

20th November, 2021

To,
The Manager,
Listing Department,
National Stock Exchange of India Limited
'Exchange Plaza', C-1 Block G, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051.

SYMBOL: TOTAL

SUB: Transcript of Conference call held on Tuesday 16 November, 2021

Respected Sir/Madam,

Please find attached herewith the transcript of Conference call held on Tuesday, 16 November 2021 with the investor.

Kindly take the same on your record.

Yours Faithfully,

For **Total Transport Systems Limited**

Bhavik Trivedi
Company Secretary & Compliance officer

TOTAL TRANSPORT SYSTEMS LIMITED

7th floor, T Square, Opp Chandivali Petrol Pump, Sakinaka,
Andheri(E), Mumbai - 400 072. Maharashtra India.



“Total Transport Systems Limited Q2 – H1 FY-22 Earnings Conference Call”

November 16, 2021



**MANAGEMENT: MR. SHRIKANT NIBHANDE – PROMOTER AND CHIEF
FINANCIAL OFFICER
MR. MARKAND PRADHAN – MANAGING DIRECTOR
MR. SANJIV POTNIS – DIRECTOR
MR. KAUSHAAL BUCH
MRS. ANUSREE KORE – GENERAL MANAGER
(FINANCE & ACCOUNTS)**

Moderator: Ladies and gentlemen, good day and welcome to the Q2 and H1 FY22 earnings conference call of Total Transport Systems Limited. This conference call may contain forward looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. The statements are not the guarantees of future performance and involve risk and uncertainties that are difficult to predict.

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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Srikant Nibandhe – Promoter and Chief Financial Officer, thank you and over to you sir.

Srikant Nibandhe: Thank you, Madam. Good afternoon, everyone. I welcome you all a very warm welcome to Total Transport Systems Limited earnings conference call for the second quarter and half year ended 30th September 2021.

We'd like to begin my express gratitude to you for all taking the time to join us today. On call with me, Mr. Makarand Pradhan, who is the Managing Director of the company, Mr. Sanjiv Potnis, another the Director of the company, Mr. Kaushaal Buch of the company and Mrs. Anushree Kore, she is a General Manager (Finance and Accounts) and of course, Ms. Savli, who is from the Bridge IR our Investor Relations team.

Since this is our maiden earnings conference call, I would like to share a brief overview of our company and its recent development before we get into the business and financial performance. We started business way back in 1994, as Total Transport and now Total Transport Systems Limited is a well-established company in India's cargo freight forwarding and logistics market.

Through our robust network of international partners worldwide, the company has made a strong foothold in the logistics market in India. TTSL specializes in logistics business, keeping a focus on our core business activity namely consolidation of export cargo, which is a well-known as an LCL shipment, a deconsolidation of import cargoes, full container loads and air freight from India to worldwide destinations.

As a non-vessel operating common carrier, which is called NVOCC, the Company's consolidation shipping is rated among the top customers of almost all leading shipping lines operating within this region. The reputation has ensured the company's competitive rates and space with the major liners for the consolidation shipments on a regular basis. The Company is specialized in the business of the air freight, FCL, LCL, both imports as well as exports.

TTSL has substantial market share in India's LCL segment, which is close to around 12% and company is one of the market leaders in cargo consolidation. In addition to these services Total continues to focus on timely delivery, diversification of service portfolios, like some custom clearance, transportation, and all allied services, sustaining long-term relationship with the

clients and extending the value-added services over and above our normal logistics business. The company is equipped with the Multi-Modal Transport operator license from the Government of India Ministry of Shipping. It is also registered with the Federal Maritime Commission, which is called FMC in the USA, which is known as the FMC license. This license helps Company's scale new business and geographic.

The effort has enabled the company win long running contracts, as well as more shipments in the industry as among the best group age traffic in and out from India. Moreover the company keeps its position in leverage, the changing trends in the logistics industry, because widely now we are into more on the software support, offering various products to the esteemed customers like app, then regularizing their shipment, reports every now and then, and almost we are representing the fifth largest consolidators network, I Cargo Alliance having 166 offices in 89 countries.

Company has another subsidiary which is called One World Logistics Private Limited and which is popularly known brand name as Abhilaya, is a established Company in Indian logistics industry, mainly in the last mile delivery. Through robust network and wide geographical reach we are present in more than 12 states across India. The company has built a sustainable growing logistics business of last mile delivery. One World is a thorough and well-structured corporate governance and management structure with senior management through managers, supervisors, delivery associates. The company caters to a wide range of business across India. Since October 2018 the company started last mile delivery with Amazon, Flipkart, FedEx, SpiceJet and JioMart. Very soon we are extending our services to another e-commerce pack.

We have various services offering in this last mile, Same day Delivery, Rural Mile, delivery in the stations of a tier-2, tier-1, tier-3 cities in India, e-commerce, support to our customers through Ruler B2B and whatnot. The company's wide reach and superior logistics capabilities helps it to provide end to end services. Such expertise and superior quality of services had led increase in the confidence in our clients.

I just want to update you with our recent development. For TTSL, our company has bagged a huge contract from Argentina for freight forwarding, it is one of the Argentina's largest industrial companies and it is 4,000 tonnes cargo, which is moving from various Indian ports. This contract for next 18 months we got it from various Indian ports to Argentina. We also being awarded as the LCL Consolidated of the year exports award from the Daily Shipping Times, which is, esteemed magazine in the shipping industry. Again, the LCL Consolidated of the year award in Gujarat Junction, which is among the most coveted logistics awards in Gujarat.

For One World we had signed a contract with Tata Cliq as well as Snapdeal in this last month for the last mile delivery business for the movement of their shipments from their warehouses

to the consignees doorstep and we are going to spread it on the pan India basis soon, we'll be covering more than thousand pin codes in coming next five to six months.

I'm also happy to share that recently we got the 50 new stations from Flipkart, name as ODS which is outsource delivery app, which we offered the total solutions to Flipkart having 331 pin codes across 12 states in India. Our shipment count is almost 85,000 shipments per day.

Now turning to the financial performances for the second quarter, for the Financial Year 2022, we reported Rs. 138.80 crores in revenue during FY22, a 114.64% year-on-year rise. Increased lineup freight rates as well as margins and more focus on FCL that is full load container business compared to Q2 in FY2021 resulted in a higher growth in the revenues. Our EBITDA for the last quarter stands to Rs. 4.2 crores increasing 20.79% year-on-year. Increase in EBITDA, mainly due to the volume growth revenue greater is equivalent compared to the Q2 of FY21. The operating costs too got optimized during this increased volumes. EBITDA margin is 3.03% as compared to the 5.38% in Q2 in FY21. Our net profit during this quarter is Rs. 2.25 crores as against Rs. 2.71 crores in the second quarter of Financial Year '21. Net profit margin stood at 1.62%. EPS for this quarter is Rs.1.58. Half yearly for the Financial Year 2022, we reported to Rs. 241.51 crores in revenues during the Financial Year 2022, a 76.30% year-on-year rise. Growth has driven is mainly because of the high freight rates, as well as increase in our FCL and LCL volumes too. Our EBITDA margin for the period stands at Rs. 8.11 crores increasing 835.71% on year on the basis. Increase in EBITDA mainly due to the boost in the revenue built up is evident compared to the Quarter 2 of FY 21. Increase in the freight rates has resulted in increase in our selling rate and the operating cost too got optimized due to the high volumes and competitive operations. EBITDA margins is 3.36% an improvement of 416 bps. Our net profit during this half year is Rs. 4.68 crores as against a loss of Rs. 2.84 crores in the first half of Financial Year 2021. Net profit margins stood at 1.94% up by 401 bps. EPS for this period is 3.28.

This is all from my side and we are now open to take any questions and answers, the floor is open to ask us any questions or any clarity based needed from our side. Thank you.

Moderator: Thank you very much. We'll now begin the question-and-answer session. The first question is from the line of Sudhir B from Right Hand Consultancy. Please go ahead.

Sudhir V: My questions are like, if you see the Q2 revenue has grown up substantially, but EBITDA margin has gone down even compared to QoQ or even compared to YoY basis. What are the reason and what is the outlook in respect of second half of this current fiscal in terms of volume, top line, and margin growth, if you can share light on this?

Shrikant Nibhande: Thank you for your question, sir. Revenue has gone up mainly because freight rate has been increased by the shipping lines multifold. That's how we had no other option, but to increase our selling rates in the both LCL plus FCL. At the same time, our EBITDA margin we need to take it up the cost of this high freight trade, other allied costs. So that's how you see there is some

EBITDA margin has little drop compared to the last year, but we are very optimistic and the next six months, the volumes looks very promising and we'll be having more than, I believe the same results should be developed for the next six months because volumes are going up and we are taking more and more new customers. Next six months look promising for us now.

Sudhir B: So margin also will go correspondingly.

Shrikant Nibhande: Yes.

Sudhir B: Argentina, although you have talked about in your press release and your commentary, what is the amount that this order carries for the next 18 months? You have given the tonnage, then how it will result in increase in our top line.

Shrikant Nibhande: This contract is being handled by Director of the company business; Sanjiv Potnis I think he will be the right person to comment on this.

Sanjiv Potnis: Sorry, can you just repeat the question? It was a little garbled at the end.

Sudhir B: Yes. New order, which you have got from the Argentina that is supply of 4,000 MT per month, what is the amount, if you can quantify it?

Sanjiv Potnis: I think the billing should be close to about at least 330 to \$4,000 approximately per month. That is how much the revenue would be for that is close to about 2.5 crores I would say.

Sudhir B: And, so, lastly if you can throw light on the growth of Abhilaya logistic venture, which you have started two years back and now it is growing well. If you can throw light on it, on the growth path and growth trajectory going forward?

Shrikant Nibhande: This concept of last mile delivery business model we started two and half years back and with a good team what we got, really developed multifold in last two and a half years. Now we started with 30,000 shipments a month and this Diwali we did the 3 million shipments a month. Our major principals are Amazon and Flipkart, and Jio for we are doing at the moment. But as I said, we had already signed the agreements with Snapdeal, as well as Tata Cliq for the various other cities and pin codes. Our entire focus is that from presently, we are handling close to 292 pin codes in 14 states of the India and our capacity is to handle more than 4,000 pin codes. This marginal increase maybe by 20%, in our indirect costs, but this requires some funding or some money to be invested in this business, which we are now looking for or trying to approach with some private equity fund managers to if they have some interest to participate in our growth story. Abhilaya which is the app we will be developing the app which is under process and which we connect into a second stage is to connect into another three PL model, third party logistics, further step is to we may enter into the hyper-local market. These are other plans for the next coming two to three years, but we need to get some round of funding from some good people which we will give a good boost to increase our entire business in this industry.

- Sudhir V:** Right now we have, I think, around as per your investor presentation 70 SP, what are the plans to scale up in the next year?
- Shrikant Nibhande:** 70 SPs, normally SPs are with the Amazon and Amazon now after this Diwali till December, they will open up some centers, which we are likely to get maybe another 8 to 10 centers on pan India business.
- Sudhir V:** Oh, you're looking at maybe 100 SPs?
- Shrikant Nibhande:** Yes, but it mainly depends on somebody has to vacate or somebody also has to create another center in different locations. Once we come to know their plans, then we can request them to give us some few centers. But our entire plan is to reach up to 100 centers probably by end of this financial year or early next year.
- Moderator:** The next question is from the line of Rohan Mehta an individual investor. Please go ahead.
- Rohan Mehta:** I just had a few questions. Firstly, One World logistics, since it's one of our new segments just wanted to ask your views about what the future growth plans might be around One World logistics and how it can be contributing to the business?
- Shrikant Nibhande:** As you now already mentioned that we are majorly now in the last mile delivery business under One World. With this having some funds availability, we will be getting into more 3PL business activity which is Third Party Logistics, warehousing and distribution and transportation. Next step we will be focusing certain cities where we do hyper-local activity, which we sale this groceries and pharma, then other day-to-day requirements within a radius of 5 to 7 kms. So, these are the three business activities which we have planned. And furthermore, once we create some more data with more exporters side or importers side which we can connect or which we have planned to connect the same activity into our traditional shipping and freight forwarding agency. So, the entire plan is pick up the cargo from the shipper warehouse, move it to the port, arrange for the clearances, ship out to the destination, do the clearance there and deliver it to the final consignee. So, these are our business model which we are going to focus in coming years.
- Rohan Mehta:** By when would the synergies from One World start showing in at the profit levels in our total business?
- Shrikant Nibhande:** The profit margin in this last mile delivery business is very thin, but we need to achieve certain volumes to generate certain profits. Once we I believe cross more than 5 million shipments, I think we should have some decent profitability on the PBT level and these other allied activities which we have planned like 3PL or transportation, it should give more boost to our traditional business in total transport.

Rohan Mehta: For the last mile delivery, would the company have a separate team dedicated for that or would it be managed by the same existing team? How would we target or strike a deal with the potential partners?

Shrikant Nibhande: We have a total dedicated team of almost 32 people, and we have a CEO and other down below the entire organization structure is there. How do we approach the customers is now since we have been with Amazon, Flipkart for past two and a half years? And we have been ranked one of the top performer with them. Our average performance comes to 97% with their statistics which is supposed to be the best in the industry. So, that's how the whole entry into their other entities like Snapdeal or maybe other companies like Bewakoof.com or Purple or even we have some good opening up with Tata Cliq. So, they are trying to turn on last mile delivery and some pilots run in different cities. So, it's like word is spreading for our services with known resource services, it's known people. That's how we are getting an opportunity to get more business.

Rohan Mehta: CP World, I believe it's another subsidiary. So, what is CP World's contribution to the total business? What share of revenue would CP World be contributing to the total revenue?

Shrikant Nibhande: CP World is a subsidiary of Total Transport, but since last two years we are not doing any business in CP World. We had one of the biggest shipper account, before pandemic we used to carry, but since this Corona and lockdown started, they have stopped their experts. Subsequently, we are not doing any business now in past 1.5-2 years in CP World. Our entire focus and entire business activity, all in Total Transport and last mile delivery in One World.

Rohan Mehta: Out of the 70 odd FPs that we have, how many would be on rent and how many are owned by the company?

Shrikant Nibhande: These all warehouses what we do for Amazon and Flipkart, the entire things are on the rented basis. We believe in the asset light model. We hire the small warehouse ranging between 300 square feet to 1000 plus square feet in a location suggested by the principals, Amazon, Flipkart and wherever the entire load comes every day to that business and after getting sorted out and doing all this labeling, marking, we deliver to the consignee's doorstep every day. So, we don't go in for buying our own warehouses or these things. This is entirely asset light model.

Rohan Mehta: Sir, you spoke earlier about the other costs and freight costs which impacted our EBITDA level margins. So, do you expect the similar kind of costs in the next half year also and maybe the next year? What would be your guidance on the topline and EBITDA level margins for the full year and the next year?

Shrikant Nibhande: The cost is more or less stagnant now. It has not been going up, except the major freight rates which is playing a huge role in our business. So, we expect to double up our turnover by end of this financial year. And subsequently, entire management team is working on some big contracts with some corporate companies. And hopefully if we happen to get that then next year it should be another beautiful year for us.

- Rohan Mehta:** Right sir, definitely. Because already in H1 we see that total expenses if we see as a percent of sales they have decreased slightly. So, it's already going down. So, any measures are being taken for that or is it economies of scale kicking in wherein revenues increase so in general expense as a percentage of sales reduces?
- Shrikant Nibhande:** In general the expenses toward the sales has reduced. Because of the lockdown people are not able to move out, so subsequently you can save on the other cost of operations.
- Rohan Mehta:** Just my last question, working capital also has improved a fair bit between March and September. That also have any measures specifically been taken and can we expect similar level of working capital days for the next half year as well?
- Shrikant Nibhande:** Mainly because this one, when the Corona thing started way back in 2020 March and subsequently government declared a lockdown, we the entire management and our other key personnel had decided that we should be very strict on the credit terms and credit timeline with the customers because it was a great fear on everybody's mind, and you never know what is going to happen. So, what was the outstanding in the market we have to recover it fast. This was a very thoughtful decision taken by our entire team. And we become very strict on the credit lines and when the credit terms or credit days over, unless we get the money, we are taking some steps to hold on to shipment and all that. But subsequently the customers also they realized that unless they pay the money, they cannot move their cargoes in the industry. So, with this kind of thoughtful action by our management team and we were supported by our entire marketing people on pan India which has helped us to improve our working capital. That's how our working capital number of days has been drastically dropped by almost 20% to 25%. So, this is a very good time, we don't have to go to the bank or anybody, we didn't ask for any interest waivers, request to bank, and we could manage our cash flow very well.
- Rohan Mehta:** Lastly, which would be our top 3 or 4 top clients that are fetching revenues for us, like in terms of revenue which are our top 3-4 clients if you could let us know.
- Shrikant Nibhande:** We have with more than 15 to 20 customers who are giving us top two. I can send you the mail, if you wish to, explaining all the details which are the customers we are carrying the cargoes.
- Moderator:** The next question is from the line of Aniket Redkar, an individual investor. Please go ahead.
- Aniket Redkar:** As we can see there is an increase in the fixed asset by 15 lakhs. Has there been any additional purchase of an asset?
- Shrikant Nibhande:** Yes, there is an additional purchase in the asset. We have bought another two trailers which we use for transportation of our empty containers. Furthermore, we are in the process of buying continuously some containers which we run between our short haul which is Nhava Sheva to Dubai and back or even Nhava Sheva to Singapore and back. So, that's how the whole asset building is happening now. And if you see the total asset per share is almost 55 lakh what we

did and the reduction of assets by 7 lakhs and depreciation calculated on WDV method on the basis of that 32 lakhs, so net impact of 15 lakhs has been showing in the balance sheet.

Aniket Redkar: Despite the increase in the short-term and the long-term borrowing, our interest cost has reduced. So what is basically the main reason?

Shrikant Nibhande: The main reason is that we had a very good recovery which helped us lot of improvisation in the cash flow. Our credit line had reduced for almost 18 to 20 days which earlier was almost 70 days, now we are not going beyond 48 to 50 days. So, these improvisations now on these terms and strict on the credit has improved our cash flow as well as helped us a lot in the working capital. And with this kind of funds availability in our current accounts, our CC limits what we have from the bank has been unutilized for some time, so we could save some money on our interest back.

Aniket Redkar: Short term provision also increased by 5 crores from March 21st to this September end. So what led to this increase?

Shrikant Nibhande: The is pure MIS provision which depends on the individual jobs and cost books in the next month which we consider in the provision.

Aniket Redkar: As you declare a dividend this quarter, so do we now have any dividend policy in place, or do we plan to distribute regular dividend from this quarter?

Shrikant Nibhande: I believe you must be aware we had declared the dividend already in this year. I hope you are aware.

Aniket Redkar: Yes.

Shrikant Nibhande: So, this is the first time we declared the dividend and our entire management and core team is very delighted that we could do something and payback something to our investors. After taking the first step, we are in the process of setting up some policy how we tackle in the coming years on the dividend. So, very soon we will finalize on our dividend policy and once it's done, definitely we will be sharing with you in some time.

Aniket Redkar: As we bag a huge contract from Argentina for freight forwarding, right?

Shrikant Nibhande: Right.

Aniket Redkar: So, is there any other contract also in pipeline or any other opportunity you are looking in coming quarters?

Shrikant Nibhande: Yes, the entire marketing team is working on the two power projects to be shipped to Saudi Arabia and one is to Brazil. So, that entire process is on, and negotiations are going on with the customers. Very soon probably we should get these contracts.

Moderator: The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Just wanted to understand you mentioned that you are looking at doubling the revenue base in FY22. So, what did it exactly mean like F22 revenue doubling over FY21? Is that what you are implying?

Shrikant Nibhande: Basically doubling up revenue has become the higher freight rates which being the freight rates which most of the shipping lines have increased in multiple fold has pushed us to increase our selling rate, both as LAL plus full load container freight forwarding business. So, that is one of the major thing which has happened. Subsequently, we had increased our full load container business module. So, with high freight rates and more number of shipments has resulted us to more revenues and our turnover has gone up to almost double the size.

Deepak Poddar: And this is what we expect to continue, right? Like for example, FY21 we did about 300 crores of top line. Now, because of all these changes in the higher freight and volume, you are expecting 600 crores top line FY22. Is that right?

Shrikant Nibhande: I believe with God's grace and everybody's support and the market movements, it should be touching close to our entire with consolidated turnover should be between around crores.

Deepak Poddar: When are we expecting to get some operating leverage advantage, because as your volume increases your margins at low single digit is still at the lower end of the industry level. So, do you expect that anytime soon and what's the vision on that? Any double-digit kind of EBITDA margin that we can achieve because of the advantage we might get because of operating leverage as we scale up the operations?

Shrikant Nibhande: Basically the entire shipping industry, of course, leave apart the shipping lines major one, if you see the entire freight forwarding and the logistics industry and the players for the consolidation and deconsolidation, the whole industry players work around margin levels between 4% to 6%. With this higher freight rates and higher margins in various destinations or some other routes, has helped us to the increase in our margins close to more than around 8% or 9%. As everybody's trying to push it for the double digits, but it's very hard to go in for a double digits because the entire industry norms is, I won't say, but it's almost 10% is the maximum what can be achieved. But on the other hand when we are achieving the higher turnover the same margin levels, we give the bigger PBT numbers or PAT numbers. So, at the bottom line we have a quite solid figures coming up.

Deepak Poddar: That is a fair point but in terms of EBITDA margins this 3% to 4% EBITDA margin is sustainable in our kind of business?

- Shrikant Nibhande:** This is service industry so it's very hard to move it further more than 10%.
- Moderator:** The next question is the line of Sudhir B from Right Time Consultancy. Please go ahead.
- Sudhir B:** Wanted little bit of a clarification. When we will be reaching our pre-COVID level of 5% EBITDA? If you see we were clocking 5% in 2018-2019. So, I believe this should be our aspiration margin, EBITDA. So, do you expect it to be clocked in the second half of the current year, this kind of margin? 2018-2019 pre-COVID we were clocking around 5% EBITDA margin. So, in the second half of the current year will you be able to reach to that 5% level?
- Shrikant Nibhande:** I think so. We should be able to reach.
- Moderator:** Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Shrikant Nibhande for closing comments.
- Shrikant Nibhande:** Thank you entire team of TTSL, Mr. Kaushaal Buch, Ms. Anushree Kore General Manager (Finance), for untiring efforts, hard work and dedication, and the other team members which drives the company forward through various market conditions. I also appreciate all of you for participating in this conference call. Please do get in touch with us for any other clarification if you need. And our investor relations team, Bridge IR is always there to guide you or open up a dialogue with us. Thank you very much again for your time and support. Thank you.
- Moderator:** Thank you. On behalf of Total Transport Systems Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.