



“Allcargo Logistics Limited Q4 FY2020 Earnings Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to Allcargo Logistics Limited Q4 FY2020 Earnings Conference Call, hosted by Antique Stock Broking. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Prateek Kumar from Antique Stock Broking. Thank you and over to you, Sir!

Prateek Kumar: Thanks Janice. I welcome you all on behalf of Antique Stock Broking. Today we have management of All Cargo Logistics for the 4Q and FY2020 earnings conference call. We have Mr. Prakash Tulsiani, CEO, CFS, and ICD Division of Allcargo; Mr. Deepal Shah, CFO, Allcargo; Mr. Ravi Jakhar, who is Chief Strategy Officer, Mr. Sheetal Gulati, who is Group CFO. So now I will hand over the line to the management for their opening remarks and then we can open the line for Q&A session. Over to you Sir!

Ravi Jakhar: Thanks Prateek. Hello, good afternoon everyone and welcome to the earnings conference call to discuss the performance for the fourth quarter and the full year ended March 31, 2020. We are living in uncertain times but I hope that all of you on the call are safe and the family and close ones are healthy. I also hope that you have had a chance to review our financial statements and the earnings presentation, which have been made available on the exchanges and also on our own website. Like Prateek mentioned I have my colleague Sheetal, Deepal and Prakash on this call and we are here to give you an overview of our performance and also happy to answer all questions that you may have. I would like to request my colleague, Deepal to start with an overview of the financial performance. Over to you Deepal!

Deepal Shah: Thank you Ravi. Now let me take you through the consolidated quarterly financial highlights first. The total revenue from operations stood at 1871 Crores for the quarter ended March 31, 2020 as compared to Rs.1727 Crores for the corresponding period last year, which is an increase of approximately 8% mainly on account of volume and revenue growth in the MTO business. EBITDA for the quarter was at Rs.106 Crores as against Rs.107 Crores during the corresponding period last year. Profit after tax was reported at 54 Crores for the quarter as against 80 Crores during the corresponding period last year, which is a decline of approximately 32%.

Coming to the consolidated full year highlights, the total revenue from operations stood at Rs.7346 Crores for the year ended March 31, 2020 as compared to Rs.6894 Crores last year, which is an increase of approximately 6.5%. EBITDA for the year ended was at Rs.503 Crores as against Rs.448 Crores last year, which resembles the growth of 12%. Profit after tax the PAT was reported at Rs.224 Crores for the year ended as against Rs.248 for the previous year, a decrease of approximately 5%.

A quick highlight on the balance sheet front, as on March 2020 the total equity was Rs.2172 Crores and the net debt was Rs.1142 Crores, the debt net equity ratio was at 0.53 as of March 2020. The

return on capital employed stood at 9.2% as of March 2020. Now I would like to hand over to Ravi to take you through the key business segment highlights for the quarter. Over to you Ravi!

Ravi Jakhar:

Thank you Deepal. Starting with the MTO segment, the total revenue for the fourth quarter ended March 2020 was Rs.1692 Crores as against Rs.1539 Crores for the corresponding previous period, an increase of about 10%. EBIT was reported at Rs.63 Crores as against Rs.57 Crores for the corresponding previous period also indicating an increase of 10.9%. The return on capital employed for the MTO business stood at 24% on annualized basis. The business had limited impact due to COVID and for the MTO segment in Q4 FY20 the impact was limited because of significant initiatives that we as a company took on business continuity plans. Our teams did an excellent job in both customer service, use of technology and responding quickly to the situation to manage our bottomline. All our offices continued to be operational across the world by managing work from home with extremely good efficient operations therefore we did not have any major disruptions. The international business showed only modest contraction to March end as a result of supply chains needed to be restocked post an extended Chinese New Year Holiday period. The segment continued gaining global market share for us and the volume from allied and FCL services also continued to grow. Our Ecu Worldwide business had consistent gross profit, our multimodal transport operations clocked total volume of 182520 TEUs for the fourth quarter, which grew by about 8.7% year-on-year, so the healthy growth in our MTO business continues. I would now request my colleague Prakash to take you through the operational and financial highlights of the CFS and ICD division. Over to you Prakash!

Prakash Tulsiani:

Thanks Ravi and good afternoon everyone, in our CFS and ICD business, it was quite a lot in the news especially during the COVID because of lockdown and many other things, but let me first take you through the business segment. Total revenue for the fourth quarter ended on March 31, 2020 stood at INR 100 Cr as against INR 112 Cr for the corresponding previous year. There was a marginal decline in volume in the quarter primarily due to slowdown in exports due to COVID impact in March because there was lockdown as container deliveries were deferred in the next two months. EBIT was at Rs.23 Crores versus Rs.31 Crores in the corresponding previous years, margins were impacted due to small drop in revenues and volumes. Obviously all this is at the backdrop of starting 12th or 13th March where the effect of COVID or lockdown had been out. The overall capacity utilization if you see at the end of the fourth quarter was actually very, very good, when I say very, very good because the containers, which came in actually stood inside the CFS and the lockdown what it did was that container would come from the terminal of the port, but were not being delivered because there was nobody taking delivery, so that is why the effect or I would say the utilization was very high because of this issue at the end of the quarter, so lockdown and disruption in transportation were the key elements where the driver shortages were there, it has not been easy as we kept up the moment of goods from the port and terminals into the CFS across the country and being essential service we were ensuring that the ports did not get slow and the functioning of the EXIM trade continues and it was only import trade, which was coming and exports were not happening at all and our team played a very important role despite all the challenges. They actually delivered a fantastic result to the customers who were in dire need of

evacuating cargo from the port into the CFS. They have also clearly demonstrated and established that the CFS is the business here to stay because these disruptions would create a chaos if the CFS would not have been there and that is why DPD took a backseat and clearly there was hardly any DPD and all the volumes moved into the CFS, so the last point is that return on capital employed yes we were at 21% and that is it from my end. Ravi over to you again please for the balance of the businesses.

Ravi Jakhar:

Thanks Prakash. I would now like to highlight about the project and engineering solutions. The total revenue was at Rs.88 Crores for the quarter ended March 31, 2020 as against Rs.92 Crores for the corresponding period last year. EBIT loss was reported at Rs.10 Crores for the fourth quarter. As we all are aware that most of the sites were mandated to be closed due to the nationwide lockdown and the equipments were nationally not operating for the first four weeks in particular, since the third week or fourth week of April the operational sites continue to increase and we had a gradual increase in the utilization of the equipments and also the resumption of project cargo business, which has consistently and steadily grown over the last six to eight weeks and if you look at the overall annual basis for FY2020 our equipment utilization levels were better than the previous year and we had moved to 65% on an annual basis and if you look at only the run rate at the end of the quarter it was even higher. If you look at the decline in EBIT, which I spoke about just now it was driven by a couple of factors one being escalated depreciation and also there is a change in provisions made for doubtful debtors as per our accounting policy; however, I would like to highlight here that these projects typically are long cycle projects where the market behavior is such the credit periods are extended and therefore we keep seeing a lot of reversals in provision for doubtful debt in this business, so there are a strong chances of recovery for some of these provisions that we have made in our books as per the accounting policy. If you look at the project logistics business as of March 31, 2020 we have an executable order book of approximately Rs.140 Crores with a very strong visible pipeline of almost close to Rs.475 Crores to Rs.500 Crores.

Coming to our logistics parks business, the total revenue was Rs.11 Crores for the quarter ended March 31, 2020 as against Rs.2 Crores for the corresponding period last year since most of these constructed sites were released, the company did not witness any business impacts due to COVID related lockdowns though there was of course a national disruption that was mainly on the construction activity for sites under construction, but nothing of extremely significant importance. As you are already aware and we have spoken about in some of the earlier calls as well, we have signed up a deal to exit substantially reducing our investments in the logistics parks to 10% minority strategy stake and deal is going to be consummated by the end of this financial year.

Finally to update you about Gati, we completed the acquisition of 46.83% stake in Gati in April 2020. All Cargo's strength in the ocean transportation and global leadership in less than container load combined with Gati's expertise in land and transportation within the country will enable us to offer truly end-to-end solutions to our customers. The combined synergies of All Cargo's global network of over 300 offices across the world in 160 countries and Gati's extensive domestic reach covering almost 19800 pin codes in India. With all the variety of businesses that we have mainly

from ocean, freight, CFS and the express and domestic business even on the project logistics where we can also offer integrated non-containerized solutions as well, now we as a group have unmatched integrated presence across the value chain with the strength of being a company in India with a very deputed strong presence covering the entering geography domestically and also with an extremely wide footprint of our own offices and a leadership presence in the LCL space globally. We believe it will be a lot of synergies through this acquisition and we are also focused and even before COVID we have been focused on digitization, the opportunities for transformation in the business and therefore we have engaged respected reputed consultants on both the businesses, which are within All Cargo and also on the Gati sides to turnaround to accelerate the growth and also to bring out the best synergies from across all the businesses in the group. That is all from our side. Thank you very much and the floor is now open to any questions you may have and we will be pleased to answer that. Thank you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. We take the first question from the line of Sayan Das Sharma from Bank of Baroda. Please go ahead.

Sayan Das Sharma: Good afternoon. Thanks for the opportunity. Sir, I have 3 questions. First question is on the MTO business. So if I look at the underlying business drivers of MTO and CFS business, both are linked with container freight, but if I look at CFS business, the impact of COVID is visible as volumes have fallen by 9%, but MTO has actually on the other hand grown by 9%. So pretty decent growth given that the overall global trade was also hampered in the month of March. So 2 questions. Why was that? And secondly, do you expect that, therefore, the impact on MTO could be both pronounced in Q1 FY2021 as probably the impact of trade would have been higher in Q1? So I just wanted your thought on that.

Ravi Jakhar: Sure. So I will explain to you. There are 2 key things to note here. One, when we are talking about the CFS business, we are only talking about India and if you notice the kind of lockdown and the economic shutdown that we had in India, particularly in the first couple of weeks, we did not have those kinds of economic lockdowns across the world. Also, while the CFS, if you look at the volumes that we had in the CFS in terms of containers lying at the CFS, those numbers were good. It was only because of all the restrictions that a lot of deliveries could not happen in the last days of March, which is what brought down the volumes.

However, naturally, there is an impact on CFS business linked with the trade coming into and going out of India. However, the difference in the NVOCC businesses, while on one hand, it is connected with a larger world trade, so there are opportunities wherein pluses and minuses get balanced out. So for an example, in the month of February, when China went down significantly, the rest of the Europe did well. While in case of, when it came to a slightly slowdown in some of the other markets in March, we saw a sharp V-shaped recovery in China. So one is that there is a global play.

Secondly, if you understand the consolidation business, it is a business of scale as well. So whenever they are tough times, the smaller players would struggle to make their own containers

because it is ultimately consolidation of various loads for several trade routes. And therefore, we, as market leaders, were able to do better. Secondly, like I highlighted earlier, we were also able to keep a sharp control on our cost side as well. With all of these, you saw that the impact on MTO was limited. Prakash, if you want to add anything on the CFS side?

Prakash R. Tulsiani: No. I think you have covered it very well, Ravi and CFS, very nicely, you have summarized that the volumes came in, export volumes were not there, and that is the issue. And please understand our accounting process. The accounting process is when the containers actually get out, do we bill them. So they did not get out, so we could not bill them and that billing would happen in the first quarter.

Sayan Das Sharma: Sure, Sir. Would it be possible for you to share the kind of industry growth that would have been there in global LCL market in Q1 of CY2021 or Q4 of FY2020? Any ballpark number that you have?

Ravi Jakhar: Sorry, did you say Q1 of FY2021?

Sayan Das Sharma: CY2020. So what I meant is Q4 of FY2020, the quarter gone by. Any sense on the overall global LCL volume? How the overall LCL market did?

Ravi Jakhar: He is asking about January to March, what was the numbers, if any, if we are aware of the global trading and leasing?

Prakash R. Tulsiani: Let me tell about the global trade business, because LCL will not be very far away from that or will be in the range. The global trade actually grew only at 1.5% overall. And this is because first of all, there was Chinese New Year and then came the COVID issue. So the global trade, in terms of containerization, grew only by 1.5%. So if we were to answer the question for LCL, we would be anywhere around 2% or 2.5% in that range.

Sayan Das Sharma: Okay. Sure. Understood.

Prakash R. Tulsiani: Am I right? Ravi, if there is anything to add?

Ravi Jakhar: Yes, that would be a wise guess, I would say. Though, it is tough to comment on that because the kind of marketing intelligence is not available to that accurate numbers. Yes.

Sayan Das Sharma: Sure. Sure. I understand. Sir, my second question is specifically on the CFS business. So what I was hearing on the media is that there have been some discussions between shipping lines as well as CFS operators on the demurrage charges of the ground rent charges beyond the stipulated period because of the slower evacuation that you also alluded to in your opening remarks from the CFS. So any update on that? And what I also read is that, that the government directive instructing CFS that they will not be able to charge the full ground rent income for that period. Is that correct? And what is your view on that?

Prakash R. Tulsiani: See, let me take that one. This is Prakash. First of all, as you were mentioning about the government directives, you are right, there were certain directives which came out from various other sources and said, "Oh, you should not charge and give free time up to, let us say, a particular date or whatever." This was challenged by the association of CFSAI, which is CFS's Association called CFSAI. This matter is sub judice. It is pending in the Supreme Court right now for awaiting decision. But in the High Court, the decision was in the favor of the CFS Association, stating that this is not the government property or government area where we are operating. This is outside the port. And in fact, the government, the ministry of shipping, actually came out and said, we cannot interfere in the pricing or giving directions to the CFS. However, the matter is sub judice as we speak. And this is in the Supreme Court. It is expected to be concluded somewhere in the month of July.

Sayan Das Sharma: Sure. That is very helpful. My last question is on the Logistics Park business. So if I look at the revenue, it is almost flattish, actually, slightly lower by 1 Crore and also on the EBIT side, it is slightly lower, right, from about 12 Crore to, sorry, the EBIT is...

Ravi Jakhar: EBIT has gone up, no?

Sayan Das Sharma: I am talking about Q3 to Q4, Sir. For Q3 of FY2020 to Q4 of FY2020, if you see, there is a slight decline also. Sir, my question is that, so how do you see Logistics Park business going forward from here on, both on a revenue side as well as profitability side? How much area is still you believe and therefore, what kind of revenue do you expect from this in FY2021? So these are the 2 questions.

Ravi Jakhar: Yes. Deepal, you want to comment on the numbers?

Deepal Shah: Yes. So yes, this is Deepal here. So currently, the total capital employed on the Logistics Park is around close to 738 Crores. Now as you are aware, on the Logistics Park, most of our assets are in the process of getting sold to Blackstone. So except for in the NCR region, we have one Jhajjar which is not part of the deal, but all the Logistics Parks have been under an agreement with Blackstone. So the entire Logistics Park, our initial building up plan is around close to 6 million square feet over the next 3, 4 years. But out of which, if you just cull out the portion, which is to be given to Blackstone, around close to 5 million square feet, out of which 4 million square feet is actually going to get completed somewhere in, it was supposed to get in July, but because of the COVID, it may get extended by a month or so. So maybe by end of August or by September, we should be over with that 4 million square feet. So that also, in bits and pieces, it is already getting completed and the leases are already active. So the entire 4 million square feet is actually forward lease. And we have customers waiting for a possession of those. As and when they complete, they will be starting the lease rentals for those.

Currently, our lease rental from that could be close to around 16 Crores in the current year. But if we look at an annualized basis, our expectation will be close to around 115-odd Crores of lease

rentals from some of these properties, which get completed by end of the year. But our handing over of these properties will happen by end of the year by close, by between January to March is when we expect to complete that process. Okay? Does that answer your question?

Sayan Das Sharma: Yes, Sir. Thanks a lot and all the best. I will go back to the queue.

Moderator: Thank you. We take the next question from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

Ashish Kacholia: My question is basically now that we have taken over the Gati management, can you please tell me what is the strategic position of that business in the market given that company has not been active for the last few years, and so what is their market share? There have been a lot of new players like Delhivery and so on and so forth. A lot of other players have come into the market. So can you just throw some light on this?

Ravi Jakhar: Yes. So I will take that question. If you look at Gati, our mainstay business has been B2B surface express logistics which is where we, as Gati, pioneered the concept in India and have been in market leadership position currently among the top 2 players in the country in that business. So we continue to have a substantial presence in the business, I would like to highlight that.

In terms of growth rates, Gati has had much lower growth rate as compared to the competition in the last 2, 3 years, which is where we believe there is an opportunity to turn around the operations, make the operations more efficient and improve the overall customer service. Also, Gati would benefit from the ability to offer integrated services in partnership with Allcargo and there is a lot of other cross leverage as well in terms of various synergies on client base, etc.

But just to reiterate, we have not been a marginal player. We have been a substantial player in the B2B surface express logistics. If you look at any of the core segments, you look at the FMCG, large e-commerce players, auto companies, almost all the top companies in the country work with Gati as a preferred partner on the express logistics piece. So we believe that the company has huge potential in terms of being able to improve the bottom lines, turnaround through cost efficiencies and also regain the lost market share. So Gati still has substantial market share, but it used to be an extremely high market share, let us say, 4 years ago, which has slipped and that is where we believe that we need to put the corrective actions in place, but we believe that we should be able to drive Gati into the market leadership position again in the coming years. That is how I see. And that is where the strategic position of Gati is in the overall landscape on express logistics in the country.

Ashish Kacholia: Thank you so much.

Moderator: Thank you. We take the next question from the line of Depesh Kashyap from Equirus Securities. Please go ahead.

Depesh Kashyap: Sir, the MTO business has grown quite well in the fourth quarter and also in the FY2020 as a whole. So I just wanted to know your expectations for FY2021, given the current global scenario and especially the current India-China standoff?

Ravi Jakhar: So basically, as we all know, first, there is uncertainty. So there is only a limited amount to which all of us can forecast, and which is why we also continue to engage internally and keep reviewing our own performance and forecast, etc., on a regular basis. But what we have tried to do is, there is, of course, going to be an impact on the revenue with the entire COVID scenario if the imports are down overall, there is a decline on the other domestic trade as well, that will definitely impact. What we have tried to do is, one, we are trying to focus on user technology and better customer service and our dominant position, both in the domestic as well as the international businesses to increase our market share, so that the overall impact of the macroeconomic environment on our businesses is limited. That is the first endeavor that we have.

The second endeavor is to have strong control on the cost, so as to overall minimize the impact on the bottom line. That is how we have been operating and we, at this point in time, I mean, I would say, given the overall confidence that we see around, and we are no experts on how the COVID-19 outbreak would pan out, but basis the average expectation, which we all would have on how it is likely to have an impact on the macroeconomic scenario, I believe we would be able to minimize the impact on our top line and further control through good cost measures and therefore, continue to protect our bottom line. That is the broad strategy we have, and it will be tough to really make any sharper forecast at this point in time in such uncertain environments and even government start changing their views every 4 weeks. Yes?

Depesh Kashyap: Understood. Sir, can you help me with the market share that you have in this segment in FY2020? What was the market share?

Ravi Jakhar: So in the global LCL consolidation business, we have roughly around 13%, 14% market share. So it is, you can say, 13% plus minus 1%, yes.

Depesh Kashyap: Right. But the incremental growth is mainly being driven by the FCL business, as you have mentioned in the PPT, right?

Ravi Jakhar: So I would say that being a new business, of course, FCL also continues to grow, and LCL also, continue to maintain its strong position.

Depesh Kashyap: Okay. Sir, my last question is on Gati, again. So if I look at the results of Gati in fourth quarter, there, the express distribution business has again declined by 21% and they have again made a loss. I just want to understand, have they again lost further market share in the business because the rest of the companies did better than that? And just want your thoughts, how difficult or easy it would be to turn around this business? And how many years do you see you can take Gati get back to the levels it was 2 years back?

- Ravi Jakhar:** I mean, I would not be able to comment on specific numbers on competition on Gati, but we have the management control now and we are evaluating all the opportunities for turnaround. But definitely, we see there is a potential to turn around these things and in terms of a time line, of course, it is not going to be with a magic wand. So we believe that over the next 2 years, and that is what our transformation goals also are, that we believe that over the next 2 years, we should be able to bring in better operational excellence processes, better use of technology, drive an overall lean sales-focused organization, which should be able to do well. And that is the kind of time commitment which we believe is required to really see a visible impact on the performance and the turnaround that we all are targeting.
- Depesh Kashyap:** All right. Sir, do you have any market share number, like how much market share they have currently?
- Ravi Jakhar:** I would say that the numbers are more ballpark, and we are just getting into the business, so I would refrain from commenting on that number at this point in time.
- Depesh Kashyap:** Understood Sir. Thank you and all the best.
- Moderator:** Thank you. We take the next question from the line of HR Gala from Finvest Advisors. Please go ahead.
- HR Gala:** Yes. I have 2 broad questions. We have spoken about MTO. Now since in India, the activities have slowly started increasing, do you think the Container Freight Station and Project and Engineering could do well in FY2021?
- Ravi Jakhar:** Mr. Prakash, if you could answer on CFS? Yes.
- Prakash R. Tulsiani:** Yes, I will answer on the CFS. See, in the CFS business, as I mentioned about the government and the businesses and also the shipping lines, have realized that actually, there is a value proposition coming out from the CFS, which was there always, and there was a confusion between about DPD and many other matters. It is clearly defined that the DPD concept does work only if everything is working very well. Now the situation has changed and it is going to be remain changed for a period. So to conclude, on the 2021, I expect that we should see the volumes coming back. Right now, the volumes are low because the cycle has been broken. And the volumes coming in, or the vessels are also lower. So overall, the port volumes are down. So obviously, it affects the CFS. If you were to ask, what will it look beyond September? We expect that the volume should grow and 2021 should at least conclude at the same level or even higher, I would say, as the levels of 2019-2020.
- HR Gala:** Okay. So that should improve the profitability also?
- Prakash R. Tulsiani:** It will. It should come up. It should come up well. Remember, I am on the premise that September onwards, the volume should start showing up.

- HR Gala:** Okay and Project and Engineering, what is your take?
- Ravi Jakhar:** Yes. So just to add these are all our assumptions and forecast based on the understanding that we are looking at the COVID scenario getting eased out completely over the next couple of months. If things change, we all may have to continue to reevaluate our analysis. As far as the Position Engineering Solutions is concerned, like I mentioned earlier, we continue to have a healthy pipeline as well as an order book. So we did not see much concern there.
- On the equipment side, there was a sharp decline in the first 3 weeks, which was primarily in the last week of March and first couple of weeks of April. But since then, gradually started, like, picking up 5%, 10% every week. And now we are already at 65%, 70% utilization as compared to, let us say, an 80% plus, which the normal pre-COVID level is. So things are getting back to pre-COVID levels on the equipment business as well and we believe that the FY2021, assuming that the assumption, which I mentioned earlier, we should continue to do well in that business. I do not see a very sharp growth, but we should continue to be able to maintain our numbers going forward. The first 3 months would see an impact because of the underutilization led by lockdown and significant disruptions on the construction side, the project, yes.
- HR Gala:** Got it. And my last question is on the debt. We say that our net debt is 1,145 Crores. Now when do you see the debt going ahead because you will be receiving, I think, 380 Crores? Plus, how will be our Capex plan? So what kind of debt we can look at by end of next year?
- Ravi Jakhar:** Sure. So I will ask my colleague, Deepal, to answer that. Deepal, if you could take over and explain how our debt position is going to move?
- Deepal Shah:** Thanks, Ravi. So see, currently, our debt position is 1,142 Crores, which is actually considering the Gati acquisition and the Blackstone still being not completed, one can look at this as typically peak debt. So we do not expect our debt levels to go northbound from here. In fact, post this also through the first quarter, we have already reduced. You must see the exchange notice, we have already redeemed 160 Crores of the NCDs. So our objective here is to reduce debt, impairs is down. So we expect, if everything goes well, by end of the year, we expect the debt levels to go down to approximately 600 Crores, 700-odd Crores at the end of the year, post the receipt from Blackstone and accrued earnings, etc., put together, or in particular, on an equity, of close to, say, 2,300 Crores, 2,400 Crores. So that could be a very, very good figure to have, actually.
- HR Gala:** Right. What will be your Capex plan for FY2021?
- Deepal Shah:** So we do not have any specific large Capexs, only maintenance Capexs for our businesses. The only Capex that we have is for the Logistics Park, which we are expecting around close to 300-odd Crores for completion of the projects, which will be refunded back to us.
- HR Gala:** Okay that money will come over and above 380 Crores?

- Deepal Shah:** Yes, yes. So 380 Crores is not the total value, it is the value of the equity proportion, but there is construction cost, which also needs to be reimbursed. So that will also come through. Some of this will come through the year through upstreaming of LRD. So as and when, so some of the projects which are completed, some of the boxes which are completed have already been rented out. Now once these are rented out, we try to do an LRD, and the money gets upstreamed into Allcargo because we have spent on the construction. Eventually that subsidiary, currently that LRD money is fixed into our debt. But eventually, when the Blackstone OCDs get converted in equity, that debt together will be completely eliminated from our debt. So that is the structure of the deal.
- HR Gala:** Okay. So at the end of the year, how much total value do you think we can recoup from Blackstone? 380 Crores will be equity plus whatever is the construction costs...
- Deepal Shah:** Plus construction costs. So there are too many parts to the deal. We would not be able to share with you the exact number of funds that will be coming through the year, yes.
- Ravi Jakhar:** So just to add one line on that, basically, as Deepal highlighted, there is an equity portion to it, the rest of it is, let us say, debt, which is being raised for construction. And now these fit into SPVs, wherein we will be reduced to minority stakeholder once the deal gets consummated. So all these, let us say, we are putting in money from Allcargo into these SPVs that is going in as debt right for construction and then as the deals gets consummated, those will get paid back, and there will be different structures like Deepal explained, but that is how you can primarily look at. There is an equity component, which comes to us and the debt component will get transferred to the SPVs.
- Deepal Shah:** Correct. So Ravi, just to add to this, this 1,142 Crores includes 112 Crores of OCD, which are issued to Blackstone, which typically takes the color off debt now, but eventually, that will go off my debt sheet once it gets converted to equity at the end of the year.
- HR Gala:** Okay. In Gati, will you have to invest any funds further for expansion or something like that?
- Ravi Jakhar:** We are still evaluating. No specific numbers to state as of now. These are early days for us to evaluate the business and how it needs to grow. It is still in the business planning stage, I would say.
- Deepal Shah:** See, let me add over here that actually our open offer itself got completed in first week of April, the open offer got completed, on the 9th of April the share got transferred, so after which we started to get a little bit involved. So it is going to take a few months for us to comment further on this.
- HR Gala:** I understand. So this 46.83% stake that we talked about is after the open offer?
- Deepal Shah:** Yes, 46.86% is the total.
- HR Gala:** 8-6, okay.

- Deepal Shah:** 8-6, yes. So 26% is the open offer and rest 20.86% is for the SPA and it is in 3 parts. One is the SPA, the other is little bit open market operation and we had 100 Crore preferential issue to Allcargo from Gati. So that is a combination of all this, adding up to 46.86%.
- HR Gala:** Thank you very much Sir.
- Moderator:** Thank you. We take the next question from the line of Shiv Chanani, an individual investor. Please go ahead.
- Shiv Chanani:** Once again, I have a follow-up question on Gati. I do take onboard your point that it has been 3 months that you have taken it over. But just a couple of queries, if you can help. One is your partnership with Kintetsu, I mean, Gati's partnership with Kintetsu. Kintetsu holds some minority stake in Gati, and I think they also have a JV operational. So what was your thoughts on that? And second was on that Gati Kausar, I think in your notes to accounts, you have mentioned that net worth is pretty much eroded for Gati Kausar, so again, your thoughts on those?
- Ravi Jakhar:** Yes. So as far as the partnership with KWE is concerned, it is a strong partnership. They are an extremely valuable partner for us in the express logistics business and as you rightly pointed out, they are our partners in the Gati subsidiary, GKEPL, and we are excited to have them as our partners in driving the express logistics growth in the country and KWE is also equally excited about having Allcargo as the new partner and therefore, they have been extremely pleased with this transaction, and they have been extremely supportive in our plans and approach to grow the business. So that is a very important partnership for both KWE and Allcargo, which will help drive business growth in Gati. On the Gati Kausar business, like I said, we are on a turnaround transformation plan. So it would take some time. We are evaluating all the operational metrics, all the challenges on the reefer vehicle utilization as well as on the storage side, we are trying to evaluate and still early days to comment upon exact turn around plans and how much time it will take, but we would have more details in the coming months on how exactly we believe we can turn around Gati Kausar.
- Shiv Chanani:** And would that involve potential evaluation of maybe just exiting that business completely?
- Ravi Jakhar:** Tough to say at this point in time. The first goal that we have at hand is to see how we can improve the operational performance of the business and how we can grow the business. That is the first intent with which we are working on right now, yes.
- Deepal Shah:** Ravi, Deepal here, just to add over here. I am not sure if everybody has read, it is already in public domain that we have already hired a consulting firm to restructure Gati. So we will evaluate. It is under evaluation of what businesses, how to restructure, so that evaluation will throw up some action items as we go along. And these will be communicated as and when they are right to communicate.

- Ravi Jakhar:** Yes. And just to add the strategy guidance, if you look at what we have been trying to do at Allcargo, the focus clearly is to be focused on core businesses, which, where we believe there is a potential to have growth as well as market leadership and we will be evaluating Gati Kausar also from that lens and how much potential opportunity we can create through it. So like I said, it is too early to comment on whether it will become a core business or a noncore asset to move, we need to further evaluate and come to that conclusion.
- Shiv Chanani:** And just last question. I remember long back, there was some litigation around some of the HCCBs issued by Gati. Is that completely behind? Or are there any contingent liability on account of that?
- Ravi Jakhar:** Sheetal, you want to comment on it.
- Sheetal Gulati:** All the material contingent liabilities have been addressed and as they disclose the numbers, you will see more of that. So there are no material contingent liabilities outstanding.
- Shiv Chanani:** Thanks a lot.
- Moderator:** Thank you. We take the next question from the line of Krupashankar from Spark Capital. Please go ahead.
- Krupashankar NJ:** I have 2 questions, Sir. First, on the MTO operations. As you pointed out that February actually was quite difficult one for China and while Europe coped up and later on China coped up for the rest of the globe, can you highlight, which are the key geographies which would contribute a majority portion? Or any trade routes, which would be a key contributor to our overall volumes?
- Ravi Jakhar:** So like I mentioned earlier, we have a substantial position, and we are market leaders in the LCL business as #1 company globally and therefore, naturally, we have strong presence across all regions. We have strong presence in the Indian subcontinent. We have strong presence in China and Far East. So EQ worldwide originally started in Europe. So we continue to maintain leadership in many of the European markets. We have a strong presence now in Americas as well through the acquisition that we did a few years ago. So it is tough to pick up any one sector. I would say we are strong across most of the key global markets, and therefore, almost all the key trade lanes that are there for different trades, we are strong across most of them. So which is what kind of provides that natural hedge to local issues, which might emerge in one part of the world.
- Krupashankar NJ:** Understood. My second question was on the Logistics Park business. I can see that in the segmental financials which was provided, the segmental assets of Logistics Park has actually declined. So is there a transfer of a few of the assets to Blackstone already and it is reflecting our mass number?
- Deepal Shah:** Yes, yes. So this is Deepal here. So like I said, it is some of parts deal. So there are a couple of warehouses, smaller ones like the Hosur, the Goa and some of these, which have actually got transferred to them at the moment.

- Krupashankar NJ:** Okay and can you quantify how much you have received from Blackstone so far?
- Deepal Shah:** The total amount that we received from Blackstone so far is 237 Crores. It is a combination of equity, OCDs and CCDs.
- Krupashankar NJ:** Got it. So one more question on the Avvashya CCI operations. Can you highlight the operational numbers as to how the performance was during the year? And what are the key growth drivers we are expecting in this business because the...
- Deepal Shah:** I could not hear you. Can you repeat the question? My apologies.
- Krupashankar NJ:** Yes. I wanted to understand on the commentary on the Avvashya CCI's operational performance. Over the last few years, we have been emphasizing that we would like to expand the Contract Logistics business. So any indication as to how it has performed in FY2020? And what are the expectations in FY2021?
- Deepal Shah:** Ravi, you want to take that or shall I answer that?
- Ravi Jakhar:** Yes, you can take the financial numbers, and I can give more color on the strategy part, yes.
- Deepal Shah:** Okay. So for the ACCI, as far as the square feet, so like when we started off, we were at 1 million square feet, now we are at close to more than 4 to 5 million square feet we are approaching in terms of growth for managing the warehouses. As far as on the financial, it has been a little bit stagnant because it is an investment phase. So we are actually investing in a lot of, in terms of technology, in terms of manpower, the right team, so on and so forth. So that is where the numbers as we stand today, they are more or less similar to the previous year, marginally growing. But we expect a huge amount of growth because it is in the future business, and we also believe that, that business syncs in with the Gati business, where we are currently doing a lot of distribution which we are outsourcing. Currently, we are giving it, so it can be kind of routed through Gati. So there is a strategic value to that business as well. That is all from my side, Ravi.
- Ravi Jakhar:** Yes. So just to add to that, in ACCI, we have dominant position in chemical business where we are the market leaders, which continues to be strong for us and we have presence in auto, which, of course, there has been a bit of a decline on the auto side, but that has been made up with our quick expansion in some of the other domains and e-commerce, logistics, in particular, continues to be strong for us as we continue to expand our scope of engagement with the leading e-commerce players on the Contract Logistics piece. That will be one of the future drivers of ACCI's growth. Yes, so that is what I would like to add from a segment perspective and from the business opportunity perspective on ACCI.
- Krupashankar NJ:** But I also understand that even Gati, KWE also has some Contract Logistics business. So would you be merging these 2 together and perhaps scaling up operations?

- Ravi Jakhar:** So in terms of synergies, yes, there will be significant synergies and that is something which we already started working and the first piece of focus has been collaboration between all the businesses. So Contract Logistics piece, not only would synchronize, would be using synergies with the Contract Logistics piece in Gati, but also on the express side as well. From a legal structure perspective, too early to evaluate or comment upon those possibilities or opportunities in the first place, but from a business standpoint, yes, there are synergies. The teams talk to each other. They try to see how they can develop the business together and make it stronger and grow faster. So it is like 1 plus 1.
- Krupashankar NJ:** Sorry, I mean, were you talking specifically about the subsidiary GKE, the Gati-Kintetsu partnership? Or were you talking Kintetsu standalone through APL Logistics or something?
- Ravi Jakhar:** Yes. So your question was around the synergies or any plans of merger between these yes, which I answered, yes.
- Krupashankar NJ:** That is right answer, yes, that is fine.
- Moderator:** Thank you. Next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.
- Ankit Panchmatia:** I want to see Ind AS impact for the current quarter, if I can get in terms of the operational expenses, depreciation and finance?
- Ravi Jakhar:** Yes. Deepal, if you could answer that, please?
- Deepal Shah:** Yes. So for the PATV, annual impact was close to 3.81 Crores. That is a combination of around decrease in rent of approximately 71 and increase in interest and depreciation of 75. So that is the larger number. On the quarter basis, the impact is, you can say approximately 1/4 of that. I will just give you the exact numbers.
- Ankit Panchmatia:** Okay and Sir, regarding Gati, so I believe Gati also has some warehousing space as well as they have petrol pumps and other ancillary business. So are we deciding to kind of, or it is still in the progress to kind of continue with this business and then slowly steadily hive off all these unrelated businesses? How are we planning to, or what is...?
- Ravi Jakhar:** So, yes. I understand your question. So just in interest of time, I will try to answer it quickly. On the Contract Logistics piece, like I answered just now on the earlier question, we will look for synergies and business to grow. As far as businesses like fuel stations are concerned, definitely, we see them as noncore, and the strategy at Allcargo has been to focus on core businesses and exit noncore businesses at an appropriate opportunity.
- Ankit Panchmatia:** Right, and Sir, just to get the thought process right because Gati is primarily domestic B2B, B2C express business. The DNA itself is very much different from what Allcargo DNA is from where

it has come up to and from what level we are moved to do with global. So how synergies you believe would be built up across both these businesses?

Ravi Jakhar: So there are a lot of synergies. One, of course, from a fundamental business itself of consolidating cargoes for international trade lanes versus consolidating cargo for domestic express moments, but the largest synergy rise in the whole integration, like we said Gati is all India and Allcargo business which has global presence, ultimately, all the trade moving in and out of India benefits from this integrated offering and that is where the whole synergy comes in because the cargoes, so now we can offer a door-to-door logistics solution to the end customer using the Gati's expertise on the India HLN side and using Allcargo's network on the global side. There is a clear synergy there and we have already in fact started working on it. That is like the first thing we are focusing on.

Moderator: Thank you. Next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra: So my question is again on the Logistics Park. So essentially, if I remember, last quarter, you mentioned that your total capital employed was around 870 Crores, of which 500 Crores would be getting transferred to the SPVs, and you would retain the rest because that is the investment which is related to Jhajjar. Now if you can sort of take me through what are the numbers currently? And how these numbers change because you would be adding the Capex of around 300 Crores for next year as well? And also, if you can just let me know out of 380 Crores of equity that you are supposed to receive from Blackstone, how much of the equity you have already received during the course of the year?

Ravi Jakhar: Yes. Deepal?

Deepal Shah: Yes. Okay. So we were supposed to receive 380 Crores plus there were 2 small land parcels that we also were looking at. So the total deal size was approximately 420 Crores, approximately. Out of which 317-odd Crores we have already transferred to the SPVs, okay, in Q3. That the construction has happened at the cost because it is still under construction and the land is transferred at the fair market value. That is how it has been transferred. Now coming back to the amount of received, which we also mentioned earlier, we have received around 237 Crores from the Blackstone. So that answers the question.

Abhijit Mitra: But that includes the OCDs and the CCDs as well?

Deepal Shah: We mentioned earlier that, yes, this is a combination of equity, OCDs and CCDs, okay? So the balance amount, so this 380 Crores does not represent the entire enterprise value which is going to be coming. So this will be the equity portion of Blackstone coming into the deal. There is also a debt portion, which will be coming in, so which will go into the SPV and the amount that we spent for construction, which we will upstream to Allcargo once the warehouses are completed, which we also referred earlier that this 300 Crores, which we will be spending on construction will be reimbursed back to us.

- Abhijit Mitra:** Right. So essentially, 370 Crores or thereabout...
- Deepal Shah:** Any parts of the deal, sir. So we will not be able to give you the total because the deal is still, there are some parts of deal which are still evolving, so currently, we are not sharing the exact enterprise value and the details of the deal.
- Abhijit Mitra:** Got it. No worries. But essentially, it is 370 Crores which is related to Jhajjar that will stay, everything else is sort of moving out?
- Deepal Shah:** Yes, yes.
- Abhijit Mitra:** And majority of that debt move is yet to happen. Is that the understanding?
- Deepal Shah:** Correct. So currently, whatever construction that I have taken in the warehouse is not completed, it still holds on to my books. And whatever LRD that I have, so there are some boxes which we have recently completed. Like we said, our target was for completion in June. So some of the boxes have already completed. So there we have already taken LRDs. So these LRDs basically will stick to my books currently and once these SPVs get alienated from my books in the sense that the shareholding pattern changes to, or mostly it will get converted into equity and Blackstone holds 90%, these will get alienated from my books and that debt will also move out of my books.
- Abhijit Mitra:** And that process will happen mostly at FY2021 end?
- Deepal Shah:** That will happen FY2021 end, March of 2021, approximately. So we have mentioned earlier in the call that between January to March of 2021, this is expected to complete. It was January, but because of this COVID, we are expecting a 1 month, 1.5 months delay probably in that.
- Abhijit Mitra:** Thanks for the answer.
- Moderator:** Thank you. We take the next question from the line of Prit Nagersheth from Well Financial Advisors. Please go ahead.
- Prit Nagersheth:** My question is, I would like to better understand what are the current utilizations at Gati? So for example, say, in April, was it at 5%? And then where did it go for each progressive month, if you can give some sense, there?
- Ravi Jakhar:** So I would say rightly said because, let us say, it was rock bottom down to 5% kind of a number in the first 3 weeks of the COVID lockdown. It has steadily increased. And as of today, we are already at near 85%, 90% of the pre-COVID levels? Yes. And yes, beyond that, I would say there has been a gradual buildup. So to give you a further picture, it would be like from 5% to 20% to 40%. And currently, already back to almost 85%, 90% of the pre-COVID levels.

- Prit Nagersheth:** That is pretty good. And is this sustaining, meaning, the sense I got from talking with other logistic companies is that some days it is high, some days it gets low because of the global...
- Ravi Jakhar:** Yes, yes. It varies. Yes, at times it does vary. And I mean, yes, so...
- Sheetal Gulati:** Yes. But that is accurate, though. You would also see some of that volatility. But yes, it is getting there and this is not a Gati call. Let us wait for Gati to happen. So just let us be...
- Prit Nagersheth:** So you are going to have a Gati call? I am sorry, are you going to have a Gati call?
- Sheetal Gulati:** Yes. I think let the Gati management explain that. I think we can keep the focus to Allcargo and we answer on Allcargo that will probably be better. I think we have given enough color around Gati. So I think if you can try and also try and wrap this up quickly.
- Ravi Jakhar:** Sure. But you are right, we have been growing rapidly.
- Moderator:** Thank you. Next question is from the line of Praveen Kumar, individual investor. Please go ahead.
- Praveen Kumar:** Congratulations for the wonderful results. I just have some query on the margin front, the profitability bit. I see that 94% of the business, the MTO and the CFS are giving ROCE in excess of 20%, while overall ROCE is about 9%. So even the EBITDA margin is slightly on the lower side. So some color on that? What kind of numbers do you foresee by the end of this year on that?
- Deepal Shah:** Yes. Can I take that? Deepal here.
- Ravi Jakhar:** Yes, please, Deepal. Yes, Deepal, you can go ahead.
- Deepal Shah:** Okay. So yes, if you look at our total capital employed, we are at close to 3,500 Crores capital employed, out of which close to almost 900 Crores plus 600 Crores, around 1,600 Crores is currently not part of the MTO and part of the CFS business. What are the breakup of that? One is around 423 Crores or 450-odd Crores which is Gati. So the value from that has still not shown into our books. The other is the non-revenue-generating at the moment, which is the investment into the Logistics Park, which will kind of start generating, the investment will come back and your books will lighten by end of the year. So once all these transactions start kind of taking shape, we expect the ROCE to reach close to almost average 18-odd percent is what our expectation would be. Now this is what we did not expect. This was our estimate without COVID into impact. So assuming it does not hurt too much, I think we should be around that number by end of the year.
- Praveen Kumar:** Thank you sir.
- Moderator:** Thank you. Next question is from the line of Krupashankar from Spark Capital. Please go ahead.

- Krupashankar NJ:** Just one question on the provision for doubtful debt in the Project and engineering business, is there any write-back in the current quarter, if you can highlight?
- Deepal Shah:** Write-back for what?
- Krupashankar NJ:** The provision write-back in fourth quarter?
- Deepal Shah:** No. In fact, there is a marginal provision for the PVD, but for which we have secured contracts and agreements for the amount to be recovered in the coming few months.
- Krupashankar NJ:** Understood. Last on Avvashya CCI, can you tell us what would be the PAT number for FY2020?
- Deepal Shah:** It is a private company, so generally, we do not share all that details at the moment.
- Krupashankar NJ:** Sure, okay. Thanks.
- Moderator:** Thank you. Well, ladies and gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Prateek Kumar for his closing comments.
- Prateek Kumar:** Yes. I have just a couple of questions from my side. So firstly, there was this standoff at the ports, which was reported like in last fortnight regarding delays in clearing of cargo at the ports at the JNPT, Chennai, etc. So is that still prevailing? Or has that eased off? And has that any impact on our operations?
- Prakash R. Tulsiani:** Prateek, are you referring to those clearances, which were in the news regarding China cargo or whatever?
- Prateek Kumar:** Right, right, right.
- Prakash R. Tulsiani:** Okay. That has been eased. I think that was intelligence more than anything else. I think the media had spread it differently. It was more intelligence reports, which keeps happening off and on and I would not pay too much attention to it and that has been cleared off. The cargo is moving. We did not see much of an issue there. There was a 1 or 2 days cargo intelligence reports there generally, and the customs do check that. That has been over and now everything is business as usual.
- Prateek Kumar:** Right. So except for this, like as you said, some of the volumes got pushed off to this quarter from last quarter because we could not book it because they could not be gated out. So Q1 is expected to be a very strong number for CFS? Or I mean, we would have a significant other impact of slow business offsetting like...
- Prakash R. Tulsiani:** Q1 has been better than the Q4 of the last year that is FY2020. The June has just ended. We do not have all the numbers together. June was a weaker number in terms of volumes coming on the ships.

Overall volume of the ships into India were lower. So please wait. Once we are out with our numbers for the quarter 1, we will discuss those details. It will be better than quarter 4 FY2020.

Prateek Kumar: Right. Just one question on your FCL growth for FY2020 versus LCL growth for FY2020 and the overall volume mix, Sir, in MTO operations?

Ravi Jakhar: We look at it as an aggregate of the overall container volumes that we handle. We do not really segregate between the 2 kinds of cargos because on the procurement side, the full boxes that we procure, and that is how we evaluate the business, and that is how we report it as well.

Prateek Kumar: Right. Thanks, Sir. Thanks for all your time. Thanks to the management. I think, Janus, we can close the call now. Any closing remarks from the management?

Ravi Jakhar: Thank you all. Hope we were able to answer most of your questions. Thank you for joining us.

Deepal Shah: Thank you, guys.

Ravi Jakhar: Have a good day and stay safe.

Prakash R. Tulsiani: Thank you.

Moderator: Thank you. On behalf of Antique Stock Broking, we conclude today's conference. Thank you for joining. You may now disconnect your lines.