"Transport Corporation of India Limited Half Yearly Investor Conference Call FY2019"

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MANAGEMENT: MR. VINEET AGARWAL – MANAGING DIRECTOR
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Moderator: Ladies and Gentlemen, good day. And welcome to the Transport Corporation of India Limited, Half Yearly Investor Conference Call for FY19. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Tiwari – Group CFO. Thank you and over to you, sir.

Ashish Tiwari: Thank you, Aman. Good morning, ladies & gentlemen. I welcome again to all of you in our half yearly conference call for FY19. Along with me is joining Mr. Vineet Agarwal – MD, TCI Limited. And he will discuss about performance update for last quarter. And then we will take questions.

So, I am handing over to Mr. Agarwal.

Vineet Agarwal: Thank you, Ashish. Welcome to the conference call for our second quarter for TCI. Thank you for joining in. understandably, this is the holiday week, again, thanks for joining in today. I would like to go over some of the highlights for the quarter and then go into specific questions.

Currently, in the last quarter we had good top-line growth of approximately 18%. This is in line with our expectations of a guidance of 15% to 20% top-line growth. Bottom-line, over the last quarter, between last year to this year is flat for several reasons, and **0:01:56.9** those are because of the higher interest cost, higher depreciation cost over the quarter.

I would now also mention certain things that have happened in the last quarter which were not under our control. And specifically, these are five conditions. And these five factors have actually impacted all our businesses in some manner or the other.

First one, of course, is the trucker strike which happened in end of July. Across the country we had an impact in all the three businesses where volumes were impacted, as well as right after truckers strike the freight rate also tend to move up. So that also had an impact, although it was for a short-term. And this continued for the beginning of August as well. And it has an impact on the freight business, on the supply chain business as well as on the seaways business.

The second issue that happened was towards the end of August was the Kerala floods. Now, this had an impact for us in the seaways business predominantly, because the ships that fall on our west coast, from Mundra to Cochin, the three ships that operate, we had less cargo that was moving towards Kerala. Of course, deliveries were impacted as well in Kerala because of the ships not getting there. And even some delay in cargo as well. So, volumes came down and with delays it had an impact on the west coast operations.

Similarly, for the other divisions, delivery was also affected, since as you know Kerala is more of a consumption state. So we had some slowdown in that sector as well. However, the positive side is that reconstruction work has started in full swing and a lot of cargo has already started to move. What we believe is that the Onam sales were lost, specifically for our supply chain for the auto sector. However, we are anticipating that the sales will be recovered for the Christmas season. So the third quarter of this year we have already seen good solid growth from the auto sector as well. And we think this will catch up in the next few weeks.

The third major impact has been, of course, a rapid increase in fuel prices. Fuel prices have been going up steadily and this has, as you know, there is always a lag impact when it comes to pass on to our customers. So in the freight business some of the retail customers, the pass through is a little slower than the corporate customers where we have contract and clauses where we are able to easily pass that out. However, of course, there is a lag there where some billing is also done at a certain time and that billing is then realized over the next few months. The same impact is in supply chain business, however, there the contract clauses are more tighter and we are able to pass it on much more robustly.

In the seaways business, the furnace oil prices are seems to be 40% on an average for Q1 and Q2. And there is, of course, much slower pass through over here. And some of this we have had to absorb in the last quarter. But the positive news, of course, is that October and November we started to see the prices coming down and we feel this will be positively impacting the company in the next few months.

The fourth issue that has happened is essentially the delay in the festive season. As we know that the festival season was much earlier last year, I mean, like-to-like comparison, a lot of movement happened in the month of September last year versus this year it has mainly been in the month of October. So, this festival season has a little bit of impact on all divisions, with some movement sectorally coming down. But, again, October and November are quite strong as we speak.

The fifth factor is a general tightness that we are sensing in terms of liquidity across all markets. This is not really a factor that has impacted us, however, we are sensing that there would be some delays happening in the next few months in terms of payment realizations on customers. However, we have strong measures in place to ensure that we are able to keep up our cycle. With the crises in the NBFC sector, interest costs have been going up, call money markets are higher. So, there is a minor impact of this as well on the margins.

Now, I will talk specifically about our divisions. In terms of freight division, our freight division has recorded a 27% quarter-on-quarter growth and a 21% first half versus the previous half. This is, essentially, mostly volume growth and of course some amount of value growth as well because of the increase in fuel prices and cost increases. We have had lot of growth from the SME sector as well. And clearly this growth is coming because of the shift towards GST from where our customers are moving from the unorganized sector to the organized sector, or rather the market is moving. And then we are getting some amount of that business as well.

Overall, the margins are stable. The growth in our LTL business will continue to help us to enhance the margin. The ROC has also slightly improved. We estimate that the next two quarters will typically also the best in terms of more stable freight rate, we should be able to get better realization for the next two quarters.

In terms of our supply chain business, we have had a full six month growth of approximately 14%. There is, as I mentioned a little earlier, some movement because of delay in festival season has happened and as well as because of the Kerala floods. However, we have a very strong pipeline in terms of new contracts, both in warehousing and specially in the non-auto side of the business as well.

The margins were stable and we estimate that this will continue. Of course, there is certain amount of CAPEX that has also been done here with the addition of new trucks to the extent of over Rs. 40-odd crores. And the utilization of this has started to happen since the trucks wouldn't come at one time but over the course of the quarter we should see benefits accruing over the next few months.

In terms of seaways, the overall top-line growth has been 28% for the full six months. Of course, as I mentioned, the Kerala floods have had an impact. Two ships were also in dry dock, and the fuel prices also went up. We also had the new ship that we acquired in March 2018 came only on-stream in July 2018 and it was hit by Kerala floods as well. So, all that we have seen a slight pull down in terms of margins. But we are hopeful to catch up in the next few months.

As I also said, overall the PBT margins are stable at about 5.25% to 5.6% versus 6% last year. But six months growth has been about 25% in PAT. The CAPEX plan of approximately Rs. 250 crores, we have done about Rs. 113 crores in the last six months. We estimate that we should end at about Rs. 175 crores to Rs. 200 crores for the full year as well.

Our blended ROCE is a little subdued, but relatively stable. Again, the impact of the new CAPEX that we have done is going to come out in the next few months most probably. In terms of receivable days, they have been quite stable, even though we are sensing the tightness in the market. But right now the growth in receivables had been more or less in line with revenue growth as well.

With that, ladies & gentlemen, we are open to any questions. Thank you.

Moderator: Thank you very much. Ladies & gentlemen, we will now begin the question-and-answer session. Our first question is from the line of Mukesh Saraf from Spark Capital. Please go ahead.

Mukesh Saraf: First question is on the freight business itself, you had mentioned that there was some impact of the truckers strike and Kerala. But we have seen 27% growth YoY. And you did mention that its majority volume. Last three quarters we have been growing at about 15% YoY but despite some disruption from the strike we are seeing nearly doubling of the growth. So, could you give some sense, I mean, is it like some new business or some new geography within the country, or LTL is actually picking up so much. What exactly has driven this sharper growth, sir?

Vineet Agarwal: Some of its growth was a little unanticipated from our perspective as well. But what we have seen is robust orders on the corporate side also, some of the businesses that we have been working where we bring the key account management. So, there we have seen good growth. And secondly, you are right, LTL business started to pick up also, typically before the festival season we see pick up of the LTL business, and that has continued. I do not anticipate this to continue for long. I think we will moderate at that 15% to 20% growth for the year.

Mukesh Saraf: And in terms of pricing, now that diesel is stable, or at least it should ideally stay stable, do we think that margins can only improve as we get the entire pass through maybe in this quarter?

Vineet Agarwal: Yes, we certainly estimate margins to start improving. What also happened in the first quarter and the second quarter is that certain sectors where freight rates tend to increase kept on increasing. Like for example, mango season was very good from the south, so freight rates ex-south was quite strong. And typically they tend to come off in July and August, but they did not come off because of the fuel price increases. But that has now already started to moderate from September, October onwards and we will see much more stable freight rates. So, yes, the margins will stabilize as well as the ROC as we have committed that we should exceed 15% in this fiscal.

Mukesh Saraf: And secondly on the supply chain business, you had alluded to some new contract, especially on the non-auto side. It will be great if you give some more color, maybe not exact numbers and things which you don't want to share, but some more color on what could be the size, what could be the new sectors, is it like FMCG or what are these areas that we are getting new contracts in?

Vineet Agarwal: So, we are certainly doing a lot of business in the FMCG sector and there the volume growth has also happened along with a certain amount of value growth and we are seeing pipeline there as well. Apart from that, we have bagged some new contracts in the ecommerce fulfillment side of the business. We are also looking at contracts, so these are some of the warehousing contracts. And then on the transportation and supply chain side we are doing work for several companies in the auto space, and there we have acquired a lot of additional clients as well based on our expertise in inbound logistics and others.

Mukesh Saraf: And just one final thing, RCM versus FCM, we did see some other companies in the 3PL space say that they have probably moved 80% of their customers already into FCM and that obviously gives them some benefit in terms of input tax credit. So, we also more or less move to FCM or are we still on the RCM mechanism, sir?

Ashish Tiwari: So, we have adopted customer friendly approach, wherever customer has agreed to our FCM approach we chose to do FCM billing. So, predominantly in the supply chain division we are able to convince majority of customer, while in the freight division we have some issues and it is still the RCM billing only.

Mukesh Saraf: But directionally we see that we will move to FCM maybe not this year but next year at least, I think input tax credit is a good benefit there.

Ashish Tiwari: It is a good benefit where you own the vehicles. So in a supply chain business we own the vehicle so there is a good benefit. In our freight business we do not own the vehicle. So there it does not matter much.

Moderator: Thank you. Our next question is from the line of Hiteh Goel from Kotak Securities. Please go ahead.

Hitesh Goel: Sir, in your freight business can you tell us something about how, you have been talking about the freight demand will moderate in the second half, just wanted to get a sense what is the increase in freight rates that you have seen from July, August, is there a increase? I know there is a increase which happened in September, was there any increase after that and what was the kind of increase we are looking at on a YoY basis in freight rates?

Vineet Agarwal: Freight rates are sectorally they have an impact. So if there is Durga Puja happening in the east then we will see movement or more cargo towards the east, and hence sometimes freight rates move up. Then there is a seasonal impact, let’s say now with apples starting from the north we will see freight rates moving up as well. So, these are some things that typically happen every year and they already started to happen as usual. The unusual part is what I had mentioned during what happened from ex-south for the month of July, August, etc. But otherwise I think the usual aspects of freight increases across the country or some places of course it comes down as well, that has started to happen.

Hitesh Goel: So, is the freight rate being able to, are the truckers getting full price for the input cost increase? So are they able to pass on that, because you are sourcing from the market, so are you also giving the cost increase in terms of fuel cost increases to the market? So how is it panning out, just wanted to get a sense on is the supply of trucks getting impact in the second half or any impact on the truck sector?

Vineet Agarwal: Yes, we feel that right now the supply side trucks, as you know commercial vehicles growth has been quite strong, and simultaneously the axel load increase has started to happen slowly. But in some trucks have started to get those recertifications for higher axel load. But demand has also been high, so generally speaking with demand being high and now fuel prices being high we have seen actually freight rates being higher, a little bit on the higher side comparatively and hence the price realization I think is better for the….

Hitesh Goel: And sir final question, after GST coming through, how has the utilization of trucks improved for you, I mean, your fleet if you look at, has it improved your earnings or utilization levels of your trucks, how would you see that?

Vineet Agarwal: So, GST specifically, of course, moving to RCM or FCM that of course has an impact. But other than utilization for our own fleet in supply chain has always been contract specific. So, the impact there is not significant for us.

Moderator: Thank you. Our next question is from the line of Arjun Sengar from Reliance Mutual Fund. Please go ahead.

Arjun Sengar: Sir, my first question is on this 3PL, so I think after GST there was supposed to be a lot of warehouse consolidation. And that was supposed to throw opportunities for 3PL. But I think in the last eight months the progress has been slightly slow on the warehouse consolidation, I think customers are still slightly hesitant on that. So just wanted to get your take on what is your current status in that regards?

Vineet Agarwal: Yes, it is still slower because I think there are customers who are now still assessing what is the impact of GST, because since there have been constant changes. And then subsequently the e-way bill has also come about where there are also lots of changes. So, I think they were all looking for a stability to take a call. A lot of research, studies have been done already as to where they want to ultimately setup their warehouses and those have started to get executed. And I think now they will accelerate further. Quality warehouses have also started to come up, especially you must have heard about kind of investment that is coming in through REIT structures, etc, in this space. So, we do estimate that we will see that the benefit of consolidation happening in the next few quarters.

Arjun Sengar: And sir, as per your understanding, what is the growth rate over the next two to three years that is likely to be seen in 3PL industry?

Vineet Agarwal: So, we think that at least the growth of the industry should be at 15% - 20%. Now, it is very difficult to assess that number because today there are companies who are outsourcing already and then they already to 3PL. So that is an additional growth that comes in. But from a standard growth perspective I would say a 15% to 20% is a typical growth in the sector.

Arjun Sengar: And sir in your freight business after this axel load revision have you relooked your CAPEX plan because I think one of your key competitors I think has significantly reduced CAPEX plan, so have you done something of that nature?

Vineet Agarwal: We do not have any CAPEX in our freight business, because our model is entirely different, we work on a vendor plus spot hire basis rather than ownership of vehicle.

Arjun Sengar: And what about the supply chain business, there I think you have own trucks?

Vineet Agarwal: Yes, but then the model is very different from a freight business because here it is more captive for several customers.

Arjun Sengar: A lot of volumetric issues there.

Vineet Agarwal: Well, there volumetric issues also but it is directly correlated to our contract acquisition that happens. When we acquire contracts where there could be some requirement of own vehicles, so there we will put our vehicles.

Arjun Sengar: And my last question is on this Dedicated Freight Corridor, how do you see that in terms of potential impact that could happen for the trucking industry, just wanted to get your sense on that.

Vineet Agarwal: So, it is too early to say that. I know that Rs. 190 kilometers of the western corridor has been started and then there are plans for next two in 1 – 1.5 years or so for other portions to start. However, it is too early to say. We do estimate that once you get the productivity up of the CFC, we should then see freight rate getting impact, they should come down because of the sheer volume, and at the speed that the DFC can handle.

So, anyways, for companies like us we have no significant exposure there that Delhi, Bombay sector and things like that. And ultimately, customers would want door-to-door. So, we would use any such entity as a service provided rather than as a competitor. So it works positively for us as well.

Arjun Sengar: And, sir, if I can just slip in one question on your shipping business. That is generally very volatile from various parameters. But how should we see it, as in, what are the trends that we should be seeing over the next two to three years for this business in terms of maybe growth or profitability or demand supply, anything along the bigger parameters?

Vineet Agarwal: So, I am talking sectorally and specific to us. Sectorally there is a shift as we know towards the coastal sector and there is also government thrust to ensure there is movement of containers or whatever cargo that happens away from road to other means of transport. And I think this push will continue with the cabotage law also changing. So the interest in the sector should keep increasing. We do estimate the growth of the sector to be in the 20ish percent plus range from both west and east sectors. So we are quite bullish on the whole thing, plus the fact that there are few companies, very few companies like us who are able to do all modes of transport under a single roof. I think that augurs well with the fact that over time customers would want the best possible solution from a price and cost perspective, and might not be interested in knowing what mode you are carrying it. So we could optimize across modes of transport.

Moderator: Thank you. The next question is from the line of Jignesh Makwana from Asian Markets Securities. Please go ahead.

Jignesh Makwana: I just want to know, earlier we as a part of the revenue we tend to avoid higher growth in certain divisions, anything more than 10%, 15% growth in certain divisions, because it used to have a blended impact on earning per say in broader sense. But for last few quarters we have not seen good growth in certain divisions. And is it we are going away from our earlier strategy or something like that, because it is going to have an overall impact on our earnings side, blended earnings side, per se?

Vineet Agarwal: No, there is no change in strategy. It is just a consequence of higher GDP growth, higher focus on LTL business and certain, I would say, seasonal trends. But growth in our supply chain business will catch up now and what we have committed in terms of our business share internally in the company, that mix will continue to change towards the higher margin businesses. So, there is no change in strategy here at all.

Jignesh Makwana: Okay. And if you can provide us some tentative, how much LTL would be contributing to about all our trucking business, any ballpark numbers, something like that?

Vineet Agarwal: No, as you know, we do not provide that number. But I can certainly say that it's growing and we should be able to share those numbers possibly next year.

Jignesh Makwana: And on supply chain side, because the bulk of our revenue comes from the auto segment side. So ongoing slowdown in auto movement, can we expect some moderation in the supply chain side, per se?

Vineet Agarwal: No, again, for us the slowdown in the auto sector, per se, is not really directly impacted, because we are also doing inbound logistics, so that is production logistics, which means that the cars or two-wheelers, whatever is being exported, we get that benefit. Secondly, we are quite diversified from the range of companies we work with. So not just two-wheeler, four-wheeler, construction companies, tractor companies and so on. So that is another benefit. And the third is, of course, we are diversified in terms of services we provide, so it is not just the production outbound, but even spare parts management, etc. So those also tend to grow even if the general trend is lower. So, overall, we have not seen a de-growth at all in our business in the auto sector.

Jignesh Makwana: And lastly, what was the underlying volume growth for Q2?

Vineet Agarwal: Underlying volume growth is difficult to give you specifics, because giving you specific, it is different. So, I think Ashish can share the approximate tonnage that we can get to you separately.

Moderator: Thank you. The next question is from the line of Ankit Gupta from Bamboo Capital. Please go ahead.

Ankit Gupta: I had three questions. My first question was on the seaways business. So in that for the past few years, and even in the past few quarters, except for this quarter, we have seen the margins have remained quite healthy. And because I think there is definitely demand and we are multi-mode logistics provider. So can you give a sense on what can be the sustainable margins in this segment or it will continue to be volatile over the years?

Vineet Agarwal: So, we do not know a stable margin level right now, but our estimation of 20% - 25% EBITDA margins should be more reasonable. So, with the higher capacity ships coming in, more volume is coming through. And operation costs are also higher, plus depreciation interest is also higher. So, I think our 20% - 25% number is more reasonably. We are at 28% right now.

Ashish Tiwari: Okay. And in terms of competition, are you seeing the increase in competition in this segment, or it hasn't increased much despite government trust on increasing this mode of transportation?

Vineet Agarwal: So, I think it has been increasing only. I think competitors have been adding more and more capacity in this sector, on the west sector at least, specifically. So I think that increase is steady. However, volume growth has also been there. So, I think that it has taken care of the capacity. So at least for companies like us we have only three ships on the west coast, so it is not that high capacity compared to some of our competitors.

Ankit Gupta: Now are you planning to start any new routes in the segment or you will continue to operate on a current route?

Vineet Agarwal: We would continue to add maybe on the west coast itself and other stop points based on as and when customer demands. So, like we are stopping in Mangalore right now en route to Kochin and Goa and to Tuticorin. So, I think as we get more capacity and more customers we might add some more stops on the west coast, but no new routes.

Ankit Gupta: Okay. And sir I was just referring to your Q1 FY19 results presentation, in that you had mentioned CAPEX span of Rs. 250 crores for FY19 for the full year. And apart from the freight business we were doing the expansion in both the divisions. So this is, like, in the last few years our normal range has been around Rs. 100 crores - Rs. 120 crores of CAPEX. So this is relatively a larger number. Is this CAPEX on account of higher demand that we are seeing in the supply chain? Or any views on the CAPEX plan?

Vineet Agarwal: Yes, exactly. So, in terms of the average CAPEX has been about Rs. 125 crores to Rs. 150 crores and this year we are looking at Rs. 175 crores to Rs. 200 crores. One is the top ending of our seaways new ship, etc, which are higher capacity, and clearly because we are seeing the demand on certain routes. And also as you know that we buy secondhand ships and these secondhand ships also go through a cycle where we have to replace them maybe after 10, 12 years. So that is one. On the supply chain side, yes, clearly we anticipate newer contracts and those are underway right now as we speak. So, we need this truck capacity. Also, some of this truck capacity did not get added last year and the year before because of the fact that we want to go closer towards 2020 where BS-VI norms will be applicable, and hence cost of trucks will also go up. So some of this would be front ended for us for the upcoming change in emission norms.

Ankit Gupta: Okay. Sir, my next question was on ROCE. For this year, we are targeting ROCE of upwards of 15%. And with the improvement in margins in the freight business and even in supply chain and the seaways business, where do you think our ROCE can be two, three years down the line?

Vineet Agarwal: So I think we are right now at a high growth stage with the top line growth, bottom line growth and so on. So, I think it is also a time to make some CAPEX to ensure that this growth continues, because there are times when you will not be able to get growth. So we are trying to capitalize on that. So it might mean that ROCE might get a little skewed, but I think clearly target is to go beyond the 20% ROCE.

Moderator: Thank you. The next question is from the line of from Saurabh Jain from Astute Investment. Please go ahead.

Saurabh Jain: Just had a few questions, mainly related to the asset heaviness of the business and the higher CAPEX requirements. So we have other capital employed in the business of about Rs. 340 crores, which is on unallocated assets, investments in energy division. And any thoughts on may be if there is a way to reduce this?

Vineet Agarwal: Yes, we are thinking about how to do it and so we have looked at some options already, but not right now taken a call on how to proceed on it. But some of these assets are clearly very strategic to us. So we do not want to get rid of it. But we do understand that this drags down our overall ROCE. So we are conscious of it.

Saurabh Jain: Right. Because if there are some assets which are nonstrategic and you can sell them and lease them back, like buildings or things like that.

Vineet Agarwal: Yes, we have that in mind.

Saurabh Jain: Sure. And also any sense on, say the next three to five years CAPEX plans, will it be Rs. 200 crores each year or might this get reduced also say after two or three years?

Vineet Agarwal: So, I think about Rs. 150 crores to Rs. 200 crores is what we anticipate for the next three years.

Saurabh Jain: And would it be fair to assume that, I mean, the free cash flows are not going to be there for the next two or three years? So whatever you make, the cash flow from operations you will use that for CAPEX?

Ashish Tiwari: Yes, so right now we have around 0.7 debt to equity ratio, and our cash profit is also good. So for the quarter it is around Rs. 155 crores. And so, yes, we would be first using our internal accrual, then we would look at some external financing.

Vineet Agarwal: So, overall, free cash flows will be subdued, but some years we could have some free cash flows, some years we might not. But next three years, we do believe it is a growth period for us to capitalize on.

Saurabh Jain: Right. It is just my suggestion, obviously, it is very important to build strategic assets, but maybe couple of years down the line we should look at a business which generates more and more amount of free cash so that it is more self sustaining, you don't need external capital.

Vineet Agarwal: Of course, we understand that, yes. But then we cannot compromise on the growth, otherwise your next question next year will be where is the growth.

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

Ankit Panchmatia: Sir, the question is on the trucking rates, we have been seeing that there has been trucking rates which have drastically increased post this diesel prices intake which all of the market have taken, and even though on the insurance side of it the insurance costs have gone up, taking into that consideration. And we majorly depending on the vendor network, have you been seeing that these rates are still difficult to kind of bargain with the vendor network? Or we have been seeing that there is still a over capacity at the vendor network and we are able to get good rates? How will this play going on at this point in time?

Vineet Agarwal: So, what happens typically with vendor network is that not all the cost pieces are passed on because they are also getting the long-term benefits of when there is a reduction in fuel prices, they get that benefit as well. So, we try to maintain a balance in that at least so that the vendors are not dissatisfied as well. And at both times when, good times and bad times, we support each other. So from that perspective, it is not the increase that has happened in terms of fuel prices, I would not say the entire impact has been felt by us. And when it comes to spot higher market, of course, some impact comes in and some places we have to absorb the higher costs. But many places we are able to write that out and then make up the loss in the next few months.

Ankit Panchmatia: Sir, so is it fair to say that our margin in the freight business would remain fairly stable at these levels or are bound to improve and would not come down from these levels?

Vineet Agarwal: We estimate it to improve only because what is going to happen is not just as the impact of freight rates, but also the impact of mix change from FTL to LTL.

Ankit Panchmatia: And sir, second question regarding this warehousing oversupply. So, what are initial details on the market is that there has been a higher amount of warehousing space which has been hired across the sector, which could lead to oversupply or overcrowding in the segment. Is my assumption right or the overcrowding is still the way?

Vineet Agarwal: So overcrowding of availability of space is a different issue from need for warehousing space by corporates as well as companies like us, 3PL running those warehouses for them. There are two different issues, capacity that is getting created in the system, we feel that in the next two to three years will be quite high. However, demand for companies like us has been fairly increasing where we are able to provide them all kinds of logistics services inside the warehouses. The warehouse management services, from picking, packing, kitting, inventory management and so on. So, I do not estimate that to be saturated at least for the next few years, because not only will customers move to higher capacity warehouses, but also to move away from the local ELF kind of operations that they have been currently running in many cases.

Ankit Panchmatia: And sir, third question, final question on this coastal shipping. Having said that, a big player on the CTO have kind of got a vendor or got a JV with someone from the coastal side of it or costal shipping agenda. Are we seeing that this space is also getting targeted by bigger players now? And would we be now moderate on this segment or we would continue to remain bullish on this?

Vineet Agarwal: So we remain bullish on the sector. Yes, there could be some new entrants coming in. So, I think your base is that we already have a lot of customers from across the country with our network of offices, and also we have a long standing history of being operational in this sector for almost, or rather not sector but in the seaways business across 30 years. So we have built some expertise as well. And thirdly, we are able to use multi-model as well across where we had the first and last mile is also very strong with us. So, given all of these things we remain bullish also. Of course, as you have also noted, in the past we have kept our growth quite moderated over here. We are not adding too much capacity very fast, but let's say, every 15 to 18 months add some capacity.

Moderator: Thank you. Ladies & gentlemen, due to paucity of time we will take last two questions. That is from the line of Jayakanth Kasthuri from Dolat Capital. Please go ahead.

Jayakanth Kasthuri: Just wanted to get a sense of like in terms of buying of trucks for the next two quarters, in terms of like how much we are planning to buy here, sir?

Vineet Agarwal: Looking to Rs. 20 crores – Rs. 25 crores of CAPEX.

Jayakanth Kasthuri: From the next two quarters?

Vineet Agarwal: Yes. Q3, Q4.

Jayakanth Kasthuri: Sir, you said you had new additions to your SCM business. So in terms of revenue, how much was that new additional revenue did you gain out of that?

Vineet Agarwal: So in Q2, the revenue addition has been very minimal, but we estimate that to start picking up in Q3 and Q4. So difficult to quantify, but you will see the growth numbers.

Moderator: Thank you. We will take the last question from the line of Kirthi Jain from Sundaram Mutual Fund. Please go ahead.

Kirthi Jain: Sir, given that the fuel price hike has to be passed on and given that the festivals are in Q3, Q4 and also the impact of the pent-up Kerala demand is there in the market, so can we expect an upward restore growth estimate sir, for sales or revenue growth estimates?

Vineet Agarwal: No. I think we would like to keep that at the same level simply because if you see the last year Q4 was also quite strong. So in comparison we will have the base effect. And also we have to be a little cautious of not growing fast with the wrong customers. So, that selection process is always on as well. So, I would keep that growth at under 20%.

Kirthi Jain: Okay. Sir, what would be the broad breakup of our CAPEX for next two to three years around Rs. 600 crores – Rs.700 crores which you are envisaging, what was the broad breakup, sir?

Vineet Agarwal: So, perhaps in three years we should be able to add maybe two ships, let's say Rs. 150 crores in total, let's say ships of Rs. 200 crores, trucks of Rs. 200 crores, Rs. 200 crores of land and building and maybe Rs. 100 crores of others. Just very, very broadly.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for their closing comments. Thank you, and over to you.

Vineet Agarwal: Thank you so much for joining in today's call. We are hopeful of a better Q3 and Q4 in terms of both growth and profitability. And we look forward to your support. And we wish you and your family a very Happy Diwali and a prosperous New Year. Thank you.

Moderator: Thank you very much, members of the management. Ladies and gentlemen, on behalf of Transport Corporation of India Limited, that concludes today's conference. Thank you all for joining us. And you may now disconnect your lines.