November 21, 2024

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

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

Dear Sir/Madam,

Sub: Transcript of Earnings Call H1Q2 FY2024-25

With respect to the Investor/Analyst conference call held on November 19, 2024, we are enclosing herewith the transcript of the Earnings Call for H1Q2 FY2024-25.

The transcript is also available on the website of the company i.e. www.avglogistics.com.

The above information is for your record and further dissemination.

Thanking You

Yours faithfully,
For AVG LOGISTICS LIMITED

Sanjay Gupta
Digitally signed by Sanjay Gupta
Date: 2024.11.21 16:31:43 +05'30'

SANJAY GUPTA
MANAGING DIRECTOR
DIN: 00527801

“AVG Logistics Limited

Q2 FY25 Results Conference Call”

November 19, 2024

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

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

Moderator: Ladies and gentlemen, good day and welcome to AVG Logistics Limited Q2 FY25 Results Conference Call, hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on a touchtone phone. Please note that this conference has been recorded.

I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors. Thank you, and over to you, ma'am.

Vaishnavi Ambokar: Thank you, and good afternoon, everyone. On behalf of Kirin Advisors, I'm pleased to extend a warm welcome to all the participants joining Q2 FY25 conference call of AVG Logistics Limited.

Please note that this discussion may include a forward-looking statement based on the company's beliefs, opinions, and expectations, as of today. These statements are not a guarantee of future performance and are subject to risk and uncertainty. That may be challenging to predict. Additionally, this call does not constitute of any forward-looking statement or projection related to revenue, EBITDA, and PAT.

Joining us today from the management team are Mr. Sanjay Gupta, Managing Director and CEO, Mr. Himanshu Sharma, Chief Financial Officer. And with that, now I hand over the call to Mr. Sanjay Gupta, Managing Director and CEO. Over to you, sir.

Sanjay Gupta: Thank you, Vaishnavi. Good afternoon valued stakeholders. A warm welcome to AVG Logistics' Q2 & H1 FY25 conference call. We'll begin by discussing recent industry development, our operational and financial performance.

The logistics industry plays a vital role in the dynamic economic landscape of India by enabling the efficient movement of goods and services throughout the country's large territory. As India strives to realise its ambitious economic goals, including achieving a GDP of US$ 5.5 trillion by 2027, Logistics Sector has been undergoing a remarkable transformation. Contributing a substantial 13-14% to India's GDP and employing over 22 million people, the sector is poised for continued growth, with another 10 million jobs expected by 2027. The market is projected to expand from $317 billion in 2024 to $484 billion by 2029 at a compound annual growth rate (CAGR) of 8.8%, followed by the robust growth of e-commerce, cold chain logistics, and significant infrastructure development. With initiatives like the National Logistics Policy and GatiShakti driving efficiency, integrating modern technologies, and reducing costs, the landscape is primed for innovation and expansion.

As one of the leaders in the logistics sector, we remain committed to redefining excellence through a robust, diverse business portfolio that caters to multimodal, cold chain, warehousing, and value-added logistics solutions. Our services are designed to empower businesses across industries, providing end-to-end supply chain support that enhances efficiency and customer satisfaction. We are leveraging advanced technology, including IoT-enabled tracking systems, automated business processes, and cutting-edge analytics, to drive operational excellence.

Sustainability remains central to our operations, as demonstrated by investment in Rails, Electronic and LNG-powered fleets. These efforts have significantly reduced emissions, provided cost advantages, and given us a competitive edge. We are committed to leading with green technologies, incorporating innovations like IoT for real-time tracking and optimization.

Our growth strategy is focusing on expanding multimodal capabilities, enhancing profitability by serving fast-growing sectors, and leveraging cutting-edge technologies to improve reliability. Additionally, we continue to attract marquee clients from diverse industries, further cementing our position in the market. At the heart of our strategy is a focus on driver safety and well-being.

Strong demand in FMCG, retail sector played a key role in this performance. we continue to strengthen our infrastructure to navigate India's diverse logistics terrain.

Looking at our performance in Q2 FY25, several key milestones highlight our continued growth and strategic expansion. We were appointed as an authorized partner for Express Parcel Services by the Uttar Pradesh State Road Transport Corporation (UPSRTC), securing space in 9,000 UPSRTC buses for parcel delivery services. This partnership is expected to generate ₹60 crore in revenue over the next five years. In line with our sustainability goals, we launched a 20-foot electric truck, advancing green logistics in collaboration with one of our esteemed clients. Continuing our expansion journey we added 121 fleets in H1 FY25 to strengthen our operational capabilities to meet the growing demand and expand our market footprint.

Looking ahead, the National Logistics Policy's target of reducing logistics costs to 8-10% of GDP by 2030 presents significant opportunities for integrated logistics providers like us.

None of this progress would be possible without the incredible team who drive our success, From the drivers who navigate our roads to the innovators behind our cutting-edge solutions, every individual plays a vital role in our achievements.

We are pleased to report steady growth and improved operational efficiency across key financial metrics, supporting our strategic goals. Despite inflationary pressures and challenging business environment, our investments in multimodal infrastructure availability has helped us to minimize the impact.

Now, I'll hand it over to our CFO, Mr. Himanshu Sharma, for a detailed analysis of our financial performance and key metrics for this quarter. Over to you, Himanshu.

Himanshu Sharma: Thank you, Sanjay sir, good afternoon, everyone,

I'm pleased to share our consolidated key financial highlights for H1 FY 25 and Q2 FY25.

H1 FY25, our Total Income stood at ₹263.25 Crore, reflecting a YoY growth of 20.35%. EBITDA for the half-year is ₹48.04 Crore, marking a YOY growth of 19.00%. PAT for the H1 stood at ₹10.59 Crore compared to Rs. 4.25 Crore of H1 FY24 and YOY increased by 149.42% YoY, resulting in an increased PAT of 4.05% compared to 1.95% of H1 FY2024 and showing a growth of 210 basis points. Our Earnings Per Share (EPS) for H1 was ₹7.75, up by 114.68% compared to the same period last year.

In the Q2 FY25, we recorded Total Income of ₹139.57 Crore, a YoY growth of 18.30%. The EBITDA for Q2 is ₹24.42 Crore, showing a 14.19% YOY increase. PAT for the quarter stood at ₹5.38 Crore compared to 1.72 Crore of Q2 FY24, this presents YOY growth of 213.10% resulting PAT improving to 3.89% and presenting a growth of 242 basis points. The EPS for Q2 was ₹3.94, reflecting a robust 169.36% YOY growth.

On the balance sheet ratios, our Debt-Equity Ratio is maintained at 0.44 in September 2024 compared to 1.23 in March 2023 and 1.42 of March 2022, showcasing a stronger equity position and reduced leverage. Similarly, the Current Ratio is also maintained at 1.72 in September 2024 compared to 1.15 in March 2023 and 1.35 of March 2022 reaffirming our strong financial position.

Our journey is well aligned with future of logistics in India. As we look ahead, we are poised to drive further growth by investing in Multimodal Infrastructure, emerging technologies, expanding our fleet with EV and LNG powered vehicles. The opportunities before us are immense, and we are confident in our ability to seize them, guided by a vision that balances profitability with sustainability.

With that, we will now open the floor for questions and provide any clarifications you may require. Thank you so much.

Moderator: Thank you very much. The first question is from the line of Rishi Kothari from Pi Square Investments. Please go ahead.

Rishi Kothari: Hello, yes, thank you so much for the question and congratulations on a good set of numbers. I had some specific questions as to why was there some reason for dip in margins in the EBITDA level? We know there was increase in other expenses and other benefits, but what exactly do we include in other expenses?

Himanshu Sharma: Yes, thank you so much for your question. So, EBITDA is a bit reduced due to some of the vehicle we have done a transaction of sale and lease back. That is number one. And number two, we have further explored a leasing opportunity. And we took a few vehicles into the leasing as well. So, if we purchase those vehicles directly, it goes into depreciation and interest, of course, while we catalyze that.

But whereas if we take it on lease, so lease terms are normally available for a lesser tenure, and then it hit into the top line. But this is helping the growth of the company. And we are focusing on improving the net profit and EBITDA is marginally reduced.

Rishi Kothari: Okay, so for now it will hit because if we had a sale and lease thing for our vehicle, but eventually it will improve.

Himanshu Sharma: Yes this is right.

Sanjay Gupta: So, this is the light asset model. And in this scenario, the PAT is improving whereas EBITDA is a little bit minorly, there may be some reduction. But overall PAT is improving, and we are working towards the light asset model business that leasing is available in the market.

Rishi Kothari: So, you generally categorize lease expenses as other expenses, right?

Himanshu Sharma: No, it goes into operating expenses.

Rishi Kothari: And also in terms of my other question was around the guidance that you give of 700 or on crores of top line for FY25. Do we still hold that? Because if we see H1 compared to H2, you more or less have to move more than double the revenue in H2 compared to H1 to achieve that guidance. So, do we still hold that?

Himanshu Sharma: Yes, we are working hard towards that line. And actually the one of the big government contracts is under consideration. And unfortunately the finalization of that contract is taking some time because of the value of the contract. Hence, it may be expected in next one month or so. We are working and adding the organic growth which we are taking around 20%. We are taking from our recent customer, and we are adding a new customer on a monthly basis. And you must have seen the improvement of 20%. But the additional growth will be from we are trying to get some big contract and definitely finalize in next month or so. By end of this month or next month.

Rishi Kothari: Okay, interesting. So, any other new tender updates apart from the government contract that you are eyeing right now?

Sanjay Gupta: So this time we have uploaded our presentation and on page number 13, we have given the list of the new clients which we have added in our FMCG sector and other sectors. Like we have added Indian Herbs, Haldiram, Anmol Biscuits, Devyani Foods, and electronics and other items. We have Dalmia Cement, Everest Industries, Shyam steel, Supreme, EPAC. So we have added around 15 customers. So in our industry, the growth is coming in two, three segments.

One is our existing business, that is around organic growth of around 10% to 12%. And 10% to 12% growth we can take by addition of the new client or new business line. And we are also in touch with two, three companies which is under finalization phase, this merger and acquisition. So two, three good companies we have already identified. So we will acquiring those companies in our business which are presently doing the business as of our line. So this will help us to grow the business and profitability.

Rishi Kothari: Okay, so in terms of merger and acquisition, which exactly segment are we targeting with M&A? Of course we are more in a way diversified company in general, but any specific segment are we targeting in M&A?

Sanjay Gupta: Yes, we are talking about, majorly we are in the multi-modal. So nowadays, because of the truck pricing, toll tax cost and other operations cost are increasing day by day. So the customers are shifting towards the multi-modal, which we have already run in the seven, eight trains on long-term contract with Indian Railways. So we are talking to FMCG companies and cement, and steel is also coming up with the new sector in our business. So this will help us to grow very fast in the same industries.

Rishi Kothari: Okay, so the companies are more focused towards this multi-modal logistics which we are targeting for M&A?

Sanjay Gupta: Yes.

Rishi Kothari: Okay, fantastic. Yes, thank you so much for answering the question. I'll join back the queue.

Moderator: Thank you. The next question is from the line of Subash B from Value Investments. Please go ahead.

Subash B: Congratulations on a great set of numbers. Even I had a question on your guidance of INR700 crores. I went through a Bharat Connect conference that happened in September 2024. And when I went through the post-conference notes, I could note that you were in discussion to acquire two companies, one with INR50 crores revenue and another one with around INR170 crores revenue. So are both these companies in the logistics sector or are you acquiring companies from any other sector?

Sanjay Gupta: No. Our core business is logistics only. We never go with the other businesses. So we keep only warehousing and logistics company which are our core business. So these companies are under the same business only. We are not dealing with any other businesses.

Subash B: Okay, thank you so much. And also, when I see the revenue that you've achieved until H1, it is INR263 crores. So the remaining will be around INR437 crores to achieve the INR700 crores guidance. That will be around 62% of your total INR700 crores. So if I look at the last two years financial side, when I look at the second half of the year, AVG Logistics was able to achieve 51% and 55% in FY23 and FY24 respectively, in the second half of the year. Now in this year, in FY25, you need to achieve 62%. So is this gap of another 10% will be filled by these acquisitions that you're talking about, or do you have any other strategies to meet the INR700 crores guidance?

Sanjay Gupta: The same question was asked by the last person. So there is one government contract of around a big amount. So it was under finalization and supposed to be finalized by September. But because of some technical reason, it is taking some time to finalize. Hence, it is getting delayed. And most probably, we are in touch with the concerned department and hopefully it is finalized by 15th of December. So we hope that this tender will finalize, and it will be implemented very soon. And the good growth will come from that particular tender.

Subash B: Okay, so even though you're going to serve only-

Sanjay Gupta: Yes, we are working very hard and trying to complete our business growth, so that we can honour the growth.

Subash B: So, okay, so you still stand at INR700 crores guidance, INR700 crores revenue, right?

Sanjay Gupta: We are in touch with the concerned department to finalize the tender as soon as possible.

Subash B: Okay, and also your guidance was 4% to 5% PAT margin, right? Is it going to be 5%? Because I see that in H1, you have around 4.05%. So will it increase to 5% in H2 or is it going to stay between 4% to 5%?

Sanjay Gupta: It will be between 4% to 5%. Because earlier it was 2.5% types. So we have reduced some cost and when the business increases, we get the leverage. So that's why we are able to increase the profitability and expenses are not increasing the same ratio now.

Subash B: Okay, thank you so much. So I just have one last question. That is when I went through the post-conference call from the Bharat Connect conference as it starts, I also read a note stating the company is aiming for 1,000 crores revenue from the cement sector alone in the next three to five years. So you mean after three to five years, only from the cement sector, you will have INR1,000 crores revenue per annum?

Sanjay Gupta: This is cement and steel. Because this is a very big industry and because cement is paying more and it is having valuation of around INR1 lakh crores, INR50,000 crores for transport business. And since in India, the development is happening in the next three, four, five years, so a lot of cement and steel is used in the infrastructure. So a lot of transportation business is available for those things.

Moderator: The next question comes from the line of Souresh Pal from Peace Wealth Capital Limited. Please go ahead.

Souresh Pal: Yes, thank you for the opportunity, sir. So my question is, sir, you said that the 14% growth guidance is dependent on a large contract from the government, which you will be getting in the next month. So if you can tell more about that government tender, that will be great, sir.

Sanjay Gupta: Yes, actually, we cannot disclose the name of the company, but it is a government tender, and the value is very high of the contract. So that's why it is taking some time for finalization of the tender. And because of the guidelines from the NSE and SEBI, we cannot disclose the name. But we are seriously working on that tender and hopefully we will get it in the next two to three weeks maximum.

Souresh Pal: Sir, when you get the tender, will there be any announcement?

Sanjay Gupta: Immediately, sir. As and when we get the LOI and we sign the contract with the customer, then we can announce the change.

Souresh Pal: Okay, sir. And my last question is, sir, the 4% or 5% PAT margin guidance will be applicable for this year as well, right?

Sanjay Gupta: Yes. We are working on that. You'll see that result. So I think presently we are working for plus percentage. Last year, our PAT growth was more than 100%.

Souresh Pal: Okay, sir. Last year, there was an exceptional item in quarter four. Will it be repeated this year as well?

Himanshu Sharma: Not this year, sir. I mean, last year, we did an investment in 2017-18. So there was a one-time income from that.

Moderator: Thank you. The next question is from the line of Arya Mehta from Maximal Capital. Please go ahead.

Arya Mehta: Hello. Thanks for the opportunity, sir. Thanks for the opportunity, sir. Sir, first, I wanted to know, you talked about the lease, that EBITDA margins are low because we are leasing. New lease are going into the transaction rather than owning the vehicle.

Sanjay Gupta: Yes, this is the light asset model.

Arya Mehta: Yes. Sir, I just had one confusion. Do we do this accounting according to the IND AS or how does it work? Because the accounting of lease, as far as I know, it creates an asset and then it has an impact on your finance expense and depreciation, according to the IND AS. So, this particular sale and lease transaction that you are talking about, how does it work according to the IND AS?

Himanshu Sharma: This is an operating lease, sir. So, it is going to be hitting the operating expenses. If the lease is a finance lease, then what you are suggesting..?

Arya Mehta: No, that was according to earlier accounting standard. But in the IND AS, every lease is financial, unless there are a few exceptions of, say, it is short and it's for one year. So, in that case, it's different. But usually, all lease are recorded in the same way, right?

Himanshu Sharma: No, sir. Even now, if the lease is suggesting the operating lease, means the asset is not coming to you, then still it is going to be accounted as operating expenses.

Arya Mehta: Understood, okay, and sir, our focus is on steel and cement clients. So, sir, typically, like you mentioned about FMCG, you also mentioned once that 3% to 4% of turnover is their transportation cost, whereas for steel and cement industries, it is much higher.

Sanjay Gupta: Yes, sir.

Arya Mehta: Correct? So, now.

Sanjay Gupta: They have 18% to 20%.

Arya Mehta: Correct, 18% to 20%. Similarly, steel or cement plants, [27:36-Inaudible] big steel plants, so we will get probably a plant from which they are operating. So, we may get a contract for that plant.

Sanjay Gupta: Yes.

Arya Mehta: That's how it works, correct?

Sanjay Gupta: Yes, sir.

Arya Mehta: So, the particular production of that plant, the turnover that comes from that plant, how much proportion or percent will our books have an impact in the income? How much is our top line from there?

Sanjay Gupta: Basically what happens is, this is a very big industry, and in each plant, there is a lot of production, like 50,000 tons, 1,00,000 tons, this is how much production they do. And if we work 20% of a plant, so 20% work is a very good volume, and 20% work will give us a revenue of around INR50 to INR60 crores.

Arya Mehta: INR50 to INR60 crores if we do 20% of a normal plant's work.

Sanjay Gupta: Yes. So, what happens is that, how the steel or cement industry works, it is moving around a maximum 500-kilometre radius. Means, Cement is a low-priced item, and it cannot be transported more than...

Himanshu Sharma: It is not viable to spend more on transportation, to go further.

Sanjay Gupta: Yes, So, in this, the system is such that it is transported as close as possible, and the system of the plant is, availability of the raw material, and availability of the labour, etc. It depends on them. So, maximum plants are in a remote place, and because there is pollution in it, the plant is outside the city. And the transportation radius is 300 kilometres to 500 kilometres. It is a maximum of 0 to 500 kilometres. So, every plant is having the capacity of 50,000 tons, 40,000 tons. So, there is good production in it.

Arya Mehta: This is about cement. And in steel, is it the same?

Sanjay Gupta: Steel is also transported in long routes. For example, there are not many plants in the North. So, from East India, East India means Durgapur, Kolkata, from there, the material comes to the North, to Delhi, Punjab, Haryana, or it goes from East to West, East to South. So, in steel, there is no problem. Long transportation is also done.

Yes. But in that also, because it is a heavy item, the weight becomes too much. So, because of the weight, the revenue is also added to it. If we talk about Tata Steel, Tata Steel is spending more than INR7,000 crores-INR8,000 crores in logistics. If we do 5% or 2% of INR7,000 crores-INR8,000 crores, then we get a revenue of INR150 crores. Because there is so much work, many people work, 50-40 people work. The work is available for all.

Arya Mehta: Correct. Understood. And for this, for our steel and cement clients, do you have a margin profile, or do you have a view on additional capex? Will it be on the same margin profile or will we have to incur additional capex to serve these clients properly?

Sanjay Gupta: Yes, some additional capex is required. So, what we are doing, we are looking after some leasing vehicles instead of buying. And we have already started and in an earlier call I have explained about the vehicle to be brought by our drivers. We have also got a vehicle for our driver. That vehicle is running here. So, in both these schemes, we will not add a lot of fleets, but if we have to add 50-100 vehicles, then we can add an asset of INR25 crores-INR30 crores till March 2025.

Arya Mehta: How many crores asset?

Sanjay Gupta: INR25 crores-INR30 crores.

Himanshu Sharma: We will add an asset of INR25 crores-INR30 crores, and we may take an asset of INR50 crores on lease.

Arya Mehta: Understood, sir. And will the margin profile be similar to the group? FMCG?

Himanshu Sharma: No, FMCG is a bit low. But what is there in it is that in FMCG, payment terms are a little high. Like customers are paying in 75-90 days and in this industry, the payment terms are very competitive and 1 week or 15 days. So, our margin on investments are almost same.

Arya Mehta: Understood. And investment is almost same.

Himanshu Sharma: So, we can rotate our money much better.

Arya Mehta: Thank you for the opportunity, sir.

Moderator: Thank you. The next question is from the line of Babu George who is an investor. Please go ahead.

Babu George: Sir, my question is can you share your detail about the strategy for express parcel services business and how would we leverage similar kind of partnerships going ahead?

Sanjay Gupta: As of now, our express parcel business is around INR2 crores per month. And your question is right and, in our industry, the margins in express business are better than our other business. So, now we are targeting at least to make it double for the e-commerce industries and like small industries are there who are using the express service. So, we are trying to make it double this year say around INR4 crores per month. This will benefit in improving our profitability and also the payment recovery is very fast in express business. So, we have made a strategy to increase our business double by this year.

Babu George: Sir, my next question is what expansion efforts we are increasing in Nepal, Bangladesh and Bhutan?

Sanjay Gupta: We are doing for 2-3 customers like Nestle and HUL, we are doing for this Nepal and Bangladesh, and we are talking to some other customers also because these are the countries where the plants are not available. So, for example that even we understand that Colgate and P&G and these companies are also moving lot of material from India to Bangladesh and Nepal. So, we are in touch with few FMCG companies where they are moving the material from there and it is also a good opportunity to increase the business for Nepal and Bangladesh.

Babu George: Thank you, sir.

Moderator: Thank you. The next question is from the line of Hemant who is an investor. Please go ahead.

Hemant: Sir, thank you for providing me the opportunity. Just wanted to ask one thing. Like we are targeting INR700 crores by FY25. So, what will be the growth trajectory post FY25?

Sanjay Gupta: Total growth.

Babu George: What will be the growth trajectory post FY25?

Himanshu Sharma: So, we have given the guidance for current year, financial year 25, INR700 crores. And then as Sanjay sir has explained earlier also that 10% to 12% growth is coming from our current customer, and we always try that another 10% we bring from new customers. So, after this significant growth we want to maintain 20% year-on-year growth in the coming years.

Hemant: So 20% year-on-year growth and the two acquisitions which we just talked about. So, it includes the numbers from both the acquisitions post FY25 and when will it be integrated into our books?

Himanshu Sharma: Certainly, sir, we are working. One, we might close in the coming quarter like in the coming days and we will announce to the stock exchanges. And one is still in the discussion stage. So, we will further. So, that will take time. But one, we are closing soon.

Sanjay Gupta: So, out of the two deals, one is in the maturity level, and it will definitely complete in this quarter, current quarter, third quarter. And the second deal will be happening in the fourth quarter.

Hemant: Fourth quarter, okay. So, basically, INR700 crores of revenue and 20% year-on-year growth. For FY25, right? So, I mean, H2 shall be pretty much heavy as compared to H1 if top INR700 crores revenue is intact.

Himanshu Sharma: Yes. It will be bit heavy, and we are working. So, normally in logistics, the second half is better than the first half. And in the similar line, we are also expecting that we try to reach the target.

Hemant: So, we can expect a sequential growth from here on.

Himanshu Sharma: Yes. So, 700 is depending on the government contract, right? But we are maintaining 20% of our organic plus new customer growth. So, that we are maintaining. And once we get this government contract, certainly, the volumes are huge there. So, we'll achieve that.

Hemant: So, sir, as per your earlier communication, it is supposed to close by 15th of December, right?

Sanjay Gupta: Yes. It is under final discussion and expected by the second week of December. Okay, sir.

Hemant: If it gets closed by 15th of December, then INR700 crores revenue is intact, right?

Sanjay Gupta: Yes.

Hemant: Okay.

Sanjay Gupta: It is almost big amount tenders.

Hemant: Yes, I got it. Okay, sir. Thank you.

Moderator: Thank You. Our next question comes from the line of Rishi Kothari from Pi Square Investments. Please go ahead.

Rishi Kothari: Thank you so much for the opportunity. I just wanted to have an update on the warrant. What exactly is it? Are everything been converted?

Himanshu Sharma: Sorry, can you repeat the question?

Rishi Kothari: I was going to ask you on the preferential allotment that we did some time back. So what exactly is the status there?

Himanshu Sharma: How we treated that?

Rishi Kothari: Yes, in terms of treatment, I think everything is done in terms of that, right?

Management: It is already converted. You must have seen the announcement in the last one week also. Only two things are pending which will be completed on due dates. Before due dates.

Rishi Kothari: And that will be converted by the promoters, right?

Management: Yes, promoters already invested in 655,000 shares already converted by the promoters.

Rishi Kothari: And that should be converted by whom?

Management: By December 15 or 20. The last date is 31st December. So 25% has been already paid. So balance we need to pay by third week or maximum third week we will complete this. Because the funds are required to increase the business etc. So we are focusing to convert it as early as possible. Okay, I forgot it. And this will be converted by the promoters, by rest 25 and rest of the warrants.

Rishi Kothari: Okay. Thank you.

Moderator: Thank you. The next question comes from Nitin Verma who is an Investor. Please go ahead.

Nitin Verma: Sir, my question is what are the certainty of this government contract getting finalized? Is there any chance that this government contract is not finalized which you are talking about?

Management: There is confidence. But we are confident that we will get this.

Nitin Verma: That's what I am asking. Is there any chance that this will not get finalized?

Management: 15%, 20% is a chance. Otherwise it would have finalized in September itself.

Nitin Verma: If this does not get finalized and we don't get it what will be the revenue for this year? If this doesn't get finalized then?

Management: The tender is a very big tender. We have estimated its revenue to be around INR100 crores. The tender value is INR500 crores. We are expecting INR100 crores revenue in this year of this tender. If by chance there is a delay then INR600 crores definitely we will complete. That is more than 20% growth. If you see the growth compared to last year then 20% we have already achieved. Maintaining the achievement of 20%.

Nitin Verma: Yes. The market is more excited about INR700 crores projection...

Management: We are working very hard sir. We are working very hard and fully trying to convert this tender as early as possible so that it will be great for the company and our investors.

Nitin Verma: Okay. I am just taking the negative case if the government does not finalize this acquisition which you are doing which is completed in this quarter…

Management: One acquisition is already almost completed and today is the 19th. We are trying to announce by 30th November or maximum 2nd of December. Because some due diligence etc. is already done. Now it is under finalization of the thing. It will be announced within 2 weeks maximum…

Nitin Verma: How much revenue can we expect this year from this acquisition?

Management: Sir, we will report all those numbers into the market once it comes. But we are promising that this 20%, 25% growth what we are doing we will be achieving that in Q3 and Q4 as well.

Nitin Verma: Okay. In the last con call you said that PAT margins will be 5% but today you are reiterating that it will be between 4%, 5%. What is going to be seen? It is going to be approximately 5% or it could be early 4% also like 4.05% something like that.

Management: We always say that we will try to achieve between 4%, 5% in the year 2025 which is a significant increase from last year. Last year we closed 2.8% without one-offs. There was a one-off of INR18 crores. INR14 crores roughly was a PAT. This year we are trying to achieve 4+% growth. It will be between 4%, 5%.

Management: 4%, 5% we are targeting our PAT.

Nitin Verma: Okay. Thank you. That was all from my side. Best of luck for future quarters.

Management: Thank you, sir.

Moderator: Thank you. The next question is from the line of Subhankar Ojha from SKS Capital & Research Pvt Ltd. Please go ahead.

Subhankar Ojha: A couple of them. One, what will be the total share outstanding after conversion of the warrants and preference which you said will happen by December?

Management: Sorry, sir? Total?

Subhankar Ojha: Total number of share outstanding would be how much? Outstanding is 1,95,000. And others? 1,40,000.

Management: Sir, so roughly 1,95,000 plus 1,40,000 335,000. 335,000 shares are outstanding after as on today. So remaining are already converted for the preferential done in July 2023 and total of 1140000 warrants are outstanding.

Subhankar Ojha: And post the conversion of these, what will be your total net debt, net borrowing? As of now, your balance sheet, basically September end is showing INR214 crores of borrowing. And what will be your net debt number post the conversion of preference?

Management: So, net debt is INR86 crores as on 30th September compared to INR80 crores of the March 24 and INR110 crores of the March 23. You, I think, including the lease liability also. That's the operating lease…

Subhankar Ojha: And post the conversion of the promoter how much should the total borrowing be the net figure? Will it further come down?

Management: Not really because we are working for these all the growth we need to plan. We are working on few debt also. So in the coming quarters actually debt will increase for the growth of the company.

Subhankar Ojha: Secondly, so I missed out…

Management: Our target is to make it debt free company but because of the growth some assets we need to buy.

Subhankar Ojha: you said you are planning for two inorganic basically opportunity over the next couple of quarters so that may...

Management: So we are working on leasing model and some purchasing model also. If we buy it then debt will increase but asset will also increase accordingly.

Subhankar Ojha: Alright. So secondly you said you have two contracts actually from Dalmia and UltraTech which is worth INR60 crores over next 5 years?

Management: No, no, no. It's UPSRTC.

Subhankar Ojha: No, sorry. From Dalmia and UltraTech, what's the value of the contract and for how many years?

Management: The contract they are making for 3 to 5 years, and they are having the good volume of business. It is on us how much we can service them. So our target is to complete the business of around INR100 crores per annum from these two companies.

Subhankar Ojha: Have you already started?

Management: Already started with both. As of now I think INR1.5 crores or INR2 crores per month. So we have to increase the business from INR2 crores to INR8 crores from these two companies.

Subhankar Ojha: Yes. And obviously I am wishing you best of luck for this large contract which you have just mentioned. Obviously we will get it probably if not by December the next quarter maybe. There is a delay in finalizing those. Typically if you look at our H1 versus H2 performance so we have done H1, so H2 is obviously better for us but we have never done doubling of our revenue in H2 versus H1.

Historically we have done 20%, 30% growth of H1 versus H2. In H1 we have done INR250 crores. So if I assume a 30% growth so H2 probably of INR325 crores and another INR100 crores is INR425 crores which you are expecting from that new contract. So if you do not get that or if there is a delay in that probably you will end up doing say somewhere what INR600 crores or so.

Management: Yes, 600. If something goes wrong, then 600 we are achieving which is around 20%, 22% growth.

Subhankar Ojha: Yes. Got that. And finally so you mentioned a few other new clients like Shyam Metallics which is steel. Any other clients in the cement space other than Dalmia and UltraTech?

Management: Yes. There are another 5-6 clients are there that is locally like JK Cement and in Andhra South there are a lot of cement companies. So we are talking to those companies, and we may get the business from them. Because what happens in this is you get the experience of a client so you will get the business from one to other to second, third, fourth and so on. Ambuja Cement and Adani etc. also are coming up very well now.

Subhankar Ojha: Yes, great. If you are working with Ultra you will get that credibility. And so basically…

Management: There is also ACC helps because UltraTech is such a big group that I think their turnover is around INR80,000 crores in this cement business.

Subhankar Ojha: Yes. And so basically your express parcel you think INR4 crores per month is your target. Is that so?

Management: Yes, as of now it is around INR2 crores, but business is available in the market…

Management: Double that number there and you are going to do up 4 times in the cement business. I mean basically which can probably materialize next year, maybe by FY '26. So basically these two are going to be your big growth driver for the next year probably. Express parcel and revenue from cement business.

Subhankar Ojha: Yes. Great sir. Thank you so much and best of luck. Thank you.

Moderator: Thank you. The next question is from the line of Subash B from Value Investments. Please go ahead.

Subash B: Thank you for giving the opportunity again. You said there will be two acquisitions. One with INR170 crores revenue and other one with around INR40 crores, INR50 crores revenue? So the one which is almost closed, which one is it possible to tell which company is it? Is it the one with INR170 crores revenue?

Management: No, no. First we have closed INR45 crores companies.

Subash B: Got it. And post-acquisition will the acquired companies revenue will be shown in AVG Logistics revenue in Q4?

Management: Yes.

Subash B: Okay. And also the PAT margins also will be almost around same as AVG Logistics, or will it take time for both companies to improve the margins same as AVG Logistics?

Management: No. PAT margin is they are having a 3%, 3.5%. But what will happen that if we merge both the companies, we are losing their cost. Their all offices were closed, and we will merge their offices in our offices. So we have made a plan to how to reduce their office expenses and we are not increasing our office expenses. We are giving accommodating them in our present office.

Subash B: Okay. This is very helpful. Thank you.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors for closing comments.

Vaishnavi Ambokar: Thank you, Ziko. Thank you all for joining the conference call of AVG Logistics Limited. We appreciate your participation and reward question raised during this session. We trust the management team had addressed your queries comprehensively. Should you need any further assistance, or you want to reach out, you can write us at research @kirinadvisors.com. Thank you once again, the management and Ziko.

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