

“Transport Corporation of India Limited Q2 Investor Conference Call FY 2024”

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MANAGEMENT: **MR. VINEET AGARWAL – MANAGING DIRECTOR,**
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Simran: Good evening, ladies and gentlemen. I, Simran moderator for this conference call would like to extend my warm welcome to all of you for joining us today. Today, on behalf of the management, we have with us Mr. Vineet Agarwal, Managing Director and Mr. Ashish Tiwari, Group CFO. At this moment, all participants are in listen-only mode.

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.

Mr. Ashish Tiwari: Thankyou again, for joining this call. As usual, we will begin with the quarterly, in fact, half yearly update as well, and then followed by the question-and-answer session. Now I will invite Mr. Agarwal for the quarterly updates. Thank you.

Mr. Vineet Agarwal: Thank you Simran and thank you Ashish. It's a pleasure to be back again this quarter to talk about our quarterly results for Transport Corporation of India. We're just putting up the presentation. As we all know that the first half of the year is always a little weaker compared to the second half of the year, especially in the business of logistics. In our first quarter is typically when we see a lot of volumes that were in the Q4 of the previous year, it's much lesser. And in the second quarter, we see the impact of monsoons that is there also. So, that also reduces business to some extent. And that trend continues. And Q3, Q4 is definitely much, much better.

As we go forward, typically about 40 to 45% of our revenues come from the first half of the year. The only change in this particular slide here is that we've added Middle East. Our operations in UAE have just commenced. We've opened our office there. And the idea is to do cross-border trade between the UAE and India, especially when we are seeing a lot of our customers asking for those services in those countries in that area. Not much has changed from a driver's perspective on a quarter-on-quarter basis. The overall trends, the long-term trends around these specific areas are still robust. I think the other aspect that is really added on here now more so is the fact that now we have two war fronts that are active on the global, on the geopolitical scenario. And that creates a little bit more risk in the system, especially risks around fuel, as well as risks around certain supply chains that can get disrupted,

which, of course, we know that a lot of them were disrupted in the first, start of the first war between Ukraine and Russia. So, we are anticipating some of the disruptions in the Middle East. In the next three to six months, that would be visible also. But on the fuel side, our sense is that the government might not increase fuel prices or tinker with them to a great extent, given that there is the elections coming up in states in the next two months, and then, of course, the national elections.

So, it remains to be seen how things are. But if there is going to be any change in fuel prices, we think it will be possibly after January only. Your company is well-positioned in terms of the presence in all industrial segments with a massive range of services unique to our sector, and especially in the multimodal area. And of course, we are completely tech-enabled. These are some of the lists of services that we have across various, some of them are specific to verticals, whereas some of them are general in nature as well. But ultimately, the client gets a single window solution and is able to track everything through a single window and monitor everything through a single window.

So, using that as an example, we have a client solution for a footwear company where we were able to really work very closely with them to see how we can optimize first their processes. Starting with the warehouse itself, we were able to provide them infrastructure that was multi-level, multi-layer, and resulting in cost-saving, space-saving, as well as accommodating more of their products into the racks and bins. The number of SQs that we are handling are massive, as well as the throughput is also massive. And this is a complete omni-channel kind of an experience where there is an online version of sales that happen, and we process that online version as well, pick, pack, invoice, and ship it out.

So, this is something that would be unique in the industry, and we are hoping that these are some examples that we can use and take to other companies, and especially companies which have high SQ. Those, for them, these kinds of solutions are very valuable. Our network capabilities around multimodal have been increasing. The amount of containers that we've handled in this half of the year is about 15 percent, about more than 20 percent higher. And apart from that, we have the full rig movement has gone up substantially also from 900 rigs to about almost 1200 rigs in the first half of the year. The other infrastructure remains as is. Nothing has been added into that.

We have a presence across all industrial segments and economic activities wherever they're increasing, and including the new areas. For example, renewables. We do a lot of work in the solar segment. We do work for battery companies. We do work in infrastructure, of course, which are also directly connected with many of these sectors per se. So, we are active in almost all major segments except for the pure commodity kind of play where we know that the margin structure is much lower, value addition is much lower, and hence we tend to stay away from that. Technology is given, I think, in terms of both internally and externally, the way that we manage with our clients and with a high degree of cybersecurity also there.

In the quarter ended, the business was a little slow comparatively versus last year because maybe a little bit of a higher base, but also the delayed festival calendar with Diwali being much later in November, we saw that some stocking was delayed. However, we are seeing that the pickup has been there in the last few months, last month or so, and this continues. Currently, our borrowing also remains zero. Well, net zero. We do have a small amount of borrowing, about 70 odd crores, which is into trucks that has been more historical in nature. In terms of the freight business, again, no major impact or change in the quarter. On quarter basis, customer needs are the same.

They do continue to evolve with a demand for more of national players. Every time I meet our customers, they are asking for moving to more and more organized players like us, so that transition is also underway. The business is full truck load, less than truck load with a key account management system and control towers also available for clients. The business did not grow much actually, only it was very flat in terms of top line and the bottom line

contracted a little bit for the quarter. For the full half year, we are slightly negative as well. Essentially, we would contribute, we would mention that the margins are down because the volume growth did not happen.

I think there is some little bit of a sentiment change that we are sensing because of maybe the delayed festival season or because of some other factors related to perhaps incoming elections and so on that some amount of slowdown is being felt. Also, we are cautious of doing business with now with interest rates being very high. There are several companies who are delaying payments, so we are now cautious of ensuring that that does not happen and hence, we are reducing business with those kinds of clients. The move towards LTL business has started again. Last year, it was flat. We are seeing growth coming back there and we are seeing 100 basis point improvement in that business. I think that this is a temporary phenomena.

Typically, Q4, Q3, Q4 will pick up again and we should be able to reach our expectations in terms of both top line and bottom-line growth. Again, on the supply chain side, we are not seeing any kind of major changes on the dynamics of the industry. We do see some competition that has listed in the quarter. However, we also know that many of these, some of these companies are, most of the businesses are overseas and not in India. Our business continues to remain quite robust compared to our competitors in this space because we are again very, very conscious of our margin structure.

And sometimes, we might contribute, might sacrifice some amount of growth for that preservation of our margins. The business continues to be robust. Around 80% of it still comes from the auto-related sectors, including your earth-moving equipment companies and so on. We have seen a good growth in terms of a good pickup in the last few months from the two-wheeler segment. And we think in the next two, three months, some of this is also going to come back. Overall, the automotive sector being in a good space, we are seeing a good amount of growth on the top line as well as on the bottom line. The ROCE have also improved.

And when we are working with our clients, we are seeing that they are quite happy to contribute more and more towards multimodal services of ours. On the seaways side, if you go to the next slide, again, we have about 8,500 containers that we own and the six ships. The business, since we have had all the ships operational, the volume growth has come back. The profit growth has been muted. And we were expecting this to really normalize slowly. And that has started to happen. The bunker prices have gone up. However, the freight rates have not gone up as much. Sorry, just go back, Ashish. Sorry.

We would also like to mention here that we have signed to buy two ships from the Japanese shipyard. These are container vessels of total capacity about 14,600 deadweight tons. They are approximately going to cost us about 300 crores. And they should be ready by FY26, in the middle of FY26. However, we will also, we are keeping a lookout for second-hand ships as well. These are specific ships that we analysed and felt that we would need on certain sectors, especially the shorter sectors, because this is smaller ships. But they are definitely a lot more fuel efficient and as well as ready for the future, because these are multi-fuel vessels and with a life of 25 years.

The joint ventures are all stable. The Concor joint venture has had a marginal growth. And so has the cold chain businesses. Again, both are seeing good traction. In the cold chain business, we've invested into new trucks and augmented the fleet capacity, because we are seeing a lot of interesting trends towards more and more business opportunities. Our joint venture with Mitsui for the handling of logistics of Toyota has done quite well with almost a 50% jump in top line. On a console basis, for the half year, we've had a 6% growth on the top line and almost a 12-13% growth on the bottom line and about a 20% on a quarter-on-quarter basis on console level.

And at the standard level, about a 16.7% growth on the bottom line. Again, as I said, our guidance for the year is about 10-15% on the top line and 10-15% on the bottom line, which we think we should be able to achieve. We continue to have about close to 300 crores of cash available on our books. And I think some of these numbers are

quite self-explanatory. And nothing has changed from your dividend that was approved by the board of about 125% for the first half. That was in line with what was done last year as well. Our ESG goals are quite robust. We are very strongly working towards, moving towards multimodal as much as possible so that we're able to not only reduce our carbon emissions, but also our customers.

And hence, this growth towards multimodal is quite useful and helpful for our clients as well. Our partnership with IIM Bangalore for building a sustainable supply chain lab is also going quite well. In terms of outlook, the demand remains slightly moderated, but again, we should get to 10-15% in terms of top line, bottom line. The CAPEX targets have been revised. We looked at the ships, of course, as I updated that the 300 crores will be spent over a course of two years and not at one shot. So, the instalment that is due this year is what we've taken into our budget. Similarly, the expenditure on a rake that was planned for the end of this financial year is going to happen more towards next year.

So, that also we have reduced in terms of CAPEX as well as some other tweaking. So, we believe that we should be around 250 to 275 crores in terms of CAPEX. The actual cash CAPEX already done so far is about 115 crores. We are happy to take any questions. Thank you.

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

Mr. Alok Deora: Hi, good evening. So, this is Alok Deora from Motilal Oswal. So, thanks for the presentation and the insight. So, just had a few questions firstly on this new ship which we have, which we are looking to purchase. So, the first question is, is it coming in mid CY26 or FY26? Because in the press release today, it was I think mentioned FY26. But when we had announced this, it was around mid CY26.

Mr. Vineet Agarwal: Yeah, we don't have like the exact date so far, but the date is approximately, let's say, middle of the year, which could be, so let's assume August, September of FY26, 2026.

Mr. Alok Deora: So, it would be FY27 then?

Mr. Ashish Tiwari: I think one ship might be coming earlier. So, it would be falling in FY26. And the second ship may be later in 3-4 month.

Mr. Vineet Agarwal: One was in January and one was later.

Mr. Alok Deora: So, in FY26, there could be very negligible contribution from these new ones.

Mr. Vineet Agarwal: Correct.

Mr. Alok Deora: Got it. And so this Capex, which you have revised now, so you have now not factored in the second hand ship which you were looking to buy. I mean, that's like a very remote possibility now, at least for this financial year.

Mr. Vineet Agarwal: Yes, for this financial year, yes, that possibility is not going to happen. We will look out for the next financial year.

Mr. Alok Deora: So, if you could just provide some update, I mean, what is happening there? Because is it like now we have these two ships, so we might not even actively look at it or because we are already discussing with some potential sellers now and it could take some time, maybe a couple of quarters to materialize. What stage we are in

at this point of time for the new ships? Because the growth which could come in the seaways could be quite negligible till the new ships come in.

Mr. Vineet Agarwal: No, so what is going to essentially, the thing is that we have to keep a watch in terms of what's happening on the market also. Is the demand coming up to that much at that speed? What is the competitor doing in this space? And looking at all of those things, we are thinking that post elections next year is when might be a good time to really start looking at the second ship. So, I don't expect it in Q1 also of, I mean, not second ship, I meant a second-hand ship. We do definitely need to add more capacity. The timing of that capacity has to be seen both from a perspective of demand as well as from a perspective of the pricing that's still in the market.

We have not seen that the pricing has really come down too much that we can still warrant an increase to buy the ship. So, it's a strategy, it's a combined strategy that till we don't get a second-hand ship, we can at least go ahead and buy new ships, which will come later. And anyways, we will need that capacity then. But simultaneously also we are going to keep a lookout for a second-hand ship.

Mr. Alok Deora: Sure. Just a last question from my side. So, what's the capex for next year? Assuming we are not pencilling in the new ship or the second-hand ship purchase, just because based on the payment for these ships, which we have signed the agreement for, what's the capex for next year, total?

Mr. Vineet Agarwal: I don't have that figure right now, but I think it will be approximately the same amount as this year.

Mr. Alok Deora: Sure. And if the new ship comes, it could be increased by 100 crores also.

Mr. Vineet Agarwal: Perhaps, yeah.

Mr. Alok Deora: Sure. Thank you. I think I'll come back in the queue. Thank you so much, sir.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Mr. Krupa Shankar. Sir, please go ahead.

Mr. Krupa Shankar: Hi, sir. Good evening and thank you for the opportunity. Am I audible?

Mr. Vineet Agarwal: Yes.

Mr. Ashish Tiwari: Yeah, please go ahead.

Mr. Krupa Shankar: Thank you. Continuing on the sea-based segment, just wanted to understand, we need that, we do hear that there are new opportunities emerging from Myanmar with respect to import of pulses. And so, do you believe like the margins can expand further given that there is an availability of written cargo from different geography? And that was the first part of the question. And second thing is, with the fuel prices increasing, what is right now stopping freight rates from moving upwards?

Mr. Vineet Agarwal: Several factors clearly demand is one of them. If the demand is slightly lower, there is obviously going to be pressure on capacity utilization. And the second is, of course, competitive pressure. Sometimes when we see that international companies who are operating in different markets, they find the pricing coming down and they find that India pricing is decent, they might want to shift their ships here also. So, both of these things are there. And hence, we are not seeing that increase that should have happened as much as the fuel price, the bunker price increasing.

So, yeah, so it's an ongoing challenge. And again, some of it is also seasonality, I think, the Q2 is a little weaker. Always there's also monsoon. So, sometimes we have lesser voyages as well. So, but nevertheless, I think this is something that is being closely watched.

Mr. Krupa Shankar: Right. And with respect to incremental volumes coming in from Myanmar on pulses import, how do we see TCIL placed on that front?

Mr. Vineet Agarwal: Again, those, see, I think the time when we were making those shipments earlier from Myanmar, and now it's a big difference. Pricing is quite low there also. So, it helps us to make some money, but not as much extraordinary profits that we did a few quarters ago. So, yeah, so I think that will help us to preserve our margins, but not necessarily augment our margins.

Mr. Krupa Shankar: Got it. And the second aspect was on the supply chain business. Now, while you do see that, of course, autos are doing quite well, I think, with respect to warehousing, also with respect to what the case study you presented on footwear industry. So, just wanted to get a grip on whether, are you seeing, that number on a longer run, which is 80-20-80 being in favour of automotive sector, the revenue contribution, are you seeing that number coming down to, let's say, about 70 or 60 next three or five years? Or is there any goal which we have set with respect to the industry mix?

Mr. Vineet Agarwal: No, not necessarily. We don't have an industry benchmark, neither do we think that there is a definitive goal towards getting it to that lower number and that fast, which also could mean that you grow in other sectors at a much lower profitability. That is something that we would like to avoid. So, I think a few hundred basis points of decrease every year is something that we keep planning. But our success in the automobile sector specifically has actually worked in our favour and we have been able to get more business in that. So, I think, if you take a three-to-five-year perspective, I think moving from 80% to maybe at 73% to 75% is possibly the best bet.

Mr. Krupa Shankar: Thank you. I'll get back in the queue.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Mr. Yash. Sir, please go ahead.

Mr. Yash: Hi, sir. Good afternoon and thank you for taking my question. I'm Yash from Ithought. So, the first question is related to the Seaways. You mentioned about the new ships coming in FY26 and 27. So, how do we see the growth outlook in the Seaways division till that time period? And since now these are new ships and earlier, we were open and we are still looking to buy the second-hand ships. What is the payback period of the new ships versus if you buy a second-hand ship, if you could explain that? And I mean, what is the reason that we went for a new ship versus again going for a second-hand one? So, just trying to understand these two points.

Mr. Ashish Tiwari: Sorry. So, I will take the payback question. So, the new ship as per our calculation, moderately it would be 6 to 7 years and with the IR of 20-21%. For a second-hand ship, we have the same kind of payback, which is again 7 to 8 years and the similar 19 to 20% IR.

Mr. Yash: Got it. Got it.

Mr. Ashish Tiwari: And also, the new ship has a life of 30 years, which is the operational life as per the shipping regulations, while it has been depreciated in 25 years. So, that also have an impact on the IR.

Mr. Yash: Right. And the growth till FY26, that part of the question.

Mr. Vineet Agarwal: I think the growth will be a little flat depending upon the year. Some years we might have some dry docks that will come in and accordingly some ships will go out of service as well as some years we will see a good growth. So, I would basically look at it as a flat growth and essentially normalizing the EBITDA levels at about 25-30%. If we add a second-hand ship in the course of this next 2-3 years, we will see then an accretive growth in terms of both top line and margins.

Mr. Yash: Right. Right. The second question was related to the freight segment. So, the understanding was that with the mix shifting towards LTL, I mean, you said that 100 basis points have increased, the margins and subsequently the ROCE would improve further. And we have seen a margin decline on a year-on-year basis, even though we have had a flat top line. So, is it fair to assume that in the next 2-3 years as the mix improves, we can see ROCE crossing the FY23 mark?

Mr. Vineet Agarwal: Yes, absolutely. I think what has happened is that last year since there was a little bit of a shift to FTL business, we saw that the credit also increased because of that. And that credit meant that it translates into, I guess, lower ROCE since business did not grow at that pace. So, this is, I would say, maybe this year's phenomena. But yes, hopefully by the end of the financial year, we should be able to come back to the ROCE of the last year. If not, then at least above 25%. Are you on mute, Yash?

Mr. Yash: Yeah, sorry. So, can I go for one more question, if possible?

Mr. Ashish Tiwari: Yeah.

Mr. Yash: So, we've lowered the CAPEX guidance by about 100 crores and I think it's mainly because of this ship. And for the other investments that we have lowered, are we doing this because there are growth challenges for the current year and we're trying to cut the upfront investments and invest closer to revenue visibility? I mean, I'm just trying to understand the capital allocation mindset here.

Mr. Vineet Agarwal: No, well, it's more also to the fact that you have to find the right ship as we've been struggling to find the right ship. We've had teams that has gone all over the world, checked out ships as well as looked at pricing and we've not really found the right kind of ship at the right price. So, that is one. And the second is, of course, there is a global uncertainty and local market changes that are quite visible. So, that is having some impact on capital allocation, but not to that extent that we will have to, we have delayed it. It's more on the latter rather than more on the former reasons. So, that and then ultimately, we'll also have to transition our ships as per the new regime to the, with an age, there's a limitation on the age. So, we will have to invest into capacity as soon as we can. And by buying these two ships, we are guaranteeing that we will have capacity and what anything else that we are able to add in the next two, three years is also additional bonus for us.

Mr. Yash: Yeah, sure. Got it. Thank you and best of luck to the team.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you. The next question is from Mr. Divyansh. Sir, please go ahead.

Mr. Divyansh: In the freight business, my understanding was that, let's say 90-95% of the trucks are outsourced and we don't own any trucks or rather our own truck is very less. So, then even if demand goes down, why would the margins shrink given that we will not be carrying any trucks on our own boat?

Mr. Vineet Agarwal: Yeah. So, the margins shrink is shrunk because we don't necessarily, since we do not have trucks, but we do have other fixed costs, right? We do have people cost. We also have some infrastructure that exists, whether it is branch offices or hub centres and so on. So, there's a certain amount of fixed costs that of course keeps going up every year. So, that's why some of the margins shrunk and also FTL business typically has

lower margins. So, that has had an impact over the last few quarters and as we are transitioning back to LTL business more and more, we will see this margin coming back.

Mr. Divyansh: Got it. Got it. And just one more question on the AFTO. When can we expect the next rake?

Mr. Vineet Agarwal: I think Q1, Q2 of next year is what we are looking at.

Mr. Divyansh: Got it. That's it from my side. Thank you.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you. The next question is from Pinaki Banerjee. Please go ahead.

Mr. Banerjee: Good evening, sir. So, my name is Pinaki Banerjee calling from AUM Capital. So, just in your opening remarks, you said that your half yearly, this first half results are normally a bit laid down or people do may say will pick up in the second half. So, but comparing the previous two financial years, like this year, you have reported a half yearly growth figure of just 6%. But coming to FY23, compared to FY22, the growth was about 20%. And compared to H1, 22 to 8.21 was about 38%. So, one of the main reasons you might say that post COVID, the economy was opening up. So, there was a substantial growth, but from double digit to single digit. So, so what is the reason for this, this financial year?

Mr. Vineet Agarwal: So, both aspects, one is clearly what you said about the fact that we were emerging from COVID. And it was a low base effect that happened. And now we're having the higher base effect. And secondly, of course, is the fact that there is a little bit of a slowdown that I've mentioned. So, hence, the growth has come down. And third is, of course, quality growth. There is business available, but not necessarily of the best quality in terms of payments or in terms of margins. So, we don't necessarily want to grow that way.

Mr. Banerjee: So, coming like we say, we are facing three to four state elections at present, and then the big general elections. So, sir, actually, are you still confident of reporting 14 to 15% growth compared with all the projects which are in hand now at present?

Mr. Vineet Agarwal: Yeah, well, our guidance is 10 to 15%. I know it's a broad number, but it is something very difficult to predict also, how close we'll get to that. But I would think it's on the lower side of the teens rather than on the higher side of the teens. But Q3, Q4, typically, there is surely there is more business that is that comes out. And almost whether you look at the end of the calendar year in December, when MNCs are closing their books, and they are pushing sales and or in March, when Indian corporates are closing their books and they're pushing sales.

So, there is both times we see a tremendous thrust towards business. Yes, elections do have a dampening effect initially, but there's a trickledown effect of is what we believe comes in a few months that the amount of money that gets spent in elections comes down over the course of the next few months. There is a little bit of a slowdown, a slowing down, not slow down, but slowing down of infrastructure spend as well. But I think that is perhaps based on some of it is seasonality also because of a very disparate monsoon in different parts of the country. And secondly, is also because some places we've seen that government spending has come down a little bit.

Mr. Banerjee: Okay, sir, that's all from my end and all the best for your future.

Simran: Thank you, sir. The next question is from Mr. Subal Khanna. Please go ahead.

Mr. Srinivas: Yeah, hi, Vinit. This is Srinivas from Mirabilis. Yeah, just a few questions. Firstly, your clarification on the guidance that you've given of 10 to 15% profit growth. Is this on the standalone numbers or including all the JV income and other things? That's the first.

Mr. Vineet Agarwal: Ashish, it was on the...

Mr. Ashish Tiwari: It's a standalone basis.

Mr. Srinivas: So, whatever comes from the other JVs, transistor and all will be additional?

Mr. Ashish Tiwari: No, that would not additional because it's a growth number. So, that would be hovering with 10 to 15%. But yeah, might be from the JVs and other subsidies that the growth number would be higher or lesser. But overall, this is the number on the standalone basis.

Mr. Srinivas: Okay, got it. So, secondly, on this ship acquisition, we've had challenges acquiring ships for the last quite a few quarters from a long term. And now you've taken a decision to kind of induct ships by kind of through more of a new ship kind of thing. Now, when we look at planning for this over a 5–10-year period, then would it make sense to kind of keep ordering new ships than be dependent on the second-hand market? Because that has its own challenges. You would, of course, sometimes also get at good prices. But how do you think about the strategy itself of acquiring ships from a very long-term business plan?

Mr. Vineet Agarwal: Yeah, it's a great question, Srinivas. Actually, we have never bought ships like this. We never bought brand new ships. So, it's a brand-new experience for us. And I think committing to more ships beyond this right now will not be prudent till we don't experience the timelines, the way the delivery happens, and the whole experience around this. So, very difficult to commit to that from a long-term perspective, saying that we are going to keep buying ships, both second hand and as well as brand new. Ideally, that could be a good scenario. Or if, as you rightly said, the pricing is great, keep buying the second-hand ships. So, let's see how it goes. I think, I honestly don't have an answer to that yet. We have to still experience what's going to happen with this acquisition.

Mr. Srinivas: Okay. Yeah, the last question I have is on turn system. I didn't hear the initial part of the call. But maybe if you can give an update on that business specifically, because that's going great gun. So, what is happening there? And what is the outlook there from at least a near term perspective?

Mr. Vineet Agarwal: Transistor is a joint venture, handling the logistics of Toyota predominantly, and we work for Japanese OEM clients. And there the business has, as we know, Toyota has done, is been doing reasonably well. They also do work for Maruti as a cross badging. So, we've seen good growth there. And I think they're also talking about a third plant now, which was in the papers a few days ago. So, all of that is helping this business as well.

Mr. Srinivas: Okay, great. Thank you. That's all from me.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you sir. So, the next question is from Mr. Pratik Kothari. So, please go ahead.

Mr. Pratik Kothari: Hi, good afternoon. So, just one clarification on our sustainable margins in a Seaway business.

Mr. Vineet Agarwal: Yeah, sustainable. Ashish, go to that slide, please. Yeah, so EBITDA at 40 percent, I think 35, 30 percent is historical.

Mr. Ashish Tiwari: Yeah, so 25 to 30% EBITDAs were the historical EBITDAs. So, let's say it would be middle of these two numbers from 26, 27% are the normal margins.

Mr. Pratik Kothari: So, by this shift, I mean, I agree that two years back, we were seeing some exceptional gains, but I believe last year, our expectation was this new, this 35, 40 would be a sustainable number for us to maintain. And we have done that over the last many quarters. So, by this change from 35 to 25 now?

Mr. Vineet Agarwal: There's no change. It's just the historical numbers. I think if you take on the averages, then that's what it was previously. Now, because of those exceptional circumstances, we saw that they went up. Now, they should start coming down, is what we've been saying also. And one of the things that I'd mentioned at the start of the year is that we were looking at flattish growth in this business. And I think that is what we are sort of heading towards also. And some amount of decrease in margins, which is also what is being led to. So, yeah, so I think we're talking about a normalization and that could be between this 30-ish percent odd EBIDTA.

Mr. Pratik Kothari: Correct. Fair enough. And so, my second question, qualitatively, if you can speak about any new addition in terms of product, technology, service. So, we are trying to augment a lot of this to kind of replicate our past success and be an integral part of customer supply chain. So, anything more that we have been doing focusing on largely on our supply chain business and freight division?

Mr. Vineet Agarwal: I think technology is a big factor everywhere. We are doing a lot of work in this space, including we have a center of excellence for logistics, which we are doing digital transformation projects. We're building some models also in terms of how we can optimize certain aspects of our business. I talked the last time; I think we showed you dashboards also of what we are doing for our clients. It has been very well accepted. And in fact, we've presented it to many of our clients and they all are very keen to adopt it.

But the biggest challenge we still face with our clients is that none of them still want to integrate their ERPs, whether it is a feeling of cybersecurity risks or just the fact that they don't want to change the processes. No customer yet, barring very, very few, who have said that, please give us e-bills. They still continue to take those bills on via Pdf, but also take physical bills, also take physical PODs and process them and take their own time for processing them. So, those are still in a digital environment today. It is still very challenging and especially many of the large MNCs as well as large Indian corporates are themselves who are not doing all of these practices.

So, we keep working with them from a supplier perspective and I'm quite hopeful that we should be able to translate some of these into better processes for the ecosystem.

Mr. Pratik Kothari: Thank you and all the best, sir.

Mr. Vineet Agarwal: Thank you.

Simran: Thank you, sir. The next question is from Mr. Vikram Suryavanshi. Sir, please go ahead.

Mr. Vikram Suryavanshi: Yeah, sir, just update on this container, what would be the capacity in terms of TEU for each ship?

Mr. Ashish Tiwari: So, the container capacity, so we have running around 8,000.

Mr. Vikram Suryavanshi: I think the new ship. New ship, yeah.

Mr. Ashish Tiwari: New ship would be maybe some 300 to 350 containers capacity on a loaded basis. It might be depending on the volumetric weight as well.

Mr. Vikram Suryavanshi: Okay, so it's basically around 350 containers per ship.

Mr. Ashish Tiwari: Yeah, that's correct. 300 to 350 containers.

Mr. Vikram Suryavanshi: Got it. Yeah, thank you. I think that was.

Mr. Ashish Tiwari: Thank you.

Simran: Thank you, sir. The next question is from Mr. Anshul Agrawal. Sir, please go ahead.

Mr. Anshul Agrawal: Hi, thank you for the opportunity. Vineet ji, my question was on the freight division. Do you think the commissioning of DFC poses a structural headwind for our FTL business?

Mr. Vineet Agarwal: No, not entirely. I think a lot of the FTL business also moves on a door-to-door basis. So, door-to-door basis would mean that it has to go from one particular factory to the other factory directly. And there are, DFC is going to be operational on the western and the eastern corridors and not necessarily at the same time or completely yet. So, it's not a structural problem yet. Containers are anyways moving. The import EXIM and EXIM containers are moving on the rail anyways. And they'll continue to rely on the DFC, etc. Some shift will start happening more on the very terminal-to-terminal kind of businesses.

But I don't think it is going to dramatically start shifting the FTL business right now. For example, it also depends upon the product, I think. If the product is something that has a little bit of a sensitivity to obsolescence, then they tend to move faster and directly. The other thing is also road network is also improving simultaneously. So, we're talking about a Delhi-Mumbai highway the Honourable Minister keeps talking about it, which is supposedly going to take very, very less time. So, if you have to take a cargo from, let's say, Jammu to Mysore, the handoffs will be too many on a DFC. So, it might be better to take it directly also.

Mr. Anshul Agrawal: Got it. Got it. Very clear, sir. A follow-up on this. Would you be able to share the cargo profile that goes on our FTL business? Just broad classification would also help in terms of bulk commodities or certain sector exposures?

Mr. Vineet Agarwal: Yeah. So, I think the type of cargo that we work is engineering goods, some amount of FMCG, textiles, some chemicals. I mean, all kinds of products that have certain amount of value addition, pumps to tiles, to everything.

Mr. Anshul Agrawal: Great. Thank you so much.

Mr. Vineet Agarwal: Thanks.

Mr. Ashish Tiwari: Thank you.

Simran: Thank you, sir. There are no further questions. We can wait for a few minutes as the management suggests.

Mr. Ashish Tiwari: Yeah. Let's wait for a minute.

Simran: We have Mr. Divyansh back with us. Sir, please go ahead.

Mr. Divyansh: Hey, just one question on following up on the previous one. My understanding from previous discussions, what that is, as DFC expands, the opportunity for the supply chain solutions would increase. So, is it when, let's say you answered the previous question that was only specific to the freight division?

Mr. Vineet Agarwal: See, on the DFC is essentially meant for cargo. Now, moving auto rigs is also cargo. So, it would be useful for the supply chain business also to use the DFC clearly, because your trains are going to move faster with an AFTO license. So, yeah, so ultimately, all kinds of cargo is going to move on the DFC, whether it is container or non-container also. So, whichever business of ours is using rail, they will tend to benefit.

Mr. Divyansh: Got it. And just one question to, I think someone who asked earlier that our exposure to automobiles is right now 80 and given automobiles will move in a cyclical fashion. And therefore, our revenues, our business becomes too exposed to the automobile cycle. So, as a while we are trying to reduce it to 2 to 3% over a period of time, is there a call that we have taken that auto industry in India is too big and should not affect us? Or are we taking concerted efforts to reduce the exposure to the automobile sector?

Mr. Vineet Agarwal: Yeah, so several things. First is that we are quite diversified in the automotive space, not just from a, not four-wheeler, two-wheeler, three-wheeler, but also from the earth moving equipment, tractors, commercial vehicles, and so on. So, it's really not automobile, but also industrial kind of movement that is there. And we classify all of that into that segmentation. However, we can split that up and then you'll see that if you talk about four-wheeler, three-wheeler, two-wheeler will be much lower comparatively. So, that is an important aspect.

And so hence the cyclicity is lesser for us compared to maybe one or two of our competitors who are very dependent on four wheelers from their company itself. So, that's one. The second, of course, is the fact that 35 to 40% of India's manufacturing GDP comes from the auto sector. So, it is a big chunk of our business in the country of GDP, and hence our intention to remain focused on it.

Mr. Divyansh: Got it. Got it. That's it. Thank you.

Simran: Thank you, sir. We have Mr. Yash again with us. So, please go ahead.

Mr. Yash: Yeah. Thank you for the follow up. So, on the seaways side, last two years, we did about 235 crores EBITDA and with higher margins. So, is it fair to assume at least in the next near to medium term till the new ships come in, we are sort of guiding for a flattish growth and normalized margins. So, the ROCE would dip back to the pre-COVID levels, which is more around the 20% mark. And of course, that once one's capacity addition happens, and probably some margin improvement, then we go back again or improve again.

Mr. Vineet Agarwal: So, yeah, I mean, to some extent, we should see that happening, but not too much fall in the ROC. Also, I think the ROCE, the capital employed will keep coming down also, the ships are getting depreciated. There is hardly any working capital requirement there. So, from that perspective, it is good. So, I would think that yes, we will be able to keep up above 20% ROCE for sure, and ideally on the 25% range. I think one important point here is that and which I keep reiterating in the past also is that we are trying to build a business which goes beyond cycles. So, we have various divisions that are there that contribute at various points and are able to sort of, to some extent, beat the cycles, bring out a more consistent result.

So, we had, and this is very evident a few quarters ago when Seaways did exceptionally well, but our supply chain was not doing too well or other divisions were not doing too well. And now, consequently, we have seen supply chain doing better, or at one point, we saw Freight doing better. So, like this, the structure of the business is getting created that you are able to see more and more consistency in terms of our growth, especially on the margins profile, very unlike our competitors who are very, very, I would say, you can see the cyclicity more and more in their businesses.

Mr. Yash: Awesome, got it. Thank you.

Simran: Thank you sir. So, there are no further questions. Now I hand over the floor to Mr. Ashish Tiwari for closing comments.

Mr. Ashish Tiwari: Yeah, thank you Simran for moderating this call. And those who are new to this call, I understand and I believe that they would have got a fair understanding about the company. We would have answered all your questions. Most of you have my number and you can get to connect me for any other query which is still there, or

you can get my contact from the investor relations. Thank you so much for enjoying the call. See you again in the next call. Thank you.

Mr. Vineet Agarwal: Thanks. Thank you. Bye.