May 22, 2025

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").

Ref.: Company Letter dated May 10, 2025.

Reference the captioned subject and mentioned reference, the Q4FY25 Earnings Con-Call with respect to the Audited Standalone and Consolidated Financial Results of the Company for the fourth quarter and financial year ended on March 31, 2025.

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

Kindly take the above on your record.

Thanking you,

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

PIYUSH KHANDELWAL Digitally signed by PIYUSH KHANDELWAL Date: 2025.05.22 17:08:15 +05'30'

Piyush Khandelwal
Company Secretary & Compliance Officer
Membership No.: A65318

Encl.: As above

"Allcargo Gati Limited

Q4 FY'25 Earnings Conference Call"

May 16, 2025

MANAGEMENT: **MR. KETAN KULKARNI – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – ALLCARGO GATI LIMITED**
MR. DEEPAK PAREEK -- CHIEF FINANCIAL OFFICER -- ALLCARGO GATI LIMITED
MR. SANJAY PUNJABI -- INVESTOR RELATIONS – ALLCARGO GATI LIMITED

MODERATOR: **MR. SUYASH SAMANT – STELLAR IR ADVISOR**

Moderator: Ladies and gentlemen, good day, and welcome to Allcargo Gati Limited Q4 and FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this 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. Suyash Samant from Stellar IR Advisors. Thank you, and over to you, sir.

Suyash Samant: Thank you. Good morning, everyone, and thank you for joining us today. We have with us today the senior management team of Allcargo Gati Limited; Mr. Ketan Kulkarni, MD and CEO of Gati Express and Supply Chain Private Limited; Mr. Deepak Pareek, Chief Financial Officer; and Mr. Sanjay Punjabi from Investor Relations, who will represent Allcargo Gati Limited on the call. The management will be sharing operating and financial highlights for the quarter and full year ended March 31, 2025, followed by a question-and-answer session.

Please note, this call may contain some of the forward-looking statements, which are completely based upon the company's beliefs, opinions, and expectations as of today. These statements are not a guarantee of the company's future performance and involve unforeseen risks and uncertainties. The company also undertakes no obligation to update any forward-looking statements to reflect developments that occur after a statement is made.

I now hand over the conference to Mr. Ketan Kulkarni. Thank you, and over to you, sir.

Ketan Kulkarni: Thank you, Suyash. Good morning, everybody, and a warm welcome to our Q4 and FY '2025 Earnings Conference Call, and thank you all for being on it. We have uploaded our results and earnings presentation on the Stock Exchanges and the company website. And I do hope everybody has had an opportunity to go through the same. I will now share an overview of the business, the economy and the industry, after which, I will hand over the call to Deepak Pareek, our CFO, to discuss the financial performance of the company for the quarter and financial year ended March 2025.

The Indian economy, as you all know, is projected to remain the fastest-growing economy in the current calendar and financial year with the IMF forecasting growth of about 6% plus. And this will outpace the global growth estimates about 2.5% to 3%. So we will, once again, be a very, very strong and growing economy, and that kind of augers very well for our business, which essentially is a trade facilitator for the industry. And this growth we are seeing is driven by very strong private consumption, macroeconomic fundamentals, and our resilience really stands out in a very volatile world that we are all experiencing.

Apart from that, the International Monetary Fund has also highlighted our growing global influence supported by the tremendous reforms that have happened over the last decade or infrastructure, innovation, financial inclusion, the spirit of entrepreneurship. And all this kind of positioning us as an economy, very, very well. As the global economic momentum kind of comes back, we'll be the front of it all.

And within that, the logistics sector in which we operate, I think, significant tailwinds. Again, over the last decade, a lot of investments in road, rail, multimodal connectivity, the national logistics policy, Gati Shakti, Make in India, Bharat Mala, Sagar Mala, all kind of transforming the structural business of the logistics ecosystem. So that's a wonderful.

And inflation also easing quite a bit in low single digit, as I read yesterday, and a lot of monetary support on the horizon logistics players. Well capitalized. There's rising demand in e-commerce, manufacturing is coming up. Consumption is a tad better. And with a good monsoon, I think that will accelerate further.

So the long-term objective for the sector, very positive, good structural reforms, good playbook. And what really is happening for us is that there's a growing need for integrated and tech-led logistics solution players. And the group itself, Allcargo and within that, our business unit, very, very well poised.

E-Way bill generation surged nearly 20% in March '25 to reach INR12 lakh crore plus for the first time. So again, that is a good indicator of economic activity. Net GST collections also saw a 7.3% year-on-year increase. So as I said earlier, all this kind of points to our direct or highlights the growing demand and economic momentum on which the logistics sector, as I said earlier, arrives very strongly being the trade facilitator.

Coming back to our business, a lot of initiatives have been taken which will lead the company back towards a profitable growth path. We are onboarding new large marquee customers that kind of reflects their confidence in the quality of service we bring in the value to their business, refocusing on MSME and retail, which really bring good high yields. And with the government focus on MSME, we will partner very, very strongly in enabling that part of India's business ,trade more in markets that were inaccessible to them. So our reach and depth kind of enables that a lot.

Additionally, we are looking at our prices, our tariffs, which will further enhance our gross margins. With improving service quality and the value we bring to customers, we feel there is scope of improving our pricing and tariff strategy.

Our ERP tech is such an important aspect now for logistics. The logistics is essentially a business that moves shipments, but those shipments move physically and they also move virtually on a tech platform. So our financial ERP, our operations ERP, all being modernized; the IT infrastructure being modernized. Apart from the digital infrastructure, a lot of investment in terms of the physical infrastructure, embedding of newer processes.

So all in all, everything that needs to be done for the business to grow, to become more profitable is being done. We recently launched HubEye, GateEye very innovative applications, which allow us 24/7 real-time visibility on trucks that come into our large surface transshipment centers, which we have about 21 across the country.

Last-mile operations through our channel partners have also been strengthened on the tech platform with a new pickup and delivery app that's been under development. So a lot of ticked boxes on the business, moving it to a positive phase of revenue and profitability.

That's my introduction of the business to you over the last quarter and the year. I hand over now to my colleague and CFO, Deepak Pareek, to walk us through the financial numbers, and we can definitely discuss some of those. Thank you, everybody, once again, for joining.

Deepak Pareek: Thank you, Ketan. Good morning, everyone, and a very warm welcome to our Q4 and FY '25 earnings call. I will take you through the financial highlights results for the full year and quarter gone by.

Before I share the financials, I will share an update on the corporate restructuring. We have received all necessary approvals from exchange and shareholders. The meeting happened in February 18. We are waiting for NCLT hearing, which is scheduled on 2nd July. Post the hearing, the outcome of the scheme and order will be communicated to the stock exchanges and our shareholders.

Another thing that I would like to highlight here is that in this quarter, the noncore assets, which we were identifying to say so far, we could sell one of them. And for other two of them, we could agree sign a definitive term sheet, and the process of closure would be completed in this quarter.

Now moving to the highlights of our Express business, In FY '25, the total tonnage handled in the full year was 1.25 million metric tons. The revenue of FY '25 stood at INR1,510 crores as compared to INR1,479 crores for FY '24, which depicts a growth of 2% on a year-on-year basis. Gross margin for the year showed an improvement of 18 basis points compared to last year on the back of several cost initiatives.

This has been reflected in our EBITDA growth, too. It has grown by 34 percentage as compared to FY '24. EBITDA margin for FY '25, on the other hand, has shown a growth of 110 basis points in comparison to the previous year. We are hopeful of continuing to build on this momentum with the initiatives highlighted by Ketan just now.

Coming to the quarter. In Q4 FY '25, the total tonnage handled was close to 3 lakh metric tons as compared to 3,12,000 metric tons in Q4 FY '24 and 3,33,000 metric tons handled in Q3 FY '25. Revenue for the quarter grew by 9% as compared to same period last year. Gross profit stood at INR89 crores as compared to INR93 crores of the same period last year. EBITDA for Q4 '25 stood at INR12 crores as compared to INR15 crores for Q4 FY '24. Net cash as of March '25 stood at INR109 crores.

With this, I would like to open the floor for question and answers. Thank you from my side.

Moderator: The first question is from the line of Anshul Agrawal from Emkay Global.

Anshul Agrawal: So a couple of questions from my end. First, on the industry level, like you mentioned in your opening remarks, indicators like E-Way Bill, GDP growth, etcetera, are all trending positively.

But prominent industry participants, including ourselves, are not been able to grow in line with what probably the historical performance of the industry has been.

Is it because the industry seeding sort of the share towards -- or larger pan India operators are seeding share to regional players? Or is it that Express itself is highly difficult to grow? What could be the probable reasons around the tepid top line growth? Yes, that's my first question.

Ketan Kulkarni: Sure, sure, Anshul. And a very, very good question. I think I'm sure you've been tracking the industry. The industry Express grows at about between 1.2% to 1.5% of the GDP. So in that sense, the growth is about between 8% to 9% that the Express industry grows at. Wherein Surface grows a tad faster than Air. So the industry is maintaining those parameters of 1.2% to 1.5% of GDP. So that's in a comfortable space for the industry.

Secondly, because of the formalization of the industry and the structural reforms that are happening, we are seeing that there is a propensity and favor in terms of organized national regulated players rather than regional players. So that's the organized industry is growing a tad faster than the regional industry.

And thirdly, our own business, you have seen our numbers over the last quarter, numbers are here for you to see FY numbers and also over the last 2 or 3 years. So we have kind of grown much slower. But from the various measures that we have taken now, we have seen some positive green shoots of growth, and that should be visible as we kind of go into the quarters, the subsequent quarters.

Anshul, I hope that kind of answers -- we could do right now or move to the next one.

Anshul Agrawal: So partly, just a follow-up on this, sir. The volume growth is sort of what I was trying to allude to I understand we have other levers in place, but the volume growth seems to be trending unfavorably is what my question is.

And not just for you, even for other larger participants. So I'm still unclear if despite the tailwinds of formalization, etcetera, when do we see pan-India operators sort of gain volume share -- volume market share?

Ketan Kulkarni: Volume market share from the unorganized?

Anshul Agrawal: That's right, sir. That's correct.

Ketan Kulkarni: Yes. So that's what I was saying. And the organized players is -- I don't know how we have, within yourself, segregated the market, but we see it at 2 cuts. One is the top 5 players, which includes us; and also the top 10 players, which includes us and we bring in another 6. So that's how we see the market.

And that market, as an entity, is definitely growing, and we're kind of chipping away numbers from the regional players. So that's happening. And with improving infrastructure, as I said earlier, with regulation, we will see more of the organized market going much, much more stronger than it is now.

Anshul Agrawal: Sure. I'll move on to the second question, sir. Have we been able to take the price hikes that we had indicated earlier in Q4?

Ketan Kulkarni: Yes. In fact, Deepak just made the comment that the tonnage handled was much less, but there is a growth in revenue that clearly indicates that the yield has improved.

Anshul Agrawal: Okay. It's not product mix or lane mix, which has driven -- that have taken price hikes for like...

Ketan Kulkarni: Absolutely, absolutely.

Anshul Agrawal: Great. And as -- have you seen industry participants follow suit over here?

Ketan Kulkarni: I would not like to comment on competitors in the industry, Anshul.

Moderator: The next question is from the line of Disha from Ashika Institutional Equities.

Disha: I just wanted to understand we have seen growth in the Surface business in FY '25, but there has been a decline in just a marginal decline in Air Express business. Now that I understand it might be alluding to the fact that we did take a price increase. But could you just comment on the revenue mix about these different segments?

Ketan Kulkarni: Yes, you would like me to comment on what?

Disha: The Segment mix surface, air and supply chain business.

Ketan Kulkarni: Okay. So by segment mix, you want me to tell you client mix or...

Disha: No, revenue mix.

Ketan Kulkarni: That's there in the presentation.

Disha: Yes. But we see an increase in the surface revenue. So what...

Ketan Kulkarni: You're saying why is the Air Express revenue degrown when the surface has grown. Is that your question?

Disha: Yes, yes.

Ketan Kulkarni: And you correctly for -- that's right. So now I have I'm very, very clear. So yes, Air Express we kind of degrew because one of our very large customers moved away because of the pricing pressure that we have put on him. And that is the only loss that you are seeing there. In spite of yield increase and pricing pressure we put on our surface customers, we could hold them and grow the business, but that didn't work out with 1 particularly large air customer who we let go.

But again, to kind of qualify the statement, Air is a focus area for us because Air improves our blended yields for the business. We see a great opportunity to be in Air because there is only a single player that has its own aircraft, but has just 45% to 50% of the market. So there is still 50% of the market that operates on belly space of commercial airlines.

So we see a delta to improve our Air Express business. And going ahead, you will see a lot of focus and action on the Air Express business in terms of improving transit times, in terms of deeper reach, in terms of a more aggressive go-to-market strategy. So a lot of focus, and we will see much better year-on-year growth on the Air Express business.

Disha: So since we have a lot of focus on the Air Express business, would you like to give a revenue target for it or a guideline for it for, say, FY '26 or in the near long-term say, 2, 3 years?

Ketan Kulkarni: We will grow faster than the market is the indication. The air market grows at about 3% to 4%. We will grow in multiples of that. And the entire business have only given an indication in terms of earlier calls that we will grow at about 10% above the total express market. 10% means that the market is growing at 10%, we will grow at 11%. If the market is growing at 15%, we'll grow at 16.5%. But in Air, it will be much more a multiple than that, that is the guidance I can give you, Disha. And with the Disha we'd like to go.

Moderator: The next question is from the line of Chirag from Keynote Capital.

Chirag: My apologies if I missed the initial comments and my question is kind of repetitive. First thing I would like to know is that the earlier participant talked upon the competition point. If I'm not correct one-off, our unlisted peer is growing at an excellent pace when it comes to terms of volume. Is there any change in market share between the top five taking place where one is taking over the others. Could you comment on that?

Ketan Kulkarni: Yes. If you -- I mean, I don't need to comment Chirag, if we have been studying the industry, my flat revenue growth over the last 3 to 4 years, will indicate a drop in market share. But going ahead, we'll kind of chip in and gain market share every quarter. So -- and you qualified the competitors unlisted. So that was a comfort factor because the operations of listed and unlisted company will be totally different.

Chirag: Okay. And second, sir, you have made a comment that Express distribution grows at 1.2 to 1.5x of what the GDP growth. Just wanted to -- I just wanted a clarification. Is it in terms of volume? Or is it in terms of the overall revenue?

Ketan Kulkarni: So it is in terms of how the GDP is measured. GDP is measured by value.

Chirag: Okay. Third thing, as you have said that we have taken some price hikes. Just wanted to check, gross margins have taken a dip. So is it like there is an increase in costs which we are passing on? And is it both the thing? Like we are passing on the cost going forward plus the hike that we are taking?

Ketan Kulkarni: Yes. Definitely, our gross margins have taken a dip. And now I'll invite my colleague and CFO, Deepak Pareek, to kind of take the question and explain to you in a deeper sense.

Deepak Pareek: Thanks, Ketan. Chirag, so if you see on a year-on-year basis the gross margin have gone up by 80 basis points from last year, 24.6% to 25.4%. So that has been our focus to increase the gross margin on a constant basis. I think we have been reactivating this point. Only aberration what we did in this quarter was taking true from the market and our business partners.

We took some conscious decision in terms of taking some additional costs, which if you see on the -- as reflected in our current quarter margin fall. And we are very optimistic that the decision on the investment, which we've done on the service improvement plan, will get reflected as we move ahead in the next quarter.

Part of it was already visible in the current quarter. If you see the growth in revenue of 9%, which, I think, we are comfortable and confident that we have done the investment in the right direction, and we'll move further in the same momentum.

Chirag: Will it be possible for you to highlight what kind of services additional services that we are providing due to which both cost and revenue has taken a jump?

Deepak Pareek: Yes. So as you know, we work on a business partner model where we have associates who work -- who partner with us in terms of pickup and delivery and lead generation and others. So the incentive plans for those business partners, we had done a rework in the month of Feb onwards, -- mid of Jan to Feb.

There was some restriction on load pickups that we had relapsed so that any partner based on his capability or capacity, they can do further load addition to the volumes. So earlier, we had certain restrictions we also has to have the loan distribution across the business partners. So that is other initiatives.

Incentives, if you see in terms of this business is very competitive, we need to keep the business partners engaged with the company. So that we did. And we were -- in this quarter, we were comfortable because we were getting -- we were in sight that we will end the year with a very positive note to see our PBT has shown a substantial improvement as compared to the last year. So that's the direction we follow.

Chirag: I'm sure, PBT has taken a good jump. However, I feel that it is a one-off where income tax refunds I've taken due to which other income is high it has not to do with the operational part of the business. But I'll move forward. My next question is related to understanding, like I'm able to see we are doing a good expansion on our hubs. We got a chance to visit one of your hubs and understand how the big hub has been created.

What the difference has been made. Just wanted to check how are we focusing on volume growth because after getting such benefits of creating better-doc for movement of products for better efficiency, everything leads down to how we can manage higher amount of volumes, right, which will lead to operational efficiency. So just wanted to hear your thoughts. How are we focusing on improvising better volume growth, gaining more wallet share from the current clients as well as making sure to land new clients?

Ketan Kulkarni: Yes. I think you answered the question yourself in the first half that -- and I'm very happy you went to the hub. And if I heard rightly, you kind of appreciate it also. So service quality is really the turning point of our industry -- and not ours, but everybody. If you are in the service industry, it's service quality. If you're in the manufacturing industry, it's the product. So a lot of focus, as I said earlier in my opening comments also. Service quality will be our differentiator.

That service quality, coupled with the right price, will be the value driver. How we deploy that formula on various sectors that we are growing much more strongly will be the other triangulation point. So how we work with channel partners, as Deepak mentioned earlier in his comments on the remuneration on -- I mean, allowing them or enabling them to pick up more tonnage from the market, etcetera.

So we are working at triangulating all these areas, which will work towards 2 things: volume. But that volume will not be adding to revenue. That volume will add directly to the bottom line in a much better manner because we are going after quality revenue. We are improving our yields. We are looking at what value-added surcharges we can deploy on the customer for the value-added services that we give him.

We have started a build-it-all program where each customer is dissected for the services he takes from us and whether we are walking away by leaving any money at the table in the hunger for volume and business. So I think the whole lens of the business we are changing from revenue to revenue quality, and you will see that impact in the coming quarters.

Chirag: Fair enough, sir. My next question is related to any updates on the restructuring that is taking place?

Deepak Pareek: Yes, Chirag, I covered that briefly. So we had -- the shareholders meeting was on 18 Feb. And post that shareholders' approval, we had done the filing of petition at NCLT, and we were expecting a hearing before the vacation, but we could get the hearing schedule on 2nd July. So post any outcome post July we will communicate to you. I think that's the update we have on NCLT per se.

Chirag: Fair enough. Sir, one question I wanted to understand a little of the -- I'm trying to understand the industry itself. Government is focusing on reducing the transportation cost as a percentage of GDP, right? And I have seen multiple industry where cluster creation takes place. For example, if we are a supplier of auto ancillary parts from one part of India to another, government focuses on creating cluster itself.

Like the final car manufacturers at one place and nearby the cluster creates where all the auto ancillary companies are available. So that freight cost reduces. Just wanted to have some understanding from you. Is that something that is happening on ground from multiple industries which can be an impactful thing for transportation industry? Or am I reading it incorrect?

Ketan Kulkarni: No, I think you're reading it correctly, and I'm sure there is no doubt because you must have been studying the macroeconomic policy and its influence on various industries, including ours, which is logistics.

So the focus of government in terms of reducing the cost of logistics very rightly pointed out by you. But the cost of logistics is broken up between direct cost and indirect cost. So the real focus of reducing our logistics cost will be on the indirect piece. But there's a lot of wastage in terms of goods, in terms of the warehousing, the damages that happen when goods go on, inadequate infrastructure, etcetera, etcetera. So the major reduction that the nation will manage or will focus on is to reduce the indirect cost of logistics. And this 14% cost of logistics to GDP is kind of equally broken up between 7% direct and 7% indirect. So that will be the focus.

Coming to the second point in terms of clusters, etcetera. This is not a new model. It is the old model. If you see across states, there have been the industrial development parks, like the MIDC because we added Maharashtra MIDC or the GIDC or the Tamil Nadu industrial development parks, etcetera. So that is pretty old model and evolved, and it's not just in India, it's a global model. Everybody who sets up a large industry will want to have its ancillary suppliers very close to, etcetera.

But apart from that, we have seen as nations and economies evolve, that model is not the sole model of how industries operate. It is part of a larger playbook. And we are very cognizant and we are the best place to take advantage of that because we have services which we classify internally as 21, 22, 23, 24. 21 is an intrastate service, whereas 24 is a national interstate service. And within that, we have the zonal service, cluster service, etcetera, etcetera. So I think very good observations that you made.

Chirag: It is a bit clear to me as of now. So last question from my side. On of the box, thought process, is there any thought after the restructuring where the contract logistics business and the express logistics business clubs? Allcargo is willing to sell the stake of the entire India-based business. Is there any thoughts?

Ketan Kulkarni: I did not understand your question.

Chirag: So once the contract logistics business from Allcargo -- from the logistics parent company gets transferred to the Allcargo Logistics business where both Express Logistics and Contracts logistic is there going forward? Is there any thought from -- on a parent level, the promoters are willing to sell the stake to someone else, some private equity companies to run the business going forward?

Ketan Kulkarni: I'm not a promoter, sorry. So how do we answer this?

Sanjay Punjabi: Yes. Chirag, Sanjay here, I'll take that up. As of now, there's nothing that we can comment on or have knowledge about. It is status quo for us. We intend to run the business as is both Express and ASCPL after the merger is done, and that's the status that we can talk about right now.

Moderator: The next question is from the line of Shikha Mehta from Time and Tide Advisors.

Shikha Mehta: Sir, I wanted to understand, we've been talking about increasing our share from retail and MSME for a while now but that somehow is not translating into numbers. So do we have a strategy? Are we seeing any change? Do we think it's the price increase? Can you help me understand that?

Ketan Kulkarni: Yes. Shikha, right, if I heard correctly?

Shikha Mehta: Yes, yes.

Ketan Kulkarni: Yes. So Shikha, that is still a focus area on our radar, etcetera, etcetera. If you saw -- if you see and if you're referring to Slide 14, my retail business has grown by a percentage point over FY

'24 same quarter last year. But the MSME business took a bit of a beating. But we've kind of compensated that by growing our KEA accounts much stronger.

It is very difficult to sell to a KEA account because everybody vies for their business. Their standards are very high, etcetera, etcetera. So I'm very happy where that position we have been able to take. But MSME, I think that was a structural flaw in our internal go-to-market strategy on MSME, which we have kind of reversed and corrected.

So you will definitely see much better and improving numbers quarter-on-quarter now from the MSME segment -- and let me requalify, you will see an improvement in our yields. So that kind of also didn't dent our yields too much. Retail and MSME are high-yield businesses compared to KEA.

Shikha Mehta: Correct. And sir, another thing I just wanted to understand how the industry has accepted our tariff hikes as well. We have, of course, seen slower volume growth. And our EBITDA margins, gross margins growth have taken a hit because I'm assuming our volume is slightly lower. Do we have not specific guidance, somewhere we want to be?

How are we looking at this? And if you have any margin at EBITDA level where we'd like to be because I think we were doing well for the last few quarters and then again this quarter has seen a hit if we remove the other income.

Ketan Kulkarni: Yes. I'll pass this to Deepak, Shikha, please, to answer.

Deepak Pareek: Yes, Shikha. I partly answered earlier. So EBITDA margin target, I think we -- when we were discussing in the last quarter, we were comfortable that we took a decision. That's why it is, on a quarter-wise, which is it. But on a yearly scenario, we are better on the EBITDA margin. And our focus to go to a level of 6.5% to 7% for the next financial is maintained. We are keen to do that, and which will be -- I think the growth in volume and revenue numbers which we discussed earlier also we still maintained.

So yes, that target, which we have and I told you the initiatives which we get in this quarter are primarily with the intention to improve the service level offering, which is an elaborated that our business -- our business is more of a service quality driven business. Once I think that has helped in current year also, we had seen in pockets, whether in terms of reduction, there is a reduction. Overall collection improvement is there. So I think we are on the right path as of now.

Shikha Mehta: And so we can expect all of this coming in the next financial year, right? We can expect -- at least that is our goal that this quarter, we've taken a hit to restructure our operations a bit so that next year and the year after that, we can see better growth?

Deepak Pareek: Yes, yes. So we were mindful of this other income, which is coming to our profitability level. So that's made us -- allowed us to take the decision to be flexible on cost and see the impact of that on service quality, which we were planning to do previous quarter also. But I think we were quite flexible in this quarter to do that. And we took that risk. And we are confident that, that will be all.

Shikha Mehta: And sir, just to understand, in FY '26, post the rate hikes, are we seeing inquiries and traction? Or is it still little difficult post the hikes?

Deepak Pareek: Are you saying of the GPI increase post the tariff?

Shikha Mehta: Yes, yes, sir.

Deepak Pareek: Shikha, the tariff hike was always on the cards. We were slightly -- we were delayed in terms of getting that from the market. Now with the service quality improvement and the tariff card, if you see, we are well priced across all the segments, whether it is air, surface and also the lanes and routes, which we have dominance.

So we -- acceptance on the lane specifics, there are certain queries or some reservation. But overall, there is an acceptance of the tariff card from all the customers. There is -- the process of sign off goes on throughout the year. We have seen one effect in this quarter. And as we go in this quarter, next quarter, there will be follow-on effects, which will be visible.

Moderator: The next question is from the line of Chirag from Keynote Capital.

Chirag: Just wanted to check, is our targets related to gross margin still intact around 30 percentage going forward?

Deepak Pareek: Chirag, 30% is quite steep. Knowing the challenges and the business environment, what you know, just yourself articulated what the industry growth and other challenges. On a gross margin, our realistic estimates is to move from 25.5 onwards to move to a level of 27 in this year. That would be the realistic assessment from our point.

Chirag: Fair enough. And I just wanted to know, is it possible for you to bifurcate our direct overhead into fixed and variable as a percentage?

Deepak Pareek: So direct or is straightaway linked to the volumes actually. So that's why they have kept it above the gross margin. There is no fixed components, fixed components goes out as other expenses. So if you see the cost which is there on employee and repairs and maintenance, rent and others are below the gross margin. So direct cost is purely the line haul, the pickup feeder, feeder costs and all those costs which are directly attributed to volume we get.

Chirag: Fair enough. Fair enough. So sir, just wanted to understand where we are focusing on 100 bps to 150 bps improvement in gross margins. Will it be led by mix change and slight by the higher charges which we are trying to apply on time. Are these the 2 levers behind it? Or will it be something else, too?

Deepak Pareek: Yes. Chirag, as Ketan elaborated that on the sales mix, there will be -- there is a lot of strategy in terms of build it all campaign or value-added services realizations. So focus is there on all counts. Product mix and about mix enhancement and also the previous sector business diversification, let's say, focusing on clusters.

So all those are in place as we go. So I think it will not come from one bucket. It has to be followed to multiple approaches. We have been having regular sales lids, which gives us very insights on the ground, what's happening, so which we keep on pivoting our strategy as we move on. So yes, there is no one fixed answer, but it keeps on changing every day.

Chirag: Fair enough. Fair enough. And sir, any -- as you have initially commented if I am not wrong, the fuel station business 1 out of 3, 1 is sold and 2 are expected to get sell by -- in FY '25 itself, is that correct?

Deepak Pareek: Yes. So if you see in our financials, we have shown them as a discontinued operation. So one of the fuel station was already closed. The agreement was concluded in this quarter, Jan to March quarter. For other two, the term sheets are executed, and we are in the process of due diligence and other operations with the fuel suppliers and all. So I think once that is closed, it's slightly a cumbersome process actually, which we are enabling. And by this quarter or next quarter, it should be closed.

Moderator: The next question is from the line of Jay Singh, an individual investor.

Jay Singh: Okay. Let me first state that a couple of things that have changed since the new management has taken over. There are -- there is more visibility of the brand as such. So I must congratulate you on that part, especially when you came up with the idea of the fact that you've held the Tirupur cluster through and through these many years.

But let me be blunt on the other side that the past management, since many years, has given us a lot of platitudes. And one such platitude always -- that has always been on the desk is that the high tide will make the business rise, and high tide like the economic growth and things. Of course, if the U.S. FTA comes about, you will be in a good spot. But having said that, what the investors and let me state that we are now very, very edgy and very, very -- having waited all this while, we need to understand a few things very, very clearly from the management.

One is what are the key advantages vis-a-vis the competition that you have built in your system? It seems to be a classic case of structure being built and the strategy not being in place. So that is something which we need to understand.

Secondly, drawing from your international linkages and the success of your international business, would you offer door-to-door service, okay, integrating both the companies, the systems that are -- the operations that are in place for exporting firms to transport your stuff from the gates of a factory to the doors -- to the warehouses of the customers. So would you be able to offer that kind of an advantage?

And thirdly, have you ever thought of dominating certain industries and creating carving out business with key marquee customers. This is something which I need to ask of the present Managing Director. And very, very briefly to also touch upon the fact as to whether you would want to replace the few key personnel that you have lost in the last few months? Thank you so much

Ketan Kulkarni: Yes. Thank you so much. A very long question. But I think I'll take it in parts, and thanks for your acknowledgment that the brand is very, very visible. You see much more of that being top of mind for any brand is very, very important for all stakeholders, for our customers, for our employees, for stakeholders, like you, etcetera, etcetera.

You also kind of mentioned that the structure is in place, but the strategy was not in place. And strategy, essentially, is for me, more importantly. What no do you say to customers as it's very easy to sit in front of a customer and say, yes. So that yes, was being said more often than it was necessary. So we had a little a bit of unstructured selling in terms of our contracts, in terms of compromising our service quality by making it nonstandard because ours is a standardized business.

The more we follow SOP, the more profitable we will become. To follow that SOP, we have kind of now, in my earlier half of the conversation, also spoke about how we are building tech to enable much more stronger processes, which will enable much better service quality. By service quality, I don't just mean operations. Service quality also means a recovery with the customer whenever a bad incident happens and that happens in our industry where we kind of operate, various value-added surcharges that we give our customer.

We are very, very focused on automotive. We are very focused on the diversified industries, in fact, one of -- the largest conglomerate, which is diversified in the country is 1 of our top 10 customers. So we are very focused on customers who are in diversified businesses that kind of enables us to build capabilities on e-commerce, enables us to build the capabilities on automotive, pharma, etcetera. So that's -- those are the factors that we are kind of focused on.

And lastly, you spoke about the group capabilities and the international opportunity. So the group has 4 listed units on the stock exchange, and each has their core area of focus. But within that, we also have a cross-BU go-to-market program where our commercial heads regularly interact with each other, look at the large 500 customers or industries that are in the country and how we kind of approach them.

And there are various companies where 1, 2 or even 3 business units of the group work with such companies. So that has always been a dominating thought process in the group and within the BUs. So that's the third part of your question. And the fourth was the key personnel. All the key personnel that exited have been replaced with talent that was internal. So we have promoted a lot of people internally. And the structure in terms of manpower, structure in terms of process, is all kind of in place.

Slide 19 of the investor presentation, you will see the current management team that manages the Express business. So the National Head of Sales and marketing is the new incumbent. And so is the National Head of Operations. Apart from that, the team is very stable at human resource, CIO, CFO and MD CEO of course, notwithstanding the fact that the MD CEO and Deepak CFO are new to the business in the company, not new to the business, new to the company.

Jay Singh: Yes. So...

Ketan Kulkarni: Your voice has become very weak. Can you come back, please a little stronger?

Jay Singh: Yes. Can you hear me?

Ketan Kulkarni: Yes. Perfect, perfect, perfect.

Jay Singh: So the first question, you possibly answered it as being the service component being the advantage over the competition. That is what you're trying to build?

Ketan Kulkarni: Yes. And by service, I meant, not just operating service, but service in terms of customer service how a complaint is resolved, service in terms of financial accounting, how the revenues are accounted, how the collection happens, what service we give customers. So it's a whole rounded experience apart from we pick up my shipment and deliver the shipment, which, of course, remains 80% of his core necessity.

Jay Singh: Okay. Do you still have legacy issues on that count because you mentioned accounting. And those largely would have been legacy issues?

Ketan Kulkarni: Yes. And largely, they have all been sorted out.

Jay Singh: Okay. So that's the first question answer. The second key question that I asked was whether you are able to offer door-to-door service to exporters because if at all, the FTA with the U.K. has come about -- if the FTA with U.S. comes about and you want the high tide to lift the revenues here and the profitability of the company, then you need to be with the exporters. So just as the Tirupur cluster, and you have a certain advantage as with Tirupur. The international operations, if they are juxtaposed with the domestic operations in some seamless manner, that would be a clear advantage over the competition.

Ketan Kulkarni: No, no, I'm perfectly aligned. And so is the group. And I think I had touched that point that there is a cross-view sales program that looks at the entire journey of a shipment from international borders to Indian bothers and within -- because we have the wherewithal with our businesses to bring transborder shipments into the country or take transborder shipments out of the country before going out of the country or after they enter the country, we have a capability of terminal handling for them.

We have the capability of warehousing for them. And then we have the capability of door-to-door delivery for them within the nation with Express. About 50-plus countries, I believe the group has already started door-to-door capability internationally in countries like the U.K., the U.S., etcetera, etcetera. So I hope I kind of answered that part of your question also.

Jay Singh: That is very clear. And the last thing that I want to ask is what is the debt that is going to come on to the balance sheet post the merger? But before you answer that, let me state this. The idea of dominating industries was from a marketing point of view, not necessarily from the revenue-garnering point of view, is what -- once you dominate an industry, and you prosper it as a marketing tool, then the fallout of that usually is in some multiples. I'll leave that to you for -- to mull over. But the last question really is how much debt would come over onto the balance sheet post the merger?

Ketan Kulkarni: Yes. Deepak, over to you.

Deepak Pareek: Yes, yes. So if you see the scheme document, which is approved by shareholders from 1st October, 1st October '23, which is already avoided in terms of the debt and the components of debt, which will come to the company. There would be certain repayments and natural repayments would have happened.

So from our estimate, it would be in the range of INR80 crores to INR90 crores post the repayments of the existing debt, which has happened so far. Of course, the numbers could change based on the final scheme order and -- which we'll definitely share with you Jay…

Jay Singh: This is a net figure that you're talking about?

Deepak Pareek: Yes, yes. Yes.

Jay Singh: Okay. Okay. And you see it upwards of, say, INR100 crores. Let's put it that way?

Deepak Pareek: We'll share the information with you once the court order is given and how the numbers will look like.

Moderator: Thank you. Ladies and gentlemen, that was the last question for today's conference call. I now hand the conference over to the management for closing comments.

Ketan Kulkarni: Thank you, everybody, for coming on the call. It was a very interesting call with some very insightful questioning. I do hope we could answer all the questions to your satisfaction. But for any more information, do definitely reach back. My colleague and Head of Investor Relations, Sanjay Punjabi, will be happy to take those ahead. And thank you, everybody, once again. A pleasure to be on the call as always.

Deepak Pareek: Thank you.

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