August 09, 2024

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. Tel: 022 - 2272 1233 / 34 Fax: 022 - 2272 2131 / 1072/ 2037 / 2061 / 41 **Scrip Code:** 532345 **ISIN No.:** INE152B01027 **Re.:** Allcargo Gati Limited	National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Tel: 022 - 2659 8235 / 36 / 452 Fax: 022 - 2659 8237/ 38 **Symbol :** ACLGATI **ISIN No.:** INE152B01027 **Re.:** Allcargo Gati Limited

Dear Sir/Madam,

Subject: Transcript of the Analyst/Institutional Investor Meetings/ Earnings Call under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 ("Listing Regulations").

Reference the captioned subject, this is further to our letter dated July 31, 2024 and August 05, 2024, with respect to the Q1FY25 Earnings Con-Call with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the First Quarter of the Financial Year 2024-25 ended on June 30, 2024.

The aforesaid Transcript will also be uploaded on the website of the Company i.e. www.gati.com.

Kindly take the above on your record.

Thanking you,

Yours faithfully,
For **Allcargo Gati Limited**
(Formerly known as "Gati Limited")

SHANTHAVADHAN MAHARANI THIRUVELLUR
Digitally signed by SHANTHAVADHAN MAHARANI THIRUVELLUR
Date: 2024.08.09 17:46:34 +05'30'

T.S. Maharani
Company Secretary & Compliance Officer
M. No.: F8069

Encl.: As above

"Allcargo Gati Limited

Q1 FY'25 Earnings Conference Call"

August 05, 2024

MANAGEMENT: **MR. PIROJSHAW SARKARI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – GESCPL**
MR. ANISH MATHEW – CHIEF FINANCIAL OFFICER – ALLCARGO GATI LIMITED

MODERATOR: **MR. JAINAM SHAH – EQUIRUS SECURITIES PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to Allcargo Gati Limited Q1 FY'25 Conference Call hosted by Equirus Securities. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Jainam Shah from Equirus Securities. Thank you, and over to you, sir.

Jainam Shah: Thank you. Good afternoon, everyone, and thank you for joining us on Allcargo Gati Limited Q1 FY'25 Earnings Conference Call. We have with us Mr. Pirojshaw Sarkari, MD and CEO; and Mr. Anish Mathew, CFO.

I hope everyone had a chance to view the financial results and investor presentation, which was recently posted on the company's website and stock exchanges. We will begin the call with opening remarks from the management followed by an open forum for Q&A.

Before we begin, I would like to point out that this conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on the date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Pirojshaw Sarkari. Thank you, and over to you, sir.

Pirojshaw Sarkari: Thank you, Mr. Shah. Good afternoon, and a very warm welcome to everyone on our quarter 1 FY'25 earnings conference call. We have uploaded our results and earnings presentation on the stock exchange and company's website, and I hope everyone had an opportunity to go through the same. As mentioned, along with me, I have Mr. Anish Mathew, the Chief Financial Officer of Allcargo Gati Limited, and our Investor Relations team.

I will now share an overview of the economy, industry and business, after which, will hand over the call to Anish to discuss the financial performance of the company for the quarter ended June '24. I will now throw some light on the global and Indian economy. The International Monetary Fund in its most recent update has maintained its projection of global growth to be at 3.2% in 2024. It expects a marginal improvement in 2025 and projects the growth to be at 3.3%. While most risks to the shared outlook are balanced, some short-term risks, like increase in prices of commodity and services due to renewed trade and geopolitical events, still loom large.

This has led to a persistent uncertainty around inflation outlook, which in turn has made central banks across major economies to stay more cautious about policy easing. Forecast for emerging markets has been revised upwards on the back of rebound in private consumption and increased exports. In order to maintain momentum for global growth, policy easing will have to be managed effectively.

Projections for India continue to be buoyant. The IMF has raised its growth forecast for India to 7% for financial year 2025, while for financial year 2026, it remains unchanged at 6.5%. This upward revision in growth forecast is believed to be on the back of improving private consumption, especially in the rural area.

For financial year '23, '24, average monthly GST collections stood at INR1.68 lakh crores. For the first three months, April, May and June, of the financial year '24, '25, the GST collections stood at INR2.1 lakh crores, INR1.73 lakh crores and INR1.74 lakh crores, respectively. This surge in GST collections reflects the positive economic trend for the country.

Coming to the company. I would like to start by introducing the new Deputy Managing Director for Gati Express and Supply Chain Private Limited, Mr. Ketan Kulkarni. He was appointed as the Chief Growth Officer for Allcargo Group earlier this year and now has been elevated. Ketan comes with three decades of experience spanning across multiple sectors, his last stint towards was with Blue Dart Express where he spent 17 years leading sustainable and strategic growth initiatives. With the induction of Ketan, we have further augmented our managerial strength.

Another aspect that I would like to highlight is the cost optimization initiatives. We have reported enhanced profitability at the gross and operating levels to streamline the cost optimization. I will now share some highlights on the growth pillars of the Express business. On the technology front, I'm happy to share that we have launched the first module of our new technology. We have named it GATE, Gati Associate Tracking Engine. This monitors the movement of Gati associates, allowing real-time location and route sharing. This gives better visibility, thus enabling better customer service and better operating results.

On the infrastructure front, we have successfully implemented Phase 1 of the infrastructure update. And as already mentioned, we will continue with our journey to modernize the same in order to be future ready. We now have Ahmedabad, Kolkata and Pune, which we will start from this quarter. We will keep you posted on the development and time lines for each of those.

On the sales acceleration, our efforts on sales initiatives have ensured consistent volume growth for the company. We are closely monitoring the customer churn. The sales team is working with data science team to analyze and improve customer connect by regulated connect.

On the operations front, I would like to share our key performance indicators for the quarter ended June 2024. Our PIFOT, DIFOT and delivery efficiency stood at 90.5%, 84.4% and 90.4%, respectively. Other initiatives like timely and direct departures are continuously being monitored, while taking corrective measures whenever needed.

With this, I would like to hand over the call to Mr. Anish Mathew, our CFO, for financial highlights for quarter 1 FY'25. Over to you, Anish.

Anish Mathew: Thank you, Phil. Good afternoon, everyone, and very warm welcome to our Q1 FY'25 earnings call. I'll take you through the highlights of financial results for the first quarter of financial year 2025. To start with, I am happy to share that as on June 30, 2024, the company is debt-free with a net cash positive of INR196 crores after a successful QIP of INR169 crores. I would like to start with the highlights of our Express business first. Total tonnage handled for Q1 FY'25 stood at 300,000 metric tons as compared back to 306,000 tons for Q4 FY'24 and 292,000 tons for Q1 FY'24.

Revenue from Express business stood at INR358 crores as compared to INR355 crores for Q4 FY'24 and INR367 crores for Q1 FY'24. Corresponding gross margin has improved by 100 basis points and stands at 27 percentage for Q1 FY'25 as compared to 26 percentage for the quarter ended March 2024.

EBITDA for the Express business stood at INR20 crores in Q1 FY'25 as against INR15 crores in Q4 FY'24, representing a growth of 33 percentage. Our sustained efforts on cost optimization has translated into this growth in EBITDA. The endeavor is to continue with our efforts going forward as well and look to maximize profitability. Plan mix for the quarter ended June 2024 for KEA, SME and retail stood at 63 percentage, 19 percentage and 18 percentage, respectively.

On a consolidated basis, the company has reported a revenue of INR408 crores for Q1 FY'25 as against INR406 crores in the previous quarter and INR426 crores during the same quarter last year. EBITDA margin for Q1 FY'25 stood at 5 percentage as against 3 percentage during Q4 '24 and 4 percentage in Q1 FY'24.

With this, I would like to open the floor for questions-and-answers.

Moderator: Our first question is from the line of from Rushabh from RBSA Investment Managers.

Rushabh: Sir, we have seen a 1% improvement in gross margins for the first quarter, quarter-on-quarter. So is it reasonable to expect that we're, by the end of, say, FY'25, able to improve gross margins 1% every quarter given the cost reduction initiatives that we're targeting in this year?

Pirojshaw Sarkari: So as I said in my last quarter also, we have clearly identified that the gross margin expansion will happen mainly through cost reduction. We are already on that path. We have substantially reduced our operating cost as well as our S&OP, and we will continue to do that.

We are also looking at changing the mix of our large customers to our SME and retail. We have managed to make a change, and we'll further make a change. And the combination of these will definitely get us the expansion quarter-by-quarter on our gross margin.

Rushabh: Sir, what is the aspirational customer mix between KEA accounts and SME, retail, say, 2, 3 years down the line?

Pirojshaw Sarkari: So our first benchmark is to bring 60-40, and then the aspirational is 55-45.

Rushabh: And so what's the traction now currently post the strategic change that we did in January after hiring Mr. Uday Sharma? What is -- if you could share some broader strategy in terms of adding new franchisees or associates, how is the traction there? And what is the payback period for the new franchisees that we are adding?

Pirojshaw Sarkari: So our business model is basically to keep growing our network, both from a service as well as from a penetration of customers in the Tier 1 & Tier II cities. And as and when we get substantial volume, we open up a franchise, so that it will enable us to service the customer well. And in turn, the franchise also starts selling.

The return on investment is by both methodologies. One is by servicing the customer and, therefore, enhancing the business from various customers to that PIN code of new service as well as then looking at creating some business around that PIN code. It differs from PIN code to PIN code. There is no one real return on investment. But the fact that we open up a franchisee means that we have substantial volume that can get delivered there.

Rushabh: Sir, we have been hovering around the 300 lakh -- 3 lakh metric tons volume range. So for FY'25, is it reasonable to expect that to grow at least 12% to 13% volumes in this year and the year after that as well?

Pirojshaw Sarkari: No. So we have put out that in this year, we would be looking at anywhere around 15% growth. We have now set our sales as well as operations. And therefore, with the season coming up this quarter, we are looking at ramping up the growth. And then for the next couple of quarters, it should be plus of 15%, 16%.

Rushabh: Next couple of years, you mean or quarters, sir?

Pirojshaw Sarkari: Years.

Rushabh: Okay. And sir, we had a target of revenue of INR3,000 crores by FY'26 with 10% to 12% margin. So where does it stand today? Since also, I think, management change, how do you look at the company now?

Pirojshaw Sarkari: So we will continue to grow this business. The profitability is very clearly the first target for us to get. Like I have said, we are looking at getting us to the 30-plus percent gross margin and 10-plus percent EBITDA. And we strongly believe that we should achieve this by '26, '27.

Rushabh: And sir, this INR3,000 crores target in this margin, is it without the Contract Logistics business? Will the merger happen by then?

Pirojshaw Sarkari: It is with the Contract Logistics business, yes.

Rushabh: It is with, okay.

Pirojshaw Sarkari: Yes.

Rushabh: Because sir, I assume that the Contract Logistics is a very high margin, say, 35% -- 30%, 35% margin-plus. So achieving 10% to 12% should not be a challenge on a consolidated basis.

Pirojshaw Sarkari: Correct. The only thing is it's a small business just now. So the proportion of the business is small compared to the Express business.

Rushabh: Okay. Because our peers in the, say, four to five years, the pre-Ind AS margins that those guys are targeting is 14%, 15%. So in the long term, that should be the aspiration, right?

Pirojshaw Sarkari: Yes, correct.

Moderator: Our next question is from the line of Jainam Shah from Equirus Securities.

Jainam Shah: Sir, my question is just sort of corporate restructuring part first. So how are you going ahead with that particular plan? By when it is expected to have the -- another entity like Allcargo Logistics and Allcargo ECU Limited? Is this on time in December this year?

Pirojshaw Sarkari: So we have filed with the stock exchanges who have given their approval, and the file is SEBI. Post that, it will go to the NCLT. So we believe that the latest by first quarter of next year, we should get the merger done.

Jainam Shah: Okay, sir. Okay. Got it. And sir, on the operational part. As you have said, there has been an expansion in the gross margin this particular quarter. However, how is the overall industry volume going on? Are we seeing any slowdown in the overall industry volume? Or is this quarter impact because of election? And if you see from next two to three years' perspective, how Express business is expected to pan out as compared to the overall market growth?

Pirojshaw Sarkari: So I think if I were to answer your second question first, Express Logistics has a very, very large role to play once manufacturing comes into the country in a big way. A lot of the manufacturers who want to make it large would want inventories on wheel for their finished products and not really store them for a long period of time.

So from that perspective, we believe that Express Logistics is going to play a very important role. And therefore, the growth of Express Logistics should be as manufacturing happens, it should be exponentially large in this country.

Coming to the first quarter, yes, there were a couple of things. One is, of course, the election. Second is we did have some natural calamities in certain parts of the country. And therefore, volumes were subdued.

But this quarter, July, August, September, as you know, is supposed to be the -- one of the largest quarters for the pre-festivities inventory. And therefore, we should see a very good second quarter.

Moderator: Our next question is from the line of Rushabh from RBSA Investment Manager.

Rushabh: Sir, what we have been hearing in the market is one of the large players have been reducing prices to gain entry with new customers. So what is the assessment as far as the yields are concerned for the company? Have the yields stabilized? And also, we are targeting an intra versus interstate mix. So has that been corrected, so far?

Pirojshaw Sarkari: So like I have been saying before, as far as the yield is concerned, the way we will improve our yield is by improving our mix and not by going to the customers because in India, logistics costs are still extremely high. And therefore, it is important for us to first optimize the costs rather than asking customers to pay more.

We believe that the mix between zonal and the national play is continuously improving, and that will not affect really the yield, but the gross margin should get better because the costs -- direct costs are far lower in the case of zonal play rather than nationally.

Rushabh: And sir, we have recently seen a fundraiser of around INR160 crores, INR170 crores. So does this cater to our growth strategy for the next two, three years? Would we not like to do fund raise another in the near term at least?

Pirojshaw Sarkari: So we have done this for the growth strategy. As you know, the group has now got 4 separate listed entities, and each entity has its own management MD and should have its own funds. And therefore, we did a QIP by which we now have growth capital for ourselves, which we will invest in infrastructure, in technology as well as other processes, which we require. So yes, to answer your question, we have money for the next growth.

Rushabh: And so you won't be requiring fundraising at least for the next three to four years. Is that what the understanding is?

Pirojshaw Sarkari: So fundraising depends on the circumstance, right? It's not something that one can say no at all, too. It all depends on what is the opportunity, where is the opportunity and what is the fund requirement? So I cannot say no to that right now.

Rushabh: Okay. And so we said that we're targeting a direct cost reduction of 5% in FY'25. But if you look at, say, FY'26, there will be more opportunities to reduce cost. This not the dead end for us for cost reduction initiatives?

Pirojshaw Sarkari: Sorry, I did not get your question.

Rushabh: I'm just saying we have targeted a cost reduction of 5% in FY'25 in terms of direct cost. So when I look at FY'26, there will be more initiatives to reduce cost as far as the company is concerned.

Pirojshaw Sarkari: Yes, absolutely. So as you know, in our Express Logistics industry, the more the volume, the better the cost because the unit economics changes, right? So as we start increasing our volumes, the ability for us to reduce our cost per kg increases also. So definitely, it will be a continuous process and not a one-off only in '25.

Rushabh: And sir, a lot of groundwork has happened, since the Allcargo Group took over. In the next, say, three to five years, can Gati be the number 2 player in the B2B Express space?

Pirojshaw Sarkari: Absolutely. So clearly, we will measure ourselves by the growth that we do quarter-over-quarter, and that has to be beating the market growth. Only then can we become market leaders, and the group itself stands for market leadership. So that's the way we are driving our teams.

Rushabh: And so they mentioned about employee headcount rationalization time and again. So is that exercise completely over? Or can we see some benefits on that front as well?

Pirojshaw Sarkari: No. As technology rolls in, we will see more benefits on that end.

Rushabh: Okay. So is there any timeline? You mentioned that first module has been launched. As and when the modules keep getting launched, how much benefit can we see in the P&L?

Pirojshaw Sarkari: So I had last time also said that we have a very large compared to competition. If you see our below gross margin, S&OP for employee costs, it is as a percentage of sales larger than competition. This is basically because our technology is very old. So as the new technology rolls out, we have opportunity to reduce a large number of people from our S&OP cost.

Rushabh: And sir, currently, in all the key accounts that you're currently catering, would we be in the top 3 or top 2 vendors for most of our existing customers? Or is there still scope for improvement in existing key accounts as well?

Pirojshaw Sarkari: There is tremendous scope for improving our wallet share with the customer. Today, on an average, our wallet share is about 30% with the large customers. So we still have a good opportunity to increase our wallet share.

Rushabh: And sir, just to understand, what will be the minimum and maximum revenue of our key account customers? Just to understand the customer, what classification comes in the key accounts? Is there a metric that you can share?

Pirojshaw Sarkari: So the way we have set it up now is that all customers who are above INR20 lakhs of revenue annual are in key accounts.

Moderator: Our next question is from the line of Sukriti from Laburnum Capital.

Sukriti: This is Sukriti from Laburnum Capital. I have one question. I believe a lot of the B2C e-com players are adding PTL express as a vertical. We saw Delhivery do that with Spoton a few years ago, but a bunch of others seem to be adding B2B express as a vertical to better utilize the same B2C line, and the logic there is that it gives us a cost advantage on both the PTL Express as well as the B2C side. Are you seeing this space, at least the organized space, becoming a lot more competitive given that there are a number of new players in B2B express from the B2C side versus, let's say, 4, 5 years ago?

Pirojshaw Sarkari: So thank you for asking this question. The number of players that you're talking about according to me is just two, first of all. I don't know more than two players. Having said that, B2B networks are very different from B2C networks, and it becomes extremely difficult if somebody has to start a B2B network today and make it a pan-India play. So while people have definitely realized that B2B is a more profitable business than B2C and, therefore, want to include B2B in their network, I think there is a huge barrier to entry for those who do not have an existing network.

Sukriti: Sir, just to push back on this. The B2C network would be much larger. Am I -- as I understand, the B2B network would cover less number of PIN codes as opposed to a B2C network? So if you already have a B2C network and you want to piggyback your B2B network on top of that, aren't you just catering to a subset of your current PIN codes and you're not really building on something in -- you're not expanding on your current network?

Pirojshaw Sarkari: So if you look at the loads that move in a B2C network, to cater to those loads, the kind of network that you build out and the last mile that you build out is very different than the network that you build out for B2B.

A B2C truck today, a 30-footer truck carries anywhere between 3 to 4 tons of materials. And therefore, on the other side, you are catering to 3 to 4 tons of material. Whereas a B2B truck carries 10 to 11 tons of material in the same truck.

And if you were to say that the network of a B2C can be used for B2B, that would be a disaster because the cost that you will incur to deliver B2B in a B2C network will be tremendous because B2B requires 4-wheeler capacity utilization, whereas B2C is mainly done on a 2-wheeler.

Sukriti: Got it, got it. So there are no synergies as -- from what you are saying. This is a little different from what you would typically earn in a Delhivery call, though.

Pirojshaw Sarkari: It is very different.

Moderator: Our next question is from the line of Jainam Shah.

Jainam Shah: Sir, this question relates to the acquisition by the Allcargo. So basically, if we see 4 to 5 years ago Allcargo had acquired Gati, and there has been a clear path how to make it profitable going forward, as we are in between of that particular path, how are we seeing next 3 to 5 years turning out to be for Gati?

And other question would be on the Contract Logistics business. As one small portion of GESCPL of Contract Logistics and Allcargo supply chain comes together, how are we working on that particular business growth?

Pirojshaw Sarkari: So thank you for asking this question. It's been now almost 4 years that Allcargo acquired Gati. And while a lot of work has been done and we have literally cleaned up the balance sheet now, if you look at the balance sheet of Allcargo Gati, I think we are at an inflection point as far as the operations and sales is concerned. And the next 2 years, we'll see growth and profitability in this organization.

As far as Contract Logistics is concerned, it was a niche business that got acquired again by Allcargo. And then post-acquisition, we expanded that business into nonchemical. So when we acquired the business, it was only a chemical warehousing company. And then we have now expanded it into areas of e-commerce, automotive and engineering.

And I think it has been a phenomenal growth story in the Contract Logistics business. Although small, we are looking at this business growing at a CAGR of 30% in the next 3 years because the opportunity that is available in the market is huge.

So basically, the reason why we have a scheme out there for merging these 2 businesses, because we believe that as manufacturing comes into the country, we will need a fulfillment logistics, and these large manufacturers will need one-point service providers who can give them both warehousing and distribution.

Jainam Shah: Got it, sir. And sir, if you look from the market share angle, of course, there has been, if you see, last four to five quarters, the growth has been muted across the major players in the industry. What would be the steps that you would be taking to gain the market share that was there maybe seven, eight years back? And maybe some infrastructure, maybe IT system that were not in place now coming in place, is it going to help us gain market share as well with the improving efficiency, delivery timing and all those things?

Pirojshaw Sarkari: Absolutely. So that is why what we have shown as growth for the next two, three years is more than the industry. That's how we intend to increase our market share. We believe that we have got one of the deepest network in the country, and most of the growth will come from the Tier 1, Tier 2 cities in this country. And that's where a network that Gati has will be able to capitalize upon that, too.

Jainam Shah: Got it, sir. Sir, just contrast to what other companies were telling or they're reporting, there has been a stress in their margins, and a few of the cost structure for those companies are increasing. By any chance, because of the cost pressure at the industry level, we might t lose some margins against what we have expected.

Pirojshaw Sarkari: No. On the contrary, at Gati, we are concentrating on clearly quarter-over-quarter optimizing our costs. And we believe that there is huge opportunity for us to do so. And therefore, if deals being constant, if we can optimize our costs, our margins have to expand.

Having said that, we also believe that a good mix of the SME and retail customer going up, as we have shown in this quarter over last quarter, that will also contribute to better gross margins and, therefore, better EBITDAs for the organization.

Jainam Shah: Got it. Sir, on this SME part, I would say that although there has been a branding that might attract the SME customers. So after the corporate restructuring, our name would be Allcargo Logistics. So what could be our plan? Are we going ahead with the Gati brand or we would be having Allcargo's brand only going forward maybe after one year or something? Or how would we be rebranding the entire business, most specifically for the SME customers to gain their reactions?

Pirojshaw Sarkari: So our brand already is now Allcargo Gati. It is neither only Allcargo or Gati. It is Allcargo Gati. So we have the benefits of both one of the industry leaders at one time Gati and the current industry leader Allcargo putting together. The brand is Allcargo Gati. And I think with the induction of Ketan, who has been spearheading marketing for Blue Dart for the last more than a decade, we will see a lot more marketing happening out of the Allcargo Gati arena.

Moderator: Our next question is from the line of Gautam from Mauryan Capital.

Gautam: Just a small clarification on what you mentioned earlier on the EBITDA margin. You said that the EBITDA margin guidance includes the Contract Logistics, and that would still make it 10%. Now I assume you are talking about 10% pre-Ind AS, right, because at the moment, on my numbers, at least from what I was seeing, in FY'24, pro forma for your merger with Contract Logistics, you are already at 10% pre-Ind AS EBITDA margin. So what you're saying is 10% pre-Ind AS, not post Ind AS?

Pirojshaw Sarkari: I'm saying pre-IndAS.

Gautam: Okay, okay. So that means a substantial margin improvement from today's levels, something like 5% to 6%.

Pirojshaw Sarkari: Yes. Like I said, we have a Contract Logistics business, which is still substantially smaller than our Express Logistics business. So as we grow that, and we are very positive about that business growth, doing a CAGR of 30% over the next two, three years, that should give us a good margin for our businesses put together. And of course, we keep improving our Express margin growth.

Gautam: No, it's just -- this is an important point because Contract Logistics being a 40% EBITDA margin business post-IndAS, but pre-IndAS it's only about 12%. So on a combined basis, you're talking about a pre-IndAS number.

Pirojshaw Sarkari: Yes.

Moderator: Our next question is from the line of Ronald from Sharekhan Limited.

Ronald: First question is, are we done with the old legacy issues with respect to key accounts? Because going ahead also, you will be rationalizing few accounts to improve the mix. So should there be a stability? Or can there be one or two quarters where these issues -- old legacy issues can come from?

Pirojshaw Sarkari: So I can only say that 99%, it is over. I cannot say 100%. But yes, old legacies are over. You've seen the ECLM provisions reduced in the last 4 quarters from what it was 4 quarters back. That in itself gives the confidence that most of the old legacy issues are now over.

Ronald: Great, sir. And secondly, if you can tell us, sir, what about the capex numbers, what you are expected to do over the next two to three years in terms of capex? And the funds, which would be utilized, how would they be utilized going ahead?

Pirojshaw Sarkari: So we have set aside very clearly when we did our QIP also INR30 crores for technology and another INR40 crores for infrastructure, which means the size of the new hubs that we lease out as we move forward. And that basically is the capex investment that we would look at on the Allcargo Gati side of the business.

Ronald: Okay. And this would be over the next two years, right?

Pirojshaw Sarkari: Two years. Yes.

Moderator: Our next question is from the line of Jainam Shah.

Jainam Shah: Sir, this question relates to the amalgamation that we would be having with Contract Logistics and our B2B Express business, so if you see few of our competitors as well that there will be an added advantage to have a transportation as well as warehousing business, under what umbrella? So how are we building on to the additional revenue we might get with these two businesses coming together?

Pirojshaw Sarkari: So first of all, even today, as you know, the number of customers in Express Logistics is far, far more than the number of customers in Contract Logistics. So one is cross sales, which is basically taking the Contract Logistics customers to the Express customers who have the need for Contract Logistics.

Number two is applying for the RFQs for both warehousing and distribution together and giving a single unit price to the customer, so that the customer clearly understands that there is a price per order for them rather than a separate price for warehousing and a separate price for distribution.

And I think that is what the customer would be looking forward, too, so that they know exactly the cost of fulfilling an order from their side. So we believe that it will also make our Express business more sticky than what it is today because Contract Logistics generally gives you a longer term.

Moderator: Our next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand, I'm relatively new to the company, sir, why has our revenue been stagnant for the past five to six quarters? And similarly, our volumes, so you have guided 15% volume growth we can expect for this year. But why were they flat for the previous 5 to 6 quarters?

Pirojshaw Sarkari: If you look at our volume, we have grown the last quarter by 9% in our volume. It's not been flat. Basically, there's volume growth, and we continue to grow as our infrastructure and our service improve. So that's one data point that I'd like to register.

The other is, of course, now with the new focused sales team under the Chief Commercial Officer, Uday Sharma, who has joined the last three, four months from Spoton Delhivery, we believe that we'll get a better growth than we expected in the last one year.

Madhur Rathi: Okay. And sir, what the realization or the yield increase have you seen from the shift from the larger clients to SME and retail?

Pirojshaw Sarkari: I did not get your question. Can you repeat it, please?

Madhur Rathi: Yes. Sir, what kind of yield or realization per ton increase have you seen from the shift from larger customers to the SME and the retail customers for FY'25 as well as the next year?

Pirojshaw Sarkari: We are hovering at an overall yield of about INR11.8. So we look to increasing it by INR0.10 paisa for the next two years by changing the mix.

Moderator: Our next question is from the line of Ravi Mehta from OneUp.

Ravi Mehta: Yes. Sir, I couldn't catch the number you just said earlier, and then I'll just come to my question.

Pirojshaw Sarkari: I was saying that we are looking at increasing our yield by INR0.10 paisa year-on-year by changing the mix of large customer to small and retail customers.

Ravi Mehta: Okay. And my question was actually pertaining to the mix. So we saw a mix change in this Q1 on a sequential basis, but it was very similar on Y-o-Y basis. So is this a seasonality element and the key account mix will again go up in the coming quarters? Or was this a structural one? I just wanted some color on this.

Pirojshaw Sarkari: So like I had said in my last quarter, post the induction of our Chief Commercial Officer, we have been concentrating on an inside sales for the small and SME customers. While we have not completely still done the inside sales setup, it has started in the first quarter. And we're very buoyant on the change that will come about because of that. So we'll continue to focus on inside sales to attract the smaller customers for us.

Ravi Mehta: Okay, okay. So broadly, the mix you think would be similar to Q1 or maybe a little bit -- may still skew towards key accounts in this year?

Pirojshaw Sarkari: So we would be looking at ending the year with a mix of about 60-40.

Moderator: As there are no further questions from the participants, I now hand the conference over to Mr. Pirojshaw Sarkari for closing comments.

Pirojshaw Sarkari: So thank you, everyone. If you have any further questions, please do get back to our Investor Relations team. And we look forward to meeting you all in the next quarter. Thank you very much.

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