

May 23, 2024

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Scrip Code: 532345 ISIN No.: INE152B01027 Re.: Allcargo Gati Limited	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”).

Reference the captioned subject, this is further to our letter dated May 14, 2024 and May 17, 2024, with respect to the Q4FY24 Earnings Con-Call with respect to the Audited Standalone and Consolidated Financial Results of the Company for the Fourth Quarter and Year ended on March 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”)

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

Encl.: As above



“Allcargo Gati Limited
Q4 and FY '24 Earnings Conference Call”

May 17, 2024



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

Moderator: Ladies and gentlemen, welcome to the Q4 and FY '24 Earnings Conference Call of Allcargo Gati Limited. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinions and expectation of the company as on date of this call. These statements do not guarantee the future performance of the company, and it may involve risks and uncertainties that are difficult to predict.

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.

We are pleased to have with us the management team represented by Mr. Pirojshaw Sarkari, (Phil), Managing Director and CEO of Gati Express & Supply Chain Private Limited; Mr. Anish Mathew, CFO for Allcargo Gati Limited; and Sanjay Punjabi, Investor Relations. We will have opening remarks from the management, followed by a question-and-answer session. Thank you, and over to you, Phil, sir.

Pirojshaw Sarkari: Thank you. Good morning, and a warm welcome to everyone on our Q4 & FY '24 earnings conference call. We have uploaded our results and earnings presentation on the stock exchange and company website, and I hope everyone had an opportunity to go through the same.

As mentioned, along with me, I have Mr. Anish Mathew, the Chief Financial Officer of Allcargo Gati Limited; and our Investor Relations team. I will now share an overview of the economy, industry and business. After which, will hand over to Anish to discuss the financial performance of the company for the quarter and the financial year ended March '24.

I would like to start by sharing a milestone that Allcargo Gati achieved this year. During the financial year 2024, your company recorded its highest ever express volume. This volume growth has come on the back of our new and improved infrastructure, improved service quality and sales acceleration initiatives.

I will throw some light on the global and Indian economy. The International Monetary Fund has projected global growth to be at 3.2% in 2024-25. This projection is based on resilience shown by the global economy after a sluggish '23. While there is a projection of global growth marginally improving in '24 and '25, it is still below the pre-pandemic level. The growth is largely dependent upon expected resilience to be shown by the United States, Eurozone and other major emerging economies.

The global headline inflation is also showing some signs of moderation. In most regions, it is falling faster than expected on the back of supply side bottlenecks being resolved. According to the IMF, global headline inflation is expected to moderate to 5.8% in 2024 and further 4.4% in 2025 from the peak of 8.9% in 2022.

With economies being resilient and inflation tapering off, the possibility of a hard landing can't be negated. However, sustained geopolitical issues could lead to an increase in commodity prices, which could keep the inflation high, leading to tight monetary policy conditions and subdued global trade.

In the midst of a gloomy global economy, India has been the bright spot. During the year 2023, India surpassed United Kingdom to become the fifth largest economy. India has also emerged as an attractive investment destination on account of government's thrust sectors like infrastructure, manufacturing, logistics and the focus on technology. These government initiatives have not only has instil confidence in the country's capabilities but have also paved the way for its promising future.

For March 2024, the gross GST revenue witnessed the second highest collection ever at INR1.78 lakh crores with 11.5% year-on-year growth. This signifies strong economic activity on the back of consumption. India is shouted to become one of the largest manufacturing and consumption hubs globally. This will act as a tailwind for the growth of logistics sector in a big way.

Now I will share some highlights on the growth pillars of the Express business. Sales acceleration. Our efforts on the sales acceleration initiatives are visible in the volume growth delivered by the company during the financial year 2024. Now we have gone ahead and restructured our sales team under our Chief Commercial Officer, Mr. Uday Sharma, who joined us in the month of January this year.

We have also initiated headcount rationalization in the sales team to build efficiency and effectiveness. The focus of sales acceleration initiative is to continue servicing the key accounts with rigor and ensure growth of the SME and retail clients. To target the MSME client base, we have set up an inside sales team. This team will focus only on reaching out to and resolving queries of the MSME clients. The idea to set up this team is to stay close to the customer by staying in touch with them on a regular basis.

Other initiatives like digital wallet and redesigned SME incentive policy have also been put in place. We look forward to accelerated sales in the new financial year.

Coming to operations. We have been able to reduce our direct operating costs, the impact of which is visible in the 100% jump in our EBITDA in comparison to last quarter. Other initiatives that we have undertaken are detailed process compliance, operational audit mechanism to ensure adherence to standards, identify challenges faced by the operational units. We have rolled out new SOPs to ensure standardized shipment handling across all locations.

Another initiative undertaken is root cause analysis of the top customer damages, shortages and lane-wise, unit-wise pilferages. Focus on operations has also helped to improve our service parameters. Today, our service parameters are amongst the best in the industry. We are well on our way to further improve cost efficiency while maintaining our yield.

On the infrastructure front, we will continue with our journey to modernize the same in order to be future ready. As already highlighted, 6 out of the 8 hubs recognized its Phase 1 of amplification are up and running. We will let you all know about the Phase 2 of our amplification at an appropriate time.

On the technology front, as mentioned, GEMS 2.0 development is already in progress, and the first module should be rolled out in October 2024.

With these, I would like to handover the call to Mr. Anish Mathew, our CFO, for financial highlights for quarter 4 and FY 2024. Over to you, Anish.

Anish Mathew:

Thank you, Phil. Good morning, everyone, and a really warm welcome to our Q4 and FY 2024 earnings call.

I'll take you through the highlights of financial results for the fourth quarter and 12 months ended March 2024. Before I share the financials, I would like to highlight that margin expansion initiatives devoted towards reduction in operating cost, enhance service level and yield improvement, coupled with initiatives aimed at overhead reductions are on track. These initiatives have helped us register a growth of over 100 percentage in our EBITDA over the last quarter.

Similarly, our efforts in the reducing the working capital cycle by improving the quality of AR (accounts receivable) continues. Our DSO has improved and so is our ECL provision requirement, which was INR40 lakhs for the full year FY '24 compared to INR24 crores of provision made in FY '23. Now I would like to start with the highlights of our Express business first. Total tonnage handling for Q4 FY '24 stood at 306 kilotons as compared to 318 kilotons in Q3 FY '24. And revenue from Express business stood at INR355 crores as compared to INR371 crores in Q3 2024.

Corresponding gross margin stood at 26% for the quarter ended March 2024 as compared to 22% during Q3 FY '24. The 4% margin improvement reflects the efficiency we are able to bring in our operations and improvement in the yield. EBITDA for the business, Express business, stood at INR14 crores in Q4 2024 as compared to INR7 crores in Q3 FY '24. Thus, representing a growth of 114%. Plan mix for the quarter ended March 2024 for KEA, SME and retail stood at 71%, 14% and 15%, respectively.

I will now share highlights for the full year. During financial year 2024, we have recorded highest ever Express volume. For FY '24, volumes stood at 12,49,310 metric tons as compared to 11,33,034 metric tons for FY '23, representing a growth of 10%.

Revenue for FY '24 stood at INR1,479 crores as compared to INR1,469 crores for FY '23. EBITDA stood at INR54 crores as compared to INR72 crores for the same period. I would like to share that on a consolidated basis, the company is now debt-free with a cash surplus of INR33 crores.

Regarding the non-core asset sale, we are well on track, and the total noncore asset sales realized for the full year FY '24 is INR78 crores and the balance is INR13 crores as of 31 March 2024.

As regard to sale of fuel stations, we are exploring multiple alternatives to dispose of the assets. We will continue pursuing initiatives elaborated in my opening commentary aimed at improving the profitability and strengthening the balance sheet.

With this, I would like to open the floor for questions and answers.

Moderator:

The first question is from the line of Rahul Agrawal from Himalaya Investment Adviser.

Rahul Agrawal: Congratulations on the quarter-on-quarter improvement. Historically, in the call for your guidance for margin improvement over the next year or so, can you please elaborate a bit more on that? Is that going to be driven by better realizations? Or are you looking at cost optimization that should come through? Any more color on that would be appreciated.

Pirojshaw Sarkari: Yes. So for us at Gati, we have identified that cost optimization will play a very, very important role in our profit expansion, margin expansion. We've already seen over the last one year, reducing -- our cost reducing and we further have identified opportunities to further reduce cost. So a very large portion of our margin expansion will come with cost reduction.

Of course, at every opportune time, as renewals come up, we will also look at how we can improve our yields with our customers. But what is in our control absolutely is the cost reduction, and we have identified in every bracket of our business, whether it is pickup and delivery, line haul or feeder, we have identified areas, and we have already started work towards cost reduction.

Rahul Agrawal: Got it. And over the last couple of quarters, you also alluded to the fact that there will be contract renegotiation, which may happen from April onwards. This may lead to realization increase. And you were also looking at improving performance metrics, DIFOT and so on that you had mentioned with help in getting better realization from customers. So can you talk a bit about that?

One, how do your metrics on DIFOT, delivery in full and all compare versus competition today? And second, from a realization perspective, have you been able to bridge the gap? Or is there a lot more work which needs to be done?

Pirojshaw Sarkari: From a service, I would say we are as good as anybody else out there, although there is still room for improvement for the industry as a whole and for Gati in particular. We are hovering a DIFOT of around 89%, 90%. There is scope to go up to maybe 95%, too. This all comes with better infrastructure, which we are seeing getting developed both from a government perspective which is the roads, and also our own infrastructure, which is developing.

On the yield and pricing side, it is a journey. As and when our accounts come up for renewal and the confidence that the large customers have shown by growing their volumes, we feel it's an opportune time for us to get the right pricing from the customer. But that is a journey. So what is fully under control for us is our service and our direct cost.

Rahul Agrawal: Understood. And since you mentioned that there's been a lot of work that has happened on the cost initiatives, by when do you expect some of these benefits to start flowing into the numbers?

Pirojshaw Sarkari: So as you can see in the fourth quarter of this year, already the benefits have flown into the numbers. And every quarter, we will show cost improvement happening in our operations.

Rahul Agrawal: Any number that you can put to us to what is your internal target for the next one year and what would be a 3-year target?

- Pirojshaw Sarkari:** So basically, this is a combination of various factors. We, as an organization, are looking at reducing our direct cost by at least another 5% this year.
- Rahul Agarwal:** Understood. So basically, if I started to look at that assuming yields stay where they are, you would expect about a 5 percentage point expansion in margins over the next 12 months?
- Pirojshaw Sarkari:** Yes, we would also expect some of the yields to improve. But yes, you are right.
- Moderator:** The next question is from the line of Rishith Shah from Nuvama Wealth.
- Rishith Shah:** Congratulations on the expansion in the margins that we have seen in this quarter. So a couple of questions. So, with regards to the direct operating cost. So in the last 2 quarters, we had kind of highlighted our efforts to get more share of volume in the intrazonal transfers as well, where the yield is lower, but also the costs are lower. So, is the benefit that you're seeing in direct operating costs due to realignment of cost in that direction? Or is it also efficiency? So, which part would be more heavy?
- Pirojshaw Sarkari:** So very small portion of the realization of cost optimization is towards us being able to grow our intra zone business. We are still very skewed to our national business in our entire business at Gati. The focus is on -- definitely on looking at how we can grow the intra zone with our customers. But a large proportion of our cost reduction is basically bringing about efficiency in our current cost module.
- Rishith Shah:** Okay. Got it. And as a follow-up to that, can you give us a rough split of what would be our volume share between intrazonal and intra state?
- Pirojshaw Sarkari:** So I can give you an approximate basis. We would be anywhere around 25% of our business coming from intrazonal and 75% coming from national.
- Rishith Shah:** Okay. Got it. And second question, in the previous quarter, you had also kind of mentioned that some of the volume that we had lost was due to billing migration towards e-docket for retail customers. So is it kind of resolved now? And -- or is it -- I mean, is it still in progress and we could see a further jump in volumes from the retail side?
- Pirojshaw Sarkari:** The loss of volume is now already standardized. So there is no more loss of volume that we have seen. We have stabilized with e-docket, and we should only see growth in retail business from here on.
- Rishith Shah:** Great. And last question. So our FY '26 target of INR3,000 crore revenue and 9% to 10% margin stays intact?
- Pirojshaw Sarkari:** Yes.
- Moderator:** The next question is from the line of Ronald Siyoni from Sharekhan Limited.
- Ronald Siyoni:** Yes. And basically a question on the last quarter whether we have seen fall in realization because given the cost optimization you have achieved sequentially, if you know the realizations would

have remained at least stable, the margin expense would have remained higher than what we have achieved. Is that true?

Pirojshaw Sarkari: No, there is no fall in realization in the last quarter. If anything, there is a very small increase in realization, but very small. So that's not true that there is a fall in realization.

Ronald Siyoni: Okay, sir. And second one on the -- one of your peers had highlighted that some of the Express players are entering into LTL kind of businesses. So we do not have participated in this? Or no, there has been increase in this volume sequentially during quarter 4?

Pirojshaw Sarkari: No. So we do not sell LTL as a service in Gati at all. Having said that, some of the smaller customers do not distinguish, I think, between LTL and Express. They just are happy if the price that they want is met with. So it's always the larger customers who distinguish between Express and LTL. When you go down the line to the smaller customers, for them, a 2-day extra does not make a big difference. But Gati does not sell LTL at all.

Ronald Siyoni: Great. And whether you have seen any preferences for larger players to move towards LTL? Or there is no such preference for larger players at all?

Pirojshaw Sarkari: No. In fact, what we are seeing is more and more players are looking at time-definite deliveries nowadays. So I'm seeing a shift from LTL to Express rather than the other way around.

Moderator: The next question is from the line of Krupashankar from Avendus Spark.

Krupashankar: So my first question is on surface-express business. While I could note that sequential decline in revenue as well as throughput. Just wanted to get a sense if there is an increase in competitive intensity? Or is it more of macro-led change, which has resulted in a sequential decline?

Pirojshaw Sarkari: So generally, the third quarter for Express Logistics is higher than the fourth quarter. It is only the month of March in the fourth quarter which is high. Otherwise, we see that a lot of multinational companies, January becomes very low because their year ending in December and then they start doing their new year from January. So it is to do with the industry and not to do with anything else.

Krupashankar: Okay. So I also noted that with respect to your client mix, there's been rather lower contribution this year from MSMEs. Have you seized the strategy, per se, whether you're focusing more on large corporate accounts rather than the MSMEs and the retail when it happens, it happens because that space has become more crowded in nature?

Pirojshaw Sarkari: No, not really. It is entirely Gati's doing that we have not been able to retain our MSME business for various reasons. The strategy that we had adopted for MSME did not work out for us. And that is why what we have done in this last quarter, which we believe will work for us, is create an inside sales team for retention strategy of our MSME customers.

Because MSME customers individually are small, but as a group, they become large. And they are the growth engines for all of us in the Indian economy, not only logistics, but economy wise. So one cannot ignore them and one cannot have a strategy not to include the growth of the

MSME business. It was basically Gati's short falling that we lost a lot of MSME customers. And the focus clearly is to grow the MSME business, and that's why we have, I would say, reset our process, whereby we have created an inside sales cell.

Krupashankar:

Right. And lastly, I was just looking at one of the charts we have put across in the presentation on improving linehaul utilization. And one interesting thing that starting from April to more or less November, we were more or less underutilized and from December onwards, it has picked up relatively better.

So my question is the margin improvement, what you're seeing this time around, is it fair to assume that a predominant portion of it is coming from linehaul utilization or is it really fair to assume that if this as a percentage goes up to, let's say, index base if it goes 105 or 106, what will be the margin that can be forward?

Pirojshaw Sarkari:

So this is only a portion of all the other initiatives that we have taken for cost reduction. If you see our cost reduction is in every element, whether it is in our delivery cost or in our feeder cost or line haul cost, we have really started optimizing each of our legs of service. Capacity utilization is a number, but there is a lot of work that goes in to create the volume of a truck through proper mix of dense and the volumetric cargo.

And as we build out more dense and less volumetrics into our truck, our unit cost per kg reduces. So it is a continuous effort. It also depends on what kind of customers we attract as a mix of dense and volumetric. So it is not just capacity utilization that has brought our costs down. It is a combination of 3, 4 elements. And we'll work on all of them towards bringing down our direct cost further, as I said, by 5%.

Krupashankar:

One follow-up on that. What could be line haul as a percentage of the total sales expenses or overall transportation expenses?

Pirojshaw Sarkari:

Line haul is approximately 55% of our total costs.

Moderator:

The next question is from the line of Anshul Agrawal from Emkay Global.

Anshul Agrawal:

Phil, I wanted to understand if there are any specific products or verticals...

Moderator:

Sorry to interrupt, Anshul. Could you please use your handset while speaking...

Anshul Agrawal:

Great. Phil, my question is on the customer verticals or any specific segments where we are seeing traction for Gati and the industry? Or any segments where we are seeing weakness in terms of the whole industry or Gati, from Gati's perspective?

Pirojshaw Sarkari:

So from an industry perspective, we have seen that the automotive industry has been doing well. And we, as you know, move the aftermarket, which is the spare parts of the automotive industry. That is one industry where we have seen growth through the year clearly. The consumption patterns of the market has slowed down in this year. However, a lot of the retail suppliers are using more and more Express than they were earlier.

As consumption increases, that will be beneficial to both the industry and Gati as a whole. We are attracting more of the larger customers. Our customer service and sales strategy towards the larger customers, in general, is working out far better than our MSME and retail. That does not mean we are not focused on MSME and retail. In fact, as an organization, we are looking at, this year focusing more on getting closer to the MSME and retail business.

We have made a certain change in the organization in both the leadership of our retail business as well as the team below there. And we believe with the new leadership and our new team, retail business should grow back to where we were, as Gati, we were #1 at least 5 years back. So yes, I think a long answer to a short question.

Anshul Agrawal: Got it. What could be our customer mix in terms of top 3 or 4 contributing segments?

Pirojshaw Sarkari: Segment or customer? So we don't have...

Anshul Agrawal: Let me rephrase what would be the top 3 or 4 contributing segments, like auto, retail?

Pirojshaw Sarkari: Okay. So auto, consumer durable, which includes the retail and engineering goods would be our top 3 segments.

Anshul Agrawal: And these would be contributing, say, roughly 50% of our revenues or more than that?

Pirojshaw Sarkari: No, this would be contributing around 60% of our revenues.

Anshul Agrawal: Got it. Very clear. My second question is on market share gains. So while somewhere in the presentation, you have mentioned that we expect the industry to grow at roughly 13%, 14% CAGR, and bulk of it is organized market. While pricing, as a lever, I don't think would be that big a differentiator considering where the yields are. What do you envisage? How do we gain market share versus other bigger, similar-sized players in this industry to grow ahead of market or in line with the market?

Pirojshaw Sarkari: So I think in this industry, the one and most important thing is consistency in service. Once that is established by any player, the next thing is customer relationship. I think a combination of both these gets your customers to give you more business. While consistency in service is something that we've already seen happening over the last few months, we now need to get the customer service a notch higher than where we are so that we can combine these two and gain the confidence of the customers to give us more volume.

Moderator: The next question is from the line of Rohit Suresh from Samatva Investment.

Rohit Suresh: So my first question would be on the contract logistics part of the business. So post integration, so I just wanted to understand the current hub that we have in Gati. Can they also be used for the contract logistics part post the integration?

Pirojshaw Sarkari: So the current hubs that we have in Gati cannot be used for warehousing because the hub is designed basically as a cross dock for moving the goods in and out of the hub, not for storage. What can be used post integration is what we call our last-mile units. A lot of contract logistics players are looking for dark stores, which are within the city. And most of our last-mile units are

within cities, which can be used for contract logistics post integration as dark stores for specially quick commerce customers who need them.

Rohit Suresh: Got it. In the phase two of infrastructure upgrade, will the new hub be made also considering the contract logistics part? Or will both of them be separate, the warehousing part?

Pirojshaw Sarkari: No so they both will be separate, but what we are planning to do is keep them within the same park so that there is synergy, and we can give later cutoffs to the customers for picking up goods from the warehouse to the hub.

Rohit Suresh: Got it. Then finally, if I look at last year the warehousing capacity was around 5 million square feet if I am not wrong. So, any plans -- any guidance on increasing that post integration?

Pirojshaw Sarkari: So we are looking at creating another 3 million square feet in the next 3 years.

Moderator: The next question is from the line of Mohammed Patel from Care Portfolio Managers Private Limited.

Mohammed Patel: What is the client mix in FY '24 versus FY '23?

Pirojshaw Sarkari: When you say client mix, we look at our business.

Mohammed Patel: Strategic accounts.

Pirojshaw Sarkari: Okay. So we've ended this year in FY '24 with a 70-30. So 70% of our clients are our key and strategic accounts and 30% are MSME and retail. Last year, if I'm not mistaken, this was at around 62%.

Mohammed Patel: So how do we expect the mix to pan out in the next one or two years?

Pirojshaw Sarkari: So we would like to bring it back to 62%. That's a more ideal mix for us, and we are working towards increasing our MSME and retail business faster so that we can improve the mix.

Mohammed Patel: Okay. Sir, gross margin has revived sharply quarter-on-quarter. So is it expected to stay stable and improve in the next one or two years?

Pirojshaw Sarkari: It is expected to improve, not stay stable. We have clearly identified the areas of further cost -- direct cost reduction, and therefore, gross margin will only improve in the next quarter.

Mohammed Patel: Okay. How is the industry performing starting Q1? Are you seeing the green shoots?

Pirojshaw Sarkari: At least all the economic indicators are saying that, yes, the Indian economy is kind of ready for post-election shoots, green shoots or whatever. But everybody is waiting to watch the results of the elections. As you have -- you guys know better, even the stock exchanges are kind of dancing away up and down, waiting for the election results.

Moderator: The next question is from the line of Kushal Chopra from RV Investments.

- Kushal Chopra:** Sir, my question is due to the establishment of dedicated freight corridors. What amount of volumes in the lorry transportation are seeing getting shifted in the shorter routes because the dedicated freight corridors will be definitely taking shares from trucks transportation to rail transportation system. So what are the volumes that we are seeing will be get affected?
- Pirojshaw Sarkari:** I think the small package industry is still waiting and watching how the freight corridors pan out from the infrastructure around its perspective. Having said that, the rail is definitely cheaper than trucking in the Express industry, specifically on routes where the demand supply is not similar. And where we tend to send out trucks which come back with lesser capacity because trains, you can just send out a one-way load. So we definitely will be looking at rail specifically on such sectors where our load factors on the return are lesser than what is required and move our one-way trucking two-way. I cannot give you any number as such right now. We are still on the drawing board, but maybe 6 months down the line, we will be able to give you some numbers on this.
- Kushal Chopra:** Okay. So the passenger vehicle sales in the automotive sector is around the all-time high. So is that indicating somewhere to a combination of both the models that will contribute to the increase in volumes, rails and automotives?
- Pirojshaw Sarkari:** I did not get your question. What was the question?
- Kushal Chopra:** The sales in the commercial vehicle sector, in the automotive sector is near all-time high. So does that indicate that the combination of both the transportation medium of rails and trucks, will that cater to the growing demand? Or will the commercial vehicle model will be used greatly for the shorter routes?
- Pirojshaw Sarkari:** So world over the commercial vehicles, wherever rail is used are used for first mile, last mile. And therefore, the commercial vehicle industry will see shorter routes for themselves once the freight corridors get established, specifically in those routes where the freight corridor gets established.
- However, there is also a concept of rollover of trucks into rail, which means that you fill up your truck, you put it on the rail and then you roll it down and deliver it so that the handling of the goods reduces since you don't load, unload at various points. You only load and unload twice. So we have to wait and watch how this second industry also kind of takes on.
- Moderator:** The next question is from the line of Rahul Agrawal from Himalaya Investment Advisor.
- Rahul Agrawal:** Sir, you said that the MSME and retail mix has come down in the current year, and that strategy did not work out as well. Can you talk a bit more about that as to what exactly happened in the last 12-odd months? What did not work? And how -- what are the steps that are being taken to address that going forward?
- Pirojshaw Sarkari:** Specific to the MSME business, we saw a lot of churn. We were bringing on customers and they were churning away not being able to retain by Gati, and we kind of digged into it and saw that the reason is because the touch point with the MSME customer was missing from the sales

perspective. These are all small customers who require to be serviced by a salesperson regularly and is not physically possible.

So we've kind of looked at a change in strategy on retention of our MSME customers, like I said, through an inside sales team who will make sure that every customer is spoken with at least twice a month, if not more than that, to give him all the information on Gati as well as giving him a point of direct contact for him to call in whenever he requires any kind of assistance.

And we believe that the reach that we can create through an inside sales team is far more than putting feet on the street because a lot of these MSME customers are beyond the metro and Tier 1 cities also. So that is one area which we believe now through this new initiative, we will be able to bring in retention.

On the retail side of the business, 2 things happened. One is the leadership that we had in retail sales was not working out for us. We have made a big change over there. We've brought in a retail veteran. His name is Sonal Ahuja. And he has been put in as the retail head just in the beginning of the last quarter.

Secondly, I have spoken about the entire retail is now on e-docket with us. Whenever there is such a change, you see a lot of business which does not like transparency fall off. We did see a lot of that business fall off, but now we have stabilized our retail business, and we will only grow from here. So a combination of these 2 things have happened with us in the last year. But we put it behind us, and we make both the retail and MSME grow in the current year.

Moderator: Thank you very much, sir. Your current participant has been disconnected. That was the last question for today's conference call. I would now like to hand the conference over to Mr. Phil for closing comments.

Pirojshaw Sarkari: So I will only close by saying that at Gati, we have identified the reduction of cost as a major initiative for ourselves. We have started on that initiative. We will continue to show that over the next few quarters and at the same time, look at how our mix of our large, MSME and retail comes back to around 60% and 40%. Thank you, everyone, for getting on the call, and we see you again.

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