



May 26, 2023

<b>BSE Limited</b> Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai – 400 001. Tel: 022 - 2272 1233 / 34 Fax: 022 - 2272 2131 / 1072/ 2037 / 2061 / 41  <b>Scrip Code:</b> 532345 <b>ISIN No.:</b> INE152B01027 <b>Re.:</b> <u>Gati Limited</u>	<b>National Stock Exchange of India Limited</b> Exchange Plaza, Bandra Kurla Complex, Bandra (E), Mumbai – 400 051 Tel: 022 - 2659 8235 / 36 / 452 Fax: 022 - 2659 8237/ 38  <b>Symbol :</b> GATI <b>ISIN No.:</b> INE152B01027 <b>Re.:</b> <u>Gati Limited</u>
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Dear Sir/Madam,

**Subject: Transcript of the Analyst/Institutional Investor Meetings/ Earnings Call under the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015 (“Listing Regulations”).**

Reference the captioned subject, this is further to our letter dated May 16, 2023 and May 22, 2023, with respect to the Q4FY23 Earnings Con-Cal with respect to the Audited Standalone and Consolidated Financial Results of the Company for the Fourth Quarter and Year ended March 31, 2023.

The aforesaid Transcript will also be uploaded on the website of the Company i.e. [www.gati.com](http://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  
Q4 FY2023 Earnings Conference Call”

May 22, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22<sup>nd</sup> May 2023 will prevail.



**Dolat Capital**



**ANALYST: MR. ABHISHEK JAIN – DOLAT CAPITAL**

**MANAGEMENT: MR. PIROJSHAW SARKARI – CHIEF EXECUTIVE  
OFFICER - GATI LIMITED  
MR. ANISH MATHEW – CHIEF FINANCIAL OFFICER –  
GATI LIMITED**



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**Moderator:** Ladies and gentlemen welcome to the Q4 FY2023 Earnings Conference Call of Gati Limited hosted by Dolat Capital. 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 the 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. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing “\*” then “0” on your touchtone phone. I now hand the conference over to Mr. Abhishek Jain from Dolat Capital. Thank you and over to you, Sir!

**Abhishek Jain:** Thank you Darwin. Good evening everyone. On behalf of Dolat Capital, I welcome you all to Q4 FY2023 earnings conference call of Gati Limited. We thank the management for providing us the opportunity to host the call. From the management side we have with us by Mr. Phil, CEO and Mr. Anish Mathew, CFO of Gati Limited. Now I hand over the call to Mr. Phil for opening remarks followed by question-and-answer session. Thank you and over to you Sir!

**Pirojshaw Sarkari:** Thank you Abhishek. Good evening and a very warm welcome to everyone on our Q4 FY2023 Earnings Conference Call. We have uploaded our results and earnings presentation on the stock exchanges and company’s website and I hope everyone had an opportunity to go through the same. As mentioned, along with me I have Mr. Anish Matthew, the Chief Financial Officer of Gati Limited and our investor relations team. I will now share an overview of the economy, industry and business after which will hand over the call to Anish to discuss the financial performance of the company for the quarter and year ended March 2023. We start with the global economy. Global economic growth in 2022 slowed down to 3.2% after recording a 6% growth in 2021. The degrowth was marked by high inflation, Russia Ukraine conflict, disruption in food and energy market and continued instances of COVID 19 pandemic. In 2022 central banks around the world raised interest rates in quick succession to tame inflation. US Fed effected the largest cumulative rate hike in any year since 1980. On the positive front, supply chain bottleneck started easing in 2022 due to reduced back logs and better delivery time. The pressure from these shocks is likely to continue in 2023 with IMF predicting the global growth to slow down to 2.7% in 2023, though central banks are likely to ease interest rate tightening. While expectations of a soft landing from the base case outlook but overall uncertainty remains high. In this backdrop the emerging markets thought not immune to spillover effects are likely to grow better as developed economies face the direct brunt of a slowdown.

Coming to the Indian economy despite an uncertain economic outlook, Indian economy has exhibited signs of resilience. This is a reflection of strong domestic demand with favorable demographic that acts as backbone. Strong economy growth in the first quarter of FY2022-2023 helped India overcome the UK to become the fifth largest economy after it recovered from COVID 19 pandemic shock. Currently available forecast of India’s real GDP growth for 2023-2024 including those of the RBI broadly settle between 6 and 6.5%. This contrasts with the global GDP growth projection of just about 3%. India has emerged as the fastest growing major



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economy in the world and is expected to be one of the top three economy powers in the world over the next 10 to 15 years. The government announced foreign trade policy 2023 in March. It aims at reducing transaction cost and encouraged ease of doing business through process reengineering and automation. Overall aggregate demand conditions remain resilient for the country. Government's thrust on infrastructure and revival on corporate investment in select sectors augur well for the economy. Investment activity in India is exhibiting buoyancy on the back of strong composite purchasing manager indices reading. Merchandise export have risen by 6% in FY2023 to an all-time high of \$447.5 billion and services export remain strong. Overall merchandise import also reached an all-time high of \$714.2 billion in FY2023 increasing by 16.5% year on year. E way bill volumes and toll collections remains strong reaching new highs in March 2023. RBI's monetary policy measures have resulted in headline CPI inflation declining from 7.8% in April 2022 to 5.7% in March 2023 with further easing expected during the year.

We come to the Indian logistics industry. India is poised to be one of the top three economies and a global manufacturing hub in this decade. Logistic plays a pivotal role in powering the growth in EXIM and domestic trade. India improved its logistic ranking of the World Bank to rank 38 moving up six places. In September 2022, the prime minister launched the national logistic policy which acts as a guiding document for state, union territories seeking to formulate logistic policy. The national logistic policy has outlined the ambition and road map for the Indian logistic sector. The policy is centered around upgradation and digitization of logistic infrastructure and services. Further with focus on bringing efficiencies in services through processes, digital systems, regulatory framework and human resources, the policy puts marked emphasis on streamlining processes for seamless coordination and reduction in the overall logistic cost besides incentivizing employment generation and skilling of the work force. NLC also lays emphasis on the shift towards more energy efficient modes of transportation and greener fuel to reduce the carbon foot print. Government thrust on achieving best in class logistic cost and improving trade flow is led by flagship programmes like Make in India, Prime Minister Gati Shakti, dedicated freight corridor and production linked incentive plan. Additionally, emergence of e-commerce provides a strong growth outlook for the sector. Industry preferences are shifting towards integrated supply chain services and other sophisticated solutions such as inventory optimization and data analytics from isolated offering such as transportation or ware housing. The logistic outlook remain robust with government led reforms, changing industry preferences and newer business segment.

For the financial year March 2023 the express business has recorded a revenue of 1,469 Crores witnessing a growth of 18% as compared to the last year. This was accompanied by gross margin expansion by 126 basis points and EBITDA margin expanding by 176 basis points. This performance is a testament of the company's focus on volume growth and operational efficiency. With this I would now like to share updates on initiatives undertaken under each of our pillars of growth.

Sales acceleration. Despite a touch economic scenario our sales team have been able to deliver a robust performance. This reflects our focus on service levels and customer centricity. There is



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continuous effort on increasing our wallet share by farming our existing pool of customers apart from focus on increasing wallet share new business development is also of importance. During the year we signed 1,669 NBD that is new business. We have also put in a place a cost standardization and governance mechanism at product level. We have initiated sales training workshops and customer connect programmes. Other growth levers for us will be the synergy between the contract logistics arm of Allcargo and cross selling across ECU customer base. There is a strong focus on increasing sales from retail and MSME clients for improving our yield.

Infrastructure At Gati we are developing robust physical infrastructure at strategic locations to enhance operational efficiencies like quicker transit time, less handling and capability of processing higher loads in an endeavor to decrease first and last mile turnaround time and cost while simultaneously increasing booking loads, we have developed 40 new franchises pan India. During the year Gati also launched hubs at Guwahati, Nagpur, and Mumbai. The Mumbai hub is spread over 1.15 lakh square feet with 61 bays and dock levelers. To enhance brand visibility we have also branded 1,000 plus first and last mile vehicles. In the next phase of infrastructure development, we will be setting up four surface transshipment hubs at Bengaluru, Hyderabad, Indore, and Kolkata. We have also mandated GPS in all line haul and feeder vehicles to enhance visibility, improve performance, and optimize productivity via continuous monitoring. In order to ensure cost optimization we have optimized vehicles and route. We also identified areas of higher turnaround time and made necessary correction in order to reduce the same. During the financial year, we have successfully implemented RSQ for our entire line haul route. Coming to technology, after successful and smooth deployment of e-docket in the retail business we have started our pilot on the MSME vertical. We have initiated transformation project to modernize Gati enterprise management system to state of the art technology to enable business to gain market leadership. Gati, with its wide reach and network is focusing on improving service quality by optimizing vehicles and routing load to ensure cost optimization. We also remain committed to our ESG journey and aim to convert entire delivery fleet to electric/alternate fuel by 2025. During the year we achieved the mile stone of flying more than 100 plus electric vehicles across India for our first and last mile. We also signed a MOU with Gentari Mobility a Petronas group company for 500 electric vehicles under vehicle as a service model. With this I would like to hand over the call to Mr. Anish Mathew our CFO for financial highlights for Q4 FY2023. Over to you Anish.

**Anish Mathew:**

Thank you Phil. Good evening everyone and a very warm welcome to our Q4 FY2023 earnings call. I will take you through the highlights of financial results for the fourth quarter of FY2023. I will like to start with the highlights of our express business. The quarter gone by saw weakness in initial months followed by a strong March. The overall weakness in consumer durables and automobile sector, notwithstanding the uncertain rains dampened the sentiment a bit. Total tonnage handled for Q4 2023 stood at 2,84,602 metric tonnes as compared to 2,56,906 metric tonnes for Q4 FY2022 reporting a year-on-year growth of 11%. Revenue from express business stood at Rs.356 Crores in Q4 FY2023 as compared to Rs.328 Crores (Including other income of 8 crs.) in Q4 FY2022 registering a growth of 11%. Gross margin for Q4 FY2023 stood at 27.1% as compared to 26.2% for Q4 FY2022. The EBITDA for the quarter stood at Rs.12 Crores



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registering a growth of 199% over Q4 FY2022. I would like to highlight here that depreciation on ROU asset for financial year 2023 was Rs.45 Crores and interest expenditure on lease application was Rs.17 Crores. I would also like to mention here that we have added 530 new customers during the quarter ended March 2023 including 419 MSME accounts. For the full year, express business volume stood at 11,33,034 metric tonne registering a growth of 17% over FY2022 volumes. The revenue for the full year stood at Rs.1,469 Crores as compared to Rs.1,242 Crores in FY2022. Express business gross margin stood at 28% for FY2023 as compared to 26.6% for FY2022. The EBITDA stood at Rs.72 Crores as compared to Rs.36 Crores in FY2022. The EBITDA growth has come on the backdrop of gross profit expansion, volume up tick, and operational efficiency. Tonnage handled by surface express business for FY2023 stood at 11,23,121 metric tonnes as compared to 9,68,711 metric tonnes for FY2022 registering a growth of 17%. Tonnage handled by air express business stood at 9,903 metric tonnes for FY2023 registering a growth of 40% compared to FY2022. Our client mix for KEA, SME and retail stood at 61%, 21%, and 18% respectively for the year ended March 2023. On a consolidated basis Gati reported revenue of Rs.1,723 Crores in FY2023 as against Rs.1,490 Crores in FY2022 delivering a growth of 16%. Reported EBITDA stood at Rs.74 Crores for the year ended March 2023 as against Rs.34 Crores for the previous year registering a growth of over 100%. Pre exceptional PBT stood at Rs.4 Crores as compared to a loss during the FY2022. I am pleased to state that for FY2023 the business generated operating cash flow after working capital changes and Ind-AS of Rs.23 Crores as against negative cash flow of 23 Crores in FY2022 and the total debt, net of cash and cash equivalent on a consolidated basis has come down from 152 Crores as of March 2022 to Rs.72 Crores as of March 2023. We remain confident on the growth of Gati and are dedicated to improving efficiency across the value chain. 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 will like to open the floor for question and answers.

**Moderator:** Thank you very much. We will now begin with the question-and-answer session. The first question is from the line of Amit Dixit from ICICI Securities. Please go ahead.

**Amit Dixit:** Hi good evening everyone and thanks for giving me the opportunity. I have a couple of questions. The first one is on the realization, so if I look at the surface express realization there has been a fall Q-o-Q while volume has gone up in the last quarter you mentioned that the letters have sent to the customers for possible increase in April, now how do we look at it, is it because of our endeavor to increase volume or there is increased competitive intensity. Also, if could highlight the market acceptance of increase that you have discussed in the letter that would be great.

**Pirojshaw Sarkari:** Okay. So I said the letter that were sent out were basically for the new financial year starting from April, which is April 2023. To answer your question of course in an endeavor to grow the business, the top line and also look at the mix, these numbers will keep changing but the whole strategy is to grow the business. As our retail or SME mix improves, the yield will also improve. Key accounts basically the increases that we send out via letters only happen as and when the contracts come up for renewal.



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**Amit Dixit:** On an average what kind of uptick and realization we can expect in this year. I am not asking for a quarter or so I am asking for the whole year FY2024.

**Pirojshaw Sarkari:** That is very difficult to predict at this point of time because it all depends on what kind of customers and what kind of volume we attract so the mix of that will kind of look at the yield.

**Amit Dixit:** Okay the second question is on the EBITDA margin, now in the last call we indicated that we should look at that number of 9% by end of Q2 FY2024 in light of performance in this quarter and the outlook that we see would you like to push it ahead further.

**Pirojshaw Sarkari:** I will stick to what we have said at the beginning which is we are focused on this company becoming a 3,000 Crores organization by 2026 with an EBITDA of 10% plus and we will work towards that quarter on quarter and make sure that we deliver that number.

**Amit Dixit:** But in more near term let us say in FY2024 what kind of margins we should work with because the margin has been quite volatile through FY2023.

**Pirojshaw Sarkari:** All I can say is the whole focus is now on growing the top line. We spent one and half years since I have come in this organization on making sure that our service stands up with competition which I can tell you that in the last four months we have now brought our service to a level. Now it is for us to grow the top line and as previously stated by us to grow the top line we are going to leverage our fixed cost so basically that is the whole leverage game that we will have to play to get the margins up and going.

**Amit Dixit:** Okay fair enough Sir. Thanks and all the best.

**Moderator:** Thank you. The next question is from the line of Alok Deora from Motilal Oswal Financial Services. Please go ahead.

**Alok Deora:** Good evening Sir. Sir just a question related to the previous question so Sir I just wanted to understand how do we see the margins moving now because initially few quarters back we had 9% sort of margin guidance for the end of this year and now in the last call we had mentioned about that being shifted by two quarters, but right now whatever margin performance we see I mean what is the realistic guidance we have for 10% sort of margins and some road map on that because since many quarters we are in this kind of range, just some update on that if you can provide.

**Pirojshaw Sarkari:** I just answered this question. Exactly the same question by your predecessor. Do you want me to repeat the answer or you heard my answer.

**Moderator:** The line for the participant has been disconnected. We will proceed with next question will be from the line of Aman Vij from Astute Investment Management. Please go ahead.

- Aman Vij:** Good evening Sir. My question is on the industry growth so in terms of volume how do you see this year panning out for the industry FY2024 and as for us also what kind of volume growth are we targeting for this year.
- Pirojshaw Sarkari:** We are basically looking at the logistic industry growing at 9% this year and express logistics generally grows at about 1.5 times the logistic industry growth so I would say anywhere between 13-14% should be the express logistics growth. Our growth should be greater than that.
- Aman Vij:** Sure Sir, so this number you are talking about is volume or value.
- Pirojshaw Sarkari:** I am talking in terms of both volume and value.
- Aman Vij:** Okay my second question is for April month e-way bill had grown at say 15% plus and our growth was let us say flattish so any reason was it aberration or is the e-way bill the right way to look at the growth of the industry and our company as well, if you can talk about this thing.
- Pirojshaw Sarkari:** I have not really looked at the April month but March month e-way bills really went up and so did our top line for the month of March after a slowdown in the month of January and February. In fact express industry itself for this April was down and we were with the industry, but with the e-way bill I have not compared it for April.
- Aman Vij:** Okay because e-way bills were up by almost 12 to 15% year on year, April versus April while our press release was almost flattish I just wanted your take, so have the things improved or is still little tough in May as well.
- Pirojshaw Sarkari:** May month has been far better than April.
- Aman Vij:** Sure Sir. These were the questions from me. Thank you.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.
- Abhijit Mitra:** Thanks for taking my question so I was just trying to make out two numbers first of all what are the top three reasons as per you for your gross margin and EBITDA margin to decline significantly in this quarter that is question number one. Second question is that over last three, four quarters you also have been sort of making a point on your depreciation staying flat, but the depreciation keeps moving up so even this quarter also it has moved up by almost 20% Q-o-Q so what used to be 10 Crores run rate quarterly is almost 18 Crores run rate quarterly so if you can also sort of suggest any expectations for depreciation moving ahead that would be great.
- Anish Mathew:** On the depreciation part so for this quarter there is one off charge to the tune of around 3 Crores on account of change in estimate with respect to some commercial vehicles which are having.



We used to have commercial vehicles so we decided not to kind own the commercial vehicles so we terminated that lease agreement this financial year so that accelerated the depreciation of around 3 Crores for this quarter so this will be one off so going forward we will not be having this charge.

**Abhijit Mitra:** So, 15 Crores is the more stable run rate on a quarterly basis.

**Anish Mathew:** Yes, right yes.

**Abhijit Mitra:** Just list out the factors which led to this drop in margin.

**Pirojshaw Sarkari:** As far as we are concerned the margins of Q4 FY2023 has increased over Q4 of FY2022 your question was more to do quarter over quarter right?

**Abhijit Mitra:** Yes.

**Pirojshaw Sarkari:** So like I always said the margins gets leveraged because of volumes and our volumes fell in the Jan and Feb month tremendously, although in March there was a big recovery but when for a period if the volumes fall the margins tend to also fall along with that.

**Abhijit Mitra:** Okay so conceptually just to understand the point a bit better so sequentially the drop in volume is only 1%, but because of the timing of the volume drop you are saying that cost incidence is higher. I mean is this the way one should look at the business going forward as well, there would be bee months where volume might be flat and that would create such a huge incidence on your overall margins as the margins drop in a way and when volumes in subsequent months pick up how do we sort of conceptually understand this.

**Pirojshaw Sarkari:** So there is a certain fixed cost to any business so if the volume drops below the average fixed cost that we need to leverage through our top line then of course the margin will drop.

**Abhijit Mitra:** Got it so your March margins should be significantly higher than your Jan and Feb margins is that the way to look at it.

**Pirojshaw Sarkari:** Yes.

**Abhijit Mitra:** Got it. I have more questions. I will come back in the queue.

**Moderator:** Thank you. We have the next question from the line of Rajat Setiya from ithought PMS. Please go ahead.

**Rajat Setiya:** Hi thanks for the opportunity. Sir in terms of the volumes how much of the volume would be coming in from the new hub that we have built so far as a percentage of the total tonnage of the surface business?



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**Pirojshaw Sarkari:** Gati works on a zonal structure and if you look at our zones, the main hub for north zone is in Farukhnagar, Delhi and the main hub for west zone is in Bombay. If we look at the volumes running through these two hubs it would be about 20% of our total country's volume and therefore including the other two which we have completed in the last year which is Guwahati and Nagpur that would be about anywhere between 22 to 25% volumes running through these hubs.

**Rajat Setiya:** Understood Sir, thanks. Second question is about the historical baggage that you referred in the last call so how exactly is it affecting our company in terms of gross margins we are already near the ideal gross margins for the surface logistic business which is around 30%. We are just 2% away from that however we are getting it in the EBITDA so in what way is it hurting us, the historic baggage, what exactly is the volatility can you elaborate.

**Pirojshaw Sarkari:** So basically the gross margins as far as we are concerned at Gati, the ideal gross margin that we would look at would be anywhere between 30 to 32% and therefore these deductions have a direct hit on our gross margin. This was basically a period where we have taken up to clean up the past. I think gradually we will be putting that behind us and we will see this business growing at 29% in the very near future.

**Rajat Setiya:** I mean if there was a pricing issue historically then that would reflect in the gross margins. We are getting hit below gross margins so what exactly is that issue if you can help us understand.

**Pirojshaw Sarkari:** There are various issues that we have and when we look at creating what we call ECLM provision in our books which is below the gross margin, those get created when the collections do not come in on time and collections do not come on time when there are discrepancies with the customer so it is multiple effects that happen to the P&L.

**Rajat Setiya:** So what percentage of the cost or as a percentage of revenue how much cost would you attribute to such historic action.

**Pirojshaw Sarkari:** There is no fixed percentage. It moves from month to month but it is very pretty substantial in view of the revenue that we are generating on a monthly basis and therefore it did affect both gross margin as well as EBITDA.

**Anish Mathew:** If I can add up, I think the total ECL provision which we have made for this financial year is almost like 24 Crores that is substantially very, very high number and in comparison to this number last year it was 15 Crores so that basically based on the aging and if you look at Q4 all the efforts which we are kind of putting into collection that's kind of starting yielding the results. We have seen substantial reduction in ECL provision for this quarter however we also saw a slight increase in the deduction which is what Phil was kind of talking that kind of sits in the top line because while we have made a provision and gave the credit note that ticket would get adjusted in the top line so while we saw a decline in the top line partly driven by the credit note issue, we have also seen softening of the ECL provision which is coming in EBITDA line but net

net if you look at the year as a whole 24 Crores is a huge, a substantial amount for us to kind of have and provision the books. We are kind of putting all the efforts I am sure this will come as a reversal in the coming quarters or maybe in the next financial year.

- Rajat Setiya:** Is this the only hit that we have taken in the P&L this year because of the legacy problems.
- Anish Mathew:** We are carrying a good amount of provision in the books. I will say reserve as per the Ind AS accounting standard so as we kind of bring down the DSO would mean you are collecting money and that itself will unwind the provision which we are carrying in the books.
- Rajat Setiya:** Thank you so much. I will get back in the queue.
- Moderator:** The next question is from the line of Nemish Shah from Emkay Investment Managers. Please go ahead.
- Nemish Shah:** Thanks for this opportunity, so I have question on this realization for this quarter so if I have to just compare sequentially the realization there was a drop of about 5-6% so can you just throw some light what was the reason behind this.
- Pirojshaw Sarkari:** So, when you are say realization so are you meaning the yield of.
- Nemish Shah:** Yes, yield per tonne.
- Pirojshaw Sarkari:** So, yield in our business basically it has two, three connotations one is mix of the business which basically means that your key accounts business goes faster than your SME or retail business then your yield will fall. It also depends upon the mix of the lanes in which we get our business so if the business has longer lanes then the yield is higher for example if I am picking up loads from Bombay to Guwahati vis-à-vis picking up load from Bombay to Pune the yield will be higher for that business so the combination of this, kind of moves the yield.
- Nemish Shah:** So, there were no discounts as such during this quarter.
- Pirojshaw Sarkari:** Not really because most of our business comes from key and SME customers who are contracted so therefore whatever is contracted is what you get from your customers.
- Nemish Shah:** So can you share some data as to how much as a percentage of revenue will be from key customers and overall how much will be contracted.
- Pirojshaw Sarkari:** Customer mix is 61% coming from the large key accounts, 18% coming from retail customers and the balance 21-22% coming from SME so besides the retail both SME and large key accounts will be contracted.
- Nemish Shah:** Understood. That is it from my side. Thank you.



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- Moderator:** Thank you. The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.
- Dhwanil Desai:** Good afternoon so my first question I think Anish mentioned about this ECLM provision of 24 Crores this year and it was 15 Crores last year, so two questions from that one is it sitting on the other expenses currently and going forward our normalized ECLM is it around 15 Crores or would it be even much lower than that if you can highlight on that.
- Anish Mathew:** On the first question it is one part of the other expenditure and to your second question it would be much lower. It cannot be 15 Crores it would be much, much lower. I cannot tell as percentage at this point in time but I think far, far lower than what we are trending right now.
- Dhwanil Desai:** Is it safe to assume that as we can go to FY2024 most of the things which had to go into ECLM has been accounted for and the deduction and everything is largely done, may be a quarter more is that the right way to look it.
- Anish Mathew:** I would say the quality of debtors have definitely improved but still as we try and settle the matter we might see some impact coming in top line and that would kind of have unwinding effect on the ECL provision so we do not expect to see this much of provisioning coming in the next financial year.
- Moderator:** The next question is from the line of Dheeresh from WhiteOak Capital. Please go ahead.
- Dheeresh:** Hi I am Dheeresh from WhiteOak. I just have basic questions so in this slide 6 this pie chart shows client mix, MSME we understand what is KEA if you can clarify.
- Pirojshaw Sarkari:** That is basically our key accounts which are our large accounts.
- Dheeresh:** What would you classify as retail?
- Pirojshaw Sarkari:** The retail customers are those which give on cash and carry basis.
- Dheeresh:** Okay but they still will be institutional it is not like we have a courier business like retail if I want to send something.
- Pirojshaw Sarkari:** It is a B2C business but these are small time entrepreneur who will ship maybe once a week or maybe at the most twice a week kind of shipment.
- Dheeresh:** Okay and the business which you show as surface express you do not do door to door delivery right let us say to somebody house individual customer house, this is part truck load express delivery right this is not the business that let us say the delhiverydoes for like Amazon of Flipkart.



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- Pirojshaw Sarkari:** This is B2B business which means our end delivery will be at either a distributor or a stockiest or even a company.
- Dheeresh:** Understood and for air express you will take the belly cargo of the passenger airline or you will have some arrangements with some other cargo airline.
- Pirojshaw Sarkari:** All of it is through the common carriage.
- Dheeresh:** In the other expense there is some bad debt write off or something that is higher this quarter which you see large accounts I am assuming they are paying on time, retail is cash and carry you mentioned so the 20% of the business which is MSME some of those accounts is where you had would taken a write off.
- Pirojshaw Sarkari:** So basically if you are talking about the ECLM provision which Anish just spoke about it would be for any category of customer. If there is for example a dispute with even a key account then the dispute needs to get resolved and while it is resolved your outstanding moves from one bucket to the other and that is how an ECLM provision gets created.
- Dheeresh:** Understood. Thank you Sir for taking the question.
- Moderator:** Thank you. The next question is from the line of Rohit Suresh from Samatva Investments. Please go ahead.
- Rohit Suresh:** Good evening. Thank you for the opportunity. So my first question was could you highlight the P&L impact so in terms of rent or other operating expenses for the hubs that we have put up.
- Anish Mathew:** Can you just repeat the question. You are talking about the operating expenditure for all the hubs. When you say the operating expenditure you are talking about the rental expenditure plus other running. I do not have a data right now ready with me. I think the major expenditure for any hub operation would be the rental which we pay because we do not own any of the warehouses. We kind of take it on lease and the lease cost would be the one which is coming in a major item and that is coming as part of other expenditure and the rental would be in the range of around anywhere between Rs.18 per square feet to Rs.25 per square feet depending upon the kind of facilities or amenities which we have built in that particular warehouse.
- Rohit Suresh:** Sir my second question based on our target of reaching 3,000 Crores by FY2026 what kind of volumes are we actually looking at to reach that 3,000 Crores.
- Pirojshaw Sarkari:** So, if you look at our number as of 31<sup>st</sup> March 2023 if we were to reach the 3,000 Crores run rate by 2026 we would need a CAGR of about 18 to 20%.



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- Rohit Suresh:** Got it and my last question was on the Farukhnagar hub being the first hub that we put up around one and half years back so in terms of volume how has it been like in the past one and half years how has it grown if you can give your views or some numbers that will be very helpful.
- Pirojshaw Sarkari:** We have given that in our presentation slide. I can read out from that if you want.
- Rohit Suresh:** Okay fine. I may have missed it out. Thank you.
- Moderator:** Thank you. The next question is from the line of Siddhant Sanjay Shah from KBS. Please go ahead.
- Siddhant Sanjay:** Hi thanks for taking my question. I think the communication to investors has been to focus on the SME segment over the next couple of years and that has been identified as the growth engine to really drive us to that path to profitability but we have not really seen any meaningful change in mix between KEA, SME, and retail and I believe in a recent article that I read in news paper we plan on doubling the SME mix so you throw some light on some strategic initiatives we are taking on increasing this number without it really increasing the KEA account.
- Pirojshaw Sarkari:** First of all you have to understand that if I am growing my KEA business I have to grow my SME business many fold to even retain the percentage today right so if I am at 61, 22. If I am growing my KEA and to retain 22 I have to grow my SME many fold so I just want that one point to be appreciated as such the SME percentage will actually be low. The second thing is how we are doing this is two, three different ways one is we want to grow our franchises, we have grown around 40 franchises in the last year and we are looking at another 100 franchises this year. Franchises generally are located closer to the SME customer. They speak their language and they know where these businesses are and enable us to get the business. Secondly, we are also partnering with the India SME Chamber of Commerce to become their logistic knowledge partners and we are attending a lot of conferences and seminar that they set up where a lot of the SMEs get represented and they understand what benefit we can give them by way of our network. So these are some of the initiatives that we are taking besides digital marketing that we do direct to the SME clusters in various parts of India.
- Siddhant Sanjay:** Got it. Thank you.
- Moderator:** Thank you. The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.
- Vignesh Iyer:** Sir if I am not wrong you had guided in one of the earlier calls there will some price hike that will be taken from April 1<sup>st</sup>. I just wanted to know if the hike has come through.
- Pirojshaw Sarkari:** It is a continuous process. We do send out letters to all our customers and then of course the customers want to basically meet up and talk to us. The process is on and I am sure we will get some benefit out of it.



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- Vignesh Iyer:** You said like 8% price hike in Q3 call.
- Pirojshaw Sarkari:** That is the percentage letter we sent out to the customer.
- Vignesh Iyer:** My second question is on the gross margin side. We have ended the year with 28% gross margin, with the new hubs kicking in would you see some improvement coming in FY2024 I mean somewhere near 30-31%.
- Pirojshaw Sarkari:** It is continuous endeavor to increase the gross margin also keep in mind that the gross margin that we have ended the year with is in spite of all the deductions that we have taken so basically gross margins does get affected when you have deductions because your cost remains the same but your top line reduces so definitely it is a continuous effort for us to increase the gross margin.
- Vignesh Iyer:** Thank you all the best.
- Moderator:** Thank you. The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.
- Abhijit Mitra:** Thanks for taking my question again. Just to followup on first two questions. I think initially the ability or the confidence to guide for certain margins in 2024 and not being able to do that now is it because of some delay in negotiations which are because of the contract that you see that you are probably hoping sort of resolves in the next couple of quarters but they are dragging around for bit longer that what you had initially expected is that the reason to be not able to lay out a road map towards the 10% margins right now is that the way to look at it.
- Pirojshaw Sarkari:** There is no single reason. I still stick to my 3,000 Crores that we fixed with our percent margin number. It is just that as you takeover an organization that has been sold off for various reasons and you kind of try to put it back again and bring it back to where it was a lot of things come up so we are working through all of them and we are showing continuous improvement and that will continue.
- Abhijit Mitra:** Okay got it. Thanks. That is all from me.
- Moderator:** Thank you. Ladies and gentlemen due to time constraint that would be our last question for today. I would now like to hand the conference over to the management for their closing comments. Over to you Sir.
- Pirojshaw Sarkari:** Thank you for being on the call. If you have any further questions, you could always refer them to our investor relations team at Allcargo Group. Thank you once again for attending the call.
- Moderator:** Thank you. On behalf of Dolat Capital that concludes this conference call. Thank you for joining us and you may now disconnect your lines.