Duration: 55 min

Moderator [00:01]: Good evening ladies and gentlemen. I am Komal, moderator for this conference call. Before we begin with, I would like to extend my warm welcome to all of you for joining us today. On board we have with us today, Mr. Vineet Agarwal, Managing Director. And Mr. Ashish Tiwari, Group CFO. At this moment all participants are in listen only mode, later, we will conduct the question and answer session. At that time, if any participant has any question, they can use the raise hand feature in Zoom call and wait for his/her turn to ask a question. Please note that this conference is being recorded. I would now request Mr.Ashish Tiwari, to embark on this meeting. Thank you and over to you Sir.

Ashish Tiwari [00:46]: Thank you Komal , Good evening to all of you and extending my sincere thanks that you joined us today in-between this busy earning calls season. We will begin with our investor presentation followed by questions and answer session. Now I am inviting Mr Agarwal for investor presentation. Thank you.

Vineet Agrawal [00:46]: Thank you Ashish, thank you Komal. Can you put up the presentation please? Thank you so much for joining us today for the earning's presentation for quarter two for TCI. We are pleased to say that we had a good quarter. So, just I'll quickly go through some of the points and then we can take question and answer. Now in the last few months, and that is also given a lot of confidence. The vaccination has given a lot of confidence to our team members to go out and meet customers as well. And almost 90 plus percent of our employees have been double vaccinated. So this is a good sign overall. And we are quite positive for the next two quarters. I think the freight industry you're well aware of, and capabilities that we have in the business, it is a very strong business for us. And as the next slide shows, has grown significantly over the last quarter by 22%. And with a strong jump in the EBITDA margins as well. This is clearly in line with our strategy of increasing LTL business more and more and that has started to happen. EBIT margins are higher because interest costs have come down depreciation has come down. So, overall, the business has done quite well. And we have now crossing 20% In terms of our RoCE numbers, so on an annualized basis. So I think net net, it is a good quarter for the freight business. On the supply chain side, as you're aware, that we are quite focused on the automotive side of the business, and if you see the next slide, which talks about a lot of the various ways that we are trying to mitigate some of the slowdown that's happening by using yards and also diversifying into other aspects of auto which includes the two wheelers the and also on the EV side, we're doing work there as well as farm equipment or even earthmoving equipment. So those have also helped us to keep the volumes up to some extent. And though the business has been hit a little bit because of the semiconductor shortage, but we think that as it gets resolved in this Q3 and Q4, it should start coming back there is clearly a pent up demand and that pent up demand needs to be fulfilled over time and that we will see that this business should be able to drive that growth when it comes .In terms of the warehousing footprint, it remains more or less the same it doesn't change much but when we acquire clients or some clients we are modifying into more cubic footage. So overall, the business has been stable. And we are seeing that some customers are slowly thinking now starting to think about revamping their supply chains post pandemic, but it says it's been a slower process much slower than what we anticipated. The Seaways business is the business that has done exceedingly well in the last quarter. If you as you're aware that we have six ships to operate on the West Coast and four operate on the East Coast, we had few sailings that happened to Myanmar and that

really helped us in terms of having this exceptional profitability for the quarter. This is something that perhaps might continue for a few months but again, this is you know, this is not something that is perhaps sustainable over the long run. However, we have seen freight rates or rather rates for containers also inched up in the on the western coast. So it is looking quite positive for the time being. The impact of fuel has also been passed on to customers. So it is not we've not lost out on any cost increases here, though there was a ship that was under dry dock, which has come back in October. And we have two more ships that are going for dry docks in Q3 and one in Q4.

Vineet: On the JV side, CONCOR business is more or less flat this in the first six months of the year. This was because the as I said some contracts got changed. And we moved less containers however we move the same amount of revenue. So there is a little bit of a slow, they're slow down there. But I think, again, it's a little bit seasonal. Last year we had Some Foodgrain business during the pandemic, which we did not have this year, so they have a good pipeline and hopefully they'll be able to exceed the growth, the revenues that they had over the full year Coldchain business has grown by 89%. Again, looking at very interesting developments that are happening, the Transystem business has grown by 76%. So again, looking quite positive, as well. On the six month basis, at a standalone level, we have almost a 42% increase in turnover. And 178% increase in bottom line that is also reflected on the console numbers also for the year. Performance wise, it's been one of our best quarters so far. We have almost become debt free we have only about 70-75 crores of debt that is left, which is some debt which we cannot get out of. And the overall RoCE numbers and RoNW's numbers have also crept up.The dividend policy remains more or less the same, but because of increase in profitability, we are seeing that the payout volume has increased, we have given 100% interim dividend. So this is in more or less in line to achieve the same numbers as a payout for the full year. In terms of the overall capex is something that is a little bit of a concern, the capex has not happened because the ships are not available in the market, we know that the ship prices have gone up substantially in the last few months. And we feel that at this price, it just does not make sense for us to buy ship or any other marine assets, including containers. So this has a bit of it's a bit slow for us in terms of Capax, I'm hoping that in the Q3 and Q4 We should be able to get a little bit more visibility on some other assets that we are looking to purchase. So we might hit closer to under 100 crores in terms of the capex because we do not see visibility of the ship for this year now. And I think this is more clear for us as we speak. We are also revising our guidance based on the current output to 15 to 20% for the revenue, top line growth and 35 to 40% for the bottom line.Q3 and Q4 looks a bit moderate for two three reasons. One is that last year, the last year was quite good also. So we had a good pickup in the previous financial year. So we have a high base effect. The second is that we still feel that the last half of the year, there could be some impact if there is a third wave. So keeping our fingers crossed, and hence a little bit on the conservative side. However, definitely a change in the Outlook. That's all for now. Be very happy to take questions. Thank you.

Moderator: Thank you Sir for the valuable insights. Ladies and gentlemen, we will now begin with the question and answer round. If you have any question, please use the raise hand feature in the Zoom call. I would request you to start with your name and organization name followed by your question. So the first question is from Mr. Pavan, Sir please go ahead.

Pawan [9:04]: Hello, am I audible now?

Vineet [9:07]: Yes, yeah, go ahead, please.

Pawan [9:10]: Thank you very much. I am Pawan. I'm an individual investor. So I had one statement to make. And one question to ask. First of all the statement, thanks to all the employees in the management, I think we have seen an enormous wealth creation on the market cap very recently, and I've been a shareholder since 2007. And I appreciate all the efforts of every employee as well as the management. And the question now is, how does the new logistic startups which we see many of them are coming up in different domains. So how do we see them? In terms of our company, do we see them as competitors, who, somebody who we can leverage help with or any thoughts? Any ideas on that front please?

Vineet[10:00]: Yeah, sure. So thank you first Pawan for being a shareholder for so long. And thank you, for your trust in us greatly appreciate that. Startups are an interesting domain right now, as we are seeing the kind of interest that is there, as well as the fact that there is a certain level of disruption that they bring to certain markets. We've seen that also happen in our industry. And one of the things the board took a decision four five years ago was to set up a subsidiary for investment into startups directly. So we have an entity called TCI ventures that invest directly into startups within the logistics and supply chain field only. So that helps us to see the deal flow, it helps us to see what new technologies are coming up, it also helps us to acquire some of the technology, it helps us to also think about larger acquisitions if it may be necessary. So it is an interesting space. And we are very cognizant of what's happening. There are a few startups that have done quite well, and they grew very fast. But I think the business strategy was not necessarily correct. And , they've not been able to keep up with they've bought a lot of assets. And they've not really delivered in terms of the value. And many of them are in the process, several of them in the process of shutting down. The businesses that are which you are probably hearing about Dehlivery, for example, that is getting listed shortly. And it's in the papers on a daily basis is we do not compete with it directly. It's a business that our Express business in the group competes with directly, we might have some impact in terms of warehousing, some fulfillment centers, but not too much directly. So the direct competition comes from some companies like Blackbuck, etc, which is competing with us in the freight business. So on the startup side, a lot of them help out companies on the backend side. But on the front end side, there are few companies that we're competing with. Thanks.

Moderator [12:11]: Thank you Mr.Pawan. The next question is from Mr. Alok. Sir please go ahead.

Alok [12:26]: Hi, am I audible? Yeah, Good afternoon. This is Alok from Motilal Oswal. So, sir, congratulations on a great set of numbers, if you could just highlight that the margins in the Seaways segment has really shot up. And so how sustainable is that? And even the share of Seaways have kind of increased in overall, you know, revenue mix. So if you just throw some light, what kind of are these 12 plus percent margin on an overall basis, kind of sustainable in the next couple of quarters? If you could highlight that, and then I have a couple of more questions after that.

Vineet [13:09]: Well, you know, as I said, it is not sustainable to the entirety because of the fact that it is a I guess, to some extent, in exceptional profit scenario, because we've been able to get some return cargo from overseas destinations, which were at, as you know, the shipping rates internationally are at exorbitant prices. So we've capitalized a little bit on it, but we cannot capitalize a lot simply because ours is a domestic service, we cannot alienate our customers on a long term basis. So it could be a little bit of flash in the pane for one or two quarters as long as these good times last for the global shipping industry, but certainly not sustainable over the long term, or even the mid-term.

Alok [14:03]: Sure Sir. And you mentioned about the Capex of the ship getting postponed to FY23. So what's the Capex number we are looking at for this financial year.

Vineet [14:18]: So , we are looking at between 50 and 100 crores depending upon some of our land and building related projects, how they progress. Some of the investment that we were looking with, as the rake investment will come in this Q3, and maybe a few trucks that we might end up buying in Q4 as replacement for some of the contracts but mostly I think it should be between 50 and 100 Cr.

Alok [14:44]: Sure.Just last question from my side. So sir, in the 3PL segment or we have seen some, you know, margins also come under a little bit of pressure, and even the volumes are slightly below than what we might have expected. So if you could just elaborate that when we could see a real pick up in this segment as well like how we are seeing and maybe as the CEO and even in a freight segment?

Vineet [15:09]: Well, Q3 Q4 is typically a good time for the automotive market also has been known that. So I think that the shortages of the chip industry, or the raw material prices that auto companies are, increase in raw material prices auto companies are facing is possibly something that should start getting resolved in Q3 and Q4. So, I am definitely I'm quite positive that going forward, we should see better numbers in the supply chain business.

Alok [15:43]: Thank you, and all the best.

Moderator [15:45]: Thank you. So the next question is from Mr. Jagdeep Walia. Sir, please go ahead.

Jagdeep [15:58]: Thank you for taking my question. Sir. The top line growth in both the Freight and Seaways business has been substantial. So what is the contribution of volumes to that growth? If you could quantify?

Vineet [16:12]: Well, you know, in the Seaways business, it's not necessarily only volume growth, it's also the value growth is quite substantial because , we were able to realize more value from the overseas shipments. So that is why I would say that Seaways is slightly different .On the freight business side, of course, there is a volume growth that happens there is also value growth, simply because there is the freight rates have gone up across the country by between 5 to 10%. So I would say it's a combination of value plus volume, perhaps equally. Just to give a broad answer, I think, on the freight side,

Jagdeep [14:57]: Sir on the Seaway side, I believe you have one less ship this year, right versus last year. So despite that, there's been a substantial improvement in the top line. So I'm guessing it's entirely value, rather than volumes.

Vineet [17:11]: Yeah.I mean, you're right. In that sense. There is a lot more value the and also we had , Q2, we had less capacity also available since one of our ships was at drydock. So yes, you're right, that it's mostly value.

Jagdeep [17:29]: Awesome. Sir In the presentation. In the starting slide, you've given number of rates you've moved in the first half, and there's a substantial increase in the number. Where is that revenue captured? Is it part of your JV with CONCOR, or is it a part of the freight business.

Vineet [17:46]: So the revenue is essentially divided amongst various businesses, it goes into the JV with CONCOR, it goes into our supply chain business, which also does rakes as you know, for automotive. So these are the two divisions that capture that increase in rakes in terms of increase in volume, not in the freight business at all. We don't do any rail in the freight business.

Jagdeep [18:09]: Sir if you could quantify the revenue in total, from this railway business. On a consolidated basis.

Vineet [18:17]: Well in the Concor businesses, everything is rakes. Most of this is rake related. So it's not too much of an issue there. But in the supply chain side, it's very difficult to quantify the amount of rakes equivalent to revenues, because it's also first and last mile, so the value added services make a package it's like a you know, a company says okay, need me to move 200 cars for my factory to the dealers in a particular area. So that entire package would mean that picking up the cars from the factory by trucks, taking it to the taking it to a yard, loading it onto a train delivering getting it again at the destination, put it onto a yard, finally doing some PDI, which is pre delivery inspection, including some amount of billing, etc. And then doing the last mile. So this whole package is a price and it's we don't really break it up ,Specifically.

Jagdeep [19:16]: I got you point sir. And so on the supply chain side, the margins have been a bit underwhelming, but despite a significant growth in top line, so is it because the you've not been able to pass on higher fuel prices and we'll see that impact of maybe the pricing freeze that you've taken in the coming quarter. So margin should end up in the supply chain going forward.

Vineet [19:36]: Yes, you know, some of it while might happen from that perspective, that there is a lag between when you are able to pass on the fuel prices and when you so I think there is definitely a bit of a lag. It is a very competitive business. Also, I think you're seeing some of our competitors being very aggressive on revenue growth, which means that they are aggressively buying revenue At the cost of their margins, it's very, very evident. And so we don't want to get into that game where we are compromising

our margins for the sake of just increasing revenues. So we are going to be a bit cautious from that perspective. And so perhaps you might see subdued growth, but it's quality growth.

Jagdeep [20:23]: Awesome . That's all from my side. Thank you.

Moderator [20:28]: Thank you. So the next question is from Mr. Srinivas, Sir, please go ahead.

Srinivas [20:39]: Hi Vineet ,hi Ashish. Great quarter, sir. First question, I wanted to understand ,You briefly mentioned about that, You started working with some EV players, for the supply chain? Can you give some color on what kind of work? And how is it like different in terms of logistics versus the traditional IC engine kind of logistics that you handle? That is a first question. And also, maybe some brief qualitative idea of what kind of business potential you see with respect to these New Age kind of products or customers?

Vineet[21:23]: Right, so thanks Mr.Srinivas . We I think on the EV side, there are interesting developments that are happening. So I think first thing is that it, it perhaps will lead to lower volumes across the system, because the number of operating parts are lower from an IC engine versus an EV. The good part is that we have only less than 10% market share in the automotive logistics space. So there is a very large room for us to expand our market, not just in the current companies that we're working with, but also the EV guys who are coming in, or even the older guys switching to EV. In terms of the logistics, the inbound logistics is more or less the same. I think, sometimes, of course, the volumes might be lesser in terms of the weight. But overall volumes will possibly be the same, there's a lot more electronics that is moving in the EV side. And on the outbound side on the finished goods side, the model is slightly different in some companies where they are saying that we are we want to deliver directly to consumers, we don't want to have a middle mile in the sense that we don't want to have a dealer. So there are lots of those possibilities that are emerging with different companies. And so that might cut some of the supply chain and make it a lot a lot more flatter. But notwithstanding the material still will need to move to destination. So for us, that is still a volume that is going to move. The overall requirement on the supply chain side is all the same. So inbound, outbound ,yard management, spare parts management, all of those factors remain the same. So yeah, so the business opportunity looks interesting in the next few years.

Srinivas [23:07]: Yeah, thank you. Second question is on the cold chain. I think it looks like the business is tracking better than what you earlier had indicated to us. So can you talk about how that business is developing in terms of like, what kind of stuff are you moving in the reefers? What kind of customers? And also what kind of pipeline is being generated? In terms of future business in that segment?

Vineet[23:37]: Yes, coal chain, you know, I think for us, we have been very, very prudent in terms of how we want to go about doing that business. And the way that we thought to expand it was not to create capacity, and then attract customers, ours was to follow the customer strategy, which is if the customer says, Please create capacity, in so and so location, we will do that. And that's what we've done first.

Secondly, we've not invested 100% of our own assets into all the requirements. It's a it's a combo module that we've used in all our divisions. And we've seen that to be very, very successful, where some of it is we own some assets, we won't whether it's a truck or the warehouses, some of it is leased or rented. So that or we have vendor so that helps us a lot in terms of overall capital management. And third is the diversification into various product segments. They're not just the food and the dairy and the QSR is a sector of the world. We are doing work in chemicals, we are doing work in pharmaceuticals, vaccine movement, we are also doing work around some of the dark, dark kitchens, including some dark stores that have been set up by some companies who say that, you know, they will have a few SKU's, maybe a few 100 SKU's only, but they, they you will get a delivery in a few hours of sorry, a few minutes so that those kind of small warehouses also been set up, which includes for which is mostly called chain driven also. So, lots of interesting things are happening in that business. And I think that's just the fact that we've seen good growth and improvement in profitability gives us a lot of confidence.

Srinivas [25:35]: Great. Just one final question. This that CAPEX, other than the ships also it seems to be tracking on the lower side, ones, which typically go into your supply chain or part of the freight business internal variables or trucks that you buy this wondering why that may be. So is it just that after wave one, we've taken wave two, we've taken some time to kind of come back or are there any market issues constraining our investments?

Vineet [26:07]: on the warehousing and on the construction of the small warehouses have the sector there is a little bit of a lag because of the, as you rightly said, from wave to coming back out of it and the construction sector, so they all underway, a lot of the projects underway and looking at Q3, Q4 for some of this to get completed and commissioned On the truck side, we do not have a great visibility yet. We do have enough capacity right now. So we what we are thinking is that Q4, we will see how things are progressing with some of our clients. And then we will look at the replacement strategy. The rake should come in Q3.

Srinivas [26:49]: Okay, great. Thanks and wish you all the best. And Great Diwali. Thank you.

Moderator [26:56]: Thank you Sir. The next question is from Mr. Sanjeev Goswami. Sir, please go ahead.

Sanjeev [27:05]: Thanks for the opportunity. Hi, Ashish. Hi Vineet.I have this query on the Seaway side. I think in the presentation, you mentioned that the total size of the market is around 84 million ton. So can you give some color some idea about the market in terms of how much is the captive market? How much is the bulk? How much is containers? How much of a third party market?

Vineet [27:28]: Yeah, maybe I don't have the exact numbers on that. However, I think the, Ashish just move on to that slide please. So it is clearly divided into all of those segments. And I think what's starting to happen is a lot of business is starting to become containerized. And hence we are seeing growth for container shipping across whether it is on the left on the right on the east coast or the west coast. So that is a good development overall. But notwithstanding the original movement has always been, you know, some overs moving from eastern part of India to the western part, or foodgrains, moving from western

part to Eastern and so on and so forth. So, that's the overall breakup, I unfortunately, do not have a exact breakup. I'm sure that numbers also changing quite rapidly. But I think we can check from the Ministry of shipping to get those exact numbers.

Sanjeev [28:30]: Can we get some broad idea in terms of how much must be containerized? As of now, because I believe coal and petroleum products is very large number.

Vineet[28:37]: Yeah, it is. But again, you know, I think the 6% that you see on the coastal side is of the overall volume. I would say probably not even a third would be ,no I think even only about 20% Possibly 10% to 20% might be containerized.

Sanjeev [28:58]: Okay, now Vineet one more question I had is a follow up. So I was comparing with the one of the other companies which was in this business, still in the business but now has been sold to which is Fair Shipping. When I try and compare these numbers, pure operationally in terms of revenues per DWT, or revenues per containers, because that's the data that we have, your numbers were almost two and a half to three times that of shares. And so was the profitability and revenue is also much higher. Can you explain some dynamics of the market in terms of what was the difference between what we were doing what they were doing? What competitive advantage and pricing that we had or customers we have, which explains so much of difference?

Vineet[29:35]: Yeah, you know, see, there are various businesses that we've been doing with. We've been in the Seaways business now since 1983, I think or 84, so we've had 35 plus years of experience in this business, and we have a lot of clients that have been there with us for many, many decades now. And we provide a very strong service to customers, and that's where we are reluctant to make the short term profits to go here and there and get, you know, international cargo so that we get those profits. But in the end, we might lose some customer loyalty that we have. So, that's a tricky balance. Over the long term, you're able to build that customer loyalty as well as customer service that they are willing to give you the better pricing also sometimes, and we also provide end to end service from branches, picking up to containers, or delivering it at their final destination. So those are other things. And there are, of course, some captive cargo that we have, that we typically have long term contracts, which help us also. Then, the other thing would also be that some of the ships that competitors have bought have been at much higher prices. And whereas we've only bought secondhand ships at which could possibly be 10-12 years old. So our CapEx is not extremely high, which has a positive effect on our depreciation and interest as well. So I think those are some that's possibly one more area that we tend to score slightly better.

Sanjeev [31:35]: And the last is just to give an idea, because ship market is very what you can see is transparent market .Of the six ships that we have, what will be the approximate market value of those ships?

Vineet [31:37]: I don't think we have calculated that I think we have calculated, we might have the depreciated value of what's on our books. But I don't think see, again, the market value is not relevant when you if you're not selling those ships. So it's like you're living in a house, you don't want to know the value because you're going to stay in it. Right. So we've not really found out the pricing or the current market value. Thank you.

Moderator [32:12]: Thank you Sir.The next question is from Mr. Mukesh, Sir, please go ahead.

Mukesh [32:20]: Oh, yeah. Good evening. Thank you for the opportunity. My first question is on the Freight Division. Can you give some sense on what's a mix of the LTL versus FTL? In the first half of the year? I guess last year, they were at about 33%?

Vineet [32:37]: Yeah, it's about the same 33- 34%. You know, I think it's not a major change yet. I think, over the second half of the year, we should see some movement there. What has, the first half of the year, you know, Q1 was not that great for MSMEs with the second wave. So I think it's taking a bit for them to catch up. But we are confident that we should get to 34 -35% in this at least 34%, for sure. For the quarter for the full year.

Mukesh [33:11]: Right. And in terms of the fuel prices in the inter-state segment, and while I guess most of it gets passed through probably some contracts where there is some delay in the pricing re-set. But we have seen our margins go up despite the kind of price movement. So is there a case where we might see a lot? I mean, some more price tags are being taken with a lag and hence a quarter can be better with the past? Or have you already gotten all this past?

Vineet [33:44]: Oh, well, you know, this is an ongoing thing. And really, it does not have a major impact on the on any of the profitability or on the revenue side. This is quite minor, some of it gets passed on immediately, because there are some contracts that have immediate escalation, some contracts on achieving a certain target, which could be like a 5% overall cumulative increase in fuel prices. Some is on a monthly so there are various permutations. And now the impact is not that significant, since it's quite distributed over hundreds of customers.

Mukesh [34:24]: And my last question is on the Seaways again, when you've done about 62,000 containers in terms of throughput, these first half. So how do we look at I mean, is there a way of looking at it per vessel throughput? And as you add vessels, the throughput can go up by a certain number. How do we look at this, this throughput that you do?

Vineet[34:52]: The 62000 containers that we presented earlier was not specific to Seaways it is actually across the company as a whole So this includes the containers that we moved for our railway business at a TCI CONCOR.There could be some containers in various road related movements, there could be and there are Seaways related containers. So there is no specific way to really, we don't share that specific number for division or company specifically. And I think it might not be the right way to look at the revenue per container, because if there is an international movement that we've done, the revenue per container will be very distorted compared to revenue on a domestic side.

Mukesh [35:42]: Right, got that. And in continuation with this, I mean, now that we had like a benefit of getting return cargo from Myanmar, is there an option of, you know, kind of making this like a, like an ongoing kind of route that we operate on by adding vessels? Because it seems quite profitable. And, and obviously, return cargo, helps us in our efficiencies?

Vineet [36:08]: Yeah, you know, we would love to do that. But it's just that it's not available, the freight ship market is so tight right now, it's just the pricing is absolutely haywire. So, even at these kind of prices, you will not be able to make money, because we have to see the tenure of the ship till the lifecycle of the ship, which is from, you know, you're buying a 10-12 year old shape, you have another 10-12 years left of that ship. So, from that perspective, assuming that, you know, the rates moderate after a few months, which is what is expected post, April, May is when next year, rates should start moderating quite rapidly because of capacity coming in, or just all the bottlenecks getting sorted. So, so definitely, in that context, we will not be able to generate adequate returns on if the ships are purchased at today's prices. So, so as much as you would like to do that we cannot unfortunately, we don't want to take that call right now.

Mukesh [37:13]: So when we add the ship, it's going to be largely, again, in the same routes only? We're not, we don't see a kind of option of increasing the number of troops.

Vineet [37:24]: No, because there's enough and more capacity demand on these routes. So we definitely want to continue. In fact, what's happened on the west coast for example, is that there has been when there's a shortage of containers, or shortage of capacity for ships on the west from Kandla or Mundra going to further to Kerala, we have seen some cargo getting diverted to rail also. Because if it's not available, then it will move to rail. If it's available, then it'll come to the coast. So and that helps us as an organization because we when we go to the client and say that look is not available, or we have a rail option, they'll give us the cargo still. So those are the things that we are able to sell quite nicely and compared to some of our competitors.

Mukesh [38:16]: Thanks a lot Vineet

Moderator [38:20]: Thank you Sir.The next question is from Mr. Sunil Kothari. Sir please go ahead.

Sunil [38:30]: My thanks and hearty congratulations for such a good number. Are you getting my voice properly, sir?

Vineet [38:38]: Yes we can hear you

Sunil [38:39]: Thanks. So my question is little bit to understand this environment and situation in the business in which we are operating, compared to maybe some 5-10 years back, looking at this formula is unorganized to organize movement, and your customer is also becoming bigger and sophisticated do you see it's difficult for somebody to easily enter and compete with you and then outcome is a little bit easier for you to witness a sensible and very profitable manner.

Vineet [39:16]: Well, no business is easy. So But definitely, you know, I think creating barriers to entry for all our businesses are critical, whether it is a smaller company coming in whether it is a startup coming in, which is bringing some disruption .So that is our always our attempt to create barriers to entry to ensure that we build a moat around our businesses so that we are not, we're not attacked from various elements and that's where the group structure helps because we are able to assist each other in various customer related queries and needs. Apart from that, we also are ensuring that our financials structure is very strong, whether it is debt, virtually no debt or not compromising on profitability for just revenue for just the sake of revenue growth. So we are ensuring all of those things, definitely what you are saying is right that GST and other such changes that have started to happen or have happened, is changing the marketplace. And customers do work with larger companies more and more. But I think when there are certain cost pressures, many of these companies, many of our customers also look at going to smaller companies, if they're able to give them a lower cost structure. So, that balance is always there. And this is where our challenges also.

Sunil [40:51]: I think, yeah, it's a great reply. Because internally, everything right things you're doing in terms of technology ,sales ,very conservative capital usage, and control costs and focus on profitability. So that's great. Sir my last question is ,you catered to across economy. Do you like to say something, your thoughts and views on the situation on the ground, and how you see the things moving, maybe sector specific, or whatever we would like to say?

Vineet[41:26]: Overall marketplace perspective, we are seeing good positivity from customers, they're indicating more growth going forward, there is capacity utilization has increased, and those the lead or the high frequency indicators are all showing that also from, take power generation ,to even Eway Bill movement, etc, are all indicating that the economy is on the recovery path. Now, certain industries like auto sector hit because of the external circumstances, which we are all aware of. And there are some industries that are getting hit again, because for example, if coal is not available, and some smaller companies that work using coal are not able to do that run their operations efficiently. So there is some impact that there is some impact of some raw material increases, for the engineering side or for the other types of companies. However, the demand cycle is robust. Agriculture looks good after the monsoons. So it looks very, very positive. Going forward. The only issue is the third wave. Predominantly, that seems to be the only issue. If there is a third wave, then things will definitely change. So let's see how things go. But yeah, that's the trend.

Sunil [42:55]: Excellent Sir , thank you.

Moderator [43:00]: Thank you Sir,the next question is from Mr. Prateek Kumar. Sir, please go ahead.

Prateek [43:08]: Hello,Good Evening Sir. I actually have a number of questions, my first question is on. I mean, I think you have partly answered it. But so in the 3PA segment, how is the pricing environment particularly, because as we know, and understand that industry is trying to move to organize the Great Day warehousing? So some of the new or older competition? Are they trying to chase higher revenue for lower pricing? Because results for your competition looks quite weak versus what is for us? So is there a material pricing pressure in that segment, which we are letting go? And that's where our revenue looks slower.

Vineet [43:56]: Yeah, you know, thanks Prateek, but that's very obvious. And you can see that I think, you see the results of competitors and it's more of a revenue buyout that they are doing, and it is reflecting on the profitability. From day one, we've maintained that profitability is very, very important for us. And growth will come accordingly. Because ultimately, we have to create value for the customer. And value for the customer cannot be at a cost of our profitability only. So it's a balance, and I think we've chosen to take the tougher route, which is to ensure that we are not going to just get revenues only. So,yes, I think that's the typical trend, as you rightly pointed out.

Prateek [44:49]: And is there any specific segment like for example, FMCG, or FMCD, or E commerce or auto, which has particularly had competition, I mean, I know auto as the most penetrated, but other than that any particular segment has more competition on pricing than other or smaller. B2, I mean, SMEs have more pressure.

Vineet [45:14]: No, nothing like that, I think, you know, it's when customers are changing over to a different service provider, or when they're looking for new RFQs, etc. Some of them also looking at a perspective of lowering costs. So at that point in time, you want to be cautious to see whether it's a real exercise of change management or whether it's an exercise for price discovery. So I think those are the things that we have to be really careful about, and that's where we, so it could be across any industry, it is not specific.

Prateek [45:48]: And one last question on your comment on Delivery, that you said that we are not direct competition. But as we understand they also are into 3PL segment. So it's in a way, I think, is the competition, also compete for same volumes?,

Vineet [46:15]: Yeah, well, you know A lot of companies claim to say that they're doing 3PL. However, I don't think it's necessary 3PL. They could be running a few warehouses for few clients, Put people in these centers, but I don't think it's hardcore 3PL that we are doing so. So I would be a little cautious to say that we are competing with them directly. We don't see them in some of the contracts that we are. We are competing, we don't see them directly facing us.

Prateek [46:46]: Sure, thanks. Thanks for the response. I'll get back to you.

Moderator [46:52]: Thank you Sir. The next question is from Mr. Shadanique. Sir, please go ahead.

Shadanique [47:00]: Hi, Sir this is Shadanique from JM financial. Sir, my question is pertaining to mainly the international sea freight business. So basically, as you see, in the recent months, the ocean freight has gone up a lot in the recent months. And also there are container availability issues. So could you throw some light on the current scenario and your view going forward?

Vineet [47:21]: Sure, I'm not a global expert on this subject. But the information that we have or the information that we have, when we talk to our counterparts globally, or you know, shipbrokers, etc, is that the shipping rates that are there is there to stay for the next few months, we have the year-end coming up in the USA. So this means high volumes. We also know the kind of almost 2% of shipping fleet global shipping fleet is right now stuck outskirts of North America, whether it is on Long Beach, or whether it is New Orleans, or whether it is New York, so that is having an impact. But these things and the fact that there'll be Chinese New Year in February, all of these would mean that the shipping rates are not going to really come down before March April, next year by that time, at least the container issues are going to get sorted out from the from China side, but definitely the issue of capacity will always remain is will remain till new ships start coming in which is which is possibly in 23, late mid 23 onwards, or late 23 onwards, actually. So, yeah, so that's a thought process that I have heard and I think moderately this is what is being said around in the shipping circles.

Moderator [48:53]: Mr. Shadanique are you there?

Shadanique [48:55]: Sure Sir thank you.

Moderator [49:00]: The next question is from Mr. Shivaji Mehta. Sir,please go ahead.

Shivaji [49:05]: Hi, thank you for this opportunity. Sir when we listen to the commentary of large semiconductor players like Samsung, Intel, etc. What we gather is that the semiconductor shortage could persist for the next one to two years. Do you feel that the auto slowdown can impact you for the next eight to four quarters? Or is there a different commentary that you're hearing from the auto players?

Vineet [49:32]: So I think a few points here, I think that there will have an impact, certainly, but not to that extent, I think because we are quite diversified in our business that we do in the automotive and mobility side. We are as you know that we do two wheeler three wheeler, four wheeler, tractors, earthmoving equipment, etc. And then that that helps us to ensure that there is adequate volume that is flowing through our system. So that will continue. And there could be ups and downs, you know, companies that Toyota, for example, had enough chips and they are able to sell, produce and sell quite robustly. But there could be some companies that will certainly go through challenges. And so, yes, I think it's a plus minus across the system. So, but we are thinking that the availability should be better than what is being said right now.

Shivaji [50:38]: Hello, can you hear me? Yeah, Sir just one last question from my side. What would be the auto revenue, contribution to our top line?

Vineet [50:49]: Almost 75 to 80% of our supply chain business is automotive. I mean, the broader automotive space, which includes everything in it.

Shivaji [51:02]: Sure. Thank you so much. Thank you.

Moderator [51:06]: Thank you Sir. I would request participants to limit to their question to one or two and wait for his or her turn in the queue. The next question is from Mr. Preet. Sir please go ahead.

Moderator [51:26]: Mr. Preet, are you there?

Vineet [51:37]: Sorry, we can't hear you Preet

Preet [51:43]: Good evening, and congratulations to you , Ashish and the entire team.

Vineet [51:55]: Yeah,I am right here. We can't hear you that well, Preet. Would you like to put your question on the chatbox. In the meantime, we'll take the next question.

Moderator [52:10]: The next question is from Mr. Bhaskar Sir please go ahead.

Bhaskar [52:15]: Thanks. Hi Vineet and Ashish, you know, I was looking at the presentation and the EBIT margins and RoC's in your supply chain and Seaways segment have been, you know, trending down for the past five, six years, apart from the noise of the first half, you know, what do you think are kind of normalized levels of these two ratios for the segment's over the next maybe two or three years.

Vineet [52:46]: So the, the margins on the supply chain side have more or less remained in a band, you will see some years it has gone up, some years has come down, but it's more or less in that band of a bit of 10 to 12%. That has not changed over the last at least seven eight years. So you will have some years which are quite good some years, where they're not as good. So that is quite evident. In the shipping business. We've been maintaining that the initial margins on the arms around the higher side, but we've also been fortunate enough to get bumper years like this year, where the margins have really escalated. So ideal scenarios are 20 -25% EBITA on the shipping side. But it has kept moving up or rather not really you know, it has come down sometimes but it has gone up also like this year for example.

Moderator [53:51]: Thank you Sir,Mr. Preet, please go ahead, sir. Audio is not clear.

Vineet [54:15]: Can you write your question on chat .

Preet [54:18]: Audible? Okay, I guess I'll get offline. Sure will do Okay, thank you.

Moderator [54:35]: So, there are no further questions. Now I hand over the floor to Mr. Ashish Tiwari for closing comments.

Ashish [54:43]: Thank you, everyone for joining this call today out of a busy schedule. And I wish you all a very happy and prosperous Diwali in advance. Thank you very much.

Vineet [54:52]: Happy Diwali to everyone. Thank you