November 15, 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 November 05, 2024 and November 08, 2024, with respect to the Q2FY25 Earnings Con-Call with respect to the Unaudited Standalone and Consolidated Financial Results of the Company for the Second Quarter and Half-Year of the Financial Year 2024-25 ended on September 30, 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: 2024.11.15 15:47:34 +05'30'

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

Encl.: As above

“Allcargo Gati Limited

Q2 & H1 FY'25 Earnings Conference Call”

November 08, 2024

MANAGEMENT: **MR. KETAN KULKARNI – DEPUTY MANAGING DIRECTOR OF GESCPL**
MR. DEEPAK PAREEK – CHIEF FINANCIAL OFFICER – ALLCARGO GATI LIMITED
MR. SANJAY PUNJABI – INVESTOR RELATIONS – ALLCARGO GATI LIMITED

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 08th Nov 2024 will prevail.

Moderator: Ladies and gentlemen, welcome to Q2 and H1 FY 2025 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 expectations 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.

We're pleased to have with us the management team represented by Mr. Ketan Kulkarni, Deputy Managing Director of GESCPL; Mr. Deepak Pareek, CFO, for Allcargo Gati Limited; and Mr. Sanjay Punjabi from Investor Relations. We will have opening remarks from the management, followed by a question-and-answer session. Thank you, and over to you, Ketan, sir.

Ketan Kulkarni: Thank you, Yashashvi, and good afternoon to everybody, and a very, very warm welcome to our Q2 and H1 FY 2025 earnings 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. As mentioned, along with me, I have my colleague, Deepak Pareek, 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 I will hand over the call to Deepak to discuss the financial performance of the company for the quarter ended September 2024. Thanks to Pirojshaw Sarkari, who we all know as Phil, Phil has announced his superannuation. We at Allcargo Gati would like to thank him.

I would like to start by highlighting our EBITDA growth during the first half of the financial year 2025. GESCPL has reported an EBIT of INR39 crores during H1 FY '25, representing a growth of 18% 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 volumes during the month of October 2024. This milestone is a testament to the hard work and dedication of our teams as well as the continued trust of our customers. We look forward to building this momentum going forward.

Let me throw some light on the global and Indian economy. Indian economy continues to show resilience. It is one of the fastest-growing economies globally, backed by local consumption and manufacturing boost. The IMF in its most recent world economic outlook update has maintained its projections for India and expects it to grow at a 7% in the financial year 2025 and 6.5% in the financial year 2026.

The outlook for GDP growth has moderated from 8.2% growth in FY 2023 and 7% in FY 2024. But the growth projected for India is still in stark contrast to the global growth, which is expected to be stable at 3.2% in 2024 and '25. The Indian economy is also expected to get a boost on the back of government initiatives focused on manufacturing and infrastructure development.

Logistics, especially express delivery, is bound to play a role to support the economy's manufacturing-led growth. The e-way bill collection, which signifies trade activity, was up 18% in the month of September '24 as compared to the same period last year. GST collection rose

6.5% to nearly INR1.73 lakh crores in September compared to INR1.63 lakh crores same period last year.

Some highlights on growth pillars for the Express business. On the infrastructure front, we have successfully implemented Phase 1 of our infrastructure update and are embarking on Phase 2. We have finalized locations, which we want to upgrade in the second phase. These locations will play a vital role in further strengthening our operations. These locations should come up in the next 1 year. Additional details are shared in the investor presentation for your reference.

On the technology front, as discussed during the last quarter, we launched the first module of our new technology Gati Associate Tracking Engine, GATE. We are in the process of implementing further modules, which will help in better visibility of operations, better utilization percentages and cost rationalization.

Sales, another area of focus, is under acceleration. Our efforts have ensured consistent volume growth for the company. This can be witnessed from the recent volume update that I just shared for October. The sales team is working very closely with our data science team to analyze and improve the customer connect through regulated analysis, improved customer interaction, coupled with better service levels. And all this has led to an increase in our customer loyalty ratio. Any ratio above 1 is considered good. Today, we are at 1.38 percentage points ratio compared to 0.82 during Q1 FY '25.

On the operations front, I would like to share our key performance indicators. For September 2024, our service level was an upward of blended 90% across all parameters, which are industry leading. I would like to add here that our service levels are among the best, and there is a continuous effort to improve them further.

With this, I would like to hand over the call to Deepak, our CFO, to share some financial highlights for Q2 and H1. Over to you, Deepak. Thank you.

Deepak Pareek: Thank you, Ketan. Good afternoon, everyone, and a very warm welcome to our Q2 and H1 FY 2025 earnings call. I will take you through the highlights of financial results for the second quarter of financial year 2025. I'd like to start with the highlights of our Express business first.The total tonnage handled for Q2 FY '25 stood at 3,17,000 metric tons as compared to 3,33,000 metric tons for Q2 FY '24. And correspondingly 3 lakh metric tons for Q1 FY '25. Our revenue for Express business stood at INR374 crores as compared to INR385 crores for Q2 FY '24.

And it was INR385 crores for Q1 FY '25. Corresponding gross margin has improved by over 305 bps and stands at 26.4% for Q2 FY '25 as compared to 23.3% for the quarter ended September 2023. EBITDA for the Express business stood at INR19 crores for Q2 FY '25, depicting a growth of 26% as compared to same period last year. Client mix for the quarter ended September 2024, for key accounts, SME and retail stood at 68%, 14% and 18%, respectively.

On a consolidated basis, the company has reported a revenue of INR426 crores for Q2 FY '25 as against INR442 crores in Q2 FY '24 and INR408 crores in Q1 FY '25. For Q2 FY '25, the company reported a gross profit of INR100 crores, representing a growth of 9% over the same period last year. EBITDA margin for Q2 FY '25 stood at 4% as against 3% during Q2 FY '24. I'd like to highlight that the company is debt-free as of September '24, with a positive cash position of INR170 crores.

I think with this, I would like to open the floor for question and answers, completing the financial highlights from my side. Thank you.

Moderator: Thank you very much. We'll take our first question from the line of Ankit Gupta from Bamboo Capital.

Ankit Gupta: So my first question is on the overall industry and performance. It's been a challenging past 2,3 quarters for us as well as the other listed peer of ours in the Express Logistics business. We haven't seen much of a growth. So if you can indicate what exactly is happening in this industry and why us and other listed peers are not able to grow much? So like is there something happening where unorganized players have taken over the share of organized players? If you can just give some insights into that?

Ketan Kulkarni: Sure. And thank you very much for the question. I'm sure you've been studying the industry and the growth of the Express industry is always a factor of the GDP growth. And that factor is about 1.2% to about 1.5% of the GDP growth, that's how the industry grows. And we have seen the industry at that levels of growth over the last few quarters. A percentage point here or there swing could also happen depending on the macroeconomic scenario.

So I think the industry is poised well to grow. And as I said earlier in the call, the indicators augur very well with very strong tailwinds for the industry in terms of the government policies, in terms of infrastructure or even in terms of the nation's focus on manufacturing. The second part of your question essentially was -- if you could repeat it, I would be a little more pointed in that answer?

Ankit Gupta: So my question was, despite the industry itself is growing at 1.2x GDP growth rate. But if you look at our performance in the first year, we have -- in this quarter, we have degrown by almost 3% in our Express Logistics business and even on the half yearly basis our revenue has grown by just 2.7% and the same growth is also reflected in the peer -- in our other listed peer, which also has been struggling to grow its revenues. So just -- I was just not sure despite all the tailwinds, why the revenue -- why the growth is not there for us and other listed peers?

So is it that the organized players are losing market share to other unorganized players in the industry? That was in conjunction to the first question that I asked.

Ketan Kulkarni: So we've recently come out of various syndicated research data. And you also must be aware that we have recently also come out of a QIP. So when we kind of looked at the market through that lens of independent data analysis, we're seeing a lot of swing that's happening from the unorganized sector to the organized sector. And that is essentially happening because of a lot of strong regulation that the government has put into place like the e-way bill, the GST, etcetera. So definitely, the swing is more towards the organized Express sector.

Secondly, if you look at our performance, and I will reflect, as I said earlier, on the October performance also, clubbing it with Q2 as a factor, is that we have maintained our market shares over the last 2, 3 quarters. So our market shares are intact. And that kind of is a reflection back that our numbers that we are putting in are reflective of our share of wallet that we have with customers is pretty intact or growing.

The other factor we constantly measure is the loyalty ratio, where our upgraders and our new added customers are divided by the lost and the down traders. And any loyalty ratio above a factor of 1 for any organization is a great factor. And we are much, much beyond that factor of 1. So very confident on the industry shaping up well in the future and we kind of improving our space in terms of customer share of wallet and as a factor of that in market share.

Ankit Gupta: Since -- as you're saying, we have maintained our market share in the industry, is it that the entire Express Logistics business is degrowing? Is that the case because we have degrown in the quarter 2 of this financial year. And if we have maintained the market share in the industry, is it that the entire industry is degrowing. And as you are saying, there is a shift which is happening from unorganized to organized.

That's a longer-term phenomenon, but over the past 2, 3 quarters, is it that unorganized players have come back in a big way and taken some market share away from the organized players? Because the tailwinds and the GDP growth that is there is not getting reflected in our numbers as well as our peers for the last 2, 3 quarters?

Ketan Kulkarni: Yes. So if you see my quarterly growth, it is about 4.4% up, right? I don't know if you had a look at that number. And secondly, we, of course, as I said, and let me reiterate, over the last 2, 3 quarters, we have maintained our market share. That is not reflective of how it was 2 or 3 quarters before. So I was giving you a short-term story, which is kind of a runway to the story of our growth in the future. So that's why I limited my comments to 2, 3 quarters. And if you see my Q-on-Q growth is about 4.4%.

Moderator: We'll take our next question from the line of Rushabh from RBSA Investment Manager, LLP.

Rushabh: Just on the gross margin trajectory, you're earlier indicating to improve gross margins by 1% every quarter roughly. And again, there has been a slight blip in the gross margin from last quarter. So what is the -- is the 30% target realistic? Is it possible to achieve by fourth quarter, sir? What is your thought, sir?

Deepak Pareek: So thanks. So 30% is very much realistic. So the temporary, if you see the hold back is on the margin is -- if you see the composition of our revenue, in terms of key accounts, MSME, retail, that shift is happening. So if you see progressively, there is a slight stagnation. If you see right now, there is 1 -- on the Express business, yes, there is a 1% fall is visible 1 bps. That is on the cost front, there is actually -- this quarter was not efficient.

That's the main reason because the focus on long-haul carriers has led to some cost impact, which actually going ahead, if you see, we see growth in that part of our business in next quarter. So we are not that much worried on this account as we see for this quarter, it looks to be a very temporary impact.

Rushabh: You believe achieving 30% gross margin by the end of this year is possible?

Deepak Pareek: I would say directionally, we have always been that as a benchmark. Not in next quarter, but I think a couple of quarters, we should be achieving that 30% benchmark gross margin based on the mix and composition of businesses which we have put in place now.

Rushabh: And just on the volume growth, I understand on the medium-term industry should grow at 10% to 12% at least. And for this year, in the first half, you have just been flat. So I understand you gave some reason that there are some headwinds that you might be facing. So directionally, 1 to 2 years, what do you see the volume growth possible for the entity?

Deepak Pareek: Volume growth, if you see, we have grown in this quarter also on -- as compared to Q1. And from here on, as Ketan mentioned, the industry growth, let's say, our growth will be in line with the industry, which -- and on top of that, based on our mix and presence or dominance of the routes, we would be above market by 10% to 12%. That's our assessment.

So if the industry grows at 12%, let's say, that's the study or report we would -- we are -- we have set ourselves to grow 10% more than the industry benchmark. So that's what I can say on the volume front. And it could be around the -- in the absolute term numbers, it would be -- from the market, it would be around 13%, if you see on a totality basis.

Rushabh: Okay. And on the expenses side, is there any one-off in other expenses for this quarter? Because I'm just saying that there are some ECL provisions in the cash flow of INR4 crores. So was it in this quarter or it was the last quarter entry?

Deepak Pareek: It was in last quarter, not in this quarter.

Rushabh: So what is the reason in increase in the other expenses quarter-on-quarter? Is this any one-off or just part of the business?

Deepak Pareek: So other expenses are mainly on account of enhancement of our hubs, which are -- which has been put in place. So there is some bit of cost on account of rent and establishment cost, which has -- we have to take that annual escalation. So that is one cost which is I think around INR3 crores, if you are seeing a spike as compared to Q1.

Rushabh: And just the last question. You mentioned about this price hike from January. What is the feedback on the customer segment, especially key accounts? Will it entirely pass through? How much of the hike we will be actually able to get in the next year?

Ketan Kulkarni: Yes. So the general price increase that we have announced is the first time that we have institutionalized a price increase for the business. The price realization, of course, is a factor lower than the price increase that is generally announced because the negotiations with the customer, in terms of name, in terms of volumes, in terms of other contractual elements then comes into play.

We've already rolled out the price increase to certain customer sets. And some of our larger customers have taken a price increase of single digit, which will, of course, apply in the coming few months. Retail business, we have already introduced new price cards, in fact, from as early as 20th of October. So we kind of preponed that, And on the 1st of December, we also go out for the retail business in terms of newer tariffs.

So the focus and playbook for the GPI is something that our sales teams are now implementing in their go-to-market and their customer activities are all centered around the GPI and the price increase.

Moderator: We'll take the next question from the line of Jainam Shah from Equirus Securities.

Jainam Shah: Yes. So basically, I just wanted to ask on the price hike only. So what kind of blended price hike we can expect and what is to be assumed over here? Like, our prices were lower earlier and now we are matching with the competition or our pricing was largely similar and now it would be higher than the competition after this price hike. So what could be your view on that particular thing?

Ketan Kulkarni: Yes. So you have 2 questions. One is whether our prices were lower than competition. And hence the need to hike price. And the other aspect was, how much do we expect from a price hike? So I'll take second half of your question first. Essentially, when we are going to customers, we are going to them with the value proposition.

We have not taken a price hike for the last 3 to 4 years, and the inflationary pressures and the cost pressures we have been absorbing. Those are something that we would now like to push back to the customer because on the basis of our improved service quality, we realize that our value proposition to the customers has also improved over the last few quarters. So that will be our focus.

Secondly, in terms of how much price increase we expect? The price increase expected is announced to be from the 1st of Jan. But you know India operates a financial model that is April to March. So most of the price hike is deferred with customers. They would like us to take it from the new financial year.

And in terms of a specific percentage, I would not like to comment now because it is early days. But from what we are seeing now in our qualitative conversations and engagement. This will be a single-digit percentage of price hike and which should kind of flow back to the yield.

Moderator: Mr. Shah. Mr. Jainam Shah?

Jainam Shah: Yes, can you hear me?

Moderator: Yes, we can hear you.

Jainam Shah: Yes. I actually dropped the line, so I missed the answer. So just if you can repeat in the summary right?

Ketan Kulkarni: Where did you miss the answer from? Where did you drop off?

Jainam Shah: Yes, I just asked the question and I just dropped out at that point in time.

Ketan Kulkarni: Do you have a recording? Okay. So can I flip you the recording, Jainam? May, I request the...

Jainam Shah: Yes. So the only answer would be whether we were lower than the competition or we were similar? And now what's the situation higher or similar now?

Ketan Kulkarni: So now let me -- again, let me repeat it then since you're asking the question again. It is never lower or higher than any competition. It is always the value that you bring to a customer's business and that the price that you ask from the customer. And we are very confident of doing that now with our improving service quality and also that we have not taken any price hike for the last 3 to 4 years, inflationary trends and increasing cost is what we have been absorbing.

So we've realized it's time to go back and ask for the correct value for the services we offer to customers. It's just a nutshell of what I kind of elaborated on earlier.

Jainam Shah: Got it, sir. And sir, just wanted to check on this thing that if we are taking price hike like this and let's say, a few customers are accepting it, but giving us the lower volumes. If you are denying it and then we are again continuing with the same prices hikes. So is that going to have -- like having a minimum impact given that our key account client would be constituting around 65% of the total volumes, you can say. Then, how it would be looked after from the margin perspective?

Ketan Kulkarni: Our focus is margin improvement. So all calls we take, juggling the various challenges that you yourself kind of elaborated so nicely on the call. We will take a very balanced view, but our focus will be to improve the gross margins going ahead and price will -- and yield will play a very important role in that, Jainam.

Jainam Shah: Got it. Sir, just last one thing from my side. If you see from the few of our competitors or peers we can say, in those companies, like, of course, there has been an uptick in the volumes, we are also foreseeing that. They have been facing the margin pressure where they have been making, let's say, 15%, 16% now they're making 12%, 13%.

And there have been a few costs that have been consistently increasing, whereas we have been quite segmented at 4%, 4.5% margin. So all those costs are going to impact us. And again, the target that we are setting for the margin improvement would be delayed because of the overall industry scenario?

Deepak Pareek: So not really here. So if we see the half year Q1 and Q2 cost and margin composition, from our standpoint, we have -- on the half yearly front, we have done -- we have focused more on the gross margin growth. If you see last year, we were at 25% -- 25.3%, which is, as of now, is 27% gross margin trajectory, which gives us good confidence that the business which we are accumulating is of a variety, which will give us good EBITDA margin also.

So last year, if you see 4.4% was the EBITDA margin half yearly. I'm talking of half yearly numbers, we were at that level, which are now at 5.3%. So the last run rate for the month, if you take it 5.3% for the current half year, it gives us good confidence that to -- and the plan is to maintain this level for this year, quarter-on-quarter, built up by 1% more from here on, which actually gives us good overall profitability number to begin with.

Coupled with the volume growth, which can -- which is actually poised to come up in this next quarter or so. So margin front, we are -- we have repositioned ourselves on the -- on our strategy and exit margin looks better from here on.

Jainam Shah: Got it. Sir, and just last one thing, sir. By when we are expecting entire corporate restructuring to be end? Like is it December or March or what time we are expecting this?

Deepak Pareek: Yes. So good, I think we have got our stock exchanges and SEBI approval, and we are getting -- the process of filing with NCLT is underway. So let's say, even if you take out a date of, let's say, it takes -- the process could take 3 to 4 months. By this end of financial year, positively, we'll be done with this entire amalgamation exercise, which is planned so far. So yes, by this financial year, we should be completing the exercise.

Moderator: We'll take our next question from the line of Krupashankar NJ from Avendus Spark.

Krupashankar NJ: My first question is on the festive season. Just wanted to get a sense that in that we have recorded the highest ever volumes -- monthly volumes in the month of October. I wanted to get a sense on what is driving probably growth and how do you rate the festive season vis-a-vis what we witnessed in the past? And just also to consider that any end user segments or sectors which you would like to highlight, which has driven growth?

Ketan Kulkarni: Thank you for your question. I think the volume growth is a reflection and the continuation of my answer to earlier question. That the value we bring to the customers' business and how we are now becoming a provider of choice to him because he sees the improvement across various parameters that he would like to see, and that changes his decision-making in terms of allocating more volumes to us on lanes, more tons to us, etcetera, etcetera. So that is a clear reflection.

Secondly, as you can see from the volumes, it has been a good festive season. So the festive season was as we kind of expected. And we also delivered working very closely with our customers during that time period. And the next few quarters is an opportunity for us to further strengthen the relationship, further bring value to our customers' businesses, grow share of wallet from current customers and also add new customers across verticals.

Some strong traction we saw in some verticals, which you wanted to know is in automotive, in pharmaceuticals and in consumer durables. These are some of the sectors that we saw some -- very strong traction.

Krupashankar NJ: My second question would be on specific cost efficiencies which can drive the margin expansion. Just to get a sense that you've expanded in the hub network over the last couple of years or so as well as you've seen that the truck utilization levels have also been inching up on specific sectors. So just wanted to get a sense on the incremental pockets of cost efficiencies would come from which particular aspect? If you can throw some light on that, and that will be very helpful.

Deepak Pareek: Yes. So cost efficiency of cost control is a continuous exercise, which we have built in as a culture. So there are 3 direct costs, if you see. There are 3 elements of costs; direct costs and under SGA, we have employee and admin costs, which are being controlled by various teams.

So direct cost is a function of your business, which is actually depends on your lanes and routes, which we operate upon.

And over the period in terms of the network, the line-haul cost efficiencies are which we have already put it under our control. The pickup delivery costs and the feeder costs, which are -- so are the various elements of the direct costs. Efficiencies would further come in, I would say, mainly from the line haul cost actually. So if you look at the lanes or the routes, which are having higher margin probability or which are very profitable.

There we are putting efforts so that we reduce cost on that routes and get a higher gross margin share from that business. So that is an exercise which data science and a lot of other algorithms are helping us. And eventually, if you see it we are inching up towards the expansion in gross margin on that count. So this is a very dynamic exercise, which actually involves a lot of maths and algos into play, which has been done.

The other costs, which are on employee cost and administration cost are something which are very much at a most optimum level, which we have in the industry compared across all the players and internally based on the talent pool available with us. We don't we see any -- I think this is efficiently utilized. Some escalation on rent, on the hubs costs or others will be part and parcel, which will actually be built in our entire of operations.

Tech part, I'll just add is one thing, as I mentioned, which not only saves on the operating direct cost, but that element will drive in terms of getting more efficiency and enhancing the utilization of our existing trucks, vehicles or the capacity available with us. So a combination of all of this will help us -- will yield in getting a cost optimization as we move on. Ketan, you can add.

Ketan Kulkarni: Perfect. So I think -- I'll just take Deepak's thread ahead, essentially the focus on direct cost. Just to be a little more granular. So it is split up into first mile, middle mile and last mile and Deepak kind of told you how data science is helping us look at the OD pairs, the kind of trucks you should use depending on the loads, whether they need to be multi-axle or single axle, the touch points of the vehicles, whether those can be eliminated, whether load flow can be repatterned. So all those algorithms are kind of allowing us to chip away a few, say, cost from the line haul.

On the last mile, we have outsourced delivery model through the Gati Associate. That model, we are revisiting and I have already kind of put in a framework, which will further bring down costs. We are looking at the loads that associate carries, the distance he carries them, etcetera, etcetera. So various kind of decisions and pointers in each elements of the cost in first mile, our associates are on a percentage basis. We are looking at how -- if we gets a particular volume, how those percentages could come down.

So in terms of direct cost, which is a big cost for us across these 3 elements, a lot of work happening. And again, let me come back to you on the syndicated study that we did, and we benchmarked our costs against our competition. We are the best placed currently and a cost leader in our efficiency of operations.

Moderator: We'll take our next question from the line of Abhijit Mitra from Aionios Alpha.

Abhijit Mitra: Sorry, if I missed this earlier, but given that the first half volume growth was 1% -- saw 1% Y-o-Y decline, what kind of full year volume growth are we looking at in the Express business for the full year?

Ketan Kulkarni: What -- I think we kind of explained this -- yes, maybe you missed out. One is that volume growth, we will always triangulate. The first angulation will be on how the market grows and Deepak elaborated that we will grow 10% incremental delta on the market. For example, if the market grows at 10%, we grew at 11%, if it grows at 30%, we grow at 33%. So that kind of improves our market share also. And that's where we are going to be headed with the business.

So we will kind of triangulate this and very, very focused on growing the volumes by a higher percentage factor than the market.

Deepak Pareek: Also just to add what Ketan mentioned, as an exercise, we give monthly volumes. If you see the disclosure happened yesterday itself of the October volumes, which will -- I think we'll be engaged with you on a regular basis on the updates on the volume.

Abhijit Mitra: Got it. Got it. So in general, is there a -- I mean, I understand the market has been weak, probably that explains the first half volumes. But I mean do you see an end to this market weakness in general? I mean -- not about, of course, you guys are doing it most efficiently on the cost and on other parameters. But is there an end to this market weakness that you see, say, over the next 6, 12, 18 months? I mean, what's your best guess on this?

Ketan Kulkarni: Yes, 6, 12, 18 months, I think you kind of took a short, medium and long-term view. And I would agree with you entirely. We will definitely see an end to -- not end to any weakness because it wouldn't be seen as a weakness because I have put in my highest ever volumes in October. But definitely, there are tailwinds that we'll kind of ride on, and the market will ride.

Abhijit Mitra: Got it. And also, I mean, just to understand, I mean, I think you guys mentioned it, but the weakness in margins that we see this quarter on a sequential basis, in between Q1 and Q2 we lost 90 bps in the gross margin is because of 2 reasons. One is because of the mix that you saw? Second is because of the increase in line haul costs that you mentioned. So if you can explain, I mean, why would your line haul cost increase in this quarter? Sorry, if I missed that.

Deepak Pareek: Yes. I had covered earlier. So if you see the long routes which are dominant and cross cutting the entire country across. So reverse and backward, both costs are part of the entire -- when you book an entire truckload. So on the reverse load, there could be some inefficiency or I would say, some -- no pullback of volume. So that could be one reason which has happened because we are a long distance express player.

So because of the production, I think, concentrating in particular region, picking the goods back from that region could lead to your cost not being absorbed fully. So that is one factor. But having said that, if you -- even with that fall in the current quarter in the gross margin, also the maintenance of EBITDA margin is achieved, which actually shows that this is kind of a temporary phenomena.

Once the -- I think -- what the truckloads and other aspects are -- we do a study, and we have optimized that entire thing, think that will catch up on gross margin will happen.

Abhijit Mitra: Got it. So from September to October, for example, volumes moved from 108 to 118. So will this kind of higher load also meet the same kind of difficulties or lack of return load as per you? Or do you feel that you have mitigated that well, as you have increased your volume to 118 in this month?

Deepak Pareek: Yes, yes. We have -- we are -- I think it's a learning process, and we have mitigated that in the current month to a large extent.

Abhijit Mitra: Got it. So you expect gross margins to improve whatever you have seen from now -- up till now for the quarter, you expect gross margins to improve in this quarter, right?

Deepak Pareek: Yes. You're right.

Moderator: We'll take our next question from the line of Raaj from Arjav Partners.

Raaj: Sir, checking this company since 1, 1.5 years. So in every call, you have talked about turning it around and there are so many things about it. When do we see the story actually converting it into numbers? Is it FY '26? Can we expect the PAT?

Deepak Pareek: So we -- I think this is asking beyond the mandated. But what I can see is our growth reflects the industry growth which is there. So if you see industry volumes -- and we are also one of the major constituent of the entire logistics and Express Logistics. So the volumes grow in tandem across the industry. And what we had given target for us is to grow 10% or 12% more than the market. And now if you see from here on, we would be sticking to that.

Also, in terms of the gross margin, the product mix or the categorization of business mix as is done in a manner to enhance the gross margin of the company. So yes, it's -- time is not in our control, but I think what the efforts are towards to achieve positive PAT in the future in a faster manner.

Raaj: All right. And sir, this price hike, which we have taken, how much can we get incremental sales from this price hike? And how much would it contribute to the EBITDA?

Deepak Pareek: So as Ketan mentioned, the price hike would be a single-digit factor of our entire yield. It will actually flow in from next Q4, which will be Jan onwards. And we are positive about it to have a positive contribution on our EBITDA.

Moderator: We'll take our next question from the line of Vansh Modi from Svan Investments.

Vansh Modi: So my question is regarding the hubs in the Phase 2, which are coming up. There are around 8 hubs that you're developing, are expected to be completed in the first half of FY '26. So my question is, what -- can you quantify the penetration that you achieved? And what would be the contribution to the top line?

Ketan Kulkarni: You have two asks from your question. One is the benefit, is it? It will help us achieve?

Vansh Modi: Yes.

Ketan Kulkarni: And the contribution to the top line?

Vansh Modi: Yes, sir.

Ketan Kulkarni: Okay. So I will answer the first half of your question. And so benefit essentially is that the inherited infrastructure that we got. We are upgrading that constantly and consistently in order to improve all the service quality parameters like throughput, proper handling of shipment, etcetera. And wherever we feel that our hubs need to be the best-in-class in the industry in terms of automation, dock levelers, MHE equipment, proper ergonomics for our people to operate, we are doing all that. And that we see as a business imperative and a business hygiene.

And all the hubs that we have created -- the 6 hubs in Farukhnagar, Nagpur, Mumbai, Indore, Guwahati, Bangalore. And the ones we kind of will create in Ahmedabad, Hyderabad, Lucknow, Ranchi, Dadri, Guwahati, Jaipur, Patna, will be reflective of all the things I kind of told you. Its direct impact on the top line is something you will see quarter-on-quarter as we kind of put out our results. Anything to add here, Deepak, I mean, from you?

Deepak Pareek: So, yes, Ketan, thanks. So the development of hubs are -- would add a lot of operational efficiency as we see the one which is there on the Farukhnagar has already -- the results are visible. So also, these are built and also the upcoming hubs are developed, keeping the future demand in sight. So overall, one is operational efficiency and also we are future ready so that we can cater to the -- any -- cater to the spurt in demand which we are seeing as of now. So that's the part on the infra development, which we have in mind.

Vansh Modi: And sir, lastly, what is the capex that is involved in the Stage 2 work -- development of the hub?

Deepak Pareek: If you see we are on a rent -- we are on a -- not a capex model. We just -- these are all opex, which are costs which we take as a part of rent. There would be some kind of costs which are -- which would be in terms of setting up the infrastructure to -- for our vehicles to have free movement and other areas. So that will not be substantial.

But if you see on the number front, on the QIB also, we had taken, for hub modernization, budget allocation of INR27 crores to INR30 crores over a period of 2 years. So if we spread that evenly, we should be spending roughly INR10 crores to INR15 crores in a year from here on, on hub modernization, which will include both existing and new hubs facility enhancement.

Moderator: We'll take our next question from the line of Manjeet Buaria from Solidarity Investment Managers.

Manjeet Buaria: I wanted to go back to an earlier question because I could not understand your response completely. The assertion that we have not lost market share would mean that the industry is also sort of flat or slightly negative over the last 6 months. On first principles, I'm just finding it hard to reconcile that on the economy in real terms is slowly growing, whatever it is 4%, 5%, 6%.

How can the industry be not growing at all? So am I understanding something wrong on our market share inference or is it something else?

Ketan Kulkarni: No, I think you kind of got in too many points into your triangulation. Let me just simplify it for you. Point number one is when I said we didn't lose market share over the last 2, 3 quarters, the market share is always an indication of the industry because most of the players in the top 5 or top 8 that we compare our market share with just 3 of them put out their numbers in the public. So the rest is the best estimate that we work with.

So when I meant that we have not lost market share, it is a range of about, what, 0.5 percentage points in market share that would have kind of fluctuated. But that also you have to overlay with a factor of what I just mentioned that the data we had in black & white is just for 3 of the operators out of the 8 for which we compare the market share. It's as simple as that.

Manjeet Buaria: I understand that, sir, but there will be some variation. My limited point is, what you are effectively telling is the whole industry has not grown when the GDP is growing. So maybe I'm wrong, but my understanding was there's a certain volume growth, which does happen if the economy is not in a recession. So either that understanding is wrong or I'm missing something else? So that's where I was coming to. It's not just you.

How can the industry not grow if the GDP is growing? I'm trying to understand the basics of the logistics industry there.

Ketan Kulkarni: I -- see the industry has grown. I don't know when this comment came across or this understanding came across that the industry has not grown. If you see the industry has grown Q1 -- Q2 to Q1 and so have we grown Q2 to Q1.

Manjeet Buaria: Sir, I was actually taking H1 to H1 because sequentially, there could be seasonality like festive, etcetera, I don't know. But if we take H1 to H1, I was looking at flat volumes and this is where...

Ketan Kulkarni: Definitely. And our volume has tapered down over the last 4 to 5 quarters. And that's what I kind of mentioned that over the last 2, 3 quarters we are seeing that we have been maintaining our market share basis 0.5 fluctuation. And Q2 on Q1, we have definitely grown.

Manjeet Buaria: I'll take this offline, sir.

Ketan Kulkarni: That will be best -- better.

Moderator: Thank you. Ladies and gentlemen, due to paucity of time, we'll take that as the last question for today. I hand over the call to the management team for closing comments. Over to you, sir.

Ketan Kulkarni: So thank you. Thank you, everybody, and everyone for attending the call. I think we had some great questions, and I do hope the management team has been able to answer all those questions. If we need to connect off-line, my colleague, Sanjay Punjabi, heads Investor Relations, do connect back with him. And thank you for all your support, your interest in the company and do hope to see you all on the next earnings call that we will host. Thank you, everybody, and have a very, very good evening.

Deepak Pareek: Thank you. Thank you, everybody.

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