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To,

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street
Mumbai- 400 001
Scrip Code: - 539118

National Stock Exchange of India Limited
Exchange Plaza, Plot No. C/1, G-Block,
Bandra – Kurla Complex, Bandra (E),
Mumbai – 400 051
Scrip Code: - VRLLOG

Dear Sir / Madam,

Sub: Disclosure under Regulation 30 (6) of the SEBI (Listing Obligations & Disclosure Requirements) Regulations, 2015 – Transcript of the Earnings Call

In terms of Regulation 30 of the SEBI (Listing Obligation and Disclosure Requirement), Regulations 2015, we herewith attach transcript of the earning call held on 5th August 2026.

This information is also available on Company's website on below link:

https://vrlgroup.in/Resources/InvestorsDesk/Investors%20Con-Calls

You are requested to kindly take note of the same.

For VRL LOGISTICS LIMITED

ANIRUDDHA ANIL PHADNAVIS
Digitally signed by ANIRUDDHA ANIL PHADNAVIS
Date: 2026.08.08 14:49:10 +05'30'

VRL LOGISTICS LTD. ★ HUBLI-580 029. ★

ANIRUDDHA PHADNAVIS
COMPANY SECRETARY &
COMPLIANCE OFFICER
Place: Hubballi
Date: 08.08.2026

"VRL Logistics Q1 FY27 Earnings Conference Call"

August 05, 2026

MANAGEMENT:	**MR. SUNIL NALAVADI – CHIEF FINANCIAL OFFICER, VRL LOGISTICS**
MODERATOR:	**MR. MUKESH SARAF – AVENDUS SPARK**

Moderator: Ladies and gentlemen, good day and welcome to VRL Logistics Q1 FY27 earnings conference call.

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 this conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mukesh Saraf from Avendus Spark. Thank you and over to you, sir.

Mukesh Saraf: Thank you, Huda. Good morning, everyone. Mukesh Saraf here from Avendus Spark. Appreciate everybody logging into this 1Q FY27 Earnings Call of VRL Logistics.

From the management team, I am pleased to host Mr. Sunil Nalavadi – CFO of VRL Logistics. I will now hand over the call to Mr. Nalawadi for his opening remarks, post which we will take the Q&A. Over to you, sir.

Sunil Nalavadi: Thank you, Mr. Mukesh. Good morning to all participants. I am Sunil Nalavadi, CFO of VRL Logistics. I welcome all of you once again for the Earnings Conference Call for the Q1 FY27.

On the outset, I would like to inform you that we have completed 50 years of service in the logistic industry. Our promoter, Dr. Vijay Sankeshwar, started this company in the year 1976 with self-driven single vehicle with one roof. Today, the company is operating with 6,000 owned vehicles, along with the hired vehicles as well. Today, the operations of the company spreads across 23 states and 5 union territories with around 1,300 branch networks. We cater to all the commodity segments with 10 lakhs plus customer base.

Our vehicles are traveling around 11 lakh kilometers on a daily basis to deliver around 12,000 tons of commodities across the nook and corner of the country. Further, growth of the company was accelerated after Sri Anand Sankeshwar joined as Managing Director. Along with the rich experience and expertise of the promoter, there is an immense contribution from the team VRL, including the experienced staff, drivers, loading and unloading staff, etc.

We are very much thankful to all the shareholders who have supported us and also to the many individual institutions who supported us either directly or indirectly during this journey. I hope everyone has had an opportunity to review our press release and the earning presentation which has been circulated through the exchanges.

To highlight about the financial performance of the company:

This financial year started with a new benchmark in performance with a historic start by achieving the highest ever profit for the quarter of Rs. 81 crores. For our business, the current quarter was a very challenging period on account of risk posed by the current geopolitical developments and potential thereof to cause volatility in crude oil prices which resulted into drastic increase in fuel rates and other input costs. The fuel is one of the major source of operation for our business and the cost is increased due to increase in the fuel rates and also due to losing the benefit of bulk purchase opportunity during the quarter. The effective decision making and its implementation process of the company proven that the increase in cost has been passed on to the customers without any impact on the growth in volumes.

On year-on-year basis, the revenue of this quarter is increased from Rs. 751 crores to Rs. 885 crores with a growth of around 18%. The growth in revenue is mainly on account of increase in freight rates across all the commodities and geographies due to which the realization of freight per ton increased by 9% from Rs. 7,852 per ton to Rs. 8,546 per ton. The growth in revenue is also on account of growth in volumes by 90% from Rs. 9,35,000 metric tons to Rs. 10,19,000 metric tons.

The growth in volumes is from enhancement in our branch network in goods transportation business and year-on-year basis, we added around 108 branches and we continued our initiative to increase the number of branches in current quarter also and added around 16 new branches. Due to the enhancement in our branch network, we also gained with many new customers.

We also recovered the tonnage from the last customers who have discontinued with us earlier due to freight rate rationalization and discontinuation of some of the contracts due to low margins. Please note that the last customers are coming back to us with our current freight rate and the current applicable terms. We also gained voluminous addition of new contractual customers during the quarter.

The EBITDA is increased around 22% from Rs. 158 crores to Rs. 193 crores and percentage to revenue is increased by 71 basis points from 21.1% to 21.8%. We successfully maintained the optimum level of EBITDA in the current quarter despite the challenge on the increase in fuel costs. The fuel procurement cost per liter is increased from Rs. 83 to Rs. 94. However, we mitigated the risk by increasing the freight rates effectively with a growth in volumes.

The volume growth with increased freight rates has resulted into no increase in other costs as a percentage to the revenue except some increase in vehicle running repair expenses due to increase in driver incentives and also some increase in vehicle hire charges. The improvement in EBITDA leads to increase in EBIT and PAT margins in the quarter. The PAT of the company is increased to Rs. 81 crores from Rs. 50 crores and percentage to revenue is increased to 9% from 6.7%.

On a sequential basis, we have seen further improvements in terms of revenue growth and improvements in margins. The revenue is increased from Rs. 859 crores to Rs. 885 crores and growth in revenue is contributed by increase in the freight realization per tonne by almost 5%.

And there is some conflict in volumes by 1.73% in the quarter due to seasonal demand moderation. The EBITDA margin is improved by 36 basis points from 21.4% to 21.8% mainly driven by increasing in the freight realization.

Further, our business is a B2B Less-Than-Truckload business with a customer base of 10 lakh plus customers covering a wide range of sectors. Our key strength is having the different mode of collections from customers and 85% of our Less-Than-Truckload business is on PAID and TO PAY basis, selecting the freight on spot from the customers immediately after the booking or completion of the service.

Our receivable days from the customer is hardly around 10 to 12 days and which is lowest in the industry. The higher profits resulted into increase in cash flows from operations. The cash flow of have been effectively utilized for the purpose of capital expenditure to the tune of Rs. 76 crores in the current quarter mainly for the purpose of addition of commercial vehicles of Rs. 18 crores and Rs. 49 crores is utilized for the purchase of land and building facilities in the critical locations of our operations. The remaining surplus cash flow resulted into reduction in net debt from Rs. 440 crores as of 31st March to Rs. 391 crores as of quarter end.

Considering the substantial improvement in the profits and the pre-cash flows of the company, the board had approved the buyback of shares by the company to the tune of Rs. 280 crores with a per share value of Rs. 320 which is much higher than the current market price. The promoters of the company are not participating in this buyback and this process is subject to the shareholder's approval. The fleet rationalization continues with older vehicles being scrapped and utilization of owned assets improving. Around 79% of our fleet is debt free and 13% is fully depreciated providing strong operating leverage.

Our strategic priorities remain unchanged; profitable volume growth, disciplined cost management and healthy working capital control. Looking ahead, while near-term macro uncertainties persist, we remain optimistic improving demand conditions, stronger market initiatives, fleet rationalization and expansion in under-precedented geographies position which position us well to drive gradual volume recovery while sustaining the profitability.

With this, I would like to conclude initial remarks.

Now, I request to the participants to open for questions-and-answers. Thank you.

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

Alok Deora: Hi, good morning and congratulations on really good numbers. Sir, just had a couple of questions. First is how much price hike we have taken during the quarter? I mean, the blended realization comes to 9%. But in terms of, have we taken like a proper hike or it's been more tactical due to, or short term in nature due to shortage or diesel cost increase or it's like we have taken a general price increase what it is like called in the market. Have we taken that kind of pricing which will sustain or it's more of a short term in nature? First question is that. And second on the volume also, I mean, despite the low margin customers being out of the system, volume growth trajectory has been very strong at around 9%. So, just any thoughts on that, how that could shape up going ahead? Was it because of also a low base or whether this 9% to 10% should be the new normal?

Sunil Nalavadi: Yes. First thing on the prior trade, so just I want to give clarity that for Q1 of 26, our realization was around 7,852. And in Q4, we reached to around 8,147 per metric ton. So, during the year, the last financial year, there is an improvement in realization by around 4%. And from Q4 to Q1, last quarter to this quarter, there is an improvement of 5%. So, both put together, there is a 9% growth in the realization. Means the prior trade hike what we carried out during the current quarter is around 5%. Effectively, it has been increased in the realization. See, when the crude oil price started increasing at the beginning of the year, say in the month of April end or beginning of the May, so by that time, actually our bulk purchase has been completely stopped. To pass on that additional cost, we did some rate increase during that time. And subsequently, when government increased the fuel rates, again, we carried out some increase in rates. So, effectively, all put together in a quarter, there is an increase of prior trade by around 5%. And this is a sustainable increase in prior trade. And in some of the contractual customers, obviously, it is related to the fuel price. Going forward, if any decline in the fuel rates, then obviously, we have to reduce some of the rates. And effectively, the reduction will be in the range of around 2% to 3%, not beyond that. And when it comes to work, I hope this clarifies about the rate increase.

Alok Deora: So, what you are basically saying is that the Rs. 8,500 per ton, that should kind of continue. So, the growth rate of 9% will go down in terms of growth rate by end of this year to more like a 4% -5%.

Sunil Nalavadi: No, only when fuel price will reduce.

Alok Deora: Okay. No, no. I mean, 8,100 in the fourth quarter is there, right? So, 8,100, we have taken around 4%-5%, right?

Sunil Nalavadi: Yes. Okay. Assume that if there is no decline in the fuel price going forward, so 8,546 will continue.

Alok Deora: Okay. Got it.

Sunil Nalavadi: And we are looking for further improvement in this 8,546 in coming quarters. The reason is that the increase in freight rates, what we did, these are all increased in the mid of the quarter.

Alok Deora: Okay.

Sunil Nalavadi: So, on a full year quarter basis, if there is no fuel rate change in the next quarter, if there is no decline, then this 8,546 will further improve in the quarter.

Alok Deora: Okay. Like Rs. 1,500?

Sunil Nalavadi: Yes.

Alok Deora: Okay. Got it. And please, on the volume side, if you can indicate what actually happened?

Sunil Nalavadi: On the volume side, see, basically, one is, we are opening the branches. See, we guided around 6%-7% increase in volumes. We are expecting for a full year basis. But we performed around 9% growth in the volumes in the current quarter. That additional 2%-3% again, actually, we gained out of the customers. We lost some of the customers, but we got additional tonnage. And also, we got the additional tonnage from the new customers. But otherwise, based on our branch network expansion, our expectation was around 6%-7%. That additional 2% is because of recovery from the lost customers, and as well as some of the gains from the new customers.

Alok Deora: So, for the full year basis, what should be the sustainable volume? Because we will also go in second half with a slightly higher base. So, the full year number should be more like 6%-7% only?

Sunil Nalavadi: No. Full year basis, now the expectation will be around 8%.

Alok Deora: Okay. Got it. Just last question, sir. What's the CAPEX number estimated because now we are also announcing a buyback or so. So, any sense on the CAPEX because we will be requiring funds for that as well.

Sunil Nalavadi: Yes, just I want to clarify on the funds requirement. Currently, we are doing the cash profit, the free cash flows in the company is at least around Rs. 120 crores - Rs. 130 crores in a quarter. So, on a full year basis, definitely, this will be in the range of around Rs. 480 crores-Rs. 500 crores. And out of this Rs. 500 crores, the CAPEX will be around Rs. 220 crores – Rs. 240 crores, roughly, in a full year basis. And the remaining amount will be utilized for this buyback. So, even if we do around Rs. 250 crores - Rs. 240 crores CAPEX plus buyback, because of our good cash flows, the debt level will not increase. The debt level will continue at the existing level itself. There are some time fluctuations, but at the end of the year, definitely, it will reach again at the same level of debt what we are having today.

Alok Deora: Got it. So, CAPEX will be for the truck additions only?

Sunil Nalavadi: Truck and some of the properties which are in the pipeline. So, in the current quarter, we spent around Rs. 18 crores on the vehicles and around Rs. 49 crores on the properties. So, on the properties, we may invest around Rs. 150 crores – Rs. 160 crores. And on the vehicles, remaining around Rs. 100 crores.

Alok Deora: Okay. So, when you say property, you mean the asset which you are currently maybe renting out, the hubs and warehouse that you will kind of, the sorting space, you would now kind of own it and manage it?

Sunil Nalavadi: Yes, mainly the sorting centers. And in the present instance also, we have given out of the 50 transshipments what we are having today, almost around 12-13 hubs are converted into own hubs, the own property. So, we identified another 3-4 critical premises where actually we are going to invest.

Moderator: Thank you. The next question is from the line of Krupashankar from Avendus Spark. Please proceed.

Krupashankar: Just wanted to double-click on the volume growth. Now, you did mention that some of your customers have come back, right, and in this quarter. Can you give us some sense around, qualitative comments around what was the reason they came back? And if you can further break up the volume growth, if you want to do it probably by new customer versus old customer or region-wise growth, it will be very helpful with respect to identify what are the key drivers for your overall growth?

Sunil Nalavadi: Now, see, the year-on-year percentage, just about new customer's addition, some of the customers we lost also, but overall, about new customer addition is almost around 20%, or that is the additional tonnage. And we lost around some 16%-17% of the tonnage because of some of the last customers. But there is an improvement in the existing customers by almost 6%. The difference is out of the 9%, see, around 6% contribution from the existing customers and around 3% is on account of new customers, the net of the new customers. It may be because of branch addition, it may be because of increasing geography, so many reasons. That's one. And second thing about geographically, see, most again, South is contributing the major tonnage in our case. And South, on a year-on-year basis, we have grown by around 5%. We are contributing almost around 42% to the tonnage that has been grown by around 5%. The West region, which is contributing around 25% to the total tonnage, which has grown by around 15%. The North is contributing around 21%, grown by around 10%. And remaining is around 10% contribution, which has grown almost around 22% to 25%, especially the Eastern and Northeastern sectors, where actually we focus more on new branches and all. And also base is small as of today. There's overall the 10% contribution, which is growing at almost around 25%. So, all put together, the overall growth is around 9%.

Krupashankar: Understood. So, given that growth is coming in more from the new geographies, has there been also an increase with respect to the distance between the two destinations? Because the overall realization increase, if there is any increase because of NTKM going up, some color on that also will be helpful.

Sunil Nalavadi: Yes, definitely. Because of this new geography, which we are opening, especially in the Eastern and Northeast sectors, obviously, the lead distance will increase. And that will impact even the realization improvement.

Krupashankar: So, in the previous quarter, on a sequential basis, you have not seen any big change with respect to the NTKM or lead distance, average lead distance?

Sunil Nalavadi: No, the current overall contributions of the new branch, it's not beyond around 2% to 3%. So, on an overall report, it will not be a major impact.

Krupashankar: Understood. One question on the margin side of things, you've seen that Karnataka has implemented the minimum wage. And so was there any impact in the first quarter to that degree? Is there any impact on operations per se, because of this?

Sunil Nalavadi: No, I am not clear about it. Will you repeat your question, please?

Krupashankar: So, we heard that the minimum wage impact, especially which was likely to be implemented in Karnataka, have you seen any impact in this quarter from that?

Sunil Nalavadi: The thing is that this rule has not yet come. Actually, many trade unions and everyone has approached to the court to hold that particular bill. So, it is not effectively started yet. But in our case, the impact will not be much. The reason is, we are already paying a good amount of salary, the more than minimum wages to the employees.

Krupashankar: Understood.

Sunil Nalavadi: Only thing, some statutory contribution percentage may increase, but the overall salary structure or the impact on the salary will not be much.

Krupashankar: Got it, sir. And with respect to inflationary increase on other aspects, of course, fuel cost is one big impact. Any other cost items wherein there is a one-off element or something which you witnessed in the first quarter?

Sunil Nalavadi: No, no such cost. Basically, there are two additional costs which has increased. One is the vehicle running cost, which has increased on account of, the driver incentive always we keep on paying good amount of incentive to the drivers to see that the utilization levels are up to the mark. And because the number of vehicles have been reduced, most of the vehicles have been scrapped in the last year as well as in this quarter, compared to increasing tonnage versus what the capacity is available with us. So, we felt some shortage in capacity. And because of that, we engage outside vehicles. So, there is an increase in lorry service also. Apart from this, there are no major changes.

Moderator: Thank you. The next question is from the line of Jainam Shah from Equirus Securities. Please proceed with your question.

Jainam Shah: The question is more on the long-term basis. What we see in the VRL logistics is that earlier, let's say one or two years back, we were more a volume led company rather than a profit led or let's say value led company. Eventually, we have changed our stance and we have started increasing our price. We have started charging for some services which we were not charging. We have started passing on all the costs increases. And that has impacted our volume. But now, even at these higher prices, our volumes are largely back. The question would be, let's say for next five to seven years timeline, how do we see our strategy? Will we be value led or will we be balancing both of this or our focus will be on the profitability? And probably at what juncture you believe that this price hike might stop and will not be able to, let's say, grow the volume because of the price hikes? And if let's say our strategy is this, what kind of margins that we will eventually target in this particular environment? Because our assessment was that this quarter might be impacted because of the higher fuel costs. And of course, the procurement has already increased before the retail pricing. Despite that, the numbers were really great. So, how do we see next five years spending or in terms of pricing and the volume and what eventually led to the increase in the confidence regarding the price increase, which is eventually leading to this kind of consistent profitability growth?

Sunil Nalavadi: So, basically, the freight rates are concerned, see the rate of freight rates, rationalization and withdrawal of low margin business, all these exercises we completed in the last year itself. But whatever the relations are improved in the current quarter, this is mainly on account of increase in the fuel rate. So, because of that, we pass it on to the customers and the customer acceptance level is very high. And it's all because of the good service what we are providing to the customers. And second thing on the volume side, yes, we are carrying a lot of activities, basically the opening of a branches. Just around two years back, our number of branches were hardly around 900-950 branches. Now, we almost reached around 1,300 branches. So, basically, we are expanding on the geography side. And today, the every new branch actually, the breakeven period is very low. Earlier, it used to take at least around nine months to one year. Now, in five to six months, actually the branches are reaching to the breakeven. The only reason is these branches are connecting with the rest of the network what we are having in India. So, that's the reason if any branch opened, especially in Agartala or somewhere in Northeast or any remote places, all branches will support to that branch either in terms of booking or delivery. That's the reason the network advantage actually it is carrying out and it is helping us to grow volumes further. And with respect to the strategy of the company is concerned, yes, we are going to increase our network further. That is giving us further confidence to increase the volume. And that's the reason we are guiding. In last call, actually, I guided around 6% to 7% volume growth. But considering the present scenario, present volume growth, what we are seeing, and on a full year basis, we are expecting around 8%. So, considering these activities, even for the next three to four years, we can expect the volume growth in the range of around 7% to 8% based on the activities what we are carrying today. And about the freight increase is concerned, now all exercises, rectification, all activities have been done. But the freight relation, improvement or any change will depend on change in the cost. So, accordingly, we will modify the rate and we will go ahead. So, because of these reasons, increasing volume of around 6% to 7% going forward in next three, four years, plus passing on the increasing cost to the customers, definitely will support us to maintain the existing operating profits at an EBITDA level of around 20% to 21% is maintainable, even for next 3 to 4 years.

Jainam Shah: Got it. So, on the CAPEX part, sometimes when we announced for a large truck acquisition, and now we are doing limited truck acquisition, and we are also doing some of the things on the third party trucks. So, how do we see existing capacity can, you can say, manage the volumes, like let's say, 10% increase in the volume from here on, our existing capacity can be managed those things or any broad number that you can say, we are utilizing 100% of the trucks or let's say, whatever additional volume we would be taking, we would be requiring the truck CAPEX. How do we see that particular thing panning out? This is from the point of view of the CAPEX part as well as along with the capacity utilization part.

Sunil Nalavadi: Yes, now the existing capacity is fully, we are utilizing at an optimum level. Now, whatever new quantity we are expecting the growth in the tonnage, definitely we have to add a capacity. So, that much of additional CAPEX needs to be incurred. Otherwise, we have to engage the outside vehicles.

Jainam Shah: Got it, sir. And sir from the next three years perspective, of course, our volume growth will be similar to let's say, let' say what our CAPEX will be similar to our volume growth. But apart from that, are we looking at any larger CAPEX? Let's say buying out anything very large, which we have done in the FY26, something similar to that, or will it be just a normal CAPEX under it going forward and will be generating good, you can say, free cash flow for the coming years?

Sunil Nalavadi: Yes, as I said about the CAPEX, around Rs. 200 crores – Rs. 240 crores every year CAPEX will be there. It's a mix of vehicles and the property. The vehicle will be around Rs. 120 crores – Rs. 140 crores and the remaining will be adding up some property.

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

Moderator: Thank you. The next question is from the line of Nitin Jain from Fair Value Equity. Please proceed.

Nitin Jain: My first question is why are we utilizing our cash proceeds on a buyback and not for further debt repayment, which might reduce our interest costs and further help the bottom line? And my second question is, what part of our business is contributed by the large e-commerce players? And what is the outlook for this business for the rest of the year? Thank you. That's all from my side.

Sunil Nalavadi: See, about buyback of shares, see every year we are paying rewarding to the shareholders, basically in terms of dividends. And historically also we did around three times we did a buyback activity as well. Now considering the reward to the shareholders, instead of dividend what we were paying, see last year we paid almost around Rs. 175 crore dividends, the cash outflow to the shareholders in the last year. Now instead of that, actually we are doing buyback in this year. That's one. And the debt level, it's a very nominal debt level what we are having today. It's hardly around 0.3x of the debt equity ratio. So, this kind of a debt level has to be continued considering the growth and other aspects of the company. And as I said about the free capital and other things, even if we do buyback and capital expenditure, the year-end debt, what we are forcing will not be increased from the current level. And on the e-commerce side, we do not have any e-commerce business. There are some materials which are flowing to e-commerce might be moving through us, but we ourselves are not doing any e-commerce activity.

Moderator: Thank you. The next question is from the line of Devraj, an individual investor. Please proceed.

Devraj: First of all, buyback. I just want to know that as Rs. 280 crore buyback, right? So, sir, how does the bank balance with respect to 31st March balance sheet, how we will arrive at Rs. 280 crore or we will reach that amount by October 30?

Sunil Nalavadi: Yes, based on the further shareholder approval, then once we decide on that particular day, that amount will be parked separately for the buyback activity.

Devraj: Okay. So, in future three months, it will be parked, right? Something like that.

Sunil Nalavadi: So, already there are some surplus amounts which is available in the company. And subsequently, whatever internal approval will come, that will be marked separately for the buyback funding.

Devraj: Okay. Noted, sir. Thank you. Sir, one more question. Sir, as you know, DFC is coming up, right? Western DFC and EDFC. So, sir, can this be a headwind or it will be complementary to our LCL business in future?

Sunil Nalavadi: Currently, our collaboration with railway is not much as of today. But considering we are continuously interacting with the Ministry of Railways and even they are calling for a meeting of all transporters across India. Now, we already completed around four to five meetings with them. If any opportunity, basically what they are proposing in their existing network or existing infrastructure, they wish to provide some of the earmarked location to the transporters. Say, for example, they have already started from, say, Surat to Jharkhand, some place, they have created a facility. So, they want to supply all this textile material, all this Surat material they are moving. It has to be through rail. So, even we are continuously interacting with them. And if it is beneficial to us, definitely we wish to engage with them along with our activities or along with our transportation. But at the end of the day, it should be cost effective and it should be beneficial to the customers also.

Devraj: Okay. So, basically, our truck can fly on the Indian railway network and then it will be complementary, something like that, if something works out in the future, right? Something like that.

Sunil Nalavadi: No, what the hub and spoke, what we are talking about, the hub facility, actually, they want to facilitate in their premises. So, that whatever the local, hub to spoke, the transporter will provide the service, but hub-to-hub, the railway will handle the commodity.

Devraj: Okay. And sir, one suggested lease payment, right, in our cash flow statement. So, that is, we pay that amount to the leaser, that amount, and we get the trucks, right? Something like that?

Sunil Nalavadi: No, no. It is on the premises where we are operating. See, we are having the 1,300 branches. Out of 1,300, around 40-50 locations, we are having our own premises. But all the rest of the premises, we are operating through lease premises. The rental payment, what we are making the payment to the leasers, based on that, the lease liability has been created in the books. So, that is in compliance with Indian Accounting Standard 116.

Devraj: Okay. So, basically, majority, it is a rental for the premises, right, or transshipment of whatever on the lease.

Sunil Nalavadi: Yes.

Moderator: Thank you. The next question is in the line of Shivaji Mehta, an individual investor. Please proceed with your question.

Shivaji Mehta: Hi. Thank you for the opportunity. So, on the previous participant's question, you had mentioned that with the DFC, the hub-to-hub will be handled mostly by the railways. And from the hub to the customer location is where the road transporters will be handling that part of the volume. So, just trying to understand, will this impact our margins in any way? Because the lead distances, which we were doing earlier, that will reduce over time. And so, that can have a negative effect, not only on our total volumes, but also on margins. Is that reading correct?

Sunil Nalavadi: No, it is incorrect. The reason is, we are accepting goods from the customer from booking point to delivery point, the end point. The arrangement with railways and other things, it is our internal arrangement for the movement of the goods, but nothing to do with the customer.

Shivaji Mehta: Alright, makes sense.

Sunil Nalavadi: And currently, what DFC is handling, it is all the big freight they are handling, like movement of iron ore or something like that, which is not relevant as of today. But what the railway is proposing, actually they want to integrate Indian road network with railways. And these are very, very, very initial stage as of today. Just they are doing on a sample basis in some routes. But if it is beneficial, even we are fine with it. We wish to work with railways if it is beneficial, both to the transporter as well as to the customer.

Shivaji Mehta: Got it. And just to follow up on this, suppose we do a RO-RO service, which is roll-on, roll-off with the railways, does that impact our volume? Will that be a deflationary impact on the revenue? Because you'll have to pass on some of the benefits in terms of vehicle running costs, etc. So, if we, in the future, do a roll-on, roll-off service with the Indian railways, will that impact revenues? Just your thoughts on the same.

Sunil Nalavadi: No, see, it will not be much impact. The reason is, again, the cost will be more or less in a similar way, but only what advantage will be there, it will be a dedicated route or something like that. So, that may bring some kind of turnaround time improvement, something like that. And ultimately, if there are a lot of inflations which are happening, just like a fuel price and other costs, even the rental costs, labor costs, everything is increasing. So, the impact of these efficiencies and all will not be much higher.

Shivaji Mehta: Makes sense. So, also, you said you'll stop bulk purchases of fuel from the fuel pump directly. Just what was the reason for the same and going ahead will we benefit from the same?

Sunil Nalavadi: Yes. The bulk purchase is directly related to the crude oil price. It has nothing to do with the government price, what they are supplying to announcing the consumer price. So, bulk purchase is directly linked with the crude oil and whenever crude oil price changes, accordingly, the bulk price will change. Now, currently, say, for example, the normal diesel is available at around Rs. 95 in one location. The bulk purchase price is at least around Rs. 15 more than the normal price. In this scenario, we cannot buy the bulk purchase or buying from the refinery. Now, what is happening? The government is subsidizing the difference amount and supplying to the consumers.

Shivaji Mehta: Got it.

Sunil Nalavadi: When crude oil price comes down, at that moment, again, this bulk purchase will come down. If at least around Rs. 2 to Rs. 3 lesser than the consumer price, definitely, again, we start consuming the bulk. No consumption from the refinery.

Shivaji Mehta: Makes sense. So, also, on the Gulf War, one, whenever that comes to an end and the oil prices fall back to the normal levels, what kind of a price realization cut will we have to take, assuming a normal scenario?

Sunil Nalavadi: See, assume that now the government has increased almost around Rs. 8 to Rs. 9 in fuel price, in this situation. Now, because of that, our increase is around 4%. Now, tomorrow, assume that there is a decrease of Rs. 4 in fuel price. Then, obviously, there will be an impact of around 2% in the pricing.

Shivaji Mehta: Got it. Makes sense. Also, one last question. Volume growth that you mentioned of 9%, is that continuing into Q2? Are you seeing that continuing or is there some headwind?

Sunil Nalavadi: July, we already performed around 10% growth in the tonnage and we are expecting similar growth, at least around, on a full quarter basis, 9% growth is possible.

Shivaji Mehta: Well, that's fine. Just one last question, if I may ask. The FCF that you had mentioned is about, so OCF is around Rs. 500 crores to Rs. 600 crores. And since the majority of your branch expansions are done and also vehicles have made, a lot of vehicles have already been added. So, just trying to understand, will buybacks be more consistent going ahead? Or are we planning some major CAPEX down the line that you may have to put in some for that? So, just your thoughts on the same.

Sunil Nalavadi: No, but the reward to the shareholder will continue every year, either in a way of buyback or dividend.

Moderator: Thank you. The next question is from the line of Nemil Hemal Shah, an individual investor. Please proceed.

Nemil Hemal Shah: Good morning. Thanks for the opportunity. Sir, I wanted to understand that road transport is a mix of maybe unorganized and the organized sector. Now, looking at the industries that we cater to, what could be the mix of unorganized and unorganized players in the industry?

Sunil Nalavadi: So, even today, the area where we are operating, at least around 70% of the contribution is coming from unorganized operators. So, around 30% of the industry is from the organized players.

Nemil Hemal Shah: Okay, got it. And so, do we see any kind of concentration in the coming years, wherein we could see some kind of mergers or takeovers with the companies having a good pre-factor like us?

Sunil Nalavadi: No, we do not have any such plans. We basically, our operating system, the kind of business, how we develop is totally different from the operators in India. So, that's the reason we are going more aggressively on the branch expansion and geography expansion rather than looking for any acquisitions. We don’t have good opportunities which will match with our business operations. We did that exercise, but unfortunately, the matching is very difficult.

Nemil Hemal Shah: Okay, so that gives a good sense. And so, now, concluding from what I can figure out is, now, since we won't go for inorganic growth in the coming years, the large part of capital structuring would be rewarding the shareholders one and secondly, growing our branch network in the places where we aren't much penetrated into.

Sunil Nalavadi: Yes.

Nemil Hemal Shah: Also, if I may put in the last question, sir, the South that, as you mentioned, contributes around 40%-42%. So, do we see more headroom in there? I mean, are we present all over the region or we just have a lot of headroom coming forward?

Sunil Nalavadi: Yes, South, see, we started our business from south, so that obviously, we are having more competition from south because we are already established brand in the market. Now, we wish to replicate the similar model in the rest of the regions. So, in the western part, we established good. It is almost now it is contributing 25%. North also, some good contribution. But still, we need to achieve a lot in these regions. Like south, whatever we did, we wish to replicate in rest of the regions going forward.

Nemil Hemal Shah: Last question, sorry to extend it, but this agriculture and industry that we cater to is also a good contributor to our revenues and the volume. So, the recent impact on all that, we are seeing more the uncertainty is in the rainfall. So, is that impacting the volumes in that industry and being fed up by some other or we are seeing a normal growth in there?

Sunil Nalavadi: See, the agriculture sector is contributing around 10%-11% to the total volumes, which includes everything, see fertilizers, the Agro equipment all put together. And currently, there are no much impact, but considering the lower monsoon, it may little bit impact in the coming quarter. Since that is the reason, even though say 9% have been grown in the tonnage, on a full year basis, we are expecting all put together, all factors put together, we are expecting around 8% growth in tonnage.

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

Sunil Nalavadi: Yes, once again, thanks to all participants. Really, there was good interaction and definitely, there is a very clear visibility on the volume growth. On a full year basis, we are expecting around 8% volume growth. And the realization, we have already did good work and these realization, there will be further improvement in the coming quarter because in between, we did. So, all put together, we will definitely have a good revenue growth in the coming quarters with the maintenance of existing profitability margins. With this, I wish to conclude this call. Thank you.

Moderator: Thank you. On behalf of Avendus Spark that concludes this conference, thank you for joining us and you may now disconnect your lines. Thank you.