"Transport Corporation of India Limited Q4 FY16 Earnings Conference Call"

June 01, 2016

MANAGEMENT: **MR. VINEET AGARWAL – MANAGING DIRECTOR, TRANSPORT CORPORATION OF INDIA**
MR. ASHISH TIWARI – GROUP CHIEF FINANCIAL OFFICER
MR. MUKTI AGARWAL – CHIEF FINANCIAL OFFICER, NEW TCI EXPRESS

Moderator: Good Day, and Welcome to TCIL's Conference Call to discuss financial results for FY ended 31st March, 2016 and address investors, analysts 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, this conference is being recorded. I now hand the conference over to Mr. Ashish Tiwari – Group CFO. Thank you and over to you, sir.

Ashish Tiwari: Thank, Tanvi. This is Ashish. Good afternoon to all of you. Welcome to TCI's Annual Conference Call for discussing the financials for 2015-16. Along with me is Mr. Vineet Agarwal – Managing Director, Transport Corporation of India and Mr. Mukti Agarwal, CFO nominated in new TCI Express. Mr. Vineet would talk about general economic scenario in sector as well as cushions effective to company and industry, so I would just handover to Vineet. Thank you.

Vineet Agarwal: Good afternoon, Ladies and Gentlemen, and welcome to our annual call. This year we are actually starting with a call rather than having an analyst meet, since we have declared unaudited results for this quarter. As you are aware that there is a demerger process going on and in that demerger process the High Court is yet to meet and convene regarding completion of the process, so that would happen sometime in the month of June. And since audited figures would not reflect the true nature of the demerger, the Board has taken a decision to actually adopt unaudited results, and once the court order is through we will declare audited results. This should happen in the next few months, next month and half or so, so about few weeks from now. In the interim, we will discuss the financials today and post those final audited results we would meet you in person to discuss the results.

So in terms of the last quarter of the year, if you see our performance has been quite good. The revenues that we achieved in the last quarter has been the highest every so far and we crossed Rs.600 crores in terms of standalone results. Profitability has also improved and we achieved net profit after tax of Rs.24 crores versus Rs.21.5 crores the previous year for the same quarter. For the full year also we had the best year so far, even though we did not have a very high increase in revenues, at standalone level revenues increased by 2.8% and however profitability has gone up, our blended EBITDA has also gone up from 8.3% to 8.6%. In terms of overall profitability after tax, that has also gone up from approximately Rs.76 crores to about Rs.85 crores.

In the last financial year we made substantial investments in terms of our CAPEX and the details of that CAPEX etc will be put up in our investor presentation by tomorrow. But just to highlight, the major CAPEX that we have done is into trucks which is about Rs.60 crores - Rs.65 crores and then into equipment for our warehouses which is about Rs.40 crores and land and building which is about Rs.56 crores. So net CAPEX of about Rs.170 crores was incurred last year which actually reduced our return on capital for the financial year. Overall, in terms of the economy, we feel the last quarter is reflective of some changes that have started to happen. There is some volume growth and in fact we see that in the first quarter of financial year 2016-17 as well.

In term so of the last year, the performance has improved for several reasons, one is, our total cost management that we implemented and we kept a tag on. Secondly, lower interest costs, that has helped us in terms of profitability. And third is, somewhat stable diesel price regime where we had in the first few months of the year diesel prices coming down, but of course subsequently it kept going up.

We have also seen some capacity increase, as you know that the commercial vehicles sales have been quite good in the last financial year as well as the start of this year, which means that more capacity has been added to this system. And this also helps in load utilization, but also keeps base rates slightly low, between the demand has not caught up to that level yet. So our anticipation is that the capacity addition will also keep increasing for several reasons, one is that diesel prices are on the lower end; secondly, some interest rate cuts have happened; thirdly, the demand cycle has revived to some extent; and last but not the least, replacement of trucks overdue in the last few years, that has also started to happen.

So given all these scenario, we do expect that the overall consolidated perspective the coming financial year should be better. We also anticipate our guidance would be approximately 10% to 12% top-line growth and about the same in terms of bottom-line growth.

Now I would take specifically division wise results and I will start with phased division. As you are aware that the phased division essentially handles full truck loads, less than truck loads over dimensional cargo and this business is the traditional business of transportation which now overtime we are slowly evolving where our percentage of less than truck load to FTL is on the rise, we are increasing our focus more on the LTL side of the business. That additional mix should help us in terms of better profitability, lower credit and better return on capital overtime.

In the last financial year, the paid division, though grew by only 3% in terms of top-line, we had a good increase in the bottom-line and if you see year-on-year as well as quarter-on-quarter, the improvement on the freight division is quite visible. We do expect this to continue for the reasons that I have mentioned, as well as for the fact that there is some revival that we are seeing with different kinds of companies that the freight division works with. So we see in my visits to several places in the last few months, with clients, they have indicated of increased volumes as well as additional and possibly future CAPEX as well.

The credit situation still remains a little tight. We have not seen that much improvement there yet, and in fact to some extent in some types of industries it has slightly deteriorated also. But with interest rates coming down and overall better sentiments for me to think that they should also improve. As you are also aware, in this division most of the capital employed is working capital.

I will now move to our XPS Division. XPS as you know is into the business of door-to-door time sensitive movement of cargo by road as well as by air, and we have also added our ecommerce, essentially the B2C element into the business as well. We do not release numbers yet on terms of the number of B2C shipments that we handle on a daily or a monthly or a run rate basis, but that business has also been growing in the last few months. In the full financial year, though revenue growth has been flat, our bottom-line has improved and in terms of the segment results from the PBIT level it has improved for the full financial year by approximately 8%.

In this business, as you would have also noted that the capital employed has gone up, essentially this is the pre-demerger status. Certain assets that would demerge along with the Express division have been allocated to that division already and hence the ROC for the division also came down in the last financial year, slightly came down in the last financial year. On a Q4 to Q4 basis, the business volume has picked up in Express as well and we believe that this should also continue going forward. Our focus and thrust will remain with developing the Express business and subsequently also enhancing the B2C element in this business. We would also continue to move up the value chain by looking at more air cargo and other such related aspects of the business in the demerged entity.

The next division I would like to talk about is the Supply Chain Solutions Division. The overall growth in the supply chain division has been approximately 2.3% over the full financial year. Q4, the growth was also about 5%-odd and the margins are slightly better than last year. This as you are aware that the supply chain division relies predominantly on the auto sector, 70% of our business comes from that, that has shown some signs of recovery in certain customers and we feel that that will also continue in the coming financial year.

We have made substantial investments in this business in the last financial year on the asset side i.e. building new trucks for new contracts that we have recently acquired, as well as on the warehousing side where we have built the warehousing equipment be it the racking system or the handling equipment or conveyers and so on so forth, essentially part of our ecommerce fulfillment warehouses in the chain as well as when we are doing work for several other new contracts in the apparel sector or in other fast growing consumption sectors. So our overall warehousing platform has also increased its business where we have moved from approximately 10 million square feet - 1.5 million square feet of space to approximately 11 million square feet of space. In the coming financial year we see a good pipeline of new customers and potential growth opportunities and we think that in this year we should definitely look at double-digit growth for the Supply Chain division.

The next division I would like to move to is the Seaways Division. As you are aware that the Seaways division a new ship in March 2015 for a service between Mundra and Cochin. This service was very well accepted by the market and in fact we had very good and strong response from our clients across who have been using these services. In fact, to that extent that we are now providing real multi-modal solutions where there are some clients who move cargo by rail all the way to Mundra and we put them on ship and subsequently move it by road from Cochin to the destination. So this is in terms of the new government policy of actually promoting the coastal belt, we are playing our part there and seeing that how we can enhance this business opportunity.

In the last financial year, business has gone by approximately 15% in terms of top-line and the bottom-line has been more or less the same for the last financial year, based on the fact that we had higher interest and depreciation cost and also certain additional dry dock over the last financial year. Our plans for this division is to actually add one more ship in this current financial year and additional containers as well and we are in the process of looking for the same. This additional ship would be for the western coast as well. We have apart from the one ship that we currently have, we have three additional ships on the east coast operating between Chennai, Vizag and Port Blair.

These are essentially the predominantly major divisions that we have in the Company. And as you can see that, as I mentioned in the opening comments that though revenues have not gone up by too much by only about 2.8% at a standalone basis, but profitability has improved.

I would be now open to answer any questions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. Our first question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, my first question is with regards to your consolidated performance, clearly standalone results have been fantastic this quarter, but for consolidated results which we get to see only annual results, there he growth is somewhat lower, I mean clearly the PAT growth is lower because of probably other incomes being lower, even at the EBIT level the growth is lower. So can you just elaborate on the consolidated results, what is happening with the subsidiaries and on that front?

Vineet Agarwal: So this year basically as far as this bottom-line is concerned, we had around Rs.8 crores of dividend from Transystem Logistic, that is a joint venture. And the profitability actually was not that much good as compared to last year because of the cost increases in operation and other admin thing. And another reason for that is, there are some book losses which have been booked for the foreign subsidiaries of around Rs.7.5 crores, so that is why the total margin side you are seeing that lower results.

Pratik Kumar: Sir so this Rs.7.5 crores is above EBITDA line item?

Vineet Agarwal: Yes.

Pratik Kumar: So we should not expect this kind of negative element in FY17 numbers?

Vineet Agarwal: No, no this is I think the final one, one time only and now onwards there would not be any such book losses anywhere.

Pratik Kumar: And sir, other income is also lower on consolidated basis, any specific reason there?

Vineet Agarwal: Because when you consolidate so whatever the division income is there it is being deducted, so that is why you are seeing the lower figure there.

Pratik Kumar: I may be will take it offline. So what is your CAPEX guidance now, I mean you had like Rs.500 crores CAPEX for 15 to 17 earlier given guidance, so what is the update on that?

Vineet Agarwal: So the CAPEX plan that we had given was approximately Rs.275 crores of CAPEX, however we did about Rs.170 crores - Rs.175 crores which I had indicated in the half yearly call also is that we will probably get closer to Rs.200 crores. In the current financial year we are proposing a CAPEX of roughly Rs.235 crores which includes the demerged entity CAPEX, some CAPEX will get shifted to that entity and hence it will come down to approximately Rs.180-odd crores in this financial year.

Pratik Kumar: So Rs.235 crores for the combined entity and Rs.180 crores for the original standalone entity?

20.00

Vineet Agarwal: Yes, these are residual.

Participant: Okay. And sir, can you just again, elaborate what your expectations for growth in each segment, I mean does that guidance for growth in each segment you mentioned double-digit growth for supply chain but you did not detail anything on the other segment in terms of growth?

Vineet Agarwal: Okay. Sure. So on the freight division I think we expect between 5% and 7% top-line in the, express division again double-digit I would say 10% to 15% similar lines of supply chain in the seaways division, it will actually depend on when we acquire the ship. So based on that it might happen, whenever that happens we will get a pro rata growth accordingly. On a steady state basis, we should probably get about 5% to 10% top-line growth without adding any ships.

Moderator: Thank you. The next question is from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: I just had one small query which is that if you can give some kind on what is the margin improvement you are expecting in the coming year because you have said that you are expecting a recovery so, what should we expect in terms of margins?

Vineet Agarwal: Okay. So as we can see the blended EBITDA is about 8.6% for this financial year. I think we are looking that we should probably look at another may be 20 basis points - 25 basis points improvement on that as well.

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

Ankit Panchmatia: Sir, harping on the EBITDA guidance which is you have given sir, you look forward of the improvement of the 20 bps to 25 bps on the consolidate margins?

Vineet Agarwal: That is right.

Ankit Panchmatia: Okay. So sir, if I want to understand division wise EBITDA margins can I get the same?

Vineet Agarwal: Yes, that will be part of the Investor Presentation.

Ankit Panchmatia: And sir, division wise debt levels can you provide?

Vineet Agarwal: Again that will be difficult because it is consolidated entity so, you can see capital employed I think in most cases except for supply chain division and seaways most of it is working capital.

Ankit Panchmatia: Okay. And regarding our debt levels in the current year has gone up quite a bit if I can get a sense that how we can look forward regarding the same?

Vineet Agarwal: So some of the debt level has gone up as I mentioned because of additional CAPEX that has happened correspondent to previous year and secondly some increases in working capital also. So our debt equity ratio is still at 0.06 and DSCR is 2.5 times. So in that sense we are quite comfortable in terms of the debt profile currently.

Ankit Panchmatia: And sir, regarding the capacities at this point of time we have how much trucks we would be operating?

Vineet Agarwal: Trucks you said, right?

Ankit Panchmatia: Yes.

Vineet Agarwal: Any given time we are close to 10,000 trucks that are in our system that are running out of which we own roughly about 1,200 trucks - 1,300 trucks and about 2,000 trucks - 3,000 trucks are vendors and rest are on market spot hire.

Ankit Panchmatia: Okay. So sir, if I understand, the freight rates for the tucks have gone up quite given the shift from the volumes from rail to road. So are we experiencing the same issue while going in for spot basis or how is this been happening?

Vineet Agarwal: So in some sectors the freight rates might have gone up but I do not think, of course it has over because of seasonal factors also, I do not think it is only because of the shift from rail to road there is for example you know currently is Mango season from south so, freight rates tend to move up from south. Or in the early part of January freight rate move in the east, so some of it is seasonal, some of it is factor of diesel price and some of it is factor of the shift that you mentioned but we have not seen anything unusual or significant as it would have been naturally.

Ankit Panchmatia: And sir, regarding our supply chain I assume that 70% of the business is from the auto side, now given the robust growth from the auto companies given in FY'16 that kind of growth has been now has been trickle down into our supply chain business. So is there any specific reason for the same/

Vineet Agarwal: Yes, I think some of the reasons are that, if you see the growth even in the auto sector it has been quite lob cited towards one or two companies how have grown exceptionally well like let us say a Maruti or just very few companies and may be in the two wheeler segment you will see a Royal Enfield but there again the volumes are not that high compared to a Bajaj or a Hero. So, generally speaking the overall market is still subdued and we are seeing now some traction in terms of additional growth. In fact, we also do work with companies to build these cars or two wheelers or construction equipment as in we provide just in time collection of parts for production as well that we are seeing an improvement because some of it is also being produced for the export market. So we are seeing some moment there. We have seen good improvement for example, in the tractor now that is starting to pick up a little bit, the construction equipment sector has picked up also. So this is possibly in the last two months - three months we are seeing this three months - four months I would say rather that we seeing this kind of traction.

Ankit Panchmatia: And sir, update regarding our XPS division, you just said that we have started doing B2C deliveries as well, so how and what kind of margins we expect from this and how much we can scale up regarding that business, if you can just give a flavor?

Vineet Agarwal: So we do not share numbers in terms of margins for specific verticals inside our divisions but what I can tell you is the business is rapidly growing up and we have the advantage versus a lot of other companies is that we already have our network in place, we have some existing customer relations in place. a lot of customers are also asking for the backhaul which we have today available, we have the hubs in place. We have or route vehicles running. So the range of services that we can provide for the B2C kind of deliveries is quite extensive and that give us an edge. So we are scaling up slowly because we are also seeing how the market is behaving. As you know that some of the E-commerce deliveries in the last few months have slow down. So we are cautious in that approach and moving with only selected type of clients with long-term prospects.

Ankit Panchmatia: And sir, current growth if want to break it in volume as well as value, any sense how much would be the volume growth and how much would be the value growth?

Vineet Agarwal: Are you talking about a division?

Ankit Panchmatia: The total growth, sir the total growth I am talking about if I can just get a flavor, how much can in to volume or a value I have not taken any price hike in the current year or renegotiate any contracts with some of the players, how has been the pricing part from our end?

Vineet Agarwal: For us it is very difficult to give you volume growth because all divisions operate in different types or segments. So we cannot really qualify as a tonnage growth is the real reason for volume growth but what I can tell you is that in the last full financial year the diesel prices actually down so some amount of price reduction only has happened and I would contribute the entire growth in the top-line to essentially volume growth.

Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss Securities. Please go ahead.

Nihal Jham: My first question is just to understand what are the exact timelines for TCI XPS? I understand you have the court approval in a month and half and by when can we expect the listing to come in?

Vineet Agarwal: Yes, so 6th June is the date for the hearing at the High Court, and we think that another five to six-week time is required to get the certified copy and filed with the ROC and another one and half month time is required to get it listed on the Stock Exchange in the best case. So I think in mid of August I think all the formalities would be completely.

Nihal Jham: Mid of August, sure fair enough. And sir, just again on your guidance you mentioned that you are looking at 10% to 12% growth both in your top-line as well as your bottom-line, now if I have to understand with that growth in top-line coming in would not we get some margin benefit like we have seen this year specially in the freight division which should lead to….

Vineet Agarwal: Yes, there could be some margin improvements but we are not really sure, how diesel prices will behave over the full year so, that is one thing. The second is that we should have increased the CAPEX will also be there so some on the finance cost will also continue to remain. But on an operating level I think, we are comfortable to look at that similar amount of bottom-line growth as well.

Nihal Jham: Fair enough. And speaking specifically of the Express division say would be even like the implementation of GST this year have any impact on your guidance for that segment specifically?

Vineet Agarwal: No, for any of the divisions I think the implementation of GST by April 1st also will not have any impact because we have always maintained a GST will not really have an impact immediately it will take a few years between we think two years - four years for the company to rejig their supply chain. If you think about a system where they need to consolidate the warehouses that they have based on geography, then they will have to look for these large warehouses and these large warehouses is not really available today in the country. Or they have to look at how to look at rejig the transportation systems and all this will take its own time. Even the government needs to be prepared from the GST network perspective where each boarder in every state needs to have the IT systems available. So that information flows before the goods can flow. We believe that that is going to take its time and I think it is not fair to say that this will be a direct impact on our business right away, it is something that will happen and we believe for every year the logistics company it cannot happen overnight.

Nihal Jham: Absolutely, sure, sir. One last question, how the performance of the TCI CONCOR JV been and can you share the revenues for this year?

Vineet Agarwal: Yes, the joint venture has done quite well in the last financial year. The kind of expertise that we are now providing to our client from multi modal door to door services has got on and from last year where we did about Rs. 76 crores - Rs. 77 crores of revenues. We have grown about 60 plus percent to about Rs. 130 crores in revenue this year.

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

Jignesh Makwana: Just want to know if you can throw some color on your cold chain operation which you started last month I guess.

Management2: Sure. So for us cold chain business is a part of our supply chain business where it is another vertical that we service and for us that business actually has been going on for quite some time, it is not a new addition. For the last ten years, we have been running cold chain vehicles. In this financial year that is FY'15-FY'16 we added a few additional trucks and we also invested into this cold storage in north India in Gurgaon which is about 5,000 pallet positions. It is a multi-chamber facility with their ability to go to minus 35 degree centigrade and we are looking to target all the industries in the cold chain sector from foods, dairy, fruits, vegetable, pharmaceuticals, specialty chemicals, et cetera. And our plan here to offer an integrated solution to our clients, because there a lots of clients who want a not just a cold solution but they also want a dry solution simultaneously. Let us take a pizza maker that have flower that is stored in a dry warehouse and moves in a dry truck and simultaneously they have also have cheese or some sausage which need to be in the cold storage, so we provide this unique and ubiquitous solution to our clients where we can offer both of these so, it is an important cold chain will be an improvement part of our retail strategy and our consumption growth strategy but by itself it is a business that we feel that is challenging over time but link to our existing customers we should do well here.

Jignesh Makwana: Okay. And what kind of investments we have made for this 5,000 pallet?

Management2: So we do not have specific numbers on that but what I can say is that in the next financial year we would continue to look at another may be Rs. 20 crores to Rs. 30 crores of investment in this business.

Jignesh Makwana: Okay, fair enough. And sir, you have mentioned earlier you have added on contract on your supply chain side, if you can share some details with segments or with category?

Vineet Agarwal: So we have a several pipeline customers and in supply chain typically to get a customer takes much longer then the freight or the express.

Yes, so it can take anywhere from four months, six months or even a year and we have worked very closely with some of the auto makers some of the retail company, some of the apparel retail companies and some of the E-commerce companies to really look at how we can offer them a better solution. And in that context I cannot share exact contract details, but I can say that we have able to acquire a few of such large contracts in the last six months or so.

Jignesh Makwana: Okay. But if you can share which industry auto segment or non-auto segment that will be….

Vineet Agarwal: Both.

Jignesh Makwana: Okay. And sir, how is the competitive land escape in supply chain is shaping up because if we look at in last one year and one and half years many players are entering into supply chain with free period kind of services. So how is the competitive land escape is shaping up and how it is going to impact in the pricing terms?

Vineet Agarwal: The comparative land escape is okay, but we also see there is some of our competitors have actually have not been able to grow much here as well but we have different kinds of competition we will have competition specifically in the automotive side which is might be some local players, we might have some competition in the retail side of the business or somewhere in the warehousing side we are doing work for consumer durable companies or FMCG companies. We find more localized competition. We do not find anything which is Pan India and across all verticals except for maybe one or two international companies like DHL et cetera.

Jignesh Makwana: Okay. And sir, finally, are we looking at any equity fund raising in the near project may be one year or two years down the line because we have CAPEX requirements may be about Rs. 400 crores kind of CAPEX requirement over the next two year - three years, so we are looking some equity infusion fresh?

Vineet Agarwal: No, we are not. I think if you look at our cash flows they are quite robust to handle the proposed CAPEX however, we would of course need to take an additional debt but even with that we would still be comfortable in terms of our debt equity ratio, even with 100% of the CAPEX.

Jignesh Makwana: Okay. So now even for these XPS which is going to de-merge?

Vineet Agarwal: No, again the debt profile in that entity will remain, currently is at working capital essentially level only. But the CAPEX that we are doing will get covered by the free cash flows that it generates.

Jignesh Makwana: Okay. And are we planning to bring some strategic investment to the de-merge entity?

Vineet Agarwal: No, we are not.

Moderator: Thank you. The next question is from the line of Sachin Wagal, he is an Individual Investor. Please go ahead.

Sachin Wagal: So I would like to ask regarding this Rs. 7.5 crores that you talked about being loss on account of closure of businesses that you had. So can we have more details around that because this is something not heard of before.

Vineet Agarwal: Well you know in the last few calls as well as in the meetings we have highlighted that our global division was not doing too well and there were some losses which we have continuously booking in the last few financial years if you see balance sheets.

Sachin Wagal: Yes, but there were no explicitly mentioned in any of the notes of any of the quarters or even interest annual quarters so that is quite surprising if you are doing this which should have been highlighted that is what I believe you know it would have help being transparent.

Vineet Agarwal: Well if you see there are two subsidiaries that we had closed in the last quarter if you read to the notes. And once the losses were determined based on the closure and the liquidation of those subsidiaries generally the exact nature of those losses could have been determined and hence we have made those provisions, we have written that off in this financial year.

Sachin Wagal: One thing I would like to appreciate was that you have all invited in the individual investors to this particular concall so that is appreciated. One another thing it would be nice if you could publish this transcript of the call that has happened today.

Vineet Agarwal: Surely, we will consider that for sure. Thank you.

Sachin Wagal: Yes, the other thing I would like to know is how is that the new technology adoption that is happening? Is there a process set up by the company I mean what is it because there are a lot of new things happening in the business, right? So how is that being looked into?

Vineet Agarwal: Yes, so on a continuous basis we do keep evaluating new technology and keep looking at what are the ways that we can learn from our competitors or the new start-ups that are there in the ecosystems. So for us it is a continuous process we are not ignorant of the fact and if we can learn from them we think that it is a great opportunity and I think essentially that is being there and we always been at the forefront in terms of technology investments and we have been making substantial investments every year also on technology.

Moderator: Thank you. The next question is a follow-up from the line of Shalini Gupta from Quantum Securities. Please go ahead.

Shalini Gupta: I just to confirm did you mention that there is a top-line I mean that there is a guidance of a top-line growth of 10% to 12% and a similar growth for the bottom-line, this is for the whole company?

Vineet Agarwal: That is correct.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Sir, just follow-up on the freight rates, you mention that I mean we know the freight rates have gone higher, I mean for the cases of where there is contractual rate fixed with the customers. So what happens when the freight rates go add, do we see a margins squeeze in that time or I mean how do we see that?

Vineet Agarwal: So generally speaking most of our contracts have diesel price escalation clause and a de-escalation as well so, up to may be 5% or something like that depending upon the kind of contract whenever the prices go up we also pass that on when that increase is cumulative beyond that agreed term. So in many cases it is quite instantaneous if the diesel price hike happens today tomorrow the rates are increased. However, in some cases there might be a lag so let us say the diesel price hike happen on the Rs. 20-month we might get increase from the 1st of the next month and typically that also happens with the de-escalation also. So and as I said the freight rates are essentially linked a lot to diesel prices and some seasonal factors so we keep that in mind then.

Pratik Kumar: Okay. And sir, on your 10,000 trucks which you mentioned you mentioned 2,000 trucks to 3,000 trucks from vendors and rest on market spot rates. So these vendor trucks are on fixed prices or I mean what is the difference between these two segments?

Vineet Agarwal: Yes, the vendors are sometimes on fixed route basis fixed rate basis could be on per kilometer basis so it depends upon the sector, it depends upon the kind of cargo kind of truck.

Pratik Kumar: Okay. And sir, what will be your LTL mix now you mentioned that is growing as the proportion of total revenue in freight segment?

Vineet Agarwal: We do not share that number.

Pratik Kumar: Okay. So because basically the margin improvement which we have seen in this quarter is it related to that or is it related to freight rates or?

Vineet Agarwal: It is a combination of several factors, it is some movement towards less than truck load. Some improvement because of better freight rates in the market and some increase in volumes also has also helped.

Pratik Kumar: Okay. Sir, because one of our listed competitors as we would know we have been reporting flat growth in terms of volumes but you mentioned in your earlier comment that most of your the revenue growth which you have registered during this year 3% to 4% and freight division is primarily from volume growth and not by pricing. So is it due to mix shift from FTL to LTL which is helping you or in general you are gaining market share in the FTL segment because previous calls I remember that you used to mention that you are leaving out some of the volumes because they are low margin volumes and that is why you only want to participate in where you they are remunerative more.

Vineet Agarwal: So it is a faction of factors I think we still have a large percentage of FTL business unlike our competitors so any movement that happens on the economy side we get a direct benefit there as well. So that has happened as you know even the core growth the IIP numbers also better in the last few months so that has helped us directly from a volume perspective. It is not I do not think we are gaining additional market share, again we are cautious to do business only with clients that are essentially paying on time more importantly and credit is not going to get stuck. So that diligence happens and we keep looking out in that context. So based on some recovery there from certain clients we have some volumes have gone up. So we think as a whole volume grown for us in the organization.

Moderator: Thank you. The next question is from the line of Garima Mishra from Kotak Securities. Please go ahead.

Garima Mishra: You mentioned that you will be focusing on E-commerce as one of the segments within XPS, so could you tell you what proportion of XPS revenue has actually came from E-commerce in FY'16 and what is your expectation of growth from this particular segment going forward say in FY'17-FY'18?

Vineet Agarwal: So we do not share that number specifically and for us currently it is a still a small percentage of our business. But just to recount that for us E-commerce does not mean only the last mile business we also have to look at what happens in the first mile part. Let us say if you are moving cargo for a computer manufacturer to the warehouse of an E-retailer is that considered as E-commerce revenues? If so, then we are doing a lot more business. And then if you look at our supply chain businesses are doing warehousing and E-commerce fulfillment as well. So for us the entire chain of E-commerce includes the first mile, the warehousing, the fulfillment and then subsequently the last mile and even then after that the reverse logistics which might include brining some parts back or some items back as well as collection of payment. So overall it is still a small performance of the B2C part the delivery part is still a small percentage of the overall business.

Garima Mishra: Okay. And also mention that industry growth is slowing down, so is there some broad sense that you could give us of what growth was there last year same time and what growth has come down to say in the quarter gone by?

Vineet Agarwal: So I did not substantiate that, I think this is based on the report that we all read in the newspaper as well as some indication of some of our clients have given us but I cannot substantiate that by actual numbers. This is a sense that we are getting from the market.

Moderator: Thank you. The next question is from the line of Vaibhav Jain from Credit Suisse. Please go ahead.

Vaibhav Jain: My question is regarding your Mundra – Kochi line if you share some information on this in terms of the frequency of line and some bit of perspective and what is the benefit to the client in terms of cost of movement on per tonne kilometers basis. Basically trying to understand the rational from the clients' perspective whether it is time, whether it is cost or myself, would be a combination of both. So if you can share some bits on that?

Vineet Agarwal: So what happens is essentially as that typically as road is if I may just mention rail cost is half of road and coastal shipping of half of rail I think that is my understanding roughly on a thumb rule basis. So again very difficult to give us specific per tonnage basis differentiate rates because the pick-ups could be different locations, the type of cargo changes, or the delivery could be a different location so, if it is lighter cargo the rate is of course more because it is volumetric it is a heavier cargo and the rater is lesser and the distance also that it will cover. But has happened in that sector is that competition definitely increase as you are aware. Some of our competitors have added more ships in that sector in fact as you can see their numbers also not that great there. But what we feel is that this is a long-term business and there will be a demand for this and hopefully if the government looks at other financial incentives in the long-term we should be able to get further benefit. So as I mentioned the multi modal business will continue to grow and given our joint venture also with CONCOR that will be another flip that we have versus a lot of our competitors.

Vaibhav Jain: Right, sir. And sir, is it possible to share some numbers in terms of frequency of line and quantum of cargo that you are doing?

Vineet Agarwal: We do roughly 2.5 trips to 3 trips a month so that is about 10 days for per round trip voyage.

Moderator: Thank you. The next question is from the line of Abdul Karim from HDFC Securities. Please go ahead.

Abdul Karim: I want to know a brief idea and outlook about seaways division business. Recently some players in the industry and some of competitor has shown some hick ups in the industry. So please put some color on the same.

Vineet Agarwal: So this is specific to seaways business, right

Abdul Karim: Yes.

Vineet Agarwal: So I think it is a question of how much capacity you add at what time. I think one has to be cautious in the seaway coastal shipping so, one is clearly that we are focused entirely on the costal side. We are not doing any kind of international line or trade, etc., which gets affected by the ball tick index or other indices we are on the coast of India. The second is the timing of ships that you add to your system. We know the overall volumes in the financial year has been low so, we were also cautious in not adding too many vessels and further depressing the market. So I think it is a timing issue predominantly. Rest I cannot say what our competitor's strategy is.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference call to Mr. Ashish Tiwari for closing comments.

Ashish Tiwari: Thank you, Tanvi. I thank you to all of you for your time and joining this conference and so now, I think we should close down just, I will hand over to Vineet.

Vineet Agarwal: Thanks. So if you have any further questions please reach out of Ashish on his e-mail ID as most of you might have otherwise it is ashish.tiwari@tcil.com and we will post the investor presentation on our website by tomorrow and look forward interacting with you again in a month and half time. Thank you so much. Bye.

Moderator: Thank you. On behalf of Transport Corporation of India Limited, we conclude this conference call. Thank you for joining us and you may now disconnect your lines.