

December 26, 2023

To, BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai – 400 001 BSE Scrip Code: 532749	To, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex, Bandra (East), Mumbai – 400 051 NSE Symbol: ALLCARGO
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Sub: Transcript of Analysts/Investors call for the Composite Scheme of Arrangement

Dear Sir/Madam,

Pursuant to Regulations 30(6) read with Schedule III and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of earnings conference call held on Friday, December 22, 2023, for the Composite Scheme of Arrangement.

The above information will also be available on the website of the Company on <https://www.allcargologistics.com>.

We request you to take the above on record.

Thanking you,
Yours faithfully,
For Allcargo Logistics Limited

Devanand Mojidra
Company Secretary & Compliance Officer
Membership No.: A14644

Encl: a/a

ALLCARGO LOGISTICS LIMITED



“Allcargo Logistics and Allcargo Gati Limited Investors Conference Call to Discuss the Composite Scheme of Arrangement”

December 22, 2023

Disclaimer: E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 22nd December 2023 will prevail.



MANAGEMENT: **MR. RAVI JAKHAR – GROUP CHIEF STRATEGY OFFICER,
ALLCARGO LOGISTICS LIMITED**
**MR. DEEPAL SHAH – GROUP CHIEF FINANCIAL OFFICER,
ALLCARGO LOGISTICS LIMITED**
**MR. PIROJSHAW SARKARI (PHIL) – MANAGING DIRECTOR
& CHIEF EXECUTIVE OFFICER, GES CPL**

Moderator: Ladies and gentlemen, good day and welcome to the Allcargo Logistics and Allcargo Gati Limited Investors Conference Call to Discuss the Composite Scheme of Arrangement.

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. These statements are not the guarantees of future performance and involve risks and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and then zero on your touchtone phone. Please note that this conference is being recorded.

From the Management, we have with us today, Mr. Ravi Jakhar – Group Chief Strategy Officer, Allcargo Logistics. Mr. Deepal Shah – Group Chief Financial Officer, Allcargo Logistics, Mr. Pirojshaw Sarkari – Managing Director and CEO, GESCLPL.

I now hand the conference over to Mr. Ravi Jakhar – Group Chief Strategy Officer, Allcargo Logistics. Thank you. And over to you sir.

Ravi Jakhar: Thank you and good afternoon, everyone. I hope you have had a chance to look at the presentation uploaded on the stock exchanges, providing details of the scheme of arrangement that has been announced and approved by the boards of Allcargo Logistics and Allcargo Gati Limited.

Let me begin by giving the context of the decision and details of the scheme:

As you would be aware, over the last three to four years as a group, we have been undergoing the journey of business transformation and corporate restructuring with an aim of making businesses strategically independent, providing financial flexibility, making the corporate structures very simple and identifying core businesses for transformation and growth. Over this period, we have exited several small non-core businesses, we have divested non-core assets and we have continuously strived towards simpler structures and robust growth.

As part of the earlier scheme of arrangement which has already been concluded, CFS-ICD business is already now listed under Allcargo terminals and the real estate business is now already listed under independent entity, TransIndia Real Estate. The two flagship businesses, which are asset light digitally focused businesses, international supply chain and domestic supply chain continue to be under Allcargo Logistics and now this scheme of arrangement will provide for creating two strategically independent undertakings which can pursue higher growth objectives independently across these two businesses.

On the transformation side these businesses continue their journey towards digitization and growth, and this now therefore concludes our three-to-four-year program on restructuring and

simplification having exited all the non-core businesses, having divested all the non-core assets. And with this final leg of restructuring, the group would now have four businesses under four independently listed entities driving each business with sharp management focus and independent distinct shareholding structure.

Coming to this final leg of transformation facilitated by the scheme of arrangement, what we have done is that the international supply chain business has been demerged into Allcargo ECU Limited. This would include the international supply chain business, which we do in India as well as the business that we do across the world under the group level subsidiary, Allcargo's Belgium subsidiary, which is ECU Worldwide N.V. So, the international supply chain business, the India as well as the international part will get demerged into Allcargo ECU Limited. This is a very simple demerger; 1:1 mirror demerger for each one share of Allcargo, the shareholders will get one share of Allcargo ECU and this therefore becomes a clean, independent, simple structure.

On the remainder of the entities, as one would notice, there is a complex structure at this point in time with multiple step-down subsidiaries. The two operating business entities today are Gati Express Supply Chain, which houses the Express business and Allcargo Supply Chain which has the Contract Logistics business.

By way of this composite scheme of arrangement, all these entities would collapse and become one unified entity, Allcargo Logistics, which will have both Express and Contract Logistics businesses. There will be no subsidiaries, no step-down structures, clean state shareholding in the hands of all shareholders of Allcargo and Allcargo Gati.

By way of the scheme of arrangement, there are multiple steps which have been provided in the detail, but eventually what would be the final outcome is that the shareholders of Allcargo would continue to hold their shares. So, as of date today, approximately 24.4 crore shares are there and with the 3:1 bonus, that number would be about 98.3 crore shares. So, those shares would continue in the resulting entity. In addition to that, the shareholders of Allcargo Gati, other than Allcargo, because Allcargo shareholding will get cancelled out as part of the scheme, but other than Allcargo, the other shareholders will get shares of Allcargo Logistics, which is the entity post demerger of international supply chain business in a ratio of 63 shares for every 10 shares. This basically means that roughly over 40 crore shares will be issued to shareholders of Allcargo Gati other than Allcargo and the eventual total share number would be approximately about 139 crores. So, this is what the outcome would be in terms of creating this entity.

The entity would now have the capabilities across both Express and Contract Logistics businesses, a much stronger balance sheet and a much more synergistic business, which is very uniquely positioned to conquer the opportunities that are presented by the domestic supply chain ecosystem.

To talk further about the impact of this realignment, simplification of structure and coming together of Express and Contract Logistics businesses, I would request my colleague, Phil, to explain about how this works from a customer point of view and in the business context. Thank you. Over to you, Phil.

Pirojshaw Sarkari:

Thank you, Ravi, and good morning to all of you. A lot of you all have been asking this question about Contract Logistics and Express Business synergies coming together in the previous calls and I think Ravi has explained from a legal structural point of view where we are heading.

The Allcargo Supply Chain business that we have today is a cash rich business for us and it will only enhance the balance sheet of the Allcargo Gati business. But having said that, the synergy is more on the business front. As I have been saying, India is moving to the next level of economy, and we are going to look at manufacturing coming in a big way which would require fulfillment logistics from a single partner. And fulfillment logistics basically is about letting the manufacturer manufacture its goods and we fulfilling the orders that the manufacturer gets for selling their goods, which includes warehousing and distribution. And therefore, we will be uniquely placed as one single organization who can give the warehousing as well as distribution, not just physically but also digitally to the end customers because we will be on one technology that we are building out. This will be the order to cash management that we talk about. So, this is on the front end to the customer on the top line, but there are so many synergies when you put two businesses together in optimizing costs for the organization, both from a sales perspective as well as an operational perspective and I see tremendous opportunity for us to optimize costs by getting these two businesses together.

As we move forward in the long run, we will see that most of the manufacturing that happens in India would require logistics, which is basically from port to their plants or factories and then from factory to warehouse and then again to the end customer or again to port and we would be uniquely placed to provide that service.

So, with that, I will halt over here and we'll open ourselves to any questions that you all have.

Moderator:

We will now begin the question-and-answer session. The first question is from the line of. Mr. Nilesh Saha from Julia Bear. Please go ahead.

Nilesh Saha:

I was just hoping if you can talk a bit about your Company which will be called, I think Allcargo Logistics Limited which will have I think your Express and the third-party supply chain franchises, right, can you talk a bit about what the balance sheet of this entity will likely look like? What is the margin profile, a bit on that?

Ravi Jakhar:

So, just to come in on that, as you see, this would be a combination of Express and Contract Logistics business, which combined has a turnover of about Rs.1,800 crores for the FY23. And if you look at FY23, Express Logistics business under GESPL reported about Rs. 71 crores EBITDA, Contract Logistics business reported about Rs. 121 crores EBITDA. So, combined

we're looking at roughly about Rs.1,800 crores revenue and about Rs. 190, 195 crores kind of reported EBITDA. That's a scale of business which is being shared in the presentation as well. And in terms of what the business means, I would hand it over to Phil to explain to you the construct of the business and how it's played in terms of a competitive position.

Pirojshaw Sarkari:

So, the second part of your question was more on the margin profiles. If you look at both the businesses, the margin profiles individually are very similar. You look at anywhere between 10% to 15% EBITDA. But what tends to happen is when you run them together, you can optimize cost, especially the S&OP cost and therefore you can strive to get a better margin profile for the joint entity. Also, the other thing to note is that when Allcargo acquired Gati, at that point of time, we had clearly mentioned that we will be an asset-light Company and today almost all the assets that we had brought down in our balance sheet as asset for sale have been sold off except for a couple of them which by this quarter end we would be selling. And why I'm saying that is because the Allcargo supply chain side of the business is a totally asset light business. So, the entity that will be then getting is an asset light entity doing fulfillment logistics for you.

Ravi Jakhar:

And you also asked on the balance sheet. I'll request my colleague Deepal to share numbers on that.

Deepal Shah:

So, there are two steps to the entire scheme of arrangement. Step one, appointed date is 1st of October and the other one is, which is a future appointed date based on the scheme. So, on the first step, typically the Allcargo demerger of ECU business, you already had the segmental view for the MTO business in the standalone, which would give you an idea as to what will move away as a P&L. On the balance sheet. What we have is the segregation of the asset and liabilities will be specific to the business, which will move away. The debt typically also as per the scheme, any specific debt which is related to a particular business moves with that business, and the balance common debt moves in the ratio of the net assets. In this case, we have around Rs. 324 crores of debt as of September, working capital debt is around Rs. 77, 78 crores which will move with the MTO business, Rs. 200 crores of debt, for the acquisition stays back into Allcargo Logistics Limited, and Rs. 45 crores worth of common debt which has been split and Rs. 45 crores value will stay back into Allcargo. Now, at the Gati level and the contract logistics level, contract logistics is again a very asset light Company. So, that balance sheet of contract also which is known as ASCPL will merge into Allcargo Gati Limited and GESPL balance sheet will also move into Allcargo Gati Limited. On the debt side, the gross debt is ranging to around close to Rs. 150 crores with approximately Rs. 100, 105 crores of liquidity available, making it a net debt of Rs. 45 to 50 crores in that business as we stand on September 30th. So, this is how the balance sheets will pan out. The individual segmental numbers are already available for you to review, and if there any further specific questions we can definitely answer some of them.

Nilesh Saha:

So, just to clarify one thing, you are saying that the debt of the Company called Allcargo Logistics will be somewhere in the Rs. 250 crores ballpark range, is that right?

- Deepal Shah:** That's correct. Please understand that is as of September and -
- Nilesh Saha:** Some minor change can happen. I fully get that.
- Deepal Shah:** No. If there is cash available in the future, we repay some of them. So, when that rolls out finally that number could change is what we're trying to say.
- Nilesh Saha:** I know that you guys had acquired Gati in the past and I also see that a lot of the management team comes from a supply chain background. And now that you have a mix in Allcargo Logistics of Express and more of the managed supply chain, as you go forward, how do you see that mix changing and which of these are you more excited about as this entity is formed and you can really grow it?
- Pirojshaw Sarkari:** Firstly, as you have seen that we have recruited a lot of professionals over the last two years in Allcargo Gati, not necessarily that their background is only from contract logistics, I myself was from UPS, which is an express logistics company. So, to answer your question, of course, the joint entity will have the best talent that is required to run the joint entity. At the front end, we see a lot of synergies when it comes to our sales and marketing team. At the back end, as far as operations is concerned, we will have specialization where required and then of course the general operations is run by a professional team. So, it is not about excitement being in either, it is about excitement being together, I would put it that way.
- Nilesh Saha:** Thanks a lot, and I wish you the best in a new avatar. I know that with your background and experiences, you can really scale this both in terms of your size and margin profile and I wish you all the best for that.
- Moderator:** The next question is from the line of Rishith Shah from Nuvama Wealth. Please go ahead.
- Rishith Shah:** Two questions relating to this. So, firstly, actually I lost some part in the middle of the debt. So, firstly, we said regarding GESPL, we have a gross debt of 150 crores and a net debt of around 45 crores, which will stay in Allcargo Gati. A similar number can you give for Allcargo Supply Chain which will move to Gati?
- Deepal Shah:** So, the Allcargo supply chain does not have any significant debt, Rs. 10, 12 crores at max, nothing beyond that.
- Rishith Shah:** Regarding the international supply chain, you said around Rs.324 crores of debt we have as on September, right. What would be the net debt in there?
- Deepal Shah:** Almost Rs.324 crores is almost net. Not much cash is available there at the moment.
- Rishith Shah:** So, we have announced a Rs. 500 crores equity fund raise in Gati. So, can you just highlight where will we use that particular fund and what is the outlook for the same?

Ravi Jakhar: So, we have taken the board approval for the same and we will now be going to shareholders for the approval. As we streamline our plan, this is the time of the year when we are working on the three-year business plans looking at the investments required in technology, continued upgrade of infrastructure and other such requirements and once we have the shareholders' approval and we have a definitive plan, we would come back and announce about the same. At this point in time, there are no further details that can be shared.

Rishith Shah: About the international supply chain, we have been seeing some volatility in terms of margins as well as realization. So, can you shed some outlook regarding the same where the business is headed and in terms of profitability as well?

Ravi Jakhar: We continue to maintain the same outlook. The global macroeconomic environment remains subdued; world trade is likely to remain sluggish for the next quarter or two, because for the demand to come back in, consumption has to improve, which means the interest rates have to come down. Now, we've clearly seen that globally inventory levels are rationalized, interest rates are not going up any further and over the next six months, hopefully, the interest rate should come down, inflation in the western world should be under much more control. And considering all these factors, there is an indication that the second half of 2024 should have a robust global trade and that should bring back the demand in the business as well. But, in the immediate future, our focus is more on cost optimization and we have taken several initiatives which should show partial impact in the Jan to March quarter and full impact from 1st April as some of these costs are also linked with set of severance costs, etc., So, in the Jan to March quarter, you should see some improvement on account of cost, April to June, you should see some further improvement on account of cost optimization, in the second-half of the 2024 calendar year you should see revival in business. That is our estimate at this point in time.

Moderator: The next question is from the line of Abhishek from Dolat Capital. Please go ahead.

Abhishek: Finally, ASCPL, I mean, the contract logistics business and GESCPL will merge with the Gati Limited and there will be another Rs. 500 crores fundraise through equity. So, how much new share would be issued in Gati Limited, I mean to say that what would be the equity dilution? Now, Gati has 13 crores shares. Then post all these exercises, what would be the actual number of shares of Gati Limited?

Ravi Jakhar: So, let me reiterate what I explained at the beginning of the call as well. These are all intermediary steps of a composite scheme. The eventual outcome is the international supply chain business gets demerged and the remaining businesses and entities fold into Allcargo Logistics, which today has about 98.3 crore shares after taking into account 3:1 bonus which is being effective, is already approved by the shareholders. On top of this 98.3 crore shares, approximately additional 40.4 crore shares will get issued to shareholders of Gati other than Allcargo. So, today out of the 13 crore shares, approximately 6.5 to 6.53 crore shares are held by Allcargo and about 6.47 crore shares are held by shareholders. Allcargo shareholding will get cancelled, no fresh shares to be issued, but for the other shareholders they would get 10:63 which

is the swap ratio recommended by the independent valuers and announced in our filings. So, on that ratio that 6.5 crore shares approximately turns to 40.3 crore shares. So, eventual shareholding would be, total shares of about 139.2 crores, out of which 40.4 shares will be issued to shareholders of Gati other than Allcargo.

Abhishek: So, what would be the total number of share of Gati Limited -- that would be 14 crores shares?

Ravi Jakhar: That entity would collapse into Allcargo Logistics. So, there's only one single entity at the end of the composite scheme which will house all the businesses. We are completely eliminating all the subsidiary and step-down holding structures.

Abhishek: Sir, after demerger of international supply chain business, what would be the benefit in terms of the operating efficiencies because this business is quite volatile in terms of the margin and the top line. So, earlier there was diversification, but now it is a consolidation. So, what is the thought process behind this?

Ravi Jakhar: Right now, that business would become independent. It has robust cash flows completely asset light digital play with minimal CAPEX requirements. And therefore, that business would have a strong balance sheet and also continued strong cash flows which can be distributed to the shareholders, and be deployed for multiple strategic objectives. That business is currently in the worst macroeconomic environment. We have also seen the exceptional years which were driven by supply chain disruptions. We believe the normal lie somewhere in between and that is what I was referring to should come back from the second half of 2024. But becoming an independent business, there would be strategic independence to pursue the goals of that specific business with the cash flow generated and that business has been generating healthy cash flows and that's the business which if you see historically has funded for all the growth initiatives across the group in the past.

Deepal Shah: And of course with the asset light, it also has the capability to give a very good return on capital.

Moderator: The next question is from the line of Radha from B&K Securities. Please go ahead.

Radha: You mentioned that the EBITDA for contract logistics business is Rs. 120 crores. So, firstly, I'm assuming that this is for the entire 100% contract logistics business, that includes whatever stake from JV partners we had acquired previously. And so assuming Rs. 120 crores for the whole business, so what would be the PBT out of this 120 crores in FY23?

Pirojshaw Sarkari: So, Rs. 120 crores is from the whole business. And we have been giving the EBITDA figures out. We have not shared the PBT still. So, we will do it in the following calls.

Radha: Sir, actually, because this is a warehousing business, so just wanted to understand whether the depreciation and interest cost would be so high to the level that it entirely dilutes the EBITDA or would PBT be in the range of Rs. 20 crores or so?

- Deepal Shah:** So, in the presentation, we already shared the ROU and the lease rental, it will be close to Rs. 25, 30 crores of PBT.
- Radha:** How much are we expecting this to be in the next 2-3 years?
- Ravi Jakhar:** So, on the growth potential, we have not given any specific guidance. However, we continue to maintain that these are strategic flagship businesses and each of these businesses will continue to gain market share, which means will grow faster than the market.
- Radha:** Secondly, the amalgamation ratio that we came out for Allcargo Gati Limited, so it was 63:10 and it was mentioned that this is based on the valuation done by independent valuers. So, could you give us the insights on valuation that each business that they have arrived separately for the contract logistics, express and international supply chain business?
- Ravi Jakhar:** Yes, so all these details will be part of the scheme as we file it with the exchanges and they would make them in public domain... so all the details would be shared through the exchanges, we would be submitting the details with the exchanges.
- Radha:** Currently, actually, could we get any insights on what kind of valuations that they have arrived?
- Ravi Jakhar:** At this point in time, we'll be bound to share the scheme documents with the stock exchanges and the swap ratio provides a good indication of the relative valuation, which is what matters because it is a scheme of arrangement, relative valuation is what is important, but from the other details perspective, we're bound to follow the process and we'll submit it to the exchanges and then then they would release in public domain.
- Radha:** After this scheme of arrangement, we will have two listed companies, Allcargo ECU and Allcargo Logistics. What I understand is the capital employed for the Allcargo ECU should be in the range of Rs. 3,000 crores and Allcargo Logistics could be in the range of Rs. 1,100 crores. So, given that we had a discussion on the debt previously, so out of these 3,000 crores, if my understanding is correct, the total debt would be around just Rs. 120 crores and out of this Rs. 1,100 crores, the debt would be 250 crores, is this correct sir?
- Deepal Shah:** The overseas business at a consol level, yes, it will be close to Rs. 2,500 to 3,000 crores of capital employed. But the debt overseas is around close to Rs. 30 million and in India the debt could be close to Rs. 78-odd crores is what we've spoken about. That would be the breakup of the equity and debt.
- Ravi Jakhar:** Total debt put together would be approximately in the range of about Rs. 300 to 350 crores ballpark.
- Radha:** So, total debt for both the businesses?

- Deepal Shah:** Allcargo ECU Limited is what you asked for. So, we are specifying only for Allcargo ECU Limited. For Gati, we mentioned that around Rs. 245 crores worth of debt will stay back in Allcargo and another Rs. 45 crores and approximately Rs. 9 odd crores of ASCPL, so 55 will add up as of September 30th 50 plus 55 so around Rs. 300-odd crores of debt at the consol level in the Gati, the Allcargo resulting entity. But these numbers are as of September 30th and are bound to change as we go along because the actual effective date is in the future.
- Ravi Jakhar:** And on a quarterly basis, we'll keep on updating the pro forma numbers based on the scheme of arrangement as we come out with the quarterly earnings presentation.
- Moderator:** The next question is from the line of Abhijit Mitra from Aionios Alpha Investment Management. Please go ahead.
- Abhijit Mitra:** Just to understand a bit more on the contract logistics business, which is getting transferred. So, we can see that there is a 10 mn.sq.ft. of warehousing that's currently under operations and it's yielding almost Rs.340 per square feet on FY23 revenue. So, what are the plans, I mean, where do you want to take both the square footage as well as the yield out of these assets over the next two to three years and what would be the building block behind that plan?
- Pirojshaw Sarkari:** So, Abhijit, the contract logistics business today has 5 mn.sq.ft., not 10 mn.sq.ft. 10 mn.sq.ft. figure you may have taken as a combined entity of both Gati and contract logistics. You read my mind; my ambition is taking it to a 10 mn.sq.ft. from 5 mn.sq.ft. in contract logistics. Contract logistics basically has a margin profile which increases with the kind of business you do. So, if you do a vanilla cost plus business, there is a margin profile and if you do value added services, the margin profile improves and we are clearly wanting to do a digitized value added service on an end-to-end basis in both the contract logistics and express put together and therefore keep expanding our margins as we move forward.
- Abhijit Mitra:** So, just to understand the unit metrics, if one has to expand by 5 mn.sq.ft. what kind of investments are we looking at, what's the broad timeframe that you were sort of thinking, what kind of yield per square feet are you expecting?
- Pirojshaw Sarkari:** First of all, we are an asset light Company, right? So, when we say we're going to increase 5 mn.sq.ft., this is going to be rental commitments and no CAPEX for building out these assets. We do invest in material handling equipment and again depending on what kind of business we contract; the material handling equipment CAPEX keeps changing. So, if it is an e-commerce business vis-à-vis FMCG business, the CAPEX will keep changing over there. So, if you have to look at this business, it will be a very high ROCE business because compared to the numbers the capital investment required is very low.
- Abhijit Mitra:** So, last year I could see a CAPEX of Rs.21 crores from the annual report that has been filed. So, that 21 crores, I mean is purely MHE and equipment to sort of refurbish the facility that you're

renting out, right? So, that kind of CAPEX will continue and that per annum CAPEX can help you reach 10 mn.sq.ft. in three to four years' time?

Pirojshaw Sarkari: Even the Rs.21 crores CAPEX that gets incurred has a lifespan, so, some of these MHEs have an eight-year lifespan, some of them have a 10-year lifespan, right? So, as we keep moving our contracts, we don't necessarily for every new contract need new MHE. So, we build the warehouses for multi-users and we put in the MHE and then we get our customers. So, CAPEX requirement generally in this kind of business tapers down as we move forward. So, that's the way you should be looking at this business.

Abhijit Mitra: But, in terms of timeframe, you are not sort of probably not yet committed to reach that 10 mn.sq.ft. in three years, four years, that kind of commitment is not yet there at least, I mean, might be on the drawing stage?

Pirojshaw Sarkari: I have not made out any commitment of that sort up till now in the market. So, once we get into the business full fledged, we will make such commitments later.

Moderator: The next question is from the line of Jainam Shah from Equirus Securities Private Limited. Please go ahead.

Jainam Shah: So, this question relates to the contract logistics business that we are having in Allcargo Logistics and Allcargo Gati. So, how this business differs from each other and how it could be benefited with the Express Logistics coming into play?

Pirojshaw Sarkari: So, whatever supply chain business you're seeing in Gati, if you have been following Gati, it is kind of a stagnant revenue of about Rs. 4.5, 5 crores and this was being done by Gati before the acquisition made by Allcargo. Since there was a joint venture partner in KWE at that point of time, there was an agreement with the partner that this small supply chain business has to continue till KWE is a partner with us. While we did not expand this business because we already had a supply chain business in Allcargo Supply Chain, erstwhile ACCI. So, the expansion that happened in our supply chain business all happened in ACCI and that is why you see this business in Gati, which actually is a loss-making business in Gati, the supply chain part of the business, will then move out and it will be fully done under one entity.

Jainam Shah: This Allcargo Supply Chain Private Limited that we are selling it to the Gati first, what is the outstanding shares at entity and what is outstanding OCRPS of that entity as on 31st March or 30th September?

Ravi Jakhar: Just to clarify, it's being merged and not sold. And secondly, like I mentioned earlier, these are all interim steps to one composite scheme. So, best would be to look at the eventual picture wherein shareholders of Allcargo Logistics continue to hold their shares and the shareholders other than Allcargo, in Allcargo Gati get the shares in Allcargo Logistics post demerger in the ratio of 10:63.

- Jainam Shah:** Yes, yes. But sir, this is for the purpose of finding the value of the business that is getting transferred, which is Contract Logistics and also finding the business of Express Logistics as per the independent value to get back to the value of that because it is currently not filed to the stock exchanges, if available?
- Ravi Jakhar:** So, all the details will be filed with the exchanges in the SEBI format with all the valuations and rationale also mentioned by the valuers, so all those details will be in public domain in coming days.
- Moderator:** The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Two things just to clarify. Most of the questions were answered. One, if you look at Allcargo ECU, the new entity which will form, the standalone supply chain business will be part of Allcargo ECU and the subsidiary structure will remain the same so if you get, basically is that understanding right?
- Ravi Jakhar:** No, let me clarify. There is no standalone contract logistics or supply chain business in Allcargo. Allcargo stand alone is purely the ECU Worldwide business in India. The supply chain contract logistics business is entirely carried out in Allcargo Supply Chain and a small part which contributes 0% to profit and a small percentage to revenue is carried out in Gati Express Supply Chain, all of which is getting combined into Allcargo Logistics, the entity for Gati Express business and the Contract Logistics business. There is no standalone contract logistics business in Allcargo. Allcargo ECU Limited will only have the international supply chain business which is the LCL and FCL business with some bit of air business that we do.
- Vikram Suryavanshi:** I think I will just clarify my question again. We currently have international supply chain business. Some part of that is under Allcargo currently as an Indian entity. That will remain part of Allcargo ECU as a standalone business, is that my question?
- Ravi Jakhar:** That is right. International supply chain business operating as ECU Worldwide globally, the India part of that business will continue to form part of the standalone Allcargo ECU and the overseas subsidiary will continue. Whatever you see as standalone Allcargo today, will become the standalone Allcargo ECU.
- Vikram Suryavanshi:** We have plan to raise money in Express business. So, will that be before this operation and in that case, if you raise the money before this restructuring happens, our number of shares in Allcargo, where future Express business will be part, that number of shares can increase?
- Ravi Jakhar:** So, while we have taken the board approval and now, we would seek shareholders' approval, the exact details would again tie into the business plan and the requirement of funds. From a process standpoint, the fund raise can be initiated during the course of the corporate restructuring as well and it would not make any impact to the swap ratio, it would be just like how any other

Company raising funds would issue fresh shares for incoming funds. In a similar fashion, the shares would be issued to any incoming investor as and when the fund raise happens.

Vikram Suryavanshi: So, does not necessarily wait for this restructuring to complete to raise the money?

Ravi Jakhar: We don't have to, we have the flexibility to plan as per the strategic business requirements.

Moderator: The next question is from the line of Deep Master from One Up Financial Consultants. Please go ahead.

Deep Master: So, I had a similar question on the value. But so, while you all said that you will file the valuation reports with the exchanges, is it fair to assume that there's a slight bit of benefit given to Gati shareholders in this merger because that's what's coming out when we try and do the math, so just wanted to check the understanding actually?

Ravi Jakhar: So, the swap ratios are based on valuations carried out by independent valuer. We have no say or comment upon that. The swap ratios are determined by valuers adopting various methodologies that they adopt for us or any other Company as well. For instance, for a listed Company, they would look at the SEBI guidelines of 90 days volume weight, average price for 10 days volume weighted average price, whichever is higher. And if there's a business which is directly linked to that, there could be a pass-through analysis and for a privately held Company they would look at DCF comparable valuable, multiples, etc., So, all those mechanisms have been adopted by them and they have recommended a swap ratio. Our work as management is to define the structure and then implement the effective swap ratio based on those valuation. So, whether it is a benefit to one party or the other, I don't think that is the case. Fair valuations have been done taking into account. And in my view, it's both parties who benefit because Allcargo shareholders now get a direct access to the -

Deep Master: We're trying to take the understanding basis, the value that you may have taken in the current value today as they are available on the exchanges. So, I would appreciate if the valuation reports will be made available at the soonest, so we will -

Ravi Jakhar: They will be made available as part of the filings... yes, they will be made public.

Moderator: The next question is from the line of Dhwanil Desai from Turtle Capital. Please go ahead.

Dhwanil Desai: I only have one question but maybe a couple of parts to it. So, the enabling resolution I think you have taken for raising money in Gati, the express logistics business, but my understanding is that both Gati and ASCPL are pretty asset light in nature, and they generate very decent cash flow. So, 500 crores is a very substantial number. So, are you guys looking at any inorganic opportunities which is on the horizon because in your presentation also you talked about the larger scale enabling you to do more inorganic acquisition. So, is this something which is part of the business plan that you are thinking may or may not fructify, but is it on the horizon?

Ravi Jakhar: So, at this point in time, we are focused on improvement of the infrastructure, digital capabilities, that's the primary focus at this point in time. And this is an enabling resolution with the upper cap. As a group, we also intend to keep leverage to the optimal level. And as you would see, Gati has been growing well, but in terms of cash flow generation, as the business grows, perhaps the working capital takes in more capital than the cash generated, which is also likely to follow. So, we'll apply financial prudence into our decision and primary focus is on improvement of infrastructure and digitization as Phil spoke about. Any specific details would be linked to the business plan, and we would announce at the time of taking specific actions. There is no further details that we can share beyond this.

Moderator: The next question is from the line of Rushabh Shah from RBSA Investment Managers. Please go ahead.

Rushabh Shah: Earlier, we used to give a vision for FY26 that we're targeting Rs. 3,000 crores for the Allcargo Gati entity. So, taking into account the new business that is coming to the foray, that is Allcargo Supply Chain, would this number be significantly higher, mean, how should one look at the trajectory 3-4 years down the line?

Pirojshaw Sarkari: So, we stick to our Rs. 3,000 crores for Gati. Let the scheme come about and then we can talk about what will the number be once the merged entity comes up. Right now, it is Rs. 3,000 crores.

Rushabh Shah: What happens with fuel station business that we're looking to divest in this year itself?

Pirojshaw Sarkari: Fuel station business like I've always been saying, we already have a buyer, but the problem is that it requires permission from the public sector units, which means in turn government of India. So, while both the buyer and us together have made certain approaches to the public sector companies, and they are also working on it, I cannot with certainty say when, but I can also say that very soon we'll try and get them off our balance sheet.

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

Ankita Shah: I wanted to understand, post this amalgamation one and two of the Allcargo Logistics business, I mean, I'm already excluding the ECU business, so from whatever is left, after both the amalgamations, what would be the number of shares in the new entity?

Ravi Jakhar: As I mentioned earlier, I would just reiterate the final number; 139.2 crore shares in the Allcargo Logistics post demerger of the international supply chain business, which comprises 98.3 crore shares, which will be current shares post 3:1 bonus and the additional 40.3 or 40.4 approximately crore shares being issued to shareholders of Gati other than Allcargo, so non Allcargo shareholders, that's the total base 139.2 crore shares.

Ankita Shah: But for ASCPL and GESPL also will be issued shares of Gati, right?

Ravi Jakhar: No, no. So, all of this will merge. The eventual outcome will be only shareholders of Allcargo will continue to remain shareholders in Allcargo Logistics and shareholders of Gati except Allcargo Logistics would get shares in Allcargo Logistics as a ratio of 10:63. So, if you look at 6.5 crore approximately, the number of the shares held by shareholders other than Allcargo, you multiply that by 6.3, that comes to about 40.4 crore shares.

Ankita Shah: Since I'm confused, I'll probably connect with you separately?

Ravi Jakhar: Sure. We would also be happy to share the workings and numbers for everyone... we'll do that.

Moderator: The next question is from the line of Mehul Panjuani from 40 Cents. Please go ahead.

Mehul Panjuani: I have a question about the management changes in the two companies because after this restructuring is done, we will have only two companies, Allcargo in this particular apart from the TransIndia Real Estate and the Allcargo Terminals, there will be two companies, Allcargo ECU and Allcargo Logistics. So, is there any definite management being considered or it's still in progress?

Ravi Jakhar: So, that is very clear. Allcargo Terminals and TransIndia Real Estate are already separately listed independent companies with independent boards and management teams. Among these two businesses also, we are already structured on the business rationale. So, the international supply chain business has its own separate management team which drives the business globally, and the domestic supply chain which is both Express and Contract Logistics business have a management team wherein both businesses fall under a purview of Phil. So, on the business team side, the management structure is already aligned. Now, with both businesses coming under single entity, there would be further continued rationalization of structure as Phil was explaining earlier between the Express and the Contract Logistics business. But the split is already there in terms of the top management.

Mehul Panjuani: Please pardon my ignorance. But as you as the management for Allcargo ECU also communicated, it's too early, right?

Ravi Jakhar: Allcargo ECU would be the same management which drives the international supply chain business today. So, as you would know, we have our Managing Director, Mr. Adarsh Hegde, we have our global leadership team. So, if you refer to our investor presentation and look at the ECU Worldwide management team, which has always been spelled out separately, that is the team that will be driving Allcargo ECU Limited and the team that you would see on the Gati presentation and also in the Allcargo presentation as the Gati leadership team, that's the team that will be driving the Express and the Contract Logistics businesses. Both the teams are well established for the last few years now. And both Express and Contract Logistics came under leadership of Phil earlier this year.

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

Udhayprakash: This will completely simplify what you start the structure, what you started three years ago. So, my first question is right now as of September '23, the Company has a trade receivable of around Rs. 3,000 crores in the balance sheet. So, can you give a break up of how much will be for the logistics business and how much is for the international supply chain business? And my second question is more focused on the ISC business only. So, recently there were some attacks in red sea and all and global trade especially muted. So, will this further elongate the time period which will take for the world trade to come to normalcy?

Ravi Jakhar: So, I'll respond on the second part and then request my colleague Deepal to give some perspective on the trade receivables. Red sea attacks have led to more shipping line suspending their services through the red sea and that is meant that the ships now need to go via the Cape of Good Hope leading to longer transit times, additional costs. And while there are diplomatic efforts on to take care of the situation, it may not resolved for the next several weeks and we also believe there could be some additional surcharges which may arise. So, this means there will be a bit of an inconvenience to the traders with longer transit times and increased cost. At the same time, if ships are travelling longer, they would also end up requiring more time and therefore their effective capacity available gets reduced. Having said that, the market situation is not very tight on capacity. So, given that there is a softness in global trade, this can potentially be managed through the excess capacity available in the shipping line. So, we believe that this could lead to some disruptions and inconvenience for a short period of time and some incremental costs, but not very significant at this point in time, that's our estimate. We would see as the situation unfolds over the next two to three weeks.

Udhayprakash: So, could this also lead to a potential increase in ocean freight rates, this would somewhat compensate for let's say for fall in volumes or is it not possible, that won't work out in this manner?

Ravi Jakhar: There could be some increase in the freight rates. There will also be some increase in the underlying cost for shipping line. So, from our perspective, on the FCL business, we have seen that generally with the increased freight rates margins also tend to move up. On the LCL business is still largely driven by utilization and that is driven by the macroeconomic environment, the demand and therefore the ability to fill in containers better. So, there could be some marginal positive impact on the FCL, but too early to say as we need to see how the situation unfolds and what it means in terms of the impact on transit times and freight rates and to what extent and for what period of time.

Deepal Shah: On the trade receivables, whatever is shown in the balance sheet, Allcargo on a standalone basis completely belongs to the MTO business.

Udhayprakash: So, the Rs. 3,000 crores is just for the MTO business. And we have seen a significant rise in trade receivables. So, is this something to be worried about or -?

Deepal Shah: Five crores. It's not Rs. 3,000 crores standalone.

- Udhayaprakash:** But in the last few years we've been consistently having high trade receivables. So, is this something we need to be worried about?
- Deepal Shah:** No, we've not had high receivables. High receivables primarily because of higher freight rate. But if you look at our DSO, they are very range bound. So, as far as collections or receivables is concerned, that's not a problem at all for the MTO business.
- Ravi Jakhar:** It has remained range bound for the last several years and there has been no concern on that. As the freight rates move up and down, that leads to the overall trade receivables moving up and down.
- Moderator:** We would take that as our last question. I would now like to hand the conference over to Mr. Ravi Jakhar for closing comments.
- Ravi Jakhar:** Thank you everyone for joining in and hope we were able to answer all your questions and clarify on the objectives and details of the scheme of restructuring. Please feel free to reach out to our investor relations team and ask further questions as you may have, and we would also endeavor to provide additional information as we seek necessary for the benefit of all shareholders and also for the benefit of investors and analysts alike. Thank you very much for joining in. Have a good day and festive greetings to everyone.
- Moderator:** On behalf of Allcargo Logistics and Allcargo Gati Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.