February 09, 2024

To,	To,
BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1, Block G
Dalal Street, Fort,	Bandra Kurla Complex, Bandra (East),
Mumbai – 400 001	Mumbai – 400 051
BSE Scrip Code: 543954	**NSE Symbol: ATL**

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call for the third quarter ended December 31, 2023

Pursuant to Regulations 30(6) read with Schedule III and Regulation 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find enclosed herewith the transcript of earnings conference call held on Friday, February 02, 2024, for the third quarter ended December 31, 2023

The transcript of recording can also be accessed on the Company's website, from the below link:

https://www.allcargoterminals.com/wp-content/uploads/2024/02/Allcargo-Terminals-Q3FY24-Earnings-Call-Transcript-v2.pdf

We request you to take the above on record.

Yours faithfully,
For **Allcargo Terminals Limited**

HARDIK JITENDRA DESAI
Digitally signed by HARDIK JITENDRA DESAI
Date: 2024.02.09 13:10:10 +05'30'

Hardik Desai
Company Secretary and Compliance Officer

Encl: a/a

"Allcargo Terminals Limited
Q3 FY'24 Earnings Conference Call"
February 02, 2024

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 2nd February 2024 will prevail.

MANAGEMENT: **MR. SURESH KUMAR R - MANAGING DIRECTOR – ALLCARGO TERMINALS LIMITED**
MR. PRITAM VARTAK - CHIEF FINANCIAL OFFICER - ALLCARGO TERMINALS LIMITED
MR. SANJAY PUNJABI – INVESTOR RELATIONS - ALL CARGO TERMINALS LIMITED

MODERATOR: **MR. SHAUKAT ALI – MONARCH NETWORTH**

Moderator: Ladies and gentlemen, good day and welcome to the Q3 and 9M FY24 Earnings Conference Call of Allcargo Terminals Limited hosted by Monarch Networth. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call.

These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Shaukat Ali. Thank you and over to you, sir.

Shaukat Ali: Thank you. Good afternoon, everyone. On behalf of Monarch Networth Capital, I welcome you all to the Q3 FY24 Earnings Conference Call of Allcargo Terminals Limited. We are pleased to have with us, management team represented by Mr. Suresh Kumar R, Managing Director, Mr. Pritam Vartak, CFO and Mr. Sanjay Punjabi, Investor Relations for Allcargo Terminals Limited. We will have opening remarks from the management followed by a question-and-answer session. Thank you. Over to you, sir.

Suresh Kumar R: Good afternoon. This is Suresh here. A warm welcome to everyone on our Q3 and nine-month FY24 Earnings Call to discuss the company's quarterly performance. I have with me Pritam Vartak, who is the Chief Financial Officer for Allcargo Terminals and Sanjay Punjabi from our Investor Relations team with me. We have uploaded the results, press release and presentation on the stock exchanges and on the company's website.

I hope you had an opportunity to go through the same. I will share a brief overview of the economy, the industry and our business, after which I will hand over the call to Pritam to discuss the financial performance for the quarter ended December 2023. For those of you who are new to our company, I will share a brief overview of Allcargo Terminals.

Allcargo Terminals was established in 2003 as a division of Allcargo Logistics with a vision to tap into the immense opportunities in the cargo terminal business owing to the increased EXIM trade opportunities in India. The core business of Allcargo Terminals Limited comprises container freight stations and inland container depots, ICDs as we know them, operated on an asset light model. Today the company is one of the largest CFS operators in the country, offering one of India's widest CFS ICD networks.

We operate seven CFS & ICD facilities in India, of which four are fully owned and three are held through subsidiaries and joint ventures. Our strategic pillars for growth, which we have run you through in previous calls too, are organic and inorganic growth from the core CFS business, exploring opportunities that are coming up through the DFC-linked ICDs and Gatishakti Terminals, exploring adjacencies to our core business, operations excellence through digitalization and adopting best practices. And the last one in our strategic pillar is strategic partnerships.

With this as a background, let me quickly take you through the economy industry. According to the World Economic Report released by IMF, the global economy is expected to be resilient in 2024, despite the tough geopolitical environment. Falling inflation in many regions of the world reaffirms confidence of global economy faring better than in the previous year.

Global growth is projected at 3.1% in 2024 and 3.2% in 2025. The growth forecast is, however, much lower than the historical average of 3.8% witnessed between 2000 and 2019. Several major economies have shown better than expected growth in the second half of 2023.

However, global trade and commerce will continue to remain affected due to conflicts in Ukraine and the Middle East. This could also lead to spikes in commodity prices. Coming to specifically the conflict in Middle East, which has forced several carriers to pause and redirect ships through the Red Sea until further notice due to attacks on commercial vessels.

We see some of the vessels getting rerouted through the Cape of Good Hope for shipments from Asia to Europe and Asia to U.S. East Coast. Rerouting is expected to continue for some more time, and this increases transit duration by seven to ten days. The situation is fluid as of now, as we keep hearing from the international news that we keep track of, and will keep on evolving.

The delay caused due to the increased transit time will disrupt shipping schedules, which can impact port volumes and, in turn, the CFS volumes. I would like to say this is an industry-wide phenomenon, and therefore, we will have to go through this in this phase. Overall economy, India is clearly a bright spot. The growth in India is expected to be driven by domestic consumption and government policies that support manufacturing as well as exports. Recently, the government decreased the import duty on mobile phone spares from 15% to 10%. This can act as an impetus to transform India into a global manufacturing hub.

Similar initiatives are being undertaken by the government in other sectors too. Such initiatives, we believe, will help in growth of EXIM trade in India. In addition, government spend on infrastructure too augurs well for businesses and logistics as a sector.

According to IMF, the Indian economy is projected to grow at 6.5% in 2024 and in 2025. I will now take you through some recent industry trends about the various commodities. India's merchandise exports for the period April to December were US dollars 317.1 billion as against 336 billion during the same period previous year. Merchandise imports for the period were US dollars 505 billion versus 546 in the previous period.

The merchandise trade deficit was estimated at USD 188 billion as against 212 billion in the previous year same period.

Coming closer to our business, the CFS business, and what ATL has done, I would like to share with you that we have shown a volume growth of 9% on a year-on-year basis for the quarter ended December 2023.

This growth is mainly driven by our customer relationships, our operational excellence initiatives, and the digital initiatives that we have focused on in this financial year. I would like to highlight that we will be upgrading our customer relations management software, the CRM software, to one of the world-renowned platforms, which is the Salesforce platform. We are in transition.

This will not only help internally to kind of deliver planned and better customer service. This will also help review our sales performance, and this will also help our engagements with customers deeper. On the digitization front, I would like to mention that MyCFS, the portal and the app that we have launched about a year back, which brings a lot of convenience of digital services to customers, can now handle approximately 70% of the processes involved in the import-export cycle.

This is a first-of-a-kind portal that offers greater visibility to customers and offers process efficiency. MyCFS also enables uploading of documents on the go, thus providing better customer experience and saving time. We believe this will lead to greater customer satisfaction, greater customer retention, and help us increase customer wallet share.

As of December 2023, 70% of our active customer base have been onboarded onto MyCFS. Document uploads on MyCFS have grown four times from April 2023 to December 2023. I would also like to quickly talk about the adjacencies that we are focusing on, and I would like to highlight that we have initiated our pilot runs of our hub-and-spoke business in this quarter.

The pilot is expected to continue for two to two-and-a-half quarters, and while we see decent initial traction, I will come back with how this business progresses in the coming quarters. I will now hand you over to Pritam for discussing the financial highlights of Q3 and nine months of FY24. Thank you.

Pritam Vartak: Thank you, Suresh, and good afternoon to everyone. A very warm welcome to our Q3 and nine-month FY24's earning call. I will take you through the highlights of financial results for the quarter and nine-month ended December 2023.

I would like to start with quarterly highlights. Total volume handled in Q3 FY '24 stood at 154,000 TEUs, depicting a growth of 9% as compared to same period last year. On a quarter-on-quarter basis, volumes were flat.

Revenue for the quarter stood at INR 185 crores as compared to INR 175 crores in Q3 FY '23. EBITDA for Q3 FY '24 stood at INR 29 crores as compared to INR 36 crores for Q3 FY '23. This implies an EBITDA for TEU of INR 1,879 for Q3 FY '24. The company reported a net profit of INR 15 crores for Q3 FY '24 as compared to INR 13 crores for Q3 FY '23.

Now for nine-month ended December 2023, volumes handled by the company stood at 459,000 TEUs. Revenue for the nine-month stood at INR 551 crores as compared to INR 522 crores for nine-month ended FY '23. EBITDA for nine-month FY '24 stood at INR 91 crores as compared to INR 117 crores for nine-month FY '23. The company reported a net profit of INR 35 crores for nine-month ended FY '24 as compared to INR 46 crores for nine-month FY '23. The company has a very strong balance sheet with a net debt free status.

Our total borrowings as on December 23 is at INR 17.5 crores with a positive net debt position. With these financial highlights, we would like to open the floor for Q&A session.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Rajavi Shah from Bright Securities. Please go ahead.

Rajavi Shah: Thank you for the opportunity. I just have two questions. The first one is, while your volumes have experienced a 9% growth, the revenue has only grown by 6%, indicating a decline in realisation. Could you please elaborate more on the reason behind this trend?

Suresh Kumar R: Yeah, and you had a follow-up question. Would you want to ask that now, please?

Rajavi Shah: Yeah, sure. We have set an ambitious target of doubling the volumes for FY '26. Correct me if I am wrong. Are we confident in achieving this goal? And do we plan on entering into new partnerships to enhance the volume?

Suresh Kumar R: Okay. Thank you very much for the questions. Let me take the first one with regard to volume growth at 9% and revenue not matching the volume growth. So, we have been talking about the trends in the industry and there are a few prominent trends. One is about the increased competitiveness in key markets, specifically the Nhava Sheva market and even in Chennai, which is also a large market. Increased competitiveness plays a role in tariffs and there is tariff pressure over the past so many quarters that we have been experiencing.

Along with this, there is also pressure from our customers for higher rebates, which impacts profitability and margins. While this is an industry-wide phenomenon, we have tried through various methods to keep our revenue and volume run-rate as close as possible without being too much let down on revenue or our realizations. So, that is what I would like to share with you.

In summary, it has got to do with increased competitiveness in key markets. Second is the tariff pressure on account of that and then the rebates, which have started to increase, which we end up giving to our key customers.

Rajavi Shah: Okay.

Suresh Kumar R: And on your second question with regard to doubling volumes, I think we had talked about doubling volumes by '26-'27. That is what we had in our strategic plan talked about. This is a combination of what I shared with you of the strategic pillars that we will have.

We expect growth from the current businesses that we have, organic growth in these businesses and also growth because of the larger increase in EXIM trade, which will happen. A portion of the growth will come in from the adjacencies that we are planning. And another portion of the growth will come in through strategic partnerships and alliances.

Rajavi Shah: Okay, sir. That was really helpful. Thank you.

Moderator: Thank you. The next question is on the line of Palak Shah from Billion Securities. Please go ahead.

Palak Shah: Good afternoon, sir. I have two questions. One, I am new to this sector and I came across in a presentation where the hub and spoke network was mentioned. Could you please provide more details on this concept, especially considering its pilot phase scheduled for Q3 last quarter? What is the current status?

Suresh Kumar R: Yeah. Thank you for your question. The hub and spoke pilot that we have now commenced is an initiative or an attempt that we are taking to participate in the post CFS processing of the cargo that a customer brings to our facility.

So if you were to look at the entire value chain for the customer, port side logistics involves clearance at the port and then the containers come into the CFS. In the CFS, there could be different work which happens on the container, destuffing, making them into smaller units and then transporting. That is where currently our role ends.

We envisage an opportunity to participate in the post CFS work on the cargo, which could be transportation and taking the containers to a place which is closer to the customer's factory or the customer's warehouse. We also envisage an opportunity for us to participate in that and bring some amount of export containers back in the same transport that we used to take the containers from the CFS to the customer premises. So this is a pilot.

As I mentioned in my opening remarks, this is something that we have now initiated in October, November. The pilot time frame is about two to two and a half quarters We will watch this space closely and I will update you in the subsequent quarters meetings that we have.

Palak Shah: That's quite helpful, sir. My next question is regarding EBITDA. There has been a decline in margins. So could you please share insights into our efforts to enhance operations, like including any ongoing process improvement initiatives? If you can highlight, please.

Pritam Vartak: So the EBITDA for the quarter ended December 23, stood at INR 29 crores against the last quarter of INR 32 crores. We consider EBITDA per TEU as a measure which we track rigorously. In the previous quarter, our EBITDA per TEU was in the range of 2,000.

In this quarter, reported EBITDA per TEU is 1,900. Just we had certain one-off expenses under this quarter amounting to close to INR 2 crores. So therefore, if you look at the normalized EBITDA per TEU, it's in the range of INR2,000.

This is the EBITDA which we believe that we will be able to sustain going forward. Suresh talked about those various aspects in terms of margin pressures and rebates and DPD phenomenon which is impacting the EBITDA per TEU. However, various adjacencies, various other initiatives like looking for various growth opportunities which we are pursuing right now.

We would be in a position to maintain this EBITDA even going forward at the range which is there currently.

Palak Shah: Thank you so much. That's all from my side.

Moderator: Thank you. The next question is in the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Hi. Sir, your presentation mentions that the company is best placed to capture the DFC-driven ICD opportunity. So could you please help us know more details on this? How are we likely to benefit? And given that the partial operation is already being done in the Gujarat ports, what has the benefit that has already accrued? And what is it likely to be going forward?

Suresh Kumar R: Yeah. In terms of why we believe we are ideally placed to leverage this opportunity, it's simply because of our pan-India presence. If you were to look at the CFS ICD presence that we have, we are in ports which cater to roughly 78% to 80% of India's EXIM volumes. So this is one important reason why we believe when the DFCC stations of our choice, we have identified six or seven locations on the DFCC route, which are stations which are closer to the businesses that we do and the customer concentrations that we have.

So when they open up for tendering, we would definitely want to participate in them. The other reasons why we believe this is an opportunity for us is also because of the customer base and the steady business that we have, and the shipping line relationships that we have nurtured over the many years. So these are factors which we believe will help us when the DFCC becomes fully ready, and there are opportunities for Gati Shakti terminals and ICDs across the country which comes in.

The other thing that I would like to mention is also our proposal to have an ICD in Jhajjar. In the coming two years, we are in the advanced stages of getting on with establishing an ICD at Jhajjar, which is at a pivotal point and that caters to the upper north and even west portions of the country. So these are the elements of our strategy which are now starting to come together, and we feel confident that this will help us enhance our volumes in the coming quarters.

Ankita Shah: Have we already seen some positive impact of partial operational of DFC?

Suresh Kumar R: So partial operations of DFC, what I would like to link this back to is the kind of volumes and clearances of cargo at the speed in which we do. So there are industry trends which we are all familiar. One is going to do with faster turnaround and reduced storage time. So that is something which is happening.

Second, customers are able to bring in, connect their factory outputs to the port side locations at a faster rate. This will help give us a fillip in exports. But if you were to ask me specifically because of the DFCC, can we put our fingers onto it and say this is what it is doing? It's too early days for us to clearly put our finger onto it and say this is the benefit which DFCC is giving to us.

But the trends are very clear. This will help EXIM efficiency, both for port side logistics players like us and for our customers, and therefore give an overall flip in volume. That is what we are banking on.

Ankita Shah: Sir, if I may ask, what kind of volume growth are we expecting?

Suresh Kumar R: Yes, so if you were to look at our volume growth, we have been growing at a rate faster than industry consistently over the past many quarters. And we believe that trend will continue going forward.

Ankita Shah: Is it possible to share any number, if at all?

Suresh Kumar R: So I have shared how much we have grown in the first nine months. And I think that serves as a good benchmark for the future.

Ankita Shah: Okay, sure. That is helpful. Thank you so much.

Suresh Kumar R: Thank you.

Moderator: Thank you. The next question is in the line of Anshul Agrawal from Emkay Global. Please go ahead.

Anshul Agrawal: Hi, good afternoon. Thank you for the opportunity. So my question is with regards to the competition, the competitive intensity or the competition pressures that you guys are facing. Is this from existing players like Concord and Gateway or any other new entrants?

Suresh Kumar R: Yes, I think when I spoke about competitive intensity, it is largely existing players. But in the CFS business, other than the names that you mentioned, there are a lot of other smaller single location or just two location service providers who have a different business model and a way of approaching business. And that is what causes competitive pressure on the tariff side.

So if you were to look at Nhava Sheva, for example, there are 34 CFSs which are present here. And of different sizes and different tenure, they have been in the market. And the business models are widely different. Some of them are listed companies. Some of them are small. Some of them have larger land parcels. Some of them have very small land parcels. And therefore, that brings in complexities to the business. And that is what is putting pressure on tariffs.

Anshul Agrawal: Got it. Very clear. Secondly, with measures like DPD, augmentation of capacity at ports, isn't CFS facing structural tailwinds in your view?

Suresh Kumar R: Yes. So I think it's a good question. If you were to look at DPD as a phenomenon, it has been around for a number of years now. And there are benefits which accrue to customers in terms of DPD. But we have also seen customers using CFS facilities in spite of DPD clearance available. And that brings in the whole DPD CFS angle. DPD is one type of cargo in which it is DPD and completely moved out. And then there is DPD cargo which finally ends up coming to CFSs. And it's easy to understand the customer motivation for this.

If you were to look at it, there are spikes and cycles in customers buying patterns and also productions and seasonalities. To tide over that, I think customers still see CFSs as good partners to kind of manage their inventory positions. So while DPD is available, we feel that DPD has kind of, in at least the larger ports, has started to peak. In spite of that, there is volume growth which comes in. That is because of the ways of working of the customers. And we believe that trend pretty much will continue.

Anshul Agrawal: Great. Thank you for that detailed answer. Just a follow-up on that. So would our growth plans in the near future imply more investments in ICDs or in CFSs?

Suresh Kumar R: Yes, I think if you were to look at it, we have a CFS footprint which is significantly there across the major ports. We just have one ICD at this point in time and the proposed ICD which will come up by 2025-2026. Therefore, the future investments would be, or the future opportunities that we see for us is largely in the ICD space. Having said that, the question of investments, we have been as an organization asset light, that's the model that we have followed. We will undergo to continue the same model when we get into ICD spaces in future.

Anshul Agrawal: Thank you so much.

Moderator: Thank you. The next question is from the line of Uttam Purohit from Monarch Networth Capital Limited. Please go ahead.

Uttam Purohit: Yes, good afternoon. Hi, sir. So my question was around the issues we are facing from the Red Sea crisis. So how it is impacting the terminal business? Are we seeing some increased load at our CFSs or it has impacted a reduced load? So I just want to understand the short term and a bit on the long term impact of this crisis.

Suresh Kumar R: Yes, thank you. Thank you for the question. As I briefly mentioned in my opening remarks, the Red Sea impact in the short term, in the immediate term, what it is causing is a lot of rerouting of ships and therefore schedules are getting affected. How this impacts port terminals and CFS businesses, there are bunching of vessels which happen. There are blank sailings which are happening because of this.

And there are therefore for a CFS business, there is a little change in the pattern of inflow of imports which is coming into us. But if this continues for the medium term, then the shipping schedules will start to factor this longer transit time. And then it will fall into a new normal. Obviously, there are rates which get impacted, which is something that I'm sure as industry watchers, all of you are seeing the increase in freight rates, which could impact some amount of EXIM trade.

But we believe this will not be pronounced because we have seen freight rates far higher than what is now currently happening even during COVID. We have seen freight rates really go up. But the overall volumes didn't significantly come down even at that point in time. So in summary, temporary short-term impact of rescheduling of ships, longer transit time could lead to bunching of vessels and little amount of conditions.

Medium term, these schedules will fall into place and it will get back to a new normal. Impact of rates would be there, but we believe it will not be as pronounced as what it was even during COVID.

Uttam Purohit: Another question was just a follow-up question on the competition side. So as the competition increases and we are facing a bit of restraint on our realization, so how would these things move going forward? And would the margins be further impacted due to this reducing realization further?

Suresh Kumar R: Again, a good question. So when I talked about competitive intensity, I also tried to give you a picture of the different kinds of competition which exists, very organized to semi-organized to maybe even little unorganized players. The good thing is in most of the large ports now, there are no new CFS licenses which are being given.

So I think the number of CFSs in these large ports is kind of capped. That's one thing to keep in mind. The second thing to keep in mind is with regard to some of the players who are not long-term players, who see an opportunity to kind of, because they have a strategically located land parcel available, there are people who have come into this business.

They are starting to see pressures and that pressure is what is reflecting as tariff pressures. But we believe that this tariff pressure affects everybody and at some point in time, there could be some amount of consolidation which could happen because it will be very difficult to run businesses at the kind of EBITDA levels to which the industry is headed.

Having said that, in the last two to three quarters, due to various efforts and we as an organization, we have been able to hold our EBITDA per TEU in the range of about 2000, 2100. And we believe this is a stable state in which profitability could continue. There could be upsides, upsides related to consolidation, upsides related to smaller players moving out, which is always welcome. But at this point in time, we have been able to hold our profitability and Pritam discussed this.

There is a temporary blip in this quarter and that is because of a one-time charge. Otherwise, we are starting to stabilize at a number in the region of about INR2000 per TEU.

Suresh Kumar R Great. Thank you. That's all my side.

Moderator: Thank you. The next question is on the line of Jishan Sigi from Kryguna research. Please go ahead.

Jishan Sigi: Good morning, sir. Thank you, sir, for this opportunity. I would like to ask that as you mentioned that due to longer shift schedule and transit type, your volume has been decreased. That can be seen from your PPT. And so what can be the reason behind the fall in the margins? It was basically 8% to 9%. So could you please show some light on this?

Pritam Vartak: So we spoke about the fall in margin in one of the questions sometime back. So the fall in margin which has happened from December '22 to December '23, that is mainly on account of various phenomenon's which has happened around the rates, which includes higher percentage of DPD volume, which we have started to get now, plus higher amount of rebate, increased competition in the market requires to give higher amount of rebates. And these sales side factors have impacted revenue per TEU, and that has basically reduced the margin which we were getting as compared to last year.

On cost side, we are more or less stable. And we have internal efficiencies we are bringing in to ensure that whatever benefit, whatever downside we had in revenue per TEU has been compensated by savings in opex.

In this particular quarter, we had at one time enough expense of around INR2 crores. And that is the reason you see the reduced EBITDA per TEU in this quarter reduce EBITDA. If you normalize that, our EBITDA would be comparable with our previous quarter EBITDA. And EBITDA per TEU would remain in the range of INR2,000. So does that answer your question on margin?

Jishan Sigi: Okay. And secondly, I would like to ask that you mentioned about DPD trade decrease. So what does this mean?

Suresh Kumar R: I think what I was referring to, this is the ratio, what I was referring to is the direct port delivery percentages which have been increasing in the larger ports, specifically in Nhava Sheva which is in excess of 80%, we have DPD volumes. DPD volumes, the impact of DPD volumes is lower revenue per TEU.

And I explained that if it is DPD containers do not normally have a requirement to come into the CFS, but because of customer requirements and inventory management processes that customers have, DPD containers still come into CFSs. And the revenue that we make from DPD containers are lower than from the non-DPD containers. That's what I had mentioned as a reason for revenue drop because of DPD percentage.

Jishan Sigi: Okay. So do you think that this will normalize in the coming medium term or in the coming quarters?

Suresh Kumar R: Yeah. Again, I had mentioned this saying that at least in the larger ports, the percentage of DPD volumes have kind of peaked, beyond which I don't think the DPD volumes can increase in the larger ports. Plus the customer process of managing their inventory, they see CFSs as an ideal location for managing inventory spurts.

And therefore, we believe that this volume of DPD through CFSs will continue. And the current trends or the trends over the last three, four quarters are quite stable in the amount of DPD CFS volumes that we get.

Jishan Sigi: Okay. So, and another question I would like to ask, sir, that in earlier con call you mentioned that you are going to increase your volume by, means in double in coming three, four years. So, in what way are we there?

Suresh Kumar R: Yeah. So I'd mentioned this and I had taken you through the five strategic priorities that we have as an organization. One is to grow business from our existing CFSs. We are growing at a pace faster than industry. So whenever industry grows at a certain percentage, we have been ahead of industry. So that is one.

Second, looking at adjacencies, and I've told you the hub and spoke model that we have already started to pilot. Over the next couple of quarters, we will have a clear view of how to take this forward.

Third is being open for suitable opportunities to expand the footprint that we have through the DFCC-led Gati Shakti terminals and ICDs. And we have an ICD which is coming up in Jhajjar in 2025-26. And we are on the lookout for opportunities. I briefly mentioned six or seven stations along the DFCC route we have identified.

And when there are the right government tenders for those which happen, we will participate. And hopefully we'll be able to establish ICDs there. Other than this, inorganic growth, if there are the right opportunities which come in, I think we will look at them. So it is not a single way of increasing volumes. It is a combination of multiple things. And I've listed down three or four methods by which we feel we will grow volumes.

Jishan Sigi: So as you mentioned, sir, that due to Gati Shakti master plan and all this, the uncertainties that are there in this industry, it will be normalized. So are these government initiatives?

Suresh Kumar R: We lost your voice.

Jishan Sigi: Sir, as you mentioned, the Gati Shakti master plan and all this. So I would like to ask, are these government initiatives to normalize the uncertainties currently there in ICD and CFS?

Suresh Kumar R: I wouldn't say normalize uncertainties. I'm not able to understand what is making you say that. I think the government initiatives are to enhance infrastructure, logistics efficiency, and competitiveness.

And for a country that is growing at the pace in which we are growing, I think the EXIM volumes and trade will increase, and therefore infrastructure investment is required. And government policies are all directed towards that. This will drive organic growth and more opportunities.

And then the government policies with regard to exports Make In India will drive the export volumes also higher, bringing down the trade imbalance. And so that's also a stated objective of the government. All this are favourable for the EXIM business, of which Allcargo terminals is a key part of.

Jishan Sigi: Okay. And one more thing. Last question I would like to ask that, what does the LCL shipments mean? And how does it impact your, I mean, the industry?

Suresh Kumar R Yeah. So the LCL business that you're referring to is not something that the Allcargo terminal business does. This is part of the Allcargo international supply chain business. And therefore I would not like to comment on that, because that is not the core business of Allcargo terminals.

Jishan Sigi: Okay. Okay. Thank you, sir.

Moderator: Thank you. We'll move on to the next question that is from the line of Amit Shah from Ace Securities. Please go ahead.

Amit Shah: Yeah. So thank you, sir, for taking the question. So, sir, looking at the broader perspective, what will be the primary growth driver for the business once the ICD is operational? Will it be CFS or ICD, considering the ongoing impact of DPD on our volumes?

Suresh Kumar R: So in the previous calls, we have talked about the future volumes and the kind of composition which could be there. And given the fact that our CFS is already there in the major ports, the opportunity for growth, future growth, is largely from ICDs. And that is what I mentioned earlier currently, one ICD that we have in Dadri, the second one coming up in Jhajjar, and future ICDs and Gati Shakti terminals, depending upon whether they open up in our areas of interest. So that's the plan that we have. Along with that, CFS is in key ports. If there is an opportunity to expand and do more volumes, we will definitely do that.

Amit Shah: Thank you, sir.

Moderator: Thank you. The next question is from the line of Udhayaprakash from Value Research. Please go ahead. There seems to be no response from the current participant. We'll move on to the next. The next question is from the line of Uttam Purohit from Monarch Networth Capital. Please go ahead.

Uttam Purohit: So my question is on the longer-term perspective. So like DPD have impacted our import side of business, and with coming ICD, which is highly targeting on exports. Do we think it would be more of a cannibalizing nature for our business with increasing ICDs and impacting our CFS, which is already getting impacted by DPD?

Suresh Kumar R: I think I would like to clarify. In terms of the DPD impacting our CFS businesses, I share that DPD has been a phenomenon which has gathered space over the past many years. In our larger ports, it has come to a certain stable level. In a place like Nhava Sheva, DPD is already over 80%. And in some other ports, it's gaining traction. In spite of that, the customer logistics planning and the inventory management, in that CFSs had a key part. And therefore, we attract volumes of DPD containers after clearance. They come into our CFSs.

So while DPD has gathered traction, DPD, CFS containers still are a significant portion of our business. We have seen revenue impact because of that in the past many quarters. And we believe that now this has kind of reached a plateau level from which now this will kind of remain stable. ICDs, therefore, give us an additional opportunity of participating more in the export opportunity which comes up.

So with CFS import volumes at current level, and because of the country's growth and the extreme trade growth which happens, there will be import growth linked to the GDP growth of the economy or maybe even slightly higher than that. Along with that, with ICDs and Gati Shakti terminal, we will have a larger share of exports coming into CFSs. And since this is a stated policy of the government and the policies are in that direction to reduce the trade imbalance, overall exports will increase and therefore CFSs like us will benefit.

Uttam Purohit: Great. And can you just give some of the advantages or locational advantages for our upcoming ICD?

Suresh Kumar R: I would like to take it as and when we are able to get the ICDs that we have shortlisted. It is a little premature for me to talk about them. I can only talk about the firm plans that we have for ICD Jhajjar, which is closer to the national capital region. It is at the intersection of the DFCC and the Indian Railways. And this hub, the Farukhnagar-Jhajjar hub, is a very prominent hub which could supply upper north and large portions of West India. So that's a very strategically located ICD that we have. And already we have another ICD in Dadri, which is a joint venture with CONCOR.

Uttam Purohit: Great. That's all from my side. Thank you.

Moderator: Thank you. The next question is from the line for Udhayaprakash from Value Research. Please go ahead.

Udhayaprakash: Sir, I just want to know, is there a margin difference between CFS and ICD? Does CFS have a higher margin profile or ICD have a higher margin profile? And next is, what is the setup cost for both of them? Are both of them the same or is CFS more capital intensive or something like that? Could you elaborate on that?

Suresh Kumar R: Yeah. I think it's a good question. So you're basically asking between CFS and ICDs, investment infrastructure costs and also the kind of realizations. So I think at this point in time in our portfolio, we have six CFSs and one ICD. And the kind of realizations we get are comparable. But as the number of ICDs increase and the kind of volumes start to change, it could be different. So as of now for us, both the businesses are giving us similar kind of returns.

And in terms of setup costs and infrastructure, these costs are also largely similar. The differences would come when we tender and look at different locations. And depending upon the kind of locations and the partnerships that we get into, the business models could be different. So CFSs, own CFSs versus partnership CFSs and ICD currently with CONCOR, all of them have different models of revenue and cost because of royalty payments and various other things which come in. Keeping that aside, I think tariffs and what we get from customers are largely in line.

Udhayaprakash: Okay, sir. And for the setup costs, are they similar -- is it similar for both CFS and ICD or which is more expensive in order to expand? Is there anything like that?

Suresh Kumar R: No significant difference as we see it.

Udhayaprakash: Okay, sir. And my second question is on the competitive side. Now, we are the largest organized player in the country and we do provide apart from just portfolios, we have to enable smooth software and everything. We provide an app for easy integration, documents including. Is this the only edge that we have over competition or why do even single port players, small players have an impact on the volumes in the business that we have? Or is there another reason for this? Is it also port specific also that I want to ask?

Suresh Kumar R: Again, a very good question. If you were to look at it in this business, which is very close to being like a commodity, tariffs and pricing is a very, very important element because this is a cost that's part of the overall logistics cost for an organization. Having understood that, are there opportunities for us to differentiate?

Yes, there are definitely opportunities for us to differentiate. What are those areas of differentiation that we can give? One is about the operations excellence and therefore assured kind of evacuation times and delivery times that we can give customers.

Second is the convenience that we offer through our portal. Therefore, lesser amount of time that the representatives of the customers have to spend in terms of doing the manual work of filing and various other things. So that becomes another differentiator.

And the third differentiator that we have is a long standing shipping relationships and being part of a larger group, which is in a similar kind of a business. How much of this can be used in terms of pricing premium is a question which -- is a point which will determine whether we can have better realizations than somebody.

At the end of the day, what I would like to tell you is we have consistently maintained our realizations better than the industry players and we believe that our realizations are much better than what the unorganized sector and the smaller players are currently getting.

Udhayaprakash: And is the competition port specific or do we have small players that can hinder the volumes in all the ports that we are presenting? I just want to know that. Because we are presenting JNPT also. Is the competition specifically high in this port or is it similar in every other port that we are presenting?

Suresh Kumar R: Yeah, I think competition, if you were to look at it, the two larger ports in terms of EXIM volumes are JNPT and Mundra. But Mundra, the addressable market for containers is not as high as what is there in JNPT. There is a lot of other volumes which happen there.

Therefore, the top two in our list is obviously JNPT and Chennai. JNPT's competitive intensity is significantly higher because of the very large number of players, which I mentioned to you, 33-34 players and therefore the intensity is far higher.

Udhayaprakash: And, sir, lastly, my question is on the long term. Do we have any long-term relationships with customers for cargo handling? And if so, how much do they contribute to our overall revenue as percentage or volume?

Suresh Kumar R: So I think what you are talking about is do we have long-term contracts and what are those contracts giving us as a percentage of our total volumes? I will come back to you with this. I will revert to you with a response to the question that you have.

Udhayaprakash: Okay, sir. Because correct me if I am wrong, given the competition, I think having a longstanding relationship with customers, reputed customers, will help us navigate through any downturn in the industry when others are struggling to find companies. Correct me if I am wrong, sir.

Suresh Kumar R: I understand. I completely agree. Long-term relationships and customers being with us for a period of time and while not talking about contracts, I can tell you that in our business, the repeat customers, the customers who give us business consistently for all 12 months of the year, these are things that we keep track of and they contribute to a significant chunk of our business.

Udhayaprakash: Okay, sir. Thank you. Best of luck.

Moderator: Thank you. As there are no further questions, I now hand the conference over to Mr. Suresh Kumar for his closing comments.

Suresh Kumar R: First of all, thank you everyone for actively participating in today's conference and for the thought provoking questions. I hope between me and Pritam have been able to respond to your queries to your satisfaction. Having said that, we are optimistic about the overall business scenario, specifically with India being a bright spot in the global economic map. EXIM policies and the trade and logistics policies of the government we feel are favourable.

We also are heading into a quarter, which is typically a good quarter, January, February, March, even though the Red Sea crisis is a bit of a dampener. We believe that volumes, we will be able to grow faster than industry pace and keep our profitability at current levels or better. Therefore, I look forward to coming and talking to you in the next quarter with similar or stronger results. Thank you.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Monarch Networth Capital, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.