the long-term lease, there is enhancement in the depreciation or even the rent expenses, but we are kept ready all infrastructure facility, enhance the spaces in most of the transshipment hubs, so going forward no need to incur or enhance further transshipment area, so it will have further drastic will not be expansion at all because we have already carried out that exercise. So this will be fixed in nature at least for one or two years then based on that whatever incremental EBITDA will be there then definitely it will increase in the normal EBITDA. What I am saying basically the rent expenses will have its own control because the expansion will not be there in the future. So those expansions exercise have been already carried out and we are having enough space in most of the transshipment hubs as of today.
- Jainam Shah:** That is all from my side. Thank you so much Sir.
- Moderator:** Thank you. The next question is from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.

Prathamesh Dhiwar: I just wanted to know the revenue mix on the basis of different states like which states contribute how much the revenue?

Sunil Nalavadi: South zone is contributing around 40%, 45% to the tonnage, this is based on the origination what I am saying and north and west in the range of around 20%, 25% and remaining around 5%, 10% is coming from the eastern and north east.

Prathamesh Dhiwar: Got it and as you said in your opening remarks the agriculture segment contribute around 40% to 45% in revenue, so going forward...

Sunil Nalavadi: Agro sector contributes around 8% to 10% that is degrown by around 5%, but southern zone contributing around 40%, 45%, but that southern zone growth is earlier around 2% to 3% in the current nine months.

Prathamesh Dhiwar: So are you planning to diversify into other segments or like what is your plan if I can get some understanding on that?

Sunil Nalavadi: Plan is whatever network expansion we are doing actually we are doing in untapped market especially in the eastern, northeast regions and north regions where actually is the newer markets and definitely we are expecting very good growth from those regions. As I said those newer regions are growing in the range of around 20%, 25%, so definitely that trend will continue and most of the branches are again interlinked also say for example if any branch we open in the north if demand is lower in south again origination from that branch also will get impact. So overall it is integrated to each other, but those branches are showing better performance because these are all newer market and base is very low.

Prathamesh Dhiwar: Got it Sir. I want to talk about the realization front. As you said south gives you the highest realization, so can you give the guidance on FY2025-2026 on the realization basis, on volumes you have given around 10% to 15%?

Sunil Nalavadi: In this year we did a volume growth of 10% things are normalized in the next year definitely our volume growth is more than 15%. On the realization front what is happening it is directly linked to the fuel rates. Fuel rates change after the elections or something then immediately will carry out the increase in the freight rate that is how the realization will change, but it is all directly linked with fuel rate.

Prathamesh Dhiwar: Thank you. That is it from my side and all the best.

Moderator: Thank you. The next question is from the line of Kushagra from Old Bridge Asset Management. Please go ahead Sir.

Kushagra: Thank you for the opportunity. Just one question. Can you give us the tonnage breakup between intrastate and interstate in your overall tonnage right now and how much do you aspire to take because you mentioned somewhere earlier in the call that going forward as and when your branch network expands probably the intrastate movement might increase like you have in Karnataka which comes at lower realization, but overall volumes growth is quite significant, so just wanted to understand where we stand now and how much do you aspire to take it forward even if you want to give a color let us say zone wise for example south would have higher interstate, western and north may not be as much, so broad color over there?

Sunil Nalavadi: For north, east and northeast we do not have much of intra-region services also okay. So whatever we are doing from north, east and northeast which is almost around 30% of our business there actually it is completely interstate, we do not have much of intrastate service in those areas. When it comes to west and south yes we are having interstate and south is around 45% of the total tonnage out of which around 50% to 60% is intrastate and similarly when it comes to west, which is contributing around 20% there our intra-region is again in the range of around 8% to 10%. On an overall basis the intra region it will be around 35% to 40% of the total tonnage, so remaining all is interstate and intra-region also.

Kushagra: Going forward probably as and when your branch in north, east and west expands further probably your intra might go higher than your interstate right?

Sunil Nalavadi: Yes, currently north, east and northeast we do not have intrastate services, so there actually once the density of branches increases we will start even intrastate and intra-zone services as well.

Kushagra: Alright, so apart from the volume growth support which comes from the intrastate can you give more color with respect to the profitability and the benefit of unorganized to organized shift in terms of consolidation and everything which we have spoken about in the past couple of quarters on GST requirement, e-way bill requirement and all, are these benefits are not more on interstate than intrastate and just wanted to get a perspective why focus more on intrastate rather than interstate?

Sunil Nalavadi: For interstate services always the compliance level is very high, in most of the unorganized actually they are not depending much on the interstate services because the authorities differ from one place to another. For example if we want to move material from Bengaluru to Delhi each and every officers verify our vehicle and verify the documents. For unorganized operator operating for interstate services is much difficult as compared to intrastate. In most of the intrastate services what they do the service can be completed within 12 hours, 24 hours like this, so there the noncompliances are still on a higher side, so there the

competition from the unorganized is much higher, even in the local market if you see some individuals are operating like Tata Ace 407 vehicles they are operating point-to-point service within 200, 300 km there actually we cannot compete with such operator, we cannot render our services in those areas, because they are having a small vehicle give point-to-point services, no overheads, nothing and rates are very, very cheap rate.

Kushagra: Exactly, so this is where the question was given the benefits of unorganized to organized and sector consolidation is more on intrastate and longer routes why not focused more on them rather than intrastate volume this was the question?

Sunil Nalavadi: Intrastate is basically that is the reason currently what we are doing. We are not opening branches in southern region whatever we are having intrastate as of today and interstate as of today we are maintaining it. Similarly in western region also we are not opening much of branches. The reason is we do not want to do intrastate services over there. Our focus is open branches in the north, northeast area and connect with the south, connect with the west and connect with the north to east like this, so we are more concentrating on the longer route and interstate services, but going forward if the branch density improves state like UP, currently we did not have any intrastate service currently we are having around 50 to 60 branches in UP alone, but if that branch spread to around 200 branches in UP that is possible. In UP itself we can open another 140, 150 branches. If our density reaches to that level then we can have intrastate service also in UP that is added advantage for us.

Kushagra: Understood. This is more like a national flow of things in your business growth.

Sunil Nalavadi: Yes.

Kushagra: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Lokesh Maru from Nippon India Mutual Fund. Please go ahead Sir.

Lokesh Maru: Thank you. Sir my question is more around what is the difference in competition in our home ground which is southern areas and the western versus what you are witnessing in the newer regions like you said north, northeast and west, what is the difference in organized, unorganized or the pricing or the general nature of the competition?

Sunil Nalavadi: Across all the states in India there are same compliances, be it Karnataka, be it UP, be it Bihar, you take any states there are same compliances. Earlier each and every states were having separate compliances and people used to take advantage of that. Now what is happening across India there are same compliances, it is advantage for us. People cannot

question on the compliances earlier what used to happen in states like Bihar, UP we were unable to do services, and we were unable to open the branches with that much of very high competition or high noncompliances over there from the local operator today that is not the scenario. For the interstate services basically the compliances are very high and the operators are answerable to different, different tax authority in the jurisdictions because of that actually even the small fleet operators also they are very careful well doing the interstate services and intrastate service still the noncompliances are existing and people are taking advantage that is the reason we are not focusing much on a intrastate service even in north and eastern areas. So our focus is currently open newer branches and concentrates more on intrastate service that is what we are doing and this is giving good results for us. As I said the newer branches alone contributed around 3% to 4% in the current year, it is very good contribution from the new branches. So that is the reason our focus is currently only on that aspect rather than intrastate and all these things in those areas.

Lokesh Maru:

I understand that lot of load that we carry even from its origination south like you said would come from mainly in the manufacturing, etc., so when you take this to let us say northeast or west what are our spill rates or the utilization rates, what is the difference in forward and return utilization?

Sunil Nalavadi:

Always what will happen in hub-and-spoke model hub was operational with complete utilization, so that is the advantage of hub-and-spoke model. Our structure or our allocable of vehicle will be in such a manner that both side we will have to get a 100% load capacity and apart from that why we are engaging the outside vehicles even at around 5% to 6% of the total fleet size it is only because to match the load pattern in the sense one side we will have load, the return load will not be there, at such routes we are engaging outside vehicles. So always we will see that our own vehicles should get a load in both on and off as well as the return loads and wherever there is a return load issue or something then we are engaging outside vehicle and in spite of that we face some of the issues that our vehicles will not get a return load. In that case actually we are engaging our vehicles for the full truck load. Currently, the full truck load is again 7% to 8% of our total revenue, the revenue of full truck load is not our foray, we are not focusing on the full truck load, but the only stand back these vehicles show is the original destination we are engaging these vehicles for a full truck load. This is how the structure. Always we go with the utilization, we are very cautious on that and that is how the hub-and-spoke model we give support for us to use the infrastructure properly. So even if you open any branch in the north areas, northeast or any remote areas, it is not that the vehicle utilization will be lower. If it is a one side load then we engage a smaller vehicle and it will be outside vehicle that is how it is.

- Lokesh Maru:** So utilization from hub-to-hub is complete on both the ways, but it is only the hub to branch which is the ramp us time as we spent more time?
- Sunil Nalavadi:** That is a slower demand and slower market spot which is we engage outside vehicles and we bring that goods to the hub.
- Lokesh Maru:** Last question, just to understand like you have mentioned intrastate and interstate, so within the interstate logistics and **(inaudible) 1:6:37** what kind of competition in India and if you could help bifurcate that into organized and unorganized, how many players are there?
- Sunil Nalavadi:** Most of the intrastate which are in the hands of the unorganized operator, all small fleet operators I can say and even today's world what is happening most of the individuals are servicing from Bengaluru to 200 km, 300 km the individuals are covering and even say from Mumbai to 200 km, 300 km most of the individuals are operating with a single vehicle. They can give point-to-point service and in a day services, there concept is totally different.
- Lokesh Maru:** Interstate market across the different states....
- Sunil Nalavadi:** The unorganized contribution is coming down drastically because of increase in GST law, GST compliances, there actually we are having a lot of scope to grow and even in the current scenario also there is a good growth in the state-to-state operations rather than the intrastate operations.
- Lokesh Maru:** What is our **(inaudible) 1:7:48**?
- Sunil Nalavadi:** Where?
- Lokesh Maru:** In the interstate transportation since it is a large....
- Sunil Nalavadi:** Interstate wherever we are entering the newer market we are offering concessional rate as of today, but wherever there are strong routes we are maintaining our rates.
- Lokesh Maru:** Thank you.
- Moderator:** Thank you. That was the last question. I would now like to hand the conference over to Mr. Sunil Nalavadi for closing comments.
- Sunil Nalavadi:** Thank you all participants. It is good that many of them interacted about the inter and intrastate movement, how the structure in India, so basically our focus as of today more

view on the interstate services and wherever we are opening new branches and all in the remote areas most of these branches are contributing for interstate services and as I said definitely the opening of branches is going to give lot of advantage for us in the coming days. Basically once the density of branches increases we will have a lot of advantage, so states like UP, Bihar especially in the north side even Punjab, Haryana, so those states currently we are not in a much of intrastate services. So going forward density of branches is going to support us not only for interstate and once the compliance starts increasing further then definitely we can concentrate on intrastate services also or intra region for that matter. So with that the structure wise, best structure in India what we are operating today, but due to some external issues especially one is monsoon and other things little bit impacted on volume growth and freight rates again we are unable to increase because completely it is linked to the fuel rate, so we are expecting these changes very soon and definitely we are back to our good margins as well as good growth that is what actually I want to say again. With this closing remark I wish to conclude this call and thank you everyone and thank you all participants for your patience hearing. Thank you.

Moderator:

On behalf of Motilal Oswal Financial Services that concludes this conference. Thank you for joining us. You may now disconnect your lines.