



“Gati Limited Q4FY15 Earnings Conference Call”

April 29, 2015



MODERATOR: MR. HARSHAD BORAWAKE – MOTILAL OSWAL SECURITIES.

**MANAGEMENT: MR. SANJEEV JAIN – DIRECTOR, FINANCE, GATI LIMITED.
MR. BALA AGHORAMURTHY – PRESIDENT & WHOLE-TIME DIRECTOR, GATI-KWE.
MR. DHRUV AGARWAL – EXECUTIVE VICE PRESIDENT – GATI-KWE.
MR. PETER JAYAKUMAR – DEPUTY CFO, GATI-KWE.
MR. VSN RAJU – CHIEF COMPLIANCE OFFICER & COMPANY SECRETARY, GATI LIMITED.**



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Moderator: Ladies and gentlemen, good day and welcome to the Gati Limited Q4FY15 earnings conference call hosted by Motilal Oswal Securities. 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 * and then 0 on your touchtone phone. I now hand the conference over to Mr. Harshad Borawake of Motilal Oswal Securities. Thank you, and over to you sir.

Harshad Borawake: Thank you, Shyama. Good morning all. On behalf of Motilal Oswal, I welcome all the participants to the Gati's 4QFY15 results conference call. I thank the Gati Management for giving us an opportunity to host this call. From Gati, we have Mr. Sanjeev Jain - Director, Finance; Mr. Bala Aghoramurthy – President and Wholetime Director, Gati-KWE; Mr. Dhruv Agarwal – Executive Vice President, Gati-KWE; Mr. Peter Jayakumar – Deputy CFO, Gati-KWE; Mr. VSN Raju – Chief Compliance Officer and Company Secretary. I now request the management to give details on the 4QFY results which will be followed by the Q&A. Thank you. Over to you sir.

Sanjeev Jain: Thank you very much. Good morning friends and Welcome to Gati's annual investor call. We thank you for your participation. I will take you through this presentation in the following sequence. We will first discuss company's performance vis-à-vis general economic scenario in the country, major highlights of our organization during the financial year 2014-2015, some of the highlights of business in term of network expansion and e-commerce and other verticals and financial numbers for the quarter and the year. We will also discuss about the guidance issued to the market and our actual performance for 2014-2015 and our debt position. We have shared a small presentation on annual results which were approved by the Board yesterday and this has been uploaded on our website. You may kindly refer to that while discussing your questions.

I must highlight that past year has been eventful. Company crossed many milestones. We had highest number delivery of packages. We delivered close to 70 million packages, out of which 14% was contributed by our e-commerce logistics vertical . So this is the highest volume of parcels in a Financial Year. We registered consolidated revenue growth of 14% and our e-commerce revenue grew by 164% on annualized basis. While on consol basis, we grew on 14%, Our core businesses comprising e-commerce business, EDSC business and international business grew by 20% in the last 12 months; however, since we discontinued our shipping business and Kausar business remained flat, our overall revenue growth in this financial year is 14%. Our growth could be seen in the light of sluggish economic growth of the GDP which is reported to have grown 7.4% in the last financial year and IIP which is a direct impact on our business grew only 2.8%. This reflects that our growth is 2x of the GDP growth. Our last ten years CAGR is 15% which explains our steady and sustainable growth.

Coming to the e-commerce business while e-tailing is reported to have grown 70% in the last financial year, our business grew by 164% enduring the leadership position in large-sized parcel and penetrating into small-sized parcel. The CAGR of our e-commerce business in the last 4 years is 125% and we believe that this trend will continue for the next couple of years. During this financial year, our company forayed into e-fulfillment centers. We set up 5 e-fulfillment centers in major cities and forayed into packaging, reverse logistic, and consolidation services which would drive us to deeply penetrate into e-commerce ecosystem. We continue to explore such opportunities in this space. GST will have major impact positive impact on our business and



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we believe that it should roll out from April 2016, we are ready for providing GST compliant solution in partnership with leading technology and tax partners.

Some of the major developments during 2014-2015, our overall income grew by 14% with improvement of 1% in the EBITDA Margin. Annualized EBITDA grew by 29% and PAT grew by 59%. During financial year 2014-2015, The credit rating of Gati, the listed company and GKEPL, the joint venture company has improved. Gati's rating improved from BBB+ to A- and the joint venture company's credit rating improved from A- to A. In fact, the credit rating further improved for short-term borrowings which is A1+ for GKEPL.

We could consummate private equity transaction in Gati Kausar successfully last year and Gati Kausar is now in a phase of building cold chain warehouses in the country. The most important feature of this financial year is complete exit from coastal shipping business. All the liabilities have been paid and all contracts have been successfully closed. So Gati as a group has completely come out from the coastal shipping business. This has helped us to reduce our losses significantly and also the capital employed which will reflect on the profitability and the return on capital employed. We celebrated 25 years of our existence in FY 2014-15 and we created vision that from current 6 million packages per month, we will deliver 1 million packages per day by FY 2020. Our Board yesterday approved dividend and the total dividend for the financial year was 70% which is highest ever in the history of Gati.

Owing to the improvement in the credit rating, our joint venture company could float commercial paper at very optimal rate of interest i.e. 9.15% and commercial paper now will constitute almost 50% of our working capital of the joint venture company. So this will bring down the cost of interest in the organization. We set up 5 e-fulfillment centers with a total capacity of 1.8 lakh square feet and for the first time, the company spent around Rs. 100 Crores on various CAPEX plans to build future capabilities. There are couple of business highlights which my colleague Mr. Bala will update you. Bala, over to you.

Bala Aghoramurthy:

Good morning everybody. So let me speak about the four business verticals that we operate. First about the e-Com logistics, e-Com as a business grew by 164% for us year-on-year. The number of packages handled as on 31st March is 40,000 packages per day, significantly up from the previous number that we quoted to you last quarter. The volume has been increasing in another sub product of reverse logistics which we have started. We actually do this with a couple of e-tailers and we are aggressively talking to many others, about this, reverse logistics as well. Last mile delivery which is the mix of bikers, drivers, e-com franchises etc. has increased from 1,200 to 1,400 numbers now. We are today serving 20,000 pin codes.

Moving on to e-fulfillment centers like Sanjeev explained, last quarter was the first quarter for us with this e-fulfillment center business. So between last quarter and this quarter, we have now grown in terms of volume by 63% from 6,000 orders per day to 10,000 orders per day now. We have 5 e-fulfillment centers, 2 of the newest ones being in Chennai and Jaipur. The revenue currently is 3.9 Crores for the quarter from this business vertical, up from Rs. 2.2 Crores earlier.

Moving on to the express business vertical, it is of course is the largest business vertical that we have today. Our total million packages has increased from around 60 million last year to near 70 million packages for the year. The total fleet size including the last mile and the long haul has crossed 5,000 mark. We have also held on to the yield despite a significant drop in diesel price. You are aware last quarter the diesel prices dropped by near 18%-20% but we have been



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successful in holding on to the yield through capability and relationship and of course efficiencies in the network.

Finally, I also want to share the express distribution business this time has learned something from the e-com business that we do. We have horizontally replicated technology learning from e-commerce into our express business. We are in the process of piloting a 100% scanning using barcode for shipments in our west zone in the express distribution business. Once successful, we look forward to rolling this out nationally.

Finally about Gati Kausar, we have added 24 reefer vehicle to the existing fleet. We have also commenced work on our first cold storage near Gurgaon. So this is the business highlights in brief and now requesting Sanjeev to take over again on the rest of the story.

Sanjeev Jain:

Thank you. Coming to financial performance of the group at consolidated level, our total income was Rs. 1,663 Crores for this financial year which is up by 14% year-on-year basis. Our EBITDA for this current financial year is Rs. 154 Crores which is up by 29% compared to previous year. The PBT is Rs. 79 Crores which is up by 68% year-on-year basis and PAT for the first time has crossed the benchmark of Rs. 50 Crore i.e. Rs. 57 Crore which is up by 59% while our business overall grew by 14% in the last 12 months and this is contributed as follows:

Our e-commerce business on year-on-year basis grew by 164%. GKEPL business which is our EDSC business grew by 12% and our international business and our trading arm - GIETL business grew by 40%. Absolute EBITDA were higher significantly and they were primarily contributed by increase of EBITDA in the joint venture company by Rs. 8.5 Crores and significant change of profitability in Gati by Rs. 15 Crores. The rest of the improvement in the profitability came because of discontinuing of our shipping business which though a onetime event, it will continue to add to our profitability going forward. We issued a guidance last year. On revenue number, we are close to the guidance. We issued guidance of Rs. 1,757 Crores while our actual income is Rs. 1,663 Crores which is 95% range of our guidance. On EBITDA, our guidance achievement is 92%. It is Rs. 154 Crores actual EBITDA compared to the guidance number of Rs. 168 crores. Our PBT guidance achievement is 81% and the lower achievement in the EBITDA and PBT is primarily of network expansion. We have made heavy investments in hiring of people and increasing our network to cater to the future requirement of business.

Coming to the quarterly financial performance of our group, our total income for this last quarter January -March was Rs. 420 Crores, marginally lower as compared to the previous quarter, but when compared to YoY, it was up by 9%. EBITDA has also grown to Rs. 38 Crores, up by 6% quarter-on-quarter and 20% on year-on-year basis. PBT for this quarter is Rs. 18 Crores, which is up 11% quarter-on-quarter and 23% up year-on-year basis. PAT is Rs. 15 Crores which is up by 8% quarter-on-quarter and 9% on year-on-year basis. Our debt level has come down compared to the previous year. As on March 14, our debt level was Rs. 480 Crores which has come down to Rs. 472 Crores. Compared to previous quarter, the debt has increased primarily because of the NCD drawl for our Gati Kausar business expansion. Our debt movement and debt as per each subsidiary as follows:

We had a debt of Rs. 480 Crores as on March 14 which has come down to Rs. 472 Crores as on March 15. The entity-wise composition of the debt is as follows: Gati's standalone is Rs. 278 Crores, Gati-KWE has been reducing debt and which has come down to Rs. 155 Crores. Gati



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Ship, the debt has been discontinued. Gati Kausar, the debts are Rs. 38 Crores because of drawl of NCD from the private equity firm. So total debt as on date is Rs. 472 Crores.

Coming to entity-wise performance for each company under the group, the numbers are as follows: Gati's total income for the whole year is Rs. 455 Crores and EBITDA number is Rs. 52 Crores which in term of percentage is 11% and this includes the dividend income which it gets from the joint venture company. The PBT number of Gati is Rs. 28 Crores and the debt level is Rs. 278 Crores.

Coming to the joint venture company, the total income for the year 2014-15 was Rs. 1,142 Crores and EBITDA of Rs. 116 Crores which works out to 10.2%, PBT of Rs. 74 Crores and the debt is Rs. 155 Crores. Gati Kausar revenue was flat, at Rs. 46 Crores with a positive EBITDA of Rs. 2.5 Crores. The debt of Gati Kausar stood at Rs. 38 Crores. The GIETL which is our trading arm is Rs. 47 Crores with an EBITDA of 3.8% with a very small debt of Rs. 2 Crores. The other businesses include our Asia Pacific business, the total revenue of that business is Rs. 40 Crores with a small marginal negative EBITDA of Rs. 1.4 Crores. Overall revenue for this financial year is Rs. 1,663 Crores, EBITDA Rs. 154 Crores which works out to 9.2% of the total revenue, up from 8.2% last year. The PBT is Rs. 78 Crores and total debt is Rs. 472 Crores.

The last section of our financial performance is entity-wise quarterly performance as quarter 4 representing January-March 2015. The total income of Gati is Rs. 118 Crores with an EBITDA of Rs. 10.7 Crores which works out to 9.1%. GKEPL revenue is Rs. 285 Crores, EBITDA of Rs. 26.7 Crores which represents 9.4%. Gati Kausar revenue is Rs. 13 Crores with an EBITDA of Rs. 1 Crore which represents 7.8%. GIETL is Rs. 11 Crores with an EBITDA of 2.3% and other revenues which comes from Asia Pacific is Rs. 9 Crore with a marginal negative EBITDA of Rs. -0.1 Crore. So these are financial numbers of the last quarter. Now, the floor is open for your questions. Thank you very much.

- Moderator:** Thank you sir. Participants, we will now begin with the question and answer session. We have the first question from the line of Mayur Gathani from OHM Group. Please go ahead.
- Mayur Gathani:** Can you just update me what is the quarter 4 numbers for e-com business? What is the revenue there?
- Dhruv Agarwal:** Hi Mayur, this is Dhruv here. The e-Com, top line was Rs. 42 Cr.
- Mayur Gathani:** Rs. 42 Crores and how are we doing on the margin front?
- Dhruv Agarwal:** On the margins, while we may not able to comment on exact numbers, we would like to give you a guidance, we had couple of 100 basis points, better than our traditional GKEPL express business.
- Mayur Gathani:** So we would have been Rs. 125-127 Crores of top line in e-commerce business in FY15?
- Dhruv Agarwal:** Yes, we have done exactly Rs. 127.4 Crores in the last financial year.
- Mayur Gathani:** Fine and Gati Kintetsu - JV EBITDA margins have not reached double digit yet. So what is the reason for that? I mean we were at 11%-11.5% in first half and now we are at 9%-8% in the second half, so what is the reason for that?
- Sanjeev Jain:** Yes, joint venture EBITDA margin has dipped in the last 2 quarters primarily because we made heavy investment into the hiring of people and creating network for the future growth which resulted into significant increase in the G&A and people cost.



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- Bala Aghoramurthy:** Also, we have invested in e-fulfillment center started only in the last 2 quarters. So that has taken quite some investment. Like I shared with you, quarter 4 over quarter 3, our orders have improved. As these orders continued to go up, this will start reflecting in EBITDA as well.
- Mayur Gathani:** So that is for e-fulfillment right sir. I was asking for the Kintetsu. So it is basically the people cost that has increased and the network that has led to margin drop in Gati Kintetsu business.
- Sanjeev Jain:** The 5 eFC which we have started in the last couple of Quarter, they are operational in the joint venture company.
- Mayur Gathani:** e-fulfillment is part of the JV?
- Dhruv Agarwal:** Yes.
- Mayur Gathani:** Fair and sir any guidance that you would like to give for FY16?
- Sanjeev Jain:** Yes, see the guidance for our different businesses will remain different, our joint venture company will grow in the range of 15%-16% per annum. Our e-commerce business will multiply again. So we are looking over 100% growth in e-commerce business, we issue a formal guidance of all our businesses in the next 2-3 weeks.
- Mayur Gathani:** Fair and sir anything on the RBI, any request that we received from them or any notifications regarding the FCCB conversions?
- Sanjeev Jain:** The matter is in status quo mode , the trustees had filed the case against the company which is been fought by company on various grounds. In the meantime, we are awaiting clarification on various matters from RBI. The clarifications have not come. We believe that it should take some time but we are confident that this will resolve in the favor of the company.
- Mayur Gathani:** Sir quarter 3, you had mentioned about some fund raising, any update on that?
- Sanjeev Jain:** That exercise has not yet been concluded. The market has been extremely volatile in the last 3 weeks and as soon as we see that market has stabilized, we will continue with the process.
- Mayur Gathani:** So that approximate raising of fund is around 100-120 Crores sir that remains?
- Sanjeev Jain:** Yes, we are intending to raise around Rs. 120 Crores.
- Moderator:** Thank you. Our next question is from the line of Mitul Mehta from Lucky Investments. Please go ahead.
- Mitul Mehta:** In your result in one of the notes, there is a tax demand which has been raised by the Income Tax Authority to Gati to the tune of about 53 Crores which of course for earlier years. But can you please take us from where this number came and if you could help us to understand this transaction please?
- Sanjeev Jain:** Yes. We have recently received a demand of Rs. 56 Crores from the Income Tax department and the company has evaluated the demand and we believe that the demand has been raised on very unusual grounds which we have discussed with the top tax expert in the country and had been advised the demand can be successfully challenged based on the settled position of law. So company is confident and we can mitigate this risk by going to appeal. So that process is on.
- Mitul Mehta:** Sir, can you tell us how much money did we receive in the Gati books by divesting Gati Ship?
- Sanjeev Jain:** So if you recollect that, we had closed the shipping business by selling asset by asset. We sold almost ships in the last 3 years. Gati Ship is a separate company and it had become an associate company in the last financial year. So whatever sale proceed came, this became part of the Gati Ship. Gati did not get anything out of the sale of those assets and Gati Ship met its financial



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obligation out of sale of its assets. So Gati did not get anything out of the asset sale of Gati Ship because it is a separate entity.

Mitul Mehta: Sir, you did mention in your earlier remarks that currently we are in an investment phase, so we have expense cost in Q3 and Q4 for the hiring and for network expansion which is not in commensurate to the revenues at this point of time. So going forward, can we assume that there is a scope of improvement in our EBITDA margin?

Sanjeev Jain: The expenditure in the G&A and people hiring are reflecting in the last 2 quarters. There is a time lag in terms of impact on the revenue. We believe that in our next financial year, our profits will increase at least by 50 basis points on consol basis.

Mitul Mehta: Margins.

Sanjeev Jain: Yes, our margins will improve by 50 basis points in the next financial year.

Moderator: Thank you. Our next question is from the line of Ujala Choudhary from Microsec Capital. Please go ahead.

Ujala Choudhary: I wanted to know that the company is building up two warehouses in Ghaziabad and Gurgaon. So has the construction work started up?

Sanjeev Jain: Yes, you are referring to Gati Kausar. We had identified locations. One is Dharuhera and other is Ghaziabad. The work on Dharuhera has already started.

Ujala Choudhary: And if you could also name a few clients that these have tied up with?

Sanjeev Jain: See, the Gati Kausar is already serving a list of important clients and some of these clients are very much interested to avail the warehousing services. In terms of name of the clients, there are many clients, however, the name could not be disclosed because of the agreement we have signed with these customers.

Ujala Choudhary: Sir what is your CAPEX plan for the next 2 financial years?

Sanjeev Jain: Gati has made the highest CAPEX in this financial year. We made a CAPEX of close to Rs. 100 Crores in the last financial year 2014-2015. Our CAPEX in the next financial year will also be close to Rs. 60 – Rs. 75 crores in both the companies, Gati and the joint venture company. The CAPEX plans for Gati Kausar are separate.

Moderator: Thank you. Next question is from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.

Madan: This is Madan here sir. Sir when I look at your presentation, you have given the consolidated number for the company after adjusting for intercompany transaction and if I add the EBITDA at the company level, the difference is almost like 17.8 Crores, if you can explain why the differences and how it should be projected in the future?

Sanjeev Jain: The difference is due to inter-company transactions on account of dividend income of Gati Limited received from its subsidiary.

Madan: In case of Gati Kintetsu, the margin improvement is you were doing a lot of cost-saving initiative but that margin improvement is not happening. When do you think it will start reflecting?

Management: So just to share with you, in GKE we have of course express distribution as well as the supply chain arm. In express distribution, our surface express margin has improved quarter 4 over quarter 3. The supply chain arm, we explained to you that the eFC business falls within the supply chain arm. There, this is actually an investment phase that is happening for the right



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reasons because we see big potential going forward. I confirmed that between Q4 and Q3, we have seen an improvement at an EBITDA level.

Madan: So what will you guide about? Next 2 years, where should the margins for the Gati Kintetsu business should look like?

Sanjeev Jain: Gati Kintetsu business margin will certainly improve. We believe that the Gati Kintetsu margin in the next financial year 2015-2016 will increase by at least 1%. This trend will continue in some manner in the next 2 years. Overall good margin of different verticals at consol level will increase by 50 basis points.

Moderator: Thank you. Our next question is from the line of Prateek Kumar from Religare Capital. Please go ahead.

Prateek Kumar: Sir my question is again around e-fulfillment centers. Sir so basically if you go by the older, I mean the 3 fulfillment centers which were built earlier. So would we be able to know the utilization levels in the original e-fulfillment centers? I know 2 are new.

Dhruv Agarwal: This is Dhruv here, Prateek. Currently, we had 3 that were live in Q3. In Q4, we have opened 2 more. Overall, our volumes had grown from about 6,000 a day to 10,000 a day what we are servicing today. In terms of utilization, we are about 40% utilization of the fulfillment centers at the moment. The 2 new one that we have started in Chennai and Jaipur are slightly smaller ones and we are just about a quarter and in this quarter, we will fill them out and we will expand those capacities more.

Prateek Kumar: So the total installed capacity would be around 20,000 packages a day including all the 5 and we have been hearing like this e-fulfillment centers have been put up by the e-tailing companies as well as some local players. So is it correct and are there competition?

Dhruv Agarwal: The e-tailers of course some of them have their own and they are now looking to outsource their future fulfillment center requirements.

Bala Aghoramurthy: But let me add to that, we are actually investing to get ahead of the competition. Let me just share what we are investing in. So we are in the process of implementing IBM Sterling Commerce, a software which will make our e-fulfillment center, unique in our space. So from the same fulfillment center, we will be able to service multiple e-tailers. We see long-term value because then we will be having an ecosystem where Gati directly indulges with thousands of vendors, and multiple e-tailers.

Prateek Kumar: Sir outlook on number of e-fulfillment centers which we project over next 2-3 years, I mean currently we are 5.

Dhruv Agarwal: So at the moment we are increasing our efficiency and the throughput through these fulfillment centers but we are in discussion with some of our customers to open some more but I would not be able to give you a firm guidance on that at this point in time.

Prateek Kumar: On Gati Kausar, obviously the first warehouse would come in Ghaziabad. So when is it expected approximately?

Sanjeev Jain: We have identified two locations. One is Gurgaon and one is Ghaziabad. The work on Gurgaon location has already started. The Ghaziabad work will start shortly. We believe that in the next 9 months, the first warehouse will be operational.

Prateek Kumar: And the customers who are there with the reefer fleet will go into the warehouses.



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- Sanjeev Jain:** Yes, most of them have expressed their requirement for warehousing as well. So those customers will be on board for our warehousing purpose.
- Moderator:** Thank you. Our next question is from the line of Tushar Das from Systematic Capital. Please go ahead.
- Tushar Das:** Sir just wanted to understand the Kausar business, the CAPEX plan for the next one year what would be happening and how you planned for the NCD drawn out for the rest of the year? Like it is 120 Crores NCD there. So how you will be drawing for the 3 years going forward and second question is the margin for the different business like you have warehousing, you have two will be starting operation and other how you plan to move out and how this expansion will come into better margin realization?
- Sanjeev Jain:** As you are aware that Gati Kausar deal got consummated in the month of October, 5 months back, the total deal size is Rs. 150 Crores. Out of which, Rs. 30 Crores is equity which has already been drawn. We have also drawn two tranches of NCD amounting to Rs. 24 Crores and as we move ahead on setting up the cold chain warehouses, we can withdraw the remaining amount. The total CAPEX plan of Gati Kausar for the next 3 years is Rs. 250 Crores which is to create a pallet capacity of around 45,000 pallet across 17-18 cold chain warehouses.
- Tushar Das:** So on the margin front, what would be the margin, two warehouses you are going to start. So what kind of a margin would be there in the warehouse business and as the whole 45,000 pallet after installation, what kind of a margin would be coming?
- Sanjeev Jain:** The margin in the current year for warehousing will be slightly negative because they will be just starting their operation but warehousing business is highly profitable which you can see from some of the competitor's number. They are in the range of around 27%-28% at the EBITDA level. So once we have the combined business of warehousing and reefer transportation, our EBITDA margin will move in the range of 22%-23%.
- Moderator:** Thank you. We have the next followup question from the line of Abhijeet Vara from Sundaram Mutual Fund. Please go ahead.
- Abhijeet Vara:** Yes sir, I have the few book keeping questions. One is tax rate. You have very low effective tax rate. So can you just take us through what benefits you have and till when it will it lasts?
- Management:** Well, primarily in the standalone, we have dividend income which is not taxable and we also have the premium on redemption of our FCCB which we claim as an expense. So these items make the taxable income lower.
- Sanjeev Jain:** See we have got dividend income which is exempt from tax and the premium, the interest on the bond will also give us a tax advantage. So overall tax rate in standalone company is lower as compared to the normal rate of taxation apart from the advantage of depreciation.
- Abhijeet Vara:** Sure and in standalone entity, there is some other operating income which used to be 8-10 Crores which has fallen drastically in this quarter. I am talking about quarterly level. What is this other operating income?
- Management:** So this other operating income majorly includes dividend from GKEPL. During this quarter, there was no dividend from the joint venture company. That is why it is on the lower side.
- Moderator:** Thank you. We have the next followup question from the line of Mayur Gathani from OHM Group. Please go ahead.



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- Mayur Gathani:** Sir, I just wanted to check on Gati Kausar, you said you wanted to have a capacity of 45 K pallets across 17-18 cold chain warehouse, so by when can we have this, by 3 years' time?
- Sanjeev Jain:** So this is a capital investment plan which we have signed with our private equity partner. The time horizon of the CIP is next 3 years.
- Mayur Gathani:** Next 3 years and sir on the e-com business, what shipment, do you ship by air, any percentage that you can share with us?
- Dhruv Agarwal:** Yes, about 20% by air and about 80% is by surface.
- Mayur Gathani:** On the logistic business, anything goes by air or nothing, on the JV business?
- Bala Aghoramurthy:** Yes, we have a quite an evolved air express business as well which compete in a very significant manner.
- Sanjeev Jain:** Air is our important product and we are very distinct number 2 compared to our largest player in the market. So air is very evolved and settled product of Gati as well.
- Bala Aghoramurthy:** It is about let us say 11%-12% of the total revenue.
- Mayur Gathani:** On e-commerce per day delivery, you are doing around 40,000, is that understanding clear?
- Bala Aghoramurthy:** That is right. It does not include fulfillment center. That is separate.
- Mayur Gathani:** Is the capacity 40,000 or your capacity is more than 40,000 because there were two numbers. One is your capacity of doing 'x' number and one is that you are doing 40,000 today?
- Dhruv Agarwal:** Yes, we are doing. Our capacity is 40,000 and on average, we attempt about 37,000 deliveries per day.
- Mayur Gathani:** What is our vision for the next year?
- Dhruv Agarwal:** For the next year, for the whole year if you say in line with our revenue growth trend, we are looking at again growing this year by 100% but for the next quarter, we are aiming to increase this by 20,000 packages per day. So end of Q1, we should be at about 60,000 packages per day delivery capacity.
- Moderator:** Thank you. We have the next question from the line of Deepak Ajani, an individual investor. Please go ahead.
- Deepak Ajani:** Sir actually I have an observation more than a question and I would appreciate your response to my observation. I am wondering about the extent of the pledge shares as would appreciate there is a significant overhang in stock market sentiment on the extent of shares that the promoters have pledged and I am wondering how quickly the promoters are likely to get these pledges removed and therefore list the overhangs of sentiment in the stock here.
- Sanjeev Jain:** Yes, I think your observation is correct. If you see the trend of last 3 years, the pledge was as high as over 90%. It has come down close to the 50%. So, pledge has been coming down. I believe that promoters are deeply interested to continue to de-pledge their shares and the pledge should come down further in the next 18 months.
- VSN Raju:** Just to add to that, promoter committed about 18 months back that they will be continuously trying to reduce the level of pledge. As per that commitment, they have reduced from (+92%) to (+49%).
- Deepak Ajani:** Yes but despite the trend in your pledge shares coming down, there was a bit of a spike up again and I believe is it with the Sun Pharma Group or some of such group will the promoters again made a fresh pledge of shares there?



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- Sanjeev Jain:** This spike happens primarily to optimize the rate of interest . So they also de-pledge it and then further pledge it to optimize the rate of interest but if you see the trend of last 3 years, the pledge has come down drastically.
- Deepak Ajani:** But there is no timeline by which it will be de-pledged?
- Sanjeev Jain:** I just said that in 18 months, we will see this further de-pledge.
- Deepak Ajani:** 18 months from 1 year ago.
- Sanjeev Jain:** No.
- Deepak Ajani:** Or 18 months from today.
- Sanjeev Jain:** Yes, 18 months from now.
- Moderator:** Thank you. Participants, that was the last question. I now hand the floor back to Mr. Harshad Borawake for any closing comments. Thank you and over to you sir.
- Harshad Borawake:** Thank you, Shyama. I thank you all the participants for participating in the call. On behalf of Motilal Oswal, I thank the management and for taking out for this call. Thank you.
- Sanjeev Jain:** Thank you everybody. Thank you very much for your participation.
- Moderator:** Thank you. Ladies and gentlemen on behalf of Motilal Oswal Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.