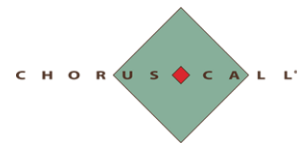




**“VRL Logistics Limited
Q2 and FY '26 Earnings Conference Call”**

November 04, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 4th November 2025 will prevail



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| MANAGEMENT: | MR. SUNIL NALAVADI – CHIEF FINANCIAL OFFICER – VRL LOGISTICS LIMITED |
| MODERATOR: | MR. MOHIT LOHIA – ICICI SECURITIES LIMITED |

Moderator: Ladies and gentlemen, good morning, and welcome to the VRL Logistics Q2 and FY '26 Earnings Conference Call hosted by ICICI Securities Limited. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will remain 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Lohia from ICICI Securities for the opening remarks. Thank you, and over to you, sir.

Mohit Lohia: Yes. Hi. Good morning, everyone. Thank you for joining us today for Q2 and H1 FY '26 earnings call of VRL Logistics Limited. First of all, I would like to thank management for providing us the opportunity to host this call. From management, we have Mr. Sunil Nalavadi, CFO of the company.

So without further delay, I would now hand over the call to Mr. Nalavadi for the opening remarks. Thank you, and over to you, sir.

Sunil Nalavadi: Thank you, Mr. Mohit. Good morning to everyone, and a warm welcome to VRL Logistics Limited Quarter 2 and First Half Year of FY '26 Earnings Conference Call. Just I want to highlight the quarterly performance to start with.

During the quarter ended September '25, VRL Logistics demonstrated resilience and disciplined execution in an evolving market environment. The period was marked by changes in GST regulations and the strategic rationalization of low-margin contracts. Despite these factors, our performance remained stable with total income of INR804 crores, broadly flat compared to year-on-year basis.

The tonnage declined by around 11% year-on-year basis, primarily due to the deliberate exit from low-margin business, but it's encouraging to note that volume showed a 4% sequential recovery, indicating improving demand and the return of some previously lost customers. Realization per ton stood at around INR8,079 per ton compared to INR7,852 per ton in Q1 FY '26 and INR7,241 as it was in quarter 2 of FY '25, a growth of 2.9% quarter-on-quarter and 11.6% year-on-year basis.

The quarter witnessed a short-term demand modernization following GST-related policy changes as customers across sectors, particularly in consumer durables, electronic products, agriculture products, footwear and ready-made garment, etcetera, adopted a cautious stance. This temporarily impacted volumes, but we view this as a transitory phase. We expect volume recovery to strengthen in the coming quarters, supported by better traction across key customer segments.

Our marketing team continuously to focusing on acquiring high-quality profitable contracts and expanding in underpenetrated regions. Our pan-India network remains one of our biggest strengths, comprising 1,243 branches and 50 transshipment hubs. During the quarter, we added around 9 branches and closed 7 and net addition of around 2 branches, particularly in Eastern India as a part of our strategy to deepen regional presence and strengthen last mile connectivity.

The EBITDA for the quarter stood at INR158 crores, up from INR136 crores in quarter 2 FY '25, a 17% year-on-year growth, supported by cost optimization and improvement in realizations. Our fuel cost, the largest expenditure component reduced from 28.6% to 25.6% of total income in quarter 2 of FY '26, driven by bulk procurement from refineries, which increased to 41% from 35% in quarter 2 FY '25 and improved sourcing.

Lorry Hire charges also declined from 5.7% to 4.4% to total income following better fleet utilization and ongoing route optimization initiatives. Our own fleet stood at around 5,782 vehicles as of September 2025 compared to 6,158 last year, reflecting the rationalization of older and less efficient vehicles to optimize maintenance and utilization.

Employee cost increased to 18.3% of total income versus 16.9% in the last year, primarily due to salary revision implemented in August to reward our workforce. We consider this as a strategic investment in our people and future growth. The net profit for the quarter stood at INR50 crores as compared to INR36 crores with a growth of around 39% year-on-year basis.

H1 FY '26, the total income grew by 1% year-on-year basis, while EBITDA stood at around INR316 crores versus INR237 crores in H1 '25, translating into an EBITDA margin of around 20%. And the PAT for the first half nearly doubled to INR100 crores from INR49 crores with a margin improving from 3% to 6.4%.

The Less-Than-Truckload segment continues to be our core business, contributing about 89% of our total revenues, while the balance came from the FTL segment. capex for first half year ended September '25 stood at around INR43 crores, of which INR23 crores was deployed towards covering leased branches or hubs into owned facilities across key locations such as Ernakulam, Salem and Tumkur Industrial area in Karnataka. And the capex for the quarter stood at INR29 crores.

We continue to make selective investment in high potential locations to enhance company-owned branches or hubs which will be predominantly funded through internal accruals supported by our strong balance sheet and healthy cash flows.

In first half year of FY '26, the cash flow from operations improved significantly to INR334 crores from INR217 crores, driven by higher operating margins and tighter working capital discipline. Receivable days remain at around 12 days among the lowest in the Indian logistics industry. And the net debt of the company stands at around INR304 crores as compared to INR396 crores at the end of March 2025. Due to improvement in the margin, our company return on capital employed has been reached to 18% as against 14% for FY '25.

Looking ahead, we expect freight volumes to improve in H2 FY '26, supported by new customer additions, incremental volumes from our large existing customer base, normalization of GST-

related disruptions and enhanced marketing initiatives across key hubs and deeper penetration into newer markets. Our focus remains on operational efficiency, profitable growth and delivering sustained value to our shareholders.

Now I conclude my initial remarks with this. Now I request participants to ask any questions to response at my end. Thank you.

Moderator: Thank you so much, sir. Ladies and gentlemen, we will now begin the question and answer session. First question comes from the line of Alok Deora from Motilal Oswal.

Alok Deora: Just a couple of questions. First is on the volume. So volumes, how has been the trend because of this change in the GST rates? Have you seen any sharp change in the volume in the end of September and also in part of -- also during October? So just first question was on that.

Sunil Nalavadi: Yes. Basically, see, the government has announced on August 15 about indicative changes in the GST rates. And for some of the products, they have straight away informed 12% and 28% to be removed. So those category products have been impacted from August 15 to September 22 until the announcement has confirmed through Notification from the government.

Subsequently, yes, demand of these products have been improved. And since we are accounting the revenue based on the delivery basis, most of these revenues have not been accounted in September because of at least around 4 to 5 days transit time from the date of booking. So some of these revenues have been accounted in the month of October. And the additional volumes have been contributed in the month of October on account of this.

Alok Deora: Sure. So have you seen any sustained improvement or it was more -- it is more like just those 20 days of -- before the cut, the volumes were soft and after the cut the volumes have just kind of compensated, we were compensated...

Sunil Nalavadi: These are sustainable growth, especially for us is concerned. The reason is we are operating at a 5% GST, which is lowest applicable GST rate for the transportation of goods. And since most of the commodities have been shifted from 12% to 5% or 0% or in some cases 18% to 5% or 0%. So those commodities, always they focus how to reduce the cost or how to reduce the input tax credit. So since we are one of the category in the 5% rate of GST, definitely we are expecting good volumes from this category of commodities.

Alok Deora: Got it. So sir, in 2Q, we saw this 11% decline. How do we see the trend ahead now? Because I think even in 3Q, we could because we have let go of low-margin customers. So that's why the volumes have been coming down Y-o-Y. So 3Q, again, we'll see a minor decline or 3Q could see, be the turnaround in terms of the volume growth coming back?

Sunil Nalavadi: Yes. Again, as compared to Q1 and Q2, how we improved 4%, we are expecting from Q2 to Q3, again, there will be improvement in the range of at least around 5% plus, 5% to 6% what we are expecting. And in Q4, there will be a growth in tonnage by at least around 7% to 8%. That's what is the rough estimate. And on a full year basis, the overall there will be a reduction of around 4% to 5% in tonnage. But if the same realizations will be maintained, overall the revenue growth for the full year it will be around 4%.

- Alok Deora:** Got it. Just last question. Margins, we have taken this employee wage hike and stuff. So margins have been around -- core EBITDA margin has been around 19%. So is that number sustainable ahead? Or we could see some moderation there?
- Sunil Nalavadi:** Yes, definitely, it is sustainable. And employee cost, as we mentioned, we have given increments from the month of August. There will be 1 month additional cost will be there in the next quarter. And we are expecting that, because of increase in the tonnage, we are expecting that we will be maintaining the EBITDA margin in the range of around 19%.
- Alok Deora:** Got it. Thank you, sir. That's all from my side. All the best.
- Moderator:** Our next question comes from the line of Mukesh Saraf from Avendus Spark.
- Mukesh Saraf:** Thank you for the opportunity. Just continuing on the tonnage growth side of the business. I mean, when I look at this quarter, the number of trucks that you have, have come down. So you've not had any gross additions, but you have had some scrappage of trucks. And the branch addition also, I mean, Y-o-Y, it's down Q-o-Q, it's just about two branches that we have added.
- So I mean -- so we've not added trucks. We've not really added too many branches. And you're expecting volume growth to start here from 3Q. So just trying to kind of juxtapose all these 3 together, how should we think -- I mean, how is this volume growth going to come, sir? Like last quarter, you had mentioned some of the customers that had kind of left, you have come back.
- Maybe if you could give some more sense on where we are going to start seeing this sequential volume growth from of, say, 5%, 7% in the next 2 quarters that you mentioned? Is it like some regional any new markets, new sector? And if you could just give more color?
- Sunil Nalavadi:** No, just I want to clarify that most of the tonnage decline is because of some of the rationalization exercise we did. And we are expecting that there will be most of turnaround from the customers which have already been lost because they are not getting expected service from the other transporters. Just to give some clarification on these numbers, see, basically in quarter 1 to quarter 2, what happened, we lost tonnage from the existing.
- The customers who have been left in the quarter 2 is around 12% of the total tonnage. But whereas the customers what we added, the 14% of the tonnage is added because of the addition of the new customers. And there is a growth in tonnage from the existing customers by around 2%. But for summarizing all these 3, overall, we gained a total tonnage of 4%. And similarly, on the year-on-year basis also, the tonnage from the new customer is around 20%.
- That kind of tonnage we added from the new customers. This is only on account of the branch expansion exercise, whatever we did in the last few years. Because of that, actually, we are in a position to add these new customers. And because of the rate rationalization, we lost customers to the extent of around 20% of our tonnage. And there is a decline from the existing customer around 10% to 11%. So after summarization of all these 3, overall, there is a decline in tonnage of 11%.

Now in coming quarters what is going to happen? Again, the contribution from the new customer, definitely, it is going to improve. And there will be very, very less in the case of the loss of customers on account of rate increase because we have not at all increase in the rate from the last 2 quarters. And similarly, we are expecting that there will be good volume growth from the existing customers.

So with that, we are expecting that at least in quarter 2 to quarter 3, definitely, we are expecting around 4% to 5% growth, and that growth will continue in quarter 4 as well.

Mukesh Saraf: Okay. But we'll not need to add more trucks, sir, because our net number of trucks have gone down sequentially.

Sunil Nalavadi: The trucks currently, what is happening on an overall basis, if you see the engagement of outside vehicles have been substantially reduced. The lorry and hire charges has also came down. And there will be improvement is possible in the existing fleet utilisation as well. And if required, whatever additional capacity is required to handle the additional tonnage, to that extent we will engage the outside vehicles.

Mukesh Saraf: Right. So we'll have to go back to maybe increasing the outside vehicles, which can impact the margins for that incremental tonnage?

Sunil Nalavadi: Not necessarily. But definitely, there will be synergy and utilization of the existing capacity also, that will add to some margins.

Mukesh Saraf: Okay. Okay. Understood, sir. And second is on the employee cost. I mean you said the new wage hikes have been in effect from August, sir, is what you said?

Sunil Nalavadi: Yes.

Mukesh Saraf: Okay. So basically, 3Q is when will be the full quarter impact of this higher employee cost?

Sunil Nalavadi: Yes, there will be another 1 month additional cost will be there.

Mukesh Saraf: Right. So it can be maybe about INR160 crores, sir? I mean we are at INR147 crores in 2Q. So it can be about INR160-odd crores, that number?

Sunil Nalavadi: No, the average increment in employee cost is around INR6 crores per month.

Mukesh Saraf: INR6 crores per month?

Sunil Nalavadi: Yes. Yes.

Mukesh Saraf: Okay. Okay. Understood. Understood. And just lastly, capex, I mean, any new hubs, what's the plan there? I think you've added 8, 9 hubs in the last, say, year or so, own hubs, I'm saying. So any capex that is planned to kind of add owned hubs?

Sunil Nalavadi: Yes. In the first half year, we incurred a capex of around INR43 crores. Out of this, INR23 crores is related to the conversion of leased hubs to investment into the own branch and hubs. And in

the second half, we are expecting that there will be investment of around INR130 crores to INR140 crores for the investment in the branches and transshipment hubs.

That's what we are expecting or estimating the investment in the capital expenditure. And apart from that, there will be around INR10 crores to INR20 crores other capital expenditure. So in second half year, , we are expecting the total capital expenditure of around INR160 crores or so.

Mukesh Saraf: Got it, sir. Alright, thank you. I will get back in the queue.

Moderator: Our next question comes from the line of Disha Giria from Ashika Institutional Equity.

Disha Giria: Thank you for the opportunity. My first question is regarding the cash flow for investment activities that you have highlighted that the INR43 crores, it includes around INR23 crores for leased branches conversion. So could you give some sense on it, like how many branches have we converted to own? And what is the rationale behind it?

Sunil Nalavadi: INR23 crores investment is around 3 to 4 locations. And these are all investments not in the hubs and it is at key branches. So basically, some of the critical areas where we are not getting the additional space of godown also, and we are unable to operate our vehicles in those areas where we identified those locations and invested into these properties, especially in Salem, Ernakulam and one industrial area in outside Bangalore it falls under Tumkur City area where the large industrial park is establishing. .

Disha Giria: Okay. My next question is regarding that now since there is a kind of a slowdown in branch additions, what is the growth of volume growth that we are seeing in the branches that had been added in last financial year?

Sunil Nalavadi: No. Basically, the new customer addition, what I mentioned, again, it is from the existing market as well as in new market. So on a year-on-year basis, around 20% of the tonnage what it has contributed, it is all from the new customers. And similarly, on a quarter-on-quarter basis also around 14% of the tonnage contributed from the new customers.

So my point here is the branch expansion and whatever product-wise expansion and product-wise, some of the policies what company has made, , that has been facilitated to do this rate rationalization. Without that expansion, without the branch expansion or network expansion, this rate rationalization was not at all possible. So because of that backup, we are in a position to do the rate rationalization and increase the margins.

Disha Giria: Got it. Thank you. That's it from my side.

Moderator: Our next question comes from the line of Jainam Shah from Equirus Securities Private Limited.

Jainam Shah: Thanks for the opportunity. Sir, first question on the employee cost side. So what we have guided for around 2% impact on the EBITDA and 3% for the third and fourth quarter. However, impact has been lower during this quarter. Of course, part of the same has been part of the freight cost, but overall impact has been lower below 1%.

So is it the new normal that we can take into account? Or has there been some more increase that we can see from the third quarter onwards? And of course, over the past what we have seen in the employee cost is that we have been doing the hikes and all those things during this third quarter only. So everything has now been accounted for and this is the new normal that we can take into account?

Sunil Nalavadi: Yes, this is a new normal. And year-on-year basis, just we indicated in the last our statement. Basically, if you see year-on-year basis, it has increased from 16.9% to 18.3%. That is a change in the employee cost, almost around 1.4%. And there is an increment in vehicle running and repair expenses also. There is 4.7% to 5.2%. Again, this 0.5% is on account of increase in the employee cost itself, due to increase in driver incentives as vehicle running expenses

Jainam Shah: Got it. Got it. And sir, what would be the reason for the other expense and other income both going up during the quarter? Is it operating loss on the sale of assets? Or is there any one-off as well because the quarterly run rate has gone up.

Sunil Nalavadi: The loss is, again loss on sale of vehicle is because of the accounting entry, but similar amount we are realizing by way of sale of scrap material, that income is increased. But there is some of the administrative expenses also increased like professional fees and even some of the traveling expenses also increased. On account of that, Other expenses are increased.

Jainam Shah: Got it. Any quantum sir that you can provide for loss of sale of asset during 1H or 2Q and also the scrap sell in the other income that we would have booked?

Sunil Nalavadi: Yes. Yes, in quarter 2 the account...

Moderator: Sir, you are speaking on mute.

Sunil Nalavadi: Yes, around INR10 crores it's on account of sale of scrap material, the income. And the loss on sale of asset is around INR5 crores.

Jainam Shah: This is the 2Q number or 1H number?

Sunil Nalavadi: It is first half, half year, six months.

Jainam Shah: Got it. Sir, got it. On...

Sunil Nalavadi: In quarter 2, the loss is around INR2 crores, loss on sale of asset [Inaudible 0:24:43]. And sale of scrap is around INR4 crores.

Jainam Shah: Got it, sir. Got it. Sir, from a strategy perspective, you see over last probably 1 year and a quarter, so we changed it from a volume-based company to a value-based company. And then we have now been -- we can say, being a good profitable company for consecutive quarters. However, one of the key factor has been volume, which has been lagging probably for a few quarters and growth has not been coming, it is degrowing in a double-digit kind of a number.

And what market generally ask for is the volume growth going forward. So is this strategy of being value-based company wherein we focus on the profitability and not on the volume will continue? And is there any more hikes that we are expecting in the realization which will come?

Is there any -- we can say any -- still a low-margin contract, which is part of the 2Q will eventually go out in 3Q, 4Q, which will lead to a better realization? And along with that, margin trajectory is largely expected to be similar as what we have done in the 2Q?

Sunil Nalavadi: No, the rate rationalization exercise is already completed. So actually that has been started in the last financial year itself. In the month of June last year we started. Now by end of March, April, , we completed everything. There will not be any further rate rationalization as of now. But currently what we are focusing, we are focusing for the increase in the volumes.

For that purpose, , as I said, we are identifying the customers where -- and we are concentrating more on the service to capture more of additional customers. Not only that, even the customers who have temporarily lost or even they reduced their volumes. Slowly, we are establishing gain in those volumes also. So that's the reason we are very optimistic that definitely quarter-on-quarter basis, around 4% to 5% growth in volume is possible.

Jainam Shah: Got it, sir. Got it. That's it from my side. Thank you so much.

Moderator: Our next question comes from the line of Mr. Achal Lohade from Nuvama Wealth Management. Please go ahead.

Sunil Nalavadi: Hello.

Moderator: Yes sir, please go ahead.

Sunil Nalavadi: Mr. Achal?

Moderator: Hello, can you hear me, can you hear us?

Sunil Nalavadi: I am unable to hear the question.

Moderator: If you can hear us, please respond Mr. Achal Lohade. Since there is no response, we will move forward to the next speaker shareholder. Our next speaker is Madhur Rath from Counter Cyclical Investment. Please go ahead.

Madhur Rath: As a percentage of revenue, sir, how much do we see declining over the next maybe two to three years?

Sunil Nalavadi: Will you repeat your question, please?

Madhur Rath: Okay. Got it. Sir, our freight and service cost as a percentage of our revenue has seen a very good improvement in FY '25 as well as we can see in FY '26. So where do we see this as a percentage of our revenue on a steady-state basis maybe over the next two to three years, sir? Can we see further improvement in this number?

- Sunil Nalavadi:** No, it will be maintained at around 5% or so. The vehicle running repair and maintenance cost is around 5% of the revenue. It will be continued at this level.
- Madhur Rathi:** No, sir. I was asking about the total freight handling and the service cost as a percentage of our sales. So this number you...
- Sunil Nalavadi:** See, freight handling cost is predominantly it is a fuel cost. Fuel is almost around 25% to 26% to the revenue and this is the optimum level of % as of now. . And currently, out of the total fuel purchase around 40%, 41% we are procuring from the refineries where we are saving almost around INR7 to INR8 per liter as compared to the normal retail price in India. And that price is always fluctuating.
- So the gap may -- sometimes it may reach to INR4, INR5 or it may reach extent up to INR10, INR12 also. But we are expecting that going forward with this kind of a fuel rate what they are today, so definitely the percentage of the fuel expenses will be at 25%, 26%. And we are planning to add 1 or 2 more additional own fuel pumps to increase this quantity from the refinery. Currently, it is around 40%, 41%.
- And with the addition of another 2 pumps, one in Visakhapatnam and Chennai, we are planning. If these 2 pumps are started, then again that percentage may increase around 43%, 44% to the total fuel quantity. So there will be some improvement in -- definitely there will be some reduction in fuel percentage once these 2 pumps will start. But on an overall basis, we are having now optimum level, and that's the reason the EBITDA level is also around 19% or so as of now.
- Madhur Rathi:** Got it. Sir, do we do a tire re trading in-house or this is outsourced and can this be taken in-house to reduce our cost further?
- Sunil Nalavadi:** No, we are not doing any re trading, but we are selling the used tires. Up to a certain level we use it and sell it. And even from the existing supplier also, we are having a buyback arrangement. After the usage, actually, the companies themselves will buy back these tires.
- Madhur Rathi:** Got it. And sir, on a longer term, sir, what kind of investment are we planning maybe over the next 1 or 2 years in terms of new warehouses as well as vehicle addition if we can expect over the next 2 to 3 years?
- Sunil Nalavadi:** So, vehicle addition in next half, there will be a very small portion of investment, say, around INR10 crores to INR20 crores investment will be there on the vehicle side. But we are planning to invest around INR130 crores, INR140 crores in the assets, the land and building we are planning. That will be -- some of the locations have been already identified and some of the properties also finalized. So we are expecting that around that kind of investment in next half year. So total capex will be in the range of around INR160 crores in next half year. And considering the volume growth and again the business opportunities, then we will invest in the vehicles in next financial year.
- Moderator:** Our next question comes from the line of Anshul from Emkay Global.

Anshul: Thank you for the opportunity. Sir, you alluded that in H2 as well we'll not be adding many vehicles, as many vehicles as we probably did in the last few years. Is it that utilization level on the hub-to-hub route, does that allow us to sort of work with the same set of vehicles despite expecting higher volumes?

Sunil Nalavadi: Yes. Basically what we did, even quarter 1 to quarter 2, if you see whatever 4% the tonnage has been increased, most of the tonnage has been carried through our existing vehicles because of the route rationalization and n turnaround time of the vehicles have been increased. And whatever driver incentives actually we have provided, more of the incentives are related to their efficiencies.

So because of that, actually, the turnaround time of the vehicles, we are expecting further improvement in these vehicles. And apart from that, because of the route rationalization and connectivity of these particular vehicles, again, we are expecting some improvement in the efficiency going forward.

Anshul: Got it. Sir, what would be the current hub-to-hub utilization levels for our trucks?

Sunil Nalavadi: See hub-to-hub utilization always go with a full capacity, but turnaround time some delays are happening. There is further improvement is needed in the turnaround time. We are focusing on those areas to improve the turnaround time so that it can do more loads in a particular time.

Anshul: Got it. Could you just indicate what is the current turnaround time and what would be our target?

Sunil Nalavadi: See, currently, on an average, it's doing around 4 to 5 trips between the hub on an average, I'm saying. So there is a scope for improvement in that area. Even at least around 5%, 6% improvement, it will lead to more kilometers by the existing vehicles actually. And moreover, what we are doing, we are concentrating on, again, branch-to-branch transportation also rather than connecting to the hub.

So wherever major branches are collecting directly route, say, for example, to give some few examples, we are having one branch in Bangalore. Say it is mainly for the textile and cloth materials. So whatever material we are carrying from Surat to Bangalore. So rather than going to the transshipment hub in Bangalore, that vehicle is going to directly going to branch itself.

So that what will happen, there will not be any further loading unloading in the hub and directly where that vehicle can be unloaded in a delivery branch and again come back to transshipment hub. Because of this, definitely, there will be improvement of at least around 6 to 7 hour utilization in that particular vehicle. Like this, we have identified many branches. The directly branch can take the delivery of the goods.

So accordingly, we are exercising these options and directly vehicles are going to delivery branches and unloading the goods. And similarly, on the loading front also, wherever the bookings are happening in a major city from one particular branch, where vehicle is directly going from branch to delivery branch itself rather than connecting to the hub. These are all exercises actually we are doing, and this exercise has been started from the last one year. And there is still improvement is possible in this area.

Anshul: Got it, sir. Second question was on the GST rate cuts or rather hikes for GTAs. The gap between probably the reverse charge and the forward charge mechanism has sort of widened. Does this sort of strengthen the unorganized players? And especially, does this sort of weaken express players proposition in the PTL space?

Sunil Nalavadi: Yes, definitely, one is not precisely the unorganized. Actually, who are the organized players in this category, 5% category, they are going to get more benefit. Since we are at a 5% GST rate and definitely, we are expecting more benefit from the various commodities, which have been - the GST rates have been reduced. And just to give some example, see, I want to highlight that the ready-made garments.

Earlier the ready-made garments, if the garment, value is less INR1,000, it was under 5% category. And if it is more than that, actually, it was under 12% slab. Now what happened, always we used to get more of readymade garments which are valuing INR1,000 piece or lesser than that.

Now what happened, that limit has been enhanced to INR2,500. Per piece, if any value less than INR2,500, then now it will fall in the 5% category. And more than INR2,500 per piece, now it has been increased to 18%. So because of this, what is happening, whatever commodities are falling in 5% category, we are getting more demand from these products.

And similarly, footwear also earlier one pair INR1,000 and less than INR1,000, it was around 5%. And more than that, it was under 12%. Now that limit is enhanced to INR2,500. Now per pair value, whatever less than INR2,500 is there, we are getting more demand on such products. Even the existing customers actually who are already we are servicing, the commodity of those products in this category have been increased in the month of October.

Anshul: Got it. Just one last question. Any target for net branch additions in FY '26?

Sunil Nalavadi: Yes, definitely, we are identifying more and more new locations. And in the meantime, actually, what we are planning, it is very initial stage, again. We are concentrating to add some good number of franchises instead of company-owned branch in the newer area. That's what the plan is. We are doing some exercise. If at all, that plan is workout, then we will add a good number of agencies rather than the company-owned branches.

Anshul: Sure. Thank you so much.

Moderator: Our next question comes from the line of Mukesh Saraf from Avendus Spark.

Mukesh Saraf: Just one follow-up question. You mentioned about certain spillover from September to October. Could you give some sense on how much that could have been, the spillover? And also, if you could give us how October has been for us in terms of volume?

Sunil Nalavadi: Yes, October till the date of the festival, we recorded very good volume. But post that, always, most of the business activities will be halted, were halted. And almost around 7 to 8 days will not be much of a loading, unloading or any booking and delivery happens after the festival. So

considering that, again, on a full month basis, there is a reduction in tonnage as compared to last year. But it is in line with what growth actually we anticipated.

Mukesh Saraf: And the spillover, sir, I mean, what could have been actually in September, which got spilled over to October?

Sunil Nalavadi: Around 2% of the revenue, 2% of the tonnage.

Mukesh Saraf: 2% of the tonnage in this quarter...

Sunil Nalavadi: Monthly tonnage...

Mukesh Saraf: Thanks sir. Thank you so much. I'll get back.

Moderator: Our next question comes from the line of Jai Mehra from Nuvama Wealth Management.

Achal Lohade: This is Achal here. Thank you for the opportunity. Sir, the first question I have, you did mention that the customers are coming back to us, given they are not getting adequate service. If you could help us understand what percentage has come back or coming back, how the trend has been in 1Q and 2Q? Like let's say, if you have lost -- if you have deliberately exited 100 tons, how much of that has come back? Any quantification you could help us with?

Sunil Nalavadi: Yes. I indicated the percentage. Now on a year-on-year basis, in this quarter, the quarter 2, the contribution from the new customer is around 14% of the tonnage. And the tonnage of the lost customer as compared to last year is around 12%, 12% of the tonnage we lost year-on-year basis on account of rate rationalization.

Achal Lohade: Right. But when you say new customer, I presume you mean actually not the old customers coming back, right?

Sunil Nalavadi: This is a quarter-on-quarter basis is what I'm saying, quarter-on-quarter basis. See, year-on-year basis, the addition from the new customer is around 20% and the tonnage lost from the existing customer is around 20%, the customers who have completely left our service. And the decline in the tonnage from the existing customers, around 11%. So overall basis, we lost a tonnage of around 11%.

Achal Lohade: Sorry, just to be clear, on a Y-o-Y basis, 20% is the new customer contribution, 20% is basically the lost volume because the customer is completely left. And there is an 11% decline in the existing customer volume. And the decline would be on what account? What is the reason for this steep decline of 11% on the existing customers?

Sunil Nalavadi: No. Basically, see, for some of the customers, what is happening currently we are operating is, we are handling around 100 routes of the customer. Now instead of 100 routes, some 50, 60 routes they will give it to other transporters, and they will continue 40, 50 routes with us, like that. Some portion they have diverted to other transporters and some portion they are continuing with us.

Achal Lohade: And the reason for diversion is because of the price, because of the better service from others?

- Sunil Nalavadi:** Because of the price. Because they have stick on to with us from a very long time. Now because of this rate rationalization, temporarily, they have shifted to other transporters. And actually we are getting the volumes from these tonnage which is diverted to other transporters. Considering the service level of what other transporters are providing, they are shifting to us gradually.
- Achal Lohade:** Right. I was checking on that. That was the next question in terms of if you would have lost, let's say, 100 tons earlier, how much of that has come back?
- Sunil Nalavadi:** No, on a quarter basis is what I'm saying.
- Achal Lohade:** Is it 5%, 10%?
- Sunil Nalavadi:** Yes. On the quarter-on-quarter basis, , the 14% of the tonnage is contributed from the new customers, okay? And the 12% of the tonnage we lost customers. And there is a 2% improvement from the existing customers in the tonnage. So on account of this, overall, the growth in volume quarter-on-quarter basis is around 4%.
- Achal Lohade:** Understood. In terms of the, if I were to look at from a medium-term perspective, how do we internally plan? What kind of growth is what you would be content with or not satisfied with? If you could give any sense, is it 15%? Is it 10%? Is it 5%? How do you look at when you are planning for the growth or the infrastructure from next 3- or 5-year perspective, what is the growth you're looking at? And what is -- which any particular sector or industry which is going to drive that?
- Sunil Nalavadi:** No, basically, what is happening now because of this temporary whatever rate rationalization exercise we did from the last year and because that there is a certain variance in the tonnage growth. But otherwise, in the normal scenario, we are expecting to grow at least around 8% to 10% in the volumes going forward. And even in the rate rationalization also, most of the things have been already achieved now.
- And based on that, \ we did a 4% tonnage growth in quarter 2. And we are expecting similar growth in quarter 3 and quarter 4 also. So like this, from FY '27 onwards, we are expecting that at least around 8% to 10% growth is possible in the volumes.
- Achal Lohade:** And you're not looking at reversing your stance on the pricing / margins. Have I understood right, sir?
- Sunil Nalavadi:** Not necessarily because we already did 4% growth in Q2, and there will be similar growth in quarter 3 as well compared to quarter 2 versus quarter 3. And most of the customers are accepting our rate rationalization and continuing business with us.
- Achal Lohade:** Right. But at the same time, if I look at the number, what you said 11% decline, it also indicates that there is still some inhibition with respect to converting fully to the new price for all the routes.

Sunil Nalavadi: No, gradually, it will happen, see, because we don't want to initially -- it's happening. Actually we are identifying the new customers as well. In the quarter 2 also around 14% tonnage, Q1 versus Q2, it is from the new customers. It is a substantial number.

Achal Lohade: Are you talking about 14% Q-o-Q growth? Or you're talking about 14% of the 2Q volume came from the new customers? What is it exactly you're saying?

Sunil Nalavadi: 14% came from the new customers. Out of the 4% growth -- 14% came from the new customers and 12% we lost from -- is totally lost customers, around 12%. And 2% is contributed additional growth from the existing customers.

Achal Lohade: No, I'll call you separately to understand this better, sir. The other question I had in terms of the going beyond what we are currently doing, any other subsegment, like any possibility for us to get into the express business and why not?

Sunil Nalavadi: No, because express cargo, we cannot start with the existing line of business. And moreover, the express, our service is only differentiated door pickup, door delivery service, which we are already providing to the customers.

Achal Lohade: So which is what I wanted to extend to, given we are already doing for part of our cargo where we are doing door-to-door, right, why not extend that to a broader scale, larger scale?

Sunil Nalavadi: Definitely, we are working towards it. And earlier, the door to door delivery service used to contribute hardly around 15%, 20%. Now it has been reached to almost around 40% of our total handling is door-to-door. There is enough growth what we are achieving even in that segment.

Achal Lohade: And what is the price difference, like margin difference between the door-to-door and the regular cargo?

Sunil Nalavadi: Margin will remain same. The only thing is for door collection and door delivery, we charge extra to the customers.

Achal Lohade: Understood. And any one-off in other expenses, sir, apart from the sale of the scrapped vehicle-related cost?

Sunil Nalavadi: No, I'm not getting your point.

Achal Lohade: In the other expenses in 2Q where...

Sunil Nalavadi: One is the loss on scrap of some of the vehicles. The other expenses is increase in some of the professional fees and traveling expenses.

Achal Lohade: How large is that increase in professional fees and travel expenses?

Sunil Nalavadi: Around INR4 crores to INR5 crores.

Achal Lohade: For a quarter, INR4 crores to INR5 crores is a fairly large number. Can you help us what is this professional fees?

Sunil Nalavadi: No, including traveling and professional fees, what I'm saying. Purely on the professional fees, around, say, INR2 crores is increased.

Achal Lohade: Sorry, how much?

Sunil Nalavadi: INR2 crores.

Achal Lohade: Okay. And is that a recurring one? Or is that one-off now like...

Sunil Nalavadi: No, it is nonrecurring. It will not be there in the next quarter.

Achal Lohade: Understood. And in terms of Q-o-Q, how does it change seasonal...

Moderator: I'm really sorry, but your voice is breaking.

Achal Lohade: Last question. Yes. Can you hear me? Is it better? Hello?

Moderator: Yes, yes.

Achal Lohade: Yes. I just wanted to check the seasonality for our business in terms of what kind of cargo goes in 1Q, 2Q and 3Q, 4Q? If you could give any broader sense?

Sunil Nalavadi: See, most of the time, we saw Q3 always better, the highest tonnage what we carry and because of some festival seasons in that. And last year it was an exception that in -- yes, Q3 is normally a good quarter. Otherwise it's not a substantial variance also. But compared to all 4 quarters, Q3 always better in terms of volumes. .

Achal Lohade: Right. And if you could give the sectoral mix, like how much is agri, how much is garments, textile or not in that fashion?

Sunil Nalavadi: Yes. Textile is again, which is contributing, say, around 16% to 17% and the rest comes to the agriculture sector, which is contributing around 11% to 12% of the total volumes. And remaining pharma, industrial goods or any commodities, FMCG all in the range of around 5% to 6% each to the total tonnage.

Achal Lohade: Understood. And any breakup in terms of the large...

Moderator: Sorry, but we are unable to hear you. If you can hear us, please respond. Alright. Since there is no response. Ladies and gentlemen, due to the time constraint, that was the last question for today. I would now like to hand the conference over to Mr. Sunil Nalavadi for the closing comments. Thank you, and over to you, sir.

Sunil Nalavadi: Yes. Thank you, everyone, for joining the call today. Basically, we wish to concentrate more on our operational efficiencies going forward. And further, we are going to add more and more new customers because that is going to give more volume growth in the coming days also. That's what actually we saw in the quarter 2 as well.

And in quarter 2, almost around 14%, 15% of the volumes we achieved on a quarter-on-quarter basis from the new customers. And not only that, around some 2% to 3% growth we achieved from the existing customers

With this, we are expecting again further quarter-on-quarter volume growth in the next quarter as well in Q3 and Q4. And on a full year basis, definitely we are expecting around 4% to 5% revenue growth on a full year basis with the maintenance of the highest level EBITDA in the industry of around 19%.

With this, I wish to conclude this call. Thank you.

Moderator:

Thank you, sir. On behalf of ICICI Securities Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.