



“Allcargo Logistics Limited Q1 FY-22 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY22 Earnings Conference Call of Allcargo Logistics hosted by PhillipCapital (India) Private Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectations of the company as on date of this call. This statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you sir.

Vikram Suryavanshi: Good evening, everyone. And thank you for being on the call of Allcargo Logistics. We are happy to have with us the management of Allcargo for Q&A session with the investment community. From the management we have with us, Mr. Suresh Kumar R – our CEO for India Business. Mr. Tim Tudor, CEO ECU Worldwide, Mr. Ravi Jakhar – Chief Strategy Officer, and Mr. Deepal Shah – Chief Financial Officer. Now, I hand over the call to Mr. Ravi for their opening comments, and then we will have question-and-answer session. Over to you, sir.

Ravi Jakhar: Thanks, Vikram. Good evening, everyone. And good morning to some of our friends from U.S. Welcome to the earning conference call to discuss the performance for our first quarter of FY22. I trust all of you and your dear ones and colleagues and everyone at home is keeping safe in these challenging times.

I also hope you had a chance to look at our results and the earnings presentation which has been uploaded on the exchanges and the company website. We have had some challenging times given the second wave of pandemic in India. And with our experience and transformation initiatives which have been initiated over the last 12 to 15 months, we as a company across businesses have been able to continue the momentum which was built and it has rather gathered pace as we enter FY22. And we remain much more confident in building up from here through multiple transformation programs going on to drive growth and keep the business performance significantly strong.

To begin with, let’s run through some of the financial highlights and to take you through them I would request my colleague Deepal to share brief highlights in the financial performance for the quarter over to you Deepal.

Deepal Shah: Thank you Ravi. Let me first take you through the consolidated financial highlights for the first quarter of FY22. The total consolidated revenue from operations stood at 3449 crores as compared to 2078 crores for the corresponding period last year, which is an increase of 66%. EBITDA excluding other income for the quarter was at 217 crores as against 131 crores during the corresponding period last year, which is an increase of 66%. EBITDA margins stood flat at 6.3 Y-o-Y. Profit before tax before exceptional items and profit from associates grew by 3.5x to its highest level since 2021 at 125 crores. Reported profit after tax stood at 106 crores for the quarter, which includes exceptional gains and profits from associate and JVs. Exceptional gains

are largely pertaining to profit on sale of land to the extent of 11 crores and recording of the CFS revenues of prior year established by court order. Now, I would like to hand over the call back to Ravi to take you through the key business segment highlights and key updates for the quarter.

Ravi Jakhar:

Thank you, Deepal. Coming to business updates during the quarter we have had some exciting times, driving organic growth as well as the building on our expansion aspirations with some strategic acquisitions. As we have been highlighting over our past calls as well, at Allcargo our focus is on being asset lite, being ROC focused and we are extremely focused on being growth oriented and we focus on businesses which can be driven with digital enablement. And therefore, the focus has largely been on the core businesses which is multimodal transport operations or the ocean freight business operating under the EQ worldwide business, The container freight station business and the express in contract logistics business which operates under Gati and ECCI.

We have great confidence in the growth in trade in the country. And therefore, we continue to remain very focused on growing the CFS and ICD business. In this regard, we have also announced acquisition of 85% a controlling stake in speedy multi modes, which gives us an access to two additional CFSs with very strategic asset capabilities and a good business at the largest container ports of Mundra at JNPT which will provide great strategic impetus to our growth plan and allow us to consolidate our market leadership position in the CFS business in the country. So, to first of all, to begin with the India businesses besides CFS and ICD, to also share updates on the other businesses, I would request my colleague Suresh to share further updates from the strategic intent in the acquisition of Speedy Multimode, and also to share the highlight on key business developments and the performance for the quarter. Over to you Suresh.

Suresh Kumar R:

Thank you, Ravi. Good evening to the participants and this part of the world in India and good morning, good afternoon to the others. It is the first time; I have the opportunity to interact with you. It is a privilege for me. I am talking to you even as in the country, the pandemic second wave is waning. And all of us know it has brought in new dimensions to our business as in every other industry. And we look forward to continue contributing to the Indian economy in a strong way and participate in the next chapter of the India growth story. We certainly believe, India's favorable demographic, geographic and **-7:30** acquisitions helps us to continue the growth story and be the fastest growth country in the pack of developing nations.

Allcargo India business would like to ride the wave and achieve newer milestones in the period to come. I would first talk to some of the highlights of the businesses and then talk to you about Speedy Multimodes like my colleague Ravi had spoken. So, Q1 FY22 some of the highlights in our CFS and ICD business. We exited Q4 with our highest ever volumes. And in Q1, there was a little slow down triggered by the second wave of COVID. At 2.75 million TEUs major Indian portfolio registered a Q-o-Q de-growth of about 7% to 7.5%, with Mundra and Pipavav declining at a much faster rate. Our volumes de-grew by about 10% to 10.5% from the previous quarter high of 92,000 odd TEUs to about 82465.

If you look at it versus the previous year, we had a 1.7x growth. In that we know that the last year AMJ quarter was the first wave of lockdown. So, that quarter had dropped in volumes, but increase in revenues due to ground rental, which I will take you through when we talk about revenues which is 122 crores in this quarter versus the 128 crores for the corresponding period last year. It's a 4% reduction and ground rental accrual is what causes that difference. The EBIT for the quarter was 34 crores as against 51 crores for the corresponding previous period lower by 33% and the EBIT margins stood at 28%. The decline in profitability is also directly linked to the ground rent accrual that we received in the same period last year. The annualized ROC, which is a thing that we constantly focus on like what Ravi said, for the segment remains healthy at 34%. So, that's in the CFS and ICD business highlights for the first quarter. I will take you to the logistics park business next. where our total revenue for the quarter stood at a quarterly run rate of 21 crores as against nine crores for the corresponding period last year. Our reported EBIT stood at 6 crores for the quarter.

Blackstone covers our logistics parks across the states of Karnataka, Haryana, Goa, Hyderabad, and some parts of the judger warehousing, which post the deal would be 90% held by Blackstone and 10% by Allcargo Logistics. Construction cost funded by the company continues to be repaid by way of refinancing through lease rental discounting facilities that are well served by rentals that we receive, post the completion of the deal, Allcargo endeavor to reduce the debt on consolidated books considerably by the end of FY22. The transaction has seen some delays due to COVID impact of working on various offices, especially the approving authorities. However, major approvals in place construction development work is now progressing steadily. That's with our logistic park business.

A quick update to you about our projects and engineering solutions. And here we see a slight difference of the impact of the pandemic. As we see the total revenue for the quarter stood at 94 crores, versus 64 crores for the corresponding period last year, which was marked by a lot of lockdown. So, it is a 47% year-on-year growth that we have. The utilization levels have steadily improved from the low levels of 42% last year same period to over 75%. Our strategy to trim down loss making and low yield asset has steadily aging a bit improvement, the losses from the segment narrowed to 12 crores for the quarter. ROC remained stretched due to significant depreciation on equipment. However, the project logistics order book remains healthier to be 1.8 billion, focus on infrastructure growth and development of new metro and renewable power projects is likely to provide good opportunities in the near future. So, this brings to an end the highlights on the three business segments in India. I would like to quickly talk to you about Speedy Multimodes acquisition that we are planning.

This is a CFS facility in Nhava Sheva that's how we are evaluating and this adds to the presence that we already have with the Allcargo CFS. In a highly fragmented market, this gives us many advantages and builds on the asset like ROC focus and the digital enablement plans that we have overall for the group. Strategically located closer to the port, in fact the speedy multimode CFS facility is closest to the port and the complimentary set of customers and with a higher percentage of business coming in from export. This business fits in very well with the position we have and will help us grow market shares to the level 15% percent and more that we would like to have

in the CFS portion. 15% and excess would also make us the largest CFS in the JNPT Nhava Sheva area. And that is also an added incentive for us to be looking at this acquisition favorably. With that, I come to an end of my portion and I'll request Ravi to explain certain developments in our global MTO business. Over to you Ravi.

Ravi Jakhar:

Thank you Suresh. Let me now talk briefly about our MTO division, which is largely the ocean freight business operating under the EQ worldwide setup. As we announced recently, we acquired a 65% stake in Nordicon, which is the market leader and command significant 40% of the neutral consolidation market in the Nordic region, which is Sweden, Norway, Finland and Denmark. This acquisition has allowed us to continue on our growth path of expanding our presence across the globe. And bringing in a strong player like Nordicon would help us reach our strategic goals of further sensing our market leadership, the business continues to perform well for us on the back of transformation, and to provide more information on the transaction, as well as on the key highlights for how the business has been operating. I request my colleague and the CEO for Ecu Worldwide, Tim Tudor to share brief insights with you. Tim, over to you.

Tim Tudor:

Yes, thank you Ravi, and hi all it's a pleasure of mine to be with you for the first time for me, just a great honor to be on. Let me put more color on the Nordicon it's very exciting for us, indeed. It fills a white space for us where we had the availability to improve our market presence in the region. And this partnership brings together two real leaders ourselves and Nordicon in the fast growing global LCL segment, which creates a better platform to grow both ocean LCL and FCL businesses as well as rail freight from China across to Europe, which we have a significant market share on that as well. Nordicon itself holds a 40% market share in the region for the ocean freight consolidation. And the deal is really a fantastic entry for us into the new geography, where we will continue to build our global strength in the region. The partnership will give freight forwarders and other clients a much required flexible and time bound logistics solutions into the Nordic region. It's not just two market leaders, I should say. We will be leveraging the geographic presence for both ourselves and Nordicon as well as also leverage our technological capabilities providing customers the ease of transaction.

Nordicon will continue to use its existing customer service platform which they call by Nordicon and will integrate it into ours which we call ECU360 and we will run a truly global tech network. Let me run you through some of the key highlights with us in regards to the MTO business which are operated under the global brand of equity worldwide. Total revenue for the quarter stood at 2935 crore as against 1737 core for the corresponding period last year, an increase of about 69%. Year-on-year would not be the right comparison as we have maintained the growth momentum quarter-on-quarter as well which grew by 8%. Volumes year-on-year are up roughly 20% for the LCL and 30% for the FCL. Those volume growth are on top of the lockdown from the pandemic from the previous year. But it's interesting to note that our growth is actually now when we compare against 2019. We're outperforming the performance of 2019 which is important to note prior to the pandemic.

EBIT stood at 136 crore against 79 crore for the corresponding period last year, an increase of 72%. And improved profitability at a similar asset base result on return on capital employed

improved to its highest level of 36%, contributing to these results of course as you mentioned, the transformation projects that we have on the way inside the organization. We have a lot of transformation work streams happening among them, we have sales acceleration, and cost optimization and other long term driving plans that will continue to drive both growth and cost maintenance down the line. We're also participating right now in a very buoyant ocean shipping global environment, which is leading to higher volumes and higher margins. And this trend should continue through the end of Q4 for us and into the beginning of the 2023 reporting year.

We're also extremely focused on technology, and digitalization, which is key for logistics providers across the globe. We are leading the market with our product called ECU360. Which as I mentioned before with our new acquisition will tie into my Nordicon but on a global perspective it is by far the market leader for LCL transactions for ocean freight. That covers it Ravi. So, back over to you for to continue the updates. Thank you very much.

Ravi Jakhar:

Thanks, Tim. Commenting on the extras and contract logistics businesses that we operate through our subsidiaries, Gati and ECCI. Gati's performance in quarter one was impacted by the second wave of COVID. However, revenue for the quarter adjusted for the cost divestment still stood at 298 crores as against 164 crores for the first quarter in the same period previous year, which was hit by an even more significant early impactful first wave. However, we have seen that the trend had already started to improve towards the end of the quarter, and it has continued to sustain the improvement as the economy is getting back and trade and logistics is opening up. So, as we speak, we already see that the business has revived to its normal, almost the normal levels. The transformation exercise continues to gain momentum and we are on track for achieving the sustainable growth targets that we've been speaking about. And we are happy that the transformation program across operations, sales, and even digital enablement, has been working well, particularly on the digital implementation. Our WhatsApp chatbot Genie, which was launched has been very successful, and has seen significant adaptability in the market, and very strong customer satisfaction scores.

Our digital cash collection initiatives have also been very successful. With now already more than 30% of cash transactions collected digitally, and this will continue to go up. We also have the privilege of welcoming Phil as a CEO for Gati and under his leadership, we believe that Gati would continue to gain momentum from here on and drive growth. On the Contract logistics business which is under ECCI, along with the CCF business also witnessed strong growth despite the pandemic and the challenging environment. ECCI registered an year-on-year growth of 150% and 32% growth quarter-on-quarter. The growth was largely driven by the continued momentum in the e-commerce as well as strong performance and chemical vertical, which is the core and maybe the market leaders as well. We have also been running the transformation program. And, I would also like to highlight that in the ECCI, we are also trying to bring in sharp business focus on growth segment of contract logistics. And therefore we have filed for a theme of the demerger by which the ECCI business would be demerged where the contract logistics business would get transferred to Avvashya supply chain, which currently is a wholly owned subsidiary of Allcargo would be the vehicle for demerger and the CFS business would remain under ECCI.

This of course is subject to the due process being followed by the demerger scheme has been initiated this will allow the business to have stronger focus on the high growth contract logistics segment. So, with this I would like to express that the business performance continues to remain strong across all business segments. And particularly in India, now we see that the economic activity is back and the business continues to be at normal levels and driven towards strong growth on the back of transformation. That is all from our side. Thank you very much. And now, I would like to open the floor to any questions that you may have. Thank you.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Keshab Gargh from CCIPL. Please go ahead.

Keshab Gargh: Sir wanted to understand that this ED multimode sir, what kind of profitability does the company enjoy?

Ravi Jakhar: Yes, so basically Speedy Multimode has two CFSs one in JNPT and one in Mundra. In the period of FY21, the company has registered a revenue of approximately 188 crores and it has an EBITDA of approximately 25 to 30 crores, that's the range we would like to share. And we believe that, with the acquisition by us we see some opportunities to transform the operations. And also improve the operating margins. So, we believe that this transaction can be highly value accretive for us.

Keshab Gargh: Sir so, we'll be taking over some debt also of this company?

Ravi Jakhar: No, there is no significant debt in the company.

Keshab Gargh: That's great that we are paying 102 crore to acquire a company with 25, 30 crore of EBITDA, that's very good new.

Ravi Jakhar: Yes, so we are acquiring 85% share in the company at an enterprise valuation of 120 crores. And it would certainly be value accretive. And like I said, the company currently has CFS operations and it's an asset light facility, which it means that it has contracts to operate the CFS on these facilities, one of the contracts has an extension due in 2026. And the other one has more than 25 years of the lease period left. So, we also believe that those automatic renewals which are subject to satisfactory operations would all be taking care of with our efficient management. And certainly, there are opportunities to really drive strong performance and therefore it can be very highly value accretive, particularly if you look at the capital that they are employing towards acquiring these and the returns that can generate for us. So, yes, we do expect this to also add strong volumes. And like my colleague Suresh mentioned earlier, also a very interesting mix of the new set of customers, and also the contribution from export side.

Keshab Gargh: Sir that's great news. And sir coming to our MTO business, so this quarter on consolidated basis, we did 136 crore of PBTI. So, which is significant improvement year-on-year. So, you think that this level on a quarterly run rate 136 crore is sustainable?

Ravi Jakhar: So, I would say that, the performance is driven by a combination of various factors, there is a volume growth which is driving it, there's a transformation initiative which is keeping us to not just grow fields, but also optimize costs. And there indeed, has been some contribution through favorable environment, as my colleague Tim spoke about. So, it's a combination of all factors, but as we foresee the transformation initiatives will gain momentum and continue to have deeper impact. So, these performance levels are indeed sustainable.

Keshab Gargh: Sir, that's again very encouraging. And sir lastly, coming to our project in Indian solution, sir the losses have reduced quite substantially. And if the trend is anything to go by, it seems that in very near this segment will breakeven, so you think that we are online to breakeven?

Ravi Jakhar: So, we have continued to look at rationalizing the fleet in the project and equipment business, and which is allowing us to also focus on utilization. So, therefore, the profits have been going up and at the same time, we are trying to bring down the asset base as well, which leads to a higher depreciation, which largely is the reason causing a negative EBIT. If you look at the EBITDA level, the business has been providing strong cash flows. So, it's not like a business which is draining cash from the company. It's been contributing cash flow, because of straight line depreciation over the asset life, which is longer in reality as compared to what it is in books, it appears that thing. So, yes as we move forward the losses should continue to narrow down at a EBIT level. But, I would like to reiterate that these losses are not at the EBITDA level, at EBITDA level the business continues to contribute strong cash flows.

Keshab Gargh: And sir, I wanted to just say that the reason for the delisting was that the market was not giving good value to our share. But today, the share price crossed its previous all-time high. So, that problem is behind us. So, if you can convey this message to our promoters, then that would be great.

Ravi Jakhar: We will certainly convey our message to the promoters and as you rightly pointed out, de-listing is a matter between public shareholders and promoters. From the company's perspective, I can provide updates to you on the process and also for the benefit of all other participants. Since the regulations changed while the process was ongoing. The process had to be reinitiated under the new delisting regulations and therefore, it is currently under the shareholder approval. So, let's come back to shareholders for approval, and therefore considering that the voting that counts is only for public shareholders. Therefore, the decision on delisting would be dependent upon what the public shareholders decide for the delisting process to continue. And therefore not really in the hands of the promoters as well at this point in time. And bases the decision of the public shareholders by way of voting which is going on at this point in time, approximately between 10th to 15th September as the postal ballot window closes, the company would be in a position to share updates on what happened from that process.

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

Prateek Kumar: My question is, sir so basically business in MTO segment has now got significant tailwind from the business environment, after a while we are seeing this kind of profits coming in this segment. So, how do you think like, first of all what is your view on the freight rates globally. How do you think the recent close down of port in China have had any impact on the freight rates. And generally, how does this strong freight environment like let's say, while no one knows, but let's say next year if this freight rates like sort of normalizes significantly, would that impact our margins also, on per TEUs or on percentage margin basis. So, these are my related questions on MTO segment?

Ravi Jakhar: Yes, Tim, if you could answer these questions.

Tim Tudor: Yes sure, absolutely. So, there is continue of disruption to the industry with the port closures, we now have Ningbo moving into some lockdown of some sort. But it's not the entire all the multiple terminals within the Ningbo area, there are different terminals spread across different entry waterways. So, there's one terminal particular it's been closed. And yes, it does provide some disruption to the business. And these kinds of activities will continue to do so as we have learned with the Suez Canal blockage and what have you. But in addition to that, there's continues to be very strong demand for freight movement and continual container shortages, where you can't get empty containers. So, the upsurge in cargo, along with the disruption that happens in the industry, are going to continue to keep the freight rates high. Now, will they stay as high as they are forever, no. Will they stay high as they are now, for let's call it the foreseeable future if we go out six months, yes, I believe so. And that will move around trade lane by trade lane cluster trade lines by cluster trade lines. And, and then at some point, the rates will retreat again. But they will not come back to the level they were at previously. As an example, if a container freight rate from China base port to European base port was at \$2,000, I'm am speaking in dollar terms, dollars for a 40 container, and then it went up to \$12,000, it won't come back down to 2, it will settle at 5 or 6, or the normalized rate will be a much higher rate level than it was before. So, that could erode a little bit of margin going down the line, but it won't be as much as it was before. I hope that answers your question.

Prateek Kumar: Yes, thanks for answering them, like most of them got answered. My second question is, so we paid like 120 crores for 30 crore kind of EBITDA business. So, how much do we see like accretion in this profitability of this particular CFS, and I remember vaguely that this particular CFS was also handling a lot of DPT volumes when this whole noise around equity started so is it something that which gives us significant advantage versus peers?

Ravi Jakhar: So, on the DPD side, just to share with you currently almost +20 CFS is handled DPD. So, there's no technical differentiation however, as my colleague Suresh mentioned, this is the closest CFS to JNPT and therefore, logistically it's most convenient and most efficient to use the CFS and therefore it is continue to perform well. And we believe that with our participation in managing we should be in a position to further strengthen the CFS. So, therefore, it is likely to continue to exhibit strong performance and will contribute to our growth.

Prateek Kumar: And is it something which was very aggressively bided or only like this was a one-on-one transaction between the two party?

Ravi Jakhar: No, this was a one-on-one transaction between the two parties. There are, so like I said, this is not owned land, this is the Speedy Multimodes has rights to operate these CFSs in Mundra and JNPT for a fixed period of term, which is subject to renewal. And that is where we believe that with us coming in they'll be in a opportunity to continue to sustain the volumes exhibit strong operational capabilities, and continue to operate the CFS in the long run, and drive performance.

Moderator: Thank you. The next question is from the line of Chetan Shah from Abakkus Asset Management. Please go ahead.

Chetan Shah: Just two quick question. Both to Tim and Suresh if they can give us some big picture highlight about the respective regional consolidation process which has gone or which has happened in last seven, eight quarters due to pandemic where a lot of small, small regional players have been died out or out of the business due to cash crunch. And how do we see our ability to get that market share going forward and my second question is, is there any other opportunity like Speedy Multimode where we can consolidate our position in CFS business in India and I have a third question, which I will ask later if I will be allowed in time permit, please.

Ravi Jakhar: Yes, so I would request Tim to talk about, what has been the competitive landscape like as you asked about bigger players gaining advantage with smaller players in consolidation player and then Suresh can answer your questions around what's happening in India. So, over to you Tim, please.

Tim Tudor: Yes, sure that's a good question. We have certainly seen a lot of consolidation over the last five years with the ocean freight carriers. And that was out of necessity actually, because they were not performing very well. So, we've seen a lot of consolidation and that will actually help answer the previous question as well, which the consolidation of the business carriers, so there's less competition amongst them. So, the ocean freight will continue to say supporting comment to that. And then in the freight forwarder community, we see a lot of consolidation as well and it's not just the big companies, acquiring large companies, it's small companies, it's also large companies acquiring large companies. And we also are participating in the consolidation of an appetite to grow our market share and presence by the current acquisition of Nordicon. So, that we fit right into what is happening on the global strategy of acquiring companies. And, and we will continue to be on the lookout to be on the hunt, to find and look for new companies that will fit our strategic goals of continual growth in the ocean freight business, both LCL and FCL. As well as now we want to grow aggressively in the air freight business. So, these three product lines that we're running will continue to be areas where we want to grow both organically as well as through acquisition given the right multiple and given the right synergy that we can get out of the targets that we find. I hope that answers that question.

Chetan Shah: Yes, thank you, Tim. If I may just ask one follow up to that. When you say that, we are one of the fully integrated model both FCL, LCL on ocean and also looking at the air and they have

offices across and if we look at India business mainly on a greater site and our presence in various port that makes us one of the very unique business model on a global platform may not be in a very larger scale, but on a very significant trade routes scale. So, could you just explain us that, does give us any advantage while negotiating with client, not just in terms of pricing, but also in the form of gaining a long term contractual arrangement with them which helps us to have a better visibility of the business in a time to come?

Tim Tudor: So, yes, and in the global ocean freight business, we may appear to be small, but in the space in which we operate, we are the number one player, our competitors are smaller and they're behind us. So, on the LCL business in particular, and we're certainly making marks on the FCL. So, from a market position perspective, we are at the leadership position on the LCL. That answers your question.

Ravi Jakhar: Suresh, if you could add about the India part as well.

Suresh Kumar R: I'll do that. Thank you, that was a good question. With regard to the opportunities that the present situation throws up, you rightly observed that there are opportunities for consolidation, and which come up and we are constantly on the lookout for strategic fit, where we have great synergies, and we have a very, very strong record of identifying opportunities, taking them on and then assimilating those or inorganic acquisition into the group. So, that's the strength with which we look at Speedy Multimodes. And given the fact that it is strategically located close to the JNPT port here, helps us to increase our market share in the growing market of Mundra. We felt it's a great opportunity to look at. About your question as to how we responded to the pandemic. And, I would like to just add, saying that these are very difficult times, dynamic times and if we are able to respond to the customer's requirements with agility and speed, and that is something that our management and our teams across the country have been able to do. It has been a very difficult period of lock downs in which there have been many changes which have come. And that's why we have kept our eyes on operations running uninterrupted because we play a vital part in the customers supply chain and ensuring that there are no disruptions, or even if there are disruptions brought upon by the environment, how can we manage to minimize them, that's something that they have kept an eye on and absorbed some of the shots. And if I were to kind of tell you, when we went through the first phase of lockdown, and there was concession in the ports, we really extended ourselves to ensure that most of our customers who had time critical and those kind of containers, we were able to prioritize and ensure that they didn't have to go through much of disruption. So, that is something which we are focused on.

And along with that, looking at the opportunities which come up, it's put a lot of pressure on operations, including our own operations. And that's where the quality of the teams that we have, in our different facilities comes in handy. We expect to bring that kind of knowledge and understanding of the business as we look at opportunities like Speedy Multimodes and which is what Ravi was referring to bring that quality of operations and management to kind of the four so that the assimilation of those businesses can happen well.

Chetan Shah: Yes, sir just one last follow up on that. The way we acquired Speedy Multimode and trying to put fit into our missing piece is there any location or area, which is like in your top one or two priority. Where either inorganic or organic growth, which helps us to make our CFS business much more robust and relatively much more competitive to our competition around us. This is with respect to expected a dedicated freight corridor which is long awaited to get ready. And we are one of the few who can take advantage of that asset once it is ready to take highest advantage out of that?

Ravi Jakhar: Yes, so just to share on that we have provided this information earlier as well. As far as the CFS business is concerned, we would continue to look at opportunities to grow in organically wherever possible without making significant capital commitments, while on the other hand as far as ICD is concerned These have to be developed alongside the new dedicated freight corridor which has brought in paradigm shift in the rail carrier transport in the country. And we already have an upcoming large multimodal logistics path, which also includes a private freight terminal and ICD coming up at Jhajjar, which would connect with a dedicated freight corridors by way of a special Haryana orbital ray in which we are also equity partners holding a very minority strategic stake. And we would continue to look for opportunities to set up facilities in some more additional strategic locations. We cannot share details at this point in time. But yes, we would look at a couple of other facilities along the western dedicated freight corridor, which would be our focus and on CFS, we continue to evaluate other opportunities as well. Wherever we can find low capital investment, high return kind of opportunities were in our capabilities and relationships can play a role in driving growth, we look for such opportunities in some select locations. But there are no significant gaps as such, because the locations we cover already accounted for almost 80% of the underline traffic in the country.

Moderator: Thank you. The next question is from the line of Keshab Gargh from CCIPL. Please go ahead.

Keshab Gargh: So, just wanted to understand that, what would be your net date for these two acquisitions of PD and that Nordicon acquisition?

Ravi Jakhar: Yes, so I would request my colleague Deepal to share the details of the debt position with you. Deepal over to you.

Deepal Shah: Sure. See, currently our net debt is around 1800 crores across the group around 1000 crores with Allcargo around 500 crores for ECU and around 300 crores at Gati. We have some monetization event, especially the Blackstone event and some of the other events that are lined up. So, it will be very difficult to say, but as far as the Nordicon is concerned, that would add a marginally around close to 150 to 200 crore debt, but it will be kind of coked up by earnings that we've seen, which are ballooning up and will go up over the rest of the year, and we should be able to kind of repay some of the other loans on that. So, we have a target, to bring down debt over the next year, by the end of this year. And with both of these acquisitions, we do not see a substantial change in our overall debt positions. But both acquisitions put together, the cost is approximately 200 to 300 crores, which we believe that are through higher internal earnings, we should be able to fund that.

Keshab Gargh: So, basically, we will end the year with a similar amount of net debt that we have right now around 89 crores?

Deepal Shah: Yes. In fact, if the Blackstone event happens we should do slightly better than what we are doing now.

Keshab Gargh: Sure. And also, if you could give us any idea about the profitability about that Nordicon acquisition, profitability right now and with our integration and synergies and our superior management, what kind of, how much improvement in operating margins can we extract from that acquisition?

Ravi Jakhar: Yes, so just to share some details on the transaction. There again, it has been an extremely valuable accretive transaction for us, wherein we have valued the business on the basis of 2020 and the business has already grown significantly during the year 2021. And we believe that it will add further synergies to our global network as the cargo will flow into the global network. And in terms of the performance improvement within Nordicon, Nordicon is already run by an excellent management team, very focused on driving growth and digitization. So, we believe that the large gains have already been accrued since the negotiation period and the actual performance period at this point in time, so to share with you, we had paid approximately about \$29 million for acquiring 65% shareholding in the company and the company is EBITDA for the year. Along with the additional synergies and contribution to the EBITDA for ECU worldwide, the total impact should be maybe about \$2, \$3 million impact of an additional EBITDA generated for ECU Worldwide, which would be 100% ours. And the company is expected to do close to about \$7 million in EBITDA for the year and 65% of that would belong to us for the 65% share. So, those are the numbers broadly speaking, and there is no debt in the company.

Also, just to highlight the strength of our business. The Nordicon acquisition has been funded from largely from the internal accruals itself. So, that speaks volumes about the company's strength in these challenging times as well.

Moderator: Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.

Vikram Suryavanshi: Sir, I just wanted clarity on our location, the Jhajjar, because what I underscore initially we had that warehousing business as well as the ICD business. So, deal with the Blackstone which are the assets we are holding in general or it is completely sold to Blackstone with 90%, 10% holding. So, if you can give some clarity on Jhajjar asset base?

Ravi Jakhar: Yes, so Jhajjar was being built as a multimodal logistics path which will have both warehousing and the ICD and PFC business, the company in fact so, there are two entities which own the land and building there, we are already restructuring those entities by way of the merger whereby the business would get segregated into two separate entities one which would hold all the warehousing assets, which are under consideration in the Blackstone transaction, while the

second entity will hold the ICD and the PFC business which is what remains 100% with Allcargo and it is this ICD PFC business which we are referring to when we speak about the ICD sector, which is basically near Farouk Naga station and Farouk Nagar station is now part of the upcoming Haryana orbital rail corridor which is a high speed metro come DFC compliant freight transport which is very unique and provide direct access from Jhajjar to the dedicated freight corridor.

Vikram Suryavanshi: Understood. And how much CAPEX will do for development of this ICD and PFC and basically how we are looking at, it will start in a timeframe?

Ravi Jakhar: So, I would say that there are currently certain ongoing approvals and some land parcels being acquired for the purpose of railway track to be laid and which would happen during this financial year. However, subsequent investments of procuring additional land and building up the freight terminal would largely be in the subsequent financial year and in terms of the exact scale and size, it is still a bit of a broad range. So, we would share details in the coming quarters as we are still contemplating the exact operational and business plan based on traffic studies and competitive landscape. So, we would share numbers when we are more closer to having the final figures for the same.

Vikram Suryavanshi: Okay. And this 1000 crore debt what we have in standard, how much of that will go once Blackstone deal will be complete?

Ravi Jakhar: Yes, Deepal if could answer that please?

Deepal Shah: So, further clarify the total net debt for Allcargo India, standalone is around 1000 crores and net debt across group is 1400 crore not 1800 crores, 1800 crores is the gross debt. So, 1000 crore, we expect this to go down by around 300 odd crores by end of the year if the Blackstone deal goes through.

Vikram Suryavanshi: Understood. And my last question about this basically if you look at Allcargo has advantage of network as well as the kind of investment what we have done in technology. And we were talking about really capitalizing that for end-to-end delivery model. So, how much we have been able to move to into a delivery model and what kind of growth and profitability impact it can have going ahead so if you can comment on that, that would be helpful.

Ravi Jakhar: So, there are three parts to it one is an integrated freight offering, second is your customer facing synergies, and third is back-end synergies. As far as integrated freight offerings are concerned today we have Gati service capabilities, sitting right in the ECU360, the global digital platform, which allows for end-to-end road transportation. And while it is still a small base, it is steadily picking up and our focus as a business at ECU Worldwide is also to expand on the digital and door-to-door offerings. So, in that regard, it's a great capability which is gaining in percentage. Our ability to offer integrated freight services also picking up with various other initiatives such as CFS and Gati coming together, as well as offering end-to-end products for cross border e-

commerce, et cetera. However, it's a small base not making a significant commercial impact on the overall scale of business.

The other two synergies are actually playing a more critical role one on the customer facing wherein customers now recognize Allcargo as the service provider, which can be a true logistics partner to take care of all the requirements. And therefore there's a greater interest in working with Allcargo across the business segments. And that is something which is certainly helping us drive significant growth in revenue through both acquisition of new customers, as well as expanding the share of wallet with the existing customers. And that's something which is visible in the growth patterns of Gati over the last few quarters.

And the third point, which is also been significantly worked upon is the back end synergies whereby by, having businesses across the globe which integrate across the value chain, we are in a position to synergize, procurement and support operations, which have helped us to maintain the highest quality standards while optimizing cost and optimizing cost certainly helps improve the profit margins as well. So, this is what has been happening on the overall synergies on integration, customer relationship and on the back end.

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

Prateek Kumar: Just one thing on debt, net debt is 1400 crore and around 200 crore will be added by the Nordicon acquisition, is that correct?

Ravi Jakhar: That's correct.

Prateek Kumar: And just one thing on this logistic park construction for Blackstone and other parties there. So, this has been quite delayed, generally in terms of construction. So, if we just want to put that in on a scale of construction in terms of percentage, so how should we understand that because there seems March 22 also doesn't, is not a very confirmative targets we're looking at?

Ravi Jakhar: Yes, so let me just clarify there, there is no delay absolutely on construction or operations whatsoever. In fact, the facilities are already constructed and operational and also revenue accretive and we have also in some of the SUV even raised an LRD funding, which is the discounting the lease rent. So, as you would see from the segmental reporting, the facilities are already starting to earn revenues and which is increasing quarter-on-quarter as new and new tenants are moving in. The delays that we are attributing to are some of the conditions precedent to be fulfilled, which are around some very small land parcels which had some technical changes and some technical approvals which are pending with the government authorities which are still pending because the functioning of the government authorities in the state of Karnataka as well as Haryana has been constrained by the COVID pandemic, it does not impact the operational aspect of the logistics park which continue to work well on both the construction as well as leasing out so there are no concerns on the operational front. It's just at some conditions precedent, which were linked with the government approvals have been delayed, and therefore

the consummation of Blackstone, transaction has been delayed but it does not have any impact on the operational or the construction aspects of the logistics parks.

Deepal Shah: Ravi, this is Deepal to add further more through the year there will be many other boxes which will be completed and LRDs raised. So, there are no issues on the construction for sure.

Prateek Kumar: But we are still not very confirmed on receipt of raising.

Deepal Shah: No, so we are very confident of finishing it. But as you are aware that we are in the midst of pandemic, the functioning of some of the offices as the government and may not within in our controls. So, we are not able to decide. It won't be fair to give a timeline with content which we don't have a control on.

Moderator: Thank you. The next question is from the line of Chetan Shah, from Abakkus Asset Management. Please go ahead.

Chetan Shah: Just one small question, what will be the normal CAPEX for the current financial year apart from these two acquisitions?

Ravi Jakhar: Deepal, if you could answer that on the CAPEX budget.

Deepal Shah: So, if we leave the Blackstone pieces, where the construction needs to be completed if we leave that aside apart from that, we do not have any other large CAPEX other than just maintenance CAPEX to the year, that's a very, very small amount.

Ravi Jakhar: Just to add further on that, most of the expenses have been moved into operating expense category as we look at using technology also to service providers as a service rather than investing. The focus has been very sharp on keeping the CAPEX minimal. So, therefore, in proportion to the earnings, it will be very minimal.

Moderator: Thank you. Ladies and gentlemen, this was the last question for today. I would now like to hand the conference over to Mr. Vikram Suryavanshi for closing comments.

Vikram Suryavanshi: Thank you Rutuja. We thank the management of Allcargo Logistics for giving us an opportunity to host the call and taking time out for interaction with the stakeholder. Thank you all for being on the call.

Deepal Shah: Thank you.

Tim Tudor: Thank you very much, it was a pleasure to be here.

Ravi Jakhar: Thank you for everyone. Thank you.

Moderator: Thank you. On behalf of PhillipCapital (India) Private Limited, that concludes the conference call. Thank you for joining us and you may now disconnect your line.