



“Gati Limited Q2 Financial Year 2013-14 Earnings
Conference Call”

February 07, 2014



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Moderator: Ladies and gentlemen good day and welcome to the Gati Limited Q2 FY'14 Earnings conference call, hosted by Nirmal Bang Equities Private Limited. As a reminder all participants' line will be in the listen only mode and there will be an opportunity for you to ask question after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference to Mr. Jignesh Kamani. Thank you and over to you Sir!

Jignesh Kamani: Thank you. Ladies and gentlemen good morning and a warm welcome to the Q2 conference call of Gati. On the behalf of Nirmal Bang Equity we would like to thank the management for taking time out of the busy schedule. Management will be represented by Mr. Sanjeev Jain, Director Finance, Mr. Peter Jayakumar, Deputy CFO and Mr. VSN Raju – Company Secretary. I would like Mr. Sanjeev Jain to brief you about Q2 business highlights and then we will start with Q&A. Over to you Mr. Sanjeev Jain!

Sanjeev Kumar Jain: Thank you Jignesh. Good morning friends. Great to connect on Q2 and H1 of 2013-2014 results of our Group. Our Board of Directors approved the financials yesterday. These are available on the Stock Exchange and on our website and we had issued a press release yesterday.

I have good news to share with you. Our growth momentum continues in Q2 also. While the economic environment improved marginally, as a Group we grew over 15% in H1 of this financial year. The consolidated total income is Rs.741 Crores and EBITDA is Rs.62.6 Crores and PBT of Rs.25.3 Crores. As a Group we are now on the threshold of becoming a Rs.1500 Crores Group with the EBITDA of over Rs.125 Crores.

The major highlights of quarter and half yearly are as follows: The consolidated operating revenue registered a growth of 10.6% year-on-year in Q2 from Rs.334 Crores to Rs.370 Crores. On quarter-on-quarter, we grew by 1.8% from Rs.363 to Rs.370 Crores. The numbers here are operating income and not the total income. The consolidated EBITDA registered a growth of 12.2% year-on-year in Q2 from Rs.30 Crores to Rs.34 Crores and grew by 18.2% quarter-on-quarter i.e. Rs.34 Crores versus Rs.29 Crores previous year.

The consolidated PBT registered a growth of 17.8% year-on-year in Q2 from Rs.12.9 Crores to Rs.15.2 Crores. The PBT grew by 52% quarter-on-quarter. Previous quarter it was Rs.10 Crores, this year it is Rs.15.2 Crores.



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Before we discuss the numbers, I will give some highlights of our businesses. I will begin with our exciting E-commerce business. Gati Group is enlarging its footprints in B2C segment through E-Commerce deliveries. The company is growing this business with greater focus and sees significant growth opportunities in the E-commerce Logistics sector.

The E-commerce logistics division of Gati is growing in sync with the growth of E-commerce industry and registered a quarter-on-quarter growth of 40% and 128% on year-on-year basis. Our delivery capacity has increased to 15000 packages per day from 10,000 packages per day in the last quarter and this expansion primarily happened in Tier I and Tier II cities.

We see significant growth opportunities coming our way in Tier I and Tier II cities. We are seeing same level of growth in metros and non-metros. It's growing almost 30% to 35% in both the sectors. The pain point of E-commerce business is RTO. While the industry RTO is reported to be over 20%, our RTO is less than 13%. We are focused on packages which are less than 500 grams which have seen growth of 280% compared to the previous quarter.

Our strength comes through cash on delivery services (COD). We believe that COD management will be the key driver of growth. A few points why the E-tailers prefers Gati, are as follows: Gati is a pioneer in the express logistics with deep understanding of moving time sensitive shipments, We have last mile delivery capabilities pan India, and Efficient COD remittance process. A year back, COD used to be remitted after six to seven days. In the last 6 months, we have brought it down to less than three days and today we remit the money at transactions plus three days. Our network connectivity is multi-model. We deliver by road, air, and parcel trains. We see significant growth in the air business. So far, it had remained mostly on road. We have world class call center which is operational 24/7 and have advanced and integrated IT platform with track and trace facilities. We provide range of services to all of our retailers including Pick, Pack, delivery and reverse logistics. In terms of coverage of Pin Code it is increasing every quarter.

Our flagship company GKPEL, joint venture with KWE Japan, registered growth of 18% in H1 of 2013-2014 compared to H1 of last year. Our partnership with KWE is strong. They continued to add great value in our business in terms of implementing international best practices in supply chain solutions.

I am happy to share that, with the help of KWE; one of our facilities at Noida got certified by TAPA (Transported Asset Protection Association). This is the one of the nine facilities, which is certified by TAPA in India. The TAPA certification will help us attract multinational companies' customers for supply chain solutions.



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In the JV Company, we have also partnered with IBM for business transformation. The transformation exercise is going smoothly. Internally this project is known as UDAAN. Significant progress has been made under this project. IBM is helping us in initiatives on efficiency improvements like route optimization, workforce optimization, creating national grid network. We believe that from Q3 onwards there should be positive impact in the financials.

As far as numbers are concerned, I will take up the numbers on Gati consol first followed by subsidiaries. At consol level, our Q2 operating turn-over is Rs.370 Crores. It grew year-on-year by 10.6%, EBITDA is Rs.33.8 Crores with PBT of Rs.15.2 Crores. At consol level, there is improvement in the turnover, EBITDA and a significant improvement in PBT. On half-yearly basis the turnover at consol level is Rs.733 Crores. That reflects a year-on-year growth of 15.6%. EBITDA at consol level is Rs.62.6 Crores with a PBT of Rs.25.3 Crores. In turnover, we grew by 15.6% and EBITDA grew by 20% and PBT grew by 41.5% on year-on-year basis.

Coming to joint venture Company, the company had the highest turnover in the Q2. The revenue grew to Rs.260 Crores with an EBITDA of Rs.28.8 Crores and PBT of Rs.19.7 Crores. In terms of year-on-year growth, the turnover grew by 16%, EBITDA by 25.6% and PBT by 52%. Coming to the half-yearly numbers, the turnover is Rs.510 Crores which reflects a year-on-year growth of 18%. EBITDA is Rs.52.2 Crores that reflects a growth of 15.5%. PBT reached a profit of Rs.34 Crores for the half year which reflects a year-on-year growth of 35%.

Gati standalone has three business division: E-Commerce, four fuel stations and freight forwarding business. The three months turnover is Rs.82.4 Crores with a EBITDA of Rs.5.3 Crores, PBT of Rs.2 Crores. Our year-on-year growth is 13.5%. EBITDA has a slight decline on year-on-year basis since previous year we had one time income and PBT also had a decline for the same reason. On Half-yearly basis, Gati has a turnover of Rs.161 Crores which shows a growth of 17% with a EBITDA of Rs.10 Crores and PBT of Rs.3.7 Crores. In Gati, we are developing E-Commerce business and as it grows in volume, Gati as a standalone, will become a sizable company over next two to three years.

The next company which has a significant focus is Gati Kausar. It is into reefer transportation and it is the second largest reefer transportation network in the country. The company's turnover for the quarter is Rs.11.6 Crores with an EBITDA of Rs.1 Crore and PBT loss of Rs.1.1 Crores. The PBT loss is a reflection of high interest and depreciation since this is a asset heavy business. The company on a year-on-year basis grew at 6%.



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On half-yearly basis Gati Kausar turnover is Rs.24 Crores which shows a year-on-year growth of 16% with an EBITDA of Rs.2.7 Crores and at the PBT level there is a loss of Rs.1.9 Crores due to the reasons discussed just now.

Gati Ship continues to be in red. There are still losses in the business. While the loss compared to previous year has come down significantly, we are still dealing with large losses in Gati Ship. The turnover of Gati Ship is Rs.6.6 Crores. It has marginally come down from Rs.7.3 Crores compared to the previous quarter. PBT loss is Rs.4.7 Crores. On a year-on-year comparison, in H1, there is a slight increase in the turnover and it stood at Rs.13.9 Crores which reflects a marginal growth of 4%. EBITDA has improved to Rs.-2 Crores as compared to Rs.- 6.1 Crores in H1 of last year. PBT, though it is still at loss, it has come down from Rs.13.1 Crores in H1 of previous year to Rs.9.5 Crores. So while we had some improvement in the Gati Ship working, it continues to make losses. We will deal to your Q&A on what is the management plan to eliminate Gati ship losses.

There is another exciting business in the group which is carried by Gati Import and Export Trading Limited. This is primarily the supply chain services, currently handled for couple of large customers including multinational companies in terms of managing their import and providing integrated supply chain services for one of the leading hotels in the country. Its turnover for the quarter is Rs.9.4 Crores which reflect a growth of more than 700% year-on-year basis. As compared to half year, the turnover is Rs.20.8 Crores which reflect a growth of over 500% year on year basis. GIETL is in the threshold of capturing large big accounts in the hospitality sector to provide integrated supply chain solutions including the inventory management.

So these are the numbers of our major companies. As far as management is concerned the way forward is clear that we continue to grow our express distribution business in our joint venture company which is stable and growing 15%-18% on year-on-year basis. We believe that this momentum will continue and the company will achieve a turnover of Rs.1050 Crores in this financial year with the healthy EBITDA of over 10%.

The second focus of the group is to develop E-commerce division further. We have capabilities and all the ingredients for developing this business, including wide reach of our network, experience in the COD management, range of value added services. E-commerce division is going to deliver turnover of Rs.65 Crores with improved EBITDA margin.

As far as shipping is concerned, it continues to have management attention in terms of diluting our stake significantly, that its losses do not impair the overall working of the



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group. We are on track and have mandate from the board to dilute our stake in the business or to exit the business .

Kausar is in the sector which has great opportunities and set to become an integrated cold chain solution company. We are on track in our divestment plan to set up 10 cold chain warehouses .

As far as debts are concerned, as I discussed in the last two quarters that company has contained its debt position. Our debt position has improved from Rs.492 Crores in September quarter to Rs.488 Crores. We believe that company will not allow the debts to be over Rs.500 Crores at any point of time. The debts in different companies are as follows: GKEPL, at a turnover of Rs.1050 Crores, has a debt of Rs.185 Crores. Gati including foreign currency convertible bond (FCCB) of Rs.137 Crores, the total debt size is Rs.204 Crores. Kausar has a debt of Rs.25 Crores. Gati Ship while the debt is around Rs.10 Crores, one of the ships is on finance lease, which accounts for assets as well as the loan. GIETL has virtually no loan. Overall debt in the group is Rs.488 Crores. In terms of nature of the loans, the term loan is Rs.127 Crores, working capital loan is Rs.143 Crores and the bond size is Rs.137 Crores. There is a public deposit of Rs.20 Crores and finance lease of Rs.61 Crores totaling to Rs.488 Crores at the group level.

We have uploaded the guidance on our website. We are close to it in most of the parameters. We will achieve our guidance turnover of Rs.1500 Crores this financial year. We will be over Rs.125 Crores in EBITDA, which would be around 97% of Guidance and in PBT, we will achieve over Rs.50 Crores which will be around 93% of Guidance. The management team is focused to give consistently improved performance quarter-on-quarter.

The reason for a good performance in Q2 is primarily the following: JV Company had impressive performance consistently for last two quarters . Its PBT rose by 35% and our E-Commerce business revenue is growing in size vis-à-vis other revenues of Gati where the margins are improved. Gati Ship has reduced its losses in H1 compared to the H1 of previous year.

These are the major highlights and I would welcome your questions on our business or Financials. Thank you very much for the opportunity.

Moderator:

Thank you very much Sir. We will now begin with the question and answer session. First question is from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal:

Sir on the E-commerce business what is the EBITDA for the quarter and the first half?



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- Sanjeev Kumar Jain:** In E-Commerce business, the EBITDA margins are roughly in the range of 15% - 16%.
- Madan Gopal:** For the quarter?
- Sanjeev Kumar Jain:** Yes for the quarter.
- Madan Gopal:** For the first half?
- Sanjeev Kumar Jain:** This business is consistent
- Madan Gopal:** Sir one basic question, on the way the E-commerce business would be. How is the revenue put in between? You would be taking the help of Kintetsu joint venture right, for delivering the packages?
- Sanjeev Kumar Jain:** Yes.
- Madan Gopal:** So if we can take an example of a typical package and then explain what portion of the revenue is captured at the Kintetsu level and what portion is captured at the standalone Gati level that will be really helpful?
- Sanjeev Kumar Jain:** So let us understand how the E-commerce business is structured in the Gati group. While this business vertical is a part of Gati, listed company, a good part of the network of GKEPL is used to deliver these packages. If I clarify end-to-end process, the customer interface and the last mile delivery of the package rests with the Gati. Customer sign off, COD management, value added services and the last mile delivery i.e. the delivery boy who comes home to deliver the package and the network vest with the Gati. The back end network in terms of taking the material from the vendor, long haul movement, feeder routes and other components of network are of GKEPL. Both the companies transact the business on arms length basis. We can say for GKEPL, the E-commerce division of Gati is one of its largest customers. So there is a customer-vendor relationship. For Gati, GKEPL is a vendor whose network is used whereby the entire revenue of the E-commerce is captured in the Gati's books and whatever payment for usage of the network of GKEPL happens, it becomes the cost component. For GKEPL the cost component becomes its revenue, at consol level the transactions between Gati and GKEPL are eliminated. The number when we speak at consol level they have no impact of these transactions. But when you review the standalone books of Gati and GKEPL those numbers will be reflected.
- Madan Gopal:** So in the first half, 25 Crores that we made as a revenue in E-commerce, is the full value of E-commerce captured by the Gati Group?



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- Sanjeev Kumar Jain:** That's rightly understood.
- Madan Gopal:** Sir for the full year what is the loss you expect in shipping business sir?
- Sanjeev Kumar Jain:** Shipping losses should be in the range of Rs.17 Crores to Rs.18 Crores for the full year .
- Madan Gopal:** Thank you Sir. I will come back in the queue.
- Moderator:** Thank you. Next question is from the line of Yogesh Patel from Canara Robecco. Please go ahead.
- Yogesh Patel:** Good morning Sir. What is our market share in E-commerce in Gati?
- Sanjeev Kumar Jain:** E-commerce logistic market is unstructured. There is no authentic data in terms of percentage. In fact, there is no validated position, but we are one of the leading players . There few other service providers, who could be ahead of Gati. But we are among the first five E-commerce logistic companies. We have the capability to become leading player as No.1 due to network reach, experience in the COD, range of value-add services and experience in handling time sensitive cargo.
- Yogesh Patel:** Sir, suppose how much investment you need in E-Commerce and considering the current year network how much revenue you can generate? If I ask hypothetically today considering the current network how much revenue you can generate today?
- Sanjeev Kumar Jain:** Our projection of E-Commerce division revenue is Rs.65 Crores. If I give you the historical number of E-commerce division, We had small revenue of Rs.12 Crores in 2012 and in 2013 it grew to Rs.25 Crores. This year we are projecting revenue of Rs.65 Crores. We have already recorded revenue of Rs.25 Crores in H1 and the remaining we will do in H2. Our current run rate per month is high and major retailers are our customers. Today we have the capacity to deliver 15000 packages per day. It has various component of network in terms of the last mile delivery, our offices, and various warehouses. It all depends on the productive utilization of the delivery network.
- Yogesh Patel:** I will ask this question a different way. What is the utilization considering current capacity and what is the utilization... Can you handle?... Let's take this year you are projecting 65 Crores and next year can you handle a business of Rs.500 Crores?
- Sanjeev Kumar Jain:** Rs.500 Crores is unrealistic, because the network expansion is time taking . But, our company is focused to grow the network and by the year end will be around 25000 packages per day. It all depends that how we train and develop the delivery boys. So



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currently the delivery per day is sub-optimal and with training this could be improved. If we have the network, right processes including meeting the customer expectation of COD payment, there is no dearth of business.

Yogesh Patel: No I am saying let say, you have X-network. Within the X-network, without investing anything how much revenue still you can generate? Let us say you have office in Tier II, Tier III, you have office and branches in Tier II, Tier III. So considering this business, suppose 10 more online players come, can you deliver? Can you achieve, with the kind of customers you have, a target of Rs.65 Crores?

Sanjeev Kumar Jain: The Rs.65 Crores revenue target could be met with the current network. But let us note this is highly time sensitive movement, where quality is paramount. Unless we expand our network, we will not be meeting the right expectations of the customers. So network expansion is must. The current network will not be capable to deliver more than 50-60 Crores of top line.

Yogesh Patel: Okay, you are saying that the utilization is slightly higher side today roughly can you say 85% -90% per day?

Sanjeev Kumar Jain: I would not be able to guess that number to be very frank.

Yogesh Patel: Thank you very much Sir and all the best.

Moderator: Thank you. Next question is from the line of Nisarg Vakharia from Lucky Investment Manager. Please go ahead.

Nisarg Vakharia: Good morning Sir, congratulations on delivering as per your guidance. Sir if I was to understand the cash-on-delivery mechanism correctly, the collections are kept in a separate pool account on behalf of the retailer?

Sanjeev Kumar Jain: Let me just explain that. COD management is the key commercial process which will drive the business. So we have a focused team, separate bank account and tracking of the COD remittance for each customer.

Nisarg Vakharia: Okay, so it is not mixed into your own account?

Sanjeev Kumar Jain: It cannot be mixed. It has to be maintained separately. COD time frame, a year back, was as high as six days from the time of delivery. Today it is as less as three days. We have brought down to three days by making improvements in commercial processes. There is a clear line of sight for each remittances received for the customers. So there is a separate



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account and processes for tracking the COD of each customer and ensuring that money returned in less than three days from transaction day .

Nisarg Vakharia: Sir we also happen to meet one of the other leading players in the E-commerce business who claims to have very high leakages in the business almost 8% of top line in the cash-on-delivery. Is this a problem that we face or how are we controlling it better than the competitors?

Sanjeev Kumar Jain: There is a no leakage of COD. COD cannot be leaked. COD can at the best be mismanaged, in term of the time lines . Instead of three days, it could be four or five days because this business is also done through franchisees and some of the franchises are located in remote locations and they do not find it feasible enough to deposit the money every day. In terms of COD, there cannot be any leakages. Otherwise we can't expect the business from the retailers. The leakages could be in the RTO (Return to Origin) and since consignments has daily use nature, there could be deductions, shortages and damages. This sort of issue we also encounter, but not leakage in the COD.. If the processes are robust and strong and there is regular monitoring of the COD money, one can ensure that the money is remitted in full.

Nisarg Vakharia: Sir my last question is looking at the current state of economic affairs and slowdown what do you think are the main growth drivers for FY 2016 barring E-commerce? 15% we have grown now we planned to maintain that growth?

Sanjeev Kumar Jain: Apart from E-commerce our main business which is in GKEPL is growing over 16%. Some of the sectors in which we operate are helping us in growth which include Pharma, Computer Electronics, automotives and we are the leaders in the sectors. We see, when the finished vehicles are not selling , their spare parts move faster. As an organization we believe that growth will be around 15% - 16% in the current subdued economy. If the economy improves our growth could be around 20%.

Nisarg Vakharia: Great Sir. Thank you so much.

Moderator: Thank you. We are going to take a follow up question from the line of Madan Gopal from Sundaram Mutual Fund. Please go ahead.

Madan Gopal: Thanks for taking the follow up question. Can you give me the volume for the E-commerce business for the year, do you have that number?

Sanjeev Kumar Jain: Volume in what sense? I said the network is 15000 packages per day.



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Madan Gopal: How many packages we handled during the quarter or something if you have such a number?

Sanjeev Kumar Jain: I can share this number with you separately.

Madan Gopal: Sir this typical complaints keeps coming from other E-commerce players that there is huge amount of return whenever we are supplying how is it actually handled Sir is there any liability comes on you or there is absolute pass on to the E-commerce player?

Sanjeev Kumar Jain: RTO is a typical industry issue and it is reported to be over 20%. We have taken initiatives in terms of grooming and training our delivery boys. Our RTOs are less than 13% and our target is to bring it in single digit. RTO ratio depends upon how trained, qualified are our delivery team. In terms of return, there is no obligation on the service provider since we have to make attempts as per the process defined by the retailers. We do attempt and because this is a COD driven business, the RTO is still high. As far as RTO concerned, we put in efforts in terms of bringing the goods back to the retailer's warehouses for which we are paid. However there is no accountability in terms of ensuring a certain specified percentage of the deliveries. But the higher the delivery, higher the service level, it improves our chances of getting more business.

Madan Gopal: You kind of get incentive for maintaining lower RTO from your clients?

Sanjeev Kumar Jain: Improved RTO enhances the scope of getting more business. Especially, the large multinational companies who are entering into India, expect much lower ratio of RTO.

Madan Gopal: The return logistic is paid to you right, as of now?

Sanjeev Kumar Jain: Reverse logistic is also paid value added services to the customer.

Madan Gopal: When you are saying you have to increase the capacity from 15000 to 25000 packages per day what is the rough kind of increase in fixed cost that you envisage Sir?

Sanjeev Kumar Jain: This model is asset light. There could be mix of the models, where we can have some assets and there is enough scope where this model could be completely variable. We have decided this model to be completely variable that we outsource vehicles on finance lease, outsource delivery boys and there are further variable model emerging that complete delivery could be outsourced on per package basis. Currently this model is a primarily variable and going forward this model could become completely variable. It goes without saying that it will



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remain an assets light business. We will not require much investment to grow this business. Investment is primarily in automation, IT, MHEs etc .

Madan Gopal: You have grown by 16% in your joint venture any particulars given the slowdown where is this growth coming from I can understand 5% of the growth would have come from the E-commerce business out of it but the remaining 10% growth where is it coming from?

Sanjeev Kumar Jain: The major contributors to the increase in the revenue of JV company are Computer electronics, Engineering products, Pharma, Textile and Automotive industries. By and large many of these sectors have done well and we have leading position in these sectors. And also as discussed, one of the initiative in project Udaan, is Sales cadence call, where the junior most sales executive is weekly reviewed by his superior and there is a complete chain of command which is reviewed . Each sales person is monitored by his senior on a weekly basis with respect to the budget and the actual achievement and is given guidance on how to achieve the budget. So there is lot of focus on the sales within the organization.

Madan Gopal: Thanks sir. Thanks for taking the question.

Moderator: Thank you. Next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.

Deep Master: Sir this is Deep Master. Just had a question on your network, as I understand your network currently supports about 15000 packages a day and you don't require too much incremental investments for you to expand the networks, could you just run out through the numbers you know how you plan to double your network from here on out?

Sanjeev Kumar Jain: Network doubling is primarily recruiting more delivery boys and hiring more small offices in Tier II and Tier III cities and some investment in material handling equipments. So network expansion is primarily opex driven and it is not a capital intensive business and we do not intend to convert this business as a capital intensive business. The overall requirement of the next one year of expansion of this business may be around Rs.7 to 8 Crores and not more than that.

Deep Master: Then what would your network be capable of delivering?

Sanjeev Kumar Jain: We are looking around 25000 packages per day by this year end. But this is the target for this financial year.

Deep Master: Sir also like you too share those volumes details post the calls if possible?



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- Sanjeev Kumar Jain:** Sure.
- Nihar Shah:** Sir I just had a question also, this is Nihar Shah from Enam Holdings. Sir wanted to know what proportion or what percentage of your last mile delivery or your first mile pick-up is being managed by you know third party service provider like a franchisees of your or something like that?
- Sanjeev Kumar Jain:** Last mile is completely owned by Gati. All the delivery boys are owned by Gati. The future model could envisage that part of the last mile could be delivered through third party. But that is not the model which we are working currently. Currently the entire network is owned by Gati and the long haul network is owned by GKEPL and both the companies transact the business as vendor-customer relationship basis. But a future model could be, were a good part of the delivery, could be outsourced to the third party.
- Deep Master:** Okay so and today your reach currently would be close to about 8000 Pin codes is that correct?
- Sanjeev Kumar Jain:** It is around 10,000 pin codes, but this 10,000 pin codes is primarily for our E-commerce business. As far as pin code coverage is concerned for the JV Company , it is the whole country barring three four districts.
- Deep Master:** Sure and you expect this last mile delivery network of 10,000 pin codes to expand you know how much you expected to expand in next three to four years?
- Sanjeev Kumar Jain:** I believe that we should be covering almost 85% to 90% of the pin code in next 18 months to 2 years.
- Deep Master:** Great Sir. Thank you and good luck, going forward.
- Moderator:** Thank you. Next question is from the line of Pulkit Singhal from Treeline Investment. Please go ahead.
- Pulkit Singhal:** Congrats on a good set of numbers. As you mentioned that you may I mean it is a management currently considering franchising of delivery?
- Sanjeev Kumar Jain:** Currently it is not. The franchisee network is used for getting the business. The delivery is through the Gati network. But as the business is increasing and we recruit more and more delivery boys, we get defocused from the main business. So there is a view and thinking going on, that in, future we could explore a model where good amount of delivery could be made through third parties especially in the small towns.



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- Pulkit Singhal:** So Sir you are saying currently some part of the business is coming through franchising so how much of that...?
- Sanjeev Kumar Jain:** You are talking of E-commerce business coming through franchise?
- Pulkit Singhal:** Yes.
- Sanjeev Kumar Jain:** I do not have the current number I will discuss that number separately.
- Pulkit Singhal:** So going ahead then there will be basically three people in the chain that is one person who gives the business, then there is Gati and then there is delivery boys that is another franchise. So you are saying the pipeline will have three people?
- Sanjeev Kumar Jain:** Yes, delivery boys currently are part of the Gati's own network and we must not forget that we have significant synergies available with our joint venture company GKEPL.
- Pulkit Singhal:** I just have a concern on that, I mean because if you go into your franchisee kind of model then you are losing out of the customer interface for last mile delivery. So the quality of delivery and what happens out there, it will affect your brand in a way. Have we thought about that?
- Sanjeev Kumar Jain:** I believe that your concerns are valid and we are just in midst of doing a visioning exercise for 2020 for our E-commerce business and we are creating a detailed plan and execution team to rollout the network and think through of all these concerns including using franchisee network for deliveries. So all these things are being deliberated. However, the entire model is owned by Gati currently.
- Pulkit Singhal:** Lastly I mean the last quarter what has been the yield for the E-Commerce business and also the way for packets, are you seeing them stable or down, if I calculate correct it is around Rs.110 or Rs.120 per packet?
- Sanjeev Kumar Jain:** It is a commercial sensitive information. What I can broadly share with you is that the yield of the E-commerce division, which are also measured in terms of per Kg including the charges for other value added services, are superior as compared to the rate per Kg of our express distribution business and that is the reason that the EBITDA margin of E-commerce divisions are better than the average EBITDA margin of our express distribution business. What we are seeing currently is the excitement on the air movement. We started, a year back, primarily through road express. But we see a significant growth in the shipment through air and air yield is significantly higher as compared to surface yield. So this is one



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change that we are seeing and we are seeing a surge in the packages less than half Kgs. So there we are focusing more.

Pulkit Singhal: Any particular initiative that Gati is seeking to increase its air business? For instance like Blue Dart own a fleet of flights that take care of the packages, but how would Gati?, are you looking for some kind of joint venture with other people? How do you look at the air business? How do you look at growing the air business?

Sanjeev Kumar Jain: There is no need for us to look for a joint venture at this stage, because if you see the key ingredient of growing this business, they all are available within Gati group. We have a pan India network, which is the largest network after India Post and is a part of the joint venture company. We have the capability and experience of delivering time sensitive goods. We are having multimodal capability where we move goods through road, air, parcel trains and ships. In Air product, we have direct relationship with the airlines. We book our space, required for consignments, directly with the airlines and we also take the help of co-loaders. Our air shipment in the main company is also significantly high. In fact we are distinct number two in the air business. So our E-commerce requirement of air, along with the joint venture company requirement of the air is clubbed and as we are one of the dominant player, we can negotiate directly with an airline.

Pulkit Singhal: Sir, also the rate per package is you seeing that coming down? Is that stable only for your E-commerce?

Sanjeev Kumar Jain: Rate per package in fact is increasing slightly since we continue to add more value added services to the customers.

Pulkit Singhal: Thank you for taking my questions.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM Group. Please go ahead.

Mayur Gathani: Thank you for the opportunity. Good numbers Sir. First question is a follow-up on the air shipment business. Would we ever look into having our own aircraft?

Sanjeev Kumar Jain: Probably, no because we did not have the right experience of owning the aircraft. You are aware that Gati had relationship with Air India few years back. Today, there is no dedicated cargo line. The only cargo line is Blue Dart, which has captive aircrafts. So currently there is no cargo line available, but there is plenty of space available in commercial airlines where we have the direct relationship.



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Mayur Gathani: Just to get some perspective, if you are doing 15000 packages, what kind of number of packages would be routed through air shipment normally and how is the trend. I mean you mentioned that the air shipment as a percentage has increased?

Sanjeev Kumar Jain: Yes. Currently this is around 20%:80%. 80% is still by road, 20% is air, but air is increasing fast every month.

Mayur Gathani: Sir, another question is as far as our E-commerce business is concerned, I understand that the packet size right now is more or less than 500 grams, but still the packages are slightly lesser than a regular express business. So, will we continue to depend only on KWE or will we also need to setup maybe slightly bigger offices to maintain the inventory of transit and the packages in transit?

Sanjeev Kumar Jain: Your question is valid. The KWE network is geared to handle large packages. Gati E-commerce division is setting up small offices which are part of the cities, because GKEPL network is normally outside the city limits. So, there is a network being developed within Gati, which is specific to the E-commerce division. So, you are correct that we are not totally dependent on the JV Company. We are also developing a network, to some extent, it will be parallel and there will be more focus on the E-commerce business.

Mayur Gathani: Sir, once we do that, which is, I think important and necessary for our business will our margins sustain or it can come off a bit?

Sanjeev Kumar Jain: So, there have been questions and concerns about margin. Let me assure you that, if other players also enter, there will always be pressure on the margin. But so long we continue to deliver the packages with high level of quality with good COD management of returning the money in two days and also continue to provide value added services, we can sustain the margin. There are various models emerging in E-Commerce. The models which are emerging from retailers are crazy. If we could meet all these valued services, probably the yields will improve and it will not deteriorate. Further there are not many organized players.

Mayur Gathani: Sir, is it important that a market place type of a portal can provide better margins, because you will have to source products from different places rather than something like a Flipkart of something where you probably have to source everything from a particular warehouse and something like that?



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Sanjeev Kumar Jain: We are not in E-tailing. We are on the service side actually. We are the package delivery company. So, our expertise is in the package delivery. So, your question, probably I am not sure, whether it is relevant to us.

Mayur Gathani: Got it. Can I follow-up couple of more questions?

Sanjeev Kumar Jain: You are welcome.

Mayur Gathani: Thank you. Sir, if we have to exit our shipping business, you mentioned that you will discuss in the Q&A for the shipping business. What would be the resale price, if we have to sell off our ships right now?

Sanjeev Kumar Jain: There would be difference in the assets and the liabilities of this business. So we will be required to make some funding to completely the exit. But our strategy is three-folds. One is to continue to improve the losses. As you have seen that, compared to the H1 of previous year, in H1 there is a significant amount of reduction in the losses. Second is to look for dilution since there are companies who are interested in growing the coastal shipping. The Government of India, everyday, it is coming with announcement on coastal shipping incentives. So there are people who are interested and talking to us third is, if nothing works, in the next couple of months, we will also exit the business by asset by asset sale.

Mayur Gathani: Sir there would not be any net of the debt that we have to pay? There would not be any incremental cash flow, which will be available for us to repay any other debt or something like that?

Sanjeev Kumar Jain: I do not believe by exiting this business , we will be having any incremental cash inflow.

Mayur Gathani: Sir, we have a few fuel stations. If you can say, is that where we would continue to be or we probably will exit that business? Can we sell off?

Sanjeev Kumar Jain: Fuel stations were developed when the company had a view that company should have some reliable fuel sources. Today of course they are not very specific to our business because the scarcity is not there. But these fuel stations are not a drag, neither on our capital employed in this business nor management attention. We are consistently growing over 20% year-on-year basis. A very small team of two people manage the entire fuel station business. Immediately we are not looking for exiting the business. All our fuel station are located in the leading locations and their performance is industry benchmarked. They give us a profit of around 1.5% to 1.7% on net basis. But I agree with you, that this is not core business of Gati.



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Mayur Gathani: Sir, other question is if you can clarify on Kausar. I think their margins from what I understand has improved from 13% to 15% but maybe I heard somewhere during the opening remarks that it is still a negative EBITDA business?

Sanjeev Kumar Jain: It is not negative EBITDA business; it is negative PAT level because of higher burden of depreciation and interest. Its trucking network is on loans. There is 25 Crores loan sitting in Gati Kausar books. So that high interest and depreciation makes the PAT negative. As far as EBITDA level, this is always a positive business and as far as cash profit is concerned, it has always been positive.

Mayur Gathani: Sir, the margin expansion from 13% to 15% is because of a higher utilization or something?

Sanjeev Kumar Jain: We are focusing more on the secondary distribution as far as Gati Kausar is concerned, which are more profitable.

Mayur Gathani: Last question from my side is on our loan to the parent company for the power ventures if you can just highlight what is the status right now and the plans going ahead?

Sanjeev Kumar Jain: Power company is absolutely separate than the main company. It is a promoter driven venture. Gati has a small equity investment of around Rs. 18 Crores which works to around less than 13%. The Gati board has mandated not to make any further infusion in any form in the power sector. So we will have Rs. 18.75 Crores sitting as equity and around Rs. 35 Crores sitting as optionally convertible debentures which carries interest coupon rate of 14.5%.

Mayur Gathani: Sure. As far as these convertible debentures are concerned, I think we have some plans wherein we were looking at converting it and then probably getting a better exit price?

Sanjeev Kumar Jain: This is as far as the condition of the OCD is concerned. It has a timeframe in terms of conversion or returns. There is likelihood of a liquidity event in the parent company of the power projects. In that situation, we will get our money back.

Mayur Gathani: This thing is likely to fructify somewhere in six to nine months time or will it take longer?

Sanjeev Kumar Jain: I is around 18 months.

Mayur Gathani: Around 18 months?

Sanjeev Kumar Jain: Yes.



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- Mayur Gathani:** Thank you.
- Moderator:** Thank you. The next question is from the line of Tejas Seth from Emkay Global. Please go ahead.
- Tejas Seth:** Thank you for taking my question. Sir, just wanted to understand the growth in E-commerce division that is 40% - The 40% growth in E-commerce division quarter-on-quarter is mainly driven by volumes or there is a new vendor addition as well?
- Sanjeev Kumar Jain:** There is a new list of not one customer, host of customers. In fact we continue to add more and more customers and while I will not name some of these customers, because of the type of contract which we have. All the major retailers in India barring very few are part of our customer list. So, this growth is coming out of the new customers. While the yield is slightly increasing, the volume of course is increasing significantly.
- Tejas Seth:** So we have added some very large customers in last quarter?
- Sanjeev Kumar Jain:** We have added large customers. I will not name them ay, but the largest players are part of our customer list.
- Tejas Seth:** Sir, if I have heard it right you mentioned that most of your cost in E-commerce business is variable cost in nature right now. So where can we see margin expansion coming because you did mention about margin expansion going forward?
- Sanjeev Kumar Jain:** Margin expansion will primarily come from the productivity increase. So if there is a defined per day delivery capacity of one delivery person which is sub optimal and can improve significantly . In our view it can improve by 100% through training, and better guidance to the delivery boys. The efficiency will come through better synergy with JV company and productivity improvement of delivery network. So these are the drivers of the cost efficiency in the profit improvements.
- Tejas Seth:** Sir, one more thing which you mentioned that the yield per KG in E-Com division is very high compared to your original business. Would not there be any pricing pressure from the client side considering the high yield and high competition as well?
- Sanjeev Kumar Jain:** If you see the competition, there is a lot of competition in retailers as every second day there is one launch. As far as package delivery companies are concerned, who can deliver these services? There are very few organized players and very few of these organized players are the listed entities . So the retailers who are global brands will give their business



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to companies who are listed, who are organized and who have pan India capabilities. So, if you see the companies capturing this market on delivery side, it is Gati and few other organized players. There are not many players who are entering into and there are not many players who will ultimately survive in the delivery services. People who are expanding their networks, have multimodal capabilities, have governance, who understand COD, who keep on adding value added services only will survive. So, I do not think that competition will not heat up to an extent that, we take significant hit on the pricing.

Tejas Seth: I would like to put it this way, when a ramp up of your volume has happened from a single client side, has there been a haircut which you have taken on the pricing side?

Sanjeev Kumar Jain: In fact we have not taken. You are correct. Probably one and a half year back, we were dependent on one or two clients. Today our client list includes almost 50 top most retailers and we have not taken any haircut on the prices so far.

Tejas Seth: And you see that sustainability?

Sanjeev Kumar Jain: I believe sustainability will come through improved services. The sustainability will come through adding value added services to the customer and various models are emerging where the retailers want different type of services.

Tejas Seth: Just last question, you mentioned about adding some ten warehouses in your cold chain subsidiary that is Gati Kausar. What is the capex towards that and how much of that you see in this current financial year?

Sanjeev Kumar Jain: This capex expansion is for 10 cold chain warehouses of around Rs.120 Crores over a period of two and a half years. We are close of making one cold chain warehouse operational in Gurgaon. Each warehouse will involve a capex of around 10 Crores.

Tejas Seth: What kind of return on investment we see in this business?

Sanjeev Kumar Jain: The payback period of these warehouses is over five years and returns are good. I think for benchmark return, since we are not currently in the business and we have just business plan, you can review the returns of the largest company in the integrated cold-chain industry. They are highly profitable and probability comes largely from the warehouses.

Tejas Seth: Thank you very much.

Moderator: Thank you. We are going to take a follow up question from the line of Pulkit Singhal from Treeline Investment. Please go ahead.



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Pulkit Singhal: Just a quick question on the back end side. When you are collecting the package is this largely coming from the warehouses or E-commerce players or you are collecting it directly from say shopkeepers and all that or is it a mix of both and what percentage would that be?

Sanjeev Kumar Jain: So, currently the model is largely from the mother warehouses of the retailers. But there is a new model emerging, which is known as market place collection. So we collect in some cases, these inventory directly from the vendors of the customers. The other model which is emerging is vendor owned inventory (VOI) there we have our own fulfillment centers and we become a neutral warehouse agency for more than one customer, where we own and warehouse inventory. So different models are coming, but to be very precise to your question currently, we are collecting these parcels directly from the warehouses of the customers and in few cases; we are also collecting directly from the vendors.

Pulkit Singhal: These three models that you mentioned one is in which you provide warehousing services, one which you collect from vendor directly, and the third is from the warehouse of the mother retailer. What is the percentage in terms of Revenue?

Sanjeev Kumar Jain: In terms of percentage I will say that currently it is 90% from the warehouses directly from the customer. In fact in one or two cases we ourselves provide the warehousing facility and collecting directly from the vendor. Currently it is as less than 10% in terms of our total proportion of business.

Pulkit Singhal: Have you plan to enter warehousing in a big way to provide for your vendors or mother retailers? Is there any plan on it?

Sanjeev Kumar Jain: In our joint venture company we have large warehousing facilities, state of the art warehousing facilities. We own 2.5 million square feet capacity in the Pan India. To be very specific on the E-commerce, Apart from mother warehouses, we are also opening small warehouses in cities, which are focused on E-commerce business so that expansion continues. This expansion is a part of a network expansion on the E-commerce business.

Pulkit Singhal: So how many such warehouses do you plan to add and how much space?

Sanjeev Kumar Jain: There is a complete business plan, business plan for the expansion network. I think we can have a separate detailing on that.

Pulkit Singhal: Thank you.



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- Moderator:** Thank you. We are going to take our next question from the line of Aksh Vora from Praj Investments. Please go ahead.
- Moderator:** Thank you. The next question is from the line of Krudent Chheda from Value Quest Research. Please go ahead.
- Krudent Chheda:** Congrats Sir on decent set of numbers. What was the PBT of Gati KWE in this quarter and in the first half?
- The PBT of GKEPL for the half month period is Rs. 34 Crores.
- Krudent Chheda:** Versus last year?
- Sanjeev Kumar Jain:** Last year it was Rs.25 Crores for H1.
- Krudent Chheda:** Sir assuming 30% tax rate, the PAT of this Gati KWE would be around 24 Crores, correct?
- Sanjeev Kumar Jain:** PAT for H1 is exactly Rs. 24 Crores, you are right.
- Krudent Chheda:** Kintetsu who has 30% stake in this entity, Sir, I was just looking at a minority interest. It is coming to only 3 Crores. So I am not able to understand. Can you explain me because as per my calculation it comes to around Rs. 7 to 8 Crores?
- Sanjeev Kumar Jain:** You are talking of minority stake in consol level or entity level?
- Krudent Chheda:** Consol level?
- Sanjeev Kumar Jain:** At Consol level there is a adjustment of the share of loss of Gati Ship actually. Gati ship shares the losses to the extent of 40% to the other partner. So, at the net level, the number is correct.
- Krudent Chheda:** What was the Gati Ship loss in first half at net level?
- Sanjeev Kumar Jain:** Gati Ship loss for the quarter is Rs. 4.7 Crores before minority interest.
- Krudent Chheda:** What would be the loss in the first half, Rs. 4.7 Crores was in this quarter?
- Sanjeev Kumar Jain:** 4.7 Crores before minority interest. First half is around Rs. 9.5 Crores.



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- Krudent Chheda:** 9.5 Crores. Sir, one more thing in your guidance of Rs. 50 Crores PBT have you assumed minority or this is without minority?
- Sanjeev Kumar Jain:** This is before minority Interest. Minority stake calculation does not reflect the performance of the company actually. Minority is basically the allocation of profit between the shareholders.
- Krudent Chheda:** So that would again reduce, so at net level it would be a little less than this?
- Sanjeev Kumar Jain:** My stand remains unchanged that minority calculation is not the reduction of profitability. It is the allocation of profits between the shareholders. It should not be reflected on the performance of the Company which is PAT level.
- Krudent Chheda:** Sir, earlier you were guiding the E-commerce delivery per day would reach, but at around 30000 packages per day so now have we reduced it to 25000 per day. So why this reduction has happened and we have added, you said, a few very large customers in this quarter?
- Sanjeev Kumar Jain:** Network expansion is time consuming. There is a huge amount of work required in terms of recruiting quality delivery boys. These delivery boys not only deliver packages. They also collect the cash, and the cash collection volume is increasing significantly. So we are careful in terms of recruitment and selection process. These delivery boys pass through huge amount of skill tests and training. Keeping in view our experience in terms of recruiting the delivery boys, we believe that we will not be able to expand over 25000 by this financial year.
- Krudent Chheda:** So, but by 25000 we will be able to achieve 65 Crores revenue?
- Sanjeev Kumar Jain:** Yes.
- Krudent Chheda:** Thanks a lot.
- Moderator:** Thank you. Next question is from the line of Vipul Sangnani from Equirus Research. Please go ahead.
- Vipul Sangnani:** Thanks for taking my question. Sir, how are you seeing your margins in the Express Distribution Supply Chain business going ahead in the backdrop of a higher fuel prices?
- Sanjeev Kumar Jain:** The DPH has always an adverse impact on the operating cost of our Express Business which is reflected in Q1 and Q2 also. The profitability got suppressed because of the fuel and diesel price hike. So there are two ways. One is we have the ability to pass on the



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Diesel price hike (DPH) to the customers to a great extent. All our customers have Diesel price hike matrix in the contract. So we have put all the customers on DPH matrix barring few ones. We have been successful in terms of passing the DPH that reflects in our revenue. As far as DPH to our vendor is concerned, we are also giving to them and that reflects in the cost. So, DPH is certainly a cause of concern in terms of operating cost. But so long as the company continues to maintain and pass on the DPH to the customer, it can insulate its profits.

Vipul Sangnani: Have you ever planned to – any sort of intent to commodity swap agreement to hedge against the higher fuel prices since you are saying there are 10 to 15 clients whom you cannot pass on?

Sanjeev Kumar Jain: We cannot pass on the sense that they may take their own time in terms of the cutoff date of making the DPH applicable and also the amount of DPH. It is not that they will not take a hit actually..

Vipul Sangnani: So you are saying that you have not entered or you are not planning to enter into any sort of commodity swap, right?

Sanjeev Kumar Jain: I have not heard the concept. I think it has come as an idea. We can discuss with you separately that how it would work and how it would be useful. We can certainly have a look on that.

Vipul Sangnani: Going forward what will be your tax rate?

Sanjeev Kumar Jain: Tax rate of GKEPL is on maximum marginal tax rate and on rest of the companies, we have virtually no tax.

Vipul Sangnani: Virtually you have no tax. Sir, suppose if you are hiving off your shipping business will you be using the cash flows for deleveraging your balance sheet?

Sanjeev Kumar Jain: Certainly when the shipping is hived off, the shipping loans will go down actually, but shipping exit will not give incremental cash in the Gati's hand. So, to the extent of the loans of Gati Ship, they will reduce from the balance sheet. But it will not have the advantage of incremental cash to pay off other loans.

Vipul Sangnani: Sir, finally my last question from my side. How are you seeing your import and export business growing going ahead?



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Sanjeev Kumar Jain: Import and export business stands in Gati import and export trading limited. The company is doing well. Currently it has four-five specialised contracts including two large multinational companies and one Indian Hotel chain where it is serving an integrated supply chain solution including the inventory management. The company is growing year-on-year. I reflected the numbers that how it has grown in the Q2 and as well as H1 of this financial year.

Vipul Sangnani: The turnovers of 9.4 Crores, right 700% upside?

Sanjeev Kumar Jain: Yes.

Vipul Sangnani: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Binoy Jariwala from Sunidhi Securities. Please go ahead.

Binoy Jariwala: Thank you for the opportunity Sir. I wanted to confirm the E-Com revenue that you shared for the H1 is approximately Rs. 25 Crores right?

Sanjeev Kumar Jain: Yes.

Binoy Jariwala: How much that would be for Q2?

Sanjeev Kumar Jain: Q2 we have a total target of around 65 so we are looking forward for Rs. 40 Crores revenue in H2.

Binoy Jariwala: I am saying Q2 of this FY 2014 how much revenues did we clock?

Sanjeev Kumar Jain: Rs.15 Crores.

Binoy Jariwala: Sir, we have a reach of approximately 10000 pin codes you shared in the E-Com segment. Total reach is I think about 16000 to 17000 pin codes. Am I correct?

Sanjeev Kumar Jain: Total pin codes are reported to be over 35000. You can recheck that figure.

Binoy Jariwala: What is our reach in terms of total reach?

Sanjeev Kumar Jain: Our reach in the E-Commerce business is 10000 pin codes.

Binoy Jariwala: And for KWE?



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Sanjeev Kumar Jain: KWE is PAN India network. It covers 653 districts out of the 657 districts. So barring few districts in Northeast and J&K, GKEPL network is available in every nook and corner of the country.

Binoy Jariwala: Specifically for the COD segment what would be our reach? I believe complete 10000 pin codes would not have that facility to handle COD?

Sanjeev Kumar Jain: When we are saying 10000 pin codes that means that we can collect COD from those locations also. Our network in the JV companies is much larger. When we are talking of E-commerce context it is 10000 pincodes.

Binoy Jariwala: Sir, for H1 of this year, what would be our volume handled in terms of number of packages handled for the H1 so that we generated this Rs. 26 Crores of revenues?

Sanjeev Kumar Jain: I can discuss one-to-one on volume related details.

Binoy Jariwala: If you could elaborate more on your project UDAAN, you just gave some brief remarks on the project UDAAN?

Sanjeev Kumar Jain: Project UDAAN is interesting. It is a long-term partnership with IBM consulting division. They are working for us in terms of efficiency improvement. They have taken up couple of projects like setting up national grid, workforce optimization, sales cadence call. So there are number of projects and this is a business transformation exercise in which 10 consultants from IBM and senior team of Gati are working. There is a day-to-day transformation office program, which has clear action plans and various initiatives. This project started in June 2013 and the base work is over. We see cost advantages accruing to the company from Q3 onwards.

Binoy Jariwala: What would be that quantum, if you can quantify that?

Sanjeev Kumar Jain: The quantum could be in the range of Rs. 5 to 7 Crores in this financial year.

Binoy Jariwala: Does it reflect in any particular vertical or subsidiary or would it spread across?

Sanjeev Kumar Jain: The current contractual relationship is between IBM and the joint venture company. If we succeed in the JV Company, we intend to take their help in our main company in E-Commerce division and Cold chain business which requires significant amount of technology intervention. But currently it is limited to the GKEPL. So the profit improvement will reflect more on the JV Company. This contract can further enlarge for another two years. So this is a long-term partnership with IBM.



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- Binoy Jariwala:** Sir, is there any roadmap you finalized that within the two years? How much of cost savings would you enjoy?
- Sanjeev Kumar Jain:** There is a clear roadmap for three years. The uniqueness of this contract is outcome based fee . So IBM gets their fees paid only when there is a cost saving reflected in the P&L. So, there is an inherent incentive for the consultant to work to realize those benefits.
- Binoy Jariwala:** Sir, one last question on the E-Com segment, we have a capacity of handling about 15000 pieces a day, who are the top, let us say, five players in this segment and if you could broadly give how large this segment is in terms of capacity. Like we say 15000 pieces is our capacity, but how much are the total packages moving per day?
- Sanjeev Kumar Jain:** The authentic information I may not have in hand, but I believe that the largest players could be Blue Dart, Aramex, delhivery. Gati could be probably one of the top five companies. The authentic data in fact, is not available. These are all data, which we read from various reports .
- Binoy Jariwala:** In terms of the number of shipments doing per day? Roughly, if you could just give a broad indication?
- Sanjeev Kumar Jain:** The authentic data is not available. So probably it is not fair on my part to make any estimates.
- Binoy Jariwala:** Sir, if you could give that figure of the top five companies, how much of delivery would be handling?
- Sanjeev Kumar Jain:** I can keep on hearing these numbers, but it is difficult to put an exact number on a public platform actually.
- Binoy Jariwala:** Thank you.
- Moderator:** Thank you. We are going to take a follow up question from the line of Mayur Gathani from OHM Group. Please go ahead.
- Mayur Gathani:** Thank you for the opportunity. Sir just wanted to check on the Gati Ship. We understand there will not be any cash inflow. Will there be any cash outflow?
- Sanjeev Kumar Jain:** We do not see any significant cash outflow. We have made an assessment of the assets and liabilities. If we decide to exit in terms of assets by assets sale it will be sufficient to take



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care of the liabilities. There may be some small incremental cash outflow required to support that exit.

Mayur Gathani: Can we consider FY 2014 end that you can take a call on the shipping business or you might just hold around for a while longer?

Sanjeev Kumar Jain: We have already taken a call. It is a question of executing the decision. The board is reviewing every quarter, our execution on reducing our losses. So we have plans. I do not think that our plan on shipping should go beyond 2013-14.

Mayur Gathani: Fair enough. One just small question, cold chain we saw a drop in the top line quarter-on-quarter but the margins improved?

Sanjeev Kumar Jain: Kausar in Q2 had a little cycling effect. There is some small drop in the total revenue. The profitability is intact. I hope that it will start doing good from Q3 onwards.

Mayur Gathani: Stable margins in Kausar would be around 13% to 15%?

Sanjeev Kumar Jain: EBITDA margin, we have it around 13% to 14%, yes.

Mayur Gathani: Thank you very much and all the best.

Moderator: Ladies and gentlemen due to time constraints that was the last question. I would now like to hand the floor to Mr. Jignesh Kamani for closing comments. Thank you.

Jignesh Kamani: Thanks. I would like to thank the management for taking time out of their busy schedule. I would also like to thank the participants for asking their interesting questions. Thanks a lot.

Sanjeev Kumar Jain: Thank you very much. Thanks a lot for your participation.

Moderator: Thank you Sir. On behalf of Nirmal Bang Equities Private Limited, I conclude this conference. Thank you for joining us. You may now disconnect your lines. Thank you.