



“TVS Supply Chain Solutions Limited
Q1 FY '26 Earnings Conference Call”

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Moderator:

Ladies and gentlemen, good day, and welcome to TVS Supply Chain Solutions 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 participants' lines will be in 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 touch-tone phone. Please note that this conference is being recorded.

I now hand over the conference to Mr. Prabhu Hariharan, Head of IR of TVS Supply Chain Solutions Limited. Thank you. And over to you, sir.

Prabhu Hariharan:

Thank you, moderator. Good morning, and welcome all to TVS Supply Chain Solutions Earnings Call for Q1 FY '26. I hope everyone had a chance to look at the financial results, which were posted on the company's website and also on the stock exchange.

We have with us today Mr. Ravi Viswanathan, our Managing Director; and Mr. R. Vaidhyanathan, our Global CFO. We'll commence the call now with opening remarks from our management, along with the business performance update. It will be followed by an open forum for Q&A.

Before we begin, a customary remark, I would like to point out that some of the statements made during this call may be forward- looking in nature and must be reviewed in conjunction with the risk that the company faces. A disclaimer to this effect has been included in the investor presentation.

I request and hand it over to Ravi to make the opening remarks. Over to you, Ravi.

Ravi Viswanathan:

Thank you, Prabhu. Good morning to all of you. Firstly, let me welcome all of you once again to our earnings call to discuss the performance for the first quarter ended June 30, 2025. Let me start with the key highlights for Q1. We delivered year-on-year growth in revenue and profitability, driven by disciplined execution, continued cost focus and benefits from our strategic investments.

A major highlight was a substantial swing to profitability, both year-on-year and sequential in our Integrated Final Mile business in the U.K. and Europe. This performance underscores the effectiveness of our turnaround plan and the structural changes that we have implemented over the last year.

Our balance sheet remains healthy, and we are well positioned to capture opportunities in our priority markets. As you may recall, in our last earnings call, we have spoken about a series of strategic actions, including leadership restructuring, headcount rationalization and right-shoring,



with a sharp focus on lowering operational expenditures across our entities. I'm glad to say that all of these actions are well underway across all the regions.

Let me start by explaining the structural transformation we have initiated in our U.K. and Europe business. Effective April 2025, we have combined our Integrated Supply Chain Solutions and Integrated Final Mile businesses in the U.K. and Europe under a single leadership. The integration of ISCS and IFM reflects a fundamental shift in how we want to deliver value, aligning our services with how our customers consume our services.

By bringing these businesses together, we are creating an integrated platform by combining warehousing, distribution and final mile that enables more seamless engagement and stronger cross-sell opportunities.

The unified leadership and operating structure will enable us to present one face to the customer, unlock synergies and efficiency in service delivery and drive sharper commercial focus while meeting the integrated solution needs from our customers. The integrated business in Europe is now led by Jon Croyden.

Jon brings over 30 years of experience in operations and logistics. He began his journey with TVS SCS as a Managing Director within the IFM business in the U.K. and Europe and subsequently elevated to the CEO of IFM in 2023, and he has been successfully leading the turnaround of that business. This change in operating model also led us to realign our segment reporting structure starting this quarter.

We have made 2 changes in our segment reporting. One, ISCS now includes integrated final mile services, while GFS reflecting freight forwarding business will be a stand-alone segment. This segmentation reflects the way we manage and serve our customers going forward. We have undertaken a reclassification of warehousing contract services. Certain warehousing contracts in Singapore and Thailand, which were previously grouped under GFS, have now been merged with ISCS.

Out of this structural integration, emerged our formal restructuring and transformation program for the U.K. and Europe business, which we call as Project One. Project One is designed to integrate the 2 businesses across every layer from leadership to operations, commercial processes and support functions.

It also involves consolidating warehouse infrastructure, streamlining our brand architecture, remove all manpower overlaps and bring other synergies, which will drive efficiency across the platform. Project One is expected to deliver about INR110 crores to INR120 crores in annualized cost savings, with about INR50 crores to INR60 crores benefits starting to reflect in FY '26 itself.

Under the new structure, we have taken significant steps to simplify and strengthen our operating model anchored around the key pillars: rightsizing, simplifying and bringing leaner organization layers through integration, right-shoring, transitioning certain roles and activities from high cost to optimized cost locations; management restructuring, which is streamlining leadership to support the unified operating model; warehouse consolidation, rationalizing and consolidating warehousing infrastructure to drive scale and efficiency.



Brand realignment, harmonizing our go-to-market identity under one unified brand to reflect all of our integrated offerings. And finally, a consolidated business development team focused on unlocking cross-selling opportunities.

All of this is currently underway in U.K. and Europe. As a consequence of Project One, we have recognized certain one-time restructuring costs in this quarter, and we had already mentioned this in our Q4 earnings call. Vaidhy will elaborate more on this shortly. Another important milestone for the quarter is that we have realized value from our early-stage strategic investment in TVS Industrial and Logistics Park.

While our core model is asset-light, we made a strategic investment in TVS ILP several years ago, a business that acquires and develops warehouse infrastructure. In Q1, TVS ILP transferred approximately 11 million square feet of developed assets into an InVIT platform backed by marquee global and domestic investors. This transaction has delivered significant value. We recorded INR177 crores as our share of profit in this quarter.

Let me now briefly touch upon our financial performance for the quarter. We reported a consolidated revenue of INR2,592 crores, reflecting a growth of 3.7% sequentially and 2.1% year-on-year. ISCS segment continued to deliver steady growth across regions, while GFS segment saw sequential improvement with uptick in volume despite ongoing macro challenges and soft pricing.

Our adjusted EBITDA stood at INR173 crores with a margin at 6.7%, showing clear recovery from quarter 4 FY '25. We also delivered a strong improvement in our PBT. Our underlying adjusted PBT, excluding the share of profit from associates, improved to INR19 crores this quarter, up from INR14 crores in Q1 FY '25 and INR17 crores in Q4 FY '25. Additionally, the share of profit from our strategic investment in TVS ILP stood at INR177 crores this quarter, significantly uplifting our total adjusted PBT to INR196 crores.

Our GFS segment continues to face macroeconomic pressures, particularly around uncertain tariff environment and softening freight rates, which all of you are well aware of. In our Q4 earnings call, I have specifically called out that GFS is impacted by uncertainty and potential contraction, influenced heavily by policy-induced trade disruptions. We have seen this playing out in Q1 FY '26, and we expect this volatility to continue. With the above strategic initiatives outlined in today's call, we remain committed on our growth targets and to achieve our target of 4% PBT by quarter 4 FY '27.

Let me now hand it over to Vaidhy, our Global CFO, to take you through our financial highlights for the company in detail. Over to you, Vaidhy.

R. Vaidhyathan:

Thank you, Ravi. Good morning to all. Thank you for joining us today.

Before I get into the financial performance, I would like to call out a few critical highlights in Q1 FY '26. As Ravi mentioned, Project One is a major transformation initiative to integrate our ISCS and IFM businesses in U.K. and Europe. This program is expected to generate approximately INR120 crores of sustainable annualized cost savings, with INR50 crores to INR60 crores savings expected to start accruing in FY '26. This will be one of our key levers to



achieve our 4% PBT target by Q4 FY '27. In line with this, we have recognized a one-time exceptional cost of INR91 crores during Q1 FY '26.

It is important to note that out of INR91 crores, INR53 crores is expected to be the cash expense, primarily towards employee redundancy costs and site consolidation costs. The remaining INR38 crores is related to impairment of legacy brand, which is non-cash in nature. Also, out of the INR53 crores we had provisioned in Q1, we have incurred approximately INR17 crores, and the balance is estimated to be incurred in Q2 and Q3 FY '26, which is already provisioned in Q1. This is expected to improve both the EBITDA and PBT percentage going forward.

As outlined in our earnings presentation, we have made changes in our segment reporting. IFM business and certain warehousing contracts in GFS business is now reclassified to ISCS segment. GFS reflects the freight forwarding business as a stand-alone segment. Going forward, our segment will consist of ISCS and GFS. The erstwhile NS segment will only have GFS and accordingly is renamed as GFS segment.

Third, lastly, our strategic investment in TVS ILP has enabled us to realize significant gain in Q1 FY '26 as TVS ILP has transferred their warehousing assets through the InVIT listing, that is INR177 crores is our share of profit in TVS ILP in Q1 FY '26. TVS ILP will continue to develop warehousing assets and transfer to the InVIT platform.

Now, I will walk you through the financial performance. We reported consolidated revenue of INR2,592.3 crores, reflecting a growth of 3.7% sequentially and 2.1% on a year-on-year basis. ISCS segment, which now includes the integrated final mile business in U.K. and Europe, delivered steady growth with revenue at INR1,982.9 crores compared to INR1,943.4 crores in Q4 FY '25 and INR1,905.6 crores in Q1 of last year. This translates to a growth of 2% sequentially and 4.1% year-on-year.

On the GFS segment, we reported INR609.4 crores of revenue this quarter, marking a 9.7% sequential growth, largely on the back of volume uptick, partially offset by a sharp decline in the rates. On a year-on-year basis, revenue declined by 3.8%, primarily due to the continued pressure on the freight rates. Pricing continues to remain under stress, both sequentially and year-on-year and macroeconomic uncertainties and tariff volatility continue to weigh on this segment.

Overall, we remain encouraged by the positive momentum in the ISCS segment while continuing to be cautious on the GFS business with geopolitics and trade uncertainties. Basis on our various discussions with the investors over the last few quarters, the question often asked is the impact of the freight business in the overall performance. With our new segment structure, investors can now have a clear visibility on the impact of the volatility in the GFS business to the overall margins of our consolidated operations.

Now moving into the cost structure. Freight, clearing, forwarding and handling expenses declined from INR733.3 crores in Q1 FY '25 to INR680.3 crores in Q1 FY '26. This reduction primarily reflects the lower freight rates within the GFS segment as both ocean and air freight rates tapered during the quarter in response to the subdued global trade.



On a sequential basis, it increased from INR632.8 crores in Q4 FY '25 to INR680.3 crores in Q1 FY '26, in line with the revenue growth from the GFS segment.

Sub-contracting expenses increased from INR343.3 crores in Q1 FY '25 and from INR357 crores in Q4 FY '25 to INR377.1 crores in Q1 FY '26, in line with the growth in the ISCS revenue and also due to change of business mix.

Material-related costs remained largely stable on a year-on-year basis.

Employee expenses increased from INR577 crores in Q1 FY '25 and INR610 crores in Q4 FY '25 to INR619 crores in Q1 FY '26. This increase was primarily attributable to the higher operational volumes in the ISCS business and due to yearly inflation.

In terms of profitability, our adjusted EBITDA for the quarter stood at INR173.3 crores, translating to a margin of 6.7%. This compares to INR185.3 crores at 7.3% in the same quarter last year, while the decline was largely attributable to the GFS segment, which saw a year-on-year compression in the margin due to rate decline and pricing pressure.

On a sequential basis, we saw a clear improvement. EBITDA improved from INR161 crores at 6.5% in Q4 FY '25, driven by margin recovery in both the segments. Specifically, within ISCS and IFM operations delivered a step-up in profitability as we had communicated last quarter that IFM would see gradual increase in margin going forward. With respect to the GFS, margins improved sequentially on the back of operating leverage from higher volumes despite continued pricing headwinds.

Our adjusted PBT before share of profit from TVS ILP was INR19 crores, up from INR14 crores last year, a growth of 35% year-on-year and reflecting margin improvement to 0.7% from 0.5%. On a sequential basis, a growth of 12%. This is INR17 crores in Q4 FY '25. Our reported PBT before exceptional items for the quarter is INR195 crores, including share of profit of INR177 crores from TVS ILP. Our reported PAT for the quarter was INR71.2 crores as compared to a loss of INR3.9 crores in Q4 FY '25 and a profit of INR7.5 crores in Q1 FY '25.

Before I conclude, I would like to call out Slide 28 of our Q1 FY '26 earnings presentation, where we had explained our approach to improve the PBT percentage to 4% by Q4 FY '27. Three core levers driving the PBT growth are the IFM turnaround, which should improve our PBT margin by 0.4%, primarily on account of the actions we have taken to turn around that business that includes significant pricing corrections in the market.

Second, savings from the Project One, which should deliver approximately 1.2% of the PBT. As I explained earlier, the annualized savings from Project One is estimated to be approximately INR110 crores to INR120 crores due to a combination of factors such as a unified leadership structure, site consolidation, rightsizing and right-shoring in the U.K. and Europe businesses.

And lastly, improvement in the operating leverage is expected to deliver additional 1.9% PBT improvement. While we grow the revenue and gross margin, our overhead growth will grow at a much lower rate, resulting in higher operating leverage. Our diversified portfolio, leaner cost



base and the actions we have taken and the other initiatives that are currently underway gives us high confidence in reaching this goal.

With this, I will hand it back to Ravi.

Ravi Viswanathan:

Thank you, Vaidhy, for the detailed analysis. Let me now touch upon our business development efforts and key customer engagements, which continue to support our revenue momentum. In Q1 FY '26, we secured new business wins of INR124 crores, representing around 5% of Q1 FY '25 revenue. The contribution from these wins have been relatively muted this quarter, primarily due to lower-than-anticipated volumes in some of the new contracts as well as delays in revenue start dates for a few key engagements. We expect both volume ramp-up and revenue recognition to improve in the upcoming quarters.

Our order pipeline remains strong at INR5,300 crores, giving us solid revenue visibility going forward. During the quarter, we won several notable contracts. On the ISCS side, we secured mandates from one of the large global agri equipment companies based in the U.S.A., the largest diversified omnichannel retailer in India, a leading global tech and entertainment company from India, a premium electric vehicle manufacturer from Asia, a European telecom infrastructure services provider, a global footwear brand with manufacturing and retail presence in India, a German engineering and technology conglomerate in Asia, an Indian IT service and consulting firm with operations in the U.K., a leading personal computing and printing solutions provider in the U.K. and a global IT services company with a strong presence in the U.K.

On the GFS side, we added a global commercial vehicle manufacturer, a global leader in battery technology, an Asian multinational food and beverage company, a global health supplement and cosmetics firm and an international retail refrigeration equipment vendor. These wins reflect the trust leading global and domestic brands place in our capabilities and position us well for continued growth in the coming quarters.

In summary, our year-on-year performance with improving profitability highlights the steady momentum in our business. We are consistently winning key deals and tapping into emerging opportunities across sectors and geographies. With the new structure, we are well positioned to participate and convert more opportunities in the future, and we remain confident about sustaining the growth trajectory and creating long-term value for all our stakeholders with a clear road map to achieve 4% PBT by Q4 FY '27. With this, we'll open the floor for questions.

Moderator:

Thank you very much. The first question is from the line of Sucrit Patil from Eyesight Fintrade Private Limited. Please go ahead.

Sucrit Patil:

This is Sucrit Patil here. I have a bit of a telescopic question. As TVS Supply expand its integrated network position, how are you thinking about deploying AI across the demand forecasting, warehouse automation and freight routing? And do you think it can drive the margin improvement? And do you see this helping TVS build a scalable tech-driven edge in global supply chain solutions over the next 2 to 3 years? That was my question.

Ravi Viswanathan:

Thank you, Sucrit. This is Ravi here, and great question. I had mentioned in my earlier calls, I think sometime in the last fiscal year that we have started pilot programs in AI. We actually have



scaled the deployment of AI in select engagements in U.K., U.S. and India, where we use a fair amount of visual computing and bringing in orders of efficiency. I think the question that you have asked specifically around demand forecasting, these are models that we already have in our software tools and we are building AI into it.

But let me just say that where there is great opportunity to bring AI is in our operations. Agentic AI is something, which we will talk about over the next few quarters. We believe that there is a great scope for us to improve process efficiency and bring down the ability or bring -- increase our ability to drive more volumes with less using Agentic AI.

So, we have multiple AI engagements, which are in various stages of both in initiative and in deployment, AI for our automation and Agentic AI for our process automation and significant amount of AI that we are deploying. We have our own tool set called Sidekick, which is like a ChatGPT kind of tool, which helps us drive internal efficiency, especially in tapping into the various knowledge nuggets that we have within the enterprise. So multiple initiatives, we will update you as we go forward in our journey. But thank you, Sucrit. I hope I've answered your question.

Sucrit Patil: Yes, yes. And pretty much answers my query. And the next few quarters would be very interesting to watch for TVS.

Moderator: The next question is from the line of Ishant Lalwani from Ashika Institutional Equity.

Ishant Lalwani: So with the recent segmental restructuring where ISCS now includes the IFM business, what are your revised short-term and long- term revenue and EBITDA targets for each segment?

R. Vaidhyanathan: Okay. Thanks, Ishant. As we said, as of now, the ISCS segment is hovering around 8.3% adjusted EBITDA margin. And in the medium term, we expect this to go to around, say, 10%, 10.5%. And as we guided in the past, the revenue would be somewhere around mid-teens.

Ishant Lalwani: And revenue target?

R. Vaidhyanathan: The revenue growth would be around mid-teens. Yes.

Ishant Lalwani: Okay. Also, despite absolute profitability holding up, adjusted EBITDA margins have declined. So, what are the key reasons behind it?

R. Vaidhyanathan: Ishant, as we mentioned that it's primarily because of the GFS segment where there was a drop in the freight rates, which impacted the absolute profitability. One of the primary reasons is the GFS segment.

Ravi Viswanathan: Just wanted to qualify that we continue to see that as -- there will be a fair amount of volatility given the overall trade environment. And if you see even in our restated numbers, you will find that the GFS has been fairly volatile, and that volatility has impacted the overall EBITDA there.

Ishant Lalwani: Okay. And how should we view the contribution from TVS ILP for the full year?

R. Vaidhyanathan: Could you repeat your question, Ishant. Your voice is bit muffled.



- Ishant Lalwani:** Yes. So how should we view the contribution from TVS ILP for the current year given that it has reflected in muted PBT?
- R. Vaidhyathan:** Yes. So, I think -- see what happened in Q1 is ILP has transferred their warehousing assets and because of which we had a higher share of gain in Q1. I think going forward, it will be a normalized share of profit from ILP for the rest of the quarters.
- Ishant Lalwani:** Okay. Just a last question. The exceptional item expense related to your Project One, will this recur in FY '26? Or was it a one-off?
- R. Vaidhyathan:** So, this is a one-off expense, Ishant, because relating to the Project One restructuring cost. As I called out, of the INR91 crores, INR53 crores is a cash expense that is likely to be incurred, including Q2 and Q3, where we have taken a provision in Q1 itself because the program calls for -- there is an obligation for us to recognize this cost now itself as per the accounting standard. So, we have recognized this cost because it's a formal restructuring program that we are doing in U.K. and the Europe. And because of the obligation, we had to recognize this cost in Q1 itself, even though the actual cost will be incurred in Q2 and Q3.
- The INR38 crores is a brand -- legacy brand we had. As you know, we have done a lot of acquisitions in the past and we are carrying this legacy brand. And as part of this Project One, we are integrating everything into a unified brand architecture. That is where we have taken this write-off of INR38 crores of brand assets and which is a non-cash need.
- Moderator:** The next question is from the line of Saumil Shah from Paras Investments.
- Saumil Shah:** Congrats on a very good set of numbers. Sir, my question was related to TVS ILP. So basically, we are having 25% holding in this company and this INR177 crores is our share, right, 25%?
- R. Vaidhyathan:** Correct.
- Saumil Shah:** So, I mean, in the previous quarters, we were not having any gains from such sale?
- R. Vaidhyathan:** Saumil, this year -- I mean, this quarter, since ILP went through an InVIT process, they transferred their warehousing assets to the InVIT platform, because of which they had a gain and we are getting a share of that gain at the rate of 25%.
- Saumil Shah:** Okay. So, I mean, going forward, how can we look at this particular segment? I mean every quarter, we will have some or the other gains or I mean, it would be like a once in a year kind of realization?
- R. Vaidhyathan:** Yes. I think as and when ILP starts developing warehousing assets, they will be transferring to an InVIT platform. And at that time, there will be a gain. So what has happened in Q1 is that they have transferred almost 11 million worth of warehousing assets to the InVIT platform through which we have recognized this gain in Q1. As we keep developing more warehousing assets and transferring to the trust, there will be -- depending upon the market conditions, there will be a gain.



- Saumil Shah:** Okay. So basically, what is the size of the development? So, 11 million has generated INR177 crores. So, what is the total size what they are developing right now?
- Ravi Viswanathan:** So, they have in their prospectus said that they have a plan to develop about 20 million square feet. But there's no definite time period. I would say in the next -- in the medium term, that is their plan. But as they continue to develop assets, they will continue to put it in the InVIT platform. That's their plan.
- Saumil Shah:** So currently, whatever they have developed, they have already, I mean, transferred it? So right now, as of now, for next few quarters, we will not get any such gains?
- Ravi Viswanathan:** We don't anticipate in the next couple of quarters for sure.
- Saumil Shah:** Okay. So how should we look at this? I mean, this would be a one-off kind of exceptional items or it is a TVS Group only profit? How would I look at this?
- Ravi Viswanathan:** Understood. The way you look at it is that the plan of TVS ILP is around 20 million square feet, of which they have InVIT about 11 million. So, there is a balance of 9 million in the midterm -- in the medium term. And that's the way to look at it and not from a quarterly perspective.
- Saumil Shah:** Okay. Because, sir, as a shareholder, I mean, it's been a long wait. More than 2 years, our stock has not performed. In fact, it's even below our IPO price. So don't -- please don't get me wrong. There is no question on management's integrity. But I mean, for last 2 years, shareholders have suffered.
- So, can you please give some comfort to the shareholder community that what's our growth outlook for next few quarters? I mean, what we are guiding 4% PBT and mid-teens kind of a revenue growth. So, are we on track to achieve it?
- Ravi Viswanathan:** Saumil, firstly, let me thank all the investors for their trust and patience. Yes, I completely appreciate and acknowledge it. Having said that, I think like Vaidhy outlined, there's a clear plan for us to get to 4% PBT, and that should unlock significant value, and that's our belief. And the management is absolutely focused in doing that.
- All of the actions that we have taken, especially in bringing the structures together and leaning the organization and taking significant costs out of the organization is all focused on this one concept of profitable growth. So, I just want to reassure you, if you look at the pipeline, it's probably a very healthy pipeline.
- We continue to grow our pipeline. The GFS segment has been incredibly volatile, and that has had, I would say, a fluctuating impact. But we are well on a track to get to a 4% PBT. So, I just want to reassure all of the investors on that.
- Saumil Shah:** And along with the revenue growth guidance of mid-teens?
- Ravi Viswanathan:** That's correct. The key for us is to continue to convert the INR5,350 crores and keep building the pipeline. And if you see the trend, we have been increasing our pipeline on a quarterly basis



and our revenue growth has been consistently up. So, I think all the leading indicators are showing positive signs. That's the way I will guide, Saumil.

Saumil Shah: Okay. Okay. So, we really hope that this quarter to be a turnaround quarter and we start delivering to our promises.

Moderator: The next question is from the line of Kunal Sabnis from Nine Rivers Capital.

Kunal Sabnis: Just confirming the Project One impact, what you mentioned was that in quarter 1, INR17 crores hit you have taken on the back of that. And the total impact will be INR53 crores for the full year, the cash impact, right? But you also said that some INR50 crores to INR60 crores of savings will be there in fiscal '26, so which means that the Project One is neutral for this year? And then you have a cost savings of INR120 crores next year?

R. Vaidhyathan: Correct, Kunal. I think whatever is the initiatives that we have taken, that will give us a savings in FY '26 itself, about INR50 crores, INR60 crores. The annualized savings is the number is about INR110 crores to INR120 crores.

Kunal Sabnis: Got it. But you -- in fiscal '26, you also take a hit of INR53 crores. That's -- the understanding is correct, right?

R. Vaidhyathan: Correct. Correct.

Kunal Sabnis: Perfect. And one thing on the GFS side, what -- so I mean, I understand things are in a flux and a lot of things are uncertain. What's the normalized EBITDA margin of this carved out piece, which is now pure freight forwarding?

R. Vaidhyathan: Kunal, GFS on a normalized basis should be somewhere around 3%, 3.5%, Kunal. If you look at the past -- 3%, 3.5%. Correct.

Kunal Sabnis: And ISCS should be 10%, 10.5%, that's the...

R. Vaidhyathan: 10.5%. Correct.

Moderator: The next question is from the line of Darshil Jhaveri from Crown Capital.

Darshil Jhaveri: So sir, just wanted to ask, like, in terms of our PBT margins guidance is quite similar for FY '27. But how will we be exiting FY '26? So the benefits will we be accruing Q-o-Q or like it will be more back ended towards FY '27?

R. Vaidhyathan: Darshil, see, what will happen in FY '26, there will be a sequential improvement in the PBT margin, Darshil, okay? And as I said, the Project One guide from turnaround will start giving us the benefits. And you can see -- you can start seeing those benefits coming from the early quarters of FY '27. And by the time we reach Q4 FY '27, I think we are confident of hitting that 4% PBT.

Darshil Jhaveri: Okay. Fair, sir. And sir, just wanted to ask one more thing. Currently in our planning base, have we accounted for the GFS, up and down because the idealized margin should be around 3%,



3.5%, but right now we are at 2%. So because of that, will there be some operating deleverage or some volatility in the margins because of that, sir?

Ravi Viswanathan:

So let me just say it's very difficult to model the current volatility that we are seeing. Having said that, what the company has done is to significantly reduce our cost structure so that we remain within a very narrow band in terms of our overhead to revenue volatility. So if the revenue increase or decreases, then we should not have a linear increase or decrease in the overhead.

That's the plan. So we have taken a lot of steps in terms of redundancy. We have mentioned it even in the last earnings call. We continue to take costs out of that business to make sure that we remain very lean and agile. But it's very difficult right now in the current environment to look at what impact it will be.

And one of the things I think the new segmentation does is for investors like you to see the GFS -- the impact on the GFS based on all of the things that we are seeing around us by calling them out because previously, it was in the Network Solutions segment. So by calling it out, it gives us better ability to model our numbers going forward. But I'm sorry, that's the best answer at this point that I can give.

Darshil Jhaveri:

No, I get it. It's a bit difficult to model. But like -- so just my question is towards that is there like a slight risk because of the GFS segment, we will not be able to reach our goal because of the volatility that -- just because I'm assuming in the PBT margin of 4%, we would have modeled around 3%, 3.5% EBITDA margin. But if it sustains like this for some more time, then our margins will not improve the way we want them to improve. Is that the fair understanding of it?

R. Vaidhyanathan:

Correct, Darshil. I think we assume that the GFS probably in 1 or 2 quarters, it will return to some kind of a normalcy once this uncertainty tapers off, and we'll hit the 3%, 3.5% PBT margin, the EBITDA margin for the GFS segment. But as Ravi mentioned, I think right now, the situation is a bit uncertain. So, we will have to wait for more stability in that segment.

Darshil Jhaveri:

Okay. Fair enough, sir. I just wanted to understand with regards to our bid pipeline right now. So any more conversations happened? Or how does -- in general, the INR100 crores pipeline, how soon can we see fruition? What would be maybe our win rate of it, sir?

Ravi Viswanathan:

We -- as a company, our win rate is about 22%. We continue to see how we can improve that. And some of the -- especially the ISCS segment has large gestation deals. The good thing is they are long-term deals and they are multi-year deals, but it also takes long time to fructify. But our -- the pipeline that I've shared is actually our annualized revenue pipeline, which means that if I win all of those deals, that's the revenue I'll be able to recognize for the year. So, I would say that given the pipeline, we remain confident on the revenue growth.

Darshil Jhaveri:

And the revenue growth should be around mid-teens, right, sir?

Ravi Viswanathan:

That is the current outlook, yes.

Moderator:

The next question is from the line of Saumil Shah from Paras Investments.



- Saumil Shah:** Yes. Sir, in our presentation, I think we've mentioned that the best, I mean, industry class other companies, they are having a PBT of 8% to 11%, whereas we are targeting for 4% by Q4 FY '27. So, I mean, what would be our long-term guidance for this beyond Q4 FY '27?
- Ravi Viswanathan:** Yes. Clearly, I think we have articulated that we want to get to that benchmark. But our first step is to get to 4% PBT by Q4 FY '27. And then we see how we can deploy additional levers. And there are quite a few opportunities like the first caller had mentioned.
- I mean, the Agentic AI and the AI pilots that we are doing are aimed towards changing that trajectory. And we expect those to get deployed sometime in the latter part of the next fiscal. So, those are things that we can keep building on as we see opportunities increase. But our immediate goal is to get to 4% PBT by Q4 FY '27 and then build the road map to get to the 8% to 11%. So, we'll have to take it one step at a time, as you can appreciate, Saumil.
- Saumil Shah:** Okay. Okay. And sir, any debt reduction plans for this year?
- R. Vaidhyathan:** Saumil, as of now, I think we are comfortable with the debt and most of the debt is only for working capital. So, we are comfortable with the debt position actually.
- Moderator:** The next question is from the line of Riya Sharma from CK Capital.
- Riya Sharma:** So sir, I have 2 questions for you. The first one is the new business wins considerably dropped for this quarter from the usual 10% to 12% to 5%. Any reason for this? And how is the deal pipeline currently going?
- Ravi Viswanathan:** Okay. Is that 2 questions?
- Riya Sharma:** Yes. So that is the first question.
- Ravi Viswanathan:** Okay. Let me answer it first. I think I touched upon it in my commentary that we secured new business wins of INR124 crores, which was muted compared to what we have generally seen. Predominantly, it came on 2 counts. One is volume reduction, lower- than-anticipated volumes in some of our existing deals, but also a couple of large deals that we have signed had a, I would say, the delays in revenue start dates for those engagements.
- So from a pipeline perspective, we remain very healthy, INR5,300 crores of active pipeline, and it continues to grow. The number of opportunities that are in different stages in our pipeline gives us tremendous confidence that we will stay on our growth plan. So, lead indicators are good.
- Yes, I did mention in my summary that the revenue growth, which normally is about 9% to 10% was hovering around 5% this quarter, which is on account of lower-than-anticipated volumes. I guess it's a reflection of the overall trade environment and also some engagements, which started a bit later than the planned phase.
- Riya Sharma:** Okay. Got this. And the second question is that the overall India business of ISCS and GFS this quarter has been on a slowdown since past few quarters now. Can you throw some light on the same?



Ravi Viswanathan: Two things. I think if you see the Q1 numbers from India Incit itself has been muted. So in a way, I would say that from a supply chain side that we reflect that. But again, like I said, the lead indicators are good. Number of opportunities that we are chasing are still on the up. So, we remain confident. But yes, in many ways, it's a reflection of the overall performance here of India Inc in Q1.

Moderator: Ladies and gentlemen, that was the last question for today. As there are no further questions, I would like to hand over the conference to management for closing comments.

Ravi Viswanathan: Before we wrap up, let me first thank you for your questions, your interest, and we remain very committed to our overall trajectory of growth that we have spoken about. Let me reiterate the key takeaways from this quarter. Q1 has been a strong start to the year, driven by disciplined execution. The Project One we have initiated in the U.K. and Europe, combining ISCS and IFM under one leadership, optimizing our footprint and realigning our brands is already setting the foundation for a leaner and more customer- focused organization.

Project One will also be one of the key levers in delivering our 4% PBT target by Q4 FY '27, alongside the sustained turnaround of IFM and operational leverage that we can get across our other regions. We remain watchful of the macroeconomic and geopolitical certainties, but our diversified portfolio, disciplined cost management and healthy balance sheet positions us well to navigate volatility and capture growth opportunities.

We are confident that the actions we are taking today will deliver sustainable value creation for our shareholders in the quarters ahead. Once again, thank you all for your time, your questions and your continued interest in the journey.

Moderator: Thank you. On behalf of TVS Supply Chain Solutions Limited, concludes this conference. Thank you for joining us, and you may now disconnect your lines.