



“VRL Logistics Limited
Q4 FY '22 Earnings Conference Call”

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MANAGEMENT: **MR. SUNIL NALAVADI - CHIEF FINANCIAL OFFICER,
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Moderator: Ladies and gentlemen, good day and welcome to the Q4 FY2022 Results Conference Call of VRL Logistics Limited, hosted by ICICI Securities 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 call, please signal an operator by pressing ‘*’ then ‘0’ on your touch-tone phone. Please note, that this conference is being recorded.

I now hand the conference over to Mr. Sunil Nalavadi, Chief Financial Officer. Thank you, and over to you, sir.

Sunil Nalavadi: Thank you. Good morning to all participants. I am Sunil Nalavadi here, CFO of VRL Logistics Limited, and this is an earning call for the quarter four of the financial year 2022 and even update on the full year for the financial year 2021-22.

I would like to commence the call with a note that, the GST collections in April ‘22 stood at all time high of INR1.68 lakh crore, which have been driven by a 11-year high GDP growth and tightening of compliance by the government, which had led to lower tax evasion and uptick in the high-ticket consumption post pandemic period, and even generation of highest E-way bills have been recorded after the introduction of E-way Bill system by the government. Now, the government has mandated to generate e-invoice by the business entity with turnover of INR20 crore and above from April 2022. Earlier it was mandatory to generate e-invoices by the entities having the turnover of INR500 crore and above from October 2020.

We believe that these information and steps taken by the government clearly indicates that the business transaction needs to be done in a complied and organized way, rather than the non-complied manner which were or being supported by the unorganized transporters while transportation of the goods. With this background, VRL as an organized player in the transport industry, recorded highest goods transports tonnage in current quarter and expecting that, the year-on-year growth in tonnage momentum will continue in the range of around 20% to 25% year-on-year basis.

The diesel prices were all time high during the financial year ‘22 and government announced cut in taxes on fuel in November ‘21 and May ‘22 to control on the increase in fuel prices. The company also has taken suitable steps to pass on additional cost burden to the customers, by which it was depicting in our growth in EBITDA margins. The higher growth in Goods Transport volume resulted in higher growth in revenue during the year and the percentage of certain variable costs and fixed costs to the revenue has been declined due to the operational synergies in our operations.

The Bus Operations segment has been turned to positive EBITDA earnings business segment post the pandemic. To concentrate on high growth oriented and high-return, less than Truckload goods transportation business, the company has decided to sell the non-core segment of the Wind Power business and also sold one of the aircraft in quarter four of the current fiscal.

Moving to the growth in Goods Transport volume and the vehicle scrappage policy announced by the government, the company planned to expand its Goods Transport Vehicle capacity by placing an order to buy 1,600 vehicles over a period of next 12 to 18 months. Considering the shift of Goods Transport business from the unorganized operators to organized operators, we are expanding our network by opening of 91 branches in the current year and further planning to open 100 branches in FY’23 mainly in untapped market.

We have also seen that commodities which was being handled majorly by the unorganized sector has been shifting to our company. For example, the coconut products, in FY’19, we used to handle around 48 tons in a full year. Now the tonnage of this coconut product we handled in FY’22 is around 5,595 tons. Similarly, the leather product has been increased from 2,422 tons in FY’19 to 15,000 tons in the current year and areca nut and Supari products from 4,925 tons to 11,500 tons.

Coming to the financial performance of the full year. The total revenues increased by around 36% from INR1,776 crore to INR2,410 crore, and which is majorly contributed by our Goods Transport segment. The EBITDA of the company has increased by around 62% from INR260 crore to INR421 crore and EBITDA margin increased by around 2.8% from 14.66% to 17.46%. The PBT of the company increased by around 229% from INR63 crore to INR210 crore and percentage-to-income is increased by 5.12% from 3.59% to 8.71%. The PAT of the company is increased by around 255% from INR45 crore to INR160 crore and percentage-to-total income is increased from 2.54% to 6.64%.

When it comes to Goods Transport revenue, it is increased by around 35% from INR1,592 crore to INR2,137 crore and which is mainly contributed by increase in tonnage by around 27% and the realization is increased by around 7% in the year. The EBITDA of Goods Transport segment which is increased by around 51% from INR266 crore to INR403 crore and percentage-to-income is increased from 16.73% to 18.84%. The margins in the Goods Transport segment increased mainly on account of, there is no increase in the total operating cost, which is almost around 65% to the revenue and employee cost has been decreased by around 2%.

The key moment in the operating costs are, there is an increase in vehicle operation of diesel costs. It is increased by around 1.7% to the revenue that is around --- earlier it was 28%, in the current year that percentage has reached to 30%. And similarly, there are decrease in certain operational expenses, mainly the vehicle repairs and maintenance expenses is reduced by almost 1% from 8% to 7% and bridge and toll charges also declined around 0.4% The rates and taxes which are fixed in nature, again it is reduced by around 0.1% and insurance is also the fixed expenses, which will reduced by around 0.25%.

So, the next comes to, the Passenger segment which is increased by around 57% in the revenue from INR130 crore to INR205 crore and the revenue of the Passenger segment increased on account of increase in the number of passengers in the current year. When we compare on a quarter-on-quarter basis, the overall revenue is increased by around 11% from INR603 crore to INR672 crore and the EBITDA of the company increased by around 34% from INR98 crore to INR132 crore. The PAT of the company increased by around 51% from INR37 crore to INR56 crore. This is year-on-year quarter four comparison.

Again, the overall revenue is contributed majorly by the Goods Transport segment, which is increased by around 10% from INR535 crore to INR587 crore and the tonnage increase is contributed around 6% in the Goods Transport segment and the realizations are improved by around 4%. The Goods Transport EBITDA again increased by around 17% from INR103 crore to INR122 crore and percentage-to-total income is increased from 19.33% to 20.73%.

The margins in the Goods Transport segment again increased on account of, there is a decrease in total operating cost by around 2.2%. Earlier, the operating costs percentage were 65.59%. That has been reduced to 63.39%, and there is a slight increase in the employee costs in the current quarter from 14.4% to 15.13%. The key decrease in the operational cost is the decrease in the diesel costs as a percentage to the revenue. Last year, same quarter, the percentage was around 30.5%. Now it has been reduced to 29%. The vehicle running repairs and maintenance expenses reduce by around 1% from 8% to 7%, and there is a slight decrease in the tire consumption also by, earlier it was a 2.39%, now it is 2.07%.

The Passenger segment revenue is also increased by around 11% from INR56 crore to INR62 crore. Again, the contribution is mainly on account of increase in the number of passengers. When we see the quarter-on-quarter, as compared to the Q3 of FY'22 versus Q4 of FY'22, the revenue from operations, the total revenue is a little bit decreased by 1.69% from INR683 crore to INR672 crore. And again, the Goods Transport segment's revenue is decreased. Around 1.42% is decreased from INR596 crore to INR587 crore. And the Passenger revenue is also decreased by around 17% from INR74 crore to INR62 crore on account of seasonality.

The EBITDA of the company overall maintained. It is slightly decreased around 1%. We did an EBITDA of around, it has been reduced from INR134 crore to INR132 crore and

percentage to the income is increased by 19.6% to 19.71%. The PAT of the company is also decreased by around 7% from INR60 crore to INR56 crore.

So, this is a brief of the financials. Now I request to the participants to ask the questions.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Alok Deora from Motilal Oswal. Please go ahead.

Alok Deora: Good morning, sir and congratulations on decent numbers. Sir, if you could just provide data on the volume growth and the realization growth for this quarter and full year as well?

Sunil Nalavadi: Yes. Basically, this quarter, the tonnage is increased by around 1% from Q3 to Q4 and the realization is decreased by around 2%. Basically, the tonnage is increased, even though it is always when we compare quarter three to quarter four, always we used to see a dip in the tonnage. But this time actually there is a growth in tonnage by 1%. And the realizations are a little bit declined around 2% on account of, wherever actually we started the new routes and new customers, we offer certain discount to such customers and such routes.

Alok Deora: Sure. So, what are these numbers sir, YoY?

Sunil Nalavadi: YoY, I already shared earlier.

Alok Deora: No. Okay. Full-year growth in tonnage and price.

Sunil Nalavadi: Yes. Just on a full year basis, the tonnage is increased by around 27% and the realization is increased by around 7%.

Alok Deora: Got it. And also, sir, this biofuel consumption has been continuously declining and it's declined further in Q4. So that was one benefit, which we always had where we were or diesel costs were much lower than the Street or as in the totality of fuel consumption cost. So how do we see that going forward? I mean, is it like that advantage we don't have any further or how is it?

Sunil Nalavadi: So basically, now, what is happening, after increase in some of this palm oil prices and even Indonesia put certain restrictions on the export of the palm oil, there was a steep increase in the palm oil prices, which is the major raw material for the biodiesel. Since recently, the Indonesia has withdrawn that restriction. Again, they started. The palm oil prices are now declining. So going forward, we have to see again, if biodiesel is available at around at least around INR5 to INR6 lower than the normal diesel price, then definitely we buy the biodiesel, otherwise we will not prefer it.

Alok Deora: Sure. And just last question. Sir, in the Bus business, we have seen, the performance has been a little weaker on the quarter-on-quarter basis, whereas the understanding was that it would be pretty strong since the unlocking happening. So just any insights on that how are we looking at that segment?

Sunil Nalavadi: So basically, what will happen, the Q4 will be very low, revenue will be very low in Bus segment, basically because of the exams and all about the students. The overall number of passengers traveling in the quarter, during Q4 is always low. So now in Q1, again, the demand has backed in and we're seeing good growth in passenger in the current quarter.

Moderator: Thank you. The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital India Private Limited. Please go ahead.

Vikram Suryavanshi: Yes. Hi, sir. Good morning. Regarding, I think I missed the volume, passenger growth in the Bus side. What was the passenger growth YoY in Bus segment and realization growth, as well as passenger growth, sir?

- Sunil Nalavadi:** You want tonnage growth first?
- Vikram Suryavanshi:** No, Bus segment, sir. Passenger growth.
- Sunil Nalavadi:** Yes, passengers. So, about passengers, say on a full year basis, it is improved by around 47%. Last year, the number of passengers traveled is around 13 lakh passengers, and this year actually, the total number of passengers traveled is around 19 lakh. When it comes to the year-on-year, last year, the total number of passengers traveled is around 6,06,000 and in the current quarter it is 6,04,000. and in Q3 FY'22 it is like 6,58,000.
- About the realization, in FY'21, it was around INR1000 and FY'22 full year basis, that has been improved to INR1073, and in Q4, it was INR921 and Q3 also, in FY'22, it is INR1023 and Q4 it is INR1131.
- Vikram Suryavanshi:** Got it. And what was average diesel price for this quarter for us, as well as for the industry?
- Sunil Nalavadi:** Yes. See basically, the average procurement cost in the current quarter is around INR86 for us. In Q3 FY'22 it was around INR88 and then last year Q4 FY'21, it was around INR80, INR79. And on full year basis, in FY'21 it was around INR72 and in FY'22, that INR72 is increased to INR87. This is our procurement price.
- When it comes to the market price, actually, the retail price we have taken as a benchmark, but this price is as in the close of that particular period. In FY'21, it was around INR85 and FY'22, it is increased to around INR92 and similarly in quarter three of FY'22, it was around INR85.
- Vikram Suryavanshi:** Okay. Got it. And a last question from my side. If we look into our revenue contribution, so, particularly for East geography, we have seen very strong growth. Is it like, a structural growth what we are seeing and or it will be normalized going ahead?
- Sunil Nalavadi:** So, this trend we are hoping that it will continue at least for two to three years period. Basically, we are seeing that a lot of transformation in the industry, especially, the shipping is happening from small fleet operators to the large fleet operators or organized players. So, that's the reason we are opening more number of branches also. In the current year, we have opened 91 branches and for FY'23, we are planning to add another 100 branches. So, definitely this momentum and growth we are expecting that it will continue at least for around two to three years.
- Moderator:** Thank you. The next question is from the line of Krupashankar NJ from Spark Capital. Please go ahead.
- Krupashankar NJ:** Good morning, sir and thank you for the opportunity. So, I just wanted to understand, sir, you did mention that there is likely a tonnage growth of 20% to 25% and you were mentioning on the point where e-invoicing as a regulatory change is going to be one of the drivers for this tonnage growth. Just wanted to further understand, what are any other drivers which you have observed in the industry because the extent of products where the tonnage has increased substantially, first of all, has it happened because of regulatory environment change or is it more to do with our network and that's how we're able to capitalize on this opportunity?
- Sunil Nalavadi:** Yes, initially, some of the products, what I mentioned, it is only on account of the compliance level. There are change in the regulations. And apart from this, we are expecting growth even by expanding our network. So, these are all... most of the branches are opening in an untapped market. And basically, that is going to add a lot of new customers into our foray. Just I want to mention, even the number of customers that, prior to this COVID impact, we used to handle around four lakh plus customers. Now, the number of customers has increased to around seven lakh plus.

So, initially, these customers' contribution is --- the new customers contribution is lower, but going forward, once they adopt for a certain route, then definitely they establish our services to other routes also. So, we are expecting more contributions from them as well and further, the addition of the new customers will continue since again we are opening the new branches.

And moreover, earlier also, what used to happen, see, if one supplier used to distribute his products in multiple routes, only some selected routes used to give it to VRL and some of the routes used to depend on some of the small fleet operators or unorganized operators. Nowadays, for entire of these routes, wherever the supplier's goods are happening, actually, he is planning to ship to VRL. It is one point contract and we will provide all the information to him to have proper compliances and other things. That's why we are expecting that the 20%, 25% increase in the tonnage is definitely the achievable number.

Krupashankar NJ: Understood. My second question was on fleet addition and lorry hire cost. Just wanted to understand, what is lorry hire costs for the quarter and given that you are spending so much on your fleet and in the size of your fleet, just wanted to understand what would be the target of bringing down the lorry higher cost, if at all you are looking at it that way?

Sunil Nalavadi: On a full-year basis, the lorry cost is around 7%. Even last year also, in FY'22, it was around 7.4%. Now, it is 7.3% on a full year basis. And even if you see the quarter-on-quarter, the lorry hires charges, in Q3 it was 7.42%. Now, it is 8.63% in the current quarter. So, it increased around 1%. 8.63%. Yes, it is 8.6%.

Krupashankar NJ: So, going ahead in FY'23, are you expecting that this number would be some 6% or 5%, given that we will be operating more of our own fleet? Is that how we should look at it?

Sunil Nalavadi: Yes, definitely it be in the range of around 8% you can say, around 7% to 8%.

Krupashankar NJ: In FY'23 as well?

Sunil Nalavadi: Yes, because see, once the volume starts growing, again, we have to depend on outside vehicles also.

Krupashankar NJ: Right. Okay. So, effectively I think the benefits of the newer fleet would come in with the, I was wondering that the margin expansion because of the newer fleet will be because of lower lorry hire cost. Are there any other drivers which can bring down the, I am sorry, improve the margins for us?

Sunil Nalavadi: Yes, definitely. We are hoping that the margins will be in the range of say 19% to 20% in that kind of fleet. Basically, even if we add a new vehicle, yes, to some extent, the maintenance cost will be lower at the initial period of time. But we have to see the diesel price momentum and other kinds of things also and we are taking very conservative steps on the freight rates inflation. Even though such movements are happened in the last year from, basically from the month of March, even in April of the current quarter, so, basically, we have not taken any rate hikes and we are more concentrating on the volume growth.

So, the moment volume growth will happen obviously, certain expenses as a percentage to the revenues will come down. That's what actually even we have seen in Q3 and Q4 of this current, FY'22. So, even though fuel price was at a peak level, we have not taken further hike in the price rise. But in spite of that we have maintained the margins. So, similarly that trend is continuing. We want to continue that trend. So, unless there is a substantial increase or something has happened.

Krupashankar NJ: Understood. And last question from my side, if I may. The branch addition, of course in FY'22, you added about 95 or 91 branches. Any target on FY'23 or over the medium-term, what would be the extent of branch addition, because we have rationalized our branches over the last two, three years before FY'19 to FY'21? Just wondering to see how the addition is from this quarter?

- Sunil Nalavadi:** Yes, definitely we are planning to add another 100 branches in the current year, FY '23, and most of these branches will be in the north and eastern part of the country. And basically, see now, what we are acknowledging, earlier to reach a breakeven of new branches, it used to take a very long time. It takes at least around say eight to 12 months. Now by opening up of new branches, now within a period of around two to three months, we are reaching a breakeven. And even those contribution, the new branches are contributing now good in our overall tonnage. So, in the current quarter also, the tonnage contributed by the new branches is around 4% to the overall tonnage.
- Krupashankar NJ:** 4% you said?
- Sunil Nalavadi:** Yes.
- Krupashankar NJ:** Okay. Okay. And these will be all owned branches and not through agents?
- Sunil Nalavadi:** Yes. These are all precisely owned branches because we are seeing some limitations in the franchises. And that is the reason, actually we are planning to open our own branches.
- Moderator:** Thank you. The next question is from the line of Alok Deora from Motilal Oswal. Please go ahead.
- Alok Deora:** Hi, thank you for the follow up. Sir, just wanted to understand, we have sold one aircraft in Q4 for some INR9 crore. What is that sir?
- Sunil Nalavadi:** See, we were owning around two aircrafts. So, these are the small aircraft fleet we used to transport, for the management purpose. And whenever time permits, we used to give it to the outsiders also. So, instead of owning the two aircrafts, now we sold one aircraft. The one aircraft will continue.
- Alok Deora:** Okay, okay. And this Wind Power sale, Wind Power business sale, what's the status on that? It's been like completed? What the funds and just what is the status on that, sir?
- Sunil Nalavadi:** Yes, we have signed a MoU with one of the companies here, Ratna Cements, based out of Karnataka itself, and the total consideration for this transaction is around INR48 crore. The buyer has already placed around INR2 crore as an advance consideration. And this transaction, we are expecting that by end of July, this transaction is going to be completed. And moreover, again what will happen, even in FY'23 also, see in Wind Power, the major good season will be in the Q1 and part of the Q2 also. So, we are going to realize that revenue. Till the date of cutoff date, the revenue is going to accrue to the company.
- Alok Deora:** Sure. Sure. And what's the CapEx we have done for FY'22 and in Q4?
- Sunil Nalavadi:** The total for a full year basis we did around INR195 crore and just one second, and in Q4, we did around INR58 crore.
- Alok Deora:** Sure. Actually, this is slightly higher than what you have been indicating. So just wanted to understand on that.
- Sunil Nalavadi:** Again, out of that INR58 crore, the major CapEx used for the Goods Transport segment. We invested in Goods Transport segment around INR43 crore and for the purchase of vehicles around INR41 crore. And for Bus segment also, we invested around INR10 crore in the quarter four.
- Alok Deora:** So, we have added some buses also?
- Sunil Nalavadi:** Yes. Those are all in pipeline, but the registration has happened in Q1 of this year.

- Alok Deora:** Got it. Got it. And sir, just last question from my side. We have generated very decent operating cash flow in FY22. So, with this INR560 crore CapEx in next one, one and a half years, so lot of it we are trying to do from internal accrual as well. So, what is the debt number? What could the debt number be like in FY'23 end and in FY'24 end, after this CapEx is completed?
- Sunil Nalavadi:** See, currently we are having a net debt of around INR120 crore. Even after incurring of a CapEx of INR560 crore for the period of next 12 months to 18 months, see, every quarter we are going to generate at least around close to around INR80 crore to INR100 crore cash flows. And predominantly, these cash flows will be used for the purchase of the vehicles or for the purpose of the CapEx. So, on a full-year basis, definitely, for this Q4, for the four quarter, definitely, at least around, yearly around INR400 crore cash flow will be there. So, to that extent, it will be completely utilized. After end year adjustments if we remove, then definitely the net cash flows, in the range of, at least in the range of around INR300 crore plus CapEx, cash flows. INR300 crore and next year also around INR150 crore, around INR450 crore.
- So, net debt will be increased. Even for 18 months period, we are expecting around, see, INR100 crore, INR150 crore debt may increase, not beyond that. On a full debt basis, say for example, we are INR120 crore, so it may reach around INR220 crore to INR250 crore, even after this CapEx.
- Alok Deora:** And any of these new CapEx, already the trucks have been purchased? Because we understand the order you have already given out to Tata Motors for example. So, in April and May, has any fleet come through in the system or it is still in the WIP stage?
- Sunil Nalavadi:** No, the deployments have been started. Even some of the vehicles got registered in April and May and most of the fundings have been done through internal accruals. There has been no further borrowing, debt has been borrowed.
- Alok Deora:** Okay. But fleet has already started to come in?
- Sunil Nalavadi:** Yes. Yes. Started.
- Moderator:** Thank you. The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital. Please go ahead.
- Vikram Suryavanshi:** Yes. I think one question you answered, but I just want to reconfirm. Even in Bus, we have seen addition in Bus segment and the number of buses, debt free are almost zero. So, even in Bus segment, the new buses are completely from internal money we have bought or that is what I want to reconfirm from the presentation?
- Sunil Nalavadi:** No, we borrowed little bit for the purchase of the buses. It is hardly around, very small number, in the range of around, say INR1 crore to INR2 crore as of today.
- Vikram Suryavanshi:** Okay. And we mainly used to buy most of from Ashok Leyland but we have seen quite shift towards Tata. So, can you explain the thought process behind that?
- Sunil Nalavadi:** So, these are all based out of our technical evaluation as you know, before buying the vehicles, we do a lot of technical studies and how these vehicles are going to be utilized in our system. See, lot of things matter, especially the weight of the vehicle chassis, the length of the chassis, and how we are to structure the body designing in our own facilities. And apart from that, we have to see the mileage part of point of view. And even support, after the purchase also we expect a lot of support from the OEMs. So, considering all these ideas, we placed the order with Tata this time.
- Vikram Suryavanshi:** Okay. So, are we including that OEM or typically, we carry maintenance in-house but since this is a new fleet, will this be taken care by Tata or third-party or even for Tata also, OEM, maintenance will be carried in-house?

- Sunil Nalavadi:** No, we are now going to carry the maintenance part. But only the spare part supply and all, the OEMs will do. Currently, even whatever Ashok Leyland vehicles we are having, for all spare parts supply, Ashok Leyland stores spare parts in our premises. Similarly, Tata is also supporting a lot and moreover, they are good in certain kind of things, like warranty period on certain spare parts and all, in the new vehicles. These are all better in case of Tata, this time. For example, engine warranty period. They are assuring a good time of warranty period and similarly, they are giving lot of flexibility to us to incorporate certain modalities at the time of chassis manufacturing. These are all matters.
- Vikram Suryavanshi:** Understood. And you gave this lorry hire percentage, 8.6% for this quarter. Will it be similar to in terms of outside vehicle kilometer also or is there any slight difference in that?
- Sunil Nalavadi:** Look, kilometers will differ because...
- Vikram Suryavanshi:** What would be that number for this quarter?
- Sunil Nalavadi:** I will just tell you. Hired vehicles kilometers in Q4, it is, yes, overall, the kilometers is, earlier, on a full year basis, see, it was around...you want percentage to the total kilometers?
- Vikram Suryavanshi:** Yes sir. Yes sir.
- Sunil Nalavadi:** Okay. Just one minute. I will come back to you on this.
- Vikram Suryavanshi:** Sure. No issues sir.
- Moderator:** Thank you. The next one is from the line of Ankita Shah from Elara Capital. Please go ahead.
- Ankita Shah:** Yes. Thank you for the opportunity and congratulations sir, for the good performance. Sir, wanted to understand, how do we account for scrapping of vehicles? Whenever we sell, is it accounted as revenues or how is the accounting done?
- Sunil Nalavadi:** Basically, these are all totally depreciated now. There is no book value. Hardly 5% original value we retain as residual value. The moment we scrap these vehicles, for example, wherever we find some of the useful materials like tires or anything, so we just make it part of the inventory. See, basically, what will happen, these vehicles will depreciate over a period of 9 years. So, these vehicles are fully depreciated, and 5% of the original cost, we keep it as residual value. So, the moment we decided these vehicles to be scrapped, whatever useful spare parts of the vehicles we will take it as an inventory at INR1 value, and whatever sales will be there, see, other than the useful spare parts, whatever things will be there, we sell it as scrap.
- Then again, it will be allocated to each vehicle. Then we arrive the profit or loss for each vehicle, whatever it is. But always, whatever 5% residual value is there, always it will be more than that, the value what we are fetching out of the sale of these scraps.
- Ankita Shah:** Then it is added to the revenue of GT segment?
- Sunil Nalavadi:** Yes. Yes. It will be added to the GT segment.
- Ankita Shah:** So, overall, this share would be how much percentage of the total GT value?
- Sunil Nalavadi:** No, it is very negligible. If you see, the total scarp value itself, the other income, just one second, it is hardly in the range of around INR3 crore to INR4 crore on a full year basis.
- Ankita Shah:** Okay. Okay. Got it. Secondly sir, on the strong growth that you are targeting of 20% to 25% in terms of tonnage, what are the levers and where this growth will come from?
- Sunil Nalavadi:** In terms of growth in the coming days?
- Ankita Shah:** Tonnage growth. Yes, of 20%, 25% going forward in FY'23 onwards.

- Sunil Nalavadi:** Yes. Growth, there are two, three things. One is, small fleet operators, because of change in the regulatory transport point of view, lot of shifting is happening from unorganized players to organized players and apart from that, we are expanding the network also. In FY'22, we added around 91 branches and similarly, in FY'23, we are going to add another 100 branches. And see, if you see overall, the number of customers, prior to COVID, we used to handle around 4 lakh customers across India in our Goods Transport segment. Now, that number of customers have increased to around 7 lakh in the current year.
- So, going forward also, these are the two things. One is shifting from unorganized to organized and other than that, whatever network expansion we are doing, we are going to add lot of new customers in untapped market as well. These are the two things we are seeing, that will add good growth in our tonnage.
- Ankita Shah:** Sure. In terms of industry, any particular industry that you think will contribute higher?
- Sunil Nalavadi:** Industry-wise, see, normally, we are not specific on any industry or something like that. But area-wise, wherever the products are available, so for example, if we are entering in the West Bengal market, so we study the local products over there and we study how the movement of the goods are happening and we tap those markets. And similarly, just I have mentioned, some of the goods in my initial remarks, about the change in the leather product, how it has been drastically improved from FY'19 to till date. And similarly, some of the leather products which are mainly, we are getting from UP, especially from Lucknow, UP area, Kanpur and surrounding area, so there also substantial improvement in the tonnage. The tonnage details have already been mentioned in the initial remarks.
- So, some of these products, earlier, these products were handled completely by unorganized operator. Now it is shifting to organized players.
- Ankita Shah:** Got it. And just one last. Is there any summary on how much cost savings you will do on owned vehicles versus hired vehicles? Percentage of cost savings on owned vehicles?
- Sunil Nalavadi:** Owned vehicles, see, the EBITDA margins, if we do through outside vehicles, it is in the range of around 8% to 9%, whereas, if we do with our own vehicle, definitely, it will be around 20%.
- Moderator:** The next question is from the line of Krupashankar NJ from Spark Capital. Please go ahead.
- Krupashankar NJ:** Thank you sir for the follow-up. Just one small question on the Wind segment. I noticed that in this quarter, the revenue, as well as the margins in the Wind segment has been substantially higher. Traditionally, this is a very weak segment for Wind segment. Just want to understand, is there any one-off accounted in the revenues and that is one of the reasons that Wind is higher?
- Sunil Nalavadi:** Yes. Wind Power, one time revenue of about INR6 crore, we realized on account of sale of this Carbon Emissions Reduction Unit, the CR unit. That is the one-time income we generated in this quarter.
- Krupashankar NJ:** So, that one time due to sale is recorded in the revenue?
- Sunil Nalavadi:** INR6 crore, yes. Just I want to mention about the kilometers covered by the outside vehicles, see, overall, it is in the range of around 5% to 6% of the kilometers are covered by the outside vehicles.
- Moderator:** We have the next question from the line of Rajarshi Maitra from InCred Capital. Please go ahead.
- Rajarshi Maitra:** Hello, sir. You mentioned that you have sold one aircraft for INR9 crore. So, is this amount booked and if so, where has this been booked, the income from sale of aircraft?
- Sunil Nalavadi:** Yes. It has been booked in the current quarter. See, around INR2 crore profit has been generated from this sale of aircraft. That has been consider in the P&L account. And the cost of this aircraft in the book was around, say INR6 crore and odd. So, by doing this transaction, we made a profit of INR2 crore.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Sunil Nalavadi for closing comments.

Sunil Nalavadi: Yes. Thank you, all participants for your patient hearing. If any additional questions or any information that you require, please contact me directly. And just I want to conclude that, basically, considering the growth of our tonnage in our Goods Transport segment, which is major segment for us, we are expecting that growth momentum will continue even going forward. More volume growth if it is there, then definitely we will have more flexibility about the cost control and increase in the EBITDA margins. So, considering the increase in fuel costs and other scenarios, definitely, we are hoping that again, we will maintain the EBITDA margins as well at the same level in coming days.

So, with these remarks, I would like to conclude this call. Thank you.

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