



November 10, 2023

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 : GATI ISIN No.: INE152B01027 Re.: Allcargo Gati Limited
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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 October 27, 2023 and November 06, 2023, with respect to the Q2FY24 Earnings Con-Call with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the Second Quarter and Half Year ended on September 30, 2023.

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”)

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

Encl.: As above



“Allcargo Gati Limited
Q2 & H1 FY’24 Earnings Conference Call”
November 06, 2023



Dolat Capital



MANAGEMENT: **MR. PIROJSHAW SARKARI (PHIL) – MANAGING
DIRECTOR AND CHIEF EXECUTIVE OFFICER – GATI
EXPRESS & SUPPLY CHAIN PRIVATE LIMITED
MR. ANISH MATHEW – CHIEF FINANCIAL OFFICER –
ALLCARGO GATI LIMITED**

MODERATOR: **MR. ABHISHEK JAIN – DOLAT CAPITAL MARKETS
PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Allcargo Gati Limited Q2 and H1 FY '24 Results Conference Call hosted by Dolat Capital Markets Private Limited. 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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Jain from Dolat Capital Markets Private Limited. Thank you, and over to you, sir.

Abhishek Jain: Thank you, Lizan. Good morning, everyone. On behalf of Dolat Capital, I welcome you all to Q2 FY '24 Earnings Conference Call of Allcargo Gati Limited. We thank the management for providing us the opportunity to host the call. From the management side, we have with us Mr. Pirojshaw Sarkari, Managing Director, and CEO GESPL; and Mr. Anish Mathew, CFO of Allcargo Gati Limited.

Now I hand over the call to Mr. Phil for opening remarks, followed by the question-and-answer session. Thank you, and over to you, sir.

Pirojshaw Sarkari: Good afternoon, and thank you, Abhishek. Good afternoon, and a warm welcome to everyone on our Quarter 2 and H1 FY '24 Earnings Conference Call. We have uploaded our results and earnings presentation on the stock exchanges 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 Matthew, 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 and half year ended September 2023. The IMF has projected that global real GDP growth will remain steady at 3% in 2023, although they have revised their 2024 forecast slightly downwards to 2.9% from the previous estimate of 3%. The total global output is estimated to be around 3.4%, which is still below the pre-pandemic projection.

The global economy is limping along its path to post pandemic recovery. There are several factors that continue to raise concerns. These include the volatility of oil prices, sluggish productivity growth and ongoing geopolitical tensions such as the Israel-Palestine conflict. While China is grappling with its real estate crisis and diminished external demand, there is no respite for major economies like US and UK too. Although the risks of banking instability have softened, commodity prices could become volatile on the back of geopolitical tension.

Turning our focus to India. It's worth noting that it currently holds the position of the fifth largest economy with robust growth projections, it is poised to ascend to the position of the third largest economy by 2030. IMF has projected strong growth in India at 6.3% for both 2023 and 2024 with an upward revision of 0.2 percentage points for 2023.

This upward revision is attributed to India's robust domestic demand and the increasing influx of foreign investment. In addition, the e-way bill volumes for the September 2023 totalled INR9.2 crores and for August 23, they were at INR9.3 crores. These figures signify resilient

domestic trade and transportation activity, reflecting an overall improvement in demand. Furthermore, GST collection in September 2023 reached INR1.6 lakh crores, marking a 10% year-on-year increase. Revenues from domestic transactions, including the import of services, saw a substantial 14% year-on-year growth. Moreover, the road logistics sector in India is anticipated to experience favourable growth supported by strong domestic consumption.

On the company front, firstly, I would like to bring your attention to a recent update regarding change in your company's name. The change has been officially approved by the Board of Directors and the company is now known as Allcargo Gati Limited, formerly known as Gati Limited. We have applied for exchange approvals and name change on exchanges should happen in the next four to six weeks.

Another update that I would like to share is that we have appointed Mr. Sandeep Kulkarni as the Chief Operating Officer at Gati Express & Supply Chain Private Limited. Sandeep comes with 22-plus years of rich experience. He was in the Indian Navy from 2001 to 2011 and started his corporate career with Larsen & Toubro in 2012. His last stint was with Tata CliQ as Chief Supply Chain officer.

Now, let me provide you with updates on our initiatives across the pillars of growth, beginning with sales acceleration. We are reaping the benefits of this initiative with an 18% year-on-year increase in volume. Some of the new initiatives that we would be taking include yield management, collection drive and use of data science. Under yield management, we have set a minimum selling price for all new business along with ancillary charges.

We've also set up a dedicated tele sales team for MSME customers to provide the right support at the right time. We have appointed regional key account managers to promote faster resolution. Our focus remains on enhancing customer retention, capturing a greater wallet share, and expanding the customer base. Our dedicated sales force plays a pivotal role in identifying opportunities within existing territories and exploring new markets.

Infrastructure amplification: With Bangalore hub operational. We now have five operational super hubs. We are well on our way to complete Phase 1 of our infrastructure amplification. The Bangalore super hub is spread across 110,000 square feet with 68 days for loading and unloading of trucks. Large number of bays will enable faster loading and unloading and also shorten the cooling time. The Bangalore hub is a facility that we would like all of you analysts and investors to visit and will be happy to facilitate the same.

Operational excellence, it is one of the key areas of focus for us. We embarked on a nationwide program to train Gati associates. I'm happy to share that we have successfully completed training of 783 Gati associates out of nearly 3,000 in the first phase. Furthermore, we are dedicated to elevating the quality of our service parameters, aiming to set new industry standards for excellence. I would also like to highlight here that we have converted an additional 26 pin codes in addition to the 1,000 that we had spoken about last time from ESS to Direct.

On the technology front, we have rolled out the dimensional weighing and scanning machines across four of our locations. These DWS machines help in reducing revenue loss due to

inaccurate dimension and weight capture. This is just the beginning and will help improve billing transparency, revenue collection and simplify the process. We have also deployed biometric attendance for handlers across nine locations. We have rolled out digital dockets for retail customers across India with 99% compliance. E-dockets for MSME and strategic customers has been rolled out in 4 of our 20 EDC.

In conclusion, at Allcargo Gati, our vision revolves around maximizing value creation for each stratum of the society. We are dedicated to making a positive impact on the communities in which we operate and create a more inclusive society. With this, I would like to hand over the call to Mr. Anish Mathew, our CFO, for financial highlights. Over to you, Anish. Thank you.

Anish Mathew:

Thank you, Phil. Good afternoon, everyone, and a very warm welcome to our Q2 and H1 FY 2024 Earnings Call. I'll take you through the highlights of financial results for the second quarter and half year ended September 2023. I would like to start with the highlights of our express business first. Your company has shown strong performance in terms of volume driven by pre-festive demand.

Total tonnage handled for Q2 FY '24 stood at 333,000 metric tons as compared to 283,000 metric tons handled in Q2 FY '23, representing a remarkable growth of 18% year-on-year. Revenue from Express business stood at INR385 crores in Q2 FY '24 as compared to INR370 crores in Q2 FY '23, a year-on-year growth of 4%. Corresponding gross margin stood at 23.3% for the quarter ended September 2023 as compared to 28.8% in the same quarter last year. The EBITDA for the Express business stood at INR15 crores in Q2 FY '24 as compared to INR21 crores in Q2 FY '23.

Client mix for the quarter ended September 2023 for KEA, SME and retail stood at 65%, 18% and 17%, respectively. For the half year ending September 2023, tonnage handled during H1 FY '24 stood at 625,000 metric tons, that's registering a growth of 11% as compared to H1 FY '23. Our revenue from operations from Express business stood at INR752 crores, registering a growth of 2% and EBITDA stood at INR31 crores, a decline of 20% as compared to H1 FY '23.

I will now move to discuss the performance on a consolidated basis. Revenue for the quarter ended September 2023 stood at INR442 crores as compared to INR435 crores for the same period last year. The gross profit for Q2 FY '24 stood at INR91 crores as compared to INR108 crores for Q2 FY '23. The EBITDA for Q2 FY '24 stood at INR15 crores as compared to INR20 crores for Q2 FY '23.

I would like to highlight here that our continued efforts in reducing the DSO resulted in change in estimate of provision required for both detections and expected credit loss. The resulting margin impact on EBITDA is approximately 1.1%. With respect to the sale of noncore assets, I would like to bring to your notice that out of INR81 crores of noncore assets identified for sale, we have as on 30th of September 23, received advance of INR18 crores, and we expect the sales transactions to be complete by Q3 and Q4 '23. We have been providing other key comparative financial performance indicators in our investor presentations, one can refer that for more details. With this, I would like to throw the floor open for Q&A.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities.

Amit Dixit: I have a couple of questions. The first one is essentially on the margin profile. Now you had guided earlier that that EBITDA margin would improve to 7.5% or 6.5% by end of Q2 FY '24. But it looks like we are still far away from that level. Now the question is that since our super hubs are also operational now, volume uptick is quite visible. Then what is inhibiting the margin expansion? And what would be the realistic time frame in which we would see us going to 7.5% EBITDA margin?

Pirojshaw Sarkari: Thanks. I was sure that this question will be the first question this time. So let me give you a couple of reasons why you see that in this quarter, our margins are low. The most important reason is that our yield has dropped during this quarter. And the reason for yield drop are quite a few. So let me start with the first one being the mix. If you see our mix, it has now changed to 65% large and 35% between MSME and retail. There are reasons for this.

Number one is, if you remember, we have in our retail business introduced the E-docket. And whenever you introduce technology, a lot of transparency comes into the picture, and you get an initial dip in your numbers because of that. But it stabilizes and we get to know what exactly your business is, and we have now learned this, and we know how and where to get our retail business going up, number one.

Point number two is after completion of two years and talking to a lot of our larger customers, we realized that a lot of the business, which is intra-state business, which we call within Zone business that the customers have was not really coming to Allcargo Gati because Allcargo Gati's pricing was not attractive for that intra-zone business. You have to understand that most of our business that we were doing earlier was between zones, which means Bombay to Delhi or Bangalore to Kolkata, etcetera. But more and more, the supply chains of specifically e-commerce and retail industries are moving to intra zone because more and more warehouses are coming closer to the customer.

So when you start pricing for intra-zone business, your yield does fall but corresponding costs have to improve. And that is something that we'll be looking at, and we have already started doing now in this quarter that the product 23, which we have, which is an intra-zone product, the costing for that product has to be far, far more lower than the costing for the product 24 that we have.

The third one is, as more and more customers kept telling us that our direct pin codes were lesser than those of competition and that we were not getting business because of that. So, we have increased over 1,000 pin codes to direct, and the effect on the volume has come in now in this quarter. However, the cost corresponding to that, which we were incurring needs to also be looked at, which we have started looking at now.

So a combination of these three and a few more is what has got our volumes up, and we are very happy that we've been able to get our volumes up because we have identified all the areas why the volumes were not up. It is now up to us how to kind of increase the yield and optimize the

cost to get that gross margin increase that we are looking at. So that's a little long answer, but I thought it's important to give it because I'm sure out of the 100-odd participants on this call, everybody would be wanting to ask that question, and I hope I have answered it to your satisfaction.

Amit Dixit: That was quite an elaborate answer. I just wanted to get a little bit of more milestones that we have in mind. So, I understand that this takes time, of course it doesn't happen overnight. But just in terms of milestones, let us say, end of FY '24, what kind of exit rate can we expect in terms of EBITDA margin?

Pirojshaw Sarkari: So I will stick to one thing that all of this will culminate to what we have said 10% to 12% by '26.

Amit Dixit: 10% to 12% by '26, okay. The second question is, it's more of a bookkeeping question. This quarter, we saw other expense declining significantly, both on Q-o-Q and Y-o-Y basis. So just wanted to understand whether there is some sort of provision that was written back or I mean there is some one-off factor here because volumes have gone up, but other expenses have come off significantly?

Pirojshaw Sarkari: Anish, you may want to answer that?

Anish Mathew: Yes. So, I mentioned in my speech that there is some estimate in the provisioning requirement based on our collection drive. So, that has resulted in an additional provisioning in the revenue line item and a corresponding reversal of ECL provision is reflecting in the other operating (read as other) expenditure. So that is the reason why you see quarter-on-quarter as well as on a year-on-year decline actually in the operating (read as other) expenditure.

Amit Dixit: I missed the opening remarks, actually. So what could be the quantum of that, if you can repeat?

Anish Mathew: Well, approximately 3.5% is the impact to the revenue line item on account of this change in estimate and correspondingly around 1.5% impact is coming as a credit to the operating (read as other) expenditure on account of ECL reversal.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital.

Dhwanil Desai: Sir, my first question is that you elaborated on the reasons why the realization from yield has gone down and it has a consequent impact on margins. My question is that I'm sure such kind of initiatives, you would have planned out three, six months in advance. So was there any incoming of first things coming in? And as you scale up your intrastate business, how should we look at average yield? You know it has significantly dropped Y-o-Y and Q-o-Q both. So how should we look at that going forward? That's the first question.

Pirojshaw Sarkari: So I think our key accounts who were already doing business with us and who had a lot of intra-state business, once we revised the pricing for them, the volume started flowing in and therefore, it was like during this last three months that we really witnessed volume uptake from them on the intra-state business. When you look at intra-state, while the yield is lower than inter-state, the cost also becomes lower because the linehaul that you incur, which is your one single largest

cost reduced. And because of that, your margins should get better. And that is what I spoke about in my first answer over there. While volumes came in, we have started looking at cost. There is a little lag between the two, and therefore, that will be seen in this quarter.

Dhwanil Desai: Second question is I think we have talked about deductions in the past, and we also indicated that they should kind of almost get over by Q2. So first of all, was there any significant impact of that on our realizations and margins? And how should we look at it in the H2?

Pirojshaw Sarkari: Anish, would you like to answer this question?

Anish Mathew: Yes. I think that's mentioned in the last earnings call and our multiple discussions that have happened, we did mention that we are or aggressively pushing to get the debtors clean and down and we have almost completed that exercise. And that is what is kind of reflected in the current quarter's performance as a result of this cleanup, we had to kind of increase our deduction estimate which is reflected in the revenue.

And since that has an impact on the ECL provision, we have made a corresponding reversal of ECL provision. And this is reflecting in our operating (read as other) expenditure. So the net impact of this change in estimate because of this additional provision required in the deductions as well as the reversal of ECL is almost 1.1%. This is the impact on EBITDA.

Dhwanil Desai: Right. So should we assume that net of this reduction, the yield would have gone up by what about 3.5% that you reduced from the revenue? Is that a right way to look at it?

Anish Mathew: Yes. The right way to look at it is basically in terms of absolute terms, the reported EBITDA for the quarter is 15 CR. So, if you kind of not take the impact of this one, ideally, your profitability for this quarter should have been INR19.8 crores, so the margin of 3.9% would have been 5%.

Dhwanil Desai: Sir, the second question is, so let's say, we are at 23%, 24% gross margin, and we were at 29%, 30%. So with all these things kicking in and you are relooking at your cost items, what is the timeline that we're looking to go back to, let's say, 28%, 29%, 30%? Is it a couple of quarters or slightly longer than that?

Pirojshaw Sarkari: So I said this earlier, and I'll repeat this. All these measures that we are taking are towards our committed end goal of 10% to 12% EBITDA margin by 2026. So it's a step-by-step approach, and we will see a little up and down in between, but we are making the foundation such that we hit our 10% to 12% in '26.

Dhwanil Desai: The only concern is that we had guided a part. And now I think because of various reasons, we are kind of going backwards. So when will we come on the right direction? Directionally, when can we start growing again? That's the question.

Pirojshaw Sarkari: Directional growth is something that you're already seeing, if I'm growing my volume at 18% year-over-year and 14% over the previous quarter, that's directional growth.

Dhwanil Desai: I am referring to EBITDA.

Pirojshaw Sarkari: Sorry?

- Dhwanil Desai:** I'm talking from the margin perspective?
- Pirojshaw Sarkari:** Yes. So like I said, once you have a certain volume, the margins will come with that by looking at various measures of both yield improvement and cost optimization on those volumes.
- Dhwanil Desai:** And last question, sir. I think we have been focusing on MSME for some time now. And that proportion keeps on shrinking. So I think you talked about impact of dockets, introducing dockets on the retail head of it. So was MSME also impacted because of that? And in your opinion, is the growth on the MSME side lower than what you anticipated given all the efforts that you are putting?
- Pirojshaw Sarkari:** So I think the growth on the large accounts is what makes the percentage differential. It's not the degrowth on the MSME side in that respect. So while MSME growth has not been as much as we wanted it to be, but I think the growth on the large accounts has been a lot more. So that is one. The second is I think last quarter, we had announced that we have now got a digital marketing head and his focus with his team is going to be on acquisition of MSME customers. We have just recently set up a separate MSME cell under him. And this particularly, will be doing a combination of digital marketing and calling to the MSME to get more MSME business into the organization.
- Moderator:** The next question is from the line of Viraj Mehta from Equirus PMS.
- Viraj Mehta:** Yes. Sir, my first question -- and of course, I'm harping on the same thing. Sir, how much was your intra-state in volume this quarter as a percentage? If you can give a ballpark number that we took, which was lower margin business for us? Yes. I'm not sure whether the management heard my question. Should I repeat?
- Pirojshaw Sarkari:** Yes, please.
- Viraj Mehta:** So sir, my question was you mentioned that the realization was lower because of the intra-state business that we took because our rates were not competitive. Can you talk a little bit about how much was that business for us? And how much did it grow? Like what is the quantum of that business for us this quarter?
- Pirojshaw Sarkari:** So let me just correct you when you say because our rates were not competitive. So what I'm trying to say is because for that product, the rates were not competitive, okay? When we are looking at the growth of the large customers that has come in by way of a percentage share. That is where we have got more of the zonal business as I call it. For example, with one single large customer, more than 50% of the business growth has been through just the zonal business that we got from them. So it has been a good increase of business for us, and that is how we have kind of grown our volumes also.
- Viraj Mehta:** No, I understand that sir. What I'm failing to understand is that even if, let's say, it has suddenly become 15%, 20% of our overall business, how can it shrink the realization by 8.5% for our entire company, which is where my struggle is?

- Pirojshaw Sarkari:** So like I said, there is not a single reason. There were many reasons. I gave you two, three reasons. One was our retail business has shrunk, which is a high-yield business, because of the E-docket that we put in. And I gave you another reason that the zonal business had also not been there in our portfolio, which has come in. So I just gave you those as examples of why our yield has fallen.
- Viraj Mehta:** And sir, my last question is, so now is it fair to assume that we are scrapping all our intermediate guidance and going directly to FY '26 guidance? And there is no road map towards achieving that guidance because you say it's a step process quarter-by-quarter. But we are only talking about FY '26 guidance. Is that fair?
- Pirojshaw Sarkari:** On a guidance principle, yes.
- Moderator:** The next question is from the line of Hemesh Desai from Dolat Capital.
- Hemesh Desai:** I just have a couple of questions. One is on the hub perspective. You have operationalized new hubs like the Bangalore hub recently. So what is your utilization level of these hubs?
- Pirojshaw Sarkari:** So Bangalore hub has not even completed one month still. We are still operating dual from the new hub and a little bit from the old hub. I think we need to give a hub at least a quarter before we talk on the utilization. Having said that because the volumes have gone up overall, for us, our utilizations overall of all our hubs have increased for sure.
- Hemesh Desai:** Okay. And so in the investor presentation, you mentioned that the Indore hub will be operational, like the estimated operational timeline would be quarter 3 of this year. So are you in line with that? And what will be the capacity of that hub?
- Pirojshaw Sarkari:** So yes, we are on time with that. We will get the Indore hub. And from a capacity perspective, if you get in touch with our Investor Relations, they will give you all the details on that.
- Hemesh Desai:** And my second question is when can we expect the synergy benefit from the contract logistics arm of Allcargo?
- Pirojshaw Sarkari:** So the synergies have already started kicking in. We already see that the cross sales effect that we have done, both Allcargo Gati selling warehousing business for Allcargo supply chain, and Allcargo supply chain selling Express business to their existing customers has given us a lot of new business also. So it has already started.
- Moderator:** The next question is from the line of Nirav Savai from Abakkus.
- Nirav Savai:** So my question is about the yield differential. If I were to look at intra-state and inter-state, what would be the yield differential on a blended basis?
- Pirojshaw Sarkari:** So for our large customers, the differential would be to the tune of about 20%.
- Nirav Savai:** So, 20% in the sense, if you make gross margins, so let's say...

Pirojshaw Sarkari: Yield. That means that if the large customers yield is 100, then the yield of the inter-zone would be 80.

Nirav Savai: So, for the large customers, we only do this intra-state, right? Are we doing this for the smaller customers as well

Pirojshaw Sarkari: No. So right now, that is where we identified and that is where we got our growth from. But now that we have done it, we will also go to the smaller customers to do the same.

Nirav Savai: All right. And the second thing is about this rental cost, which flows down below the EBITDA level. Once we are done with the large part of the expansion, let's say, by FY '25, how do we see this '26 onwards because you have given this time depreciation in ROU is about INR25 crores, and interest is about INR10 crores. So cumulative INR34 crores. So how do we see this stabilizing once all the hubs are commissioned, let's say, by FY '26 onwards?

Pirojshaw Sarkari: I'll let Anish answer this question. Anish, please answer this question.

Anish Mathew: There is no question of stabilization because as and when we kind of open new hubs. So we will have this lease coming in, and you will have the Ind As impact coming in. So this is a continuing process, right? It will never end. Now we have started Bangalore. So that impact is going to come in and as we kind of keep doing that, then we will have those kind of flow-through coming in both in the EBITDA line as well as the depreciation and the finance cost line.

Nirav Savai: I'm just trying to understand in the first half, it's about INR34 crores. For the first half of FY '24. So, how do we see this once the current expansion plan, what we have, is over? And '26 onwards, obviously, this expansion will continue. But from a given set of new hubs which we are planning to add, let's say, Hyderabad, Cochin. How do we see this number on an annual basis? To get a sense on pre-Ind AS kind of EBITDA number?

Anish Mathew: Okay. I need to work it out specifically to kind of give you the correct picture as well. We will come back to you. I do remember or have shared this one to a couple of investors in the last meeting. I'm not sure whether you were part of that one, but I can provide this information separately. This will really help you in your projections. I can give you a kind of framework for a specific warehousing space, what was the rental and what would be the impact above EBITDA line as well as on depreciation and finance cost.

Nirav Savai: Right. Because if we adjust this number, the Ind AS EBITDA margins are very low compared to other industry peers. So I just wanted to get a sense when volume actually starts kicking in, how will you see this Pre-IND AS EBITDA number, once their expansion is over.

Anish Mathew: Well, I'll just add to what you said. There is a comparative analysis. I don't know which is the competition you're referring to. The purpose of IND AS is basically to kind of have a like-to-like comparison. We have an asset-light model maybe the competition which you're referring to doesn't have an asset-light model. So you cannot compare on a like-to-like basis for two different entities, which are following two different approaches. So in my view, okay, I believe you would need to do a comparison based on what we are showing versus what others are showing. We

cannot really discount that one. But if you want to kind of look at the real cash flow, that's a different perspective altogether.

Nirav Savai: Right. So just wanted to get a sense that if this kind of volume growth continues, what can be a Pre - IND ASEBITDA number, assuming all the end cost are there? And then what kind of EBITDA and cash flow we can make?

Anish Mathew: Yes. So we have, for this quarter, for this September ended, we published our balance sheet as well as the cash flow. And our cash flow kind of clearly states what is the pure cash flow and what is the pure IND AS impact. So you can refer to that, you'll get a very good indicative of the pure cash flow. If still any further any clarifications or inputs are needed we can provide that information.

Nirav Savai: Sure, sir, look at it, and maybe we can take it offline later.

Anish Mathew: Sure.

Moderator: The next question is from the line of Jainam Shah from Equity Securities Private Limited.

Jainam Shah: Sir, my question relates to the top line. So basically, if we see our consolidated top line for 1H versus 1H, it has been largely stable despite some 10% of volume growth in Express business. And we believe that Express will be the major growth driver for us going forward, not the fuel business. And we are just like two years over from our targeted FY '26, INR3,000 crores of revenue. So how we are looking to grow to this INR3,000 crores number given that the growth rates would be somewhere around 20%, 25% in total, which would be like 2x of the industry growth. So how we are looking at it?

Pirojshaw Sarkari: So clearly, growth for our business comes from two, three areas. One is volume growth and the other is yield growth, right? We already have shown volume growth over year-on-year as well as over last quarter. Then as we apply a yield growth to that incremental volume, the revenue growth comes in by itself. So it's a very good situation to be in where your volume has grown and now you have to apply the yield growth to that volume, and that's exactly what our sales and marketing team will be engaging with the customers and doing for us.

Moderator: The next question is from the line of Riya Mehta from Aequitas Investments.

Riya Mehta: My first question is in regard to you were just saying that, now we are seeing a trend where intra-state orders are more in and this is the way the commerce is working. However, the yields are lower in that segment. So could you elaborate how going forward, this would entail us to reach our guidance of FY '26? Because if we reduce the realization to become more cost competitive, that would have an impact on our margin.

Pirojshaw Sarkari: So it doesn't work that way. When you do intra-state business, your cost also reduces dramatically because your distances that you're moving, which is your main line haul and feeder cost reduces. In the transportation business, as your distances go larger, your cost per kilometre also increases. And therefore, as distances grow shorter, our cost per kilometre reduces. So basically, lower yield due to the product change does not necessitate a reduction in gross margin.

- Riya Mehta:** But as you mentioned, the yield at almost 20% lower than the normal large clients, right? Intrastate.
- Pirojshaw Sarkari:** So the cost has to be more than that, lower.
- Riya Mehta:** Okay. So it is more profitable than inter-state?
- Pirojshaw Sarkari:** Yes, thank you.
- Riya Mehta:** Yes. My next question is in regard to the 3.5% charge you said, which is on account of provision. So could you elaborate on what accounts are these provisions? And is it a one-off or it can be a recurring thing?
- Anish Mathew:** Well, that is not a recurring thing. As we said, this is basically a revision of the estimates which we have done on the cleanup exercise. So this has resulted in an incremental provision of around 3.5%. That has a much better-quality debtors, which has resulted in making a lesser provisioning. So that impact is coming in the operating. (read as other) expenditure. Very simple to your question, the 3.5% is basically a one-off. We don't expect this to kind of come in as a recurring expenditure in the coming quarters.
- Riya Mehta:** All right. And in terms of our entire IT system and software, we had done a tie-up with Tech Mahindra. So what kind of investments are we seeing there? And how will it come across?
- Pirojshaw Sarkari:** We haven't put out the number in the public domain yet, but it is definitely a very large investment. The process has started. It is going to be done in approximately four to five waves over 18 months. We have completed Wave 1, and we are pretty happy with what TechM has brought to the table so far.
- Riya Mehta:** Okay. And are you depreciating it after the entire thing is commissioned or as and when the wave gets commissioned?
- Anish Mathew:** Most likely, it will be after the entire project is completed because then that time only, we can account as an amortization expenditure.
- Riya Mehta:** And are we taking any debt for the same?
- Anish Mathew:** As of now, no. If you look at the balance sheet, look at the total debt for the – the net debt for Allcargo Gati stands at INR41 crores. So we have an external borrowing of around INR140 crores and approximately INR103 crores of cash and cash equivalent., We still have a pretty good amount of asset held for sale. I mean I'm saying pretty good amounts almost like INR80 crores of assets held for sale. And we would be able to kind of get that realization by Q3, Q4. And I think we believe that it is sufficient enough to kind of fund for the capital requirement.
- Riya Mehta:** Okay. So we won't take an external debt?
- Anish Mathew:** Yes. As of now, we don't have any plan to take an external debt.
- Moderator:** The next question is from the line of Rushabh Shah from RBSA Investment Managers.

- Rushabh Shah:** And just one clarification, sir, when you're talking about the INR3,000 crores revenue target, are we including any revenue coming from the fuel station business, if it is not divested by then? Or is it only for the Express business?
- Pirojshaw Sarkari:** Right now, when we talk about any figure, we talk about the existing businesses put together, right? We don't know as and when the fuel business will go away. Irrespective whether it is with or without, we will touch INR3,000 crores.
- Rushabh Shah:** In terms of the cost differential in the intra-state are much lower. Do you want to mention how much lower are the inter-state?
- Pirojshaw Sarkari:** I already mentioned that it is about 20% lower than inter-state, the yield.
- Rushabh Shah:** I'm asking about the cost. You said the cost is much lower, so there must be the cost percentage.
- Pirojshaw Sarkari:** So it is a lot more lower than the differential yield.
- Moderator:** The next question is from the line of Ronald Siyoni from Sharekhan Limited.
- Ronald Siyoni:** Sir, just on the volume trend, the strong volume growth, which we have reported. Can you touch upon the segments or sectors which have led to such a high growth? Also, this volume growth has been from the new clients or this was just the reversal of volumes, which has happened and this has led to high growth?
- Pirojshaw Sarkari:** Majority of this volume has come from our existing clients, although we have added new large clients also to our portfolio.
- Ronald Siyoni:** Okay. And some of the sectors, which has been there because we --
- Pirojshaw Sarkari:** Primarily, I would say it has come from retail and consumer durables.
- Moderator:** Thank you, ladies, and gentlemen, that is the last question. I now hand the conference over to the management for the closing comments.
- Pirojshaw Sarkari:** Thank you, everyone, for attending this call. If you have any further questions, please reach out to our Investor Relations team, and we look forward to meeting with you all in the next quarter too. Thank you.
- Moderator:** Thank you, members of the management team. Ladies and gentlemen, on behalf of Dolat Capital Markets Private Limited, that concludes this conference call. We thank you for joining us, and you may now disconnect your lines. Thank you.