



“TVS Supply Chain Solutions Limited
Q3 FY26 Earnings Conference Call”

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MANAGEMENT: MR. RAVI VISWANATHAN – MANAGING DIRECTOR
MR. R. VAIDHYANATHAN – GLOBAL CHIEF FINANCIAL
OFFICER
MR. PRABHU HARIHARAN – HEAD INVESTOR
RELATIONS

Moderator:

Ladies and gentlemen, we welcome you all to the Q3 FY 26 Earnings Conference Call of TVS Supply Chain Solutions 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 the date of this call. These statements do not guarantee the future performance of the company and may involve risks 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 this conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

Now I hand over the conference to Mr. Prabhu Hariharan, Head Investor Relations from 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 Q3 FY26. I hope everyone had a chance to look at the financial results, which we have 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 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 risks that the company faces. A disclaimer to this effect has been included in the investor presentation. Now I request and hand it over to Mr. Ravi Viswanathan to make the opening remarks. Over to you, Mr. Ravi Viswanathan.

Ravi Viswanathan:

Thank you, Prabhu. Good morning to all of you. First, let me welcome all of you once again to our earnings call to discuss the performance for the third quarter ended December 31, 2025. I will share with you the highlights of our performance and my colleague, Mr. R. Vaidhyanathan, our Global CFO, who will take you through the analysis of our numbers. We look forward to interacting with you as part of the Q&A session.

For the benefit of those participants who might be joining the call for the first time, please note that TVS Supply Chain Solutions is a tech-led and asset-light supply chain solutions provider. We have 2 main business segments, namely the Integrated Supply Chain Solutions, or ISCS, and the Global Forwarding Solutions or GFS. We operate across 4 continents: Asia, Europe, North America and Oceania where we offer bespoke and tailor-made solutions in the 3PL space and also offer 4PL services in select markets. For more details about the company, you may please refer to our website at www.tvsscs.com.

Let me start with the key highlights for Q3 FY26. Q3 FY26 was a strong quarter for us, marked by double-digit growth. Our consolidated revenue grew 11.1% year-on-year and adjusted EBITDA saw a step change as it grew by 31.2%. The adjusted EBITDA margins on a year-on-year basis expanded by 110 basis points to 7.3% and by 60 basis points sequentially. As a result of this operating performance, the profit before tax grew from a loss of INR15 crores in Q3

FY25 to a profit of INR25 crores in Q3 FY26 with margins improving from negative 0.6% to positive 0.9%. On a 9 month basis, our revenue grew by 6.3% and adjusted EBITDA grew by 7.2%.

From a segment perspective, the quarter was led by strong growth in India, supported by new business wins and improved profitability. This points to a healthy demand environment and strong execution on the ground in both segments, ISCS and GFS in India. Our India geography grew by 11.8% on a year-on-year basis and by 5.5% sequentially.

In ISCS Europe, we saw a clear profitability inflection. We delivered a strong margin expansion, supported by disciplined cost actions and better business mix. Robust new business wins further support our outlook for this region.

You may recall from the past that Q3 is normally a soft quarter given the holiday season in Europe. In North America, we launched one of our large engagements, which went live in Q3 FY26, and we expect the volumes to start ramping up in the coming quarters. You may recall last earnings call, I had mentioned about inaugurating a new build-to-suit facility in the beginning of Q3 FY26 to serve key clients on manufacturing support services, and this is the facility which has gone live in Q3 FY26.

Overall, our ISCS segment revenue for Q3 FY26 grew by 8.3% year-on-year and 9 months FY26 grew by 6.9%, with adjusted EBITDA growing at 23.4% year-on-year in Q3 FY26 and 11.3% on 9 months FY26 basis. The margins improved from 8.1% in Q3 FY25 to 9.2% in Q3 FY26. And on a 9-month basis, we saw that improve from 8.4% to 8.7%.

With respect to GFS, the revenue grew by 19.3% year-on-year and 10% sequentially. And this came on the back of some very sharp rebound in India volumes. Global freight, however, remains under pressure, but our cost initiatives and volume rebound helped expand our adjusted EBITDA margins from 1.9% last year and 2.2% in Q2 FY26 to 2.3% in Q3 FY26.

Let me now briefly talk about our other key initiatives. The Project One program in the U.K. and Europe continues to progress well. As we outlined earlier, we are seeing the benefits of this program reflect in the margin recovery in ISCS Europe and the overall improvement in profitability. Vaidhyanathan, our CFO, will elaborate more on this.

Alongside Project One, we continue to execute on a broader cost takeout, including rightsizing, right-shoring and tighter overhead control across regions. We also announced the acquisition of Swamy & Sons 3PL in India. This is a strategically important acquisition that strengthens our capabilities in the FMCG and consumption-led supply chain space in India and deepens our presence in key consumption markets. The transaction is expected to be EBITDA, PBT and ROCE accretive and is fully funded through internal accruals.

Overall, Q3 FY26 demonstrates that the building blocks we have been putting in place over the last few quarters are now translating into stronger growth and profitability. India is growing with better margins. Europe continues to strengthen. GFS shows volume-led growth and our cost and transformation programs are yielding tangible results.

With this, I hand over to Vaidhyanathan, our Global CFO, and he will walk you through the financial highlights for the company in detail.

R. Vaidhyanathan:

Thank you, Ravi. Good morning to all. Thank you for joining us today. Q3 FY26 was a strong financial quarter for TVS Supply Chain Solutions, characterized by healthy top line growth, significant margin expansion in both adjusted EBITDA and PBT. Our consolidated revenue for the quarter reached INR2,715.8 crores versus INR2,444.6 crores in Q3 FY25 and INR2,662.6 crores in Q2 FY26, reflecting a year-on-year growth of 11.1% and a sequential growth of 2%.

From a segment perspective, ISCS segment delivered a strong year-on-year growth of 8.3% with revenue at INR1,979.5 crores versus INR1,827.4 crores in Q3 of last year and a flat sequential growth due to expected lower seasonal volumes in Europe and North America. Within the ISCS segment, ISCS India, as Ravi highlighted, had a strong Q3. It grew by 4.2% sequentially, supported by strong revenue from new business wins and improved profitability. This is also translating into a margin improvement in the India ISCS business.

ISCS Europe delivered a strong profitability as a result of our Project One initiatives, along with other cost control measures and better product mix. Moving on to the GFS segment. Our revenue for Q3 FY26 is INR736.3 crores compared to INR669.6 crores in Q2 FY26 and INR617.2 crores in Q3 FY25, marking a 10% sequential growth and 19.3% year-on-year growth, largely led by growth in ocean freight volumes in India. Freight rates continue to be under pressure, as Ravi mentioned earlier.

GFS India revenue grew from Q3 FY25 of INR147.9 crores and Q2 of INR201.61 crores to INR219.5 crores in Q3 FY26 with 48.4% growth on a year-on-year basis and 8.8% on a quarter-on-quarter basis, largely led by the volume growth in India.

With respect to the 9-month FY26, our consolidated revenue stood at INR7,970.7 crores with INR7,496.6 crores in the previous year at a growth rate of 6.3%. The growth was driven by our ISCS segment with revenues of INR5,955.4 crores, reflecting a 6.9% improvement compared to INR5,571.5 crores in the previous year.

The GFS segment reported a revenue of INR2,015.3 crores, grew by 4.7% from INR1,925.4 crores in the previous year, largely led by volumes in India. However, rates continue to remain under stress and the macroeconomic uncertainties and the tariff volatility continue to impact this segment.

On the strategic cost takeout initiatives, the Project One in the U.K. and Europe is tracking as per plan. As previously communicated, we expect an annualized savings of around INR110 crores to INR120 crores and in-year savings of about INR50 crores to INR60 crores from this program. These benefits are already visible in the overall ISCS margin improvement in Q3 FY26 and year-to-date. We continue to drive the operating leverage through structural cost takeout initiatives across the geographies, including rightsizing and right shoring.

Now moving to the cost structure. Our movement in freight, clearing, forwarding and handling expenses on a quarterly basis and 9-month basis is in line with the revenue growth in the GFS segment, offset by decline in ISCS segment due to the change in the business mix.

Material-related costs increased from INR391.4 crores in Q3 FY25 and INR444.3 crores in Q2 FY26 to INR475 crores in Q3 FY26 on a year-on-year and sequential basis. On a YTD basis, material costs increased from INR1,314.5 crores to INR1,408.7 crores.

Other expenses increased from INR251.6 crores in Q3 FY25 to INR269.8 crores in Q3 FY26. And on a sequential basis, it declined from INR298.1 crores to INR269.8 crores. On a YTD basis, it increased from INR679.6 crores to INR824.7 crores. The movement in the material costs and other expenses are in line with the change of business mix in the ISCS segment.

Subcontracting expenses increased from INR356.2 crores in Q3 FY25 and from INR369.4 crores in Q2 FY26 to INR389.5 crores in Q3 FY26. This is in line with the revenue growth from new customers and change in the business mix.

Employee cost marginally increased from INR590.3 crores in Q3 FY25 to INR598.6 crores in Q3 FY26, mainly due to the cost inflation and in line with the revenue growth partially offset by the cost takeout initiatives. On a sequential basis, it declined from INR644.4 crores in Q2 FY26 to INR598.6 crores in Q3 FY26, mainly due to an exit of large project in Europe as earlier communicated and also the benefits of cost takeout initiatives and savings from other in Project One. On a YTD basis, the employee cost rose from INR1,743.3 crores in previous year to INR1,861.9 crores in YTD FY26. This increase was primarily driven by impact of annual inflation also in line with the growth in the revenue.

Depreciation of right-of-use assets and interest on lease liabilities under Ind AS 116 increased year-on-year with depreciation increasing from INR99.4 crores to INR105.9 crores and the interest cost on 116 increasing from INR21.6 crores to INR23.2 crores. The increase was due to the launch of a new warehouse and go-live of key project in North America in Q3 FY26, as highlighted by Ravi.

In terms of profitability, our adjusted EBITDA grew by 31.2% year-on-year with margins expanding by 110 basis points to 7.3%. This growth was driven by a combination of strong performance by India and Europe and the benefits of the cost takeout programs, including the Project One. Sequentially as well, adjusted EBITDA grew 11.7% and margin expanded by 60 basis points, demonstrating the consistency of the underlying earnings trajectory.

Within the segments, ISCS has delivered strong performance in Q3 FY26 with adjusted EBITDA of INR182.9 crores at 9.2% margin, up from INR148.2 crores at 8.1% in Q3 FY25 and INR173.8 crores at 8.7% in Q2 FY26. The significant margin improvement in ISCS is mainly on account of recovery of our ISCS Europe business with ISCS India continuing to deliver consistent growth in profitability.

GFS delivered sequentially improved performance in Q3 FY26 with adjusted EBITDA of INR17.3 crores at 2.3% margin, up from INR14.6 crores at 2.2% margin in Q2 FY26 and from INR11.5 crores at 1.9% in Q3 FY25. The segment continues to face macroeconomic headwinds reflected in the subdued rates. On a sequential basis, both the businesses showed improvement, ISCS with continued growth and GFS improving on the back of volume growth in India.

At the bottom line, we delivered adjusted PBT of INR24 crores compared to a loss of INR16 crores in Q3 last year. Our PBT margin expanded significantly from negative 0.7% to positive 0.9%. On a 9-month basis, the adjusted PBT has increased more than 4x, which is an important indicator of the continuous uptick in our earnings. Our reported PBT for the quarter stands at INR16 crores after exceptional cost of INR9.1 crores relating to the impact of the new labor codes which is reported as “exceptional items”.

To summarize, in Q3 FY26, we delivered double-digit top line growth, strong adjusted EBITDA margin expansion and continued uptick in the profitability.

With regard to our recent announcement of entering into a definitive agreement for the acquisition of Swamy & Sons, I would like to point out that the acquisition is fully funded through internal accruals and is expected to be EBITDA, PBT and ROCE accretive. This will strengthen our presence in the attractive FMCG and consumption-led supply chain space in India. With this, I will hand it back to Ravi.

Ravi Viswanathan:

Thank you, Vaidhyanathan, for the detailed analysis. Let me now take a few minutes to walk you through the business update and key customer wins and the demand outlook across our markets.

We continue to build solid traction in new business development during the quarter. In Q3 FY26, we have generated revenue of over INR319 crores from new business wins, representing 13% of our Q3 FY25 revenue. And for the first 9 months of the year, our revenue from new business wins stands at INR683 crores, which represents 9.1% of our 9-month FY25 revenue with a healthy and diversified funnel across India, Europe and North America.

Our overall pipeline remains very strong at about INR6,300 crores, providing clear revenue visibility for the coming quarters. Across both ISCS and GFS, we saw wins from several notable contracts, global renewable energy leaders, global automotive and industrial majors, technology service providers and consumer and mobility clients, reflecting the breadth of trust we hold with global customers.

A sample of the mandates that we have secured on the ISCS side, a global renewable energy leader in India, a world-class commercial vehicle pioneer in India, an integrated clean energy specialist in India, a world-class building mobility systems leader in India, a top energy storage manufacturer in India, a leading European passenger vehicle manufacturer in India, a global heavy equipment manufacturing pioneer in India, a Europe-based global IT infrastructure services provider.

One of the top global technology services firms in Europe, an urban rapid transit operator in Europe and an international enterprise technology provider in Europe. These wins reflect the strength of our tech-enabled execution, our domain depth in industrial and mobility verticals and the trust our customers place in TVS SCS.

Particularly, India continued to deliver exceptionally well on business development with multiple large strategic wins across automotive, renewables and industrials. These wins will support revenue scale up in the quarters ahead, especially in the ISCS business, where our

positioning continues to strengthen across production, aftermarket and distribution-led supply chains.

On the GFS side, we added several marquee customers, including a global automotive technology pioneer, a global solar solution expert, a world-class engineering and manufacturing solutions leader, a leading material handling technology platform and one of Europe's top renewable energy specialists.

Let me summarize by saying that Q3 FY26 has been another strong quarter of customer conversions with high-quality wins across geographies. The strength of our ISCS proportion and the resilience of our diversified pipeline positions us well for the quarters ahead. We'll now open the forum for Q&A.

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

Sucrit Patil: I have 2 questions. My first question to Mr. Ravi is, as TVS Supply Chain builds on this profitability turnaround, what will be the key priorities guiding your growth strategy over the next few quarters? How do you see the balance between strengthening India operations and scaling global businesses evolving?

Ravi Viswanathan: Yes. Thank you, Sucrit. We have said that in the past that for us, all the geographies, all the regions provide us with the opportunity to grow. India specifically, given its strong economic climate presents a wonderful opportunity, and this quarter has been a quarter where we've been able to capitalize on a lot of these opportunities and converted those into meaningful revenues and margins. We continue to stay very focused on our India business, and we are very confident that we'll continue on this trajectory of growth.

Last quarter, if you remember, I had mentioned that we will get to about 4% sequential growth, and we did that in the ISCS segment itself and overall 5.5% in the India market. And we are confident that this trajectory will continue given the strength of the business wins that we have.

On what we remain focused, of course, the focus is staying very close with our customers and ensuring that we continue to execute with the same level of discipline that we have shown over the last few quarters. And that's really what has been the key.

What is also exciting for us is the M&A that we have announced with Swamy & Sons, which will further strengthen our expertise into the FMCG segment, which, as all of us know, India is a very large consumption-led economy, and that provides TVS SCS with a great opportunity to further expand the pie in India. So India is clearly right in the middle of our strategy and the opportunity to grow India at a differential growth rate compared to the rest of the world simply exists because of the economic activity that we see in India. Sucrit, I hope that it answers your question.

Sucrit Patil: My second question is to Mr. Vaidhyathan. Again, along similar lines, what financial signals will shape the company's approach to cost discipline, cash flow management and capital

allocation? How do you see these signals influencing long-term investment choices and margin protection? Just want to understand your plan of action and a point of view on this.

R. Vaidyanathan:

Sure. Thanks, Sucrit. I think as we previously communicated, our capital allocation decisions are primarily towards our ISCS business, which is in a strong growth trajectory. I think one of the key things for us is to do the revival of the Europe business from where it was, say, 4 or 5 quarters back, the actions that we have taken there. And also the investment we are making in the India business.

And as Ravi mentioned, the M&A that we are doing, the amount of capital that we are allocating for the India business, all these are some of the things which we have taken in the last few quarters, and we will continue to proceed this in the next few quarters as well as we strengthen the ISCS segment.

Moderator:

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

Saumil Shah:

Congrats to the team for good numbers. Sir, I wanted to know, I mean, since there are a lot of trade deals happening with EU and now again with the U.S. So what's your views on this? How this is going to benefit our company? And are we seeing some benefits already coming through in this quarter?

Ravi Viswanathan:

That's a very relevant question which is occupying our time and mind space too. But we'll wait, Saumil, as you know, we are some time away before we get into the implementation stages of many of these FTAs. But it provides us an exciting opportunity. Specifically, we have said in the past over the last 3, 4 quarters, there has been a big, I would say, challenge in the global forwarding business because of the global macro.

While our ISCS segment has grown handsomely, the GFS segment is really based on volumes and the rates continue to be under pressure. We expect with the macro hopefully turning in the right direction, the global freight business, both air and ocean will significantly pick up with rates stabilizing. And that will mean that opportunities to be a partner to our customers from India on the forwarding business, both to Europe and to the U.S. will expand.

I will wait and watch. I think it's too early for us to say whether that's going to have an impact. Definitely, we're not factoring that in our Q4, but we are very bullish about what it could present for us in the next fiscal year.

With the U.S. trade deal hopefully getting commenced by, in phases from March and the European FTA, I think the opportunity for us to see the global forwarding business stabilize in the next fiscal is something which we are looking forward to. But I would still say for the GFS segment, we continue to be cautiously optimistic, while we remain fairly strongly motivated in the ISCS segment, both in India and outside of India.

Saumil Shah:

Okay. But not only on the GFS, but even on the ISCS side, I mean, once the trade deal happens, we should see some benefits because there would be a lot of shift from Europe to India and a lot of transfer of services. So are we going to benefit in that also?

Ravi Viswanathan: No, there will definitely be an upside. Like I said, when the ISCS segment, typically, Saumil, as we have said before, the pipeline takes anywhere between 6 to 18 months to conclude based on the kind of solution that we provide. GFS is far more transient. So we could submit a proposal today and close the deal 3 weeks from now. So the immediate impact can be seen in the GFS side. But you're absolutely right. There will be an uptick in the ISCS business too. Overall, it augurs very well for the supply chain business.

Saumil Shah: Okay. Okay. And if we see our first 9 months, I mean, we have done a growth of 6% Y-o-Y. So going forward for next quarter also, how shall we look at our growth? Because I think we had guided for a double-digit growth. So to grow at double digit, I think the Q4 has to be a bumper one. So just wanted your views on that?

Ravi Viswanathan: So we continue to push very hard for double-digit growth. To my entire leadership team, we pushed the messaging that we need to be focused on this double digit. However, given the product mix that we have, which has got a fair amount of GFS, we'll have to wait for the GFS business also to start firing before we can say that we are firing on all cylinders. In spite of all of that, I will call out GFS for a stellar quarter 3, simply on the back of some incredible volumes.

We have seen pricing pressure in GFS. Prices have constantly come down in the last 9 months. And the volumes have been phenomenal, and we've been able to expand absolute EBITDA, and that's really something which we'll continue to be focused on. But again, the freight business is very simple math, right? So volume times price.

We got to push volume multiple times to manage the decline in price. And that decline in price is really a factor of the global macro. So for us to get double-digit growth, we got to get both the product sets or both the segments to be firing extremely well in terms of revenue growth. We have seen early signs in GFS, but we need to at least have 3 points before we can say it's a trend, but we'll wait for that.

But when I look forward, given all the headwinds at least subsiding, we think FY '27 would provide us with a clear opportunity for us to double down on GFS while we continue to build on the ISCS momentum. So I think we are very well placed as an organization. We continue to wait for some tailwinds on the GFS side, and that should be, in our view, possible with all the FTAs that could come in play over the next few -- couple of quarters at least.

Saumil Shah: Okay. Okay. And sir, what is the reason? I mean, our employee cost last quarter was around INR644 crores and currently it is INR598 crores. So I mean are we reducing our employees? What is the reason for such a drop in employee cost?

R. Vaidhyathan: Saumil, as explained, there was one large project in Europe where the customer had decided to in-source it, so which we had exited in Q2. That is why you will see a reduction in the employee cost, plus also the other, the Project One savings and other things will be reflected in the reduction in the employee cost.

Moderator: The next question is from the line of Disha Giria from Ashika Group.

Disha Giria: My first question is regarding the GFS business. Can you help with a volume uptick or a volume growth number for the GFS business for this particular quarter on a year-on-year basis?

R. Vaidhyanathan: Disha, no, we don't give a quarter-wise volume, but I can tell you in terms of percentage how we have grown in terms of ocean freight, right, compared to the last Q3, we have grown by about 29.6%. And in terms of air freight, I think we have grown by about 18.7%.

Disha Giria: On a consolidated basis, can you just help me with the same?

R. Vaidhyanathan: Yes, on a consolidated basis, correct. This is what I was also mentioning about the significant uptick in the volumes in the current quarter.

Disha Giria: Yes. All right. My second question is regarding our FY '27 performance. The last year guided to be able to reach a 4% PBT margin. So are we still on track for the same? And if you could guide some like a revenue growth number as well?

Ravi Viswanathan: Disha, we continue to remain focused on the 4%. It's an aspirational number that we will keep pushing at. Like I said to the previous question from, I think, Saumil, we hope to get some tailwinds from the GFS business, and that should help us from that perspective.

Are we on track? I think we have got all the building blocks in place. I think the foundations are well established, and we continue to go on a positive trajectory. We'll hopefully get a better view of things as we exit Q4 and get into the new fiscal. But we remain steadfastly focused on the 4% PBT. It is something which the entire leadership team is aligned towards.

As we start the planning process for the next fiscal year as I hope to conclude that in the next few weeks, that's the singular focus of all of the regions and the segments. At this point, I guess that's the place we are in, and we'll be happy to share that as we go forward.

Disha Giria: All right. My last question is regarding the recent acquisition of Swamy & Sons. So just wanted to understand what was our position in the Indian FMCG supply chain network before this acquisition? And what was the need for this acquisition? And what incremental margin or incremental revenue growth are you seeing from this acquisition in the next financial year?

Ravi Viswanathan: Okay. From a strategic perspective, FMCG was important because India is a very strong consumption-led economy. We had a strong play in the FMCG segment, but FMCG is an area where I would say we needed to strengthen our base. And that's the reason why we looked at a strategic opportunity in Swamy & Sons.

So for us, that's a very strategic play. FMCG in India, in the consumption-led economy with the economy numbers being what it is, it is a great opportunity for us to participate, and it is not a white space that fits well in our overall strategy map, and that drove our decision on the Swamy & Sons acquisition. On the specific financials, I'll let Vaidhyanathan walk you through.

R. Vaidhyanathan: Disha, Swamy & Sons on average basis, their revenue is about INR200 crores, and their margins are slightly higher than our current business. So the transactions would be, from a margin point of view, it will be accretive both on EBITDA and PBT basis.

In terms of what is the outlook for FY '27, the transaction is still not closed. I think probably we are expecting to close this in Q4. And as we take control over the company, I think we'll be able to come to a better conclusion what are the opportunities and how best we can expand this business after we take control over the company.

Moderator: The next question is from the line of Vikram Suryavanshi from Phillip Capital.

Vikram Suryavanshi: In terms of if you look at profitability impact, we have good amount of new business win and also some customer churn. So is there any impact on margin also that new businesses are at better margin and customer churn mix is also impacting the profitability going forward or that was not much in terms of margin improvement?

R. Vaidhyanathan: So, Vikram, could you please repeat the question, Vikram?

Vikram Suryavanshi: Yes, sure. Yes. So I was just trying to understand the impact on margin because of the new business as well as the customer churn. Have we seen that new businesses are at better margin compared to what customer churn we had seen in the quarter?

R. Vaidhyanathan: No. I would say that from a margin point of view, no, we will not dilute the margin, no. I think as of now, the focus is on taking out the cost and keeping the margin profile as it is, right? So all the new business wins, we will continue to hold on to our margins that we are currently generating.

And the customer churn that you see here is, and I was explaining to the previous participant, Saumil, where the customer had to in-source their activity, and that is the customer churn that you would see there. But from a margin point of view, the new business continue to come at a healthy margin, and we will continue to maintain that.

Vikram Suryavanshi: Okay. But sir, just as a curiosity, customer in-sourcing probably, I think our whole model is that really giving customers to better service at a better price. So what was the particular case where customers find value in in-sourcing, if you can just highlight as a curiosity?

Ravi Viswanathan: Sure, sure. It's a good question. It's a relevant question. This particular customer in Europe decided to in-source because of what I would call challenges internally. It was a very large outsourcing engagement, and I think the organization wasn't quite ready from change management perspective to roll out that. And within a year of outsourcing, there was a change in their management and the new management came in and decided that in-sourcing of a crucial activity like supply chain needed to happen. So that's the reason.

It is not normal that you would find large engagements getting reversed, but it's not the first time that's happened. So in an organization's journey, we need to be very close to the customers, be very aligned to what the customers' needs are. We continue to work with the same customer on other engagements, but we respect the sentiments of the customer, and that's really what drove the customer towards it.

The change of management/ their ability to manage the change which decided to the program getting brought back in-house. So we had to move out a lot of the people. That's one of the

reasons why Vaidhyathan spoke about employee costs coming down. A lot of the employees were also transferred back to the customer. I mean, like I said, relationship with the customer drives the SCS model, and that's key.

Vikram Suryavanshi: Understood. And within ISCS, if you can give comment on how was the performance of integrated final mile in terms of trajectory?

Ravi Viswanathan: I'll have Vaidhy answer the question. But again, we have combined IFM and ISCS as one entity. So we report ISCS as one entity. But Vaidhy, if you want to throw any color to that.

R. Vaidhyathan: Yes, sure. Vikram, IFM is now part of the ISCS and had a turnaround in the current year after the merger, both through the initiatives that we have taken in the IFM business in terms of price corrections and other site consolidation, plus also the benefit of the Project One, which is the merged business in the Europe.

So both are tracking very well as per plan. And I think I would say from an IFM turnaround point of view, I think all the actions or the building blocks of turnaround of the business has been completed. And going forward, the focus will be on the growth in that business.

Vikram Suryavanshi: Got it. And just one more point on Project One. I guess we were targeting almost like close to 120 basis point improvement from the Project One in terms of profitability side. So how much of that is materialized so far the efforts what we have put and how much further scope is there? And by when we can almost see that full benefit?

R. Vaidhyathan: Yes. In the current year, Vikram, in FY '26, we expect about INR50 crores to INR60 crores savings coming out of it. And you will see the benefits in Q3 as well. The improvement in the ISCS in Q3 is also, one of the key factors is the Project One benefit. And as we said, on a full year basis, annualized basis, next year we see about INR110 crores, INR120 crores of savings. So all these things are permanent savings, which will flow into the next year as well.

Moderator: The next question is from the line of Bharat Sheth from Quest Investments.

Bharat Sheth: Sir, I have 2 questions. One is this, when we are talking of personalization some of the business, I mean, low margin or loss-making kind of a business in the pruning of such a journey where are we, still how much do you think we will have to prune out so to consistently improve the profitability, part one?

And second, I mean, sorry, I missed your answer on this, what are the levers that we have further, I mean, to what Project One you said? And how is that Project One only thing or beyond that also, we are looking for improvement on a sustainable basis over next 2, 3 years? How do we see in totality?

R. Vaidhyathan: Okay. Bharat, probably I will answer the first question, which is on the projects that we exited. I think we have done this project exit in the India region in the last 18 months or last couple of years. And the focus has been on trying to reprice the low margin or loss-making and exit some of the projects. I think that is what we have done. And I would say that broadly, I would say the

correction has been done. And going forward, we will not see any big exit and the focus will be on growth going forward, right?

In terms of the second question with respect to the Project One, I was explaining to Vikram as well. We have seen about INR50 crores, INR60 crores of savings in the current year and we will see about INR50 crores, INR60 crores savings in the current financial year. And the annualized savings will be about INR100 crores, INR120 crores.

So this is one of the key levers for us as we move into FY '27 from a profitability point of view. And plus also the ISCS, which is in a very strong growth trajectory, especially India, Europe and the North America business, where we're expecting a good revenue growth. So all these things are some of the levers for us in the ISCS business.

GFS, as Ravi mentioned, it is still going through some kind of macroeconomic. We'll have to wait for the overall industry to revive and turn around. Hopefully, as Ravi mentioned, we're expecting something to happen in FY '27.

- Moderator:** The next question is from the line of Rajit Aggarwal from Nilgiri Investment Managers.
- Rajit Aggarwal:** Just a few data points to begin with, if you can share those. Can you share the number of customers as on date, as on end of 31st December, number of employees, warehouse space in million square feet?
- R. Vaidhyanathan:** I think the warehouse space is part of the investor deck, Rajit, if you can refer it, I think we'll be able to figure it. We have given it for each geography, would be able to look at.
- Rajit Aggarwal:** I think as of end of FY '25, the data which is given in the deck...
- R. Vaidhyanathan:** Yes, we publish this on an annual basis, Rajit, actually.
- Rajit Aggarwal:** Okay, okay. Fair enough. The others, employees, number of customers, that also will be on annual basis?
- R. Vaidhyanathan:** All these data points are published on an annual basis, Rajit. So if you can please wait for one more quarter, we'll be able to publish that.
- Rajit Aggarwal:** All right. Can you share the gross debt as on date?
- R. Vaidhyanathan:** I mean, as of 30th September, we had about...
- Rajit Aggarwal:** 2,220, including lease liabilities. Again, okay, that's...
- R. Vaidhyanathan:** I'm only talking about, not the lease liability, I'm only talking about the bank debt borrowings. That will be about INR850 crores at the end of September.
- Rajit Aggarwal:** Okay. You did share the order book, but would it be possible to share in terms of number of customers, what's the outlook for whether you maintain a pipeline or for Q4, if you can share a quantitative number? I mean, just want to understand, see, the reason I'm asking is, after all, the

logistics business is more a business of volume and there's only as much we can do on pricing and margin improvement. So if there is anything you can share in terms of number of, I mean, subjective qualitative or quantitative?

Ravi Viswanathan: So Rajit, Ravi here. See the number of customers, I don't know, we have 2 segments, right? There's an ISCS segment and the Global Forwarding Segment. The ISCS segment, typically I would say the number of customers would be in the hundreds. And the global forwarding business the number of customers will be in the thousands.

So because if you take a container or if I take a cargo, I may have one main customer and then I'll stuff it with a whole bunch of other customers. So there will be a lot of transient customers in the GFS business. But typically, the number of customers is something which you can take a look at it from our end-of-year statement. But to give you a broad perspective, the ISCS would be in hundreds and then GFS would be in thousands.

Rajit Aggarwal: Right. And no, I actually wanted a bit more on the outlook in terms of onboarding of new customers, but I guess I'll wait for the data points as of the year-end?

Ravi Viswanathan: Sure, yes.

Rajit Aggarwal: The deck mentions the industrial, the breakup of our customers into various industries, and it says consumer 13%. So that is inclusive of FMCG, right? Or is it pure FMCG?

Ravi Viswanathan: It's predominantly what I would call FMCD. With the acquisition of Swamy & Sons, it will give us an entry into the FMCG space.

Rajit Aggarwal: All right. So that would include e-commerce as well?

Ravi Viswanathan: We don't do B2C business, so I want to qualify that. But yes, it will include e-commerce, where we work with e-commerce companies on their fulfillment side.

Rajit Aggarwal: All right. Okay. Just one last question. Any outlook on any large organic capex or inorganic spend going forward, if you have any concrete plans?

R. Vaidhyanathan: No, the capex, I think we spent about 1.1% of our revenue, Rajit. I think we'll continue to do that, especially for the new projects, which will continue as per the previous years. In terms of inorganic, we just announced our Swamy & Sons acquisition, right? So that will be one key acquisition. And we keep looking at it. If something materializes, probably we will keep all of you informed.

Moderator: We will take that as the last question for today. I now hand the conference over to Mr. Ravi Viswanathan, Managing Director, for closing comments. Over to you, sir.

Ravi Viswanathan: So thank you. It was a very interactive Q&A. And hopefully, we were able to provide all of you with the answers. Before we wrap up, I just want to reiterate the key takeaways from this quarter. Let me just close by saying that Q3 has been a quarter of solid performance for TVS Supply Chain Solutions, with clear progress on growth, profitability and execution across our portfolio.



We delivered double-digit revenue and adjusted EBITDA growth, strong margin expansion on adjusted EBITDA and also at PBT level, supported by disciplined execution and improving business mix. Our focus as a leadership team remains very clear, driving profitable growth, continued margin expansion through Project One and cost initiatives, improving the cash generation and build sustained revenue visibility through a strong diversified pipeline.

With the momentum we have built so far this year and with disciplined execution across regions, I'm confident that we are moving steadily towards strengthening our financial profile and delivering on our medium-term objectives. Thank you once again and for your continued trust and support.

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

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