

AVG Logistics Ltd.

Corporate Presentation

September 2018

Company Overview

Emerging as a reputed third party logistics service operator

- Incorporated in 2010, AVG specializes in Transportation and warehousing services to select clients with PAN India distribution network and automated technology systems. It has a fleet of more than 1,100 vehicles including 347 owned and 396,000 sq ft of warehousing space.
- Provide solutions to customers to leverage their distribution network which optimises the performance, cost and efficiency of their supply chains, thereby shortening their lead-time to market.

Key services offered

- **Transportation** - Provides point-to-point, less than/full truck load, time definite transportation services.
- **Warehousing** – Provide warehousing, distribution, and other value added services including temperature controlled logistics providing cold chain warehousing, transportation solutions and distribution of perishable goods and products.

Strong technology infrastructure in place

- Equipped with advanced and updated ERP system, 24*7 monitored control room tracks the vehicle movement to ensure on-time delivery & safety. Also, smart GPRS devices are fitted in all vehicles, indicating driving behaviour and to maintain overall health of the fleet.
- Fully electronic and digitalised expense system for tolls and prepaid card for in-route expenses.

Marquee client base

- Provide services to leading multinational and Indian corporates from sectors like FMCG, Engineering, Telecom, Automotives, etc.
- Top 5 clients led by Nestle, DS Group, Amara Raja contributed 61% of total revenue in FY18.

Company led by a visionary in Logistics industry

- Mr. Sanjay Gupta, MD & CEO has over 30+ years of experience with leadership roles across rail and road transportation sector.
- Led growth of Indo-Arya Logistics from Rs300mn to a Rs5bn company while he was the CEO before starting AVG.

Healthy financials with strong growth

- Revenues have grown at a CAGR of 15% over FY14-18 with EBITDA margin expansion of 350bps to 10.6% in FY18.
- Industry leading return ratios with ROE/ROCE of 29.3/25.1% in FY18.
- Post the planned investments, company is confident of achieving Rs5bn revenue by FY21.
- Company delivered 26% yoy growth in revenue in 1QFY19 coupled with improvement in margins.

Corporate film: 

Serving the largest segments of the logistics industry

Modes of freight transportation

Roadways



Railways



Waterways



Airways



AVG's business operations

FTL/LTL Transportation

Warehousing

Railways



Warehouse Management

New business area

Types of Storage & Warehousing

Industry/Retail Warehousing



Liquid storage



Agri Warehousing



Cold storage



Container Storage



- **Presence across segments:** On way to becoming a preferred integrated logistics service provider for select large corporates
- **Marquee customer base:** With Top 5 clients being Nestle, Dharampal Satyapal, Amara Raja, SC Johnson, Duraline
- **With strong & long-standing customer relationships:** With the main USP being excellent service standards coupled with flexibility
- **Shown rapid growth from Rs 2mn in FY10 to Rs 2.2bn in FY18:** Has outperformed peers during downturn with better return ratios
- **Consistently profitable: 20% GP, 10.6% EBITDA in FY18:** Strict thresholds of minimum profitability before taking any new business

Strong infrastructure in place



520+ dedicated work force

- Dedicated, well-trained and experienced workforce which makes the operations run 24*7, 365 days in an efficient manner



Over 1,100 trucks under operations with 242/105 owned dry/refer vehicles

- Certified all weather proof, containerized vehicles offer FTL, LTL, ODC , trailers, parcels, parcel vans and project services



66 fully computerized branch network

- Proactive reporting and online track & trace to ensure accuracy in delivery schedule



396,000 sq ft of warehousing space

- Functional warehousing capacities in Modinagar, Ghaziabad, Okhla and Panipat with upcoming projects in Agartala and Mysore

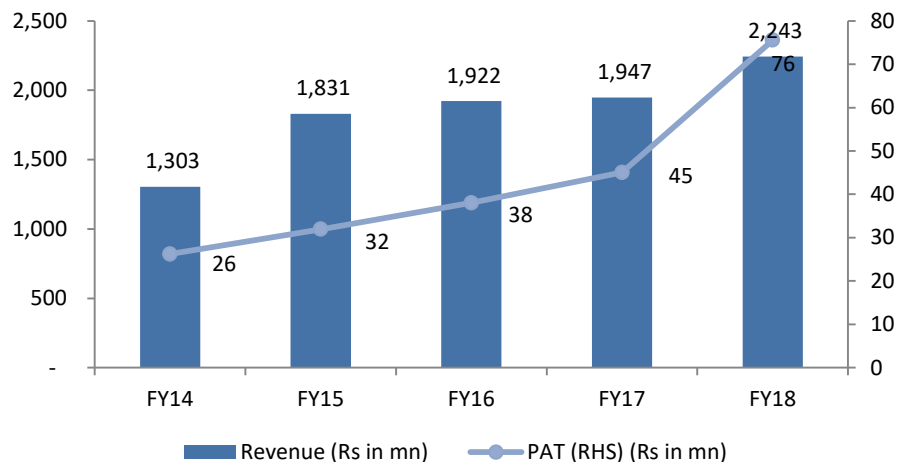


ISO certified, IBA approved, SEDEX compliant, FSSAI License

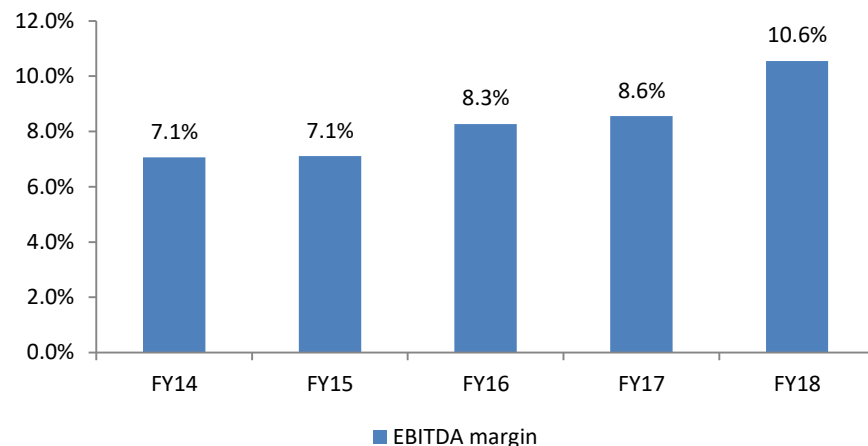
- Provides comfort to marquee clients of high quality operations leading to gradual addition to the client list

Financials at a glance

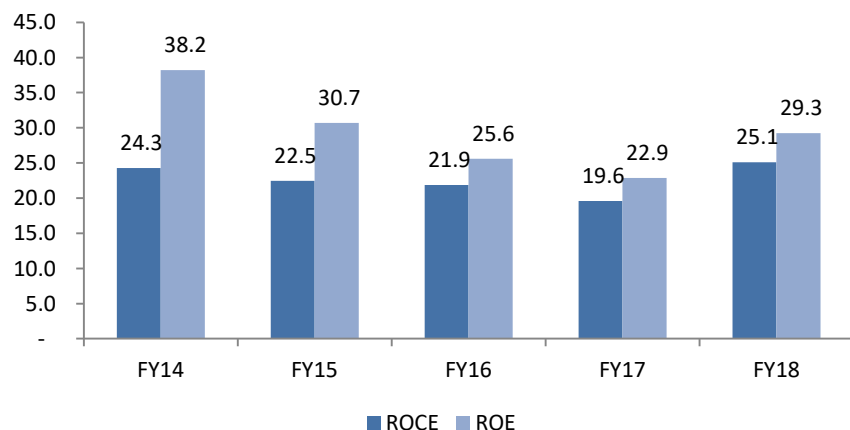
Steady earnings growth trajectory



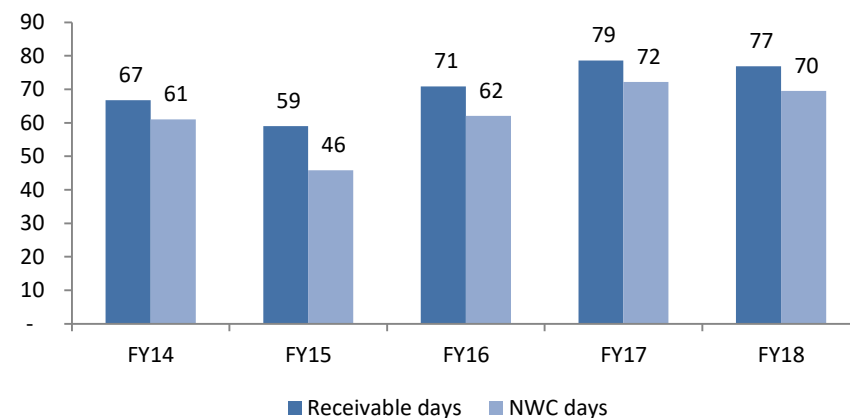
Driven by gradual margin expansion



Strong return ratios (%)



WC cycle stabilized around 70 days



Source: Company

Future Growth Strategy

Vehicle Fleet



- Seeing significant order pipeline from current and potential clients, the company plans to add about **250 vehicles** to its owned fleet in next 3 years in addition to hiring more market trucks as it enters into newer routes. Own trucks will offer better customer service and flexibility.

Warehouse



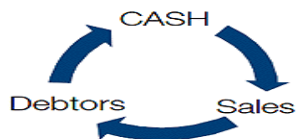
- To become an integrated LSP, AVG wants to have its own warehouses; together with WH management services, which offer better economics and ensure customer stickiness. The company wants to add **3.8+ lakh sq ft space** in next two years (all owned). Land has already been acquired for 1.1 lakh sq ft warehousing space in Agartala and Mysore from SIDCs.

Railways



- AVG sees a massive business opportunity in participating in Railway tenders for leasing out parcel cargo express trains. Starting with the Delhi-Agartala route, the company intends to target multiple such routes to create a sustainable and large business division.

Working Capital



- Given that the hiring charges for market vehicles and running costs for own vehicles need to be paid upfront while payment is received in 60-80 days, the company intends to enhance its working capital base and limits so that it can source more business in its efforts to scale up.

Spreading branch network to help source more business



Nation wide presence

Service spread across 23 states.

Owned Vehicles

Including 347 owned transport vehicles

Customized Solutions

3PL and warehousing solutions to select customers

Quality Service

Award winning service quality and continued support from esteemed customers

- AVG has extensive network of 66 branches across states.
- Every branch sources the local business, and acts a fulfillment centre in terms of completing the loading unloading, deliveries etc.
- Company is planning to expand its branch network in more cities and also wants to add own fleet of vehicles to cater to more number of customers and routes.
- 5 trans-shipment hubs at Guwahati, Bangalore, Hyderabad, Delhi-UP border, and Kundli (Delhi-Haryana border).

Sharp focus on critical success factors – drivers & technology

Focused on improving driver skill set and leveraging technology to improve operational efficiency



Induction training – Management and motivation of drivers

Ongoing training – Economical driving and anti-skid.

Driver development – Regular health check-ups especially eyes.

Driver compensation – Drivers paid on per km basis

Driver safety video link :



Driver Apps – Vehicle tracking, delay management, breakdowns

Customer Apps – Vehicle status, route updation.

In Vehicle – Diesel/door sensors, tyre RFID chips, portable GPS.

Management level – Digitized control room, online dashboard

Improved efficiencies have led to significant margin improvement

AVG's owned fleet of dry and refrigerated vehicles

Innovative Malaysian-design bulker for no-residue transport



1 Ton pick-up for secondary transport



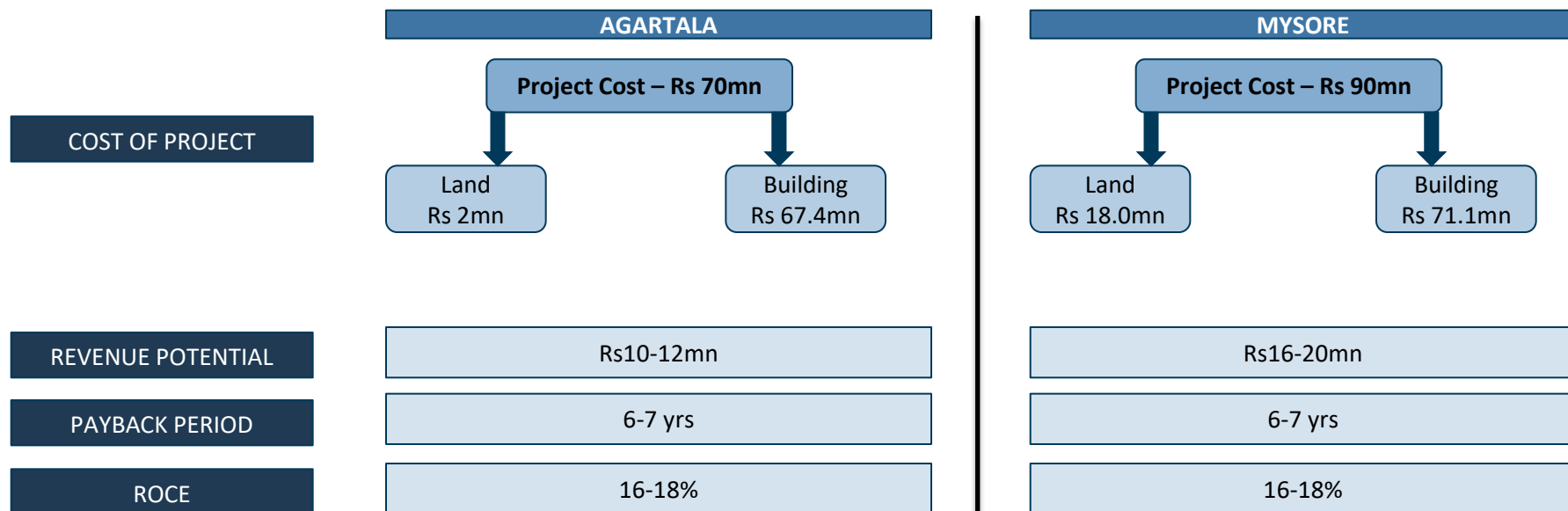
12 Ton 32 ft reefer vehicle for refrigerated containers



19 Ton 34 ft dry vehicle for container transport



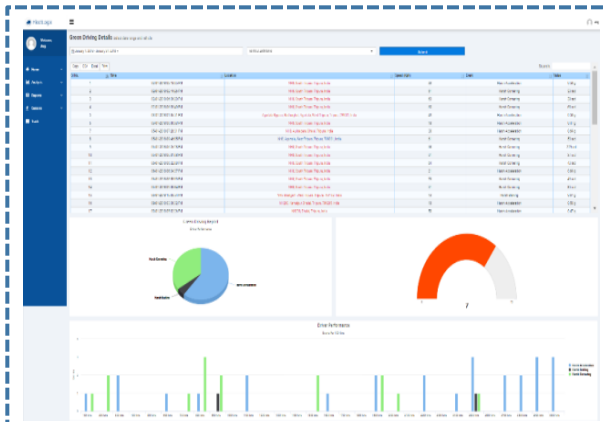
Owned warehouses coming up in Agartala and Mysore



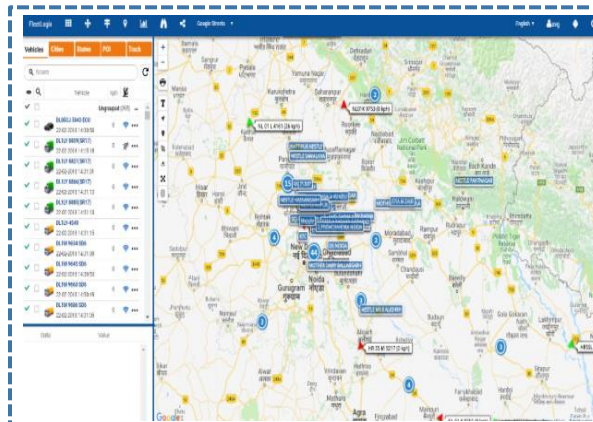
Timelines of the projects

Time Line	Agartala	Mysore
Land purchase	February 2017	March 2018
Land development	March 2018	May 2018
Warehouse building completion	January 2019	January 2019
Finishing & Painting	March 2019	March 2019
Commencement of Commercial Operations	April 2019	April 2019

Latest technology to help scale-up operations



Green Driving Indicator to check drive quality



Real time GPS to track fleet movement



Online order management portal



24*7 central control room monitored by highly experienced professionals

The screenshot displays a table of vehicle data. The table has the following columns: Indent No., Indent Issue Date, Month, Week No., Indent Status, Vendor Name, Source Location/Port, and Destination City. The data shows various indent numbers and their corresponding details.

Indent No.	Indent Issue Date	Month	Week No.	Indent Status	Vendor Name	Source Location/Port	Destination City
NIN-46	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Ranchi
NIN-47	17-01-2018 15:04:00	January	3	Cancel	AVG	Narajung	Chikmagalur
NIN-71	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Salans
NIN-42	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	NEHA
NIN-76	17-01-2018 15:04:00	January	3	Cancel	AVG	Narajung	Salans
NIN-77	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Bangalore
NIN-41	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	NOVA
NIN-43	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Chikmagalur
NIN-48	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Salans
NIN-49	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Salans
NIN-113	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Hyderabad
NIN-43	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Hyderabad
NIN-121	17-01-2018 15:04:00	January	3	Cancel	AVG	Narajung	Siliguri
NIN-122	17-01-2018 15:04:00	January	3	Clear	AVG	Narajung	Vijayawada
NIN-123	17-01-2018 15:04:00	January	3	Cancel	AVG	Narajung	Salans

Online market vehicle data



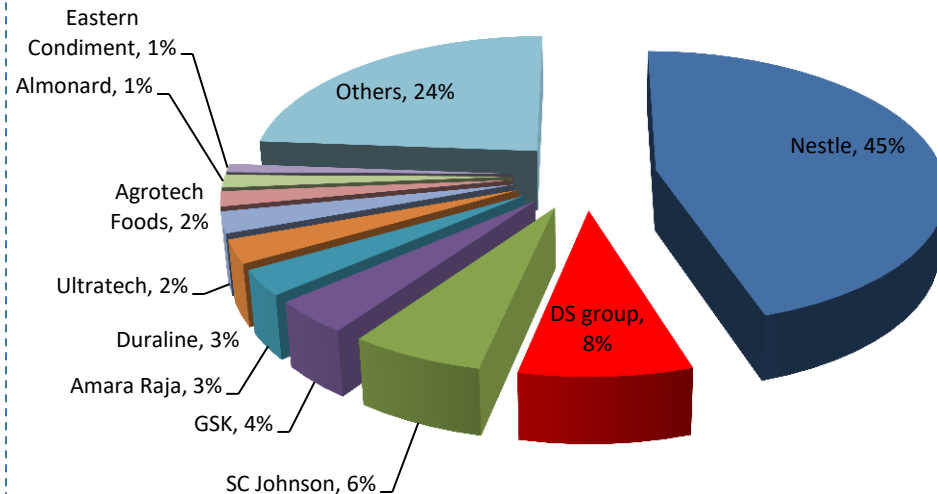
Fully CCTV enabled warehouses & branch network with biometric machines

Diversified marquee client base

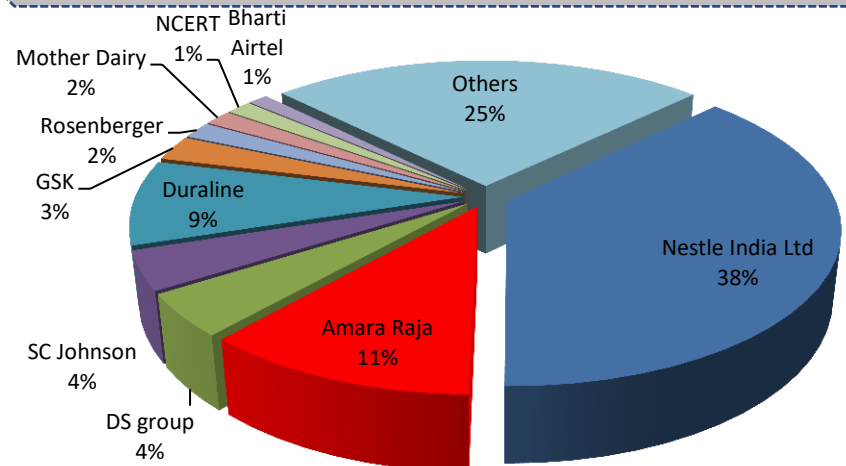


- AVG has track record of providing highest quality transportation and warehousing service. Customers such as Nestle, GSK, SC Johnson etc have been with AVG since inception. Nestle has been the largest customer.

Revenue breakdown FY15 – Nestle was 45% of sales



Revenue breakdown FY18 – Nestle is 38% of sales



Marketing developments – business won so far in FY19

Sr. No.	Name of Customer	Paticulars	Expected annual value of services (Rs mn)
1.	Amara Raja Batteries	Company has agreed to add two more states viz. Gujarat and Maharashtra for transportation of materials with effect from July,2018	100
2	Tamilnadu News Print	Transportation of goods from their factory at Karur, Tamilnadu to North India	80
3	MRF Tyres	Transportation services in Goa and Trichy	60
4	Greenply Industries	Agreement executed for transportation of materials from factory at Chittoor to various locati ons	50
5	Nestle India	LOI received for 21 refrigerated vehicles placement for secondary delivery of goods for a period of 3 years in 1<01 kata, Vijayw ada, Hyderabad, Bangalore, Guwahati and Silchar	40
6	Ferrero Rocher	Agreement for delivery in North , South and East India	30
7	LT Foods	Agreement executed for transportation of materials from factory at Sonipat to South India by road and rail	30
8	Mondelez India Foods	Transportation services in Chennai and Pune	30
9	Vishal Mega Mart	Agreement for transportation of goods from Gurgaon to various locations in North India	10

Multiple vendor tie-ups to improve profitability further

AVG has a sharp focus on costs and is opportunistically looking at periodic schemes and tie-ups with vendors and service providers with view to drive further cost savings. Some examples of such tie ups include Fastag from ICICI Bank to get cashbacks on toll payments, IOC to get cashback on bulk fuel purchase and Michelin to provide complete tyre solutions. The company is also exploring to outsource its complete vehicle maintenance by getting into a tie up with Tata Motors for the same.

ICICI Fastag in all vehicles for in-route toll expenses

- The company has introduced ICICI Fastags in all vehicles for in-route toll expenses on national highways which has resulted in cost savings and faster transit time.
- AVG receives a monthly cashback of 7.5% from ICICI Bank on toll expenses which means annual savings of about Rs 2mn annually which contributed directly to better margins.
- Secondly, it also reduces the transit time since the vehicles do not need to wait or line-up in long queues at the toll plazas.

Indian Oil Corp bulk fuel purchase program

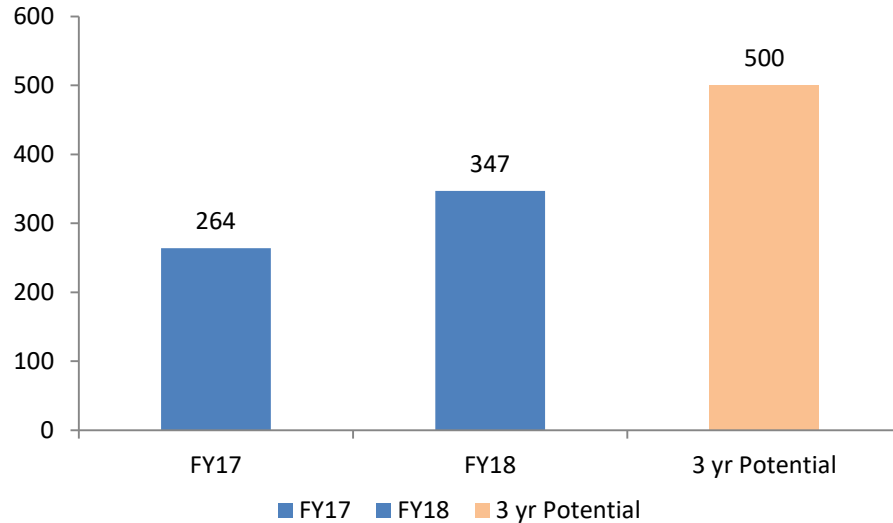
- AVG has a tie-up with IOC where it gets a cashback of 2.2% (including 0.75% from the government) on the total fuel purchase.
- On an average, Rs 0.5mn is received monthly resulting in an annual saving of Rs 6mn on fuel purchase.

Michelin complete tyre solutions

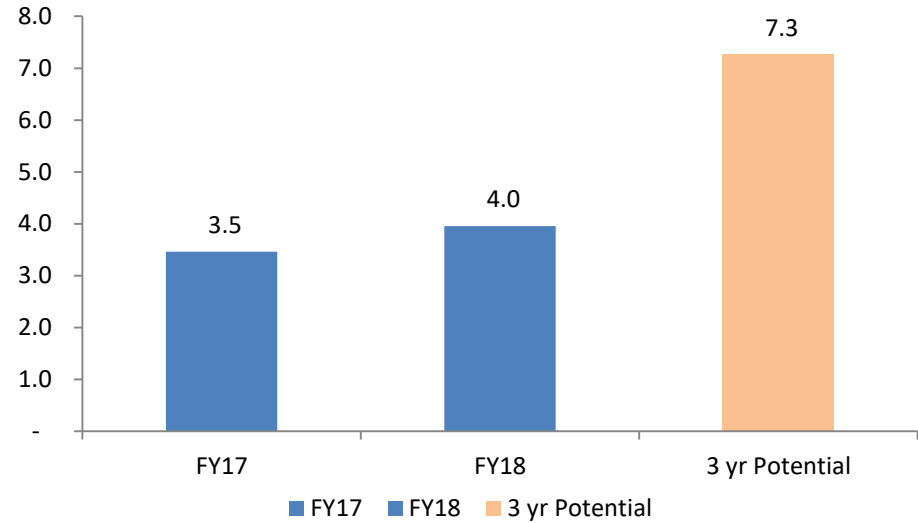
- AVG has a tie-up for complete tyre solutions with Michelin Tyres. A unique model of Cost Per KM (CPKM) is being followed for more than 4 years.
- To improve costs and increase efficiency, the company puts the best quality radial tyres available which have extra grip, mileage, fuel efficiency and a long life.

Doubling of vehicle fleet and warehouse space to aid margins

Own Fleet size to cross 500 in 3 years



Warehousing space to increase to 7.3mn sq ft



- As of Sep 2018, the company had a fleet of 347 vehicles which it plans to increase to 500 plus in three years.
- On the warehousing side, it plans to more than double its existing space to 7.3 lac sq ft. It has already started work on 2 warehouses in Agarala and Mysuru.
- A look at its fleet aging shows an average age of about 4-5 years for the fleet as maximum purchases were down during the years FY11-FY14. With that investment achieving payback, the company is looking to deploy those vehicles on shorter routes to utilize them better rather than disposing them off.

Experienced management team



Mr. Sanjay Gupta
MD & CEO

- Managing Director & CEO of the company
- With over 30+ years of experience, Mr. Gupta is a veteran in the logistics business
- Strong past leadership experience in multi-modal logistics management



Mr. Vinayak Gupta
Vice President

- Joined in September 2016 as Vice-President
- Has past experience of managing business operations such as fleet procurement, fleet utilisation as well as experience of Finance, Budgeting and Marketing
- Promotes usage of technology across all segments of the business



Mr. Arun Kumar Goel
CFO

- Joined the company in 2012, currently the CFO of the company
- Has over 30 years of experience in Finance, Accounts, Audit as well as Tax and project planning
- A qualified chartered accountant and Law graduate

Experienced management team



Mr. Niraj Kumar
GM (Marketing & BD)

- Joined the company in 2015 as head of marketing, currently is the GM of Marketing
- Has over 12+ years of experience within logistics industry having been previously associated with FedEx, SafeExpress and Gati



Mr. Kuldeep Singh
Head, Fleet Management

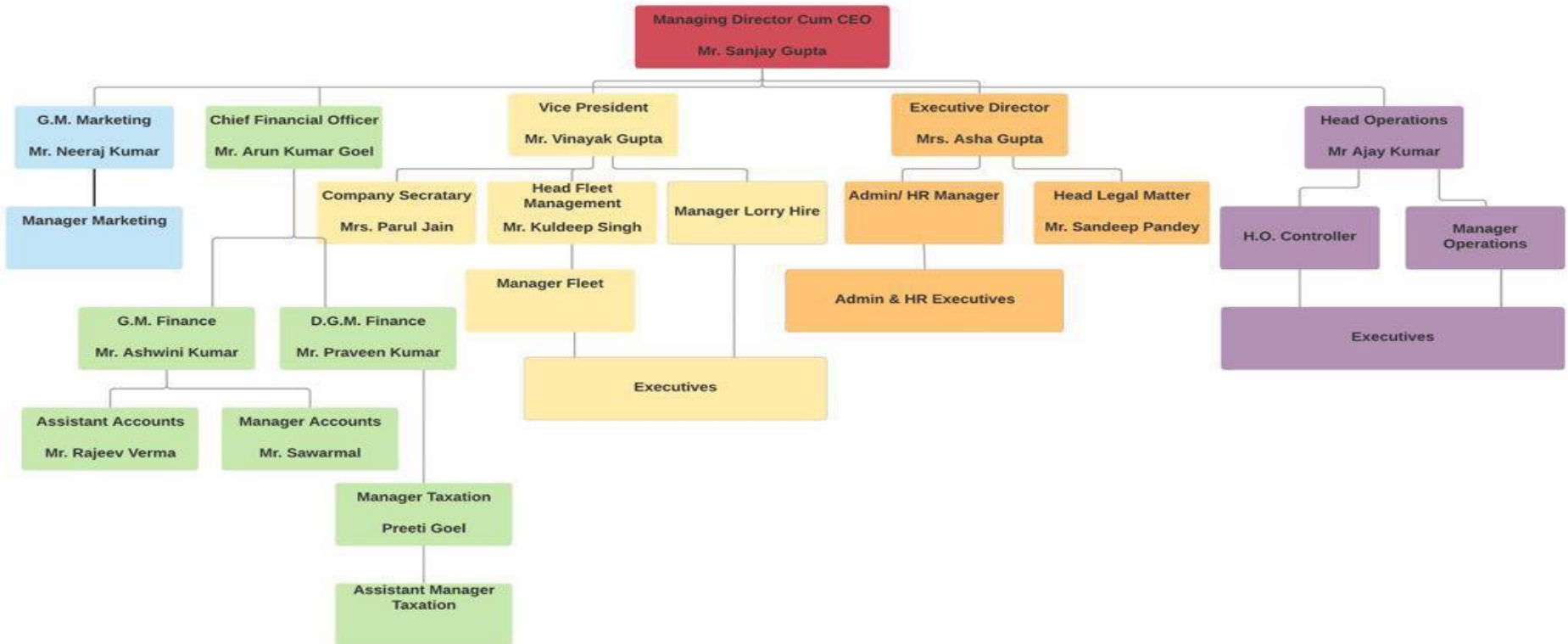
- Joined the company in 2012 and is currently the Head of Fleet management
- Has over 35 years of experience having being previously associated with Calcutta Delhi Roadways, Economic Transport Org and Indo Arya Logistics



Mr. Ajay Kumar
Head of Operations

- Joined the company in 2015 and is currently the Head of Operations
- Has over 18 years of experience in operations, turnkey project management, account management and customer relationship previously associated with Indo Arya Logistics

Corporate structure



Awards & Accreditations

- **ASSOCHAM Excellence Award – Best Logistics Company of the year 2016.**
- **FSC Cold Chain Award - Operational Excellence in Cold Chain FMCG 2016 & 2017.**
- **Global Logistics Excellence : Emerging 3PL Warehousing & Logistics Company.**
- **SEDEX Compliant – Responsible Sourcing Programme.**
- **ISO 9001:2008**
- **Food Safety Standards (FSSAI) License**
- **Certified by - Indian Bank Association (IBA).**

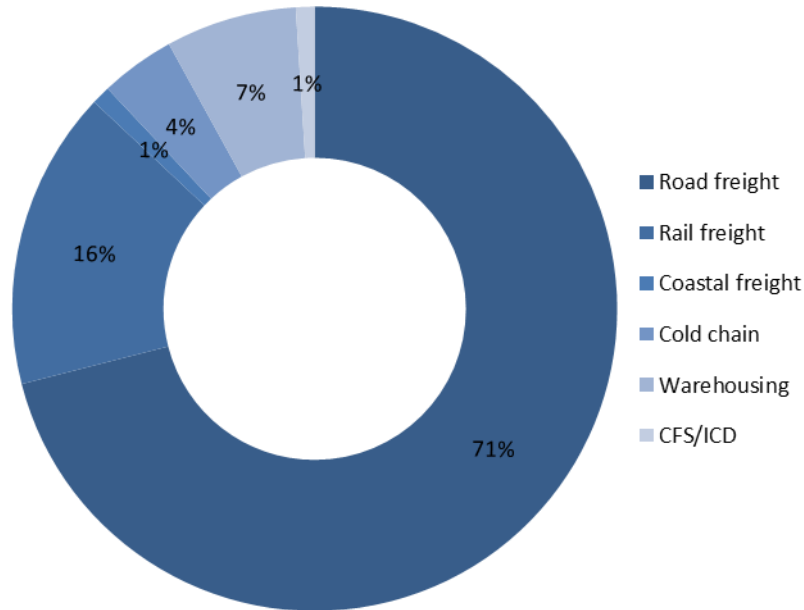
Financial Summary

(All Figures in INR Million, unless specified)

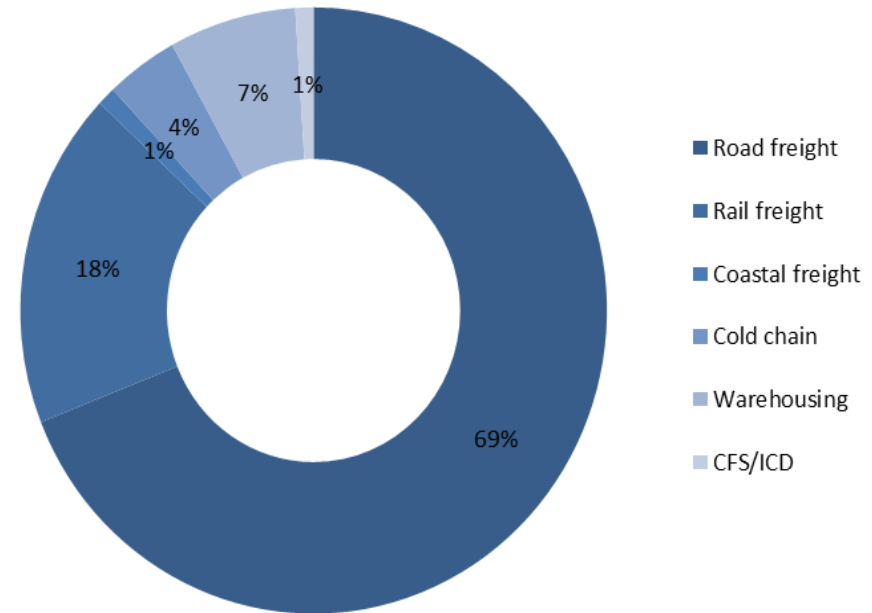
	FY 15	FY16	FY17	FY18
<u>Profit & Loss Statement</u>				
Net Revenue	1,831	1,922	1,947	2,243
EBITDA	130	159	167	237
<i>EBITDA Margin</i>	<i>7.1%</i>	<i>8.3%</i>	<i>8.6%</i>	<i>10.6%</i>
Depreciation	41	46	48	57
Finance Cost	43	56	55	64
Tax	16	19	20	45
Profit After Tax	32	38	45	76
<i>PAT Margin</i>	<i>1.7%</i>	<i>2.0%</i>	<i>2.3%</i>	<i>3.4%</i>
<u>Balance Sheet</u>				
Total Shareholder's Funds	124	174	221	296
Total Debt	337	383	426	460
Trade Payables	66	46	35	47
Other Liabilities & Prov	68	81	139	229
Deferred Tax Liabilities	16	15	15	11
Total Equity and Liabilities	610	700	835	1,043
Fixed Assets, net	211	167	212	259
Other assets	93	147	184	259
Investment	7	8	13	37
Trade receivables	296	373	419	473
Cash and bank balances	3	4	7	15
Total Assets	610	700	835	1,043

Industry Outlook: Indian logistic industry to grow at a CAGR of ~13% to Rs 9.2 trillion in FY20

Total logistic market Rs 6,425bn in FY17 estimated

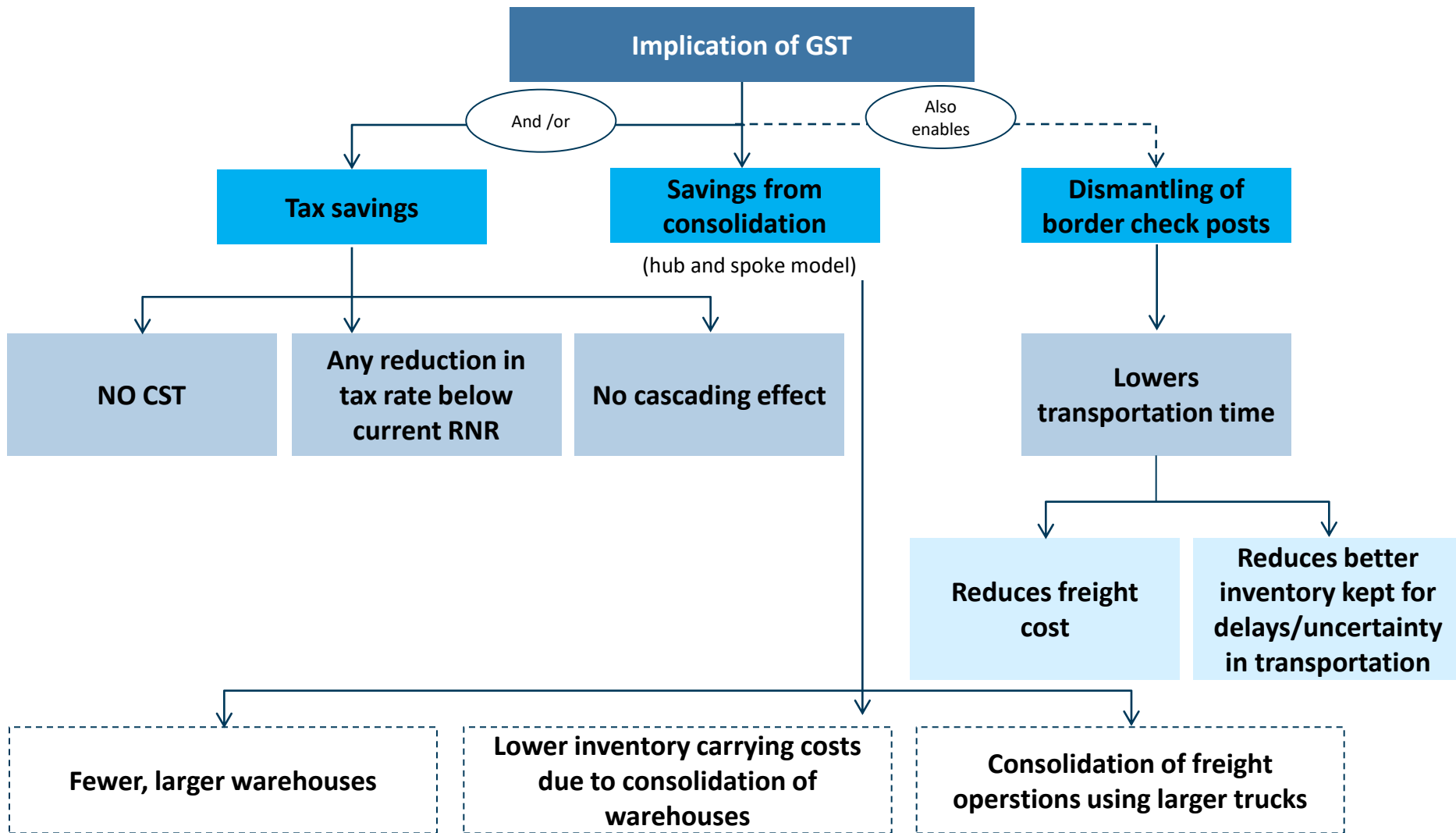


Total logistic market Rs 9,236bn in FY20 planned



- The Industry is dominated by transportation accounting to ~88%, and is expected to remain high over the next 3-4 years.
- Road transportation in India is highly fragmented with low average fleet ownership by transporters.
- In warehousing, there is also high scarcity of quality warehouses and competence to provide value added services.

GST to be a game changer for the logistics industry

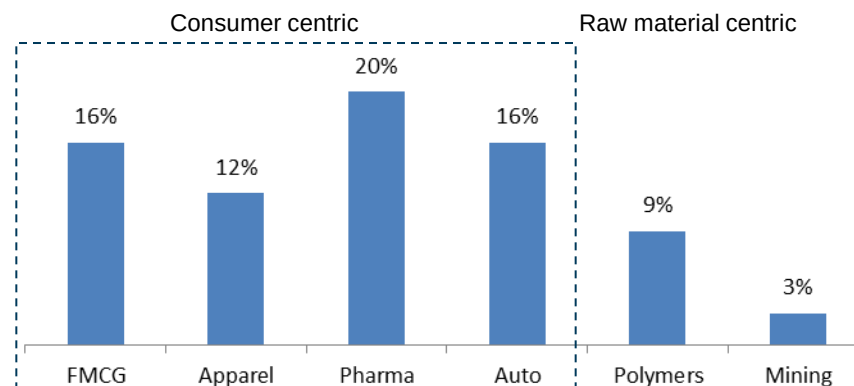


Demand from consumer centric industries set to grow faster

Growth in the underlying economy

- Manufacturing and trade are expected to see strong growth on account of strong initiatives such as 'Make in India' and Indian Foreign Trade Promotion Policy for FY 15-20, which provides incentive for manufacturing in and exports from India.
- Growth of these segments is expected to result in the demand for quality logistics, on both domestic and EXIM front, and is expected to drive demand.

Growth of consumer centric industries vs raw material centric industry (FY12-16)



Industry	User industry market FY 17 (bn)	% Logistic spend	% contract of logistics spend	FY 17 Contract market (INR bn)	Volume growth share	Price growth share	Penetration of organised contract logistics companies share	FY22 Contract market (INR bn)	FY17-22 CAGR
Auto	5,820	5%	27%	72	45%	40%	15%	153	16%
FMCG	4,420	8%	3%	11	25%	30%	45%	31	23%
Organised retail	1500	4%	12%	8	29%	33%	38%	20	20%
CD	880	5%	15%	7	17%	38%	45%	14	16%
Telecom	850	3%	18%	6	40%	20%	40%	12	16%
Apparel	3000	1%	15%	4	17%	38%	45%	8	16%
IT and Mobile	1,340	2%	11%	3	55%	10%	35%	6	17%

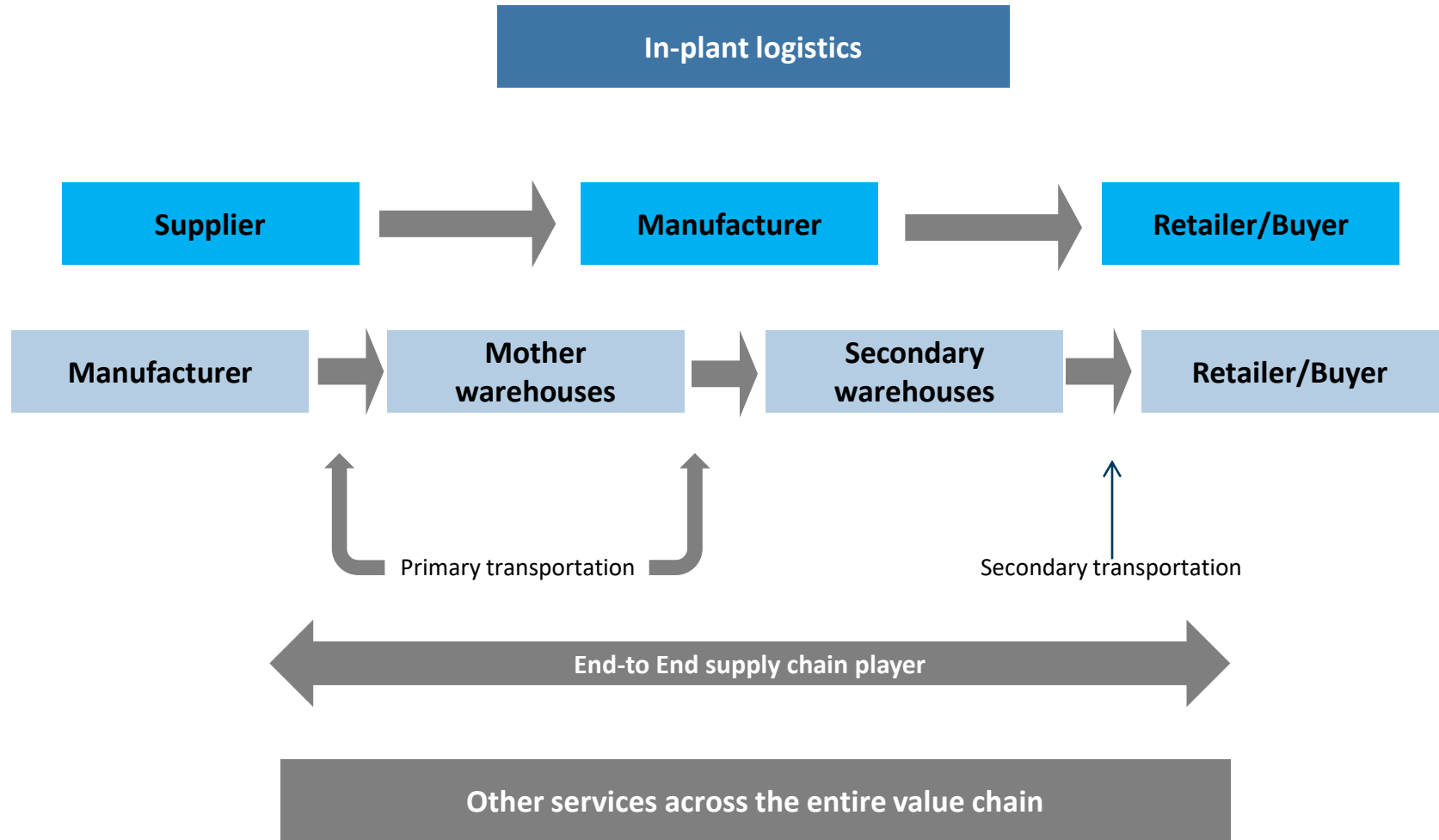
Source: Industry estimates

Opportunities for Logistics Service Providers

Opportunities in logistic service requirements for key industries

	Change in logistics service requirements for key industries	Opportunities for organised LSPs
Transportation	▪ Use of higher capacity vehicles for transportation ▪ Change in mix of vehicles required for secondary distribution	▪ Investment in a fleet of higher capacity vehicle which can be used for primary transportation ▪ Optimum mix of vehicles for secondary distribution ▪ Increase in share of organized LSPs
Warehousing	▪ Hub and spoke model to reduce inventory and warehousing cost ▪ Demand for large automated warehouses across India	▪ Investment in large technology enabled multiuser warehousing facilities for key industries ▪ Increase in share of national LSPs with multilocation and multi-service capabilities
LSPs	▪ Outsource inventory management activities for finished goods ▪ Intergration of logistics services in improving supply chain efficiency	▪ Investment in technology for efficiency warehousing operations, inventory management activities and provide value added services ▪ Potential to provide integrated logistic services ▪ Increase in share of organised LSPs

Transportation value chain



Thank You