



**“Mahindra Logistics Limited
Q1 FY2022 Earnings Conference Call”**

July 28, 2021



MANAGEMENT:

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- Moderator:** Ladies and gentlemen, good day and welcome to the Q1 FY2022 earnings conference call of Mahindra Logistics Limited. 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, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now hand the conference over to Mr. Shogun Jain from Strategic Growth Advisors. Thank you and over to you Sir!
- Shogun Jain:** Thank you. Good evening everyone and thank you for joining us on Mahindra Logistics Limited Q1 FY2022 earnings conference call. We have with us Mr. Rampraveen Swaminathan, Managing Director and CEO, and Mr. Yogesh Patel, CFO of the company. I hope everyone got an opportunity to go through our financial results and investor presentation uploaded on company’s website and stock exchange. We will begin the call with opening remarks from the management following which we will have the forum open for Q&A session. Before we start, I would like to point out that some statements made in today’s call maybe forward looking in nature and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to invite Ram, MD and CEO of Mahindra Logistics Limited to give his opening remarks. Thank you and over to you Sir!
- Rampraveen S:** Thank you Shogun. Good evening everyone. I trust all of you and your dear ones and colleagues are well and keeping safe. I also hope each of you have had a chance to look at our results and the presentation, which has been uploaded on the stock exchanges and the company’s website. I will cover in my remarks today a quick update on the current industry scenario, end markets and how they are operating and our strategy going forward. We will also cover operational and financial performance for Q1 FY2022.
- Since the emergence of the pandemic, the logistics sector has been putting up a tough fight to keep the wheels running for businesses across the country. Over the last two years logistics as a sector has provided tremendous support for enterprises and communities helping them cope with the global health crisis and its impact and also acting as a competitive advantage for these enterprises. The COVID curve across the nation now seems to be in the declining phase and we seem to be entering in a more stable environment and it is expected to be sustained level of case count as in February and yet the challenges remain ahead of us as there are many warning bells of a potential third wave of COVID hitting our country. In this environment of shifting sands, it is kind of hard to perfectly predict how all our markets will work but let me provide a bit of a context about how we see end markets going forward. Now I will begin with the automotive side.
- On the Auto side, compared to last year lockdown was lesser as the ease of lockdown restrictions was there for the large part of the quarter. In June OEMs restarted operations and manufacturing in the factories and the auto sector wholesales rebound in Q1 FY2022 recording a growth of 113% when compared to the same quarter last year. Industrial experts are optimistic about revival in the industry and by looking at comparative numbers the actual health of the industry looks positive. There are challenges clearly as well. On the supply side there is a shortage of semiconductors and rising commodity prices which will eventually shift the bottom line of industry participants. This

may result an inflationary trend in vehicle prices, which could affect the overall consumer affordability factor and therefore may also likely hit demand in the coming months. Moreover, there is yet some level of pent up demand or carry over demand in the current numbers from previous months, which has to sort itself out. While there are areas of concerns, I think there are also areas of optimism, as we speak to our customers, many of the companies are implementing strategies to overcome the current environment and return to phase of growth. While the auto sector is managing through those changes, I think the longer-term trend remains positive with a likely come back on the overall economic scenario.

Moving on to the farm sector, the farm sector remains robust despite the ongoing challenges. Overall favorable conditions persist and we continue to see a good demand trend in the sector with all leading OEMs registering strong growth. New model addition by OEMs, increased adoption of mechanization and continued measures by the government to help the sector will provide further impetus to the market.

I will now comment on the e-commerce sector. Online shopping has now become a norm for people for some time giving them access to products from across the globe with a simple tap on their devices. Even before the COVID pandemic, the e-commerce market driven by increased internet users and competitive prices were showcasing a steady and continuous growth at over 20% per year. This growth of e-commerce is already pushing the entire supply chain to build better business models with great visibility and speed. Amid the rise of e-commerce and online shopping in the pandemic times the segment that has been propelled to newer heights is the electric vehicle segment driven by e-commerce or the last-mile delivery point as well as the need for switching to a more sustainable future. Electrification of the last mile is poised to be a significant part of the future of logistics. The e-commerce boom during the pandemic coupled with the rising concern about greenhouse gas emissions is now gradually causing a shift from diesel delivery vehicles towards alternative fuel sources. As such electrification of the last mile is now gaining traction as a viable alternative that is sustainable in the long run and is also in line with our and our customers environmental measures. The consumer sector as a whole including FMCG, durables, and clientele had seen a mixed quarter. While the impact on the supply chain was limited during the second wave when compared to last year, demand from the rural India did take some hit. The consumer industry has been on its way to tackle the supply chain threats and product proliferations, increased global competition, evolving regulations, etc. To deliver differential products at the cost and service levels that consumers expect supply chains have to become more efficient and resilient because rising focus on technical innovation as well as change in consumer preferences, the need for integrated supply management is more important than ever before.

Let me wrap up the market updates with a few comments on our enterprise mobility market. The enterprise mobility segment continues to remain muted and impacted severely by second wave as companies continue to adopt work from home patterns. With that said we have started to see some green shoots in the market and increased vaccination drive happening across corporates is starting to result in more employees coming to work on an interim basis if not a permanent basis. The enterprise mobility business opportunity remains strong and we believe it has good growth prospects given the cost disadvantages of personal mobility and the operating challenges of public

mobility in India and we continue to remain optimistic about the business segment from a long term perspective.

Let me now move on to the financial performance for the quarter ended 30 June 2021. Revenue for Q1 FY2022 increased to Rs.873 Crores from Rs.410 Crores during the same period last year up by 113%. Revenue on sequential quarter-on-quarter basis was down by 10% primarily driven by some seasonal adjustments we see every year as well as the wider impact of the wave two of the pandemic. Revenue from the supply chain segment contributed 96% and the enterprise mobility contributed 4% of our total revenues in the quarter just gone by. Our gross margins for Q1 FY2022 stood at 10.6% compared to 9.7% in Q1 FY2021 an increase of 87 basis points on a year-on-year basis. Our gross margins have remained stable even in these challenging times despite the severe volatility, which we have continued to witness. EBITDA for the quarter stood at Rs.47 Crores as compared to Rs.1 Crores in Q1 FY2021 and Rs.51 Crores in Q4 FY2021. On a sequential basis EBITDA declined by 8% largely again driven by the drop in volume. Adjusted EBITDA adjusting for ESOP and RSU charges stood at Rs.49 Crores in Q1 FY2022. Overall PBT was up 154% to Rs.12.2 Crores in Q1 FY2022 and PAT stood at Rs.9.1 Crores for the Q1 of FY2022. PAT margins for the quarter were 1%. PAT adjusted from the RSU charge was Rs.10.3 Crores for the quarter. Proportion of revenue from the Mahindra Group comprised 52% as compared to 50% in the same quarter of the previous year.

Segmental results revenue from supply chain segment grew from Rs.392.6 Crores to Rs.840.1 Crores in the quarter. The enterprise mobility segment stood at Rs.33.3 Crores for the quarter just gone by. Our SCM revenue has seen uptick driven by the overall market dynamics compared to the same quarter last year and by growing demand in e-commerce and consumer verticals.

Our revenue from the Mahindra Group supply chain grew from Rs.172 Crores in Q1 FY2021 to Rs.440 Crores in Q1 FY2022 driven just by comparable lockdown period between last year and this year. Our non-M&M SCM business grew from Rs.221 Crores in Q1 FY2021 to Rs.400 Crores for the similar quarter this year whereas it saw a decline of Rs.38 Crores from Q4 FY2021. During the quarter we witnessed decline in volume as there was restriction in movement of nonessential goods for the substantial part of the first two months of the quarter. We have seen a strong recovery in the month of June driven partially by underlying trends and some pent-up demand and we continue to be optimistic about coming quarters.

Our warehousing and value-added services for the non-M&M SCM business, which is a big part of our focus has grown from Rs.85 Crores in Q1 FY2021 to Rs.117 Crores in Q1 FY2022 a growth of 39%. Our overall share of warehousing and value added services in non-M&M SCM segment stands at 29% for the quarter gone by. Our revenues from warehousing and value added services were also impacted by the lockdown period, as expected volume throughputs for those warehouses came down given the regional lockdowns. Our people remained our greatest asset. During the last quarter we launched a family assistance program for families impacted by the pandemic. We continue to accelerate our vaccination efforts and over 12,000 employees of MLL and our partners have now completed their first round of vaccination. We remain committed to further vaccination initiatives in the coming quarter.

Before I open up for comment let me just briefly talk about progress on strategy execution.

- Our first strategic platform is expanding services; we continue to see strong growth in freight forwarding business despite the other challenges in other segments, the freight forwarding business continues to show good traction driven by launch of new services such as charters and expansion of accounts. Our export business grew by about 20% and ensured solid growth and our electric last mile cargo business which is 'EDel' continues to see strong quarter.
- Our second strategic platform is integrated solutions. We continue to design and deliver integrated solutions to our customers across different markets and different end customer segments. We have now launched an internal program to drive a significant front end transformation, our focus is how we design and deliver solutions to our customers. Now on operational excellence we have contracted additional warehousing capacity, which will be implemented through Q1 of next year. During the quarter we started commissioning several new multiuser facilities or BTS. This included starting commissioning of our first block of 1.5 million square feet of warehousing space in the new facility in the NCR region, 200,000 square feet of phase one of a new BTS in Hyderabad, 100,000 square feet in Zaheerabad, 2,60,000 lakh square feet in Chakan, another 3,00,000 square feet in Bhiwandi. All these sites have been in commissioning through the quarter and we will see full financial of that in the coming quarters.
- We also continue to invest in technology and automation innovations. During the quarter we implemented new technology platform for our freight forwarding business, right now through those integration and deployment of our core enterprise systems for finance and reach out to our subsidiary.

As we look forward I remain pretty optimistic about the environment despite the challenges with impending wave three, the company is invested in ensuring a high level of preparedness to support our customers and communities in general and we remain optimistic about a strong outlook as we continue to accelerate the execution of our strategy in the coming quarters. With this I shall open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Ladies and gentleman, we will wait for a moment while the question queue assembles. We have the first question is from the line of Deepesh from Equirus. Please go ahead.

Deepesh: Thanks for taking my questions. Sir in your annual report it is mentioned that you will be adding 4 million square feet of warehousing space over the next few months and the objective is to add 20 million square feet over the next six months so just wanted your thoughts on the same because these numbers are significantly higher than your usual that is 2 million square feet addition every year?

Rampraveen S: So Deepesh that is the only question or do you have any other questions?

- Deepesh:** The other thing I wanted to ask was as your freight forwarding business is doing very well but if you can just talk about the B2B express business what is the contribution right now and what is the growth expectation of the same?
- Rampraveen S:** As stated in the annual report in the Chairman's address we have contracted 4 million square feet of built-to-suit or multi-user facilities, which we started commissioning partially in the Q1 already and I talked about some of those Deepesh and will go through the Q1 of next year. These projects are all large built multi-user facilities, which typically each of them is at least 3 lakh square feet and above. We are building a complex with multiple boxes, near the NCR region and we are in the process of commissioning the first half a million square feet of that. Further expansions are underway already in Hyderabad. Construction is in the advanced stages in Hyderabad, Bhiwandi, and Chakan in Pune. We have further capacity coming up in the Northeast, in the Eastern part of India and further additions in the Western regions. So yes, we should really expect subject to how the pandemic impact moves, subject to a little bit of commodity cost trend to complete commissioning of these facilities through the Q1 of next year. As of now we have a strong outlook in terms of demand and do not expect any significant white space in those facilities. As regard to comment of 20 million square feet, I think those are future looking and are directional in nature and those are driven by a broader vision to reach a revenue of Rs.10,000 Crores and we believe that to accomplish that, we will have to add over the next few years probably around 18 to 20 million square feet of warehousing capacity. Both of these of course represent the significant uptick from our historical trend lines between 1.5 and 2 million square feet, but we must then in context the warehousing capacity is not something which we roll every quarter and I mentioned this in my last quarter as far as capacity comes and goes so it is not a linear line but we are confident about building or commissioning that much of infrastructure and rolling those out. All our newer facilities are world class by design, they are sustainable, they are ideally IGBC or classic or gold certified with focus on sustainability and configurations and so on. As far as your other questions on the express business as you know essentially run a PTL/time defined express business of our own and this business largely operates for our enterprise customers while we operates small packages we do not operate with retail customers, we largely work with larger corporate customers for all of our enterprise portfolio. For Express revenues I will have to get back to the exact number and if you can allow us, Yogesh or SGA will respond to the specific number, but that business grew by 45% last financial year and showed strong 25% to 30% below in the Q1 of this year as well.
- Deepesh:** Great Sir. Just a followup on the first part. In the last quarter you talked about 2 million square feet of addition for the Bajaj Electricals contract right, so this 4 million square feet includes that number or it is above that only?
- Rampraveen S:** It is a mixed bag. It is hard for me to pull out an exact thing. I do not remember exactly the specific Bajaj number but the network which we deploy in terms of fulfillment centers for Bajaj or any other customers is divided into two parts, bespoke facility which we set up for our customers and a shared facility which is in multi-tenant. So, there is an overlap between what we have given as guidance of the potential demand for the BEL and networks we are creating for them versus the rest of our networks. At this stage I do not have an exact number on what the overlap is but not all of it is within the 4 million, but not of all it is incremental, its somewhere in between.

- Deepesh:** Got it Sir and lastly any change in timelines for the Bajaj Electricals because last time you said it will begin in the second half of this year?
- Rampraveen S:** We are still on track; we expect to see broader revenue impact from the Q3 of this year.
- Deepesh:** Great Sir. Thank you and all the beset.
- Moderator:** Thank you. We have the next question from the line of Praveen Kumar from Acuitas Capital Advisors. Please go ahead.
- Praveen Kumar:** I had a couple of questions. The first one was on your segmental disclosure in particular we were looking at the unallocable expenditure as a proportion of the revenue, when we look at that, that was around 4.4% to 4.5% in 2018 and 2019 financial years but currently it is in the range of 5.5% to 5.8% right so what I wanted to understand was where do you see this unallocable expenditure as percentage of revenue settling in the medium to long term and also if you can throw some light on where do you expect your consolidated EBIT margins to settle down?
- Rampraveen S:** Yogesh can you take the first question of unallocable expenses and the underlying trend line?
- Yogesh Patel:** If you see the expenses which are unallocable in segmental one are basically the corporate or common overheads what would be in an organization that includes the digital or tech piece which we have invested as well over the years. Now for this particular portion, you are right in a year which were normal years, the last two years though have been in a way impacted by economic cycle/pandemic spread, so normalized number was in the range of 4.5% of a full blown year and our endeavour was definitely that number would not in absolute terms do not grow in the same percentage as the company grows, thus it means as a percentage it would come down. So it should be in a good, normalized period as you said in a medium to long term trend back to that 4% to 4.5% percentage rate.
- Praveen Kumar:** Could you give us any sense on the result and consolidated EBIT margins in the steady state medium to long term?
- Yogesh Patel:** What we have called out again from that perspective is that our endeavor is to improve profitability for our organization and we kind of explained the levers we are using in terms of the entire business mix itself and then even driving those operating levers on various service lines including transportation, value added services and solutions pieces. Each of them have a track of measuring, running those guidance to improve the profitability percentage per se and added to that coupled with it your answer to the earlier question also in terms of profitability or overhead as a percentage of revenue will also go onto augment EBITDA percentage and combined results of these will be towards improving the margin percentage per se. If you recall three or four years back or three years back post listing we kind of said that we would definitely endeavor on a cumulative basis at least 40 to 50 basis points improvement in our profitability so once normal environment would be there that is the endeavor to drive and do and in fact in the year FY2019 and FY2020 the same percentage was delivered also if you would see our numbers.

- Praveen Kumar:** Okay thanks that is helpful. I had another question on the warehousing revenue growth. Again if I look at your stated goal of vision of Rs.10,000 Crores revenue over the next five years and the warehousing contributing about 30% of that, but that is not stated goal, if I work out the numbers that implies a kind of 30% to 35% revenue CAGR over the next five years right in terms of warehousing so I was trying to look at it in terms of the various components of that revenue growth so if I look at it, if I broadly break it up into warehousing space and management growth, rental increase and then value added services. If I look at the individual components rental increase probably in the past it has been in the range of around 4% CAGR so the remaining bulk of the weight needs to be coming from warehousing space and the management and from value added services growth so could you throw some light on these two parameters?
- Rampraveen S:** Praveen I think you are right and all I will just say in the interest of time is that, the focus towards solutions and value added services is important because there are two basic drivers to this, one obviously is expanding footprint and the second one is expanding the quality of service, the revenue margins and only those will happen driven by this move towards integrated solutions, so that is the big lever, which will drive that growth.
- Praveen Kumar:** You are confident of sticking to that stated goal as of now?
- Rampraveen S:** What we said is that if we shift, given our vision of Rs.10000 Crores warehousing space solutions and services should roughly be in the range of 30% that is not just purely warehousing that is add on services, last mile transportation, etc., sometimes which gets bundled within that and yes, we believe that those two go hand in hand, vision of Rs.10000 Crores and the Rs.3000 Crores number.
- Moderator:** Thank you. We have the next question from the line of Krupashankar NJ from Spark Capital. Please go ahead.
- Krupashankar NJ:** I had one question relating to the revenue per square feet on the warehousing side we could clearly see that in the current quarter the revenue per square feet has some downturn on a sequential basis is there any specific reason?
- Rampraveen S:** No specific reason. I think as I mentioned earlier, we have lesser throughput going through warehouses in April and May given the overall environment and that essentially meant that on a sequential quarter basis there is a mild reduction. We also need to bear that while we added some capacity in the quarter, lot of the capacities was towards are still awaited and therefore it was not monetizable through the quarter. So if you take the Rs.156 Crores and you divide it by 18.3 million and you take last quarter's number and you divide it by 17.7 there will be a difference but those two factors the way you count footprint and just lower volumes due to the regional lockdowns.
- Krupashankar NJ:** In terms of the warehousing capacities, I just wanted to also confirm on the e-commerce side, are you seeing a good proportion of flex warehousing is also getting added over the next three to six months for the e-commerce side and that is not included as a part of what we had stated earlier?

- Rampraveen S:** We do expect that we able to do some, I cannot call the exact number but yes, we do expect to basically have flex capacity solutions to our customers this year as well. It is slightly flatter I think peaks are getting flattened as the company has managed to deploy supply chain structure better and obviously this year's pent-up demand is a little bit lesser but from a net-net perspective we expect to be doing reasonably similar or reasonable levels of temp solutions for customers this year as well.
- Krupashankar NJ:** Just one last question from my side is on the new clientele addition, any light you can throw on that because traditionally you used to give new clients or new orders what is it any you can handle it from there?
- Rampraveen S:** We saw continued acceleration from order intake perspective this quarter as well what I would say is in this quarter a lot more order intake was from existing clients. The pipeline has been very healthy but we really see our conversion on the pipeline given how April and May turned out. I think a lot of people going back to the drawing boards and therefore a little bit of a slowdown in closure activity in April and May. We did see some demand but not many large accounts mostly on kind of B2C or kind of customers who have no physical time to build out digital fulfillment capabilities but barring that most of the business is actually from existing customers and that is the reason why there is no real call out or mentioned in comments.
- Moderator:** Thank you. We have the next question from the line of Anmol Grover from Albatross Capital. Please go ahead.
- Anmol Grover:** My question is actually I have just seek your clarification that there has been a news article saying that Meru Cab is being acquired by Mahindra Logistics so if you could clear the air on that, that would be very helpful because I do not think this has been the best interest of the investors to have a loss making of Meru Cabs with logistics?
- Rampraveen S:** Anmol any other questions I will obviously throw light on this as well.
- Anmol Grover:** I do not have any other question.
- Rampraveen S:** So, let me calibrate there are two parts to this one I think what are we trying to do with this mobility business and the second one specifically was on the news article as a matter of policy we do not comment on speculation and that means it is purely speculated so at this point I have no specific comment on that. What I think is more relevant in my view is to look at say what do we look at on the mobility business going forward. On the enterprise mobility side it will be a couple of years probably FY2023 to FY2024 before the market actually recovers to the historical levels on the enterprise side. Work from home is the reality and even a few of the employees come in like given the possible emergence of hybrid work models right it will be that window before you can actually come back to the traditional enterprise mobility segments which we serve. So, our focus right now has been around how do we actually look at growing revenue streams and if you look at growing revenue streams in that business the focus really is on saying how do I build revenue streams, get supply and operating synergy benefit so we can actually see better pull through accretive earnings

and we continue to look at those. In the last couple of quarters, I am sure you have noted in our transcripts we talked about some pilots have been on B2B and B2C and pilots have been doing an on call services and outstation rentals. All attempts to create additional revenue streams from an existing, partner fleet supply model. So that endeavor will continue and that remains a very high priority for us in the mobility business and if you find opportunities around that we will obviously look at those more closely. Now additionally what I will say is that any business which we invest in or any new initiative we invest in is something, which we invest in a very high level of governance around long term returns. So, I will take on board your concerns or your comment broadly, but I will just see this as a broad comment about newspaper article or your thought in terms of future actions we do but I would assure you that with the high level of governance in board, anything which we do is carrying investment but inevitably built around strong return profile right from a long term perspective.

Moderator: Thank you. We have the next question from the line of Manish Goyal from Enam Holdings. Please go ahead.

Manish Goyal: In the opening remarks you had mentioned about warehouses which you are planning to kind of activate over a period of next one year so would it be possible to restate the locations and the sizes which you were mentioning?

Rampraveen S: Sure Manish. I already mentioned earlier to the Deepesh's question I guess but we are looking at contracting of the built to suit 4 million square feet over the next 15 months. What we are right now of stage 2 starting commissioning of several of those warehouses and specifically the ones that I talked about I think in my comments. Firstly, was one new facility in Bhiwandi, which is roughly 3 lakh square feet, a facility in Chakan, a new BTS in Chakan, which goes live in next quarter or this quarter which is roughly 2,60,000 square feet, a new facility in Zaheerabad which is a smaller BTS. We have also started commissioning first phase of a new BTS in Hyderabad which is nearly 4 lakh square feet when it is all done and we have started commissioning half a million square feet of a larger complex near the NCR region.

Manish Goyal: So ideally like once you start how much time does it take to kind of reach optimal utilization?

Rampraveen S: So the way it works for us at least and do not take this, there are risks which we take on white space but by and large it takes us roughly two to three months for us to commission a facility. So that is when we actually take over the facility, put all racks in, put in all the infrastructure in to our spec and design, etc. Typically at the end of the three months it is a monetizable contract and at the end of the three months a monetizable contract exists. So put it another way out of this capacity, which I talked about, which is roughly 1.2 million square feet, which is right now in the commissioning phases, there is very little white space or unsold capacity in that ;they will basically have the underlying customer contracts to affirm and operable on majority of those.

Manish Goyal: Wonderful and in terms of availability like you did mention you have contracted 4 million but on parallelly do you also have visibility in terms of availability of high quality warehouses and in terms of space available?

- Rampraveen S:** Our real estate team works with two large partners to continuously look at what the market has in terms of facilities especially in target geographies of our region and within those regions also in terms of specific micro markets are quite interesting for us. For example, in Mumbai-Bhiwandi is very different from Navi Mumbai but they are technically in Mumbai so at least continuously looking at that what I would say is that short cycle availability of high quality space is limited and a lot of our source actually is towards building BTSs from a designed stage that is driven by not just the availability of space but also specs we are looking at Manish. So the specs we are looking at today are large, they are all IGBC approved or LEED certified with a high focus on energy and sustainability in line with IGST codes and so lot of that kind of facilities is not available right of the task, but for the positive is that when entire phase allows to actually secure demand network because for the entire construction phase we are normally securing demand and that is why there is a lesser white space.
- Manish Goyal:** Last question in your open remarks you did mention about overall M&M revenue is at 53% is it right?
- Rampraveen S:** For the quarter I think if I am not wrong. I do not have my comments in front of me right now, but I think it was in the range of 52%.
- Manish Goyal:** Because supply chain management is 52.3% so I was just wondering for enterprise mobility do we have any revenues from Mahindra anchor customer?
- Rampraveen S:** Historically we have some revenues from the technology services parts of the group but those really have come down substantially and they are very marginal now given the overall mobility.
- Manish Goyal:** Okay fine. Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Vikram Vilas Suryavanshi from Phillip Capital. Please go ahead.
- Vikram V Suryavanshi:** Sir if we look at the last four years we had very good improvement in working capital so how is the situation particularly on receivables side and how is cash position now if you can share that? and the second thing we continue to see good traction in e-commerce and consumer but if we expand that kind of challenges for similar growth in other segments particularly in engineering or retail or any other domain, how is that growth setting up in the different segments and as a company will it be profitable to few select domains to leverage more network or the kind of assets we have or we are flexible enough to diversify into different trends of industry if you can comment on that?. Third question was about this attribution of electric vehicles what we were planning last quarter how is that ramping up?
- Rampraveen S:** Let me take the last two first Vikram and then I will hand it over to Yogesh to comment on our working capital and cash reserves situation though you did find comment in my opening remarks. I think e-commerce and consumer vertical are seeing positive traction on headline perspective. We did have planned acquisition in the auto engineering space as well, those have been clouded

obviously by the overall economic environment the demand environment in that space Vikram and as we start seeing broader economics and we are in demand challenge in the auto segment in FY2019 and FY2020 as you would remember very well and then of course COVID coming in the back of that and now supply chain crisis in that segment hit our market, but on underlying basis we have had no customer attrition. In the past I have addressed our focus, which is really on discrete manufacturing especially outside pure auto, engineering side as an important area for doing account acquisitions and the other one is comps, auto component company and we have continued to do additions in that space though they have not materially showed up in the numbers. They are able to accept the decline of the overall sector as a whole of headwind. From a strategic focus perspective we think the choice is not about market the choice is about value addition so I think across the businesses what we have focused on is saying how do we create and compelling value proposition instead of just searching for revenue. In the last couple of years as we have done that a little bit more, we do that more periodically but as we have done that we have actually defocused from some segments as well and enhanced our focus in some others and that remains our sense of guidance philosophy to look at markets where you can create, choose your markets based on creating compelling value propositions, which are accretive to customers, communities and shareholders as well so that remains a focus. The electric vehicle business is making good traction, obviously some registrations and fleet deployment were slowed down in this quarter given the overall situation, some states are still being worked on in terms of local registrations, there is a good change in pan to subsidies and so on so the moving parts in the quarter but broad direction remains extremely consistent and we are very focused on driving the ESG sustainability agenda the way we do business. With that Vikram I will hand it over to Yogesh to provide some color on the working capital side.

Yogesh Patel:

Vikram from a working capital perspective you would have noticed that last year we did drive a significant progress in collecting those refunds on taxes, which had kind of locked some part of our working capital, which if I look at year-on-year basis it would have reduced my working capital blockage by three days. In addition, we did manage our DSO to DPO delta spans, so overall our working capital would be in similar number of days, what we would have seen a certain amount of value shortage would have been by just the denominator effect. If I were to tell you in terms of cash bank balance status just to get you an understanding of it when we started the quarter we had about Rs.253 Crores of surplus cash we almost retained all of it and probably it was negative Rs.2 Crores for the quarter after funding for the capex, which we did in the quarter.

Vikram Suryavanshi:

Got it Sir. Thank you very much.

Moderator:

Thank you. We have the next question from the line of Niranjana Sakhalkar from Acuitas Capital Advisors. Please go ahead.

Niranjana Sakhalkar:

I have a couple of questions. The first one will be what impact would you see on warehousing margins assuming e-commerce contribution goes up assuming that the scope for value added services in e-commerce is significantly low compared to other segments like auto, that is question number one, question number two would be how would you benchmark your technology against

the charters like say Delhivery or Rivigo and maybe what else do you have over them, specifically in e-commerce segment?

Rampraveen S:

As far as warehousing in e-commerce and its impact is concerned I think you have two broad kinds of warehousing solutions and services in e-commerce. The first one is more of a service type it is really storage based system, storage based services is just basically doing inventory differentiation down the value chain. The second one is more complex things like returns, processing, sortation facilities, and fulfillment facilities where you are picking, packing and profits in items. As you pointed out the margin profile of pure storage systems is already notwithstanding end market it is. It is always lower than the demand of margin profiles or processing based solution. Now in e-commerce the density of processing based solutions is actually a little bit higher than more conventional markets like auto where there are things like high density storage systems and so on, but inherently they tend to be storage and of course there is some value added things there like knitting, value added packing, pick and direct online shipment and so on but intensity of fulfillment and sortation is actually higher in e-commerce. So broadly I think if we asked to focus is actually on those more value added areas which are like grocery in terms of processing, sortation and so on, so at a headline level I do not see an unfavorable impact of margins right given broad e-commerce growth so that is just one data point. The second one which you had on technology differentiation of us versus startups. So I think if you look at the startup ecosystem or new age companies they are different ways you could use. There are two kinds of companies one I think are companies, which are single service company they just do last mile delivery or they just do line haul and they use technology or in some cases automation or IOT, etc., to enable that and the focus there is how do you run the network optimally and more efficiently right we will leverage that. The second group, it is a smaller group of companies where people actually provide integrated solutions, which are really broad end-to-end fulfillment and those companies will essentially have to have technology staffs for different services coupled together in some form. Now at Mahindra Logistics we actually are focused on creating an integrated tech player. What that means is that we have individual tech staff for specific service lines so we have a TMS for transport management for line haul. We have a TMS and in the network management systems for our export business, we have a network optimization platform for our electric vehicle fleet, we have warehouse management systems for traditional WMS as well as fulfillment models and we have integration layer across all of these which allows you to drive visualization and analytics across all those stacks and also drive optimization across those stacks so that is kind of our vision for our technology. When you look at our technology, we do not look at technology as a tech company but actually as a tech integrator. So a lot of our technologies actually partner sourced and partner evolved and we really drive integration across those the stacks, deleveraging our partners' capabilities instead of being trying to do all in-house ourselves. So as an example, this quarter for our freight forwarding business we went live with cargo wise which is the world's premium freight forwarding platform right and that covers CRM, customer service, track and trails, integration liners and so on and that individual service line integrates with other service lines provides our ability to drive tech perspective across the entire supply chain right so that is our focus on it. It is a bit different from probably some of the new age companies, which I just referenced today but of course pure tech

based new age companies, aggregators like BlackBuck or Locus which are either aggregator platforms or are providing technology to other companies. I hope that clarifies.

Moderator: Thank you. We have the next question from the line of Mandar Pawar from Kotak Mutual Fund. Please go ahead.

Mandar Pawar: Sir my question is related to auto verticals in the two wheeler space specifically we are looking at some entry of new players in electric and we are talking about differentiated distribution model by pressing the dealership, etc., so from logistic players perspective what does it mean in terms of the potential new business opportunities because from the OEM perspective, whether that budget meant for the distribution more from the dealers to the logistic services providers is that a business opportunity to capture, if so are we present in this kind of opportunity and if let us say this kind of a model works where the deliveries are direct to the customers because I believe the warehousing and the transportation need 1,000 vehicles or per million vehicles would be more in terms of revenue will it remain that it will be a bigger opportunity?

Rampraveen S: Any other questions where we can take it together?

Mandar Pawar: No that is it. Thanks.

Rampraveen S: It is a great question and I think that at this stage that the entire space of two wheeler EV is evolving. There is a huge amount of energy and action with OLA, and of course TVS, Bajaj now with the new Chetak, etc., so lot of action in that space. There are two ways to look at it right. I think in terms of a long term we did the long term future because there are multiple possibilities right and those are still evolving and a lot of companies in wide boarding and see how they differentiate the service for customers and how we can leverage supply chain design for that. That is in the short term volumes are still very small and therefore the larger focus in the short term if we are able to provide them a more conventional service I think it will be probably offer smaller order quantities because volume at large are more conventional petrol or gasoline where you just fill larger vehicle capacities for it. So short term is a bit different from what the medium term. We are right now in discussions with several two wheelers EV manufacturers and three wheeler EV manufacturers as well on what we could do as potential solutions for them but I do not think there is a clear secular trend which actually emerges across them yet at least to an extent of our conversation.

Mandar Pawar: Got it but we have the capability already or is it a very differentiated solution that a set of capabilities, which is required because it is not the traditional hub and spoke, it will be more from factory to customers so in terms of our readiness?

Rampraveen S: We have the ability and see it depends a little bit on each company's own products. Some part of a middle mile will essentially probably end up being consolidation of vehicles but obviously they are interesting models like enhanced levels of customization for customers therefore delay in manufacturing and models and delivery systems to support that. D2C models like you mentioned so multiple possibilities exist. At this stage I do not think we have come across something which we cannot do.

- Moderator:** Thank you. We have the next question from the line of Pranay Roop Chatterjee from Burman Capital. Please go ahead.
- Pranay R Chatterjee:** I had only question and this was specific to the lease rentals that you pay to your warehouse owners right so recently I read that because of disruption in the steel supply chain the raw materials for building a warehouse has actually gone up but the warehouse developers on account have not been able to increase the rental, they have not been able to pass it on which is why the margins are pressurized so did you actually see this play out in Q1 numbers and if actually they increase the rental yields how are the contract structure what I mean is are we able to pass it on to your customers?
- Rampraveen S:** It is a complex question. It has a lot of variables in it, but simplistically I think there are two things, which are accurate I think one from our context one I think most of the developers we have been talking to and working with have obviously seen extreme commodity cost and that has resulted in either higher cost of construction for them or in some cases delayed construction as they try to manage their cost structures that is one. From our own perspective we have really not had any increase in rentals because of the increase in commodity costs in the existing properties which we operate. Some of the newer ones which we are contracting we are seeing some of the newer ones which we are contracting, we are seeing some inflationary ask but whether it is accepted or not is a very case-to-case situation. As far as our contracting is concerned there is a mixed bag of contracts in some of them, almost all our contracts actually carry an annual escalation element around warehousing tariff right and broadly there is flexibility possibly with some lag actually pass on cost if they actually increase on existing properties. On new properties anywhere those costs are baseline into our financial model.
- Moderator:** Thank you. We have the next question from the line of Shivaji Mehta, an investor. Please go ahead.
- Shivaji Mehta:** I just had two questions. Number one the new customers that we have added in the last two to three years what would be the contribution of these to our revenues, number two on the warehousing front just wanted to understand these new warehouses that will be coming up they will be mostly on a lease basis or would it be only the warehouses?
- Rampraveen S:** To answer your first point we do not own any of our facilities we lease all of them, the building, property. There are stuff inside that we own like racks and utilities but we do not own the building. As regards to the contribution to our overall revenue I do not have a number unfortunately we will have to come back to you. I will just check with Yogesh. Yogesh any sense do you have.
- Yogesh Patel:** The question was over three years whatever we acquired so that we will have to just bring it up and share it separately.
- Shivaji Mehta:** Okay sure thanks a lot.
- Moderator:** Thank you. As we have no further questions, I would like to hand the floor back to the management for closing comments. Please go ahead Sir.

Rampraveen S: Thank you everyone. I hope we have been able to answer all your questions satisfactorily; however, if you need any further clarifications or would like to know more about the company please feel free to contact our team or SGA, our investor relation advisors. Thank you for your interest in the company. We remain committed to driving long term value on the back of our strategy execution and we look forward to your appreciation and support. Thank you all once again and please stay safe and wish you the very best. Thank you very much.

Moderator: Thank you gentlemen. Ladies and gentlemen on behalf of Mahindra Logistics Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.