Ingenuity In Motion

February 14, 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 January 31, 2025, February 05, 2025 and February 10, 2025.

Reference the captioned subject and mentioned reference, the Q3FY25 Earnings Con-Call with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the Third Quarter of the Financial Year 2024-25 ended on December 31, 2024.

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

Kindly take the above on your record.

Thanking you,

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

PIYUSH KHANDELWAL
Digitally signed by PIYUSH KHANDELWAL
Date: 2025.02.14 16:23:15 +05'30'

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

Encl.: As above

"Allcargo Gati Limited Q3 & 9 months FY25 Earnings Conference Call"

February 10, 2025

MANAGEMENT: MR. KETAN KULKARNI –MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, GATI EXPRESS AND SUPPLY CHAIN PVT LTD
MR. DEEPAK PAREEK – CHIEF FINANCIAL OFFICER, ALLCARGO GATI LIMITED
MR. SANJAY PUNJABI – INVESTOR RELATIONS, ALLCARGO GATI LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9 months FY25 Earnings Conference Call of Allcargo Gati Limited.

Today, we have with us from the Management Team, Mr. Ketan Kulkarni – MD and CEO, Gati Express and Supply Chain Private Limited; Mr. Deepak Pareek – Chief Financial Officer; and Mr. Sanjay Punjabi from Investor Relations.

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 the '*' then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ketan Kulkarni – MD & CEO, Gati Express and Supply Chain Private Limited. Thank you, and over to you, sir.

Ketan Kulkarni: Thank you, Steve, for the warm introductory notes. Good morning, everybody, and wish you all a very Happy New Year, too, if it's not too late. And a very, very warm welcome to our Q3 and nine monthsFY2025 Earning Conference Call. Thank you for being on it.

We have uploaded our results and earnings presentation on the stock exchanges and the company website. And I do hope everyone has had an opportunity to go through the same. I have with me my colleague Deepak Pareek, our Chief Financial Officer, and our Investor Relation team.

I will now share an overview of the economy and industry and business, after which I will hand over the call to Deepak to discuss the Financial Performance of the Company for the Quarter and the Nine Months ended December 2024.

I would like to highlight that our EBITDA growth for the first nine months of the Financial Year 2025:

GESCPL has reported an EBITDA of 60 crores during the nine months, representing a growth of 53% as compared to the same period last year.

Another milestone that I would like to highlight here is that Allcargo Gati has registered its highest ever volume in the quarter ended of December 2024. This reflects the dedication, the focus of our teams, and of course the unwavering trust of our customers and also underlays the execution of the strong plans we have undertaken. And we are happy to build on this momentum going forward.

The Indian economy, let me shed some light on that, along with the global. The global economy expected to remain stable. So, the strength of growth varies across countries. The IMF has predicted global economic growth to be about 3.3% in both CY 2025 and CY 2026, falling below the historic averages of 3.7 from 2000 to 2019.

Versus that, the India growth story remains strong, and the outlook is good. The IMF had projected 7% growth in financial year '25 and 6.5% in Financial Year 2026, reflecting the nation's robust potential. The economy is set to accelerate further, fueled by government-led initiatives in manufacturing, infrastructure development and the recently concluded finance bill.

Logistics, especially the express delivery segment where we operate, will play a very crucial role in driving manufacturing-led economic growth. The 2025 budget's broad-based growth initiatives, including 1.5 trillion infrastructure allocation, will provide a significant boost by enhancing connectivity, an essential catalyst for economic expansion.

The government's focus on improving infrastructure augurs well for the manufacturing and logistics sector. And some notable data points will also show that India has surpassed China to become the world's second largest holder of road network after the United States.

India's logistics performance has shown the remarkable improvement in the recent years, reflected in its advancement to rank 38 in the World Bank's Logistics Performance Index, LPI, up from rank 44 in 2018. This progress can be attributed to strategic initiatives such as the PM Gati Shakti National Master Plan for multi-modal connectivity, the National Logistics Policy, the Bharatmala, the Sagarmala, the Make in India and various initiatives aimed to streamline last mile delivery and enhance overall logistics efficiency.

E-way bill generation surged to its second highest level in 24 months, reaching 112 million in December, an 18% year-on-year increase. GST collection grew by 7.3%, rising to 1.76 lakh crore in December from 1.64 lakh crore in the same period last year.

On the infrastructure front, I am pleased to share that during the quarter, we have opened our new surface transshipment center in Vijaywada, and we plan to open eight new hubs by the end of Financial Year 2026, details of which are shared in the Investor Presentation.

As communicated last time, we have initiated the general price increase at the ground level, and we should see the results of the same in forthcoming quarters. Our sales initiatives have improved, our operations have improved, and we are gaining customer confidence, which is visible in the highest ever volume that the company managed.

In line with our strategy to exit non-core businesses during the quarter, we have announced the sale of one of our fuel pumps in Belagavi for a realization of 3 crores. We are in the process of selling the remaining two fuel pumps and will update on the same once we have better clarity.

With that, I would like to hand over the call to Deepak – our CFO, to share some Financial Highlights for Q3 and Nine Months of FY '25. Over to you, Deepak, and thank you for everybody to come on the call. Over to you.

Deepak Pareek: Thank you, Ketan. Good morning, everyone, and a very warm welcome to our Q3 and 9 months FY 2025 Earnings Call.

I will take you through the highlights of Financial Results for the 3rd Quarter of the Financial Year 2025.

I would like to start by sharing that we have been working tirelessly to improve our collection efficiency, which has improved during this quarter. We are able to reduce our average DSO to 68 days in Q3 FY '25 which is lowest in since Q1 FY '24. For the last quarter of the similar corresponding year, our DSO was 74 days.

As on 31st December 2024, Allcargo Gati has a net cash position of over 100 crore. Another milestone we achieved on the ERP front where our Oracle Fusion ERP is up and live and which will finally go live from 1st July from all the modules point out.

Now, I will share the highlights of our Express Business first:

The total tonnage handled for Q3 FY '25 stood at 3,31,000 metric tons as compared to 3,19,000 metric tons for Q3 FY '24, and corresponding sale at 3,13,000 metric tons for Q2 FY '25.

Our revenue for Express business stood at INR 392 crores as compared to INR 371 crores for Q3 FY '24, and it was INR374 crores for Q2 FY '25. Corresponding gross margin has improved by over 340 bps year-on-year and stands at 25% for Q3 FY '25 as compared to 21.7% for the quarter ended December 2023. EBITDA for the Express business stood at INR 22 crores for Q3 FY '25, depicting a growth of 215% as compared to the same period last year.

On a consolidated basis, the company has reported a revenue of INR 441 crores for Q3 FY '25 as against INR 424 crores in Q3 FY '24 and INR 426 crores in Q2 FY '25.

For Q3 FY '25, the company reported a gross profit of INR 99 crores, representing a growth of 22% over the same period last year. EBITDA margin for Q3 FY '25 stood at 4.8% as against 1.6% during Q3 FY '24 on consolidated basis.

I think, with this, I would like to open the floor for questions and answers completing the financial highlights from my side. Thank you, everybody, for participating in this call.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handset while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Amit from RoboCapital. Please go ahead.

Amit: Hi, thanks for the opportunity. Sir, my first question is on EBITDA margin. We actually started tracking the company recently and just wanted to get a, you know, some overview. I mean, if you look at EBITDA margin, if I look at EBITDA margin about 8-10 years back, we used to make about 7-8% margin. And now we are down to 4% or so. So, you know, it will be of great help if you could, you know, kind of let us know what has happened over a period of time, why the margins have contacted and how do we see it going forward.

Deepak Pareek: Thanks. Yes, you are right. EBITDA margins, if you go historically, 4 years back, they were at a higher elevated level. Now, last year, we had a fall in the margin. If you see corresponding 9 months of last year, we were at 3.5. But we have recovered from the fall. 9 months of the current year, we are at 5.4% on the Express business front which is very significant if you compare overall from the market and otherwise from the current operating scenario.

We see from this year, as we begin the quarter Q4, Jan to March, the impact of GPI which will start coming in, which is already rolled out, and we see the EBITDA margin ending in the year over 6%. And sequentially as we move ahead, steps are done. I think from the cost front, we have operating efficiency is very much on the plate. On the revenue side we would get a benefit of the GPI increase as we go into the next year, and we expect EBITDA margin improving significantly in the next year.

So, that's hope I have answered your query.

Amit: Yes, just to follow up on that, so when you say improve significantly, are we looking at like 8%, 7-8% margins or beyond that? Any ballpark numbers will be helpful.

Deepak Pareek: I think 7-8 is a realistic estimate for next year which we are looking at the target and we would see that.

Amit: Right, sir. How do we see revenue growth in the next 2-3 years? I mean, we are at say, 1,700 crore type of a top line. How do we see 2-3 years out?

Deepak Pareek: So, 2-3 years, the market is expected, this Express business market I think is slated to grow at 11% from current year onwards to, let's say, 2029, if you see. We see ourselves growing it in the range of 8 to 10% from this year onwards. If you see FY '25 onwards, we see ourselves growing at 8-10%.

Amit: Right, sir. Thanks. And my last question was on the debt side. In the outlook again for next 18 months, 24 months, how do we see debt levels shaping up?

Deepak Pareek: We are, a thing on debt, we have only 19 crore debt as of now, which we would not like to expand on an aggressive manner. 20 to 30 crores is a debt level which we see to continue over a period of next year or so.

Amit: That's it from my side. Thank you.

Deepak Pareek: Thank you.

Moderator: The next question is from the line of Chirag from Keynote Capitals. Please go ahead.

Chirag: Yes, thank you for the opportunity. Sir, my first question is what is the average price hike that we have taken in the month of January?

Ketan Kulkarni: Hi, good morning. If you know we had already released the GPI communication to customers through the media in September and October, November, December was essentially the cooling period or GPI-free period. And then we have started going to customers and this activity will go on into March and the tail will also wag sometime into June because most customers are also on RFQ.

As of today, we have realized a single-digit GPI realization, and that will improve month-on-month into March, and as I said, month-on-month into June. The response that we are getting from customers on the GPI is also very, very positive.

Chirag: So, from a perspective of a ballpark number, can I expect that the GPI improvement would be 5 to7%?

Ketan Kulkarni: It would be in lower single digit. That's the indication that I will be able to give you as of today.

Chirag: Okay, perfect. When you say, the earlier participant asked you that, what are the kind of growth you are looking for? So, when you say that you would be able to grow at 8 to 10% in the next couple of years? Is it the volume growth are we expecting or the entire value growth, including the improvement in GPI?

Ketan Kulkarni: Yes, very good question, and thank you for bringing that back to the table. Our growth will always be higher than the growth of the market. So, we will continue improving our market share. The 8 to 10% growth was an indicative number basis the market growing at about 7%.

And if you recall from the last call, we had given an indication that we will grow at a 10% point above the market, which means if the market grows at 10%, we will grow at 11%, if the market grows at 8%, we will grow at 9%. So, that's the indication that I will be giving you. We will always grow higher than the growth of the market, thereby improving our market share, whether it be in volume terms or whether in value terms.

Chirag: Perfect. Perfect. It is good to hear that, that we are focusing on making sure that we are increasing our growth rate greater than the market growth rate. So, the second question, I would like to understand that we have built a good team for gaining the market of SME and retail side. So, any update on that? As of now, I am not able to see any improvement in revenue mix related to

MSME and retail. So, as we are targeting it to improve, so could you give some steps that we are taking at this moment and how we can see that coming into picture?

Ketan Kulkarni: So, if you see the client mix that we have put out for MSME and retail, the client mix has changed, but more so for the strategic and KEA, if you can see in that. So, we have to do some work on the MSME and retail side of the business.

You will also be very, very cognizant of the fact that MSMEs are under a lot of stress because of the, you know, environment that we have on the front and because of that stress, we are kind of approaching them with a little bit of caution and sensitivity. But going ahead, we feel as the macroeconomic indicators improve, the inflation stabilizes, the lending rates become much more competitive for MSMEs, we will kind of move forward very aggressively on that front.

As of today, it's been our own internal call that we should proceed a little slow, and that acceleration will happen and that will further augur very well for the GPI activity in the coming quarters.

Chirag: Fair enough, sir. I just want to reiterate to the earlier question. When you say that we are able to grow, we will grow at 1% higher than the industry growth, as I am able to see in the presentation, the expected growth for the Express Surface logistics industry is around 11%, and we are suggesting that the industry is growing at 7. So, is there a slowdown in the industry growth rate of Surface Express? Or am I getting it some incorrect thought?

Ketan Kulkarni: So, the Surface Express industry, in fact, is growing much faster and better than the Air Express industry. The organized Surface Express also gathering a lot of volumes from the unorganized sector. If you attended the investor calls of some of our competitors, also you would have heard a similar narrative. So, we are very cognizant of how the industry is growing both in volume and value terms. And in both aspects, the plan will be to stay ahead of industry growth, and that should start ticking in as we enter the next quarter.

Chirag: Right. Sir, as you said, I actually listened to a couple of competitors' call, and I am able to understand that one of the peers is growing because of the growth in the e-commerce market as it is growing at the faster and gaining market pie in the industry. Would it be possible for you to share industry targeted revenue mix? Is it possible for you to share that?

Ketan Kulkarni: Yes, definitely. I can share the industry revenue mix that we have currently between auto, between pharma, between BFSI, between textile, RMG. I can definitely share those numbers with you. Maybe later I will push them out to you. That's good enough. Sanjay, will you?

Chirag: Sure, I will get in touch with Sanjay.

Ketan Kulkarni: The best part here is that we are not too skewed with any one industry vertical. We are fairly balanced, you will see in those numbers.

Chirag: Fair enough, fair enough. And sir, the commentary that you have given related to the margin improvement to 7-8% EBITDA, I am expecting it to be ex-contract logistic business which is going to get merged in the coming quarters, right?

Deepak Pareek: Yes, you are right. You are right. So, we are not covering contact logistics. It's a small piece here. Post merger, the revenue will be getting and we track the same. Yes, you are right.

Chirag: Sir, last question from myself. Any thoughts on as we are going to merge the entities, is there any thoughts on this that we are going to sell our stake to some other companies or some private equity or we are going to run the company from our own end?

Deepak Pareek: Not that we are aware of, and it is really speculation which markets. So, we cannot comment on it yet.

Chirag: Thank you. Thank you so much for the clarification.

Moderator: Thank you. The next question is from the line of Krupashankar NJ from Avendus Spark. Please go ahead.

Krupashankar NJ: Good morning, and thank you for the opportunity. Couple of questions. The first one was on the underlying market as a whole. While it has been slow over the last year and a half or so, just wanted to get a sense around the ability to take price hikes. While you did highlight that the GPI has been released, are you facing a massive resistance from customers as well as competitors to take this price hike? That's the first question I just wanted to clarify.

Ketan Kulkarni: Thank you for the question and I think a very valid one in the current situation of macro and microeconomic indicators. We are going to focus on the pricing and yield improvement, which is based on the improving service quality that we are delivering, which is essentially a lot of value for the customers that work with us. We are not seeing at all very strong pushback on the GPI.

Some of our competitors have already also taken the baton from us and gone out for a GPI exercise. So, the whole industry is looking at covering the high operating costs, covering the fleet shortages that periodically occur through the GPI exercise. So, it's on the trajectory that we had envisaged it would be, and we are very confident of getting into March and then as I said on the long tail of GPI.

Krupashankar NJ: The second question was more on the infrastructure we are building around to cater to incremental growth. While I could see in the presentation that we are completely close to about seven hubs in data, and we have outlined around eight hubs, eight more hubs by end of first half of FY '26. Given this slowdown, are you seeing probably some of the hubs can get expanded in later phase? Because the gestation period would be quite high if the underlying consumption trend is weaker. Any thoughts around that probably or any comments you can share on that part?

Ketan Kulkarni: Definitely, a very good question. We are at about 4 million square feet on the Express side of the business and all hubs, all Surface transshipment centers, all distribution warehouses or the last mile operating units are always built with a flexi capacity to absorb any peak volumes. So, in that sense, we are very well covered. They are also built with the capacity to take any volume increase over the next two or three years. So, on that aspect also, we are very well covered.

And we have now renovated of the 21 large Surface Transshipment Centers we have across the country, 8 have been renovated with the upgradation of infrastructure, newer sites, more cross docking bays, dock levelers, MHE machines. And in the next 12 months, we have identified 6 to 7 such STCs to further upgrade them. So, the business will never find itself wanting in terms of infrastructure, automation or tech, whilst we build a superior service quality product. Deepak, you would like to come in.

Deepak Pareek: Yes, thanks, Ketan. Just to add to your question and further to what Ketan mentioned, so we had QIP allocation, which is only for hub modernization. So, though you are saying the external market forces, so we are not, that has no holding us back. We are, as mentioned, eight of the modernizations already done and the balance we are achieving in this calendar year, we will complete as per the plan. So, it's moving as per the plan. There is no fallback on that process.

Krupashankar NJ: Got it. So, sir, this modernization exercise once it is completed, what sort of growth can it give? Can we assume that about the next four to five years of growth can be catered with the existing capacity and then we can think about the next set of expansion? Is that a fair assumption?

Ketan Kulkarni: As I said earlier in the call, Ketan here again, we have our facilities built in a flexi model to absorb peak and also two to three years of growth, and as and when there is demand as center of gravity of consumption and production evolve in the country, we will definitely recalibrate our infrastructure requirements and the motherhood statement would be that it would never be found wanting for growth to happen.

Deepak Pareek: And also, the supply is not a constraint. What we see as one of the key players of the segment, we would not be in a situation where we will not be able to cater to additional business. So, yes, hope that answers your question.

Krupashankar NJ: Yes, let's believe in that. So, just lastly, you are not approaching by owning facilities. It is only going to be loose model with respect to infrastructure. Is that correct?

Deepak Pareek: Yes, you are correct. We are an asset like model. We would like to continue the same philosophy and three years trajectory we feel to continue the same model.

Krupashankar NJ: Fantastic. Thank you. Thank you for answering.

Deepak Pareek: Thank you.

Moderator: The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital (India). Please go ahead.

Vikram V. Suryavanshi: Yes, good morning, sir. Hope I am audible.

Ketan Kulkarni: Very much audible. Please go ahead.

Vikram V. Suryavanshi: Okay, yes, thanks. Sir, what was the gross profit margin in Express business, if you can give some sense?

Deepak Pareek: Yes, so gross profit margin for the nine months of the Express business is 26.2%, which is a substantial growth over the similar period of 9 months of last year. It was 24%. Quarter-on-quarter also if we see, there is an improvement. For current Q3, we are at 25.1% as compared to the last corresponding quarter, 21.7%. So, there is a significant improvement in gross margin in the 9 months' period of the current financial year.

Vikram V. Suryavanshi: Understood. And what would be the pending CAPEX for next year as well as the fourth quarter or if you can give this year full expected CAPEX and next year?

Deepak Pareek: So, we had done a CAPEX of 11 crores so far. There is small CAPEX which could complete the 15 crore budget for the current year. Next year also we are keeping a budget of 20 crore CAPEX, which would be mainly on modernization and other initiatives. Hope that clarifies your answer.

Vikram V. Suryavanshi: Yes, I understand. I think you have already highlighted it, but given a competitive situation, is it like pricing is the only pressure, or are we also seeing some kind of competition from within existing players as well as unorganized? How basically is the competition coming from unorganized, or are we seeing compliance level getting, helping us, a player like us, or if you can give some sense on that?

Ketan Kulkarni: Yes, very, very good question. In terms of the market and the competition, every industry will have competition, and I think that makes every other player very, very much more sharper. So, we are really happy to have the competition.

The second point on unorganized and organized, you will see with the formalization and structural adjustments in the economy that are happening with e-way bill, GST, etc., the shipper or the consigner or the manufacturer also wants to work with the organized sector more than the unorganized. It gives him a lot of comfort level in terms of regulatory compliance, etc.

So, we are seeing that swing happening from unorganized to the organized market. So, we are very happy that that is the situation we are currently in. So, no real competition or impact or dent from the unorganized sector on the organized. I hope I have answered your question.

Vikram V. Suryavanshi: Yes, sir. Thank you very much.

Ketan Kulkarni: Thank you.

Moderator: Before we take the next question, we would like to remind participants that you may press "*" and "1" to ask a question. The next question is from the line of Shikha Mehta from Time & Tide Advisors. Please go ahead. Mr. Shikha, your line has been unmuted. Please go ahead with your question.

Shikha Mehta: Yes, hi. I just have a few questions, one regarding the quick commerce side. So, I understand we do some logistics for a lot of these players. Are we seeing any growth there? What kind of growth can be expected?

Ketan Kulkarni: Ma'am, on the quick-commerce side, you mean the last-mile logistics?

Shikha Mehta: No, not the last mile. I mean, we do B2B, right?

Ketan Kulkarni: Yes, we do B2B. Then we have, in April, we will consolidate our Consultative Logistics business. So, that's the business that...

Shikha Mehta: Right. So, are we seeing growth coming from that end because there are a lot of articles and a lot of people talking about good growth?

Ketan Kulkarni: Yes, very good growth. We are growing much higher than the growth of the market. We operate with the large three quick commerce players who deliver shipments to your homes. So, that business is growing very, very strongly, ma'am.

Shikha Mehta: Okay. And a few other things I wanted to understand. So, now it's been a few years since Allcargo acquired Gati. I think that was in FY '21. At that point, our market share was 7 to 8%. Since then, I think our market share has come off a bit because of a lot of the issues that you have spoken about in detail over the last few calls. I am just trying to understand where we are today and whether we can look to get back to that 7 to 8% or take our market share higher understanding that maybe 50% is unorganized.

Ketan Kulkarni: So, ma'am, the market share is generally, there are three to four cuts to market share. There is the entire industry. Then you cut out the unorganized and you remain with the organized players. Then within the organized players, you focus on the national players, which are about 10 to 12. Then you come to a market share much lower. I mean, then you slice and dice that and then come to the five to six national players, large players and then you kind of estimate your market share.

So, there are three to four cuts, and we have been able to maintain our market share over the last few quarters. And in fact, with the plan that we have of growing 10% points over the growth of the market, we will be improving our market share going ahead quarter-on-quarter.

Shikha Mehta: So, I think in FY '21 when the company was acquired, that time we were talking about 50% growth in market share. That was, of course, in FY '21, and much has changed since. Is that still a goal for us or, you know, how does one look at that?

Ketan Kulkarni: The goal for all companies, ma'am, is to become the market leader. The market leader in terms of revenue, in terms of volume, in terms of cost leadership, in terms of being a great place to work for people. So, all those goals will remain. How the numbers will stack up is the indication I have given you in terms of how we will grow higher than the market. But on the historic numbers, I will not be able to comment it.

Shikha Mehta: And again, I think a few, maybe last year, there was a number that was given on the con-call of 3,000 crore as a top-line goal. Is that a guidance we are looking to maintain? Or is that something we don't want to comment on?

Ketan Kulkarni: So, that was the earlier management's number, madam, and since the last call, we have been stating how we plan to grow the business and committed to put the numbers out as we commit on this call and the last time going ahead. That would be my only answer.

Shikha Mehta: Right. So, currently, the only guidance we are maintaining is that 8-10% top line growth that we spoke of with 7 to 8% margins.

Ketan Kulkarni: Madam, on the top line growth, let me correct you again. It will be 10% higher than the market. If the market grows at 7, we will grow at 8. If the market grows at 10, we will grow at 11. By that, we will be continuing to improve our market share. In terms of the EBITDA numbers, percentage that Deepak, spoke about, we will hold those.

Shikha Mehta: Okay. Thank you so much. I will come back in the queue.

Moderator: Participants who wish to ask a question may press "*" and "1". The next question is from the line of Chirag from Keynote Capitals. Please go ahead.

Chirag: Yes, thank you for the follow-up. Sir, earlier we used to give this internal ratio called as default in our presentation. I was unable to see it in this particular investor presentation. So, will it be possible for you to state that because that is one way to look at that how this infrastructure improvement is helping us to improve our turnaround time for goods delivery?

Ketan Kulkarni: Yes, thank you. Good question. Those are the service quality standards that we measure internally. It's more of an internal metrics of measurement of where we are going. And our service quality standards have been improving quarter-on-quarter. But if you are keenly interested in good numbers, I will have Sanjay send that to you.

Chirag: Sure. And just wanted to know that we had this target of making our gross margins about 30% by FY '27. Is the target still intact?

Deepak Pareek: Yes, very much intact. So, we are right now at 26.2 for 9 months. So, we, for the current year itself, we are looking at 27. So, as you said, 29% for '27 is very much in sight and very much doable.

Chirag: Fair enough. That's it from my side. Thank you so much.

Moderator: The next question is the line of Vatsal Parag Shah from Knightstone Capital Management. Please go ahead.

Vatsal Parag Shah: Yes, hi. Thank you for taking my question. So, can you kind of point out the synergies of contract logistics business with the supply chain business that we have? And do we see any kind of margin improvement from that business coming into this business?

Deepak Pareek: So, both the businesses are in a different trajectory. If you see Express business and consultative logistics is totally different. Express business, as we know, it's more of a solution to deliver on time. The yardsticks of measurement are totally different. Gross margins are different on a high upwards of about 26-27%.

And going to consultative logistics, which is the solution business, where we are market leaders and we work with all the chemical players and e-com players in the country, gross margin is on a higher side but the EBITDA and others will remain as of from 8 to 10%.

So, yes, synergies improvement on the numbers definitely is going to happen. On the volumes front, yes, both the cross optimization of client base or clients are looking for other services across both the verticals, we will have that access. So, the synergies are already, we are seeing some benefit and by next year we will see the full fruit in the financial numbers of the synergy. I can clarify to that extent only at this moment. Hope I have answered your question.

Vatsal Parag Shah: Okay. Just one follow up on that. So, the supply chain management business that we have, is it not similar to the contract logistics business which we are going to be merging with the entity?

Deepak Pareek: Yes, it is the same business.

Vatsal Parag Shah: It is the same. Right. Okay. Thank you. And just on a directional note, so when the contract logistics business will be merged with the entity, so I think the EBITDA for that business is quite high, and with our lease model and the lower debt levels, the cash generation for the company will go up significantly. So, are we looking for any acquisitions or how will be our capital allocation decisions going forward?

Deepak Pareek: No, we are not looking at, at this stage is too early as of now to comment. Maybe next year we can once we see the synergies and as you said the numbers panning out, we will take those calls.

Vatsal Parag Shah: And we are not going to change our lease model, right?

Deepak Pareek: No, we are an asset-light model which will continue. We have kept that aside, yes.

Vatsal Parag Shah: Okay, thank you.

Deepak Pareek: Thank you.

Moderator: A reminder to all participants that you may press "*" and "1" to ask a question. Ladies and gentlemen, if you wish to ask a question towards the management, you may press "*" and "1". The next question is from the line of Chirag, an individual investor. Please go ahead.

Chirag: Sir, my question is, in last quarter you mentioned that like from this January we are going to hike the price. So, elaborate on that.

Ketan Kulkarni: Yes. Very good question, and I think I answered one of your colleagues on the call earlier. So, we announced a GPI in the month of September. We gave a GPI-free period for new customers coming in from October to December. And from Jan, our go-to market on GPI has started. We will see a major chunk of that GPI by the end of March and the long tail of the GPI to end by June. We are well on track to deliver numbers that we internally estimated and at the end of the activity, it will be a single-digit GPI that we will generate from the market. I hope that answers your question.

Chirag: And what about, sir, capacity utilization number? How much?

Ketan Kulkarni: So, you want the number of capacity utilization? We are higher than the market in terms of capacity utilization on all lanes of the business. You know the whole industry when it rains, drops out to the east and northeast, suffers a low-capacity utilization on the return journey. But we are correcting that with our aggressive go-to-market on retail, on MSME and also the Eastern sectors and production centers in the East and Northeast.

Chirag: Sir, my question is like compared to our other Express companies, our return ratio are not good. So, how we are going to change that? How we are going to increase that? That's why I am asking about capacity utilization. How much it should increase so that we can normalize our return ratio at least?

Deepak Pareek: Yes, the return ratio is constantly monitored. So, the measures which we have initiated, one is on the general price increase. which has started showing its effect from January, that is the first measure. Second measure is on the line haul, feeder cost and pickup and delivery cost optimization, which is already there. But the impact of having a volume push, so if you optimize it with the higher volume in the lanes which Ketan mentioned, that is another area which is underway.

On the employee and SG&A cost, we are the best in the industry in terms of numbers. We don't see any challenge from there. Finally, on the interest cost also, we are not a debt heavy company, and we continue to be on the same level.

So, I think these two three measures which I mentioned initially on the enhancement of yield through general price increase and optimization of the cost wherever we are having some non-optimization. So, that is the key area which will increase the margin percentage. And overall the effect is already seen in this 9 months. If you see from last year corresponding year, we were at 3.5% EBITDA margin, which is right now at 5.4%. So, there is a growth of 52.5% in the EBITDA margin in these 9 months, which is the momentum is like we want to continue with going further.

Chirag: Okay, sir. Okay. Thank you, sir. And one more question like, sir, last few months we have heard FMCG company like HUL and they are going to change their supply chain, their distribution model. They are directly going to kirana store instead of distributor. So, how will it affect our company or our Express business whole sector?

Ketan Kulkarni: That's very, very good. Sorry I interrupted. Please go ahead.

Chirag: Suppose like other FMCG company also going to follow this model, then how it will affect our sector?

Ketan Kulkarni: Yes, very good question. And I think I will take it in two parts. The first part is that one of your colleagues earlier on the call asked me how the Express division of our business, what is the industry contribution that comes in.

So, let me tell you the large ones are Auto, which is about 20 plus percent of my business, then there is consumer electronics, there is fashion lifestyle, there is healthcare and pharma. So, FMCG as a percentage of contribution to our business is just in single digit. So, that is point number one. So, we will focus on the B2B movements of all industries including FMCG.

Lastly, that model is still evolving in the FMCG industry. It's difficult to change models which are been engraved into the supply chain ecosystem, especially into tier 2, tier 3 and rural India where FMCG growths are really coming from. But as and when the model evolves and becomes substantial, we will be closely watching it. But as of today, FMCG is a single-digit contributor to our business. We will focus on the B2B businesses of the other industry verticals. I hope that answers you.

Chirag: Okay, sir, okay. Thank you, sir.

Ketan Kulkarni: Thank you.

Moderator: The next question is from the line of Chirag from Keynote Capitals. Please go ahead.

Chirag: Yes, thank you for the follow-up. Sir, my question is more generic and to understand the fundamentals of the Express logistics industry. Apart from turnaround time, what is the way to differentiate FTL/PTL model of logistics with the Express Logistics business?

Ketan Kulkarni: Very good question. I think fundamental one on the structure of the industry. So, Express is a time-definite, day-definite mode of delivery. Express operates with faster transit times, which you said, which is TT. So, on the TT will be the icing which will be the day-definite and time-definite delivery. Apart from that, the other important factor that the industry is measured against is the debts, which is the damages, exceptions, pilferage and shortage. So, these are the two core or three core fundamentals that differentiate Express from partial truck load.

Chirag: And second, sir, is more from the understanding of the P&L. One is that when the time of acquisition earlier our mix of revenue from fuel station used to be a larger as one of the fuel stations has been sold now. And at that time, I am expecting the entire raw material cost today also is because of the fuel station business.

If I just think from the logistic business, the major chunk of the expense is that operating expense. Earlier that expense used to be in the range of 55 to 60% of my top line. Now it is more of like 65-66% as we are targeting it to get it back to 30% gross margin, no doubt.

I just wanted to understand what is the reason for this particular jump as a percentage of sales in operating expense? Is it because of the new hub creation that we have done and over time with time, it is expected to improve? Am I thinking on the right track?

Deepak Pareek: It's a mix of both actually. If you see the legacy infrastructure which we took over required lot of overhauling both on the OpEx and on the CAPEX, some bit of CAPEX fund. We have been very mindful of this and doing it in a very systematic manner. So, I think that improvement is already done.

So, that's why the impact of both on the depreciation and on the operating cost, some bit is there. But if you see sequentially, currently there is a big fall on that entire piece, and we are at a 26% gross margin. And as suggested, we are going towards upward of 28, 29. So, sequentially there is a constant improvement that will happen on this one.

Chirag: Right. And sir, from the presentation, it is very clear that our EBITDA margins in Express Logistic GESCPL business is already, it is already higher than 5-5.5% at this moment. The drag in the margin is basically because of the fuel station business which is operating at 200 crores top line. So, could you guide us what is the hindrance that we are facing for the sell of the fuel station business?

Deepak Pareek: So, there is no hindrance actually. As Ketan mentioned, it is on track. We are identifying and doing the proper process. So, due diligence and all of that. So, I think we are on track on that process. And we will keep on updating you on the development on that front on the same.

Chirag: Sure. Okay. Thank you. Thank you so much, sir.

Ketan Kulkarni: Thank you everybody. Over to Steve.

Moderator: Thank you. That was the last question for today's conference call. I now hand the conference over to the management for their closing comments.

Ketan Kulkarni: Thank you everybody for making time, coming on the call and asking some very, very relevant questions. We appreciate your interest in the business and the Company and looking forward to meeting you all in the next quarterly update call and best wishes. Thank you.

Deepak Pareek: And thank you for your insightful questions and looking forward to meeting again. Thank you.

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