



June 05, 2024

National Stock Exchange of India Limited
Exchange Plaza, C-1, G Block,
Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051
Symbol: AVG

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai - 400 001
Scrip Code: 543910

Dear Sir/Madam,

Sub: Transcript of Earnings Call Q4 FY24

This is in furtherance to the intimation dated June 03, 2024 for Investor conference call, please find enclosed herewith the transcript of the Earnings Call.

The same is also available on the website of the Company in the below link:

<https://avglogistics.com//images/pdf/Q4FY24ConferenceCallTranscript.pdf>

The above information is for your record and further dissemination.

Thanking You

Yours faithfully,
For AVG LOGISTICS LIMITED

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“AVG Logistics Limited
Q4 FY '24 Earnings Conference Call”

June 03, 2024



MANAGEMENT: **MR. SANJAY GUPTA – MANAGING DIRECTOR**
–AVG LOGISTICS LIMITED
MR. HIMANSHU SHARMA – CHIEF FINANCIAL OFFICER
– AVGLLOGISTICS LIMITED

MODERATOR: **MS. VAISHNAVI AMBOKAR – KIRIN ADVISORS**

Moderator:

Ladies and gentlemen, good day and welcome to Q4 and FY '24 Earnings Conference Call of AVG Logistics Limited hosted by Kirin Advisors. 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 Ms. Vaishnavi Ambokar from Kirin Advisors. Thank you and over to you.

Vaishnavi Ambokar:

Thank you. Good afternoon, everyone. On behalf of Kirin Advisors, I welcome you all to the conference call of AVG Logistics Limited. From management team, we have Mr. Sanjay Gupta, Managing Director and CEO and Mr. Himanshu Sharma, CFO.

Now I hand over the call to Mr. Sanjay Gupta, sir, Managing Director and CEO. Over to you, sir.

Sanjay Gupta:

Thank you, Vaishnavi. Good afternoon, dear investors. A very warm welcome to Q4 '24 conference call for AVG Logistics Ltd. We will start with our recent development and financial performance. Thank you, all stakeholders, for being part of AVG. We are sustainable, reliable, integrated logistics company for India's top businesses.

Our vision is to be part of India's success story by being the most reliable and sustainable logistics service partner to India's top businesses. AVG Logistics has evolved into a dynamic force, becoming a leading multi-modal logistics solution provider in India. The journey of AVG Logistics is marked by rapid growth, fueled by a dedicated team of logistics experts and a technological advanced fleet to deliver customized full-track solutions across transportation, warehousing, distribution, supply chain management, 3PL services and cold chain transportation.

AVG Logistics aims to deliver excellence with every mile through, a continuous focus on customer centricity and a dedication to staying at the forefront of industry technology. We also secured a long-term contract from Indian Railways for the operation of a Parcel train valued at INR105 crores with a contract tenure of six years.

Though this contract, while departure of the train from Chennai to Guwahati, company will serve the industry in the field of tyre, hosiery, garment, FMCG, incenses, etcetera. Departure of the train from Guwahati to Chennai, the company will serve in the field of tea, bamboo, plastic granules, mosquito replant, FMCG and hair oil, etcetera. Continuing our commitment towards cleaner and more sustainable supply chain practices, we have ordered LNG trucks from LNG OEMs to our fleet and launched the very first LNG truck in March 2024.

These efforts signify a meaningful stride towards a greener world where businesses play a crucial role in shaping a more sustainable and resilient future. The fleet strength of the company as of March '23 was 467 owned vehicles and increased to 574 vehicles as of 31st March '24. These vehicles were built on the request of the customer on the long-term contract.

With the addition of 107 vehicles, we also expanded our rail network with the addition of three new routes bringing a total of eight rail routes. Our business plans are initiating including launching EV electric vehicle and LNG fleet targeting to add 50 vehicles by December '24 and another 50 vehicles by June '25 for green logistic exposition. Our market focus and differentiation and driving by a strong customer base in FMCG sector and focus to expand into a chemical, pharma, cement, paper, steam industry, electrical, telecommunication, auto part industries and other major industries.

Our competitive landscape includes unique services like multimodal transportation, rail service, cold chain transportation, warehousing services and packer and mover services. The company's dedication to honesty, responsibility and dedication customers set up a part in the industry. We are pleased to announce the company has declared a dividend of 12% on its face value to its shareholders' consecutively this year also compared to 10% previous year. The dividend has been approved by the Board on 29th May '24 and to be recommended for shareholder approval in upcoming AGMs. Thank you for your continued support and partnership which remain pivotal in our success. Thank you for being an important part of the company journey. For a detailed overview of our financial performance, I invite CFO Mr. Himanshu Sharma to take it forward. Thank you.

Himanshu Sharma:

Thank you, Sanjay sir. Good afternoon, everyone. I am pleased to share our consolidated key financial highlights for Q4 financial year'24 and financial year '24 on overall basis. In the fourth and last quarter of the financial year, we closed revenue at INR136.95 crores marking a notable year-on-year growth of 21.33%. The total income has increased to INR147 crores with year-on-year growth of 28.42%.

EBITDA stood at INR45.35 crores reflecting a year-on-year growth of 61.26%. EBITDA margin reached to 33.12% showcasing a growth of 820 basis points quarter-on-quarter. We are proud to report a PAT of INR22.88 crores with an impressive year-on-year growth of 106.56% resulting PAT margin of 16.7% for the quarter ended March '24. Q4 financial year'24 includes exception item of INR13.94 crores income from NDR AVG Business Park partial investment sale and one-off income of INR7.02 crores reported in other income from reinstatement of investment from fair value through profit and loss accounting as per Ind AS 109. These numbers were at PBT level.

Therefore, excluding the above-mentioned one-offs, the Q4 2024 we have reported a PBT of INR7.58 crores against a PBT of INR6.51 crores of Q3 '24. In percentage terms, Q4 EBIT has improved to 5.54% against 5.21% which is showing a growth of 6.33% quarter-on-quarter basis. Please also note that Q4 financial year'23 financial was first-time adoption of Ind AS with migration to the main board and therefore quarterly results were also reported first-time.

Earstwhile half-yearly reporting in SME platform and overall performance of the company are comparable with quarter-on-quarter basis from the current year quarters and year-on-year basis with respect to full-year reported numbers. Our EPS also saw significant growth standing at 19.10 up by 103.20% compared to previous year. These were quarterly performance explanation and now going into full-year performance for financial year'24, we closed revenue at INR479.88 crores marking a year-on-year growth of 12.3%.

The total income increased to INR491.07 crores indicating a solid growth of 14.23% year-on-year. EBITDA for the year amounted to INR108.86 crores showing a robust year-on-year growth of 40.04% with an EBITDA margin of 22.69% up by 449 basis points. Our PAT increased to INR31.92 crores exhibiting a year-on-year growth of 283.07% resulting PAT margin of 6.5% up by 456 basis points.

Overall year-on-year basis our operational costs increased by approx 2% with inflationary and year-on-year increases but all other expenses with sales, general administration, finance costs, depreciation has reduced by approximately 3.7% which has resulted overall operational PAT improvement to INR13.4 crores against INR8.33 crores of the previous year which has resulted in a growth of 60.62% compared to financial year 23.

Our EPS for the fiscal year stood at 26.66% reflecting year-on-year growth of 277.30%. We are also happy to inform that company debt has reduced from INR112.74 crores to INR88.88 crores in financial year 24 reflecting improved financial health. Thank you, dear investors, for your continued support and trust in AVG Logistics. We appreciate your commitment to our journey. Your confidence inspires us to reach new heights in the logistics industry and we value your partnership in our growth.

Now we are open to any questions you may have.

- Moderator:** Thank you very much. We will now begin the question-and-answer session. We will take a first question from the line of Prathamesh Dhiwar from Tiger Assets. Please go ahead.
- Prathamesh Dhiwar;** Yes, congrats, sir, for the good set of numbers. Sir just wanted to know in Q3, I think we told we are going to enter into QSR sector. So how is it going, sir?
- Sanjay Gupta:** Yes, QSR sector is doing well and we have received the order from JFL and our revenue in this sector will be double in the March 25, Implemented as I have mentioned that we have added 107th fleet in this year. So, the new fleet which we are adding to the profitable business which is like QSR is one of them.
- Prathamesh Dhiwar;** Okay, so this QSR revenue, how much it contributes current to the revenue, sir?
- Sanjay Gupta:** It is around, presently we are doing business with this customer of around INR12 crores to INR14 crores per annum and now this will increase to INR30 crores per annum.
- Prathamesh Dhiwar;** Okay, for FY25.
- Sanjay Gupta:** Yes. So, this is already 100% implemented and this is from March onwards we are placing the vehicles and now the entire placement has been done and business has started.
- Prathamesh Dhiwar;** Okay. And so, I just wanted to know on the margin side, how much EBITDA margins and also PAT margins are we expecting for FY25 and 26?
- Sanjay Gupta:** 25-26, we are expecting the PAT margin will be around 5% to 6%. And revenue we are expecting and doing a lot of efforts towards that line, that top line will be around INR700 crores.

- Prathamesh Dhiwar;** Okay, for FY25. Okay, sir. And so, I think we are also getting into pharma. So, like again, how much it contributes to the revenue and second, I think overall on the cold chain space, I think we have given target of reaching 30% contribution in revenue by FY25. So how is it going, sir?
- Sanjay Gupta:** 30% of the total revenue.
- Prathamesh Dhiwar;** Yes, I think by March 25, you have told in Q3 con call.
- Sanjay Gupta:** So, we are working on that line. So, like QSR, ice cream butter, pharma and chocolate and fruit and vegetables. These are the major products which we are doing in the cold chain. And if we touch our INR700 crores figure, out of that around 25% to 30% will be the cold chain, sir.
- Prathamesh Dhiwar;** Okay. Great. So that's it from my side and all the best.
- Sanjay Gupta:** Thank you.
- Moderator:** Thank you. We have our next question from the line of Sajal Gupta from FE Securities. Please go ahead.
- Sajul Gupta:** Good afternoon, Sanjay. And congratulations for good set of numbers. Just now you said that you are targeting a turnover, my question is INR700 crores in the current year. And your margins in the last year, the current turnover of 480 crores, I suppose it's 2.8%. You're talking of a decrease from 2.8% to going to 5% to 6%. What is it going to attribute to take this margin on a higher side? Are you doing a higher margin business now or what is it?
- Sanjay Gupta:** Yes, so as of now, this year our margin is around 2.8% to 3%. And as we mentioned that we are focusing on Reefer business and this LNG and electrical vehicle, these businesses are highly profitable compared to the diesel vehicle. And as our CFO mentioned that our cost of finance has also reduced. Hence, we are sure that we may be able to achieve the profitable target of 5% to 6% this year.
- Sajul Gupta:** Okay. Could you tell me the dynamics of this LNG truck business which you are talking of introducing in the current year?
- Sanjay Gupta:** Yes, the dynamics is like that the value of the vehicle is around INR80 lakhs. And this vehicle is giving us a revenue of around INR6 lakhs to INR7 lakhs per month, one vehicle. And the EBITDA in this vehicle is around 30%. And PAT is around 12% to 15%. So, the cost of LNG is less than the diesel price. And since all the FMCG customers or MNC customers are willing to take this vehicle and they have the priority to use as a sustainable and alternative fuel.
- So, all the entire industry is now focusing on alternative fuel. So we are having the good order book of around 100, more than 100 vehicles in our hand from the FMCG client, steel industry and cement industries.
- Sajul Gupta:** So, you plan to introduce 50 trucks in the current year as you said.

- Sanjay Gupta:** Yes. We have a presence in PAN India. So, we are focusing on 10, 15, 20 vehicles. We need minimum 10 to 15 vehicles at one place. So, we are signing with Dalmia Cement, and we are signing with all FMCG customers like Nestle and these companies are very much interested in using the alternative fuel.
- Sajul Gupta:** So that means if you're talking about 50, if I do the math correctly, you're talking about turnover 36 odd crores.
- Sanjay Gupta:** Yes, sir.
- Sajul Gupta:** INR36 crores will give you a EBITDA of 30%, 20% to 30%.
- Sanjay Gupta:** Yes. Okay.
- Sajul Gupta:** And is this margin sustainable kind of a margin for coming years? I'm asking, are these margins sustainable?
- Sanjay Gupta:** Yes. These are sustainable margins. Yes. Because you know, you can see that our entire profitability is increasing from compared to last year also. And this year also, surely we will get the margin of 5% to 6%.
- Sajul Gupta:** Okay.
- Sanjay Gupta:** That level.
- Sajul Gupta:** And tell me last question. Is this going to be a new business or is it going to be a business you're going from your old trucks; you will be transferring?
- Sanjay Gupta:** The present vehicles we are using at 100% level. So, this LNG vehicles and electric vehicles, we are introducing on receipt of LOI from the customer with a long-term contract of five to seven years, because it's a huge investment. So, we are not taking any vehicles without any long-term commitment. And this will be totally new business, which will help us to improve our top line and bottom line both.
- Sajul Gupta:** Okay. Okay. And my last question is your reefer business but what revenues did you clock last year in reefer business?
- Sanjay Gupta:** Last year, our business was around INR75 crores to INR80 crores but now this year we are targeting it to make it by INR150 crores.
- Sajul Gupta:** INR150 crores? Yes. And how the margins are placed in reefer business?
- Sanjay Gupta:** Reefer business margins are better than the normal dry business. It is around, let's say, 20% to 25%. Because it's a less competition and high value items and customers are very much interested to move the material in the reefer and a lot of awareness is available in the market now.
- Sajul Gupta:** Okay. Thanks, Sanjay. Thank you very much and wish you all the good luck.

- Sanjay Gupta:** Thank you.
- Moderator:** Next question is from the line of Nitin Verma, a retail investor. Please go ahead.
- Nitin Verma:** Yes. I want to ask that like what you said in the results of FY23, that you have 9 months of first 9 months results adjusted in the last quarter. So, I was seeing the results of FY22 and for the Q4 of FY22 also is this scenario the same? I mean, in FY22 as I can see for the Q4 you have I think around INR41 crores of operating profit. So, was it the same case?
- Himanshu Sharma:** Yes, so that was also the reinstatement. So, March 23 was the first-time implementation of Ind AS and then '22 also was a comparative reinstatement happened. So that's where the current all the quarters are pretty comparable.
- Nitin Verma:** So, if I mean I was just watching the results. So, in FY22 if you have the results can you tell me how much was the PAT there for Q4 because I was just comparing Y-o-Y for all the Q4s to find out if the current year's results are the best ones. I hope I'm clear.
- Himanshu Sharma:** So FY22 overall full year we closed with INR6 crores of the revenue and against that 23 was INR8.33 crores and against INR8.33 crores the yearly revenue is INR31.92 crores now out of that one of is I think one of is 18 and roughly INR13.4 crores are operational. So, if we see operational it was 6, then 8.33 and then 13.4.
- Nitin Verma:** Actually I was more concerned about the Q4 because as I can see in the Q4 -- see that the current results are of FY24 that is Q4 you have adjusted the FY23 of Q4 according to that but I just wanted to understand if the result that I'm seeing is greener of FY22 of Q4, are these results, I mean, as per, I mean, they are also adjusted or they are correct they show the actual revenue of Q4?
- Himanshu Sharma:** No, sir that's what I explained that it is not showing the right indicator because it was Ind AS adjustment. And that's where I explained that when we see into full year profitability it is 6, 8.33 and 14.
- Sanjay Gupta:** Actually, earlier we were making the Balance Sheet of 6 months. So now because of shifting into the main board so there is little bit confusion to the investor but now it is over and if you compare from this year only, all will be comparable.
- Nitin Verma:** Okay. Thank you. Understood.
- Moderator:** Thank you. We will take our next question from the line of Anirudh Singh from Singh and Associates. Please go ahead.
- Anirudh Singh:** Good evening, Management. My first question is can you hear me?
- Sanjay Gupta:** Yes please.
- Anirudh Singh:** Okay. So, I've seen you have a very good numbers right now.
- Sanjay Gupta:** Yes.

- Anirudh Singh:** What are the expectations like can you put some light on our multimodal businesses?
- Sanjay Gupta:** Yes multimodal business is mainly the transportation of the material by train. As we have signed a long term contract with the Indian Railways and we are foreseeing the shortage of driver in the long haul and hence we have shifted our business and booked the train for next 6 years from Indian Railways and lot of business opportunities are coming up because these things are sustainable and time bound service and customers are happy with the services.
- Anirudh Singh:** Okay, great. And what will be your strategies and steps towards green mobility?
- Sanjay Gupta:** Our strategy is like that we are shifting to the electric vehicle and alternative fuel called LNG, that is liquid natural gas and slowly gradually the availability is increasing in entire South India, West India and North India. So as of now we are running the vehicles from Gujarat to Maharashtra. And later on, we will increase from Gujarat to North and Gujarat to South also. So, as I mentioned, we are increasing our fleet in this sector and our 100 fleet will be added over a period of time next one year or so. So, this will help increase in our business profitability and will support for the sustainability and environment.
- Anirudh Singh:** Okay. So, what will be your strategy if you want to expand your business and market share?
- Sanjay Gupta:** So strategies is like that we have to approach the customers like heavy commodity like steel, cement. We are not serving much in this sector as of now, but we got the order from the customer around 100 vehicles from the steel and cement industry like Dalmia Cement, Tata Steel and these companies are very much interested. So we are giving details to them and signing the contract for the long term of around 5 years to 7 years.
- Anirudh Singh:** Okay, sir. Thank you.
- Moderator:** Thank you. We have our next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Yes, good afternoon sir. My question relates to your railway business. I think you got two more rail connectivity in this quarter from 6 to 8. So, can you say what are all the financial terms what need to since you have to give some advances or how it works?
- Sanjay Gupta:** No, we are getting these trains on long term contract through a tender process. So, the tender is allotted to us for the next 6 years and we have to give the bank guarantee of around for say around INR100 crores tender we have to give the bank guarantee say around 40 lakh, 50 lakh type, 50 lakh bank guarantee we have given.
- And now regarding the finance we have to make the payment to railways on the usage basis, per trip. So, for example, if you are loading the train on every Tuesday then we need to pay the payment on every Tuesday and not in advance. So, it is a light asset model, leasing model. So, we have to pay on use and pay basis but we have given the commitment that we will load the train every week.

So there is no huge financial involvement in this and we are lifting the material from customers on weekly basis and moving in the trains.

Sunil Jain: So, the racks will be provided by Indian Railway, and you will be filling those racks, and you will be filling that will be filled by only you not by any other parties?

Sanjay Gupta: No, other party. It is exclusively to be loaded by us only.

Sunil Jain: And this existing six train what is the capacity utilization then in that case means all these?

Sanjay Gupta: Yes we are at around 98% to 100%,.

Sunil Jain: And how much revenue these six trains are doing means has done in the last year?

Sanjay Gupta: Last year it will be around INR100 crores and because few trains were added during the year. So next year the entire train business will be more than INR200 crores.

Sunil Jain: Okay and what are all margin in this?

Sanjay Gupta: There will be margin around more than around 15% to 18%.

Sunil Jain: That is an EBITDA level?

Sanjay Gupta: Yes.

Sunil Jain: And the PAT level?

Sanjay Gupta: PAT level will be around 5% to 6%.

Sunil Jain: And these eight after these eight trains how many more tenders are likely to come in this?

Sanjay Gupta: We are in touch with railways and we are talking to them for another eight trains in the coming time quarterly one train. So next 2 years we will add another eight trains. Quarterly one train we are adding.

Sunil Jain: Okay next 2 year you can add another eight trains?

Sanjay Gupta: Yes. So, these are the tailor-made route. So first we are talking to the customer and there is not a single customer in the train. We are talking to four or five customers of one place. if total 20 wagons are there in a train, then five wagons each or three wagons each one customer will take. So first, we'll take that commitment from the customer. Then we are talking to railways and then participating in the tender. On that basis, this model work.

Otherwise, because it can be the loss model if we give the guarantee to the railways and we don't able to fill it, then it can be a loss. So first, we sign the contract or take the commitment from the customer. And only then we are going to take the train from the railways.

Sunil Jain: And then the working capital in this is you have to make payment to the railway upfront and then you get the payment from your customer it's like that?

- Sanjay Gupta:** Yes. It's like that is around 90 days, 100 days is customer ipayment time. But it is not like that. We need to pay a huge amount for INR100 crores tender, The investment is around INR1.
- Sunil Jain:** That's all.
- Sanjay Gupta:** Yes, it's a light asset model because entire asset operation, our duty is to load the train. Railway duty is to provide the train and operation of the train comes under railway responsibility.
- Sunil Jain:** What I was asking, for railway you have to make -- see one train is leaving, so you might have to make payment in advance to the railway?
- Sanjay Gupta:** Yes, on the day of loading, advance on the day of loading.
- Sunil Jain:** Okay. And then you get the payment from your customer in 90 days.
- Sanjay Gupta:** Yes.
- Sunil Jain:** Okay, great. Yes, thank you very much.
- Moderator:** Thank you. We'll take our next question from the line of Kajal Pathak an individual investor. Please go ahead.
- Kajal Pathak:** Good afternoon, sir. First of all, congratulations for your results.
- Sanjay Gupta:** Yes, thank you.
- Kajal Pathak:** Sir, in Q3 as you had mentioned that we are targeting to add 100 vehicles by December 24 for Green Logistics, so how much expansion is done till date? Can you elaborate on that?
- Sanjay Gupta:** Till date, we have given the order of 50 vehicles, and this will come gradually by September 24, till then 50 to 60 vehicles will come. And further, it will depend upon the demand from the customer. So more or less by December or maximum by March, we will add 100 vehicles.
- Kajal Pathak:** Okay.That's all, sir.
- Sanjay Gupta:** So, you must have seen our report in the media also that vehicle has been already on the road, and it is running very well.
- Kajal Pathak:** Yes, sir.Thank you.
- Moderator:** Thank you.We'll take our next question from the line of Vivek an individual investor. Please go ahead.
- Vivek:** Yes. Sir, there seems to be a very high exceptional income. That is one off. And so obviously, that should not really be expected to happen on a recurring basis. So, can you kindly give background on what that exceptional item income is?And outside of that exceptional income, what could be the growth trajectory that you are projecting?

- Sanjay Gupta:** Actually, we did some investment in 2017-18 as a warehousing project. It is a part of our business. And so that warehouse project got completed and we got the opportunity to sell it off to some investors. So we have 35% share in this project. Out of that, 25% we have sold and 10% still remaining with us. And in lieu of sale of 25%, we got this profitability. So, this profitability, one off income will help us to improve the overall financial health of the company. And this is, we are lucky that we got that such type of profit, 1 ton type of and this is good as a health of the financial of the company.
- Vivek:** So, this is, when was this realized? Which quarter?
- Sanjay Gupta:** This is in last quarter only, sir.
- Vivek:** The last quarter?
- Sanjay Gupta:** Quarter 4.
- Vivek:** Okay. And that is, so the exceptional item is INR14.23 crores, correct?
- Sanjay Gupta:** Yes.
- Vivek:** And the other income, which is normal is 11. So that is on account of the operations of the company the other income normal, which is INR11.19 crores?
- Sanjay Gupta:** Yes, it's the other operation of the company like warehousing, etc. And when INR7 crores is -- my CFO will explain this.
- Vivek:** Yes, please.
- Himanshu Sharma:** Yes, sir. So there is a INR7 crores restatement, what I explained during my inaugural speech also. So that's where, otherwise it is from business. So INR7 crores plus this INR13.94 crores, that is the one-off. So if we remove that, our PBT still has improved this quarter and it reached to INR7.58 crores against INR6.5 crores of the previous quarter.
- Vivek:** So, let's say you -- so one is the exceptional item of INR14.23 crores. Is that one-off sale of 25% of your holding in that warehousing company?
- Himanshu Sharma:** Both are from same. So, 13.94, which is on the face of the P&L that is from the realization. And we still hold roughly 35% of the investment in this InvIT Trust, where these -- we got allotted the units of that trust. So that were valued at INR3 crores cost and it has been restated to INR10 crores now. So INR7 crores profit came from that reinstatement and INR13.94 crores is from the realization of -- or selling of the 65% of the investment.
- Vivek:** So roughly you realize INR21 crores,?
- Himanshu Sharma:** Yes, at revenue level and at that level, it is INR18.5 crores.

- Vivek:** So without getting into too much of intricacy, I want to understand your sales has grown 12.3%. Does this have any of this one-off sale or it is just your operation of the company, it is 12.3% growth?
- Himanshu Sharma:** This is all operational growth.
- Vivek:** So, if you see the PAT of your company, the PAT has grown from say INR7.8 crores or INR8 crores to INR32 crores. So that is a 3x growth or that is a 4x growth or a 3x jump in profit. And in this INR32 crores is your INR31 crores. That entire thing is, you said 23 plus 7, 31. So the entire thing is from this one-off sale, I am trying to understand your net profit on account of normal operations of the company as opposed to all these exceptional items and sale items which you have done, which is not recurring. Can you tell me?
- Himanshu Sharma:** Yes, I will explain that. So that is INR18.5 crores roughly out of 31.9. So, 13.5, 13.4 is from our business operation. So INR13.5 crores we did from business operations profit, which has rose from INR8.33 crores and in percentage sum it is 2.5 plus percent against 1 and odd percent from the previous year. And as Sir has explained these INR14 crores we want to take to 5% to 6% PAT level in the coming year with approximately INR700 crores revenue target, which we are targeting for the next year.
- Vivek:** So, when we go to let us say standard screener application and see a profit growth of 180% that is a bit misleading because it is not really operations profit from operations. It is profit from these other investment activities that you have done, which is of course is laudable, but it is not something that we can expect on an ongoing basis. Am I right?
- Himanshu Sharma:** Yes, that is right.
- Vivek:** Okay. So, if the growth trajectory on the path, if I just see the path growth trajectory that is for the last five years is probably very fair at 16% compounded profit growth. The last three years also could be misleading because it has these exceptional items. Am I right?
- Himanshu Sharma:** Exceptional item and the Q4, if we see particularly for the two years which is the '23 and '22, which is the first time implementation of the Ind AS. So those quarters may be misleading due to this but once you go through our detailed annual report and the financials, even this quarter financials, we have explained that through a note. Auditors have explained that. So that is fair. I think a screener might be a snapshot but you please go through our financial where we have explained it in a right way.
- Vivek:** Yes, just to conclude. So, your compounded sales growth is roughly around 12% or 13% for the last 10 years, which is very good. Your profit growth over 10 years is 24% but probably it is bumped up by this exceptional income and other activities. Your ROE is around say 12% or 13%. Your ROCE also would be similar?
- Himanshu Sharma:** Yes, ROCE is improving. It is 20 plus odd percentage.
- Vivek:** Okay. So, this is and what would you be guiding for in the next, say one or 2 years or 3 years? Top line and bottom line?

- Himanshu Sharma:** The top line is, as we explained that it is INR700 crores next year we are targeting. And next, say next 3 years, certainly with this 15%, 20% growth, we want to build into the company to make it to say INR1,000 crores company in next 3 years to 4 years. And on the bottom line PAT we are targeting 5%, to 6% for this year and want to take this 5% to 6% to 10% like on a gradual, progressive basis. So, that's what we are targeting to do.
- Vivek:** This year we can expect a huge jump in your top line. You said 50% you are guiding for growth, INR700 crores.
- Himanshu Sharma:** 40% growth.
- Vivek:** 40%, 45%. And the rest would be a little bit more. Okay. Thank you, sir.
- Moderator:** Thank you. We'll take our next question from the line of Mahesh Sheth, an individual investor. Please go ahead. Mr. Mahesh Sheth, please unmute your line.
- Mahesh Sheth:** Good afternoon, sir. Good afternoon. First of all, congratulations for this great set of numbers. Yes. And thanks for the opportunity. So, I wanted to ask that in Q3 FY'24 your guided revenue was of INR525 crores in FY'24 and INR700 crores in FY'25. So, in FY'24, we have missed the target. So, are there any specific reasons behind it?
- Sanjay Gupta:** No specific reason. Actually, we have signed some contracts but because of starting the delay in operation, those are postponed for one month or two months, that was impacted and we are less than 3% to 4% less. And now all the operations have started, and we will recover this turnover in this complete year of 2025. So, for example, if I had to sign a contract in January, it was delayed due to some technical reasons.
- That's why it was 3% to 4% short. We have grown but we could have done INR15 crores, INR20 crores more. We have taken care, and we will complete the same target in March 2025. Because we are adding the fleet of LNG and electric and huge demand is coming up with the industry like Steel Industry and Big industries, huge demand. So, we are sure that we will complete this time.
- Mahesh Sheth:** Okay. So, you are saying that you will be able to meet the target of INR700 crores in FY'25, right?
- Sanjay Gupta:** Yes. Because the contract that was supposed to start in January, it got delayed, so it took a setback of 1 month, 2 months. Technical reasons, because operations have a lot of work in logistics, so we got some contract from HUL Kolkata, and they are starting some delay in operation. So, turnover started from March only. So, now all the things are operational and there should not be any hurdles in this project.
- Mahesh Sheth:** I got that, sir. So, my next question was, we have recently entered into a new business vertical, which is Pactas and Uber, right?
- Sanjay Gupta:** Yes.
- Mahesh Sheth:** Yes. So, what is the response and any contribution towards the revenue in FY'24?

Sanjay Gupta: As of now, it is very less but market response is very good, because we have launched this company in October intentionally, because most of the transfers are coming up in the month of April, May, June only, this quarter only, because there is a completion of children's school and shifting comes in these months. Now we are talking to the banks, LIC and all the corporates and day-to-day operations, a type of B2C customer for it.

And we are getting a very good response and we are developing the team and it's a very good business, which is highly unorganized. Only one or two organized players are there, otherwise this business is INR15,000 crores business is totally unorganized. So, we are trying to grab this business and hopefully, this year, we may be able to touch around INR20 crores, INR25 crores type business in this March 25.

Mahesh Sheth: Okay, sir.

Sanjay Gupta: Because this is highly profitable and customers are not doing any hard negotiation and B2C and B2B, both businesses available and INR2 crores, INR3 crores per month business is not a much thing on a pan-India basis, because banks, Army, LIC and a lot of corporate, a lot of transfers are happening from one place to another place. So, these are our customers, and we are fully aware about the business and a lot of marketing is required in this business and we are doing and trying to, through Google and multimedia and hopefully, we definitely get a target of INR20 crores, INR25 crores by March 25.

Mahesh Sheth: Okay. Thank you, sir. Thank you for answering the questions and all the best.

Moderator: Thank you. We'll take the next question from the line of Radha Agarwalla from B&K Securities. Please go ahead.

Radha Agarwalla: Hi, sir. Thanks for the opportunity. So, I wanted to understand that with our current gross block and also considering the asset-light business, so current capital employed, what would be the max revenues that we can do and by when do we plan to achieve them?

Himanshu Sharma: Ma'am, see, in our business model, whatever assets are there, we are using the assets from market also, right? So, our asset, we are utilizing to 95% to 100% of the capacity utilization all. And typically, our investment will go towards cold chain and this green mobility, which is EV and LNG. So, we are not further planning investments on the FTL side. So, we already, whatever revenue should come from the current assets, I mean these fixed assets -- that is coming as these are fully utilized. So, we'll have to, certainly we'll have to do more investment to increase the revenue.

Radha Agarwalla: So, per year, how much investments are we anticipating for the next 2 years to 3 years?

Himanshu Sharma: Next 2 years to 3 years, roughly INR50 crores to INR100 crores investment we would need to do for taking these revenue targets.

Sanjay Gupta: So, we are using two models. One is our investment from our side and now in market, there is another model is called leasing model is available. So, we want to keep ourselves as a light asset And we are also talking to the NBFC companies, whereas we are taking the lease.

So, this will be not an investment in the company. We will use and pay to the NBFC as a leasing charges. So, maximum INR100 crores investment will be required for the next 2 years to 3 years, but we need to add around 200-300 vehicles, which we are taking on the lease.

Radha Agarwalla:

So INR100 crores investment cumulatively for the next 2-3 years?

Sanjay Gupta:

Yes. Because why we have to invest, because it is a light, we want to keep a light asset and we also should have the right investment. So right investment means that there are opportunities are there in the cold chain and cold chain warehouses and LNG Electricity, these vehicles, whereas if we first try to get the business through the leasing model and if it is not viable and not available, then we shift it to the Our investment.

Radha Agarwalla:

All right. So, what I understand is in the next 3-4 years, we are targeting to double our revenues to INR1000 crores and for that, we will need additional fixed assets of investments of INR100 crores.

Sanjay Gupta:

Yes. And what happens in this, ma'am, in this, the investment we have done earlier, we have taken on the EMI basis. So, when we take INR100 crores, by then our earlier INR20-INR30 crores will be down. So overall, there is no much pressure on us for the future investment, because we are regularly paying the EMI on a monthly basis. This will be helping us to reduce our loan. If you have seen that our loan has reduced to around INR25-INR30 crores in this year. My loan has reduced, ma'am but if you see....

Radha Agarwalla:

Yes. It has INR44-INR27 crores, I can see, the long-term borrowing.

Sanjay Gupta:

Yes. So, in this, the loan reduces a lot. So, we also take care of that while investing, that our old loan is reducing, that's when we add it.

Radha Agarwalla:

Okay, sir. So secondly, I can see that our receivable days have gone up over the last few years. So on one hand, we are growing our business rapidly but secondly, receivable days are also going up. So, could you please highlight that?

Sanjay Gupta:

Yes, we are now very serious about this.

Himanshu Sharma:

Yes, ma'am. So, receivable has gone up roughly by 17 days and out of these 13 days is on account of growth in revenue and few debtors are also there. However, we do the -- We don't have much credit loss. Credit loss has increased only by 70%, 75% in this year, which have been provided in the books. So...and then, yes, so we have set up a complete credit control team to control it and we are controlling it.

Sanjay Gupta:

And we are taking the appropriate action and if the customers are not paying on time, we will take some corrective action if we need to change the customer, we'll change the customers also.

Radha Agarwalla:

Okay, sir. So, third, I understand that logistics companies usually have something called B2B and B2C. So from your presentation, I can see that we have majority of B2B as clients, we have mentioned FMCG companies, auto companies, pharma, etc. So how much is our mix with

respect to B2B and B2C and where the debtor days are going up? Is it in B2B segment or B2C segment?

Sanjay Gupta:

Actually, ma'am, around, 85%-90% business are coming from B2B but margins on B2B business are less and business margin from B2C is high. So that is called part load business. So, we are trying to implement in the company and around 3%-4% business year-on-year from last 2, 3 years, we are doing at B2C, and it is highly profitable compared to B2B.

So virtually, our target is to take it around 25 percent of the turnover as a B2C, which will help us to improve the profitability and better payment terms, because if I sell movement of one individual customer B2C, so I will not give any credit to them but the customer like FMCG and these customers are doing armtwisting and they are taking the payment terms and 70, 80 days now. So B2C is much better because of the fund rotation and better margin. So, we are trying, our target is to make 25% of our total turnover as a B2C.

Radha Agarwalla:

So, by when, 25%?

Sanjay Gupta:

Yes. So it will be take another, 2-3 years. 2%, 3% every year it will grow.

Radha Agarwalla:

Okay, so thanks and all the best.

Moderator:

Thank you. We'll take our next question from the line of Keval from Onyx Advisors. Please go ahead.

Keval:

Hello. Yes, good afternoon, sir. Congratulations for a good set of numbers. Around the railway business, what I understand is the six trains which we are currently operating, they are already running at 98% load utilization. And we are looking at a 5%-6% PAT margin. So, is there a scope to further improve the realization by changing the mix as the route matures?

Sanjay Gupta:

No. We are trying for the further realization in terms of better money we will get from the customer as a realization, because in trains, we are paying to railways as a per ton basis, whereas from the customer, we are taking the freight on a truck basis. So now we are trying to make more yield of the train so that like we are now starting the business of the refrigerated fridge movement, washing machine.

So, what we are doing, we are using heavy and lightweight vehicle consignment in one train so that we may be able to get more yield of the train and ultimately it will help us to improve the profitability. So, because first of all, when we take the train, our aim is to fill the train. So, we got the success, and we got 98% filling the train.

Now we are focusing, as you mentioned, is on increasing the yield of the train. So B2C business and like we are doing business of the Bingo and Lays chips. Lay chips is carrying only 3 ton material and I am getting the freight from the customer for 9 ton. So we can move one juice of the Tropicana or Pepsi and we can move one load of chips also in that same vehicle. So, it is called a mix of the load heavy and lightweight. This will help us to improve the profitability. We are focusing on that and a lot of contracts like VIP bag we are signed. So total weight is around 2-3 ton only.

- Keval:** So, sir, what will be our target? Where can this 5%-6% reach?
- Sanjay Gupta:** This can reach up to 10%, sir. If we are focusing on B2C customer and as you said, we will have to do a combination of lightweight and heavyweight.
- Keval:** Right. And when we say revenue of INR100 crores, is this only the revenue of the freight or is it also included in the freight we carry from the factory to the railway station? That is also included, sir.
- Sanjay Gupta:** What happens in this is that 75% of the freight is from the railway and around 15% or 10% of the freight is from the first leg and second leg. And the pickup from the factory to the railway station and the railway station to the warehouse and the remaining 10%-15% is our margin in this.
- Keval:** Right. Okay. Sir, the second question was that the new truck that we are buying, the one worth INR80 lakhs; the LNG truck. What will be its playback period?
- Sanjay Gupta:** Its payback period is around 3-4 years, sir.
- Keval:** And in that also, the payback period will be 90 days for freight recovery?
- Sanjay Gupta:** Yes, sir. And earlier, a company like Nestle, they are giving us in 30 days. But what is happening, these new startups, they don't have the knowledge and the customer are doing armtwisting and they are agreeing to the wrong payment terms. So ultimately, what happens is that the people who agree to the terms, we get our rate, but all customers are under pressure. So now they find that transportation as an investor and we are talking to them that the train business, we are giving them some benefit on the freight side. So, we are talking to them for early payment, and we will reduce our payment terms from the customer, and we are working on that line, sir.
- Keval:** Okay. And sir, today, the NHAI has talked about increasing the toll by 5% in the road network. Will that increase our profitability in the rail business?
- Sanjay Gupta:** Today morning, I have sent this mail to all our customers. So fortunately, this is not applicable on us. Rather, we get the freight from the customer and but our cost will not increase because railway doesn't pay any toll tax.
- Keval:** Will the margins improve, sir?
- Sanjay Gupta:** Yes, the margin will improve. Earlier, the cost is around. INR6 per kilometer. So now this cost will go up to INR6.30 per kilometer.
- Keval:** Okay. Excellent. Thank you so much, sir. All the best. Thank you.
- Moderator:** Thank you. Ladies and gentlemen, we will take that as last question for today. I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors for closing comments. Over to you.



*AVG Logistics Limited
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Vaishnavi Ambokar:

Thank you, everyone, for joining this conference call of AVG Logistics Limited. If you have any queries, you can write us at info@kirinadvisors.com. Once again, thank you, everyone, for joining the conference call.

Moderator:

Thank you. On behalf of Kirin Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines.