



“Allcargo Logistics Q1 FY’21 Earnings Conference
Call”

September 18, 2020



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MODERATOR: **MR. ALOK DEORA – YES SECURITIES LIMITED**

Moderator: Ladies and gentlemen, good day, and welcome to the Allcargo Logistics Q1 FY'21 Earnings Conference Call hosted by YES Securities Limited. 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 now hand the conference over to Mr. Alok Deora from YES Securities. Thank you. And over to you, sir.

Alok Deora: Thank you, Nirav. A very good afternoon to everyone. Today, we have the management of Allcargo Logistics Q1 FY'21 Earnings Conference Call. We have with us Mr. Prakash Tulsiani -- CEO, CFS and ICD Division; Mr. Deepal Shah -- CFO, Allcargo Logistics; Mr. Ravi Jakhar -- Chief Strategy Officer.

I will now hand over the call to the management for opening remarks. We will then follow up with a Q&A session. Thank you, and over to you, sir.

Ravi Jakhar: Yes, thanks, Alok. Hello! Good afternoon, everyone, and welcome to today's earning conference call to discuss the performance for the quarter-ended 30th June 2020. Along with me, I have my colleagues Mr. Deepal Shah and Mr. Prakash Tulsiani. I hope you have had chance to review our 'Financial Statements' and the 'Earnings Presentation', which have been made available on the exchanges and on our website.

Let me share a "Quick Overview on all the Businesses." It has been an exceptional period for business with unprecedented lockdown and constraints in India and across the world which have impacted the business. However, we have ensured the best efforts were made to continue business operations and service our customers to their satisfaction. There has been an impact on revenue, but across the group we have taken significant proactive steps in reducing our cost, and there has been support from various international governments as well in form of subsidies and grants to support the business in times of pandemic.

In the international business, there have also been gains from exchange rate benefits when compared with corresponding quarter of the previous year. All these have allowed us to maintain healthy bottom line despite a fall in volume from approximately 184,000 TEUs to 162,000 TEUs.

In India, we faced challenges in Express Logistics because of lockdown which significantly reduced business in April; however, recovery started from May. As a result, Gati financials for the quarter have been significantly impacted. Similar challenges led to an impact on performance of Projects and Engineering division as well as infrastructure projects came to a halt in April and recovery only started from May onwards.

The lockdown has also impacted our Logistics Parks business, where we had signed an agreement for an equity transaction and are in the process of getting necessary approvals

required to conclude the transaction. However, limited functioning of some government departments and restrictions otherwise has caused some delays.

We remain confident that we will be able to consummate the transaction and overcome the delay and challenges as the situation is now expected to improve in coming months.

Overall, economy was sharply hit in first quarter in India, but things have improved since then and we are hopeful that they would continue to improve and we would see a much better scenario going forward on the macroeconomic environment and therefore greater opportunities for us in business as well.

I would now request my colleague, Prakash to share brief details about our CFS business. Over to you, Prakash.

Prakash Tulsiani:

Ravi, thank you very much for the complete details on where we are in terms of India business and what has COVID done to all of us. So, coming to the CFS, we have a severe impact on our import volume. And there has been impact also on the export, but severe on the imports which has caused a reduction in volumes handled by our CFS. The total volumes for the first quarter of financial year 2021 were at approximately 49,500 against 85,000 for the corresponding period last year. So, you can see that the numbers are almost in the range of 50%, that is we are operating at. It has been a severe one because the vessels came lighter. Not only the vessels came lighter, they also stripped call. See, it was clearly the demand which was missing and that is the reason that CFS has also suffered the volume impact.

Have we improved thereafter? The answer is that yes, there is a challenging period right now for us. And volumes are slowly increasing. So, what we expected that July, August should be the month of recovery. We have not yet seen that. So, it has been a very tough environment. And while we may have delivered our EBITDA, but that is only on one-time ground rent that we collected. So overall scenario for CFS is not looking that great as we go ahead. So that is it from our side. Thank you very much.

Over to “Deepal for taking us through on the Quarterly Numbers.” Deepal, over to you.

Deepal Shah:

Thank you, Prakash. First, let me highlight that it would be difficult to compare the quarterly financials with the previous periods due to the consolidation of Gati in the books from this quarter onwards. So, this is the first quarter that we have consolidated Gati post acquisition.

Secondly, as you know, the quarter has been impacted by lockdown and disruption in operations, not only for Allcargo, but across all companies.

With all that said, let me now take you through the “Key Consolidated Quarterly Financial Highlights.” The total revenue from operations stood at Rs.2,078 crores for the quarter-ended 30th June, 2021, as compared to Rs.1,815 crores for the corresponding period last year, which is

an increase of approximately 14.4%, mainly on account of revenue growth in MTO business and CFS business and of course the consolidation of the Express segment from Gati.

Just for everybody's information, the Express segment, which is a new segment in our results, has been because of the consolidation of Gati. So, that has been clearly earmarked as a separate segment. EBITDA for the quarter was reported at Rs.130 crores as against Rs.140 crores during the corresponding previous year. Profit after tax was reported at Rs.30 crores for the quarter ended against Rs.64 crores for the corresponding previous year which is a decrease of 53.8% on a YoY basis mainly due to COVID impact.

Let me now get down to the "Individual Segment Results." For the MTO segment, that is the Multimodal Logistics segment, the total revenue for the quarter was Rs.1,730 crores against Rs.1,599 crores period last year, an increase of approximately 9%. EBIT was at Rs.79 crores for the quarter ended as against Rs.60 crores for the corresponding previous year, an increase of 32%. The EBIT margin stood at 4.53%. Return on capital employed for the MTO business stood at 28.32% on an annualized basis.

So, coming to the Project and Engineering Solutions, the total revenue was at Rs.64 crores for the quarter-ended 30th June 2021 as against Rs.117 crores for the corresponding previous quarter last year. EBIT reported at a loss of Rs.14 crores for the quarter. P&E division performance was primarily impacted due to lower utilizations due to the lockdown and hence the overall impact on the performance.

Coming to our "Logistics Parks Business." The total revenue was Rs.9 crores for the quarter ended 30th June 2021, as against Rs.2 crores for the corresponding period last year.

In our CFS and ICD business segment, the total revenue for the quarter ended 30th June 2021 stood at Rs.128 crores as against Rs.119 crores for the corresponding period last year. EBIT was Rs.51 crores as against Rs.37 crores for the corresponding period last year which is an increase of 38%. EBIT margins for the quarter has stood at 40%. ROCE on the CFS business stood at 53.63% on an annualized basis. This is primarily due to container dwell time increasing due to lockdown leading to additional one-time income, reflecting in segment revenues, even though volumes were down.

That is, it from our side. Thank you very much. And we open the floor to any questions.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question-and-answer session. The first question is from the line of HR Gala from Finvest Advisors. Please go ahead.

HR Gala: Just a couple of questions. First question is, can you just help me with how much is a one-time income which is included in MTO and CFS on account of extra ground rent, etc.,

Ravi Jakhar: I can answer on the MTO. It is tough to qualify everything as one-time or recurring income. But for an example, government grant received for COVID-19 business support in our global

subsidiaries would be ballpark approximately about US\$1.6 million. That would be the approximate ballpark grant received in the month of April, May and June which is the first quarter.

HR Gala: Will it continue going ahead?

Ravi Jakhar: Nobody knows how the COVID pandemic would pan out. We would only be able to provide what has happened so far.

HR Gala: And in CFS, how much it is?

Ravi Jakhar: Basically, in CFS business as well, in general also there are variations from a month-on-month basis, dwell time goes up and down. So, to put a base benchmark number is difficult, but if you were to compare, you could see the average volume and the average revenue per TEU and so one could do an estimation. But I would say we are hopeful that volume should continue to rise gradually, as my colleague Prakash mentioned. As the lockdown eases, situation improves, the revenue per TEU may drop. It is tough to quantify that.

HR Gala: I just wanted to know how much the ground rent was. In the initial remarks, you said that the profit has improved because of one-time income of ground rent.

Ravi Jakhar: No, it is not like a one-time event. Whenever a container comes into the CFS, and Prakash will probably explain the process and how ground rent is just one component of it, and it is more of an indication, it is not like a one-off item sitting separately. Yes, Prakash, if you could explain the process.

Prakash Tulsiani: See, over here, what happens is that when the containers come in and if they stay back, the ground rent starts. Similarly, we did that right now in this case also. So, if you were to ask me how many containers stayed back and all, there was like...

HR Gala: No, no, not how many, just total amount of rent which is sort of one-time which may not recur?

Prakash Tulsiani: Our EBIT is very clearly demonstrating that number. If you see our overall revenue, it stood at Rs.128 crores in the June quarter against Rs.119 crores. So that is the additional that we have had because of the ground rent.

HR Gala: Why we are taking this delisting decision, any reason, when things are looking up so well, company has been doing so well, why do you want to delist?

Ravi Jakhar: So, let me respond to that. Delisting is not a company decision. It is the prerogative of the promoters and we see this as a shareholder matter. Company as responsible would participate in the process and do the needful as required by the agencies and exchanges. So, company is only a facilitator in the whole process. It is a shareholder matter on which company would not have a view. We are happy to answer any details required around the process and how it works, but

just to highlight two key things; one, it is a voluntary process whereby promoters make a voluntary offer for delisting which is acquiring public shareholders stake and public shareholders voluntarily accept or reject the offer and even the price quoted by all the shareholders is completely voluntary, and they decide at what price they want to sell which is like any other trade in the exchange and the price which they would finally receive would be driven by the higher price which has reached 90%. So effectively, it is an entirely voluntary process and it is in the matter of shareholders, would not be in the prerogative of the company management to comment on that.

- HR Gala:** The other income in this quarter has significantly increased. So, any reason for that?
- Deepal Shah:** The other income on the standalone has increased which is the dividend received from EQ of close to around €10 million, that is Rs.76 crores...
- HR Gala:** I think even in consol also, it has increased to Rs.16 crores as compared to Rs.6 crores.
- Deepal Shah:** The consolidation is because of Gati. They also have some other income which is not part of the main express business. So, they have petrol pumps and many other businesses which get. So other income is a part of all that.
- HR Gala:** And maybe FOREX gain would have been included there?
- Ravi Jakhar:** Yes, other income includes FOREX gain and any other miscellaneous items that do not form part of any specific segment.
- HR Gala:** Nothing extraordinary I believe.
- Deepal Shah:** No, nothing extraordinary.
- Moderator:** Thank you. The next question is from the line of Vikram from PhillipCapital India Private Limited. Please go ahead.
- Vikram:** For this MTO business, one is that we have seen relatively higher number in standalone business. So, are we seeing that because of this parcel size impact cargoes are a little bit better than full container or is it mainly because of longer dwell time or warehousing kind of income? That was one point. And the second question is can you highlight more about the process about delisting and timeframe?
- Ravi Jakhar:** So, on the MTO business, it is primarily, like I mentioned, we have done well to hold the business. And on the performance side, because of cost reduction initiatives, the bottom line has been healthy. On the top line, there has been a combination of a mix of volume and the prevalent freight rates which is how one could look at it. On the delisting, basically, the first part of the process was scrutiny and due diligence by a merchant banker on the top shareholder transactions which has been completed and board has given an in-principle approval for going ahead to

delisting. Currently, the process is being run for shareholder approval and postal ballot is being conducted for the same which should get concluded around third or fourth week of October. After the result of the postal ballot, if the shareholders approve the delisting proposal, it would then go to the next step wherein promoters would have the option to make a formal proposal to the exchanges. And after that exchanges would take about a week or two weeks to approve that. And then a process starts whereby all the shareholders voluntarily express their desire to sell and the price at which they wish to sell the shares. The promoters would have an option to either refuse or accept. In case of accepting, they would have to accept the bids from at least as many shareholders as required to reach a minimum threshold of 90% aggregate shareholding by the promoters. And in doing so, when they accept the bids posted by various shareholders, the highest bid accepted by the promoters naturally becomes the price to be paid to everyone. So even if somebody has quoted lower, and their offer has been accepted by the promoters, they would still be paid the highest price that the promoters have accepted to pay during the reverse book billing process. So, that is how the process works. And like I said, another four weeks to five weeks for the shareholders' approval, another couple of weeks for the exchanges to approve and another three, four weeks for the process. However, there always could be a gap between shareholder approval and promoters making the application to the exchanges depending on their plan around it.

Vikram:

I think that was quite helpful, sir. In CFS, we have seen the port volumes recovering close to almost 85% or we have seen YoY decline in range of 13% to 15%. So, for CFS, our volumes are in line with the port recovery or how is the situation at catchment area if you can explain a bit on that side?

Prakash Tulsiani:

The port volumes that you referred to include everything, that is empty container, export containers and full containers. So, first, I hope you are referring to the container volumes because port volume sometimes includes the bulk volume also. But if I were to take JNPT or Mundra or Chennai, any of these ports would have a component combining of empty, full and exports. So, for us, we are more dependent on the import cargo. And clearly, that volume is rising but very slowly. So, the impact on the CFS addressable market is quite large because the imports have fallen considerably. While the exports are trying to go up and they did rise better than that of the import volume, but still they are not at the stage where we can call it as a pre-COVID level.

Moderator:

Thank you. The next question is from the line of Abhijit Mitra from ICICI Securities. Please go ahead.

Abhijit Mitra:

Sir, I have a few questions on Gati. Since we have started consolidating the numbers, can you please share some of the operating parameters of the business as in what kind of parcel or rather express tonnage they have carried in this quarter? Any numbers that you can share on the E-Commerce part of the business that they have done? Thirdly, if you can sort of share if there is uptick in the E-Commerce volumes that we have seen till date in the current quarter, whether that lead to some amount of margin recovery. So, these are three questions which I had on Gati.

Ravi Jakhar: So as you are aware, Gati is also a company and as we have highlighted in the first quarter we have started consolidating since our acquisition and going forward, we would start an engagement with these investment communities on Gati and very soon, we would have our presentation shared with investors in Gati, and we would be hosting a call as well when we can discuss about Gati in detail. But just to give a high level information, like I mentioned earlier, April was an extremely challenging month with revenue on express side dipping down to almost single-digit numbers; however, it started recovering from May and we were already at about 65% by end June, early July and since then, it has broadly stayed at about 70%, 75% of the previous month levels until let us say, July and August. It has gradually been improving vis-à-vis last year. So, we see a steady recovery. On the eCom side, for Gati, the substantial piece of business is B2B, surface express and eCom is relatively a smaller piece of business. However, in the eCom side, as we move forward towards the festive season with all the big billion-day sales, etc., we generally expect volumes to go up. And beyond this, we would address Gati related queries in a separate call on Gati.

Abhijit Mitra: On the Blackstone deal, if you can just share through what is the amount of money that has flown through, any incremental flow through that we have seen in this quarter? And what is the extent of investments that you have committed on those assets in this quarter, the assets which were supposed to be moved over to Blackstone, the warehouses and the locations that you have pointed out in your presentation as well, that would be helpful?

Ravi Jakhar: Primarily, you have two questions. One, any additional inflows from Blackstone during the quarter and second, any additional outflows on the CAPEX investments in the warehousing logistics park division. Deepal, if you could throw some light on the numbers?

Deepal Shah: So, the two questions; one is, we received Rs.237 crores. The total deal size for Blackstone on the equity front was Rs.380 crores. I will explain you the structure. Rs.380 crores were the total deal size that we were supposed to receive, out of which Rs.237 crores have already been received, balance is to be received through the year as and when the projects are getting completed. Also, there is some upstreaming of money happening through LRDs. So, assets have been transferred to the subsidiaries as and when the warehousing is completed, there will be an LRD raise, and that money will be up streamed to Allcargo against the amount payable to Allcargo against the business transfer agreements. So that is the whole structure. So, what we have received YTD June is Rs.237 crores against the Blackstone and we have received sum around close to Rs.59 crores of LRDs. To your other question, the first quarter investments were a little low. So total outlay on the construction for all the assets put together, it will be close to Rs.200 crores to Rs.300 crores for the entire year. But for the first quarter because April, there was a lockdown, total amount that we have spent is close to only around Rs.40 crores to Rs.50 crores.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: My first question is on CFS business. So as highlighted, like the volumes have declined by around 42% while revenues have grown by 8% and profitability has grown like much higher. Prakash sir mentioned that whatever difference in revenue year-on-year is related to additional ground rent, but because the volume decline is 42%, so over and above this 42% decline in proportionate revenue, so that would be the ground rent, right, maybe around Rs.50, 60 crores additional ground rent you would have got this quarter?

Prakash Tulsiani: What happens is that you cannot count that as a ground rent additional because the containers stayed back, right. So, we do not know how many containers were during the lockdown and beyond the lockdown, right. There were certain containers which were there since January and February also. And they could not have been out because of the lockdown. So, we cannot determine what is the additional ground rent. We can only say that there is additional ground rent that we have received while there are certain boxes still waiting for evacuation from the CFS. So, clearly, there is income which has come from the overall extra ground rent that we have received. I do not know whether we have a separate number because we have not counted into that.

Prateek Kumar: Has this ground rent been continuing in like July, August numbers that you have mentioned let us say last year sort of flow?

Prakash Tulsiani: Definitely, there are some boxes which remain continue to be there because they have not been able to evacuate. And yes, those boxes will accrue ground rent until there is a commercial discussion with the customer. And we will decide accordingly depending on the volumes and the business relations we have with the customer.

Prateek Kumar: Sir, on MTO business, so this \$1.6 million or Rs.12 crores, so is this directly accounted in PBIT number or this is showing through revenue?

Ravi Jakhar: This would not show as a revenue, this would show under the gross margin would get eventually therefore added, this is almost like how we at our end measure SG&A reductions and government grants, that is how we capture these. So, these are government grants received towards supporting staff. So, these are by nature more towards supporting staff cost of the company and therefore would be categorized around that line item.

Prateek Kumar: So even here also the revenues per container have like gone up very sharply. So, these are like related to freight rate which we understand have been rising globally. So, how are the trends now like in 2Q or have been in sustaining higher numbers? And the benefit of higher realization, have that also flown into the margins because if we exclude that Rs.12 crores government grants, the margins look sort of in line with what we have been reporting in the past few quarters?

Ravi Jakhar: Yes, so there have been fluctuations on the freight side, but obviously driven by the impact on the business. If you look at the gross profit level, the gross profit level numbers would have come down and only through continued sustained focus on reducing the cost, admin cost, staff cost and the government support, the bottom lines have been protected because freight

component when it rises, it almost also in many ways cost for us. While we are selling piecemeal LCL, we also must buy the containers slots. So effectively, I would say on the top line, volume side, there has been an impact because of macroeconomic environment and bottom line, positive impact is primarily driven by conscious efforts on cost reduction, staff cost, optimization and government grants that have helped us there.

Prateek Kumar: And how would be the industry decline for MTO business where we have like declined 12%? One of the shipping lines for international port, company indicated like around 10%, 15% kind of container volume decline for their business in the last quarter results. So, the 12% is in line with industry or better than industry according to you?

Ravi Jakhar: So, I would say that, overall, the market would have dropped a little higher than us is what our perception is. Unfortunately, none of the competitors are listed or tracked that well. But our estimate is that with our sustained focus on use of technology, making people efficiently work from home and many other initiatives, we would have been impacted marginally lesser than the market is what our estimate there would be.

Prateek Kumar: One question on Gati. So, our investment as per annual report is around Rs.195 crores which we show as an investment in associate. So, post now, our stake increasing to 46%, what would be our investment value there?

Ravi Jakhar: So Gati shares have been acquired at a total cost of approximately about Rs.450 crores. Deepal, if you could share the exact number? But ballpark of around Rs.450 crores would be the total cost.

Deepal Shah: So, we did the acquisition in two parts. So, the total purchase consideration for the acquisition is Rs.429 crores. So, there was a part of acquisition which happened through the SPA and through the preferential allotment which happened prior to March where we stood as an associate and the open offer completed on 8th April. So that is when we acquired the balance 26% and then we now having control, we hold around close to 46%, and we have a board control. So, for the quarter of June, we consolidated the results. The total outlay on the acquisition is Rs.429 crores.

Prateek Kumar: And how much do you add in gross block correspondingly?

Deepal Shah: We have done a whole PPA exercise. I will come back to you on this question. I cannot just look at that exact amount.

Moderator: Thank you. The next question is from Mutulya Shah from Allcargo Logistics. Please go ahead.

Mutulya Shah: I have specific two questions. During this quarter, our company has acquired a controlling stake in Gati by 46.86%. And as mentioned in the Note #9 of this Q2 result, the matter is subjudice and you had some fight with the Gati Limited. So, I just wanted to know the fact of the case being the new investor of the company. That was the first question. The second question is who

are the major competitors global as well as in India by the nature of our business who is having more than 80% in the MTO segment? And specifically, we have names of the competitors who are listed in the different stock exchange.

Ravi Jakhar:

So, as I understand, the question is around the MTO competitors listed on the stock exchange. So, to that, as I said just in my previous response, there are not too many MTO or the LCL consolidation companies which are listed. Some of the largest players apart from Allcargo EQ worldwide are Vanguard and Shipco and the Worldwide Alliance. These are some of the bigger players in the market apart from us and they are not listed. So, there is none in the listed space that we can think of in the LCL consolidation on the large companies. Secondly, on the matter around the Gati's erstwhile promoters, the matter is subjudice. So, it would be inappropriate for us to comment on it.

Mutulya Shah:

I do not want to get into the allegations. What are the facts of the case of the matter?

Ravi Jakhar:

So, what I can share with you is that there was an agreement between the erstwhile promoters and Allcargo on acquiring a controlling stake in Gati. And after which Allcargo has, as Deepal explained, acquired close to about 46%, 47% stake in the company. The erstwhile promoter shareholding in the company is reduced to a much smaller number, of which also a large substantial part as we understand is under a legal dispute which they are having with other parties, not concerning us. And after the acquisition of Gati, we at Allcargo have been running the company and putting in the best efforts to drive it towards higher revenues and better profitability. And we see that there could be impediments in the path to progress on account of roadblocks being created. And with that view, Allcargo has called for the general meeting to remove Mr. Agarwal. Those are the fact to the matter. Beyond that, it is not appropriate to comment on the matter which is sub-judice.

Mutulya Shah:

Sir, what is the business sense for Allcargo to investigate the company like Gati Limited who are into the huge loss and as we said that there are some problems between the erstwhile promoters on the legal rights in the company?

Ravi Jakhar:

Gati, as we all know, as a company, pioneered the concept of Express Logistics in the country, is still among the top two biggest and biggest among the listed companies in the Express Logistics business, with a substantial presence covering almost 99% of country's PIN Codes. As a company focused on international logistics as market leaders in the global consolidation space, we see immense synergies between Gati and Allcargo to offer door-to-door logistic solutions. And on that account, we believe that there are great synergies in domestic express business and the international LCL consolidation business that we have historically been operating in. As far as the poor performance and loss is concerned, yes, we recognize that there have been challenges, but at the same time, we are also hopeful that we would be able to put in the right management practices, bring in the changes required and with the support of excellent management team we already have at Gati, and with more people being added from our side, we should be able to see a significant turnaround in the company. Therefore, we believe that in the long term, the

company would be beneficial in strengthening the door-to-door business and on its own as well should do well going forward. With that belief, we have taken the company.

Mutulya Shah: And last point to ask you is, by what time you are expected to issue a postal ballot for shareholders' approval for the voluntary delisting?

Deepal Shah: Yes, the work is in progress. I think we should be issuing postal ballot in a week's time max.

Ravi Jakhar: In the coming week, the postal ballot should get issued. And as I explained earlier, it should be about another four to five weeks' process for the approval through postal ballot. After which, promoters would make an offer for delisting a formal application to the exchanges after making the arrangement for funding at their end. So, there could be a gap in that, which is completely a prerogative of the promoters and we would not be able to comment on that.

Mutulya Shah: Once the application is made, the approval from the stock exchange would be valid for the one year from the date of approval, the understanding is correct?

Ravi Jakhar: Yes, so after the postal ballot approval, the promoters would have up to one year to arrange for the funds and then make the formal application to the exchanges for delisting. That is as per the provisions of the process.

Moderator: Thank you. The next question is from the line of HR Gala from Finvest Advisors. Please go ahead.

HR Gala: We had some legal case going on because of this COVID situation on this I think ground rent or such matter. So, has any outcome come?

Prakash Tulsiani: No, it went up to the Supreme Court, and thereafter, the Supreme Court has given it back to the High Court in Delhi to the information and the matter is sub-judice. That is why we are unable to comment more on this matter.

HR Gala: But still we are accounting in our account on accrual basis?

Prakash Tulsiani: No, no, it is simple that if you come to take delivery of your container which many have come and taken, we will have to charge you, right. Whenever the decision comes, then we will have to abide by whatever the Hon'ble High Court says.

HR Gala: Now sir, looking to the trend, you said that in the month of July, August, September, not much of the progress has happened either on international side or on the local side, how do you see going ahead, because we are expecting the Indian economy to degrow by say, anywhere between 9% to 14%. And I think recently the World Bank has come out with certain projections that even the global economies are also not likely to do that well in this calendar year '20 or maybe part of '21. So how do you see the overall volumes getting increased over a period?

Ravi Jakhar: If you look at the MTO and the CFL business, primarily logistics as a business is about carrying freight and freight is in turn linked with the overall macroeconomic environment. So therefore, any upward or downward change in macroeconomic environment affects us positively or negatively. From our perspective, as a company, we continue to strive to do two things; one, we continue to increase the market share in the available addressable market, whether it is for CFS or MTO and try to continue to optimize cost and see what best we can do. Beyond that, if the overall macroeconomic environment itself is challenging, there is little that we can do about that. In terms of the overall outlook, like you mentioned, there is a consensus among various researchers and agencies that the Indian economy is likely to be between as you said around 9% to 13% as we read through. So, beyond that, I think we are in times when even economists are finding it difficult to forecast how the macroeconomic environment will look like whether there will be a second wave of coronavirus pandemic. I mean, in India we are yet to get over the first, where we have still not even reached the high point. So tough to predict but at the same time, there are very positive things as well, these mortality rates have gone down significantly, the virus is understood much better. So, we are hopeful that we should be able to come out of it soon. There is significant work happening on the vaccine, and all of that should lead to a revival in the macroeconomic environment. Tough to predict anything. We will continue to be watchful and do our best.

HR Gala: Now sir, on the capital expenditure side, we said that we wanted to spend about Rs.200 crores to Rs.300 crores on logistics, but have spent only Rs.40, 50 crores so far. So, are we likely to spend the balance amount in the remainder of the year?

Ravi Jakhar: So basically, some of the work were also halted due to the pandemic situation. So some of the construction work was also put to a stop, but yes, the construction activity is also picking up, and based on the requirements of the business in terms of warehouses that to be constructed for being leased out, we would make the investments in the construction as required.

HR Gala: So, can you give me some ballpark figure, like what kind of CAPEX we could have in FY'21 in Logistics Parks and other businesses?

Deepal Shah: We will be able to spend another Rs.250 crores approximately because we will have to catch up with the construction. And this needs to be completed and handed over to Blackstone. So, we will spend that Rs.250 crores in the upcoming months up to March '21.

HR Gala: In any other businesses do we have other CAPEX plus?

Deepal Shah: No, no, our total CAPEX outlay is close to only around Rs.13 crores for the entire year itself, we do not have much maintenance CAPEX. Nothing planned large.

HR Gala: In Gati, will you require anything to invest more?

Deepal Shah: As of now, we have already pumped in around close to Rs.100 crores to the preferential allotment. So, we believe with this, Gati should be able to sustain its operations and grow from

there. We already have had a consultant who is looking at it and we are trying to turn around things there. So as of now, we do not believe, but we have made a provision of close to around Rs.40-odd crores in case there is any emergency funding to be required.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.

Prateek Kumar: Just wanted to understand what would be our net debt position now post the investment in Gati being completed?

Deepal Shah: So, our net debt is as of June end other than Gati at console level is Rs.997 crores. There is a Gati debt of Rs.353 crores added to it. Adding it up at a consol level Rs.1350 crores is our debt.

Prateek Kumar: Rs.350 crores are like assuming 100% ownership. We must reduce minority interest.

Deepal Shah: Yes.

Moderator: Thank you. As there are no further questions, I will now hand the conference over to Mr. Alok Deora for closing comments.

Alok Deora: Thank you so much, everyone for joining in. And we thank the management for giving us the opportunity to host the call. Thank you so much, sir.

Prakash Tulsiani: Thank you very much. Bye-bye.

Ravi Jakhar: Thank you.

Deepal Shah: Thank you.

Moderator: Thank you very much. On behalf of YES Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.