# "Transport Corporation of India Limited Half Yearly Investor Conference Call FY 2020"

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**Moderator:** Ladies and gentlemen good day, and welcome to the TCI's Conference Call to discuss the Financial Results for First Half FY 19-20 and to address investors and analyst's queries.. 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 telephone. Please note that this conference is being recorded. I would not like to hand the conference over to Mr. Ashish Tiwari group CFO. Thank you and over to you sir.

**Ashish Tiwari:** Thank you, Janis. Good afternoon all of you. I again welcome you to TCI's half yearly earning call and I have with me Mr. Vineet Agarwal, Managing Director, TCI Limited. And I will request Mr. Agarwal to give an overview of half yearly performance. Now over to Agarwal.

**Vineet Agarwal:** Thank you Ashish. Good afternoon and good evening to everyone. Thank you for joining in today's analyst an investor call. Let me start by giving you a short group overview of the company. The company is operating into three main areas, TCI freight, TCI supply chain solutions and TCI seaways. And we have several joint ventures and subsidiaries that are operating in the similar space. A joint venture with TCI CONCOR, joint venture with Mitsui and cold chain subsidiary. We also have operations in Bangladesh and Nepal.

Our group companies also include TCI Express and TCI Developers. In the last quarter, as well as in the last full six months, we have seen that overall economic conditions have been quite subdued. And that has affected not only business growth but also in some ways the overall scenario for the full year. Currently as you do understand there are several logistics key growth drivers of course, highest being economic growth Economic growth affect the logistics industry in a positive way. It also with increasing consumption trends also help the growth of logistics sector. Since we are now moving more and more into omni channel kind of consumption. Other than that, the whole advent of GST has also helped logistics sector.

There is an increased spending in infrastructure, which again has health sector as well as also creating opportunities for us from a multimodal perspective. The emergence of more and more outsourcing, to companies like us, is also helping logistics sector. So these are certain broad areas of where the logistics sector has seen growth opportunities. TCI has always been in several segments to cover the entire spectrum of services. Almost all our business is from domestic logistics that is present in India itself. We operate through three main areas of business which TCI freight, TCI seaways and TCI supply chain solutions.

So, a quick overview of each of the divisions:

TCI freight in the last quarter has grown marginally over the last year with over the fully six months. And so, with that growth of approximately 4.3% on the quarter, we have seen that the margins are slightly better in between this year and the last year. This is attributed to two, three reasons one is the shifting slow steady shift towards less than truckload, which continues to remain at about two thirds of our one third of our business.

We also have the growth of the benign growth in the fuel prices so that has also helped the freight business and some amount of cost cutting has also helped the freight business. So margin is slightly better and the forecast for this division is that this 5.8% growth that we've seen over the six months. We should continue this trend and possibly head towards closer towards 10% for the full year also between 8 to 10% for the full year. We do expect the margin also to improve in the six months, in the next forthcoming six months as well.

The second division is the supply chain solutions division:

In this business, we've seen a slightly negative growth in the quarter of about 5% on and in the full six months you've seen 2.5% negative growth. This is essentially because of the de-growth in the auto sector. Everyone is aware that the auto sector has gone through a lot of challenges in the last few months and not withstanding this has also affected our company. However not to that extent to some of our as some of our competitors. Because we have been able to offset some of this through new contracts as well as through the diversification in the automotive segment. Where we are present in multi areas of autos for example, two wheelers, four wheelers, earthmoving equipment and commercial vehicles, tractors and so on. The margin over here, margin structure over here is also slightly subdued over the last three months it has come down slightly and in the six months it is more or less on the flat level as the previous year. So, this is again attributed to the fact that certain volume de-growth led to some loss in economies of scale as well. The right lining here is that all the warehousing contracts that we have and the one that we do for the e-commerce company has certainly helped us in terms of growth and we've been able to capture some of that market share.

The third division is the seaways business:

The seaways business has grown by about 8.3% in the quarter, and approximately by 9-9.5% of the six months. The margins are also stable and slightly better than the six months over than the previous year. As you are aware that we had six ships till September. In October this year, we have added a fourth ship as well as, seventh ship as well I am sorry, this is a 28,000 dead weight ton cargo vessel operating on the west coast of India.

So, looking at all these three divisions, the overall business for us has been muted with a 1.3% top line growth, but our bottom line is slightly better. There are a few external circumstances exception items in our balance sheet for this quarter, which I would just ask Ashish to explain right now, before we get into questions. Thank you.

**Ashish Tiwari:** Okay. So there are two items. One is the lower tax rate. So basically, TCI opted for a lower tax regime and our standard tax rate which is 35% is now reduced to 25%. And accordingly our marginal tax rate which is the average tax rate which was earlier 22% is now reduced to close to 16.5 or 17% on the overall numbers. Due to this, we have also differed tax liability credits, because earlier we used to calculate liability on the standard rates which is 35% And now, which is reduced to 25%. So, corresponding to this adjustment around 10 crore of credit actually came to the P&L account, which is there in the half yearly result**.** Another item is showing in the result is the impairment allotted which is basically off the wind asset. So, TCI has elected the machine 15 year back and now the PPA has been now expired and come to an end and accordingly the rate for the energy sale actually reduced by almost half. So that actually amount to impairment because the book value of asset is still lower than what the amount which can be recovered from the future cash flow so that is how as per the Stat auditors recommendation, we have provided the losses. These are the two major items which is one off items in this half year P&L account.

**Vineet Agarwal:** We can open up for questions now.

**Moderator:** Sure thank you very much. Ladies and gentlemen. We will now begin the question answer session. We take the first question from the line of Preet Nagarsheth from Wealth Financial. Please go ahead.

**Preet Nagarsheth:** I am sorry, I couldn't hear the first part of your commentary Vineet the call dropped down. Could you give me a sense on how the supply chain division is doing? Because it's showing a drop in profitability by about 14%. While I think top line is down by 3%. So, could you share some color there?

**Vineet Agarwal:** Yes, sure. So the supply chain division 80% of our businesses is the automotive sector. And clearly that has been impacted because of the slowdown there. Though the impact for us is not that high and it's marginal overall because we have diversified our automotive portfolio as well in to many areas including tractors and earth moving equipment. And we also acquired a few new contracts. The second area that we have also helped us in this is the growth in online sales as well as the warehousing business. So these have also helped us to keep the growth levels almost flat to slightly negative.

**Preet Nagarsheth:** Okay. So, what are the margin thought, why are they showing down much more?

**Vineet Agarwal:** Typically, what happens is that we are affected by the marginal costing in some cases, where the volumes come down in certain areas, certain types of movement when we get affected as well.

**Preet Nagarsheth:** Okay and how do you see the outlook going ahead for the next six months?

**Vineet Agarwal:** Our outlook is better. We think that the full year we should look at a flat to plus 5% top line growth and bottom line also should improve. We are seeing that there is some improvement in sales in the automotive sector though its seasonal and some sectorial but we think that there could be some pre buying that might happen for BF6 pre BF6 in the next quarter that is Q4 so that should help overall push. Also lot of the companies in the automotive sector are essentially slowing down the production of BS4 vehicles and they will ultimately stop all these productions so there could be some effect in December, but January onwards they will start re-manufacturing or start manufacturing of the new vehicles so. So overall for the full year we think that things should be better.

**Preet Nagarsheth:** And do we continue with the overall guidance for the full year of 11-12% considering all the divisions or that will now be brought down?

**Vineet Agarwal:** So for the full year we are looking at I think now closer to perhaps 8 to 10% top line.

**Preet Nagarsheth:** Okay, one comment I would like to understand, you keep on reading reports about truck freight rates coming down. So how does this affect the company?

**Vineet Agarwal:** Downward freight rates helps us to acquire freight cost in our in the FTL business and where we hire freight from the spot market helps us in those areas. Or when there is an extra load somewhere you need to hire from the spot market. Sometimes we are able to also use that rate structure to do the vendor marketing able to reduce rates to some extent there. But mostly it helps us in the spot market overall.

**Moderator:** Thank you. We take the next question from the line of Krupa Shankar from Spark Capital. Please go ahead.

**Krupa Shankar:** I wanted to inquire more on the supply chain segment. While the auto production cuts have been massive, in fact higher double digit number. The decline in growth is hardly been over 2% in the first half. So if Vineet if you can throw some light on what would be the decline in the auto segment and what has been the growth in other segments perhaps, or e-commerce and chemicals, etc?

**Vineet Agarwal:** So, the overall decline in the automotive business is as I said some of it got offset because of the acquisition of new contracts that we got in the automotive space as well. So, difficult to give you an exact number, but I would say at least a 4-5% decline in the automotive sector but at least 15-20% uptake on the other sectors, including warehousing, etc.

**Krupa Shankar:** Sure. And this 15 to 20% has been predominantly driven by e-commerce and any other sectors?

**Vineet Agarwal:** All sectors I would say e-commerce of course being predominant, but all sectors.

**Krupa Shankar:** Any contract wins, you can perhaps share if it is possible?

**Vineet Agarwal:** We have expanded in e-commerce itself, we have taken, given more space to as well as acquired more fulfillment centers in e-commerce. And apart from that some new capacity in the existing itself we have added some more capacity. And then there are few FMCG companies that we've added on smaller one though and a few large ones are underway. So we'll see some of those pipeline growth in Q3-Q4.

**Krupa Shankar:** Sure, so just to add on top of that. So if we are seeing better growth in warehousing, then the margin in the transportation due to reduction in economies of scale would be much higher because warehousing would have a higher margin, right?

**Vineet Agarwal:** Yes, but sometimes what happens is the warehousing also takes a few quarters to completely get the benefit. So you start off with a minimum order and then once you start over one or two, three quarters will start getting some benefit. So some of it is initial establishment cost also. So that also have been impact.

**Krupa Shankar:** My second question was on the CAPEX trend. So, there's somewhere about 108 crore have been spent in the first half of which 49 crore is towards addition of ship. And there's an additional 30 crore which is expected to be spend on ship again. So is it a new ship which you are going to add in the secondary half?

**Vineet Agarwal:** No, no, I'm sorry, that we had anticipated to spend that much in the new ship as a whole in one ship only. But we were able to negotiate a better rate and get a substantial discount on the acquisition of this ship and hence this budget is there, but we're not going to use it.

**Krupa Shankar:** Okay, so the next CAPEX number would come down about 30 crore?

**Vineet Agarwal:** Absolutely. In fact, it could come down by even more. So the budget is 275 we think we should probably get to about 125-130 roughly about half of the proposed budget.

**Krupa Shankar:** And the other cut would come in the truck addition?

**Vineet Agarwal:** Yes. Some in the truck addition of course. Yes, and some of the hub centers, etc.

**Krupa Shankar:** Right, so we have spent about 18 crore on truck so far. And we can expect another 10 to 15 crore?

**Vineet Agarwal:** We cannot say because we are going to keep a watch on how the market is moving. Also, it's a good time to buy the trucks also with the capacity is addition that we can do right now will be at a good price and heavy discount for BS4 vehicles. So we would take that opportunistic call, perhaps closer to the end of the year.

**Krupa Shankar:** Got it and one question on the financials. I could see that the right of use was close to about right of use as after IndAS is close to about 27 crore, while the lease liability is close to about 2.7 crore, can you explain little bit more on that?

**Vineet Agarwal:** Sure, I can ask Ashish to explain that.

**Ashish Tiwari:** Krupa can you again come back to the question?

**Krupa Shankar:** Sir on the right of use it's close to about 21 crore. While the lease liability is roughly about 2.7 crore. So last time when we have discussed the right of use was expected to be very negligible. Can you just explain what are the component involved in this 21 crore number, if there warehouses?

**Ashish Tiwari:** Okay. So there are two components, one is the application of asset as such and the lease liability of 2.7 crore is there and along with the lease asset would also be close to 2.8 crore. So those will be matching. Now, this difference of 21 and this 3 crore of right to use is basically more of that long term leases on the land. So, basically we have few cases where we have a longer lease terms, which is close to 99 years or 50 years. And this amount actually more of a prepayment of lease rental so that is being now capitalized.

**Krupa Shankar:** Right. So, the subsequent increase in the depreciation should also be reflected right sir. But that's not visible.

**Ashish Tiwari:** Yes. So the depth portion would not be on the land lease portion it would be on building portion. So in the IndAS when there is something which is on a building part, it is going to impact the depreciation not all the items. So land cases would not impact depreciation.

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

**Ankit Gupta:** Sir can you elaborate a bit on the new contract wins on the auto side and which are they?

**Vineet Agarwal:** So in the auto side, we're doing work in some of the four wheeler side where we've been able to add contracts for more of the FG movement. These are some companies that have added new models I would say and some of the new startups that have come up in the automotive space. Again not start up means I would say they are Greenfield companies that have come up.

**Ankit Gupta:** Kia and MG Hector companies like those, we cannot share names specifically?

**Vineet Agarwal:** Yes, some of those names yes.

**Ankit Gupta:** Sure. And secondly, one thing we have been noticing is that continuous over the past few years and even in H1 there has an improvement in performance of the JVs so if you can talk about which JVs are contributing into this and what has led to the improvement in the performance.

**Vineet Agarwal:** Of course, in the first six months these JVs performance has been very muted with both the divisions, both the company actually having a negative 7% growth because essentially one is related to the auto sector and predominantly the Toyota and the second is with rail sector, which got impacted also because the road freights have been lower, so that has some impact. And generally volumes are down, so overall that is the scenario for the first six months but overall, both the businesses have traction in their own space. So, in the joint venture with Mitsui that transits we see that they have been able to acquire new contracts and the growth is that they are diversifying from Toyota motors and the joint venture with CONCOR what we have seen is that the acceptability of a multi modal kind of business is growing more and more with clients side. Clients are being more diagnostics. So they're saying that, just move my cargo at this price and by this much time. Now the mode can be anything it could be roads plus rail, road plus sea, or road, rail, sea all combined. So those things have started to happen. And it also is, same ways is lower, lower emissions for moving things by rail so companies also like that. So that's why we see good traction for these businesses in the long term.

**Ankit Gupta:** Sure. we had projected a CAPEX of around 275 to 300 crore and now we are now reducing it to almost half 135. So any specific reason for doing that because as you were saying because of the BA6 implementation the truck rates have fallen quite a bit. So any specific reason we are cutting down on the CAPEX?

**Vineet Agarwal:** No, some of it is that but see ultimately CAPEX is also driven by demand. So, our projection and I think almost all companies have been taken unawares in terms of the demand projection. So, I think the volume being slightly lower, things have not, are not the most fruitful for acquiring more and more assets. However, we are saving some capital because of the acquisition of ship at a lower price or even slightly lesser number of containers and even in the land building side. We had some areas where we have been able to get some facilities.

**Moderator:** As there is no response from the current participant we take the next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

**Pratik Kumar:** Sir, my first question is on receivables so there is some improvement in receivables or release of payments during first half so any specific reasons there?

**Vineet Agarwal:** Sure, maybe I can ask Ashish to answer that.

**Ashish Tiwari:** Yes. So, Pratik basically, there are two reasons one is like there is the regular growth was lower as compared to the last year. And the second one is basically we had a tight control over there over there and receivable basically if you look at the balance sheet they have been reduced by 16% from 476 to now 432 crore now and this is more of a credit control and we also tighten the business in fact where we count that there might be some chances of bad debt as well. So these are two, three things which actually help us in getting the receivable down.

**Vineet Agarwal:** Just to add to what Ashish was saying. I think our receivables in the supply chain division which we do not share specifically but generally is actually best in class compared to some of the other companies. I think what typically happens is that, many of your other logistics companies also work for their own parent company's where they are unable to sometimes control the receivables and hence even their cost of borrowings starts to go up. So we have a high strict control where we do not want to do business also, if the receivable quality is poor.

**Pratik Kumar:** We mentioned about bad receivables so to be recovered some of the bad receivables this quarter?

**Ashish Tiwari:** Some of it slightly yes.

**Pratik Kumar:** Okay and on shipping segment so we couldn't understand like this specific reduction margins, 17% PBIT margins sequentially they are lower but our revenues almost similar. There is no increase in cost generally bunker fuel cost, so why this dip in margin generally?

**Ashish Tiwari:** So as the segment result is more or less the same I'm not sure where you are seeing it to be lower. At the quarter level last year was 1162 you are talking about from the previous quarter from?

**Pratik Kumar:** Yes, correct from previous quarter, Q2 and Q1 and Q4. So Q4 we had fantastic margins. Then Q1 was slightly lower then Q2 is again lower. So basically now new trend line margin should be around 20%. We used to do higher margins earlier?

**Vineet Agarwal:** Actually what tends to happen with shipping also is that there is some seasonal movement that keeps happening. So products keep moving, and we get better realization on container also, plus some in the West Coast some rates have also come down with competition intensifying there as well. So that has affected to some extent not too much. I think there was a dry dock, I am not sure but some of that cost could also be there in the quarter. But the trend we have always maintained the trend of 20, 25 is perhaps the most reasonable for the shipping business and I think we'll probably get there in terms of EBITDA margins.

**Pratik Kumar:** And Q3 margins could get further been impacted ready to new ship ramp up cost and over utilizing?

**Vineet Agarwal:** Yes, maybe slightly but I don't think it should be that bad. So overall, I think it should be still stable at that level.

**Pratik Kumar:** We used to do the 100 crore kind of revenue in this segment. Just slip to like two quarters to 80, 85 crore order. So, sir we can, the third ship we should ideally bulk up over 100 crore revenue but where absolute revenues have come down only in this segment. So this should have double effect of I'm this seventh ship?

**Vineet Agarwal:** I don't remember the Q4 number but we have not crossed a 100 crore in the quarter in the shipping business.

**Pratik Kumar:** Okay, so Q4 it was just about there, 100 crore so fell to around 75 and 80 crore in first two quarters respectively.

**Vineet Agarwal:** So, typically Q1 and Q2, Q3 are typically the weaker and progressively they start improving. So Q4 is usually the best time. So, I would think that in the next in Q3 also we should cross 100 and so on. Of course Q4 will be much better with the ship also stabilizing.

**Pratik Kumar:** Okay, one last question on this regarding preparedness for this IMO regulations in shipping. So is there any update there? Because I think it picks in from January?

**Vineet Agarwal:** For us the impact is very minimal because those scrubber effect, etc are typically needed for much larger ships. We don't have that much impact it's a very minor impact.

**Moderator:** Thank you. Next question is from the line of Shrinivas from Mirabilis. Please go ahead.

**Shrinivas:** So just continuing on Pratik's questions on the shipping. So Again, what we have seen in the last two quarters is bit lower than the first two quarters. So, though you added around say 60-70% DWT capacity on a year on year basis, the revenue growth is like much more subdued relatively. So how much would you attribute to volumes versus say pricing in this segment. Since you are carrying a lot of capacity, but that doesn't show up in the numbers to that extent?

**Vineet Agarwal:** So the capacity addition of the previous ship that is the sixth ship happened only in July 2018 because we bought it in March 18, but it came on stream only in July 18. So last financial year we got nine months out of it, this financial year we have got six months out of it of the new ship and older ship, and then latest ship has already come in October. So the capacity augmentation actually happened from about 40 odd thousand to 60 odd thousand with the new ship in July 18. So, certainly volume expansion did happen, there was pressure on price. So, that price has so, the realization has not been that high comparatively for the first six months. We have also had the dry docks in this interim. So, given all of that the margins are slightly lower, but it is not something that is exceptional. It is just setting the quarterly figures. So, overall volume for the six months is also increased by 9.3%. So, capacity utilization of our ships is 100%. As in of course there is no return cargo. So, if you take that out then it's 50% but we don't have any ships that run empty or we do not have cargo for any ships in fact on the West Coast we have extra cargo always. So we actually had some time to use some of our competitors to use to move the cargo but, but essentially speaking, I think this is just some amount of seasonality but it should catch up in the next six months.

**Shrinivas:** Okay. And sir the new shift which you are adding, like what drives the visibility for incremental volumes, I remember you talking about titles and cement and some other bulk items as the key cargo which is carried on these things. So which specific industries are driving you kind of to get confident on adding the capacity and also like in what time frame can the new ship kind of get fully loaded from the say the month of operation?

**Vineet Agarwal:** The similar industries we foresee that in the next few months also with some improvement in yet say the building sector or even in cargo, general cargo movement towards Port Blair and other on the East Coast. This should all help the growth of the seaways business and that's also prompting us to use the new ship. What is happening is that, capacity is or rather demanded is growing on both sides we need to keep swapping the ships from West to East and East to West sometimes based on the needs as well as sometimes when there is some amount of dry docks. So in that sense, we think it's a good timing the ship pricing is also at the lowest possible rate right now. We were able to get the similar kind of ship that we bought in March 18. Perhaps at 20% lower price and at least 72 years younger. So the pricing has also been pretty good. In terms of utilization, the first the ship that comes on typically takes between one month to one and a half months, maybe three voyages, four, five voyages by when it is fully utilized. We anticipate the same for this also, I think the first voyage happened only on October 21st once it came into India, and so we had very few voyages since then. So, I would probably take latter half of this quarter Q3 to for it to stabilize.

**Moderator:** Thank you. We take the next question from the line of Preet Nagarsheth from Wealth Financial. Please go ahead.

**Preet Nagarsheth:** Just couple of other things to ask. Vineet you had mentioned about getting into the spare parts sides as well. Is there more traction on that on the supply chain?

**Vineet Agarwal:** Yes, we have been constantly doing work in that area. So, we do warehouse with several companies in the automotive spare parts. And I think we have bid for a few more.

**Preet Nagarsheth:** Okay. The tax outgo is much lower than before. So, what should we read in as your regular tax rate here?

**Ashish Tiwari:** So, earlier the regular tax rate was around 21 to 22%. When the standard rate was 35%. Now, since the rates has been reduced, so, on an average now the average tax rate could be hovering between 16 to 17%.

**Preet Nagarsheth:** Okay. Vineet reading about CONCOR divestment in this market, I know nothing is definite yet just potential stuff the government might do. How do you read that and what can and could be an impact on the business because of that, if that were to happen?

**Vineet Agarwal:** Well, we do not know anything, I think we are still not sure as to what will be the impact on the JV and so on. I would think from a strategic perspective any buyer would also want the first mile and last mile like we provide for CONCOR as a strategic service for them as well. So, I would think that the value is still there in maintaining the joint venture for any company that acquires it if and when. So, we are not really have a specific opinion on it yet.

**Moderator:** Thank you. We take the next question from the line of Saurabh Jain from Astute Investment. Please go ahead.

**Saurabh Jain:** Just a few questions from my side. So, I was just trying to reconcile for the joint ventures in our presentation we have shown a 7% de-growth in TCI CONCOR and Trans system, but the profitability in the quarter and the half year has improved drastically, it's 9 crore in quarter versus 6 crore and 7.5 crore versus 11 crore for the half year. So, what is exactly happening?

**Ashish Tiwari:** Some of the profitability, again it may be some cases the rate improvements or in some cases price is being a little lower. But I think it's just not sort of perhaps to some extent temporary. And then things should probably come back to the regular levels.

**Saurabh Jain:** Okay, so you are saying that most of this increase in profit actually is temporary and it will normalize?

**Vineet Agarwal:** Yes, it's not unusually discrepancy. It's little bit of a discrepancy in terms of positive side. I think it should normalize to some extent in the next few quarters.

**Saurabh Jain:** Okay, because the profit growth is about 50%. And the revenue has de-grown by 7%?

**Vineet Agarwal:** I don't have a specific number here, but I can check that and get back to you separately.

**Saurabh Jain:** Sure, I can take it offline. The second thing is that, when would our next ship acquisition be. Anything in the pipeline, say after 12 months or?

**Vineet Agarwal:** So after this acquisition, we typically tend to look at a ship between 12 to 18 months. So, I think let's give it some time. Perhaps we'll take a call only next year.

**Saurabh Jain:** Sure. And this CAPEX number that you have reduced it, if things get better you may actually go back to doing the 200-250 crore kind of CAPEX also or not for the possible future?

**Vineet Agarwal:** Not in this year. We're looking at that half number of 130, 140 maybe crore. But next financial year, we should revert to depending up on market situation 140, 150 will be needed every year for the next few years because that's the kind of growth that we need to even just basically maintain our growth rate that kind of CAPEX so I think 150 crore we can easily take as for the next three years or every year.

**Saurabh Jain:** Okay, and just a last question. What would be our utilization across our businesses as of now, any rough number you can give us?

**Vineet Agarwal:** Utilization is a very difficult parameter or metric for us because it varies. Since our own trucks are there, so in our own trucks which are typically in the supply chain business utilization is high because if we don't have orders we typically first remove the vendor truck from the system. In terms of warehousing, typically these are contracts which are back to back so we don't have extra space. Maybe if there could be a timing issue where some spaces are vacant for maybe few months but otherwise, utilization is high. Seaways I just talked about the ship are 50% utilized capacity utilization, return cargo is not there so.

**Moderator:** Thank you. Ladies and gentlemen that was the last question. I would now like to hand the conference over to Mr. Vineet Agarwal, Managing Director, TCI for closing comments over to you sir.

**Vineet Agarwal:** Thank you. Thank you for joining today. I think the environment is very challenging right now. And as a company we have always been focused on the long term. So we have been constantly reviewing and monitoring the business so that we have with all the divisions, including making sure that we are not doing business with companies where we sense the credit is not good. I think these are some of the appropriate measures that we took in the past also to help us protect our margins and that would be our first priority. Certain amount of growth will automatically come we believe because of the quality of our services. We have several businesses now are amongst the best in class in the industry, be it in the freight business, be it in the supply chain business and even in the seaways. So we think that with any upturn we should be able to get more benefit. We have enough capacity available and we can add vendor capacity or any other capacity quite fast. Since we have a lot of trust in the system. Our payment to our vendors, to our creditors is on time and in full and there's a high reputation there as well. Our technology investment is continuing even now. In this circumstances also we are adding we are doing more work on the digital transformation side and on the people side training and re-training is continuous. We have a large safety initiative as well so, we believe that these are time during slowdown is when we want to invest more into people. So given all of these circumstances one of the other, just to add our credit rating has also changed. This is the long term rating from CRISIL has improved, from AA minus to AA. In these trying circumstances, we are amongst a very, very few companies that have had an upgrade in their ratings. And we are in the 2% of the companies in India who have this kind of a rating.

So, overall the scenario is quite positive and any uptake that happens, we would be the first beneficiary of this. So, thank you so much for joining and I look forward to meeting all of you whenever possible.

**Moderator:** Thank you very much. On behalf of Transport Corporation of India Limited we conclude today's conference. Thank you for joining, you may disconnect your lines now. Thank you, sir.