"Allcargo Logistics Limited Q3FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to the Allcargo Logistics Q3 FY '25 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" and "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Jakhar, Group Chief Strategy Officer. Thank you and over to you, sir.

Ravi Jakhar: Yes. Hi, good afternoon. Thank you for joining us on this call. I am joined here by my colleague, Deepal Shah, the Group CFO.

At this point in time, we have been focusing on internal restructuring, and identifying opportunities whereby we can use technology and other strategies to keep costs in control. That has been the broad focus and would remain so in the next couple of quarters. From a company standpoint, we have the International business and the Domestic business. As is visible, we have demonstrated good growth over the last year for the same quarter across all the businesses.

On a sequential basis, the international business usually has seasonality wherein it peaks in the September-ended quarter, and therefore, it is marginally down on a Q-on-Q basis, while the domestic businesses are improved on a sequential basis. And that is the reason why we see a strong performance year-on-year on both revenue and the reported EBITDA.

As far as the domestic business is concerned, we believe that the domestic market remains flat, so we are not seeing any significant uptake in growth, nor are we seeing any decline. The market growth rate seems to be hovering around 10% sort of a growth rate on the domestic logistics, which is Express and Contract Logistics. A large part of growth is driven by expansion in market share in the Contract Logistics business, which has seen rapid expansion across various business segments that we participate in, ranging from auto and conventional chemical logistics to e-commerce and quick commerce logistics.

On the Express Distribution, the revenue has grown in line with the market. However, companies' focus on cost optimization has allowed us to improve the profitability. And we believe that going forward we would continue to see at or above market level performance on the top line. And there should be continued improvement on economies of scale and operational optimization to drive profitability in line with the guidance also provided by the Allcargo Gati Management.

On the international business, the market environment has been quite unpredictable. There are various global, geopolitical, and economic events which shape the global trade. And at this point in time, it is difficult to predict. We have seen in the recent months there have been announcements of special tariffs by the U.S. government, particularly impacting Canada and, to an extent, China. We cannot say certainly the direction of the geopolitically motivated tariffs that may come in on other regions, and the impact of the same needs to be assessed. However, in the short-term, these measures can lead to a slight reduction in the trade volume.

But from a medium-term perspective, there is no impact on the business of our scale since we are present across all the key geographies. So, if the supply chain gets reconfigured, typically the trade lanes may lose volume and this might get shifted to another set of trade lanes. An example being manufacturing moving out of China into India or Vietnam could mean lower opportunity out of China, but increased opportunity out of Vietnam and India. And as a company that participates in the global trade across all the key markets, we believe the medium-term impact to be limited.

However, the growth that you are anticipating in the short-term on the revival of global trade, that seems to be marginally muted on account of all these tariff restrictions and the overall geopolitical environment. There are a lot of other variables as well. An end to a war in Ukraine would likely lead to the revival of the European economy, but that is an uncertain event, and we are not sure which direction that goes. But from an impact perspective, as and when the war situation is deescalated and the rebuilding starts and the European economy revival happens, that would benefit the trade and the performance of our international business operating under the ECU Worldwide.

So on an overall basis, I would say, on the macroeconomic side the environment remains good in India and flattish globally.

On the company performance side, we have gained market share in the domestic business, like I explained. And on international business as well, we have performed better than competition. However, given the macroeconomic environment, the opportunity as we see to drive growth in profit could largely come in from optimizing the cost, which is a significant component if you look at our P&L, and there are a host of measures that we are adopting:

One such approach is technology, which is a continued work.

The second key measure, which would be more significant in the year 2025, the calendar year 2025, would be around outsourcing and centralizing various operational and support functions. Last year, we had successfully rolled out a common financial system globally, and that now allows us to centralize some of the financial functions. Likewise, we have also set up operational centers in Philippines, Turkey, and Mexico, which allow us to centralize resources from expensive Asian economies like Australia, Japan, et cetera. Turkey for the European countries, and Mexico for the U.S.

We believe that this will be the year where we would be able to rationalize a lot of positions by outsourcing them from the current base locations to these outsourcing centers. We do not see immediate benefits showing in this year, since there would also be corresponding severance costs and some overlap in transition of resources. However, from a medium-term perspective, we believe that these changes would allow us to bring down our cost of operations, and thereby, enabling improved profit margins.

So these are some of the key initiatives that we have been focusing on, and we believe that we are well placed to continue to be the market leaders in the LCL consolidation, and also grow on the FCL business, as is visible in the volume updates that have been shared on a monthly basis.

On that note, I would like my colleague, Deepal, to take you through the financial highlights for the quarter and the nine months ended December 2024. So over to you, Deepal.

Deepal Shah: Thank you, Ravi. I will now discuss the performance for Q3 FY '25.

The consolidated revenue for Q3 FY '25 stood at Rs. 4,106 crores as compared to Rs. 3,212 crores for the previous year, representing a growth of 28%. For Q2 FY '25, the revenue stood at Rs. 4,301 crores. The consolidated EBITDA for Q3 FY '25 stood at Rs. 138 crores as compared to Rs. 111 crores for Q3 FY '24, representing a growth of 24%. For Q2 FY '25, the same stood at Rs. 135 crores.

Coming to the profit after tax, the company reported Rs. 10 crores profit during this quarter, compared to Rs. 17 crores for the same quarter last year, and Rs. 38 crores for the previous quarter, that is Q2 '25.

The consolidated net debt for the quarter ended December '24 stood at Rs. 614 crores. The previous quarter net debt number reported was Rs. 553 crores, but that included a dividend cash available of Rs. 98 crores. So the actual net debt after the dividend payout would have been Rs. 651 crores, as compared to that, we have Rs. 614 crores as net debt. So the debt has reduced from Rs. 651 crores to Rs. 614 crores.

Moving to the segmental performance, I will start by discussing the performance of the international supply chain business. The less than container load volume for the quarter ended December '24 stood at 2.2 million CBM, depicting a 2% growth over the same quarter last year. FCL volume for the quarter stood at 170,000 TEUs, up 11% over the same period last year. And the air volume for the quarter ended December '24 stood at 8.14 million kilo grams, which represents a growth of 5% as compared to the same period last year.

For Q3 FY '25, the ISC business reported a revenue of Rs. 3,544 crores, representing a growth of 20% as compared to the same period last year. For the previous quarter, ISC segment revenue stood at Rs. 3,770 crores. The EBITDA for Q3 FY '25 stood at Rs. 86 crores as compared to Rs. 72 crores for the Q3 FY '24, representing a growth of 19%. For Q2 FY '25, the same stood at Rs. 79 crores.

Moving on to the Express business, operating under the Gati Express Supply Chain business. The volumes for Q3 FY '25 stood at 3,31,000 tonnes as compared to 3,19,000 tonnes during the same period last year. For the quarter reported, revenue stood at Rs. 392 crores as compared to

Rs. 371 crores in the same quarter last year. The EBITDA for the quarter ended December 2024 amounted to Rs. 22 crores as compared to Rs. 7 crores for the same quarter last year.

Moving on to the Contract Logistics business which sits under Allcargo Supply Chain Limited, a wholly-owned subsidiary of Allcargo Logistics. The contract logistics revenue for Q3 FY '25 stood at Rs. 127 crores as compared to Rs. 78 crores for the same period last year, representing a growth of 62%. For Q2 FY '25, the revenue stood at Rs. 111 crores. The growth has come on the back of new client additions. EBITDA for the Q3 FY '25 stood at Rs. 38 crores as compared to Rs. 34 crores during the Q3 FY '24. And for Q2 FY '25, the same stood at Rs. 32 crores.

In line with the best disclosure practices, we have been consistently providing other key comparative financial performances and operational indicators in our investor presentation, one can refer back for more details. Thank you. We can move to Q&A.

Moderator: Sure. Thank you very much. We will now begin the question-and-answer session. First question is from Riya Mehta from Aequitas. Please go ahead.

Riya Mehta: Hi Ravi, hi Deepal. Thank you for giving me the opportunity. So my first question is in regards with the FCL business, we have seen a good growth there. So which particular regions or which particular sectors are we seeing this growth coming in from?

Ravi Jakhar: Are you talking about the FCL business?

Riya Mehta: FCL, yes.

Ravi Jakhar: Yes. So the FCL business has seen good growth in Asia and India as well. These are the two markets, and then Latin America. These are the three areas which have seen good growth. The trends are largely similar for the LCL business as well. Europe has largely been an area of concern from a growth perspective as the economy and trade in that part of the world has not resumed to normal levels still.

Riya Mehta: Right. Also, are we seeing a shift from LCL to FCL?

Ravi Jakhar: The LCL to FCL shift typically happens on significant fluctuations in the ocean freight rate. At this point in time, over the last six to nine months, barring marginal seasonality which happens, the freight rates have been reasonably range-bound, so there is no significant shift from LCL to FCL or vice versa driven by that.

Riya Mehta: Got it. And what would be the specific sectors or commodities we would see in FCL business?

Ravi Jakhar: So, we are commodity agnostic, different markets. So if you would look at Latin America, a lot of these are minerals and some agri commodities. But if you would look at India, it would be consumer electronics, auto. In Turkey, these could be textile garments. So each market would have a very different underlying commodity profile on the FCL.

Riya Mehta: Got it. Also, how are things happening? You said Europe is looking concerning. However, we are seeing some uptrends coming from Europe, like companies posting results as well, and they are seeing some green shoots. Have you witnessed something? An increase in inquiries or something coming from Europe?

Ravi Jakhar: No. So we have not seen any significant change in the activity either in volumes or in bookings at this point in time in Europe. So we have not seen any definitive improvement at this point in time. Like I said earlier, our understanding is that an end to the Russian-Ukraine conflict can lead to the revival in the European economy. That is one aspect.

The second aspect, which we are believing would lead to an increase in disposable income both in the U.S. and European countries, would have been lower interest rates leading to lower EMI payouts, since these countries tend to have high domestic leverage. However, in the current environment, particularly in the U.S., with the policy outlook they seem to be taking, it looks like any further interest rate cuts are clearly deferred.

So, on both these accounts, at this point in time there are no updates. But if something was to change, if the war was to come to an end and rebuilding was to start, that could be a good positive trigger for the European economy. In terms of the volumes, like I said, at this point in time, we do not see any significant changes.

Riya Mehta: Got it. Also the 40-feet container utilization since the last two quarters, we have been seeing a significant growth on a Y-o-Y basis, the operational numbers which you have been giving. So when do we see this culminating into operating leverage and increasing in our margins?

Ravi Jakhar: So whenever we are doing more 40s, we are generally having a good utilization on these trade lanes, so there has not been any significant change in that sense, if you look at the numbers. And we believe that we will remain around the same range. Like I said, on the gross profit side, we are now well-equipped in the sense the 40-feet container utilization, and some of these sectors are well-placed. What has happened is, over the last couple of years, with the trade outlook being weak and the growth in volumes and gross profits has not really been to the desired level, while the SG&A costs, despite all the reductions, there's always inflationary pressure on that.

So that is where we believe the biggest opportunity for this year, assuming that we do not expect significant growth on the volume side, unless there's a change in the economic outlook. We believe the opportunity is to continue to focus on the cost below the gross profit. At the gross profit level, with the current freight rates, we believe that similar yields will continue, in terms of gross profit per cubic meter and gross profit per TEU in the FCL.

Riya Mehta: Got it. So any further scope of reduction in cost? Because I think last couple of calls we have mentioned that we have already reduced a lot of costs, and we are working at almost optimum level. So, do we see any further scope of reduction in cost?

Ravi Jakhar: Yes. So in terms of operating efficiency, we have done what could have been done and which is what I mentioned earlier as well. However, like I mentioned at the start of our call, the opportunity lies in outsourcing, which we have started. We did it for U.S. last year, and this year we have started moving certain positions out of Europe into Turkey and some of the expensive Asian economies into Philippines. So that would lead to savings, and that is to be factored in. But along with that, would also come in the severance and restructuring costs in the short term. Once everything is done, the restructuring costs are one-off, while the savings will be permanent in nature. And every quarter we would provide the severance cost and the estimated incremental profit from these changes in the long run.

Riya Mehta: What was your current restructuring cost? Or in this current quarter the severance cost?

Ravi Jakhar: So for this quarter, our severance cost was approximately Rs. 22 crores, Rs. 23 crores.

Riya Mehta: Rs. 22 crores, Rs. 23 crores. And till when do we expect this severance cost to take a hit on us?

Ravi Jakhar: I would say that we would move certain more positions in finance and operations functions over the next couple of quarters. And in terms of the end state, I would say, the quarter ending December '25 should have no additional severance cost while it should have some of the benefits coming in from these. That is the broad outlook, but the plans could be a couple of months ahead or behind.

Riya Mehta: And the outsourcing you have spoken about, that is basically manpower outsourcing or the entire office and everything you would be shifting?

Ravi Jakhar: It's like certain activities which are done on ground can be moved to another location which could be cheaper.

Riya Mehta: Got it. I will join the queue for further questions.

Ravi Jakhar: At the same time, some positions in the past quarter had also become redundant, so that is in addition to that. So there are these two elements. Redundancy, like I said, is already kind of done. And we believe that if we can manage some functions from other places, then that will allow us to create more redundancies on the site.

Riya Mehta: Got it. And in terms of air, we are seeing very good growth, so how much would this be as a percentage of revenue contribution or something, if you could help with some numbers?

Ravi Jakhar: At this point in time, it would still be 5% to 6 %. And high growth is definitely also because of the lower base and expansion into many other countries.

Riya Mehta: Got it. Got it. Thank you.

Moderator: Thank you. Next question is from Rushabh Shah from RBSA Investment Managers. Please go ahead.

Rushabh Shah: Hi. I just had a few strategy-related questions with respect to Gati. So my first one was, it has been over four years since you acquired Gati, and the turnaround has taken much longer than expected. So now with this new team in place, what specific gaps have you identified, and why do you believe that things are now on track? So just please elaborate here.

Ravi Jakhar: So two points here. I would provide the Allcargo perspective, which is the shareholders' perspective. For specific Gati questions, we would need to refer to the Allcargo Gati, since it's also a public-listed company, and we typically respond to management queries in there. But to provide you a perspective, I would agree that the turnaround is delayed. Nevertheless, if we see the recent performance for this quarter, the reported EBITDA is 3x the last year, same quarter. And the debt, which used to be more than Rs. 400 crores when we acquired the company, today the company is sitting with a cash surplus of more than **Rs. 200*** crores. So that's a significant change from being minus Rs. 450 crores or so to plus **Rs. 200*** crores something. And this has been made possible by a lot of efforts which have been put in.

Update: Allcargo Gati has a net cash position of over Rs. 100 crores.

In terms of the operational parameters, the company was losing market share even after our acquisition, because the turnaround does not happen quickly. And like I said, it did take even longer than what we would have anticipated. But over the last four quarters, again on a relative basis, the volumes have also now been growing in line with the market. And in fact, in the quarter gone by, we outpaced the market growth rate. A few other comparable companies are also listed, and there is potentially enough information available in public domain to verify and compare some of these volume performances.

And yes, there is almost a new team on the leadership side in Gati. And we believe that there's a strong confidence of shareholders as Allcargo in the new management team, primarily driven by the relevant experience of this team. So if you look at the people who are driving the company today, they're all veterans from the industry, and they come in from similar business with years of successful execution of their plans. So in summary, I would say strong leadership, which has extremely relevant hands-on experience in the business, and the performance demonstrated by numbers, the market share, which has started to grow now, or the bottom line, which is important. The reported EBITDA is 3x what it was same quarter last year. So we have confidence that we should now see every quarter to be sequentially improving.

Rushabh Shah: And second thing is the market feedback on Gati services suggests that, at the commercial level, we have a strong team with Mr. Ketan, Mr. Uday. However, at the operations level, there is still significant work needed to be done to achieve consistent service levels. So do you think is there a need to hire another senior person at the operations front?

Ravi Jakhar: So this is a management-specific question, but just to advise, we have an extremely capable Chief Operating Officer who comes in with the experience of managing supply chain for Tata Group companies, and has previously worked with Amazon, and comes with a high rigor and discipline, having served in Indian Navy as well. And in terms of the performance indicators, like I mentioned, there are various parameters, delivery in full on time, and the various other operational parameters that we measure and compare against the competitors.

For the last six months, I can confirm that we did not have any challenges in terms of the operational parameters, which continue to hold a good and is part of the industry standard. During the festive season gone by, we did not see any disruption in our operation. And perhaps, Allcargo Gati was the only company in the industry which did not see any operational disruption during the festive season.

Beyond this, perhaps you could join in on the call of Allcargo Gati Limited next time, and possibly seek more responses, or you could call for a meeting with the management as well. You can place a request to the Investor Relations Team for Gati. But broadly, like I said, as shareholders of Allcargo Gati, we remain confident of the current management team being able to deliver the desired performance. And we shall continue to be patient, given that there has already been a significant turnaround on the balance sheet and P&L, and not just on the subjective parts.

Rushabh Shah: And what is the outlook on Contract Logistics? Have you signed any major customers recently or are looking to sign?

Ravi Jakhar: So Contract Logistics, we have continued to sign significant contracts, which is why if you see the growth in the business over the last one year has been, let me just check, I think it should be almost 35%, 40%. Let me check the exact number for you. Yes, so if you see the Contract Logistics business --

Deepal Shah: Revenue growth is 62% --

Ravi Jakhar: Revenue growth is 62% on a year-on-year basis, which is extremely high. And the EBITDA has also improved. The one concern which possibly remains in the Contract Logistics business is the white space, which means that we have been growing, but that requires us to maintain some degree of white space, which would get absorbed over a period of time. So currently, while the revenue growth is significant, it is possibly not translating fully into the bottom line, given the operating leverage should also play out, that is primarily driven by white space, which is more of a short-term phenomenon as the business continues to grow and the space gets leased out. So I would say that profitability should improve on account of reduced white space, while on the revenue side, the company is already demonstrating extremely robust growth of more than 60%.

Rushabh Shah: And recently, there was a press release on some income tax rate. What is the update on that?

Ravi Jakhar: So the last week, the income tax authorities had conducted a search, and we had fully cooperated and provided whatever information was sought, and there is no material update emerging out of that. Should there be any update, the company would keep everyone posted.

Rushabh Shah: Okay, thank you.

Moderator: Thank you. The next question is from Praveen Batra, who is an individual investor. Please go ahead.

Praveen Batra: Sorry, it was actually regarding that income tax search, that answer has already been given. So no question there.

Moderator: All right, thank you. We will move to the next question. Next question is from Praveen from Kotak Mahindra. Please go ahead. Naveed from Kotak Mahindra, you may go ahead with the question.

Praveen Batra: Yes. Actually, what about share price of Allcargo? And even so many companies loss making, their share market capital is higher than Allcargo. So what is the management reaction about share price and every day decline of 5%?

Ravi Jakhar: So as management, our focus is on generating profits and making all the relevant disclosures providing as much information as we can to the investors, we would continue to remain focused on doing that, we cannot make any comment on the share price.

Praveen Batra: Sir, how long you keep on telling this, even loss making company TVS Supply Chain market capital is more than Rs. 5,000 crores above. You are climbing world LCL leader, but your market capital is Rs. 3,000 crores only.

Ravi Jakhar: The stock price or market capitalization are not under the control of the company management and we cannot offer any comment on that. Thank you.

Praveen Batra: So as a promoter, as a help to retail investors, right, when the market is such a low, every day 5% or 6% decline, for more than last one year, every day 52 weeks low.

Ravi Jakhar: Like I mentioned, the stock price remains same for retail investors, institutional investors and promoters and is outside the purview of the management. We as management on this call can only ensure that the company across all the business segments continues to remain well positioned, and we will continue to do our best. I cannot comment any further on the share price and would request that we move to the next question.

Moderator: Sure, thank you. The next question is from Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Yes, good evening, sir. While talking about gross profitability in international supply chain business and fixed cost, it seems that somehow fixed cost has increased this quarter if you look at Q-o-Q as well as Y-o-Y. So is there any cost increase what we are seeing in terms of inflation or other network related cost also apart from what we discussed in terms of restructuring and service?

Ravi Jakhar: One more component therein is, a lot of countries also have bonus provisions in the last quarter and for countries which have performed well, there would be bonus provisions in December, because many countries run on January to December. In fact, globally that business is run on Jan to December for business standpoint, even though financial years could vary from one country to another. So that would be another aspect which could see sequentially, the December quarter could be slightly higher. Also, we have seen an increase in provisions, which is almost to the tune of Rs. 8 crores. So there are some of these one-off items as well, which are there in that.

But overall, like I said, the inflationary increases, we have been able to offset with optimization and reduction. And we believe that we would continue to be able to do further rationalization by making some of the positions redundant, by transferring those functions into a different mechanism, which can be operated at a lower cost from low-cost countries. And therefore, the positions in the high-cost countries can become redundant. So this restructuring would go on for another six months. And therefore, we believe that the SG&A cost would remain in check, despite all the inflationary pressures.

Vikram Suryavanshi: Understood. And earlier, we also used to get to a decent amount of growth with market share gain. So now, with our network, how much further scope is there to improve our direct services as well as market share gain? Or even now, it will be more like overall growth or industry growth, basically?

Ravi Jakhar: I would say that we made growth on the back of growing in specific countries and markets. And there could be some marginal expansion in market share this year. However, the opportunity lies once there's a turnaround in global trade. The historical average is about 3% growth rate for global trade, 6% for the LCL trade. In that kind of environment, as the volumes grow, there are many trade lanes which are at the threshold, which we are not able to make direct. And therefore, we are not able to distinguish against the competition.

But as the growth environment kicks in, then the opportunity for market share expansion also improves, because then there are many of these marginal trade lanes, which we can convert to direct trade lanes and expand the market share. So I would say that within this particular year, we could gain marginal market share. But in the coming years, as we see revival and growth, we could continue to expand the market share. And potentially, there is no reason why it can't be much higher. Like we have shared in the past, our global market share is still below 15%, while there are many countries in which our market share is 30% plus or even (+40%).

And these include emerging economies, these include mature Western markets, Northern Europe, Southeast Asia, India. Many of these markets, we have 30% or 40% or higher share as well. So there are a lot of possibilities wherein we can grow. But it typically becomes challenging to expand market share in a subdued market environment. So with some tailwinds on the chain side, we can potentially get back to further acceleration and increase in market share.

Vikram Suryavanshi: Got it. And what is our current gross debt and net debt in consolidated?

Ravi Jakhar: Yes. Deepal, if you could respond on that.

Deepal Shah: So gross debt and net debt?

Ravi Jakhar: Yes.

Vikram Suryavanshi: Yes.

Deepal Shah: Yes. So for the gross debt, the group Allcargo and Gati put together, consolidated level is Rs. 1,233 crores. And the net debt is Rs. 614 crores. So this is actually ECU and Gati all put together.

Vikram Suryavanshi: All right. And gross debt would be mostly working capital. Long-term would be a much smaller amount.

Deepal Shah: Yes. So primarily on the gross debt, the break-up is around Rs. 369 crores for long-term. And short-term is around Rs. 865 crores, which is primarily working capital, directly linked to the business.

Vikram Suryavanshi: Right, right. And just lastly on the restructuring side, how is the timeline, if you can explain?

Deepal Shah: So we have, as you are aware, we have already got a nod from the team. So we have a shareholder meeting tomorrow for both Gati and for Allcargo. Once we get the approval from the shareholders, we will file it with the NCLT. Our expectation is that somewhere by April, we should be able to kind of get this approval through. But of course, as you are aware, that this is beyond our control. And it will depend on the regulatory authorities. But we are hopeful that somewhere by April, we should be getting the approvals.

Vikram Suryavanshi: So post-approval, Allcargo EQ will be separately listed. And will that act first? And then with the remaining entity, we will have Allcargo, Gati will be merged.

Deepal Shah: Yes. So let me explain. So it's a composite scheme. It's not a separate, separate scheme. So in this composite scheme, the demerger of Allcargo in the ECU business at the international business into a separate entity is happening. The Contract Logistics business from Allcargo is getting moved to Gati. And Gati, finally, both these businesses, after separating out, will come into Allcargo.

All of this will happen for the scheme. So once we get the approval, the date when we actually file the document that will become the effective date. So there are two things. One is the appointed and the effective date. So at the business level, the appointed date is October 3, and once filed, that will be the appointed date for the final merger of Gati into Allcargo Logistics Limited. That's the scheme for you. There is a proper presentation with all the detailing available on the website, and it's quite informative if you look at it.

Ravi Jakhar: Just to reiterate, all the events would happen at one time, wherein the international business gets listed as Allcargo ECU, and the rest all consolidates into the single listed entity, Allcargo Logistics.

Vikram Suryavanshi: Yes, yes, I think that is what I wanted to get clear. So it is simultaneously, everything will happen.

Ravi Jakhar: Right. So listing of ECU will take around close to three months after the final filing. So, this is the timeline, if you wanted to get more detail on the timeline.

Vikram Suryavanshi: Okay. Now, we got it clear. Thank you very much.

Moderator: Thank you. Next question is from Riya Mehta from Aequitas. Please go ahead.

Riya Mehta: Thank you so much for giving me an opportunity again. How would the Forex rate impact our business? Do we have back-to-back arrangement, or how does it work?

Ravi Jakhar: So most of our expenses and income on the global trade happen in U.S. dollars, such as our revenue received from the customers, as well as freight payouts to the shipping lines. And then we have certain local income, which is on local origin or destination handling charges, and corresponding to this, there are domestic expenses, such as local staff costs, et cetera. So in general, we have seen that there is a good arbitrage, which is inherent in the business model, and therefore, it does not make a significant impact. On the overall basis, since we report our numbers in Indian rupees, there should be an impact on the dollar-rupee arbitrage, which should be favorable to the company in the long run.

Riya Mehta: Got it. In terms of freight rate, since we have seen that the volume has increased, the revenue has not increased to that extent, the realizations have dropped in. So what will be the contributors to it? One, I understand, is that the FCL business is related to freight rate, and the freight rates have gone down. Any other cause of why realizations have dropped?

Ravi Jakhar: Realization in terms of the profit per TEU for the FCL, is driven by one freight rate, second composition of freight as well. Typically, the longer-haul freight tends to be more profitable compared to the short-haul freight. So some of these factors can lead to variations and fluctuations in proximity. So I would recommend looking at like a 6-to-9-month average for directional trends in that.

Riya Mehta: And for LCL business, have we seen any reduction in our gross profit per TEU?

Ravi Jakhar: No, we have not seen any reduction in gross profit per TEU for the LCL business.

Riya Mehta: Okay. Any new geographies we are trying to or new trade lanes which we are exploring?

Ravi Jakhar: So specific to this quarter, nothing. Since in the prior quarter, we had already initiated a few new developments, such as our renewed management team in Argentina, Paraguay and Uruguay. And we have also seen some enhancements in Europe and some parts of Asia as well. But nothing specific corresponding to the current quarter.

Riya Mehta: Got it. And how are the freight rates currently panning out to be post quarter gone by?

Ravi Jakhar: They typically tend to increase around June-July when people start preparing for the shipping to arrive in August-September for the Christmas supply chain, they began to drop after that. They continue to remain low until the Chinese New Year and pick up a little bit. They tend to strengthen from April onwards until September. So the cyclicity has largely been there for the last 12 months as well, barring which there hasn't been any significant change in the freight rates.

Riya Mehta: Got it. Thank you.

Moderator: Thank you. The next question is from Nambi Vasudevan, who is an individual investor. Please go ahead.

Nambi Vasudevan: So recently we got the notification from Gati that they want to increase the share capital up to double. So when they're planning to merge, then what is the use of to increase the share capital of the Gati?

Ravi Jakhar: Your voice is not very clear. Can you please speak a bit louder and slow so we can understand the question?

Nambi Vasudevan: We recently got the notification from Allcargo Gati that they want to increase the share capital to 2x. When they're planning to merge with Allcargo, what is the purpose of to increase the share capital?

Ravi Jakhar: Yes. So increase in share capital is more of a technical requirement for enabling the scheme of rearrangement, which we have initiated in late 2023, and my colleague Deepal spoke about that about that, that it would get concluded most likely by April. So the increase in share capital is more of a requirement to enable that scheme, and which is why it has been done.

Nambi Vasudevan: Okay. Thanks.

Ravi Jakhar: Yes.

Moderator: Thank you. Next question is from Riya Mehta from Aequitas. Please go ahead. Riya Mehta, you may go ahead with your question.

Riya Mehta: Yes. Actually, I just wanted some clarity on the term LCL yield index and FCL yield index. How do we calculate this? I understand the base is last year, but what does this mean, the term?

Ravi Jakhar: So LCL yield index is the gross profit of the LCL business divided by the total volume of LCL business in cubic meter, and we show a 12 months trend so far, if you see the data for January 2025, which will be published in the coming week or so, you will see January 2024 as the base 100, and it would show whether it has gone up or down on a monthly basis for the 12 months. For the FCL business as well, it is, the yield is the total gross profit from the FCL business divided by the volume in FCL and TEUs. So it is dollars per TEU and dollars per cubic meter shown on a base of 100 for the last 12 months.

Riya Mehta: Got it. So are we saying that on an FCL volume, we have seen almost 19% growth in the gross profit?

Ravi Jakhar: Let me just see. What number are you referring to?

Riya Mehta: It's the FCL Y-o-Y, I see it's 119 for the FCL.

Ravi Jakhar: Yes. So corresponding to what would have been in the December 2024, it has become, let me just check the data. Yes, so the FCL yield shows the data over the last 12 months, so actually our team has uploaded the numbers on the stock exchanges as well, and we will come back to you with the exact numbers to be confirmed.

Riya Mehta: Is it not for the quarter?

Ravi Jakhar: If you are looking at the monthly updates, then it would be for the month.

Riya Mehta: No, I am looking at the quarterly updates. So, yes, so for the quarter it will be an average of the October, November, December, to October, November, December, but let me just get a recheck and I will come back to you.

Ravi Jakhar: Yes. Thank you.

Moderator: Thank you. Next question is from Chinmay Nema from Prescient Capital. Please go ahead.

Chinmay Nema: Good afternoon, sir. Sir, just two questions from my side. Firstly, could you share what is the debt that is attributable to the Contracts with respect to business?

Ravi Jakhar: Sorry, what? Attributable to the contracts -- sorry, we could not hear the voice properly.

Chinmay Nema: The debt level, gross and the net debt in the Contract Logistics business.

Deepal Shah: The total debt at Contract Logistics is Rs. 37 crores.

Chinmay Nema: Got it, sir. And could you share the cash flow from operations for nine months from this business?

Deepal Shah: From this business?

Chinmay Nema: Yes.

Deepal Shah: EBITDA is Rs. 38 crores. So the operating cash flow is around Rs. 23 crores, which is coming from EBIT and non-cash expenditure. But as you are aware, this is a growing -- just I will give you a full color in this. As you are aware that this is a growing business. So therefore the investments for capital expenditure and also increase in working capital due to increase in business. So because of that, there have been some investments. So net free cash flow is almost negative actually. Minus Rs. 4 crores for the nine months.

Chinmay Nema: Understood. And going ahead, post the demerger of the international supply chain business, how should one think about the debt levels of the remaining entities?

Deepal Shah: So basically, Contract Logistics will move to Gati. And once we have seen, if you look at the December debt level, post the merger, what our estimate is, if you look at December numbers and if you look at the demerger, the total gross debt at Gati and which will merge into Allcargo Logistics Ltd and the ASCPL which will merge, will be Rs. 235 crores with some cash available of Rs. 141 crores leaving the net debt of Rs. 94 crores in Gati.

Chinmay Nema: Got it, sir, understood. Thank you.

Ravi Jakhar: Rs. 1,000 crores of gross debt and about Rs. 500 crores of cash leading to Rs. 500 crores of net debt.

Chinmay Nema: Correct.

Ravi Jakhar: And while the number is not adding up to Rs. 500 crores versus Rs. 614 crores is because there are some intercompany ITDs which will knock off once these entities are merged with each other.

Chinmay Nema: Got it, sir. Got it. Thank you.

Deepal Shah: But these are estimated numbers, I mean we have just done a ballpark breakup of post. Of course, these are moving numbers once we get the scheme. But the numbers which we mentioned are a fair representation of how this will happen, right?

Chinmay Nema: Yes. So just basically trying to get ballpark.

Deepal Shah: Yes, yes. Okay.

Moderator: Thank you very much. We will take that as the last question. I would now like to hand the conference back to Mr. Ravi Jakhar for closing comments.

Ravi Jakhar: Yes. Thank you all for joining on this call, and we intend to share as much information as possible. So if you have any further queries for request for data, information, et cetera, please reach out to our Investor Relations team, and wherever it is already in public disclosure, we would be happy to explain it to you. And situations where there is information, which is not in public disclosure, we would evaluate and see if we can include that in subsequent quarterly disclosure so that each and every shareholder or analyst can benefit from the disclosure. On that note, thank you very much. Thanks once again for joining us.

Deepal Shah: Thank you.

Moderator: Thank you very much. On behalf of Allcargo logistics, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.