



May 25, 2022

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Scrip Code: 532345 ISIN No.: INE152B01027 Re.: Gati Limited	Symbol : GATI ISIN No.: INE152B01027 Re.: Gati Limited

Dear Sir/Ma'am,

Sub: Transcript of Q4 Earnings Conference Call - FY 2021-22.

Pursuant to Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (the "Listing Regulations"), please find enclosed herewith the transcript of earnings conference call for the quarter and year ended March 31, 2022 held on Monday, May 23, 2022.

The aforesaid Transcript will also be uploaded on the website of the Company i.e. www.gati.com.

Kindly take the above on your record.

Thanking you,

Yours faithfully,
For **Gati Limited**



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

Encl.: As above

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“Gati Limited
Q4 FY2022 Earnings Conference Call”

May 23, 2022

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**ANALYST: MR. DEPESH KASHYAP - EQUIRUS SECURITIES
PRIVATE LIMITED**

**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 good day and welcome to the Q4 FY2022 Earnings Conference Call of Gati Limited hosted by Equirus Securities. 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 the operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Depesh Kashyap from Equirus Securities. Thank you and over to you Sir!

Depesh Kashyap: Thank you Lizaan. Hello everyone. On behalf of Equirus Securities, I welcome you all to Q4 and FY2022 earnings conference call of Gati Limited. We are pleased to have with us management team represented by Mr. Pirojshaw Sarkari (Phil), he is the CEO and Mr. Anish Mathew CFO for Gati Limited. We will have the opening remarks from the management followed by Q&A session. Thank you and over to you Phil Sir!

Pirojshaw Sarkari: Thank you Depesh. Good afternoon and a very warm welcome to everyone on Q4 and FY2022 Earnings Conference Call. We have uploaded our Q4 FY2022 results 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, Chief Financial Officer for Gati Limited and our investor relations team.

The year gone by was the recovery year from the impact of COVID-19. We have observed that the logistical requirements and services especially from the organized players have increased during and post COVID-19 period. Despite challenges during the period, we have been able to realign our systems and processes as per the requirements of the business and have been able to manage it very efficiently keeping in mind all the safety requirements of our people and customers.

We have been able to maintain our share of business in the express distribution and simultaneously offer customized logistical and supply chain solutions to our customers with enhanced integration of technological advances. So now let me start by giving some insight on the logistics industry.

Logistics remain an integral part of the overall development of the economy. We have been seeing higher emphasis by government on improving the logistics network of India by creating the right infrastructure and policies for the overall benefit of the industry with key emphasis on bringing the logistics cost down as a whole.



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Currently India's logistic cost is as high as around 14% of the GDP which, the targets are to reduce to 10% over the next five years. This reduction will be led by multiple initiatives like good infrastructure, increased compliance and efficient digital back bone, whereby organized players would slightly have an upper hand as they would focus on reduction of indirect cost like pilferage and wastage, inventory carrying cost and reduced time and transit.

By better utilizing the logistic network through scale and efficient and lean tech-based operations. The government of India has also announced PM Gati Sakti the national plan for multimodal connectivity. This initiative essentially is a digital platform to bring roadways and railways together holds tremendous potential to enhance logistics infrastructure and consequently reduce the logistic cost.

We have been building capabilities in various areas in our organization to capture a dominant share of this market shift from unorganized to organized players. The generation of e-way bills which are now hitting a monthly rate of above 7.5 Crores versus financial year 2022 monthly average of 6.5 Crores and 5 Crores in FY2021 is a testament to the above theory. Talking about the current quarter, January 2022 realized India's highest single day rise in infections in the third and ongoing wave.

Delhi experienced some disruption in regular operations due to high curfew, state government restriction and others following which over January and early February consumption and restoration of inventory were impacted, impacting our revenues in a large way. Having said that there has been surge in volumes and revenues from March onwards which was one of the highest monthly run rates for us, Gati being the pioneer in the express logistic business and network leader in logistics with almost 99% of government pin code covered and almost 670 offices across India.

With our wide reach across multiple locations and hubs in various parts of the country and deeper customer engagement, we are very optimistic for the future. FY2002 also marks two successful years of completion of Allcargo acquiring Gati. We have successfully covered pillars of A debt reduction, B capture market share lot. C defocusing on noncore assets and D attract industries best talent.

Entering FY2023 we have embarked about Gati 2.0 transformation journey which I would believe and brief as follows. We have specifically laid out five key aspects for our GATI 2.0 journey, digitization, sales acceleration, infrastructure, operations, and increasing talent pool. Digitization, we are automating number of processes, backend infrastructure, frontend communication which enables faster execution and decision making.



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Our proprietary software GEMS 2.0 will integrate many major functions like finance, CRM, and management data for report generation and performance analysis. This would further lead to ML AI related decision making for which we now have a focused team in place. The team focuses on route optimization, faster turnaround capabilities which would accelerate from here on in FY2023. Several tools like our Gati genie chat box, digital payment solutions, an organization wide ERP system, robust tracking systems and sophisticated software powered by sales force for CRM and automation are being implemented for seamless movement of cargo.

Our sales acceleration strategy is playing out well and we are able to capture more and more MSME accounts which will add up to overall growth of the company with better margin profile. With our focus on the key accounts and adding more and more wallet share from these accounts we are also able to acquire few new large accounts which can become potential key accounts in the next two or three years.

Alongside MSME customer addition is also encouraging. We have set up a new sales structure focusing on a cluster-based approach for MSME. Our key focus area would remain SME/MSME segment which is the second largest contributor with 21% for financial year 2022. Sales acceleration has two levers to play one is accelerating volumes for which we are now ready with our enhanced infrastructure capabilities and second one is on yield management for which we now have a separate team in place.

The team has initiated renewal of contracts for KEA which is realizing an average price hike of 5% to 7% expected to roll out in this financial year. We have been building state-of-the-art infrastructure. In December 2021 Gati launched its largest surface transshipment center (STC) at Farooqnagar spread over 1.5 lakh square feet and connecting to all major national highways.

With no inconveniences of congestion, the STC has been designed in compliance with green norms. The facility has been equipped with capabilities to process short haul cargo deliveries in North India as well as long haul cargo movements on pan India spread. The next two hubs with similar facilities and scale will be operational in Mumbai in the first half and Bangalore in Q3 of FY2023 followed by Nagpur, Indore, Hyderabad in later FY2023 and of course Cochin and Pune in 2024.

Under phase two this network would then be propelled with automation capability. We have been working in tandem with our IT team to simplify our operations to accelerate the margins. We have been working on focusing on reducing cost per kg, more engagement with customers for wallet share addition, customer retention and new customer acquisition. Efficiently planning our infrastructure and hubs to manage flex and peak capacities thus increasing throughput and achieve scale.



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Lastly, we have been able to retain and add more and more to the talent pool at Gati at all levels in the organization giving us long term sustainable growth visibility. In the year gone by Gati has launched an employee stock appreciation right plan. We believe that this would foster our group culture of entrepreneurship with a purpose and each employee would work towards unified goals of building Gati a stronger brand.

The board has also discussed its rational for evaluating structure of related business to align with strategic objectives of simplicity, greater financial flexibility, sharper capital allocation and strategic independence basis which the board has approved evaluation of restructuring options and appointment of consultants and advisors. This is at a preliminary stage at current moment, and we shall engage with our partners KWE and plan next steps at the same time we would also keep our investors updated on the step from here on.

The vision would always remain to create value brining out synergies from existing capabilities of the group. We also focus on few other ongoing initiatives like launching electric vehicle fleet for the first and last mile delivery, ease of doing business with Gati, improving corporate governance and CSR activity for our contribution towards the society. With this I would like to handover the call to Anish Mathew our CFO for financial and operational highlights in Q4 and FY2022. Over to you Anish!

Anish Mathew:

Thank you Phil. Good afternoon, everyone and a very warm welcome to our Q4 and FY2022 earnings call. I will take you through the highlights of financial results for the quarter and financial year ending FY2022. Firstly, I would cover the performance for the quarter. Our consolidated revenues including other income for Q4 FY2022 stood at Rs. 387 Crores as compared to 409 Crores in Q4 FY2021 down 6% compared to same period last year.

Our surface express business revenue increased from Rs. 300 Crores to 304 Crores in Q4 FY2022. Revenue share from MSME and SME and retail accounts stood at 42% in Q4 FY2022. Gross profit, our gross profit for Q4 FY2022 stood at 95 Crores as compared to 104 Crores in Q4 FY2021. Our GP margins for Q4 FY2022 stood at 24.7%. The margins were majorly impacted by performance in January which impacted the overall margins for the quarter. The existing gross margin for the quarter, are above 27% which comforts us and makes us confident of reverting to air.

EBITDA: Consolidated EBITDA for Q4 FY2022 stood at Rs. 13 Crores up by 32% year on year. EBITDA margins for Q4 FY2022, was up by 100 basis points. Realignment of our operations and synergies across verticals with operating leverage play out. We are optimistic of margin increasing going forward.



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Now coming to full year FY2022 performance; consolidated revenue including other income for FY2022 stood at Rs. 1,505 Crores a growth of 14% year on year. Surface express revenue for FY2022 grew by 26% and stood at Rs. 1151 Crores from Rs. 916 Crores in FY 2021. Our SCM revenue stood at Rs. 48 Crores. Our air express revenue stood at Rs. 52 Crores a growth of 58% year on year. Revenue share from MSME, SME and retail accounts stood at 43% for FY2022. FY2022 gross profit stood at Rs. 356 Crores as compared to 335 Crores a growth of 6% with gross profit margins of 23.7%. With all our efforts dedicated towards increasing scale and efficiencies we believe we will be able to increase the margin going forward to targeted range of 29% to 30%. For FY2022 EBITDA stood at Rs. 50 Crores gain by 32% compared to same period last year. The EBITDA margins were up by 50 basis points to 3.3%. However, our core B2B express EBITDA margin stood at nearly 4%.

Our focus approach of reducing debt has yielded results. Our debt has reduced by Rs. 11 Crores for Gati KWE from Rs. 166 Crores in FY 2021. Also our cost of debt has significantly reduced from 9.2% in FY2020 to 8.2% in FY2021 to 7.2% in FY2022. Lower interest cost and approaching to asset light strategy will be adding up to the PBT in the near future. We have been consistently providing other key comparative performance indicators in our investor presentation. One can refer that for more details. With this I would like to open the floor for questions and answers.

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Rahul Jain from Credence Wealth. Please go ahead.

Rahul Jain: Thanks for opportunity. Sir just to understand couple of things one on the top line of our express business volume had a 3% year on year growth and 4% degrowth on quarter-on-quarter basis in fact the volumes have been in this range of about 2, 50,000 to 2, 60,000 for the last two quarters or so, so going ahead how do we look at this tonnage to move in, just one more observation linked to this. In the previous call you had mentioned that we have been working for almost 15 to 18 months for success of Gati with regards to various pillar which you had been consistently talking about and also you mentioned that the operations also we were trying to bring to a level whereby the customer's faith is back in the brand and you sacrificed margins for the same. So, considering both this if the tonnage volumes have been in the range of 2,50 to 2.65 in the last few quarters plus you had mentioned that we are trying to get back the faith of the customer in the brand so where do we see today in that journey. Are we done with the operations to the satisfaction of our customer?. So in this journey of getting back the customer, getting the faith back where do we stand today so we have to drive the volumes because you mentioned in previous call that once we have done with this on the operations, we see volumes with a decent growth so going head in FY2023 and 2024 where do we see our volumes going because another observation is that the express business volumes had a de-growth of 4% quarter on quarter and a 3% year on year growth but in the last three to four quarters the volume has been in the region of



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250 to 265 K, so if you could guide us on the tonnage numbers, the volume growth how do we look at it on the express business that is my first question.

Pirojshaw Sarkari: If I were to look at year-on-year for the financial year 2022, we have grown our volume by 24% and our revenue by 23% and this is basically numbers that I am giving out for GKEPL which is the operating express joint venture. If you are looking at the consolidated numbers you have to also understand that is the petrol pump business in the consolidated numbers where we had two additional petrol pumps in the previous year which were moved out in the first quarter of the previous year and therefore the revenues of those two petrol pump is not being carried on for this financial year. Having said that we are anticipating this year if there is absolutely no COVID coming back we are anticipating a very strong growth for us at Gati. We should grow at least double as to the market growth of the express industry. Even the last quarter of this year had January not been a bad month which it was basically because the north India business was absolutely down and for us at Gati north India is our largest zone. Because of the COVID, we would have been a much better exit for the quarter of this last year, so as far as Gati GKEPL is concerned we are set and I think both the exit month of last year and the first month of this year has already shown us a very good growth.

Rahul Jain: And Sir with regards to the SME business we are talking about the potential being there in MSME sector and we have been also working towards that sector as you have been talking about so in the previous call you mentioned that we plan our ratio of key enterprise to SME to retail, the region of 50:30:20 that is what kind of targets you have been talking to your sales people for FY2023. So how do we look at the SME business going ahead considering that what I observe from the presentation percentage our SME business has practically flat for last six to seven quarters. It has been in the range of about 80 to 90 Crores. Somewhere in one of the quarter we crossed at 100 Crores. In fact in the current quarter, it was almost down 15% to 20% so how do we look at SME business. Are we seeing some traction there over?

Pirojshaw Sarkari: Absolutely, when we did the restructuring of our sales force, we have put a lot of emphasis on both SME and retail and we are targeting both SME and retail combined business to be at least 50% of our total business. We have taken steps within the organization both from sales resources as well as from marketing budgets being focused on the SME and retail for this ensuing year and we will see traction in both SME and retail business.

Rahul Jain: So we see a larger growth coming in from SME segment now going ahead.

Pirojshaw Sarkari: SME and retail put together yes.

Rahul Jain: Sure, my last question Sir. With regards to the gross margin, good to see improvement on the gross margin in the current quarter and we have been guiding about 29% to 30% margin in



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FY2023, so can we see a good improvement going ahead the quarter one with some sharp improvement?

Pirojshaw Sarkari: Yes we have worked upon the network centralization which I spoke about a couple of quarters before. Our single largest direct expense is the network cost which is basically our line haul and feeder cost coupled with our pickup and delivery cost both these put together are almost 65% to 70% of our direct cost, so these definitely we are looking at optimizing them and you will see us reaching our targeted goal of 29% to 30% this year.

Rahul Jain: That is quite helpful Sir. Thank you so much and wish you all the best.

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

Ankita Shah: Thank you for the opportunity. Sir just wanted to understand more on the KWE margins so if we just compare this year, we are seeing employee and other expense are huge expense for us as compared to peers so are we taking any specific measures on these two segments which can help reduce the cost.

Pirojshaw Sarkari: Over the last 15 to 18 months, after Allcargo took over there has been a huge reduction and optimization of the employee cost for us an organization and as group the thought of compliance and governance is very high. The way we would like to increase our margins and I am sure you are looking at increasing the EBITDA margin by asking me this question. We would as an organization want to do that by increasing our volumes and revenue so that we can leverage the existing employee cost.

Ankita Shah: Okay got it. Also, one question was on the assets that are held for sale. What does that include and is there any further diminishing in value of asset and in case of exceptional items provision related to any other old subsidiaries divested or are non-core anything that is still pending and that can be accepted in FY2023.

Anish Mathew: So, we have taken for this current quarter Rs. 5.4 Crores on account of this diminution asset. apart from this entry of 5.4, no other diminution which would happen because most of the asset which we intend to sell has been categorized barring few assets.

Ankita Shah: So largely what are the assets in the asset side for sale?

Anish Mathew: Can you just repeat the question?

Ankita Shah: Which assets are there in this asset held for sale?



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- Anish Mathew:** Well we have mostly land. Okay there are couple of properties, three to four properties which is basically been given as a collateral to IDFC that is a case pending with IDFC so barring those four or five assets, we have classified everything into AHS.
- Ankita Shah:** And by when can we expect this to get monetized.
- Anish Mathew:** Well I think we are in the process of kind of discussion with multiple vendors. Since the asset relates to the land and building normally takes a longer time but we hope to kind of get most of the asset liquidated during this quarter but having said that it is very important to know that selling land or building is not that easy and we also would need to look at really optimum price, so we have to recalibrate internally before we kind of dispose the assets.
- Ankita Shah:** And what is our gross debt in consolidated and KWE subsidiary. Can you give that number?
- Anish Mathew:** 155 Crores this is including the public deposits plus the normal working capital loan.
- Ankita Shah:** This is on consolidated.
- Anish Mathew:** This is on consolidated basis.. Gati as a standalone is having cash surplus of around 10 Crores to 12 Crores.
- Ankita Shah:** So largely this is KWE.
- Anish Mathew:** KWE yes and on a year-on-year basis we have reduced the loan. I think we have reduced the loan. I think we have repaid close to 15 cr on a year-on-year basis.
- Ankita Shah:** On more on the SCM segment. Why have we seen a decline in the supply chain management in that case for the year?
- Pirojshaw Sarkari:** Basically there are a couple of businesses in the supply chain segment that kind of contracts got over and we have not been able to renew them at the same time there was a pipeline which got converted so you will see the revenue of the new pipeline come back in the first quarter of this year,
- Ankita Shah:** Okay sure that is helpful. I will get back in the queue for more questions. Thank you,
- Moderator:** Thank you. The next question is from the line of Rajat from iThought. Please go ahead. As there is no response from the current participant we will move on to the next that is from the line Deval Shah from DVS Capital. Please go ahead.



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Deval Shah: Good afternoon. So my question is more regarding to the charges which we have taken ideally in order to defend our market shares so I just want to get things on that so are we undercutting our competitors to defend our market share and what is the strategy on that.

Pirojshaw Sarkari: So, our strategy of market share is never going to be and will not be undercutting competitor. We believe that there is a large market in the business that we are in. We do two kinds of growing of market share, Number one is trying to convert the unorganized market to the organized market and there is a huge amount of unorganized market out there which we convert. The based is based on our brand reputation and service. Of course, convert business from competitors by giving them value added services. We provide our customers a very high standard of governance in what we commit to and therefore these are the two ways that we want to grow our market share.

Deval Shah: And my second question is more on your competition. Recently listed company they have spoken high about their technology capabilities. In fact they want to say that they have almost more than 500 professionals from the field of engineering and data science and they have also created a niche infrastructure so they are saying lot about technology capabilities so how are we positioning ourselves in this competition, just wanted to get a sense on your thought process on this.

Pirojshaw Sarkari: Gati has been on its own digital journey over the past 18 months now. We have introduced a lot of digital processes. I can name a few. We have introduced digital payments. We have introduced the genie which is a bot service where you can on Whatsapp itself get your tracking and queries answered. We have also included sales force both for our sales as well as our CRM and we are also going to be embarking upon our backend operating system to be digitized. We are also looking at talent being brought into the organization. We already have a pool of talent with few of these data analyst and engineers who are sitting day in and day out and helping us with our digital journey so in short Gati has recognized that we have to get ourselves digitized and that is the only way that we will be able to make sure that our customers are satisfied.

Deval Shah: And sir my question from your earlier answer so when we are saying that we are targeting 50% business from SME and retail so wanted to understand how SME and retail, so wanted to understand how the small retails we have a key so any difference on the margin profile or the stickiness of the client so how they are different in the sense.

Pirojshaw Sarkari: Basically, the SME and retail segment goes deep into tier 2, tier 3 cities and from an operational point of view Gati has a very deep network Where we can today unable these SMEs and retail by picking up their shipments on time and getting them delivered. We are using this network to make sure that we reach out just the way we have been delivering for our key accounts and strategic accounts deep into tier 2, tier 3 cities. We are now strategizing on picking from these



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tier 2, tier 3 cities where most of the SME and retail lies. This is a concerted efforts that has been put in and we will see results coming out soon.

Deval Shah: Thank you so much Sir and all the best.

Moderator: The next question is from the line of Avadhoot Joshi from Newberry Capital. Please go ahead.

Avadhoot Joshi: Good afternoon. Thanks for the opportunity. I have two questions. We are expanding our reach in different cities through these rented warehouses. I just want to know how the mechanics works over there about the rentals. When is the increase in rentals because increase in inflation of building cost of those warehouses might have gone up and whether it will be reflected for us also in rental form that is first question? And second question about the cash flow from operations when I look at cash flow from operations it has been negative because of the receivable if you can throw some light on that. That is it. Thank you.

Anish Mathew: Cash from operations is positive. However, we have blocked the capital in the receivables. Receivables increased by 55 Crores. We have kind of put a good system in place right now to kind of bring the DSO to kind of a benchmark level. We kind of made some organization restructuring where in the collection team would be reporting to finance against the earlier structure of reporting them to the sales team. With this structural change we would be able to kind of bring more robustness in the process and I think we should be expecting a much better recovery on the debtors going forward.

Avadhoot Joshi: So what could be the timeline for this receivables coming down and what level would you like to have it at.

Anish Mathew: Currently the DSO is at 66. We would like to kind of bring down in the range of 50 to 55 and we expect that to be done in first or second or max at third quarter.

Pirojshaw Sarkari: The first part of your question while we are looking at setting up STCs these are our basically our transit hubs as we call them, yet we are moving from some of our owned properties to leased properties, but I suppose IND-AS accounting takes care of assetization because these are long leases of 8 to 10 years that we take positions in and therefore the adjustment on your both EBITDA and PBT takes place on recalculation that IND-AS provide. Having said that the whole idea is to create capacity for the future so that when we start or rather when we have already started growing our business we do not have any have jams into our hubs as happened in the past maybe in the month of October of last year when we saw a little rise in volume during Diwali.

Anish Mathew: Okay understood. Thank you. That is it from my side.



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- Moderator:** The next question is from the line of Rishabh from RS Capital. Please go ahead.
- Rishabh:** Sir Gati is a renowned brand coupled with a data that we have from customers so long and given a deep presence and focus. What are the challenges you see in achieving the targets that you have set for yourselves in current situation.
- Pirojshaw Sarkari:** There are a couple of challenges. It has become a VUCA world, now out there you do not know when COVID hits back suddenly and like I said in January what happened to us because of north India coming to a standstill and then there is this fluctuation that keeps happening in the fuel prices suddenly you increase the fuel price by Rs. 10 to Rs. 12 and suddenly you reduce it by Rs. 7 to Rs. 8 and there is lot of convincing that needs to be done with both out trucking partners as well as customers. So you are just about doing one convincement then another things happens and you are kind of going back convincing why you do not reduce. Having said these two things for Gati particularly the challenge that I face is that my infrastructure growth has to be much faster because as I grow my volumes my current infrastructure is not having capacity enough to take that volume growth and therefore we are looking forward to our super hub in Bombay and Bangalore happen soon so that at least three regions and big market get covered fast. We have seen a tremendous change in our north operations after Farooqnagar has come in both from process as well as cost optimization and we look forward to Bombay and Bangalore happening soon.
- Rishabh:** And secondly to fuel our ambitious growth plan, how much additional would be required or it will be fully from internal accruals going forward.
- Pirojshaw Sarkari:** This will be fully from internal accruals moving forward. We are an asset light company and we will make sure that all our growth is fueled by internal accruals.
- Rishabh:** And the last thing I want to clarify. We have done lot of clean up expenses in terms of one-time exceptional expenses so going forward we will see more of this or this will be the end.
- Anish Mathew:** I think we have seen the end of all the exceptional items. Almost all the major exception items have been kind of provided for in the books.
- Rishabh:** And also this income tax and the pending case so what is the status on that.
- Anish Mathew:** are you referring to the contingent liability? Yes, I was referring to the contingent liability I think you are referring to the goodwill.
- Rishabh:** There is Air India case you mentioned Rs. 22 Crores.



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Anish Mathew: Okay that is related to the provision which we have made for the quarter. So, there are two items in regard to that. There is 22.4 cr of exceptional items. One is the GST provision which we may made that is for 17 cr and the other one is related to the devaluation of asset which we have moved to asset held for sale that is 5.4 Crores. This is not income tax. This is basically indirect tax related to GST.

Rishabh: Direct tax, Vivad se Vishwas we have put up a note. so that has settled completely.

Anish Mathew: Yes that we have paid of completely. There is no item with respect to Vivad se Vishwas scheme which has been brought down in expense in the current year. We have booked over those as an exceptional item in the last financial year and which got paid off during the year.

Rishabh: Thank you so much all the best.

Moderator: Thank you. The next question is from the line of Harsh Jhanwar from Centrum PMS. Please go ahead.

Harsh Jhanwar: Hi Sir. Thanks for the opportunity. Sir I want to know are we planning to merge the APPI division of Allcargo with Gati. I just wanted to know are we looking to merge the division of Allcargo with Gati business and what is the reason behind it?

Pirojshaw Sarkari: As I said in my note that board has approved evaluation of restructuring options on appointments of consultants and advisors. We are at preliminary stage just now. Of course if you ask me conceptually contract logistics and express logistics go hand in glove and customers more and more want a single operator who can take end to end fulfillment of their finished goods so we are evaluating this. We have a partner with KWE and we will be in discussions with them very soon.

Harsh Jhanwar: Okay thank you Sir. That is all from my side.

Moderator: Thank you. The next question is from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: Yes good afternoon Sir. I had few questions like we eluded about 5% to 7% price hike so recently there has been fuel price cut also so in that kind of situation when we see fuel prices coming down would you be able to take price hikes with the customer.

Pirojshaw Sarkari: Basically we have a fuel mechanism with the customers. When the fuel goes up the mechanism kicks in and there is a formula with which the hike goes up and the fuel comes down similar mechanism kicks in and the price goes down, having said that this is not 100% with all customers. There are many customers where we have to negotiate and when we get on to price



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hike or a price reduction. In the past two months there has been considerable fuel hike. We have kind of negotiated with lot of customers and brought certain hike. I think with this current reduction we will be waiting and watching what happens next before we take any kind of decision.

Ronald Siyoni: Okay so that will much more depend on the moment of fuel prices and your negotiations. The second point was that if you are seeing volume growth more than double versus the industry growth of express even if we except 15% growth in GKEPL and gross margins at 29% while other cost remaining as it is then which margins near around 8% so do we see such kind of operating margin flex from 3.7% in FY2022 to 8% or would it two years to also reach 8%

Pirojshaw Sarkari: In fact, I said at the beginning answered one question where I said 9% to 10% end of the year.

Ronald Siyoni: Okay, great and other thing on the other income portion has been high during the quarter similarly for depreciation, I understand depreciation more we often Ind-AS impact because of higher leasing and same with interest expense I hope, but why has been the other income higher during the quarter?

Anish Mathew: The other income is higher on account of write back so we had around 7 Crores of write back old payable write back so that is the reason that you saw the change from Rs.2.25 Crores to Rs.10 Crores.

Ronald Siyoni: Thank you very much Sir and best of luck.

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

Alok Deora: Good afternoon. Just wanted to get a sense on how is the demand shaping up in April and May so far, because what we understand is that the demand has been little soft post March, if you could just indicate on that part, the SME demand as well as demand from the e-commerce side? Thanks.

Pirojshaw Sarkari: At Gati March, April and continuing in May, we are seeing the demand pretty high, it is growing and growing by the month, so that is what we are experiencing at Gati, now one could either say that we are taking a larger share of the market or the general demand is high, I cannot comment on the general demand just now because different industries are going through different cycles, but for us as Gati we are seeing growth.

Alok Deora: Sure, and any change in if you look at e-commerce driven, any mix you can highlight where we are seeing?



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Pirojshaw Sarkari: I have consistency spoken about this as we do not do B2C e-commerce business in Gati, we only do B2B business.

Alok Deora: Just one question, so this diesel price change, so what we understand this price hikes will happen when coming the change in the freight rate, so you take every start of the month or how does that actually workout?

Pirojshaw Sarkari: We look at freight rates on a fortnightly basis in Gati.

Alok Deora: The suppliers which we have like the freight operators, they would also be revising it at that point of time?

Pirojshaw Sarkari: Right.

Moderator: Thank you. The next question is from the line of Rajat from iThought Financial. Please go ahead.

Rajat: What was the utilization levels, in the surface business in this quarter or the full year?

Pirojshaw Sarkari: Our capacity utilizations are measured in various ways, we have capacity utilizations in line haul, we have capacity utilizations in our feeder, we have capacity utilization in our hub, but I can only tell you this that quarter over quarter we have been increasing our capacity utilization and we will continue to do that.

Rajat: There is a metric called DIFOT Deliver in full on time, where do we stand on that metric? How is that compared to the last year?

Pirojshaw Sarkari: I think our DIFOT in the last quarter of the year has been far better than the previous two quarters and that is one measure which looks at end to end service result. As an organization, we used DIFOT as an internal measure unfortunately earlier Gati used to give it out as an external measure. We are going to move from DIFOT to a time and transit measure for the external world, but like as I said in our last quarter, DIFOT has been better than the previous two quarters.

Rajat: On a full year basis, how was this FY2022 compared to FY2021?

Pirojshaw Sarkari: Better than FY2021.

Rajat: How much room do you think whereas to improve on this metric or have we broadly reached us optimum levels?



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Pirojshaw Sarkari: No, there is still good room to improve on this metrics and this is one metrics where you continuously have to keep innovating and optimizing and improving.

Rajat: The other question was on the realizations, if you simply divide the revenue by the tonnage that we did in surface business, so I think realizations have dipped in this quarter, so any particular reason for the same? I was saying in this quarter, our realizations have dipped on sequential basis, so what is the reason for the same?

Pirojshaw Sarkari: Basically like I said for the month of January and early February, our largest market and best realization is from North India and that is why you see a little dip in realization this quarter.

Rajat: Okay and with regards to Air India, what kind of liability may come upon us if we lose the case?

Pirojshaw Sarkari: Anish?

Anish Mathew: We do not expect any liability. I think we have won this appeal in multiple forums because of the order is in our favor, so at this point in time we even have not made any provision because the chance of winning this case is very, very high.

Rajat: Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Depesh Kashyap for his closing comments.

Depesh Kashyap: Thank you Phil Sir for giving us the opportunity. I think Phil Sir if you have any closing remarks. Please go ahead.

Pirojshaw Sarkari: I would just like to again thank everyone for joining the call. We will keep updating the analysts and investor community on a regular basis for incremental updates regarding Gati. I hope we have been able to address queries. For any further information kindly get in touch with our investor relations team. Thank you once again and stay safe. Thank you.

Moderator: Thank you. Ladies and gentlemen on behalf of Equirus Securities that concludes this conference call. We thank you for joining us. You may now disconnect your lines. Thank you.