



## **Mahindra Logistics Limited**

### **H1 FY19 Earnings Conference Call Transcript**

#### **November 2, 2018**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Mahindra Logistics Limited earnings conference call. As a reminder, all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing \* and then 0 on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Devrishi Singh from CDR India. Thank you and over to you Mr. Singh.

**Devrishi Singh:** Good evening everyone and thank you for joining us on Mahindra Logistics H1 FY19 earnings conference call. We have with us Mr. Pirojshaw Sarkari (Phil) – CEO and Mr. Yogesh Patel– CFO of the Company. We will begin the call with opening remarks from the management, following which we will have the forum open for a question-and-answer session. Before we start, I would like to point out that some statements made in today's call may be 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 Phil to make his opening remarks. Thank you and over to you sir.

**Pirojshaw Sarkari:** Thank you. Good afternoon everyone. I have today with me Yogesh Patel who is our new CFO and I am sure you all will be all good to him during the call. I will first talk about the industry and sector update and then move to the financial results.

The Government focus on improving the logistics sector continued in this period as well. There is an umbrella initiative: LEEP i.e Logistics Efficiency Enhancement Program; under this there are several steps being planned by the Department of Logistics.

The department has unveiled a new logo for Indian logistics and they are working on the mechanism through which only credible players in the industry will be allowed to use the logo. This is a further step in organizing the sector.

The department has officially launched the 'National Logistics Portal'. This will be the market place for all logistics services. This is likely to be a mega platform for the entire logistics ecosystem.

One of our purpose principles is 'Shaping the Industry'. We are working with CII National Council for Logistics and Department of Logistics on initiatives like standardization in the logistics industry.

The Dedicated freight corridors (DFC) by railways are expected to accelerate the multi model transportation in the Country. This will be a huge step towards reducing the cost of logistics. During the quarter, trial run was completed on Ateli in Haryana to Phulera in Rajasthan, a section of the Western DFC. Both the DFCs are expected to be functional by the later part of FY21.

Some other sector updates –

- Government brought in a change in the loading capacities for larger vehicles.
- For a little part of July, the road freight movement was disrupted due to truckers' strike.

Let me share a quick overview on the key end use sectors for the logistics industry:

**Automotive Sector:** This quarter was a very challenging one for the auto sector. However, the performance varied by subsectors. Increased cost of ownership due to price hike by OEMs, rising fuel prices and increasing insurance premiums seem to have impacted this sector. Late start to the festive season also impacted the sector.

**Consumer Goods:** Demand continues to be healthy with rural demand outpacing urban demand. Strengthening rural incomes, higher pre-election spends by the Government and new launches across sectors is expected to drive increased demand in the consumer goods sector.

**E-commerce:** During the quarter, the customers were preparing for the festival season ahead as compared to the same time last year when the festive sales had started in Q2. From a logistics perspective, it meant planning the manpower and other facilities to meet the peak demand in the next quarter.

Now let us move to operational and financial discussion. First, I will cover the financials for H1 and then for Q2.

For H1, revenues grew 9.9% on a year-on-year basis to Rs.1,856 crore. This growth is a result of combined contribution from existing and new accounts. Our revenue from Mahindra Group Supply Chain business grew by 14.1% to Rs.1,040 crore predominantly driven by the automotive division of M&M. Revenue from Non-Mahindra Supply Chain segment grew by 3.8% to Rs.627 crore. Our PTS business grew from Rs.173 crore to Rs.188 crore, registering a 8.7% growth. Proportion of revenues from the Mahindra Group to total revenues is 57.7% compared to 55.1% in the last year.

Gross margins expanded from 7.58% to 8.43%. Within the business segments, the gross margin in the Supply Chain Management business improved from 7.4% to 8.16% and in the PTS business it improved from 9.12% to 10.81%.

EBITDA for the H1 FY19 was at Rs.79 crore, registering a growth of 40% on a year-on-year basis. The EBITDA margins for the period stood at 4.24%, higher by 91 bps. The PBT and PAT for the period was Rs.67 crore and Rs.43 crore, registering a growth of 47.9% and 50.1% respectively. In our Non-M&M Supply Chain business, the revenue from warehousing and value-added services has grown at 25.7% over the same period last year.

Now let me share with you the financial performance for the quarter ending September 30<sup>th</sup>, 2018.

Revenues increased from Rs.836 crore to Rs.927 crore, an increase of 10.9% year-on-year. Our revenue from Mahindra Group Supply Chain business grew by 16.9% to Rs.519 crore. Revenue from Non-Mahindra Supply Chain segment grew by 1.6% to Rs.310 crore. In our PTS business, the revenue for the period was Rs.98 crore, an increase of 13.1% year-on-year. Proportion of revenues from the Mahindra Group to total revenues is at 57.7% compared to 54.7% last year.

Specifically, in the quarter gone by, the Non-Mahindra Supply Chain revenue has got impacted due to the following three major reasons.

- a. There is a continued impact of the change in the product-market mix for one of our very large customers resulting into reduction in their transportation spend.
- b. The festival period coming in Q3 this year has impacted the year-on-year growth for our E-commerce business as this was in Q2 last year.
- c. The truckers strike had an indirect impact on in-factory logistics due to loss of production days.

If we were to adjust for the above, our Non-M&M Supply Chain Management business has grown in double digits in this quarter too.

Gross margin for the period improved from 7.57% to 8.15% year-on-year. Within the business segments, the gross margin in the Supply Chain Management business improved from 7.5% to 7.81% and in the PTS business it improved from 8.2% to 10.98%.

EBITDA for Q2 FY19 is at Rs.35 crore, registering a growth of 27.5% on a year-on-year basis. The PBT and PAT for the period is Rs.29 and Rs.19 crore respectively, registering a growth of 34.8% and 38.2%.

We continue our focus on margin expansion across business segments.

I had mentioned in our last call about the challenges we were facing in the Non-Mahindra Supply Chain business. On a positive note, we have won some large marquee business of marquee customers. The details are as under:

In our Stores and linefeed function, we have won business from:

- a) A large MNC luxury car maker.
- b) A European MNC in Power, Heavy Electrical products and automation.
- c) A diversified conglomerate with the interest in parts for aviation, locomotive.
- d) A global aviation part maker.

For our Warehousing business we have a new business from:

- a) A large B2C e-commerce Companies both in warehousing and in Sort centers.
- b) We have also won a warehousing business from a leading lubricant manufacturing and marketing Company in India.

On the Transportation side we have won new business from:

- a) An MNC Auto Company for their spare parts distribution in India.
- b) A leading Indian non-ferrous metal Company in India.
- c) A large Indian textile Company.

I cannot give any more details beyond this due to the contractual obligations that we have with our customers, but this should reassure you that we have won business in the Non-Mahindra Supply Chain side in Q2. The revenue impact of these wins will be seen as the projects ramp up after implementation. Moreover this will first compensate for the drop in revenues as I explained earlier before it adds to the overall growth of our business.

To reiterate, it is more appropriate to review our performance on a year-to-date basis. I have explained the reasons behind it in our earlier call and I would urge each one of you to continue to review our performance on a year-to-date basis.

Some other operating details:

In H1 of this financial year we have added 600,000 sq. ft. of warehousing space. During the quarter, we have announced investment decisions. An acquisition of a strategic stake in Transtech Logistics also known as ShipX. It is a Software as a service (SaaS) based Transport Management Solution (TMS) platform that serves the supply chain automation needs for 3PLs, shipper as well as transporters. ShipX has been working with MLL for over three years and has been enabling transportation solution. This acquisition will help MLL to increase end-to-end digitization and bring in operational efficiencies. The transaction was consummated in October 2018.

Lords freight, is our freight forwarding arm and our intention was to increase our stake. Pursuant to the approvals received and under completion of those transactions, our stake has increased from 60% to 73.75% as on 30<sup>th</sup> September 2018. The Board has approved buying of additional shares. On completion of these transactions our stake should go up to 83.87%.

I would now like to update on the key priorities that I had mentioned the last time:

- 1) Build strong customer relationships - we have continued to work on this. Our retention rate has been 96% for our top 25 customers.
- 2) Invest in technology in our operations more aggressively - Our digital and transformation team is now in place and we continue to further strengthen it. A roadmap has been prepared and is under implementation.
- 3) Improve business partner engagement - Business partners play a very important role in our business. Our initiative of forming a Business Partner Council is yielding results. We awarded our good performing business partners. The award is for various categories like best performer for different verticals, demonstrating RISE pillars and overall best business partner.
- 4) And the last but not the least is to - Do good while doing well.
  - a) Driver welfare: This is the area of driver training and welfare, community work and other social initiatives. On September 17<sup>th</sup> we celebrated Driver's day across the Country. On the PMKVY program of training 10,000 drivers, till September, we have trained over 3,200 drivers.
  - b) CSR: We continue to work with the people of our adopted village Tembha, in Shahapur district. In August 2018, we handed over the first water supply project to the Panchayat and community of the village. We are working on other projects in the village and this is the rise for good moment for Mahindra Logistics.

On that note, I come to the end of my opening remarks and would like to now ask the moderator to open the line for Q&A. Thank you very much.

- Moderator:** Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Mukesh Saraf from Spark Capital.
- Mukesh Saraf:** Sir my first question is related to the Non-Mahindra business, you did allude to the reasons there on the slight weakness. Could you also just give some more sense on, is this like a permanent impact with respect to the large customer you mentioned with the product and market mix change, is this like a permanent change and hence only your new business that is going to come in will be able to offset that?
- Pirojshaw Sarkari:** So, this is actually my client's business and I cannot comment on what the business pattern of the client will be. But as we see it, and with our interactions with the client, this particular spend on transportation has kind of bottomed out now. We don't see it go below what it has already become. So, there can only be upside from this particular client. Having said that, just to correct your first sentence when you are saying the weakness in Supply Chain business, like I said, we have won a number of customers in Q2 in all three services that we render, stores and line feed, warehousing and transportation and therefore I do not believe that there is any weakness in the Supply Chain part of our business.
- Mukesh Saraf:** Right, sorry I meant just the Non-Mahindra Group in total, Non-Mahindra business.
- Pirojshaw Sarkari:** I am also alluding to only the Non-Mahindra when I say that, because like I said we have won so many customers in Q2.
- Mukesh Saraf:** Right, absolutely. And just on the new multi warehouse that you had setup at Chakan, you did mention that in the second quarter we will see, probably it will reach optimal capacity, so how is that panning out sir?
- Pirojshaw Sarkari:** So it has panned out beyond our expectations we are already over 90% capacity in that second warehouse and when I say second because Tauru Road was the first one and in fact we have got more demand and we are looking at placing an order for another warehouse in Chakan, Pune area.
- Mukesh Saraf:** Right. And one on the number's sir. On the margins we have seen that we have maintained our operating margins as in the gross margins quite well, but we see that in the other expenses there has been some increase on a sequential basis basically Q2 versus Q1, Rs.109 crore versus Rs.97 crore that we saw in Q1. Is there any one-off expense in this because the jump seems to be slightly high on a Q-o-Q basis?
- Yogesh Patel:** Mukesh this is Yogesh here. Other expense what you see in our published results is basically the cost which goes towards non-transportation business as well. So, we have a freight and other expenses which you see the transportation cost. With our shift of business from transportation to warehousing and linefeed, the cost also has moved here. What you see here is not one-off costs, it is actually a representation of swing in business. You would also see a corresponding negative in the freight and other expense line item.
- Mukesh Saraf:** Yes, right, understood that. And just lastly any TDS received this quarter, what was receivable.
- Yogesh Patel:** No, we have not got any refunds in this quarter. However, there are some which we are pursuing to get in second half of this fiscal.

- Moderator:** The next question is from the line Ankur Periwal from Axis Capital.
- Ankur Periwal:** I have one question on the new business. While I appreciate that you may not share as much as detail but just trying to understand, what proportion of this business in purchase terms maybe is related to either distribution logistics or warehousing.
- Pirojshaw Sarkari:** So, from the number of customers won, 80% of the customers are on warehousing and linefeed but as you know Ankur the revenue from transportation is much higher than the revenue from warehousing and linefeed therefore from a topline perspective that would translate into approximately 60-40.
- Ankur Periwal:** So 60% transportation and 40% from warehousing and other value-add including this.
- Pirojshaw Sarkari:** Yes.
- Ankur Periwal:** Sir in last quarter you did mention that our top 20-25 customers, the spend from their or their logistics requirement has slightly tapered down wherein the next 20 or the other customers has contributed healthy to the overall growth. How has been the trend this quarter, is there a rejig again in the top 20 and how has been the growth across both?
- Pirojshaw Sarkari:** So, two effects to this, so right now we are looking at our top 20 customers giving 67% of the revenue that was the state at which we were in Q1, this has now moved to 62% which means we have widened our base on the top customers. The second part like I said in my speech also that there is one large customer whose business is reducing.
- Ankur Periwal:** So, is this reduction primarily because of that? I am just trying to see how the aggregate basket is moving.
- Pirojshaw Sarkari:** No, it is not. It is because of other customers also giving us more business.
- Ankur Periwal:** Sir last time also which you mentioned the RCM to FCM shift which had led to some postponement in terms of the logistics outsourcing and incremental business towards. What's the status now, are things improving on the ground?
- Pirojshaw Sarkari:** So, from a logistics outsourcing as I have mentioned in my speech, we have now not seen any disturbance either due to GST or FCM people have started now giving business. The movement from RCM to FCM has definitely been very challenging because we are an asset light company and we have to not only convince the customer but also convince the business partner. As you know lot of these business partners are small entrepreneurs who find it extremely difficult to kind of get themselves registered under GST. So, we are kind of have to educate them and convince them as to how it benefits their business, but that is a process which we will continue.
- Ankur Periwal:** Sure. Sir lastly on the receivable days, in this quarter we have seen slight increase while payables have been more or less flattish. Is it more a quarter on quarter phenomena or any updates on that side?
- Yogesh Patel:** Yes, it is specific to this quarter phenomena. There is also an impact from a perspective that we moved towards FCM on our GST model from this quarter as well which added that GST component to our outstanding too.



- Ankur Periwal:** Okay. But this trend will continue then going ahead or probably once settled then it will again be back to the same level.
- Yogesh Patel:** The GST impact will normalize over three to six months. Also, if I were to look at it as a quarter alone Ankur, from a year-to-year Q2 basis, I actually see a DSO reduction of four days which was 60 days approx. in last year second quarter that would be 56 days this year.
- Moderator:** The next question is from the line Aditya Mongia from Kotak Securities.
- Aditya Mongia:** So, the first question which I had was more on the margin levels which have changed meaningfully for the SCM segment on a quarter-on-quarter basis. I wanted to get a sense from you of the reason behind the Q-on-Q contraction in SCM margins and what should be taken as sustainable levels ex of any FCM impact.
- Pirojshaw Sarkari:** So Aditya, I have always impressed upon all of you that please view my business on a year-to-year basis and not on a quarter-to-quarter basis because there are renewals, there are adjustments that take place between quarters or rather even between months. On a year-to-year basis, the expansion that we have shown will continue to remain we have told you all that we will be 50 basis point higher and we will continue to do that.
- Aditya Mongia:** Got that sir. Secondly, on cash flows I understand that there may be movement of line items over here from the investment part to other financial assets. It will be useful if you can give the investable cash or investable surplus numbers and how they would have changed in the first half of this year?
- Yogesh Patel:** So, at the end of Q2 we have investible surplus of Rs.71 crore as compared to what we have seen Rs.122 crore of that in last quarter end. The swing predominately comes in from few extra payouts which came in this quarter like the dividend payout we had this year in this quarter for about Rs.13 crore and also the CAPEX which got incurred as we increase our warehousing business offering per se. In addition, as I mentioned earlier in the previous question that there is a GST impact moving to FCM, so till the time your customers pay you, you have limited time or a fixed time to pay Government, that impact itself was in the range of Rs.25 crore. So these are the ones which actually brought down our cash surplus available quarter-on-quarter. Of which as I said GST obviously would normalize and collection efficiency and working capital management steps are being taken towards getting back.
- Aditya Mongia:** Sure sir. Just to clarify had GST not played spoilsport on a regular basis, H1 typically would be generating cash for us, right? So, what I am trying to get a sense of is that, is it fair enough to assume that the Company would be generating cash flows in the first half ex of any one-offs.
- Yogesh Patel:** Yes, that would be right.
- Moderator:** We move to the next question from the line Prateek Kumar from Antique Stock Broking.
- Prateek Kumar:** Sir my first question is regarding some of the impacts you mentioned on the Non-M&M SCM business last quarter, like on transportations maybe you mentioned there is lot of competition from startup Companies, the funding they are getting, so has that impact continued in this quarter or that has faded away or has that also had any impact on transportation segment decline in this quarter?

- Pirojshaw Sarkari:** No, so that was specific to our E-commerce business which I had spoken last quarter and I had also said that we will look at ways and means of coming back into the business which we have started doing by the end of Q2.
- Prateek Kumar:** Okay. So the aggression from competition has come down or you have also come down in terms of pricing to get those businesses?
- Pirojshaw Sarkari:** So, we have got back to the customers and shown them the value that a logistics service provider can give to them vis-à-vis a startup.
- Prateek Kumar:** Sure sir. And regarding the migration from RCM to FCM you said on demand side we had migration of around 90% till Q1 and 50% on supply side. So how do they setup now, after Q2?
- Yogesh Patel:** So, on the supply side at the end of Q2, we would have reached up to 80% or little bit upwards of 80%. On the customer side / demand side, there we are 100% on FCM.
- Prateek Kumar:** Okay, so maybe by next this quarter or next quarter we should be 100% on both fronts for movement to FCM mechanism.
- Yogesh Patel:** Yes.
- Prateek Kumar:** And sir just one question, so now there is this lag effect of change in timing of festive season, so how are the festive sales generally in October because ahead of Diwali, I think lot of logistics movement would have happened and more logistic movement will happen like in logistics, Diwali sale of E-commerce. So how is generally the festive season is shaping up like for 'Big Billion Day'. So, any view there?
- Pirojshaw Sarkari:** So, we have completed the first sale and we are in the mid of the second sale, I can tell you that the first sale was exploding from a business point of view, the second sale is still going on. And maybe once it is over, we will get to know how the second sale is happening.
- Prateek Kumar:** So, as per your comment earlier part of the call, the difference in festive which impacted E-commerce business in Q2, so that seems to be getting offset in Q3 so the growth should be there much higher in Q3.
- Pirojshaw Sarkari:** Absolutely right.
- Moderator:** The next question is from the line Gurpreet Arora from Quest Investment.
- Gurpreet Arora:** Sir a few quarters back you had highlighted about the rising labor cost especially during the times of state elections. So, could you update us with respect to how the labor cost year-to-date this year has been and what your expectations for balance of the year are?
- Pirojshaw Sarkari:** So, off late as you know there have not been any more State elections that have happened, the labor cost have kind of just now been stagnant and any which way whenever there is a substantial increase in labor cost we re-negotiate with our customers and we get that reimbursed to us, so there is not a big impact on the logistics service provider but the cost of logistics does go up for the entire community.
- Gurpreet Arora:** So, are you saying post elections there will be labor cost retract or they remain elevated.



- Pirojshaw Sarkari:** So, when you have a minimum wage increase then generally in an inflationary country like us there is no scope of reduction of those minimum wages, so the increment maybe lesser than what it was previously.
- Gurpreet Arora:** Sure. And my second question is on the warehousing piece. Last quarter you had highlighted that you are looking to add around 2-2.5 lakh square feet and we have identified two-three urban locations and in your opening remarks you mentioned, I think about 6 lakh square feet you have added in six months of this year. So, this 2-2.5 lakh have already come in or how is it?
- Pirojshaw Sarkari:** So, in quarter two itself we have added 4 lakh square feet of warehouse.
- Gurpreet Arora:** Okay. And then what would be the plans for the balance of the year if any?
- Pirojshaw Sarkari:** So, we are looking at for the full year adding a million square feet of warehousing of which like I told you 600,000 is already added. This is on our own, so if there are customers who want back to back that will be in addition to this.
- Gurpreet Arora:** And then could you bifurcate this, the breakup of this 6 lakh, how many warehouses, which locations?
- Pirojshaw Sarkari:** That is a little proprietary right now to give out because locations matter a lot in our business so once we put them up, we will let you know.
- Gurpreet Arora:** Understood. And my final question is, in the last quarter you had highlighted about some technology upgrade in the PTS business, which you said that would come in by the end of Q2 FY19. Any update there, sir.
- Pirojshaw Sarkari:** So, we are in development it is now in the phase of testing and we will update you a little more about it in the next quarter.
- Moderator:** The next question is from the line Aejas Lakhani from Edelweiss.
- Aejas Lakhani:** Sir, couple of questions. One is that if one looks at your debtor's days and breaks it up from the M&M business through the related-party transactions to the Non-M&M business, there is a trend which is emerging where the M&M business debtor days are say 15-16 and the Non-M&M days debtors days are very high at 110 days. So overall the debtors look 56 x` days but just to get a sense of the breakup between the M&M and Non-M&M debtors days your comments.
- Yogesh Patel:** So, I guess from our debtors' management perspective, what we do as an approach, we try to keep our billing as fast as possible and follow up on the receivables lodged. The efficiency depends on each customer's practices, policies and efficiencies in those, their account payables teams as well. So, one is that factor; second part is that, in Non-M&M where the predominance of warehousing, etc., business is such where you bill on arrear, so there our collection days also starts after that. Hence, you see extra number of days in the Non-M&M.
- Aejas Lakhani:** But sir would it be fair to say that the Non-M&M business is north of 100 days in terms of collection on an average blended.
- Yogesh Patel:** No, I do not think so it is 110 or 120 days, it is probably in the range of 75 to 77 days. And consequently, what you said on M&M part 15 days also will be closer to between 27 and 30 days.

- Aejas Lakhani:** Okay, thanks for clarifying, that was my first question. Sir my second question is that basically logistics as an industry is growing let say 12-13% and 3PL is growing higher at say 15%-20%, how come we are not growing at that rate or rather we are growing at a slower pace than the aforementioned growth rates? If you see actually this trend for us in the Non-M&M business has been there for the last couple of quarters where our sales is in a range bound sort of space. So your comments on that.
- Pirojshaw Sarkari:** Aejas, I said in my speech earlier also that we have grown in double-digits the Non-Mahindra Supply Chain business except for the couple of reasons which I gave over there. So I believe that we continue to grow our Non-Mahindra Supply Chain business in double digits.
- Aejas Lakhani:** Okay. Well sir just a follow up on that, what I was referring to is that if you see for the last say from the second quarter of FY18 we have been in that Rs.300 crore Non-M&M business range on the SCM side. That portion of the business is probably except for, a Q4 has been in that Rs.300 crore range, plus-minus you are there at 10%. So I just wanted to get a sense that when do we see that business sort of growing in a substantial manner.
- Pirojshaw Sarkari:** We should see in Q3 itself a growth on that particular figure that you are talking about.
- Aejas Lakhani:** Thank you. That answers my question.
- Moderator:** The next question is from the line Kunal Bhatia from Dalal & Broacha.
- Kunal Bhatia:** Sir mainly my question was just in regards to my previous colleague, Rs.310 crore in the Non-Mahindra revenue. Sir when you say we would compensate it in the second half, so if you could give any further more sense that the earlier growth which was mentioned that was higher double-digit growth would that be compensated in H1 with the addition of the new clients or how will it be?
- Pirojshaw Sarkari:** So, I have maintained that my Non-Mahindra Supply Chain business will grow at double digits in this year and we will make sure that happens. Having said that, the second half will grow faster than the first half.
- Kunal Bhatia:** Okay. Sir when you say faster, do you mean to say, my only clarification was that the loss which has happened in Q1 will that get fully covered up or not yet?
- Pirojshaw Sarkari:** On a year on year basis over last year we will grow at double-digits.
- Moderator:** The next question is from the line Ankita Shah from Elara Capital.
- Ankita Shah:** Sir my first question was, given the fantastic growth we have done in the warehousing segment and the new client additions also that we have done, can we safely assume a strong double-digit growth in the segment to continue even forward?
- Pirojshaw Sarkari:** Absolutely. Our entire focus is on the warehousing, stores and linefeed business and that business has to grow in double-digits.
- Ankita Shah:** Okay. And where do you think should be a reasonable level of mix between a transportation and warehousing?
- Pirojshaw Sarkari:** So there is no such standard or rule that we can follow while we want to grow our business so if we get a larger distribution business which we consider as

transportation it is not that we will let go of that business. So, there is no such fixed rule we are applying but definite focus is on warehousing stores and linefeed.

- Moderator:** We move to the next question from the line Prateek Kumar from Antique Stock Broking.
- Prateek Kumar:** Sir just a clarification we have increased the stake in this Lord Freight subsidiary from 60% to now 84% in Q3 till date. So, any specific reason why we are going in tranches in terms of increase in stake here or generally why not taken in one go?
- Pirojshaw Sarkari:** So, basically as you know we have been buying-out stake from the promoters who had started the Company. So, there is a lot of discussion and negotiation that happens with each one of them and therefore we have been doing this over a period of last three to six months.
- Prateek Kumar:** So, the price paid for all the stake bought is like equal in terms of the shares bought from them for this Company, or it is like higher, lower depending upon negotiations at different point of time.
- Pirojshaw Sarkari:** No, it is the same price that we pay, the same valuation.
- Prateek Kumar:** Okay. And regarding growth guidance you saying like double-digit for Non-Mahindra segment which is like sort of slowed in first half. So, all the four sub verticals of Non-Mahindra SCM which we segregate our business into. So, all those four verticals I know they are impacted, couple of impact you mentioned but all those four businesses have been equally impacted by those factors or specific impact on some of those four sectors.
- Pirojshaw Sarkari:** No, so a couple of the sectors we have already been growing quarter-over-quarter and half-year-over half-year in large double-digit growth. E-commerce specifically because of the move in the peak will see the double-digit growth in the next particular quarter.
- Prateek Kumar:** And we gave some guidance in last year, we have been talking about like growing ahead of industry growth. So what is general expectation in terms of industry growth? I mean last quarter you mentioned 10% to 15% for industry. So, expecting similar growth rate for industry?
- Pirojshaw Sarkari:** Yes, as the results are coming out which you would have seen that is the kind of growth that the industry is seeing, so we will maintain that.
- Prateek Kumar:** So, we will maintain that we will grew ahead of industry, I mean that guidance also?
- Pirojshaw Sarkari:** Yes.
- Moderator:** The next question is from the line Ankita Shah from Elara Capital.
- Ankita Shah:** Sir two more questions that were there. One is sir you had highlighted earlier about our ability to pass on the increase in diesel prices to customers. Have we been able to pass through fully in this current scenario as well?
- Yogesh Patel:** Yes, so the diesel price revaluation in respective customers have arrangements signed off with them. So some of them come up on a frequency which is pre-agreed, as and when they come up for resetting these prices, we have been able to do so. Also, during this time, the price hike in diesel was disproportionate to what we have

seen earlier, for that which did not exist we have been able to go and renegotiate those files as well.

**Ankita Shah:** Okay. And generally, it has been accepted by the client because we have seen usually that it's difficult to pass on these costs to client and they usually restrict this kind of factor?

**Yogesh Patel:** Actually, diesel or fuel in case of transportation is such a substantial component, it is one thing in this industry which does get benchmarked or laid out upfront. Given the weightage it carries on the total price one offers as well as the quantum and the publicity the hikes get, both were very helpful in ensuring that we get our revisions done on time.

**Ankita Shah:** Okay. And lastly sir for the incremental acquisition that we plan to do, what would be the investment for the same?

**Yogesh Patel:** So, the investment what supposed to go in Q3 will be to the tune of Rs.1.8 crore.

**Ankita Shah:** And how much have we spent in the first half of this year?

**Yogesh Patel:** So this is on our freight forwarding additional stock portion which we have increased, we have spent Rs.2.8 crore there. So, from that perspective, we would have additional Rs.1.8 crore in freight forwarding and as well as Rs. 4 crore in our ShipX business as well.

**Moderator:** Ladies and gentlemen, this was the last question for today. I now hand the conference over to the management for their closing comments.

**Pirojshaw Sarkari:** So, thank you everyone. Hope, we have been able to clarify all your questions. In case you need any further clarification, kindly contact CDR India. Thank you very much.

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

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