



November 10, 2022

BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. Tel: 022 - 2272 1233 / 34 Fax: 022 - 2272 2131 / 1072/ 2037 / 2061 / 41	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
Scrip Code: 532345	Symbol : GATI
ISIN No.: INE152B01027	ISIN No.: INE152B01027
Re.: Gati Limited	Re.: Gati Limited

Dear Sir/Ma'am,

Sub: Transcript of Q2 Earnings Conference Call – FY 2022-23.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (the “Listing Regulations”), please find enclosed herewith the transcript of earnings conference call for the quarter ended September 30, 2022 held on Thursday, November 03, 2022.

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 **Gati Limited**

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

Encl.: as above



“Gati Limited Q2 FY-23 Earnings Conference Call”

November 03, 2022



MANAGEMENT: MR. PIROJSHAW SARKARI – CEO, GATI LIMITED
MR. ANISH MATHEW – CFO, GATI LIMITED
MODERATOR: MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL
(INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen good day and welcome to the Gati Limited Q2 FY23 Earnings Conference Call hosted by Phillip Capital (India) Private 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 the date of this call. These statements 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 '*' then '0' on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vikram Suryavanshi: Thank you Renju. Good afternoon, everyone. On behalf of PhillipCapital, I welcome you all to Q2 FY23 earnings conference call of the Gati Limited. We are pleased to have with us management team represented by Mr. Pirojshaw Sarkari (Phil) – Chief Executive Officer and Mr. Anish Matthew – Chief Financial Officer for Gati Limited. We will have opening comments from the management followed by the question-and-answer session. Thank you and over to you Phil sir.

Pirojshaw Sarkari: Thank you Vikram. Good afternoon and a very warm welcome to everyone on a Quarter 2 FY23 Earnings Conference Call. We have uploaded the results, press release and presentation on the stock exchanges and company's website. I hope everyone has had an opportunity to go through the same. Along with me I have Mr. Anish Matthew, – our Chief Financial Officer for Gati Limited and our Investor Relations team.

I will start by sharing the industry and business overview and then will hand over the call to Mr. Anish Matthew to discuss the financial performance for the quarter.

Strong demand supported the second quarter of fiscal year 2023, driven by growth in the key industrial sector and led by an uptick in consumption in both urban and rural India. The e-Way bills generation recorded an all-time high of over 84 million in September, 2022 signaling a strong boost to economic activity on the back of a festive season. With government initiatives such as National Logistics Policy and PM Gati Shakti we believe that the formalization of the logistics industry is underway and there is a huge opportunity for organized players as the industry will see an accelerated shift from the unorganized sector to the organized sector. The National Logistics Policy is expected to revolutionize the sector enabling supply chain management. The introduction of the National Logistics Policy is aimed at promoting seamless movement of goods, overcoming transport related challenges, encouraging digitization along with the significant reduction in time and cost. NLP, the National Logistics Policy targets to reduce the logistics cost from a current 13% to 14% of GDP to single digit. This augurs well for the road Logistics sector as it shall reduce the overdependence on road through better integration of different modes of transport and in turn improve demand identification thereby enabling better

availability of trucks. Gati as a company firmly believes and supports the government's vision of \$5 trillion economy and it's poised well to play its part in helping achieve the goal.

I would like to highlight here that Gati is exclusively partnered with the SME Chamber of India as their preferred logistics knowledge partner. Amidst the odds faced by the economy due to higher crude prices, rise in commodity prices and overall inflation Gati Limited from its express business has delivered a solid improvement in EBITDA for H1 FY23 showcasing a significant growth of 215% on a year-on-year basis. The performance is in line with our expectations and stated strategy. We would also like to highlight that our rebranding strategy of Gati Air is bearing fruits with the segment growing at the fastest pace and achieving its highest ever quarterly revenue of Rs. 21 crores after several years.

Our pillars for delivering performance remain consistent with a strong focus on customer delight. With our established principles of digitization, sales acceleration, infrastructure development and operations we have been able to deliver gross margin expansion and are confident of increasing the same going ahead.

On the digitization front; the seamless movement of cargo has been made possible by our proprietary software GEMS which also has route optimization and faster turnaround capabilities. With that said we are concentrating on improving our front and back end digital processes to deliver increased efficiencies with our advanced modules. With sales acceleration we continue to prioritize our MSME and retail business while aiming to increase the wallet share of our key and strategic accounts to help our profitability. We are committed to strengthening our presence by expanding our services deeper into the key growing market and to cater to the growing demands of retail and SME.

Regarding infrastructure amplification and our mega hub, we have witnessed a steady increase in the ability to handle high volumes post the commissioning of our mega hub in Farukh Nagar. Our mega hub in Mumbai has just about started today and Bangalore should be operational in this coming year. Over and above the planned expansion across the country with our mega hubs, we also added two new distribution hubs at Nagpur and Guwahati in the last month itself. We anticipate that these hubs will add up to volumes for the coming quarter.

Lastly, we remain aligned with our vision to maximize value creation for every stratum of society. We have also been focusing on few other ongoing initiatives like pilot run for pickup and last mile delivery using electric vehicles, ease of doing business with Gati for customers from booking till delivery and embarked upon CSR activities for our contribution towards the society.

With this I would like to hand over the call to Mr. Anish Mathew – our CFO for financial and operational highlights for Quarter 2, FY23. Over to you Anish.

Anish Mathew:

Thank you Phil. Good afternoon, everyone and a very warm welcome to our Q2 FY2023 earnings call. I will now take you through the highlights of financial results for the second quarter of FY2023. For Q2 FY23 consolidated revenue from operations stood at Rs. 435 crores as compared to Rs. 399 crores for Q2 FY2022, indicating a growth of 9% on year-on-year basis. EBITDA for the same period stood at Rs. 28 crores as compared to Rs. 18 crores registering a growth of 53.4%. Pre-exceptional PBT stood at Rs. 7 crores for Q2 FY23 as compared to Rs. 6 crores for Q2 FY22, registering a growth of 18.9% given in the presentation. For the half year ended September, 2022 consolidated revenue from operations stood at Rs. 866 crores, registering a growth of 25.5%. EBITDA stood at 52 crores registering a growth of 175.3% as compared to H1 FY22. Pre-exceptional PBT stood at Rs. 11 crores as compared to a loss of Rs. 6 crores in H1 FY22.

Our express business has been delivering strong performance with revenue from operations increasing from Rs. 334 crores to Rs. 370 crores in Q2 FY2023, up by 10.8% on a year-on-year basis. For Q2 FY23 tonnage witnessed an increase of 8% year-on-year and stood at 2,83,160 metric tons. Also, during the quarter, we have achieved a milestone of handling 1 lakh tons in a single month. EBITDA for Q2 FY23 stood at Rs. 27 crores as compared to Rs. 17 crores for Q2 FY22, signifying a growth of 57.8% on year-on-year basis. Pre-exceptional PBT stood at Rs. 6 crores for Q2 FY23 as compared to Rs. 5 crores for Q2 FY22, registering a growth of 11.9%. (20% as per correct calculation) For the half year ending September, 2022 revenue from operation for Express business stood at Rs. 735 crores, registering a growth of 28.5% and EBITDA stood at Rs. 52 crores delivering a staggering growth of 214.8% as compared to H1 FY22. Tonnage handled during H1 FY23 stood at 562,000 metric tons, thus registering a growth of 27.7% as compared to H1 FY22. Pre-exceptional PBT stood at Rs. 11 crores as compared to a loss of Rs. 7 crores in H1 FY22.

We have been consistently providing other key comparative financial performance indicators in our investor presentation; one can refer that for more details. With this I would like to open the floor for questions and answers.

Moderator:

Thank you. We will now begin the question-and-answer session. The first question comes from the line of Amit Dixit from ICICI Securities.

Amit Dixit:

I have three quick questions. The first one is, is it possible to quantify the EBITDA of Surface Express and Air Express businesses separately without taking other income into consideration?

Pirojshaw Sarkari:

Like I was saying that we don't measure our EBITDA margin separately for our Air and Surface products because we have combined operations on the ground and we only measure our gross margins on the product separately. Our gross margins on both these products are very similar.

Amit Dixit:

Okay fair enough. The second question is in H1 FY23, receivable has gone up by Rs. 734 million while payables have also gone up by 221 million. Is it possible to give more color on the more specifically can we expect certain unlocking of receivable as the year goes by?

- Pirojshaw Sarkari:** Anish you want to take this question?
- Anish Mathew:** So, receivable I think in Q4 and Q1 earnings we mentioned that we would be kind of doing an unlocking of the working capital from out of the account receivable. We kind of have already initiated our action plans around unlocking and that kind of bearing the results and it might take maybe one more quarter or couple of quarters to kind of get full realization.
- Amit Dixit:** So, what kind of receivable number can we expect by end of FY23?
- Anish Mathew:** Well, we are looking at close to 10 to 12 days of receivable reduction, DSO reduction. In quantum that would be anywhere between Rs. 40 to 60 crores of reduction.
- Amit Dixit:** The third and the last question is, other income contains certain write back of liabilities and reversal of provisions. First of all, can you throw some light on both these items and is there some more scope of getting these write back of liabilities and provision reversal in subsequent quarters?
- Anish Mathew:** Predominantly the other income are driven only by two line items. One is the security deposits which we have which is more than 3 years. As per the accounting policy all the inactive vendors security deposit which is lying therefore more than 3 years we would do a write-off as per the accounting policy. That's the one factor actually which has contributed other income. The second one is related to the old accounts payable. Again, inactive for more than 3 years that we have taken a write back. We have kind of done almost all the write back in the P&L account. Depending upon the age of these payables there might be some more which would be coming in the subsequent quarter. We can't at this point in time quantify that.
- Moderator:** Next question comes from the loan line of Dhaval Shah from Girik Capital.
- Dhaval Shah:** A couple of questions on my side. So, first being the e-Bay bill generation in the second quarter compared to the first quarter was around higher by 6.5% while the tonnage handled by Gati quarter-on-quarter is higher by 1.5%. Is it the right way to compare? Some comments from your side? That's my first question.
- Pirojshaw Sarkari:** As I have been saying this for now few months that at Gati we are developing our infrastructure so that we can increase our top line and not reduce the serviceability of that increased volume. In the meantime, what we have done and is very evident from the numbers is that we have been concentrating on increasing our profitability. Therefore, although the growth quarter-to-quarter has been only 10%, you can see that the EBITDA is up by 53%. As our infrastructure grows, we will then make sure that corresponding volume also grows because in the current infrastructure it was very difficult for us to manage increased tonnage. Having said that the operational efficiencies have kicked in and we have even grown the tonnage quarter-to-quarter as you can see but not in the same line as we would have liked to grow.

- Dhaval Shah:** So you were constrained by capacity. Is it the right conclusion?
- Pirojshaw Sarkari:** Yes, in a way.
- Dhaval Shah:** This new hub which came up in this quarter, so has it added materially or it came towards the end of the quarter?
- Pirojshaw Sarkari:** It just came in last month, both of them, Nagpur and Guwahati.
- Dhaval Shah:** And has Mumbai got delayed? It was supposed to come....
- Pirojshaw Sarkari:** Yes, Mumbai had got delayed. As I said on my call today, we have started moving into the Mumbai hub as of today itself. We will see Mumbai full-fledged from December.
- Dhaval Shah:** Got it. The second question is I was looking at a couple of advertisements of Gati-KWE and where the company is advertised for the products like some spices and cashew nuts and Agarbatti. Now my question is that Gati-KWE being an Express Logistic company, does the value of these products fit into the express logistics basket? Is it affordable for the customer to transport via Express Logistics?
- Pirojshaw Sarkari:** So, we have three segments of business. We have what I call large accounts, MSME and retail. This what you just spoke about is specific to the retail market. These are clusters where we move the businesses from only on a B2B basis. You are moving cashew nuts, you're moving coconuts, you're moving whatever you just said from a retail market. These are pretty seasonal and they are not being given the credit that we give the normal customers but they do give us a better yield. They do use Express because they have to make sure that their products reach on time for a certain festival or for a certain reason. Yes, they do utilize the Express business but in our retail segment.
- Dhaval Shah:** Because generally these products are for generally an LTL kind of business model and not express exclusively. So here the service what they are taking is the express service in terms of the turnaround time for the product to reach the destination?
- Pirojshaw Sarkari:** Yes.
- Dhaval Shah:** Last question is now all cargo will convert the warrant and infuse money in Gati, so if you could lay down the use of the funds and the CAPEX requirement for Gati for FY23 and '24 and also more on upgrading the IT infrastructure and how are we building up our capabilities compared to the peers?
- Pirojshaw Sarkari:** If you have been seeing over the last 2-3 years after all cargo has bought out Gati, one of the important things that we have been doing is repaying the debt or the loans that were there in Gati earlier which has come down substantially. One of the use for the funds that will come in moving

forward also will be that we have a working capital debt right now. We'd rather close that and use our own funds as we start generating cash in the near future. With regard to our new hub, I have said that these are all asset light, they are all on rental basis and the CAPEX of the new hub approximately on 100,000 sq ft is ranging anywhere between 5 to 6 crores which is not a very large CAPEX spend. I hope I've answered your question.

Moderator: The next question comes from the line of Alok Deora from Motilal Oswal.

Alok Deora: Just had couple of questions. First wanted to understand on the demand trend, how has it been for the festive season for us and also in October and do we see the same revenue run rate continuing in the second half of this year, because we have been getting some signals of some slowdown in selected pockets? Just your thoughts on the Express B2B side.

Pirojshaw Sarkari: In spite of the fuel prices being held and also the inflation as you see, we saw a good demand for the festive season, specifically in the automotive sector and the consumer durable sector and we did the highest ever tonnage in the month of September which was even more than 100,000 tons and that is with the same capacity that we have. October having so many festivals had lesser working days but if you see the revenue per working day it has remained the same. I'm not seeing for the express industry, a real slowdown. In fact, we see the trend continuing for the month of November too.

Alok Deora: The margin of guidance which you had given of around reaching 10% by end of this year, so that we are on track with that or any changes there?

Pirojshaw Sarkari: I had said that we will end this year at 9% and we continue to say that we are on track. We have seen a lot of operational efficiency being brought in and our gross margin increasing every month. We are very sure that by last month of this year we will touch 9%.

Alok Deora: Just a last question. Since you highlighted about the strong growth in the air express segment. So how are we seeing this segment? Like say if we see a couple of years down the line, how big this segment could be for us in the overall scheme of things? Would it be in the current range in terms of percentage contribution to total revenue or it could be higher than that.

Pirojshaw Sarkari: If you look at the Indian logistics industry specifically to the express business it is a 90:10, 90% surface and 10% air. And our air share is just about a little above 5% just now. Definitely our first benchmark is to get the air business to 10% of our total business and then of course if we have to be better than markets then a good aspirational figure should be about 12% to 15%.

Alok Deora: So, when we will be making similar margins in air as well.

Pirojshaw Sarkari: On the gross margin, yes.

Moderator: Next question comes from the line of Gautam Gosar from Perpetuity Ventures.

Gautam Gosar: I have one clarification. The guidance which you've given for the EBITDA margins of 9% and going forward, taking it to 12% to 15%. Does that include other income or without other income, the margin guidance?

Pirojshaw Sarkari: It depends on what you call other income. For me when I generate cash in the business and get interest on that cash it is other income. But if it is extraordinary income no. The answer is no.

Gautam Gosar: Basically, the interest on fixed deposits will be included in the margin guidance which you have given right?

Pirojshaw Sarkari: Yes.

Moderator: Next question comes from the line of Riya from Aequitas Investments.

Riya: I have a couple of questions. Sir, our surface express business, for tonnage-wise on Q-o-Q basis we just did 1.5% growth. So, what was the reason for that? And as asked by the earlier participant, since our capacity was constrained so for the coming quarters could you guide us the volume and how it will pan out?

Pirojshaw Sarkari: If you really look at my first quarter results our growth in the first quarter was higher than what the general expectation in a first quarter of a financial year is. And this was because there were certain competitive elements for which we had got more volume and therefore growing our second quarter business looks a small growth 1.5% but it is a large business. It is just because in the first quarter we got that additional growth due to competitive, what should I call, disruption. So, I hope I've answered your question. Moving forward we are very buoyant that we have now got our Bombay hub up and running. Like I said we have just started the shifting from today tomorrow and we will have at least two full months of the new Bombay hub and therefore our west loads must increase just the way our north loads increased when we opened up Farukh Nagar. Similarly, our central and northeast have just been a month old, and we should see volumes increase in those zones too. So yes, growth will continue.

Riya: As far as demand is concerned because the value additive higher yields is given by the smaller or the MSME players. Are you seeing a shift or drift from there as compared to the total percentage derived?

Pirojshaw Sarkari: Well, the endeavor for us is always to grow the MSME and retail faster than our key and large business. It's a big challenge because as we grow the large business each large business gives us much larger volume than what an MSME and a retail gives us. If you see our growth in each segment whether you call it MSME, and retail put together or you call it large has been very similar. We have been growing both the businesses. That's why our percentage share has remained almost the same.

Riya: But going forward what kind of percentage drift would you want to expect? Of course, you would want MSME to grow but on ground what is happening? How is the demand from their side?

Pirojshaw Sarkari: The demand from the MSME segment is definitely good and will only get better as we see more and more manufacturing happening in this country. I think the new logistics policy is going to enable more manufacturers to get the confidence to come in and manufacture since the logistics cost is going to go down and therefore the MSME sector will get more business. So, MSME will be a growth engine for us.

Riya: Going forward do you see any hike in realizations?

Pirojshaw Sarkari: Well, I have always said this that in the Indian logistics industry there is enough scope to reduce cost. We have to continuously optimize and reduce cost. Yes, we will very soon be announcing our annual hike. But the name of the game in logistics especially in India is cost optimization and bringing efficiency.

Riya: Any guidance you would want to give for the annual hikes?

Pirojshaw Sarkari: You will soon get to know we'll be announcing it in the papers itself.

Moderator: Next question comes from the line of Pradyumna Choudhary from JM Financial.

Pradyumna Choudhary: First question I just wanted to understand, like one of our direct competitors which is listed, few months back it opened its Gurgaon hub and seems to be doing well. From a competition perspective how does it really affect us? Like even that is a very big hub, so does it really directly affect us? I just wanted to understand from a business perspective.

Pirojshaw Sarkari: 25,000 crores is the organized market size and an equal if not more unorganized market size. There is enough room for all the players to grow in this market. We have to convert the unorganized to organized and that is the way all of us should be able to grow more than the market rate of growth.

Pradyumna Choudhary: Secondly, I was just looking at your surface express tonnage and revenue, Q1 and Q2. So, there seems to be a slight decrease in realization is my understanding, Q-on-Q. What would be the reason for the same?

Pirojshaw Sarkari: The slight increase or decrease happens depending on the lanes that the customer gives us. There will always be fluctuation of a percentage here or there depending on the lanes that the customer gives you during that particular period of time. Nothing alarming has changed either in the profile of business or in the revenue per fleet.

Pradyumna Choudhary: Just one bookkeeping question. What's the gross margin in this quarter?

Pirojshaw Sarkari: The gross margin for the quarter is 28.8%.

Moderator: Next question comes from the line of Sagar Bhatia from Prabhudas Lilladher.

Sagar Bhatia: My question is a little more tilted towards the client mix which you already mentioned before. I want to know going forward in the next two quarters or even in the year how does that mix look like for you? And second, which segment has contributed the most to your EBITDA expansion or was it just a function of increasing efficiency through whichever mediums you all have done.

Pirojshaw Sarkari: I keep repeating the same answer over and over again and I will do it once more for you. We clearly have a focus on MSME and retail. That does not mean we stop getting new business or better wallet share from the large customers. Basically, if you have to optimize cost, the one factor that you have to keep in mind is capacity utilization. And capacity utilization is a direct derivative of volume. So yes, the large volume does help us to reduce costs on our major cost which is our network. It's a balance between both yield and cost reduction which has given us our gross margin.

Moderator: Next question comes from the line of Saloni Hemani from Molecule Ventures PMS.

Saloni Hemani: I just have one remaining question. We have been extending the timelines for hubs like Pune, Hyderabad, Cochin in our PCP in the last couple of quarters. Any reason for that?

Pirojshaw Sarkari: I have given timelines for Bombay and Bangalore. Yes, both of them have been extended. Bombay specifically by more than a couple of months. Basically, Bhiwandi is a challenging area, and we can't really have control over the construction since these are all built-to-suit done by the investors and landlords. But happy to say that we have started shifting in today over there. Bangalore specifically is because of the rain. There have been some torrential rains and therefore the plinth which was supposed to come up much earlier took more time because of the monsoon. Having said that we are always on the lookout if we find something which is suitable and can be taken up like I would say off-the-shelf and that's what we did in Nagpur and Guwahati. We found good properties and we have just taken them, and they basically meet the requirements of our expanded infrastructure. So, a combination of these will continue. But we are very optimistic that by March of 2023 our first phase of infrastructure expansion should get done.

Saloni Hemani: The follow-up on the hubs. Our competitors have also come up with new mega hubs and from the looks of it they look a lot more automated than the Farukh Nagar hub that we visited a couple of quarters back. Anything that you want to highlight about the automation part, about are we going to automate the hubs going forward and we are just focusing on building them right now?

Pirojshaw Sarkari: Well automation in a B2B business is very different than automation in a B2C business. In B2B business when I talk about automation it is basically dock levelers and in our Farukh Nagar hub, I think we have more than 80 dock levelers almost one on every dock. When we talk about automation, we talk about material handling, equipment to ease the manual handling of the goods

and we also talk about loading-unloading through telescopic conveyor. The first two which is the dock levelers and the material handling equipment every time we open a new hub, we will have that already. The telescopic conveyors is something that we are looking at in Farukh Nagar just now as we say on a trial period and if it really works because our per docket load is 100 kgs in Gati on an average. It has to work for such a big load otherwise it doesn't make sense just for the sake of automation to do automation.

Saloni Hemani: Just one more question on the 1,00,000 tons part that we achieved in this month; are we expecting to continue with this trend going forward?

Pirojshaw Sarkari: Absolutely. We have done 5,64,000 tons in the last quarter right sorry 564 in the last 6 months. 2,85,000 tons in the last quarter. So, if you divide that by 3 it is already on an average more than 90,000 tons. Definitely we will be continuing this effort and as we open new infrastructure we will go and talk to our customers that we are ready for more business in that particular region.

Moderator: Next question comes from the line of Bhavin Shah from Samiksha Capital.

Bhavin Shah: You've given very precise, targets for EBITDA margins for year end and in long term. So, at what revenue level would you achieve that, that's my first question?

Pirojshaw Sarkari: There are two kinds of margins that we speak about. One is the contribution of gross margin and the second is the EBITDA. Expansion of the gross margin and revenue increase, combination of these two will expand the EBITDA because we have now reached the stage in below gross margin costs where they will be directly proportional to the revenue. They are not variable. So, we can leverage that with the increased gross margin and revenues. When I talk about my 3,000 crores exit rate with a 12% to 15% EBITDA margin that is basically the first target that we have set for Gatiets when I came into the organization. Our gross margins have increased far better than my personal expectation in a short period of time in Gati and that kudos to the operations team that has worked well for us. As we move forward, a combination of expansion of gross margins and revenue increase will get us the EBITDA margin.

Bhavin Shah: Now there are two observations which I want to or two points I want to make and then you relate and see, how you relate to that with your business. One is, what sort of premium are you getting for Express versus normal LTL guys and second is how do you see your business getting impacted once the dedicated freight corridor is fully operational which could shift some business to rail?

Pirojshaw Sarkari: In Gati we don't do LTL business, we do only Express Logistics business. LTL business margins can differ dramatically within that business but for us as Express Logistics I think our yields are comparable to the yields of competition in the same Express Logistics business. With regard to freight corridor, we at Gati are very excited about both the freight corridors as well as the multi-modal parks that are going to get opened because if a railway siding is going to be extending into the multi-modal park, then the entire cost of transportation becomes far lesser for us as an

organization and more effective for the industry as a whole. A combination of the freight corridors with the multi-modal park would be very accretive for reducing the logistics cost in India.

Bhavin Shah: My question was how much price premium you are able to get over the normal LTL, non-express LTL because that is important in terms of given the higher cost?

Pirojshaw Sarkari: Well like I said when you go non-express, LTL is generic. LTL could be Bombay to Delhi in 15 days, Bombay to Delhi in 20 days, Bombay to Delhi in 8 days. It depends on what the customer wants and therefore the price could vary anywhere between let us say Rs. 5 and Rs. 7 per kg whereas the yields for Express Logistics is on an average above Rs. 12.

Moderator: Next question comes from the line of Rahul Picha from Multi-Act PMS.

Rahul Picha: I wanted to understand firstly that you have given a medium-term guidance on where you want to take the EBITDA margins of the business but when I look at the depreciation cost and in context of the hubs that we intend to add over the medium-term that has been going up and the way the accounting is; depreciation also accounts for the lease rentals that we pay on our long-term leases. So, in that context how do you expect the depreciation cost to increase over the medium-term? And in context of that where do you expect the PBT margins to be in 2 years' time?

Anish Mathew: Well, I think your question is directly related to the PBT margin. So, I would put it this way. The depreciation accounting or IndAS accounting is getting reflected in the EBITDA and equal amount is getting off-set that is depreciation line. Net-net that it's not going to be having a major impact on the PBT line. You would be giving a credit to your EBITDA line on account of IndAS but you will be debiting depreciation as well as interest charge in the below EBITDA line. So, net-net as you know the PBT line would more or less is going to remain the same. There will be marginal increase or decrease in the margin.

Rahul Picha: So basically, on an aggregate basis you are saying that it will only be reallocation from other expenses to depreciation but not an overall increase?

Anish Mathew: Yes, at a PBT line it would be having a very insignificant impact.

Rahul Picha: So, your guidance of 12% EBITDA translates to what kind of a PBT margin?

Anish Mathew: 12% will give a PBT margin of around 5% to 6% (FY2024),

Moderator: Next question comes from the line of Nidhi Babaria from Envision Capital.

Nidhi Babaria: Can we say that we have capacity constraint? Is it like we have less number of trucks or is it more to do with the efficiencies in the hub centers?

Pirojshaw Sarkari: It is more to do with the space and the way some of our old hubs have been constructed. Nothing to do with transportation. Transportation capacities can be increased or reduced because we are an asset light company. So, even if I double my tonnage, I can manage the transportation today. It is the hub centers. For example, and I'm repeating something here, in North we had three separate hub centers earlier and a single truck had to unload and load from three hub centers before it moved out of Delhi. There was tremendous inefficiency there and each of these hub centers had hardly five docks each. You can imagine turnaround time of a hub. Similarly in Bombay we had two separate hub centers, one in Panvel, one in Bhiwandi. So, the trucks had to actually move from one hub center to another for both loading-unloading over there. These are inefficiencies that were built over the years and once you kind of collapse this and make it one single large hub center with requisite docks say around 80 per 1,00,000 square feet that you make, that is where the capacity becomes good enough for volumes to increase. I hope I've answered your question.

Nidhi Babaria: Yes. When we say that we have a revenue target of 3,000 crores by FY26, this means that we need to grow by at least 18% to 19% CAGR and in current quarter we had grown roughly about 9% YoY. What gives us the confidence that we will be able to grow more than 20% in coming quarters or what is the correct roadmap to the growth to achieve 3,000 crores?

Pirojshaw Sarkari: First half over last first half I have grown 30.6%. If I keep growing this way, I will hit my numbers easily.

Nidhi Babaria: When we say that our EBITDA margins are going to improve in line with revenue growth and gross margin growth. What exactly is going to be there for us to expand our gross margins? Like how are we planning to increase our gross margins?

Pirojshaw Sarkari: Our gross margin expansion is a combination of reduction cost and reduction cost comes out of capacity utilization of trucks as we move the truck, every 1% additional capacity beyond 85% gives you tremendous cost reduction in the trucking industry. The second is of course your yield. As you increase your yield that increases your gross margin so combination of these two will expand the gross margin.

Nidhi Babaria: Any outlook on Guwahati and Nagpur centers like is there any way to quantify how these centers are going to contribute in our efficiencies on revenue side or on the gross margin side? Like any rough picture on these two centers?

Pirojshaw Sarkari: I can only tell you this much that from an efficiency perspective we see immediately an efficiency enhancement of 20% to 25% when we open up a new hub which means that we can do the same job with lesser number of people and we can turn around more trucks in the same amount of time. Once that happens, service enhances and customers get more confidence and therefore they start giving us those lanes also.

- Nidhi Babaria:** Is there any way where we can say that initially our turnaround time in those regions were 24 hours and with these tenders it will come down to let's say 18 hours or 20 hours or any those kinds of numbers?
- Pirojshaw Sarkari:** A truck in Farukh Nagar turns around in 90 so 90 minutes it gets offloaded and 90 minutes it gets loaded which is basically if you put them together 3 hours. Before that it was taking 8 to 12 hours.
- Moderator:** The next question comes from the line of Ash Shah from Elara Capital.
- Ash Shah:** I had a couple of questions on the fuel station side. Could you just give me the timeline as to when will the fuel station be divested completely and how many petrol pumps do we own currently right now?
- Pirojshaw Sarkari:** So, we have three fuel stations. If you can help me with timelines when we deal with the Oil Ministry, I would be very happy. It's on a lighter note, please don't take it seriously.
- Ash Shah:** In the first quarter con-call you had mentioned that there were certain assets that were held for sale and we were in various stages and we were going to receive some money in Q2. So, have we received any money from them? Could you just update on that?
- Anish Mathew:** AHS, we have sold many properties and the total amount of money realized on account of sale of assets held for sale for 6 months, 30th September is Rs. 67 crores. That's a significant amount of money which we have realized and our AHS have come down as you know from Rs. 134 crores to kind of Rs. 94 crores. We have 12 to 13 properties which is yet to be sold and we do have almost like a 20% visibility for those remaining assets and we expect to kind of get a good amount of realization as you know in the next 6 months.
- Ash Shah:** We are going to receive around 70 crores from Allcargo in Q3 and we had received around supposedly 70 crores odd from the asset sale assuming. So, do we see that we will be like gross debt free by FY23?
- Anish Mathew:** No, we won't be able to square off our debt by '23 because there are other commitments, capital commitment as well and that's what we have been kind of providing the guidance also. I think most likely by FY23-24 you would be nil debt.
- Moderator:** Next question comes from the line of Krupashankar NJ from Spark Capital Advisors.
- Krupashankar NJ:** I had just one question, small question. While we have seen the growth of express industry post GST and what we're also seeing is a lot of supply chain getting realigned and emphasis based on the secondary distribution. Now we exhibit upbeat expectation on revenue growth over the next 3-4 years being upwards of 20% for the industry. Are you seeing any specific end users' sector

which are adopting Express Logistics in a much faster way or are you seeing any specific indicators on the underlying sectors? That's something which I wanted to pick your brain on?

Pirojshaw Sarkari: So, what I was saying is traditionally the industries that used to use Express Logistics was auto industry specifically for the aftermarket business which is the spare parts and components business. We used to also see pharmaceuticals using Express Logistics to reach their goods to their distributors and C&F agents. But there is a big change now happening with the advent of e-commerce. A lot of the consumers and brands are using e-commerce to reach sorry using B2B express logistics to reach the warehouses of the e-commerce companies so that their goods can ultimately reach the retail customer. There is a big growth and as more and more of these so-called B2C brands come up, they have to use B2B players to move from their manufacturer to the warehouse before they can really send it out in the last mile and that's a big segment that is coming up now for B2B express logistics.

Krupashankar NJ: I know we have had this interaction in the past wherein you are seeing lot of consolidation with respect to warehousing and from what I can gather with respect to what you've just said on the Indian industry. It's more of, is it fair to say that the inventory is getting far more greener and or rather in the system the extent of inventory kept by the company is coming off and it's far more centralized which is also one of the drivers. If that is the case then is it fair to assume that it has played out to a certain degree in some of the sectors and there are other sectors wherein it is likely to happen? Some thoughts on that front?

Pirojshaw Sarkari: You are absolutely right. Post GST inventory on wheels becomes extremely important. Pre-GST there have to be stocking locations in every state. Now it is no longer required and inventory on wheels become very important and it has to be predictable inventory on wheels. Most of the customers do not want their distributors or their retailers to hold large inventory so therefore, express logistics will play a very critical role for them.

Moderator: Thank you. Due to time constraints, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Pirojshaw Sarkari: So, thank you everyone for attending this call. If you have any more questions, you can either contact SGA who is our Investor Relations company or Ankit who heads our Investor Relations. Thank you very much.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.