Transcript
Transport Corporation of India Q3 FY22 Virtual call
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Komal [00:03]: Good evening, ladies and gentlemen. I am Komal, the 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 behalf of the management, 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. At the time of questions and answer session, participants can use the raise hand feature in zoom call and wait for his or her turn to ask 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 [00:48]: Thank you, Komal. And good evening to all of you and I am extending my sincere thanks to you for joining this call in between your busy schedule of results and call season. We will begin with the highlights for quarter three, and then followed by the question and answer session. Now I'm inviting Mr. Agarwal for his opening remarks and highlights. Thank you. Over to you, sir.

Vineet [01:12]: Thank you, Komal. Thank you, Ashish. And good afternoon. Good evening, actually, ladies and gentlemen. Thank you again for joining us today to this quarterly investor call. Since many of you already know a lot about the company, I will not get into very specific details. But we'll take you through the broad highlights and look forward to your question and answers. The company recorded record profits in this quarter. In terms of its businesses, we have been able to grow the businesses both in the revenue side and on the profitability side quite robustly. Given that there were in the Quarter 3 of FY 22, we did see issues towards the end where things started to slow down a little bit. Overall, the strength of the company which is diversified, offerings of logistics services, has definitely helped to mitigate many of the challenges that are there currently, from a logistics perspective in the environment. The company has also been able to manage its liquidity quite well. And we've been able to reduce our debt levels which were at 400 crores about two years ago, to virtually zero. It's about 50 odd crores but you also have 150 odd crores of cash on the books right now. Given that and the fact that supply chain related and logistics related interest has been increasing in the last few months, we definitely see that the next few quarters to be quite interesting, as well as rewarding. If you see this particular slide, quarter three was marginally higher in terms of revenues. But we'll go back to that later on. I'll go specifically now to division wise, where I'll talk about specific activities that have happened in each of the divisions, the freight business has grown by about 8% I think we have to take in view that quarter three of FY 21 was very strong, because there was a lot of pent up demand coming from the first wave and we saw a lot of push towards inventory, stocking etc. Some of that did happen in Q3 of FY 22 as well but we did see that around Diwali things tend to slow down and but it did pick up towards the end of the year. End of the calendar year. Margins have been maintained our guidance towards the FTL LTL's split has been maintained, I think we should definitely be higher than last year in terms of the FTL LTL split also. Overall freight rates across the system have been moderated only towards the end of the quarter because of the excise cuts that happened around

Diwali. But otherwise freight rates have tended to move up across in many areas right now. With the division being completely asset light and only working capital as the capital employed, we see that the ROC's will continue to improve as the mix is also changing in that business. The next division I'm talking about is supply chain division here. This is the business that has recorded negative growth between the quarters between last year, the same quarter. Again, we had a very very strong pent up demand that pushed heavy sales of the automotive side of our business, be it automotive industrials, automotive mobility side in the Quarter Three of FY 21. Some of that, as you all are well aware that with the crisis in the semiconductor sector, as well as the fact that there have been several elections that are coming up in the northern states, agriculture related automobile movements or tractors and so on so forth, have been quite less. The division also had a negative EBITDA growth; however, the margins have been maintained at the same levels. Over the full nine months of course, the business remains stable with its profitability, the receivables have also been very well controlled and it is at a at a nominal level, as it has been in the past. In terms of the demand that we are seeing is that there are customer interest has peaked has started increase now, when we are seeing that they're looking for the next financial year. So we are seeing there is a demand coming up in the next few months. In terms of the warehousing space, I have repeated that currently, we are optimizing the space that we have, we're trying to see how we can best utilize the space for our clients rather than going for expansion. So that they also get the benefit and we are able to create stickiness with them, though a few yards etc. have been added in the last quarter. But we will see some of that impact more so towards the end of the financial year. We recorded record results in our Seaways business that has gone by almost 50% in the last quarter. And of course by more than 50% in the nine months, the margins have also more or less doubled, because of the essentially the return cargo business that we are getting from Myanmar. It is quite unpredictable, because the earlier in the extension had happened till 31st March for pulses to be imported from Myanmar; we do not know what's the status that will be there in FY 23. But currently, we do see some visibility in Q4. However, it is limited. We also have several of our ships that will be under dry-dock in this month, in this quarter. So we cannot really predict what will happen with Q4. But in terms of Q3 the fact that there was although we do it did have two ships that went for dry docks, one after the other, we were able to still make up the margins in the quarter itself. On the west coast, we've seen some increase in freight rates and that is certainly going to help us going forward as well. Shipping prices internationally as we know have moderated a little bit but they still continue to remain very very high, which means that ship prices and container rates are also extremely high, that is acquisition of containers is very high. So that has helped that has led to deferment of our Capex plan also, in this financial year, as it is just completely not viable to acquire those ships and those rates right now. We are confident of achieving our goals for the quarter of the year as well in that business. In terms of the JV's all the JV's have been doing relatively well TCICONCOR joint venture we had a slightly negative growth last year, up to this period we had good growth because of the first wave where cargo shifted from road to rail and to sea, but we are seeing that the some of the demand that had become permanent continues to remain there. And we will see growth coming in the next few months now also in this business. The cold chain business has grown quite well at about 78% and Trans system business has grown by 50 plus percent in terms of its revenue and profitability has also been maintained and grown also. Overall for the nine months at a console level business is up by about 23% and profitability that is pact level is about 143%. It has we have exceeded last year's full numbers of course, at a console level also, at the standalone level also the profitability is at 137% growth over the last nine months of the previous financial year. In terms of an outlook, as I had also indicated in the last call, that we are a bit cautious depending upon the third wave, we do maintain the revenue and profitability guidance, but I think clearly we are much higher than that and I do hope that we are able to keep up this momentum. But we do see a little bit trends towards slowdown right now with demand in some sectors. But that remains to be seen. I already mentioned that there is the deferment of Capex for the financial year related to the shipping. These are all our comments will be very happy to take questions. Thank you.

Komal [11:12]: Thank you, sir, for the valuable insights. Ladies and gentlemen. We will now begin with questions 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. Preet Nagarseth. Sir, please go ahead.

Preet [11:40]: Yeah, am I audible?

Ashish [11:42]: Yeah, Preet please go ahead.

Preet [11:49]: Thanks Vineet. Thanks, Ashish, I think terrific numbers. So Vineet I think you've kind of given an update on all the things I would have liked to know. But my question is more on in terms of future trends, I think, you know, be it IoT or be it other technologies that are coming into play. Can you give us a sense, in your view, how you see the landscape changing over the next two to three years, and how TCI could well be positioned to take advantage of that?

Vineet [12:29]: Sorry, I was on mute, I'm saying from a technology perspective, a lot of things seem to be quite hygiene, when it comes to tracking or to use of IoT in our various applications, whether it is cold chain related or whether it is related to other applications. However, a lot of movement has also happened towards mobile. So, a lot of our applications in both for internal workflow management, as well as for external customer interface do exist on through our mobile apps. Other than that, the other things that have been built from a supplier management perspective or from again detailed customer relationship management, whether it is control towers, or whether it is a single window solution for them are all operational, and continuously being developed or rather, expanded as I would say. So there are certain base things are there which are all hygiene, from disaster recovery to the right kind of cyber security, to having the right databases like Oracle, MongoDB, etc. And then on top of that, of course, all kinds of applications are being built.

Preet [13:53]: So, Vineet the point being is that do you see all these initiatives leading to more market share gains from the unorganized sector?

Vineet [14:06]: Well, certainly, I think, you know, unorganized sector, I think is not just because of technology, but also because of compliance. That is a major factor where business tends to shift. There are companies who were working with unorganized sector and are wanting to now work with organized companies because either they're looking for input credit in some cases, or they're looking for ensuring that if they are sending the eBay bills, it is all through companies like ours, where there is a certain semblance of compliance. So, that is a big confidence and the second aspect of shift from unorganized sector to the organized sector like ours is also national network. That is very critical because people have been working at the more at a regional level. So that has helped us also to attract some market share.

Preet [15:05]: Right. Okay. Lastly, the last thing I would like to know is that do we see us being able to at least stay on track for the kind of Q4 we normally have? Because of the third wave being impacting, especially in January and some slowdown? Do you see that kind of momentum continuous? Q4 is normally the best quarter for the Company.

Vineet [15:28]: Yeah, I think it's a little difficult to say right now, because we do sense a bit of slowdown specially in the automotive side, clearly demand gets hit the moment some wave starts, because any kind of discretionary spending tends to stop. So that can have an impact on both consumer durables, consumer products, and of course, the automotive sector as well. So some of that can be there. For sure. I do believe that the other sectors should be normally robust. Maybe not as much as q4 Last year, but certainly should be better only from last year.

Preet [16:13]: Right. Okay. Thank you. I wish you all the best. Thank you.

Komal [16:18]: Thank you Sir. The next question is from Mr. Alok Deora. Sir, please go ahead.

Alok [16:26]: Hi, good evening, sir. Congratulations on great numbers, just a couple of questions. So first is on the margin. So we have seen that even in the second quarter, and which actually got reflected in the third quarter as well, that we have been able to maintain very strong margins, because of the Seaways division. You mentioned about that, some ships will now go into dry docks, and even the return load might not continue. So if you will just provide some sense on the Q4 margin especially in the Seaways segment. So that is that is question number one.

Vineet [17:03]: Yeah, I think I have to be a little careful that not to give forward looking statements specifically. So I can say that, yes, the Myanmar kind of businesses active till the 31st of March, because that's what the government has declared. And if it gets extended after that, certainly it can, we can continue to get that benefit. We had two dry docks, that happened last quarter, and the margins were maintained, we have two dry docks in this quarter. So I don't think the impact should be extremely large or negative from that perspective.

Alok [17:45]: Sure. And also, if you could just throw some light on the 3PL segment because that is like one of the segments, which is kind of not really performing for us. So when do you see that kind of picking up? Because, you know, while other segments are doing pretty well, it's just the segment which kind of been a drag.

Vineet [18:03]: I think we've been very careful not to buy revenues in this division, because it's very easy to go ahead and get business but at virtually no margins or at poor margins. Even at loss some companies are taking businesses in the supply chain kind of business at loss, we are avoiding that completely because we want to protect our margins. The clearly there are challenges with the automotive sector today with semiconductor crisis and we know that as we see with other with the OEMs today Consequently, there is a challenge with the tier one tier two suppliers as well. Simultaneously there are impacts on the warehousing side with companies like that are in the consumer durable side. So they are also facing some challenges. And then simultaneously, you're seeing a demand crunch right now, because of the third wave. So, given all of that it doesn't go too well for the sector as a whole, but there is a lot of pent up demand as we know with the automotive sector there is you know, all the OEMs are talking about a large gap in terms of demand and supply, which means that as and when the crisis semiconductor crisis gets resolved or is getting resolved, we are seeing that on the production side production logistics has started to increase and we are seeing that already. So that will push the growth in the next few quarters, followed by the final product deliveries in the next few quarters. So I think the trends are now I think we are hitting the lowest points and it's all going to be positive from here.

Alok [19:46]: Sure. Just one last question from my side. So you know based on the discussion, we understand that the new ship is we are not looking to buy it anytime soon. So we are already clocking nearly 150 Crore sort of quarterly revenues in the Seawyas segment. So based on the existing, you know, ships, which we have, how much revenue we can kind of do in, assuming we don't go ahead with the new ship in the next year as well?

Vineet [20:17]: So as is basis without the new ship, we should definitely, you know, and so there are lots of assumptions in that. One is, of course, there is no new ship. The second is, of course, that the Myanmar business continues as is. The third is that the freight rates continue to be stable, and which is a consequence of also to some extent, bunker prices. So, given all of these assumptions on an as is basis, and the fact that we would have possibly, I think, one or two ships less, definitely, I think only two ships versus four ships in this financial year with that might go for right off. So, so given all those assumptions, I think we should be able to the margins will definitely come down, but not to that extent.

Alok [21:13]: Sure I actually, I was asking about the revenues. I mean how much growth?

Vineet [21:16]: I think revenues also again, you know, assuming the business from Myanmar continues, it might go on, but so it's a, it's a large assumption there, since it is a significant portion of our profitability.

Alok [21:30]: Got it. Thank you and all the best Sir. Thank you.

Komal [21:36]: Thank you Sir, I would request participants to start with their name and organization name, followed by their question. The next question is from Mr. Rakesh Setia. Sir, please go ahead.

Rakesh [21:51]: It is Rakesh from HDFC mutual fund. Thanks for the opportunity. My question is, regarding the Seaways division. I mean, obviously, a lot of revenue seems to have come from if I just look at last year's number from the shipping division, but I specifically want to understand this in the, in the scenario, let's say the Myanmar volumes goes down, what is the kind of sustainable revenue and the margins we would be doing from this business?

Vineet [22:19]: So margins and revenue are at a pre Myanmar level were at 25% EBITDA levels. And so if you can see, even last year, Ashish, if you can just put that on full screen. So if you see over here, the nine month last year was at 28% EBITDA, I think those are the kind of numbers that are quite reasonable. And without Myanmar numbers, so 25 to 30%, is what we've always maintained, I think the additional benefit we have, is that because we've been able to get good cash flows, we've been able to pay off all the loans related to our shipping business. So we have no interest that is being incurred here. So that is the other benefit that we will see. So I think there's maintenance of 25 30% Gross EBITDA margins, without any Myanmar business is quite reasonable. Secondly, the dry docks are going to be lesser next year. So that's the other advantage that we see. And yeah.

Rakesh [23:41]: So just to understand this better, so if I look at this quarter number, so let's say shipping has done roughly about 148 crores of revenue. And last quarter, last year, same quarter, you had about 104 crores does the incremental revenue has largely come from the Myanmar portion. Would that be correct understanding?

Vineet [24:01]: No, not exactly. I think it's a combination of the fact that the rates have also increased as you add between the last year and this year in on the West Coast. As well as on the East Coast also some rates have increased so there is a benefit of value growth and also certain amount of volume growth. That has also happened we've been able to turn around the ships better also. So I would not attribute the entire excess revenue, the increase in revenue between last quarter last financial year and last quarter, this financial year.

Rakesh [24:37]: Any color you want to give on how the volume and the value growth has been explained more just to understand you know how the shipping division doing let's relatively speaking on year on year basis.

Vineet [24:50]: You know, I think it sometimes gets a little difficult to do that because sometimes they're the other ship is going let's say on the east coast all the way to Port Blair and then dropping off containers and going to Myanmar and bringing back containers, right. So that could also happen on and sometimes on, on the return cargo. And sometimes a ship goes directly to Myanmar and comes back. So difficult to split that all the time. But I would possibly think that there was an equal amount of increase in terms of both volume and value growth.

Rakesh [25:24]: Okay. And one last question on the supply chain division. When should we expect the growth to pick up again, because when I look at, let's say, when look at the numbers in this quarter, and go slightly, far in the history, the number seems to be largely flat. So any particular reason you would want to attribute or what needs to change for this group to sort of accelerate?

Vineet [25:50]: Well, I think, you know, we've been hit by the auto sector to some extent in the last few quarters. One was, firstly, the changeover from BS to BS VI was one trigger that happened pre pandemic and then subsequently, once the pandemic hit, there was issues then we had some growth because of pent up demand. And now we have the semiconductor shortage. So it's been a series of a lot of macro events that have really impacted that division. And I think it possibly will continue in this quarter, but I think Q1 onwards next financial year is what we are also getting an indication from all the OEMs that pent up demand is so high that it should start catching up. And we also seen interesting developments in the EV sector for example, where we are also doing work and those growth will also we should start capturing.

Rakesh [26:45]: And just a follow up to the same as of automotive what quote one should expect or what are your plans regarding the same business.

Vineet [26:55]: Yeah, so automotive itself is quite diversified as you know. In the automotive side, we have the two wheeler, three wheeler, four wheeler that is commercial vehicles, agricultural equipment, earthmoving equipment. So and then the tier one tier two suppliers etc. And the non-automotive consumer durables, chemicals, the pharmaceuticals, and the FMCG. Retail, all of those sectors are, are there and we do expect that grow to be definitely a lot faster than Well, you know, I wouldn't say faster in terms of perhaps percentage wise maybe faster. But quantum wise of course, you know, a 10% increase in our in automotive business is a substantial increase on the non-auto side.

So, I think quantum wise it might be the same increase, but percentage wise it might be lower in the non-auto.

Rakesh [27:53]: Understood. Thank you so much for the opportunity and all the best.

Komal [27:56]: Thank you Sir, the next question is from Mr. Kripa Shankar. Sir, please go ahead. Mr. Kripa Shankar are you there?

Vineet [28:28]: You are on mute. Yeah.

Kripa Shankar [28:35]: Okay, thanks for the opportunity.

Vineet [28:38]: Your audio is very low. Can you be a little louder, please?

Kripa Shankar [28:44]: Is it better now? Yeah. Thank you, I have a couple of questions from my side. Now, what first on freight segment side, can you see the margins have improved frequency while the NPL to appear mix has **[Inaudible 29:05]** Can you throw some light on what are the tremendous margin tools?

Vineet [29:10]: Sure. So I think one is that the mix is maintained. And in fact, the mix is changing so towards I think we should definitely reach 34% this year. And the other factor is capacity overall. You know, there are hubs that are there and utilization has increased with business volume increasing as well. Some contracts have been quite favorable for us as well. So overall, the business has picked up and I think that helps us to maintain the margins overall. Some places freight rates, as I said, Freight rates don't have a direct impact because they don't have a negative impact. Sometimes they do have a positive impact, but I wouldn't attribute much to freight rates more so to volume increase.

Kripa Shankar [30:04]: Usually, Imperial **[Inaudible30:08]** is not typically 100% from hub to hub. And in addition to this, you know, while on a sequential basis, while help you whether **[Inaudible30:18]** similar, still I am not clear as to what has driven Seaways points in EBITDA margin improvement?

Vineet [30:28]: Yeah, it's essentially the, see what happened in the first few months of the last year compared to last year, the volumes were not there. And hence there was the ratios came down quite unfavorably. If you remember the first quarter of the pandemic year 2020, and the second quarter because MSMEs were badly hit, we saw volumes come down. In fact, that ratio had gone down substantially from 33% to perhaps around 30%. And that started to pick up from Q3 onwards, FY 21. And then we saw that growth happen. So that is exactly what is getting reflected here also that in the last year, we did not have that kind of volumes in the LTL side of the business also. So that had an impact on the EBIT margins.

Kripa Shankar [31:29]: Moving on to

Vineet [31:33]: I can't hear you Mr. Kripa Shankar. Can you be a little louder, please?

Kripa Shankar [31:35]: I am sorry, is it better? Moving on to the sales side of it. You didn't mention that there would be a automotive great addition, in the third quarter. But you know, the updated resemble otherwise. Is there addition coming in this year? What is your general update on the Capex?

Vineet [31:58]: On the Capex you said?

Kripa Shankar [31:59]: Yes that's right.

Vineet [32:01]: Okay. So, yes, in this year also we have we have a plan to add one more rake, that should happen possibly in the next two months. And in terms of the Capex, we don't have any major fleet additions that are being planned right now, perhaps next year based on contracts and based on replacement, so that we will plan out in the next month or two and then release that. But yes, the crisis with the automotive sector is a little bit is much more than what we had thought it would be. We were expecting better demand, better supply rather and then for better movement. But unfortunately, that did not happen. So we got hit in Q3 for the supply chain business.

Kripa Shankar [32:58]: That's it from my side thank you. And all the best.

Vineet [33:00]: Thank you.

Komal [33:02]: Thank you Sir. So the next question is from Mr. Sriniwas, Sir please go ahead.

Sriniwas [33:10]: Yeah, hi, Vineet, Ashish. So I just I had a couple of questions more centered around the JV's. So the first is on the cold chain. Maybe if you can just update on your plans there. Because the current year we've seen a good ramp up and probably growing add of the plan that you indicated for this business. So broadly, what's happening and how do we kind of are we looking at a more rapid scale up than the 25-30% kind of a growth or target that we had in mind? This is the first question.

Vineet [33:51]: Yeah, I think, see, it's a lot of changes has started to happen in this business, generally. And the reason, well, one is that our business is still very small in terms of its size. So the growth numbers do look quite large. The opportunity is large. There is a lot of customers who are looking for solutions. And I think the quality solutions that we are providing, has definitely given the market confidence. I've given the market a lot of confidence that we can take up large accounts and large businesses. So and then the addition of the joint venture has now started to also help us with that, they also do bring in certain clients and discussions are on with many of them. So we do see that the business should keep up its momentum. Typically, many of these businesses, in our experience has been that you will see a huge amount of growth in one year and then will taper off a little bit. And then again, we'll see the growth pick up, because you tend to consolidate some of the new business that you get. So I think the growth plans are similar in terms of what we have set about 25% CAGR for the next 3-4 years, I think we should be able to definitely maintain that.

Sriniwas [35:18]: Okay. And could you also kind of provide some little bit more detail on what are like the top one or two segments as they are developing today and where the potential lies next?

Vineet [35:31]: Well, while we do work, as I said, mostly in the FMCG side, we do a lot of work. We do work on the dark kitchen, dark cloud, and the cloud warehouses also, we do work on the some chemical companies also. And, but less on the dairy and less on the fruits and vegetable kind, which is typically tend to be a little bit more low value. So we are a little bit more focused on the higher value items, including QSR. We do work with several QSR's.

Sriniwas [36:07]: Okay, great. Thank you. The second question is on Trans system. Now this JV has surprisingly bucked the trend in terms of I mean, it, as I understand it, it is also a bit of a supply chain type business, though, I mean, generally, the industry has been slow on the automotive side, but this, the JV seems to be doing quite well. So maybe some commentary there on whether there, it's more driven by the anchor client towards been doing better, or is it that you're also winning some meaningfully new business?

Vineet [36:42]: Yeah, you're bang on, I think it's anchor client, it's Toyota in this case. And Toyota, as you know, has done much better than any of its competitors, not just in India, but also globally. And that has helped us to ensure that we've seen growth. So that's, again, you know, I think I cannot re-emphasize the importance of the diversified offerings that we have and diversified customer engagements that we have. We it's not that some of our competitors where 50% of their business is coming from one company, and their volumes and business tends to get affected because of that, yes, we got a large dominance in the automotive space, but it is also diversified clientele base, which and diversified clientele base, apart from the fact that it's not just in one type of business, not like only four wheelers, it's other things as well. So, I think all of those factors helped us to sort of you know have balancing trends when it comes to our overall business.

Sriniwas [37:42]: Got it. Alright. Thank you so much, and Wish you all the best.

Komal [37:49]: Thank you Sir, the next question is from Mr. Pratik Kumar. Sir, please go ahead.

Pratik [37:58]: Hello, yeah. Good afternoon sir. My first question is on diesel prices. So, after this 10-15% odd cut, which we saw in November, so, how was that passed by company to customers across segments? Or was that retained which also benefited our margins?

Vineet [38:19]: In what sorry 12-13%?

Pratik [38:23]: Diesel Prices.

Vineet [38:24]: Diesel price ok. No, no, it's a pass through. Diesel price we cannot keep it's a cost to us. So we have to pass through and you're seeing the fall in price. Sorry.

Pratik [38:34]: So the Fallen price like for example, in Freight segment you have 30 odd percent is LTL. Now, so is that LTL segment at least not so much as susceptible to price changes when it falls?

Vineet [38:47]: Yeah, well, you know, customers are much smarter than us. So they obviously demand for lower prices, as soon as these diesel prices also come down. We're able to maintain it for some time but then ultimately you do have to pass it on back. Whether it is LTL whether it is FTL.

Pratik [39:08]: And the bunker rates in shipping segment, have they also remained inflated or the freight prices are they also saw some softness after I mean, I don't know if the price were cut there.

Vineet [39:22]: No, the bunker prices are more or less stable. They've not been cut much. There's marginal I think impact. We can put out the screen Ashish.

Pratik [39:44]: Can you mention about there is some slowdown in some sectors off late, which may be due to the wave three we have also heard from among other companies. So, is it possible to like just detail a bit more and that like the whole January like sort of a very slow or like a date was slow and now things may be normalizing, so, things are better?

Vineet [40:11]: Yeah, well, you know, I think certainly the consumer discretionary kind of sectors, I've seen some impact, whether it is apparel, whether it is consumer durables, automobile, of course, we know that, but I think this will possibly continue, as in when there is a lot more confidence that we can go ahead and spend, I don't see any kind of major festival season also coming up that can drive some kind of push towards consumption. But, I think, let's see what the budget comes out. But nevertheless, I think overall the positive news is that the some of the industrial sector kind of movements do continue, because the government's spending continues in the sectors overall, whether it is on the infrastructure side or some completion of projects, etc. So that is pushing the industrials to some extent and they have not I've not seen any kind of major slowdown or any kind of orders that have been cut their. Steel remains more or less okay, not softening yet too much. Again, I think driven by infrastructure spending. So, yeah I think overall, some areas we are seeing a bit of slowdown, but what I'm hoping they will start catching up towards the end of the quarter. March is typically the best quarter also, because I think a lot of the Indian companies are trying to close their books. So there's a push towards sales.

Pratik [42:03]: But last year, we had a really high base of 900 crores on revenues, for Q4 for Consolidated operations. So when we say slowdown, it's like on year on year growth, which anyway is like looks slow for this quarter because of the delta waves. So Q4 may have a slight dip also, when in that sense, when we say like there is a sequential slowdown. So I think we are running up for a very high based comparison on exporters.

Vineet [42:36]: Truly, I mean thing, you're right, the base is high, but I think the there is a certain momentum in certain businesses, I think we should catch up some of that growth also. And that's why you know, I think in Q2 when we were discussing how Q3 and Q4 will be and when we are moving towards a little bit more moderated growth. I think those questions came up, why so moderated, but I think this base effect is going to play out a little bit

Pratik [43:06]: Okay, and one question on CapEx. So, we have incurred only 19 Crore. So, what is the number for this year now, including rake investment and other things?

Vineet [43:15]: I think we should look at around 50 to 60 crores in between that number possibly we have certain CapEx that is underway right now and hopefully and they are they will come about in Q4. So, we should hit close to 250 crores

Pratik [43:33]: And when we say that shipping prices are very high, which can be a no. So, when we are looking to spend 60 to 80 Cr on ship. So, what could be like current spot prices, which are like really deterrent for us to buy that particular ship?

Vineet [43:50]: 3 to 4 times more than what we paid for the same ship. So, it's just absolutely insane, just doesn't make sense at this current levels.

Pratik [44:04]: So 250 Cr or 200 -250 Cr odd it would be

Vineet [44:08]: No no I think you know, so if it was 50-60 Cr you're talking about. Yeah, so easily 150 crores in 20 the same I think the ship that we bought for 6 million is available for 20 million.

Pratik [44:28]: So 200 Cr Sure sir, thanks for the response. I will get back.

Komal [44:38]: Thank you Sir, the next question is from Mr. Alok Deora, Sir please go ahead.

Alok [44:50]: Yes. Hope all is well.Just a follow up question. So this looking at the way you just mentioned about the ship price being almost more than 3x. So any do you see any chance of we buying a ship in even in FY 23?

Vineet [45:08]: Yes, I think so. Because I think some of this pricing will tend to moderate as we go forward. Because, well, the global expectation is that post the, this March, April, things should start slowing down a little bit in terms of pricing, it might still remain higher, it will remain higher, for sure. Because the capacity that is new capacity that has been ordered, by the shipping lines, this sector will only come on stream in FY end of FY 22. That is a calendar year that is the end of FY 22, December or early next year. And so that will have an impact a little slow, more slowly. But pricing will perhaps come down hopefully by 20-30-40%. So might be a little bit more attractive at that time.

Alok [46:04]: Sure. And also, slightly broader question. Over the next over the near to medium term, how's the competition you're looking at in across key segments? You know, if we look at the freight segment or even the 3PL, what is the competition like which we are looking at and how is it now also, in terms of, you know, pricing pressure or, or some of the other aspects, if you can highlight on.

Vineet [46:30]: The competitive pressure always remains, I think, you know, in both in all our businesses, the market overall is quite fragmented. So on the freight side, we do work with get hit by competition on both the FTL and the LTL side. On the supply chain side, there are two three companies that are active and also now looking for IPOs as well. So they are getting more aggressive in terms of revenue, buyouts versus really maintaining profitability. So we do see challenges there and on the Seabase side, a little bit less competition now with I think everyone has enough on their plates, and are quite happy in that sense. So I think competitive pressures slightly lower. But yeah, but I would say if I have to say the highest competition does remain in the freight business, and secondly, in the supply chain businesses

Alok [47:26]: Sure Sir. Just last question, since you mentioned about the IPOs. And some of the companies which are getting listed in say, one or two quarters. So how are we seeing that in our competition from their side? I mean, do you think that will kind of reduce or it will further intensify, especially in the 3PL side?

Vineet [47:49]: No, I don't think you know, I think ultimately, on the 3PL side, what we see is that the quality of your services is what matters, because these are longer term contracts. These are contracts which have a very specific performance clauses built in or has a requirement of intensity with the client, which comes by experience, and which comes by working with multiple types of customers not just working in with one segment. So I think that means that the intensity will remain however, I think we would be cautious to not go in for to maintain our margins. I think for us that would be important. And then growth will come simultaneously also with our offerings that we have today.

Alok [48:43]: Sure Sir. That's all from my side. Thank you and all the best. Thank you.

Komal [48:49]: Thank you Sir, there are no further questions. Now I hand over the floor to Mr. Ashish Tiwari for closing comments.

Ashish [48:57]: Thank you, Komal for moderating this call. My sincere thanks to all of you who joined this call. Take care and stay healthy. Thank you.

Vineet [49:08]: Thank you, everyone. Thank you for joining