



“TCI Express Limited Q4 & FY19 Results Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to TCI Express Limited's Conference Call to Discuss Audited Financial Results for the 4th Quarter and Financial Year Ended 31st March, 2019 and to address investors and analyst queries. As a reminder, all participant lines will be in the listen-only mode. 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Chander Agarwal – Managing Director. Thank you and over to you, sir!

Chander Agarwal: Good afternoon, everyone and welcome to the 4th quarter and financial year 2019 earnings call of TCI Express Limited. On this call, I would start with the brief overview of the industry followed by key financial and operational highlights of the year. Then I will hand over the call to Mr. Mukti to discuss the financial performance in detail. I hope you have had a chance to review our earnings presentation, available on our website and stock exchanges.

The financial year 2019 carried on its momentum from 2018 and with the structural changes such as implementation of GST and e-way bill, had led to formalization of the sector and create a level playing field for all. This was further supported by infrastructure improvement initiatives such as building the highways, the Dedicated Freight Corridor and now the Multi-Modal Logistics Parks. These favorable industry reforms have given a fresh impetus to the industry and is expected to grow at the moderate rate of 9% to 11% in the coming year for the express logistic sector. Overall, financial year 2019 was a good year despite subdued performance in Q4 FY 2019 due to temporary economy slowdown.

I am pleased to report that revenue from operations increased to Rs. 1,024 crores from Rs. 885 crores in financial year 2018, a robust growth of 15.7% on year-on-year basis. Our EBITDA stood at Rs. 119 crores and EBITDA margins improved by 138 basis points to 11.6% in financial year 2019 from 10.2% in financial year 2018.

During the first half of financial year 2019, the industry was facing challenges of high diesel cost, however we managed to pass on majority of diesel hikes to our customers. We introduced the concept of standard pricing across all our branches i.e. Minimum Standard Rate (MSR) with a clause of diesel hike to be borne by customers. This was an important part of our strategy to drive margins, profitability and reflects our strong client relationship and superior time definite offerings. The volume growth also helped in getting us the economies of scale and reason for the high profit margin.

Further during the year, we have opened 60 new branches, taking a total to 700 branches thus providing deeper penetration into the selected markets and adding more SME customers. We will continue to expand our presence in metro, tier 1 and tier 2 cities as part of our long-term plan. We remain fully committed in implementing effective internal control measures to improve overall capacity utilization and realization. TCI express will continue to invest in technology and advancement across its sorting centers to further improve turn on time.

During the year TCI Express generated net cash flow of Rs. 78 crores with free cash flows of Rs. 58 crores. This represents high EBITDA to cash flows conversion of 62.1% and it is a testament our robust business model and efficient working capital management.

Going forward we will continue to invest in technological upgradations and automations at our sorting centers. The industry is expected to grow at about 9% to 11% and TCI Express is expected to grow at the rate of about 20%. The company is well positioned to capitalize on the growing market opportunities with its asset light model and well diversified client base. Now, I will hand over the call to our CFO – Mr. Mukti Lal to present the financial performance for the year.

Mukti Lal:

Good evening, to all of you. I will present the key highlights of our financial performance for the fiscal year 2018-2019 and Q4 as well. As mentioned by Mr. Chander, our revenue has been grown by 15.7% to Rs. 1,024 crores. Our absolute EBITDA has grown by 31% from Rs. 91 crores to Rs. 119 crores and EBITDA margin has also touch to 11.6% from 10.2% and it is an improvement of 138 basis points. This is primarily driven by the due to high capacity utilization and our ability to pass on diesel cost to customers. PAT also reached to Rs. 73 crores with the increase of 25% on year on basis and margins of 7.1%. In Q4 2019 revenue from operation has increased by 6.6% and amount to Rs. 267 crores and EBITDA is also increased by 19% and it is touch to Rs. 34 crores with a bigger improvement of this we reach margins of 12.7% from 11.4%.

In the light of our robust performance during the year the board of directors has recommended a final dividend of 30% which is 60 paise per share in, face value of Rs. 2. So total dividend disbursement for this year is Rs. 3 and in terms of percentage it is 150%.

On the CAPEX side we have planned for the Rs. 400 crores capex over the next 5 years. At the beginning of the current year, we have planned Rs. 80 crores capex for the year, but we could not capitalize that, we just spent Rs. 25 crores this year. From balance sheet prospective we have repaid the debt of Rs. 33 crores, this brings down our total debt to meagerly Rs. 9 crores at the end of March in 2019 and we will be debt free company by the end of next quarter. So, thank you very much. Now, we are ready to address your questions, thank you.

Moderator:

Thank you very much. We will now begin the question and answer session. We have our first question from the line of Baidik Sarkar from Unify Capital. Please go ahead.

Baidik Sarkar:

But obviously the momentum as think stand over Q3 and Q4 are seems to be marginally slowdown. So, we know as things stand today given the 7% and growth that we have seen in the last quarter and the fact that I think the first 2 months of this quarter have been impacted by election related events. How to see your guidance of 18% actually fructify and I think stand today I think we have almost done with 2 months of Q1, what kind of growth rates are you staring at us as things stand today?

- Chander Agarwal:** By year end we are looking at about 18% to 20% topline growth and I think the typical nature of the business that it is, anyway the first half of the year is lower than the second half. So, I do not think this little blip that we are seeing is the major phenomena change. In fact, the quest is always to have the same level of business throughout the year and we are pretty much close to that for now. There could be some difference maybe a percent by 5% to 8% in revenue against the target. But in general this is usually the trend. So, I say again that we will maintain our topline growth 18% to 20% and bottomline growth of 35% to 40%.
- Baidik Sarkar:** So, the trends that you have in mind are reflective of what you seen in April and May, is that broadly reflective?
- Chander Agarwal:** Yes, it is and in general the entire way the logistics is setup, as I mention the H1 is always lower than H2 that is something also which we are to take into consideration.
- Baidik Sarkar:** Could you give some sense of the industries which lead to the slowdown in Q4, I understand pharma is your biggest bucket and that is fairly relevant. But if you could just give some kind of flavor us to what contribute this kind of weakness in Q4, I mean relative weakness.
- Chander Agarwal:** Yes, in overall, the consumer consumption was probably at its lowest and this is something which we have noticed not just in Q4 but during the time from Diwali like we did not see a major up string happening even like the e-commerce companies were not giving out as grand discounts as they used to earlier. So, in general the last 6 months have been kind of subdued in consumer consumption and I think this is again a very short blip. Luckily we do not do any transportation of the actual vehicles, so we are safe from that also because that is not going to be impact our business because we are not in it. The spare parts however will continue to grow the demand for that and we are actually in that business. So, overall I do not say any sort of major fluctuation happening.
- Baidik Sarkar:** So, white goods and automotive spare parts would be what percentage of your business and your top 5-10 concentration should be in which range broadly?
- Mukti Lal:** So, our 5 major verticals giving the 50% revenue to us. So, auto and consumer durables are contributing almost around 20%. If I talk about customer bifurcation, our top 10 customer even not having the 10% revenue to my total revenues.
- Baidik Sarkar:** In terms of margin accretion obviously, our fuel surcharge policy is worked out very well for us. As things stand today do we have additional levers for growing margins even from this rate of pricing and if you can comment on the competitive intensity as well?
- Chander Agarwal:** So, we do have enough space to first of all increase our pricing as well as on the operation leverage point of view. In fact this year, we will utilize the excess capacity which is allowed to be carried on trucks. So, we had already started working on that and seeing how we can maximize that. The competition looks little weak, it is on the weaker side and I am quite surprised, I guess they do not have the focus as we do on one aspect of logistics and logistics

anyway is not a very high margin industry. But we are able to do this, we able to increase our PAT margin to also 8%-8.5% this year and we would be the only company be able to do that.

Moderator: Thank you. We have the next question from the line of Preet Nagarsheth from Wealth Finvisor Advisors. Please go ahead.

Preet Nagarsheth: I just want to continue on what Baidik was asking in terms of the Q4. So, Chander one of the goals that you had mentioned last year was may be targeting about 100 odd branches, against that 60 have been executed. So, could the fact that they will lower than what is targeted has led to say a slower increase in topline for Q4?

Chander Agarwal: No, I do not think the number of branches addition or deletion of that will make a difference. It does the lead time for that is about, I would say about a month to 2 months to come in full swing. The reasons for the branches we have not achieved for the year about 100 is simple, is because of the lack of business opportunity. We have seen that for example no new factories have come up, let us say in an area that we presumed is going to happen. So, going forward this is a very different scenario because, I just recently gave you orders for opening 5 more branches last week in an area where we already have a branch and we need more branches in the same area. So, I think it is a model where it cannot be just plug and play. We have to analyze, we have to access and we have to look at the operational cost. So, I do not think the Q4 got impacted because of the less of branches being opened. I think in general it got impacted because of the overall economic slowdown. I think also because of election there was less cash in the system. So, people were not really consuming and then when they were not consuming the manufactures were not sending it to the stockist. So, the whole chain got affected.

Preet Nagarsheth: So, sticking to that say the 6% growth that came in how much of that was because of corporates versus SMEs, I mean my understanding is 50% of business is SME driven while 50% is corporates. So, would you say that the SME part is not contributed to this growth and most of it is corporate?

Chander Agarwal: No, nothing like that. SMEs are doing very well. So, I would say that it was 50-50 and there is no change in that. The impact that we are seeing is majorly with the larger customers and not so much with the SMEs. In our financial numbers for the year, we have actually had almost year-on-year 33% growth in the SME segment and in the corporate segment we have had about the 10% growth. So, I think that has made a big difference.

Preet Nagarsheth: Could you give us a sense on the utilization of our sorting centers for Q4 and for FY19 as a whole.

Chander Agarwal: Sorting centers are always fully utilized. In fact, they are utilized more than what is required because it works 365 days a year, so utilization is 100%. In fact, it is 130% because some about 30% of our sorting centers are now small. So, we are actually adding more material in that than it is required. So, we are in the big rush to set up our new sorting centers.

- Preet Nagarsheth:** And any update on the expansion plans. I mean last year we have started with the target of 400 crores doubling the revenues in 4 years. How do we see that going forward a year down the line?
- Chander Agarwal:** We are absolutely right on track. I do not see any deviation. It is a very simple formula; it depends on your GDP growth first of all. If your GDP growth is at 7%-8%, the express logistics sector is set to grow, there is no change happening in that. I did not see any reduction in that GDP number coming through and same time with this year-on-year about 18-20% growth. Definitely we will double it in 4 years and the profit also works that way. So, all our numbers will remain as per my guidance given earlier.
- Preet Nagarsheth:** Just last question, on the competition side we have been hearing of some of the private players trying to get into the SME segments, the B2B space on the express logistics side. reading recently about delivery and so on and so forth, are you seeing some of these changes on the ground?
- Chander Agarwal:** Not really, we are not seeing any competition. In fact, we want all these big shots to come in our field, so we can learn from them. But unfortunately, surprisingly the entry barriers to this business is very high compared to what we would imagine to think where 95% is unorganized, the entry level barrier is very low, but it is actually very high. To set up Pan India collection and pick-ups system. I do not see any sort of problem approaching or like any of our customers going to these new age competition. Because to do this B2B business also you need a different mindset and B2C mindset you cannot really apply to a B2B company.
- Moderator:** Thank you. We have the next question from the line of Keyur Shah from Emkay Global. Please go ahead.
- Keyur Shah:** May I know what was your volume growth for Q4?
- Mukti Lal:** So, Q4 volume growth is 5% only.
- Keyur Shah:** 5% and the full year was 15%?
- Mukti Lal:** For full year it is 13% volume growth in against of revenue growth of 16%.
- Keyur Shah:** What lead to this miss in your estimates that you had given in previous calls in your outlook of 20% revenue ?
- Chander Agarwal:** That is the general economic condition that is nothing like left from our side. Our entire team that we have are sales force of 500 plus and at the branch people about 2,000 plus. We have seen just a general dip in the shipments that going to be sent out. So, I do not think it is something to do with us but it is the economy in general.
- Keyur Shah:** And you are giving a deviation of around 5% to 8% in your further outlooks like would you like to bring down your outlook say may be to 18%-15% or you would like to let it be at 20% itself?

- Mukti Lal:** He has given the guidance for the Q1 because that 2 month has gone, elections was there. So, growth would be kind of 7%-8% maybe down on that guidance but in the full year we will be make it as around 18%-20%.
- Keyur Shah:** And are you sure for the same for the next 2-3 years?
- Mukti Lal:** Yes, in our guidance that we are giving, in 4 years we will double our revenue.
- Keyur Shah:** So, that is still maintained, right.
- Moderator:** Thank you. We have the next question from the line of Ravi Naredi from Naredi Investments. Please go ahead.
- Ravi Naredi:** Sir, our full year margin is this 7.1% while in quarter 4 it is 8.2%. So, what is the expectation for current year margins?
- Chander Agarwal:** Q4 margins are going to be the margin for the whole year and usually it means that if it is 8% we will definitely increase it to about close to 9%. And that is what our target is also.
- Ravi Naredi:** And sir you mentioned to expand air international business, please elaborate about this?
- Chander Agarwal:** We are still looking in to the option because the problem is again multifold although we are equipped to handle the business from India to anywhere in the world about 200 countries, the customer mind, it will require much more marketing and we will do that as we talk as we go long.
- Ravi Naredi:** And the margin is also international business same?
- Chander Agarwal:** No, it is almost double.
- Ravi Naredi:** And sir, one last question. We have so many offices in India and we have bought in so many years before. So, any revaluation is in your mind to reflect current balance sheet?
- Mukti Lal:** No, we have followed this carrying cost method. So, we are not in any near future we are not in that position to make it on current value. So, we will keep the carrying cost only.
- Moderator:** Thank you. We have the next question from the line of Krupa Shankar from Spark Capital. Please go ahead.
- Krupa Shankar:** I had just one question pertaining to the growth for FY19. So, if I have to break up the overall growth what composition would have come in from existing customers versus the new customers if there is any number which can be attach to it?
- Chander Agarwal:** I think we will take ratio of 90-10.

- Krupa Shankar:** 10 from new customers?
- Chander Agarwal:** Yes, so existing we will take about close to maybe 90% and the new customer would be over 10%.
- Krupa Shankar:** So, majority of addition which we have come in just as the 90%. So, this is predominantly in, can there be a breakup further between corporates as well as SMEs?
- Chander Agarwal:** It is more from the SME customers because branch expansion helped us to reach more SME customers. So, major portion is coming from the SME customers. So, our ratio remains the same at 50-50.
- Krupa Shankar:** So, in light of that that means the working capital will remain at similar levels or further improve with the SME growth, is my understanding correct?
- Mukti Lal :** Yes, so if you look into our debtors days, this has been reduced from 55 days to 47 days. So that we will improve in our all year because again we are able to get and if you see the net working capital is also 10 to 15 days only.
- Krupa Shankar:** And the growth coming forward also we are anticipating high growth coming in from our new customer base if that strategy which you are trying to do.
- Chander Agarwal:** Yes, that is right.
- Moderator:** Thank you. We have the next question from the line Ankit Panchmatia from B&K Securities. Please go ahead.
- Ankit Panchmatia:** Just a small update from your end, I missed out the CAPEX explanation of your end. So, this year we spend around 80 crores and out of which we estimated 80 crores and we spend 25 crores, is my understanding right?
- Chander Agarwal:** Yes, last year our CAPEX plan was about 80 crores and we spend about 25 is because we were not able to get the land clearances and everything. However, this year we have a CAPEX plan about 80 crores to 100 crores. 80 this will be going in the building of the new sorting centers that we have planned. And this will be without taking on any debt.
- Ankit Panchmatia:** And sir, just to ask, what would be the total square feet of our sorting center or any math which we could attach to ...
- Chander Agarwal:** I think, we does not really matter for sorting center how big it is but we are at about 1.50 million square feet and we will take it up to 3 million.
- Ankit Panchmatia:** And sir, surprisingly if I see on the balance sheet side, we have seen that we have been able to manage our creditors well. So, just to understand the perspective of the market is tonnage

availability still in surplus and we are able to get this tonnage at the rate what we quote what we got, how is the supply end of the margin?

Chander Agarwal: Tonnage availability will always remain a surplus in India and because the aspect of doing or providing a service being a service provider is much more challenging fulfilling the customer's aspiration is much more difficult than actually which is running a truck. So, I think the most important element of our business will continue to hold through for a long period of time.

Ankit Panchmatia: And sir, any pricing guidance what we would look out for a pricing strategy for us, are the pricing pass on easier for us given we have been leader into the segment. Do we have that flexibility to pass on the price hikes?

Chander Agarwal: Yes, pricing 5% is the minimum we take based on inflation. However, looking at some specific routes which are not profitable we increase the pricing of that. So, overall the impact is about 8% to 9% what we see by year end.

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

Pratik Kumar: Sir, my first question is, when you say your branches, how do we correlate that with the pin codes coverage? So, one branch covers how many pin codes? Yes, when you say you have added like 60 branches, so how much pin code we added because some of the peer companies also talk about like 5,000 pin code coverage or 17,000 pin code coverage but this is probably 20,000-22,000 pin code we have in India.

Chander Agarwal: So on pin code side, we almost cover the 95% pin codes. So, we are defining it as a pick up and drop location actually. So, wherever suppose you are in Delhi area we have a one pin code, so there is a 1,000 locations to pick from that. So, that is way we are defining on that. So, essentially what it means is that if you have one pin code you could have several pick up and drop points on that. 20,000 pin codes will mean that we are, say India has 30,000 pin codes not all of it is opened to public. So, any company which claims that they are open to public all of them they are giving false information. Because 10% of pin codes is with the Army, so let us say that if you have, if you are doing about 25,000 pin codes, so every 25,000 pin code if you have 2 pickups also per pin code it makes it 50,000. So, we are doing about 40,000 to 50,000, we have pickup and drop points across India.

Pratik Kumar: That is through around 700 odd branches?

Chander Agarwal: That is through 700 branches that is right.

Pratik Kumar: So, basically 50 pickup points serviced by one branch?

Chander Agarwal: Correct.

- Pratik Kumar:** And sir, I mean you said in your one of the remarks that is, when you see the growth of 16% how would be the SME growth? How with that compare SME growth and corporate growth? You said 33% SME growth, what was the corporate growth?
- Chander Agarwal:** Corporate growth was the remaining 67 and I think this year I have seen that the trend is going to be the same. The government is going to I think announce a lot of levy into the NBFCs and the interest rates are probably going to come down. So, I have seen that the SME sector growing more this year. But I think in our case we will maintain it at 50%-50%.
- Pratik Kumar:** No, so 33% was the year-on-year growth or what? So 33% for SME, so when you ...
- Chander Agarwal:** Pratik these are 33% plus growth from the SME and 10% kind of growth from the corporates. So its average size around 16%-17%, so that is it.
- Pratik Kumar:** And when we have like, I mean when now same split if you have from like old customers and new customers. So, what would that split would be, I mean, so out of 16% ...
- Chander Agarwal:** So again we have mentioned 90% businesses coming from the existing one and 10% new one.
- Pratik Kumar:** And sir, in I mean this question have been asked before but generally in April-May we are seeing double digit growth or like a single digit growth like we had in this quarter?
- Chander Agarwal:** So, again what we have given, so because the election months in the whole 2 months, so it around kind of double-digit growth.
- Pratik Kumar:** And sir, just last question on what would be your average tonnage volumes during the financial year?
- Mukti Lal:** So, financial in tonnage we have grown 13%.
- Pratik Kumar:** No, so absolute tonnage that data is available?
- Chander Agarwal:** Absolute tonnage is difficult to disclose but you can say about 8.5 lakhs tonnes.
- Moderator:** Thank you. We have the next question from the line of Shailesh Kumar from Sunidhi Securities. Please go ahead.
- Shailesh Kumar:** When you are saying that 18% to 20% kind of topline growth is expected in FY20. What kind of volume growth assumption is there in that?
- Mukti Lal:** So, we are planning to have increase take from the customer 4%-5% on the pricing. So, volume growth would be 15%.
- Shailesh Kumar:** And out of this 2 million square feet of sorting center capacity how much is owned by us and how much is on lease?

- Mukti Lal:** So, right now 60% is from lease and 40% owned by us.
- Shailesh Kumar:** And Chander ji has said that they wanted to take it to 3 million square feet, so what is the timeline for same?
- Mukti Lal:** So, it is for 5 years. So, right now we are around 1.5 million square feet which will be reached to 3 million in next 5 years with these CAPEX, this 400 crores CAPEX.
- Shailesh Kumar:** And what is our target for branch opening in FY20?
- Mukti Lal:** We will open it another 100 branches. So, we should take it up to 1,000 branches by 2022.
- Shailesh Kumar:** And how much would be your spends on these branches?
- Chander Agarwal:** It is not much. It is hardly not more than Rs. 50,000 per branch. **Mukti Lal:** So it is Rs. 50,000 for a branch. Actually, we need one system and few office furniture. And branch we have to be take on a lease. So, recurring cost is more however fixed cost is not much. These branches with in 2 months are coming at a breakeven point. That is the arithmetic for that.
- Moderator:** Thank you. We have the next question from the line of Kunal Bhatia from Dalal & Broacha. Please go ahead.
- Kunal Bhatia:** Sir, for the next year what is our CAPEX target? I just missed out on that number.
- Chander Agarwal:** For this year, you mean?
- Kunal Bhatia:** Yes, for FY20.
- Chander Agarwal:** About 80 crores to 100 crores.
- Kunal Bhatia:** And sir, where all we would be spending that because I believe, firstly would be on the sorting center and if you could give a breakup in the other which segments are we going to spend that CAPEX?
- Chander Agarwal:** So, luckily we do not have many aspects to spend on. It is only the sorting centers and information technology. So, I think this is something which will use up all our investments.
- Kunal Bhatia:** And sir, in terms of we also generally give out a figure of total value of goods carrying. So, how much was that in FY19 and just wanted to reconfirm the volume which you mentioned was 8.5 lakhs tonnes, right?
- Chander Agarwal:** Yes.
- Kunal Bhatia:** And sir what was the value of goods carry it?

Chander Agarwal: See, it is almost \$10 billion.

Kunal Bhatia: And sir in terms of, sorry if it is a repetition. Just in terms of the 18% to 20% growth which we have target for the current year? Which segments or areas or other factors are supportive for you to get to that growth because ...

Chander Agarwal: I think it is going to be just the organic growth, organic demand which is happening. There is nothing extraordinary that we can do for a higher growth. What we can do is pretty much go deeper into the country and get more business and that we will do with our branches.

Moderator: Thank you. We have the next from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Sir, I heard that it takes Rs. 50,000 to set up a branch. Shall I hear get it right?

Mukti Lal: Yes, it is Rs. 50,000 only because the branch we are taking on a lease, we just set up one system and some furniture there.

Ankit Panchmatia: Sir, this would be for what square feet or if you can just add up some ...

Mukti Lal: So, generally our one branch we start with the 1,000 square feet.

Ankit Panchmatia: And this could handle what sort of volumes or any rough figure? Or ...

Mukti Lal: So, this branch can be handling up to Rs. 1 crore to Rs. 2 crores kind of freight value business annually.

Ankit Panchmatia: **Freight** value?

Mukti Lal: Yes, on annually. So, again it depending on various sectors, where to pay? Where to deliver? So, various kind of aspect is there. This is not plain vanilla we can be say it is a kind of business they will be handled depend on area maybe handle more also.

Ankit Panchmatia: But on a base number 1 crores to 2 crores freight value this can manage.

Mukti Lal: Yes.

Ankit Panchmatia: And sir, on the balance sheet side the non-current assets, other non-current assets have nearly doubled, so should I read something into it or it is just a normal phenomenon?

Mukti Lal: No, it is just like a part of CAPEX. So which we are not project under construction they have not been capitalized. So, that is the only thing a very small amount otherwise. The amount wise I think 7 crores kind of amount is there now.

- Moderator:** Thank you. We have the next question from the line of Deepesh Kashyap from Equirus Securities. Please go ahead.
- Deepesh Kashyap:** Sir, just wanted to understand what was the capacity utilization in this particular quarter?
- Mukti Lal:** For vehicles it is 85%.
- Deepesh Kashyap:** Sir, so this quarter your capacity utilization is 85% versus last quarter where it was 86%? So, just wanted to understand like how did the margin improvement of 100 basis points happens? So, can you please expand a bit?
- Mukti Lal:** So, again because capacity utilization is depending on various factor and various rules. So, we need to be seen on a year-on-year basis. From quarter-on-quarter we cannot be because it is again matrix of business and route on which route, we have the more business. So, what verticals we have the more business, so depending on that factor. Improvement in our margin is again 3 thing because we again consistently improving our pricing and second thing is again diesel hike whatever we have pass it on to customer and somewhere we managed with the vendors, so we are not given the hike on the what same level is diesel has been increases. So, that is the 3-4 things which has help us to improve our margin level by 150 basis points.
- Deepesh Kashyap:** So, sir diesel hike that happened in the first half that you passed on to the customer but when it came down in the Q4 that you have not actually passed on fully, right?
- Mukti Lal:** Yes, so we do not need to be pass it on to customer on some ratio.
- Deepesh Kashyap:** Sir, the other question is like when you say the industry will grow at 9% to 11% and you will grow at 18% to 20%. Sir, what gives us the confidence that we will continue to gain market share? Is it due to the GST implementation that you are seeing a move from unorganized to organized or anything else in that place?
- Chander Agarwal:** I think there are several factors so that reason one is of course the move happening but I will not put all emphasis on that. The main factors because of our internal efforts the customer mindset is already changing. They want organize player in their business to transport the material and at the same time the demand for door-to-door service has increased drastically after GST. So, I think and most customers now post GST they want hub-and-spoke network because they do not like to send materials at one point and store it in a warehouse. They would like to send it in part load to multiple locations. So, this change in customer demand will also try this business.
- Deepesh Kashyap:** And sir, lastly sir, in the last concall you would talked about increasing the minimum selling rate across India in April. So, have you taken that and how much is that?
- Chander Agarwal:** We took that we implemented and that was very effective entire year and we will do it again this year but in a very strategic manner.
- Deepesh Kashyap:** So, it will be on 2% to 3% or more than that, sir?

- Mukti Lal:** Yes, so in the way, so we are now it is a system control. So, wherever we need we will be increase from the pricing from system. So, it is again minimum selling price, so across India it will be increase our prices. Yes so, it is well settled manner now.
- Moderator:** Thank you. We have the next question from the line of Avinash Dahre from BOB Capital Markets Ltd. Please go ahead.
- Saion:** This is Saion here. So, basically sir my question, first question was on the other expense, so other expense sequentially as well as Y-o-Y has grown up slightly. So, if you can just highlight if there is any specific reason to that?
- Mukti Lal:** No, if you see on a year-on-year basis it is not increased a lot. If you see on quarter-on-quarter then you will be see it is increase on that. So, accounted in some expenditure in Q4 only. So, that is the only reason. There is no significant change on that part if you see on a year-on-year basis.
- Saion:** In terms of margins sir, how do you see margin panning out over the next couple of years now that we have uniform pricing basically how do you see the margin in FY20 and 2021? If you can give some color on that?
- Mukti Lal:** I think this year already we up by about almost 100 bps and so we will continue doing that
- Saion:** So, my last question is on the new operating lease accounting norms that are to be introduced from FY20. So, do we expect any substantial impact on our financials based on that?
- Mukti Lal:** We actually analyze internally and there is no impact on our balance sheet because on a short term term. So, it is basically not impacting on us at all. It is basically 8 to 10 land parcel we have. So, there is no big impact.
- Saion:** What is the typical tenure that we get into when we leased our sorting centers?
- Mukti Lal:** Sorting center is always on 11 month initially.
- Moderator:** Thank you. We have the next question from the line of Nitin Rao from Alpha Ideas. Please go ahead.
- Nitin Rao:** Sir, only one question. We did a recent acquisition of a Japanese company, so why will you do that acquisition and can we look forward to more such acquisitions in the future?
- Chander Agarwal:** The company that we invested is basically B2C mobile app technology company that is being developed for the B2C deliveries in Japan. So, in a few years' time, in a year or 2 we will take this same technology and implemented for our B2C business in India. So, the move was very strategic and it was at a very nominal cost and we may invest in technology companies as such when we know that in outside India where we can get a better ROI and better utilization, better understanding of information technology for our use.

- Moderator:** Thank you. We have the next question from the line of Nidhi Babaria from Dalal & Broacha. Please go ahead.
- Nidhi Babaria:** I just wanted to ask about freight cost. So, this improvement of 150 basis in Q4 how much was on account of price increase and actual fuel cost reduction?
- Mukti Lal:** So, it is from the price increases and also pass on the reductions in fuel to vendors. But, majorly it is coming from the rates increases only.
- Nidhi Babaria:** Mainly, price increase?
- Mukti Lal:** Yes.
- Nidhi Babaria:** So, going ahead like these margins, these gross margins would sustain?
- Mukti Lal:** Yes, so our target ultimately in next 4 years we want to be our PBT level margin on 15%.
- Moderator:** Thank you. We have the next question from the line of individual investor, Mithlesh Sahani. Please go ahead.
- Mithlesh Sahani:** My question is basically an extension of the previous question about acquisitions. So, currently we have a breakup which is more like 95% B2B and the 5% B2C. So, in the next short to medium term 1 to 3 years, do we see that shift changing or we would continue to focus and channelize our company's resources and energy towards more B2Bs?
- Chander Agarwal:** No, I think all our focus will be on B2B and B2C as globally never makes money for anyone. And the reason we are making money on this is because we are very strategic about it. At the same time, however in that business it is growing for us. It is going to be a 50 crores business next year but to streamline that further we need all sorts of technology advancement. So, that something is not available here in India. We will be focusing on B2B always and that will remain our true strength.
- Mithlesh Sahani:** So, should at some stage we feel that there is a sufficient enough learning curve to deploy some of those technology or soft skills into the domestic market to generally the positive margin as well as positive return ratios we will then seek to maybe leverage more on the B2C part.
- Chander Agarwal:** Yes, so that technology infusion can be in both sides B2C and B2B also. And since we pay ,we spend a lot of our efforts and capital on technology any sort of this advancement that is missing from here we would like to incorporate that for better deliveries and for better customer satisfaction which in turn will yield more revenue ultimately.
- Mithlesh Sahani:** My other question is with respect to the soft guidance and the immediate vision which was given for the next 4 years in the last quarter's concall and also some of the details you shared Chander in the recent news interviews. So, if we are currently at say 150 odd million topline and roughly 10 odd million US bottomline and we believe our company can scale up to say 300 million more

like 2,000 crores topline by FY24, the next 4 years. And you mentioned that the bottomline will quadruple which means that 10 million to reach to 40 million. So does that mean that the PAT margin will go from the current 9 odd percent or more like 12.5% to 13%?

Chander Agarwal:

That is right.

Moderator:

Thank you. We have the next question from the line of Abhishek Mitra from ICICI Securities. Please go ahead.

Abhishek Mitra:

First question is on the utilization side. So, just a clarify here you have mentioned the utilization it is on the intra state vehicles available capacity that you state the utilization, is it?

Chander Agarwal:

So, it is interstate.

Abhishek Mitra:

Interstate you are saying?

Chander Agarwal:

Yes, we do not do, our focus is not within state it is between states.

Abhishek Mitra:

And for next year the guidance of 15% top, volume growth that you are projecting what sort of increase in vehicles that you sort of billing in?

Chander Agarwal:

We are not looking at an increase in vehicles maybe just 5% because as I mentioned earlier that we would be utilizing the axle load increase which is now allowed by the government. So we will be focusing more on that.

Abhishek Mitra:

Is there a margin lever for you?

Chander Agarwal:

Yes, it will become also.

Abhishek Mitra:

So, this year if I look at your full year volumes, your full year utilization would be closer to 70%?

Mukti Lal:

No, it is on 85%.

Abhishek Mitra:

So, 85% is for Q4 and 85% is for full year.

Mukti Lal:

Yes, full year, yes.

Abhishek Mitra:

And just to understand on your CAPEX side, 400 crores for the next 5 years. So, as of now the total owned square feet is how much?

Mukti Lal:

So, in out of 1.5 million almost 60% is outside and 40% is owned one. So, almost again you can say it is a 600,000.

Abhishek Mitra:

So, this 6 will become, half a million lakh will become 3 million?

Mukti Lal: No, it is total will be become from 1.5 to 3 million, yes.

Moderator: Thank you. As there are no further questions, I now hand the conference back to Mr. Chander Agarwal for closing comments.

Chander Agarwal: I must thank all of you for the participation in the concall. We will continue to proceed with our guidelines as I have mentioned. Thank you.

Mukti Lal: Thank you.

Moderator: Thank you. On behalf of TCI Express Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.