Gati Limited Earnings Conference Call
May 7h, 2014

Moderator: Good day, ladies and gentlemen. Thank you and welcome to Gati Limited Earnings Conference Call for the third quarter and the full year ended 31st March 2014, hosted by Systematix Shares and Stocks Limited. For the duration of presentation, all participants' in line will be on listen-mode. And post that, we will have a Q&A session. Now without further delay, I would like to hand over the proceedings to our conference coordinator, Mr. Jigar Kamdar. Thank you, and over to you sir.

Jigar Kamdar: Thank you. Good morning, ladies and gentlemen and a warm welcome to the conference call of Gati Limited to discuss the financial performance for the third quarter and the full year ended 31st March 2014. On behalf of Systematix, we would like to thank the Gati management for talking out the time from their busy schedule. Gati management will be represented by Mr. Sanjeev Kumar Jain, Director-Finance, Mr. Peter Jayakumar, Deputy CFO, Mr. VSN Raju, Company Secretary, and Mr. Dhruv Agarwal, Vice President. I would now request Mr. Sanjeev Kumar Jain to brief you about the financial performance of Q3 and full year ended 31st March 2014. Then, we will start the Q&A session. I now hand over the call to Mr. Sanjeev Kumar Jain. Thank you, sir.

Sanjeev Kumar Jain: Thanks, Jigar. Hi, friends. Good morning. We welcome you to the annual investors' call of Gati. It's our pleasure to connect with all of you and share information about Gati's performance and take your input. I will take this presentation in the following sequence. First we will discuss Gati group performance for the quarter 3, which ended as on March 2014. Then, we will take the nine months' performance for the Gati group and each of its entity. Then, I will also discuss where we stand vis-à-vis our guidance, we provided to the investors. Apart from that we will also share the major business updates for the last quarter and then I will take your questions.

Coming to the quarterly performance of Gati at consolidated level, I am happy to share that we had a revenue of Rs. 383 crores in quarter 3. On quarterly basis, it grew by 3.6% and seen growth of 21% on year-on-year basis. The growth has been primarily contributed by our

Express segment, which is represented by our joint venture company, Gati-Kintetsu and E-Commerce business, which has grown over 125% on a year-on-year basis.

Our EBITDA and PBT had a healthy growth on a year-on-year basis. EBITDA grew by 43% and PBT grew by 163% while compared to quarter 2, it remained flattish because of reasons which I will discuss during the call. Our debts have further reduced. It came down to 480 crores, as compared to 488 crores in December 2013.Our operating income for quarter 3 is Rs. 383 crores, as compared to Rs.370 Crores in quarter 2 and Rs.317 Crores in the quarter 3 of last year. On Q-on-Q basis, there is growth of 3.6%. On Y-on-Y basis, we have grown by 21%.

Our EBITDA for quarter 3 at consolidated level is Rs. 32.2 Crores, as compared to Rs.33.9 Crores of quarter 2. There was marginal increase in losses in Gati Ship, which includes forex translation losses. At PBT level, we had Rs. 14.9 Crores in quarter 3, compared to Rs.15.3 Crores in quarter 2 and Rs.5.6 Crores in the quarter 3 of 2012-13. At PAT level, there is improvement at Rs.13.8 Crores as compared to Rs.8.7 Crores of quarter 2 and Rs.7.6 Crores of the same period in the previous year. The improvement in PAT in this quarter has also been contributed by reversal of deferred tax liability to the extent of Rs. 7.8 crores. At debt level, we are at Rs. 480 crores as on March 2014 compared to Rs. 488 crores in quarter 2 ending December 2013.

Our annualized performance for last nine months, which also happens to be the year end as the board decided to move the financial year from April to March in FY2014-15 in line with new Companies Act, is as follows: As a group in the last nine months, we have grown by 17%. This growth is primarily contributed by our joint venture company which has grown by 20% on a year-on-year basis. Our e-commerce business has shown healthy growth, and we are confident that this business will continue to grow by 100% year-on-year for next couple of years. This business has grown by 125% in the last nine months.

In other businesses, growth has come from fuel stations and Gati's import and export business. Profit has increased primarily due to improvement in the EBITDA margins of the joint venture company, which rose to 10.7% for nine months, as compared to 9.8% in the previous year and there has been reduction of losses in Gati Ship in the last nine months compared to the previous year. For nine months our operating income for the group is Rs. 1117 crores, as compared to Rs. 951 crores in the nine months of previous year. I am not taking the last year full number since they are not comparable. So on a Year-on-Year basis, we grew at 17%. EBITDA improved from 74.7 crores for last nine months to Rs. 94.7 crores. At PBT, we stand at 40.2 crores as compared to 23.5 crores of previous nine months. PAT had a significant improvement at Rs.28.3 Crores as compared to Rs. 10 crores. There has been modest growth in Kausar business and our overseas subsidiaries which have not shown significant improvement. If Kausar and our Asia Pacific entities would have also performed as planned, the performance of the group would have further improved. We have shared management estimates about, how we will end our financial year 2013-14 and we had given a broad guidance to the investors. I am comparing our actual performance of nine months vis-à-vis the guidance given for the full year and what is the pro-rata guidance and what is our percentage achievement.

Our guidance for 12 months period at top line was Rs. 1500 crores, which turns out to be Rs. 1125 crores for nine months on pro-rata basis. Actually we achieved Rs. 1127 crores of turnovers, which is slightly more than 100% achievement on the top line. At EBITDA level, our guidance was Rs. 130 crores. It comes to 97.5 for nine months pro-rata, while our actual achievement of EBITDA is 94.7, which turn out to be 98% of achievement.

At PBT level, our guidance for the full 12 months was Rs. 55 crores which works out to Rs. 41.5 crores for nine months and our actual achievement is Rs. 40.2 crores, which is 98% achievement. I am happy to share that on all critical business parameters what management thought for the year is, by and large, achieved. We achieved 100% on top line and 98% on profitability margins.

In terms of each entity-wise performance, at Gati we had guidance of Rs. 235 crores, while we achieved 254. This over-achievement was primarily due to healthy growth in e-commerce business. In GKE, we projected a top line of Rs. 778 crores, while we achieved Rs. 771 crores (Net of inter-company transaction). Kausar had a modest growth. It did not grow the way we planned. We projected a growth of Rs. 38 crores, while our actual achievement is Rs. 35.8 crores. Gati Ship also had modest growth. So in terms of numbers, as compared to Rs.1125 Crores, our actual turnover is Rs.1127 Crores. We believe that our group for the next financial year 2014-15 will have revenue growth ranging between 15-20%. Different businesses will grow at different levels, but we are believed that e-commerce business will continue to grow 100% year-on-year for next couple of years.

Coming to important update on debt's movement, our debts are coming down gradually. As on September 2013, our total debts in the group including all the subsidiaries were Rs. 492 crores which came down to Rs. 488 crores in December 2013 and the latest number as on March 2014 is Rs. 480 crores. We are committed to maintain a debt level below Rs. 500 crores. We are managing the growth by improving the working capital management and cash management in the company. There are few major updates in the group. On 5th & 6th of May, we had the board meetings of Joint Venture Company and Gati respectively. Gati board has proposed a dividend of 35% for the year 2013-14 for the nine months' period. On an annualized basis, it works out to 47%. It is a healthy dividend and Gati has maintained its consistent track record of rewarding its shareholders.

While we are not directly involved about the promoters' share pledge, but market has been seeking such responses and we had indicated that promoters plan to de-pledge their shares gradually. I am pleased to share that promoters' share pledge level has come down to 63% and I believe there is a plan to continue to de-pledge the shares in future too. Other good news is that our joint venture partner KWE Japan has acquired 5% stake in parent company Gati Ltd, in the first week of April. This demonstrates the growing confidence of KWE in Gati group and business performance. So we now have a solid partnership of KWE at parent level. Kausar's divestment that, we have been talking in the last two quarters, is on track and we believe in the next couple of months Kausar fund infusion program should be over. Kausar will be on the path of setting up the 10 cold storage warehouses in the country becoming an integrated cold storage solution provider.

Gati Ship, we have been reiterating that we want to reduce our stake in the business further and also looking for an opportunity to exit the business suitably. I am happy to share that management has taken further steps in that direction. I have updated during the call that we have further scaled down our operation, which is demonstrated through the reduced losses. However the losses are still significant, hence the management is moving towards exiting the business at the earliest. We are left with two ships, one is running on the east coast of India and other one is running on the west coast of India in partnership with the Tata Group Company ISL. For one ship, we have contracted for disposal. It is Gati Pride, which has been contributing major share of financial losses of Gati Ship. We have received the advance money from the buyer in Escrow Account and we believe in the next three to four weeks, this ship will be disposed off. Post that, Gati Ship will be left only with one vessel. That vessel is running in partnership with the Tata Group Company and has started making marginal profit. Despite that management is committed and board has further directed the management to look for suitable exit from the shipping business. So in the next financial, year, we believe Gati's performance will not be impacted by the overall performance of Gati ship.

Synergy benefits from our joint venture partner KWE India continues to increase, though these synergy benefits are modest. I believe that synergy benefits between two groups take its own time. We have total synergy benefit of around Rs. 11.2 crores in the last nine months, but the positive side of these benefits is that customers we have signed are global customers. KWE is opening large customer base for GKE. They are sophisticated with high requirements of service levels. So it is also improving our service quality. I repeat that while the synergy benefits are still modest, but are increasing gradually, quarter-on-quarter. The kind of quality of customers we are signing with KWE is a matter of satisfaction. Project Udaan, which was signed with IBM on a long-term partnership basis, it's an outcome-based engagement for three years and it has started showing outcome in the Gati's financial performance. Our EBITDA is up by a minimum 0.5% due to various initiatives undertaken under project Udaan. Some of these initiatives are the national grid where we are moving the entire network at central level and also the network optimization, which enhanced the operational performance. These initiatives are now fully rolled out and we believe that, the impact in the next financial year will be better compared to 2013-14. There is lot of exciting news on e-commerce. I have my colleague, Dhruv Agarwal. He leads E-Commerce division. He will give some update on the E-Commerce business to you. Dhruv, over to you.

Dhruv Agarwal: Hi. The E-Commerce logistics part of our business has been growing in line with our committed growth. The E-Commerce logistics division had a turnover of 40.76 crores for the nine months. And we are projecting that we will be hitting our targets of about Rs.62 crores for the year ending in June. The current run rate of the e-logistics vertical is about Rs.6.8 crores per month. At the moment, we have a dedicated delivery capacity of 16,500 shipments a day, servicing over 7000 pin codes. And as we had mentioned earlier, we are on track to hit about 20,000 shipments a day by June and the target is to do about 30,000 shipments a day by the end of the December quarter.

We have also further expanded the services we provide to our customers. A major part of the new services is the packaging. We have started providing packaging services to our customers. In the month of April, we had revenue of about 60 lakhs that came from the packaging business. And we have opened up packing centers in some of the major metros Delhi, Mumbai, Chennai and Kolkatta. And currently, we are trying to automate part of this packaging in Hyderabad and Delhi. We have also opened up one ship center in Hyderabad and Delhi where Gati goes and picks up the stock and the packages from the various vendors and resellers. And then there other providers come to our warehouse to pick up their part of the packages to deliver to the end customers. In the last nine months, we are seeing a consistent growth in the below 500 gram segment and our network is now suitably geared to handle this small shipments.

Sanjeev Kumar Jain: Thank you, Dhruv. Next, coming to our entity-wise performance, I would share business developments with regards to our joint venture company. The joint venture company is a leading package delivery company in the country. It delivers over 5.5 million packages every month, so this is the leading express delivery company. Its business grew by 20% and the growth in Joint Venture Company is primarily contributed by healthcare and pharmaceutical sector, computer and peripherals and auto-mobile sectors. This growth is a healthy combination of improvement in yield as well as weight. The improvement in the yield reflects our ability to pass on the diesel price hike to the customers and the increase in the weight indicates the actual growth in the business and primarily new business development. So the entire 20% growth is a healthy mix of both the yield improvement as well as the volume improvement.

On the financial performance of the joint venture company, Gati Kintetsu had revenue of Rs. 272 crores in quarter 2 compared to Rs. 260 crores in quarter 2. It grew 4% on quarter-on-quarter and 23% on a year-on-year basis. On nine months' basis, the company had a turnover of Rs. 782 crores as compared to Rs. 654 crores in the previous year. And on nine months' basis, it grew by 20%. It's a healthy growth. In terms of EBITDA for quarter 3, it had an EBITDA of Rs. 31.54 crores compared to Rs. 28.8 crores of last quarter. On quarter-on-quarter, it grew by 9%. On annualized basis, it had an increase of 67%. On nine months' basis, the joint venture company's EBITDA is Rs. 83.7 crores compared to Rs. 64.1 crores of previous year's nine months showing a year-on-year growth of 31%. At

PBT level, the PBT of quarter 3 is Rs. 22.3 crores compared to Rs. 19.7 crores on quarter 2 and Rs. 9.4 crores of quarter 3 of previous year. It reflects a quarter-on-quarter growth of 13%. And on annualized basis, the growth of PBT is 55%. On nine months basis, the PBT of current nine months is Rs. 56.4 crores as compared to Rs. 34.6 crores of previous year's nine months showing a year-on-year growth of 63%. So there is a healthy growth. In terms of EBITDA improvement, it is the highest EBITDA in terms of percentage in the last couple of quarters in the working of the joint venture company. And we believe that both the top line and EBITDA improvement will continue in Joint Venture Company.

In the parent company Gati, the quarter 3 top line is Rs. 93.1 crores as compared to Rs. 82.4 crores of quarter 2. And in the previous year it was Rs. 27.9 crores reflecting a quarter-on-quarter growth of 13%. The previous year's numbers are not comparable because we merged our fuel stations as on March 2013. On EBITDA level, Gati's standalone EBITDA is Rs. 11.2 crores compared to Rs. 5.3 crores of quarter 2 showing a quarter-on-quarter improvement of over 100%. At PBT level, Gati's quarter 3 is Rs.9.1 Crores as compared to Rs. 2 crores of quarter 2, so there is significant improvement of PBT, but large amount of this PBT is contributed through receipt of dividend from the joint venture company.

The matter of satisfaction for Gati's standalone business is growing share of e-commerce business. When we started the year as on July 2013, the e-commerce constituted only 13% of the total revenue mix of Gati. As on March 2014, the contribution of e-commerce business had increased to 19%. That reflects the growing share of e-commerce business. And in the next two-three years, we believe that e-commerce business will continue to grow 100% YOY. And as far as the revenue mix of Gati is concerned, whole dynamics of P&L will change.

Coming to our cold chain segment, Gati Kausar, we had revenues of Rs. 10.8 crores in quarter 3 as compared to Rs. 11.6 crores. There is a marginal decline in revenues by 7% on quarter-on-quarter basis. For nine months' annualized basis, Kausar had revenues of Rs. 34.9 crores compared to Rs. 32.1 crores, which is a modest growth of 9% on a yearly basis. There is cyclical impact on Kausar's business especially weak off-take of meat, which is one of the major products of cold storage transportation in the country. At profitability level, quarter 3 had a positive EBITDA of Rs. 0.7 crores compared to Rs. 1.1 crores of quarter 2. There is a decline in the EBITDA. At PAT level there is a loss of Rs. 1.5 crores compared to Rs. –1.1 crores of quarter 2. Kausar's divestment is on track. We have made significant progress and we believe in this quarter, we should close the growth fund infusion in Kausar.

Coming to Shipping businesses, which has been painful area for us. Gati Ship has added more losses compared to initial projections. The financial numbers of Gati Ship are as follows: In quarter 3, we had revenues of Rs. 5.2 crores compared to Rs. 6.6 crores in quarter 2 of this financial year. The losses at EBITDA level also increased by Rs. 1 crore, because of Forex fluctuation impact, to that extent loss have increased to Rs. 6 crores as compared to Rs. 4.8 crores in quarter 2. On nine months basis, the revenue of Gati Ship is Rs. 19.2 crores as compared to Rs. 20.1 crore of previous years. And losses in the nine months at the PAT level have been Rs. 14.9 crores as compared to Rs. 18 crores in last year. So the losses have come down, but have still added significant amount of losses in the last nine months. We have updated that we already contracted for disposal of one ship. In the next few weeks, the ship which was contributing major amount of losses will be disposed off. The Gati Ship will be left only with one ship which is expected to start making some marginal profit. Nevertheless, the management and the board have decided to exit the business. We believe we should be able to achieve our objective in the Gati Ship.

This is from my side the major update. I will request all of you to please ask questions, clarifications on financial performance and we encourage you to ask as many questions as possible. Thank you very much. Over to you.

Moderator: Thank you so much, sir. With this, we are going to start the Q&A interactive session. So I would request all the attendees and the participants, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. I repeat, attendees, if you wish to ask any question, you may press “0” and “1” on your telephone keypad and wait for your name to be announced. It’s “0” and “1” on your telephone keypad. Thank you. And we have the first question from Mr. Rajesh Uthari from ModSecurity Adventures. Your line has been unmuted. You may go ahead and ask your question, sir.

Rajesh Uthari: Hi. Congratulations for the good performance. Just wanted to understand that, for next two years, in your earlier presentation on the website it says that you have an EBITDA projection of 130 crores in FY14 to 170 crores in FY15 and 214 crores in FY17. So first question from my side is there any change in this guidance on your operating profit as well as profit before tax? And second question is from where, this incremental 40 crores EBITDA in FY15 over FY14 you are projecting. And shipping loss at EBITDA level is how much and how much is basically from the organic growth?

Sanjeev Kumar Jain: Thank you, Rajesh. I updated that we are very close to our guidance number for 2013-14. In fact, we had 100% achievement on the top line and 98% achievement on both EBITDA level and PBT level.

Rajesh Uthari: Correct.

Sanjeev Kumar Jain: We believe that various segments of business will continue to grow in the range of 15 to 20%. Different business lines will have different growth path. Joint Venture Company will have range of 15% to 17% growth. E-Commerce will continue to grow at 100%. We are confident that we should be meeting our targets. Nevertheless, we are in the process of creating vision 2020 plan how the Gati Group would look like in year 2020. In view of the recent developments at Gati Ship, we have been able to further scale down our operation. We are confident that Gati Ship’s losses in FY 2014-15 will be fraction of what we had seen in 2013-14 and our overall EBITDA and PAT number should be close to the guidance. But we will update this guidance once we have completed the budgeting exercise for 2014 -2015 and also the visioning exercise which we are undertaking with the help of IBM creating a vision for Gati group 2020.

Rajesh Uthari: So how much GATI Ships…? Sorry. How much GATI Ships contributes at EBITDA level right now in terms of losses in FY14 of this 130 crores EBITDA? How much is the loss?

Sanjeev Kumar Jain: Yeah. At PAT level, it has negative contribution of around Rs. 15 crores. At EBITDA level, Gati Ship has contributed around Rs. 4 crores loss.

Rajesh Uthari: No. That is at EBIT level. I am saying at EBITDA level is how much?

Sanjeev Kumar Jain: I am talking of EBITDA level 2014. EBITDA level loss is at Rs. 4 crores and PAT level Rs. 15 crores in the last nine months.

Rajesh Uthari: Okay. EBITDA level because your PBIT, you know, for the quarter it is showing 4 crores EBIT loss.

Sanjeev Kumar Jain: Yeah. This is what I am confirming. At EBITDA level, there is a loss of Rs. 4 crores. And nine months' basis, Gati Ship has lost Rs. 15 crores as compared to Rs. 18 crores of previous year.

Rajesh Uthari: At EBIT level?

Sanjeev Kumar Jain: Yeah.

Rajesh Uthari: And how much is the EBITDA level? But there is some depreciation. Am I right?

Sanjeev Kumar Jain: Yeah. So this is before depreciation only. And the depreciation component is Rs. 5 crores in these nine months.

Dhruv Agarwal: Absolutely.

Rajesh Uthari: Okay. I will take the question offline. No problem. Thank you.

Sanjeev Kumar Jain: Sure. Okay. Thank you.

Moderator: Thank you so much. We have the next question from Mr. Naveen Shah from NBS Brokerage. The line is unmuted. You may go ahead and ask the question.

Naveen Shah: Good afternoon. This is Naveen Shah here. First of all, I congratulate for a much improved performance. I have two questions. If you can throw some light on the write-off of about Rs. 135 crores and Rs. 67 crores on account of some losses in subsidiaries which has been written off Rs. 135 crores and Rs. 67 crores? What is this, I mean, what it is representing and whether any outside agency was appointed or is this only the managements own, you know, the appraisal which has determined this amount of loss?

And, secondly, what is the status of application to RBI seeking permission for buyback of some FCCBs and there is some, I think, the permission has been issued, but they have asked to convert it into a foreign debt instead of FCCB. Can you just explain that what is it and whether we have – post that permission, whether we have bought back some FCCBs or what is the status of that?

Sanjeev Kumar Jain: Good afternoon, Naveen. Thank you very much for your question. If you recollect in March 2013, we had approached AP High Court for a merger scheme. In the merger scheme, we got the High Court mandate to – revalue our investment and assets. The re-evaluation of our investment in various companies primarily our investment in the joint venture company, GATI-Kintetsu, created a special reserve of Rs. 550 crores. In the scheme approved by the court, we had taken court's approval that any impairment in the investment or any exceptional cost items as deemed fit by the board could be appropriated from the special reserve. As you know that our shipping business has deteriorated over last couple of years and our investment which is around Rs. 108 crores representing 60% of our shares valued lesser amount. So there was impairment in the investment in the Gati Ship. And over the years, Gati had also given the financial assistance to Gati Ship.

Also, Gati made investments in the overseas markets for freight forwarding business. And those overseas companies did not do well in the last few years. So management appraised the impairment in these investments. We consulted global accounting firm and a legal firm. We put relevant facts before them and also the mandate of the court scheme approval to appropriate sums from the special reserve for such purpose. And in the board meeting held yesterday, board held deliberations and decided that the Gati Ships should represent the fair value and accordingly we have impaired these assets out of special reserve. So Rs. 215 crores represents the impairment of investment in Gati Ship, the financial assistance given by the parent company to the Gati Ship since its formation. And rest is provision for impairment in our overseas subsidiaries and few unrecoverable advances. All these sums put together and some of the advances which, we have given in the discontinued business, where we felt that amount may not be recoverable. Hence on the basis of advice of expert's legal opinion and accounting opinion and due deliberations at board level, it was decided to either provide for or write-off these assets and, accordingly, an amount of Rs. 215 crores was taken out of the special reserve. So this is about the special reserve utilization in line with the court approved merger scheme.

Naveen Shah: Thank you.

Sanjeev Kumar Jain: Coming to the FCCB, your second question, we have given an appropriate note in clause 41 accounts published yesterday that Gati wanted to repay part amount of Bond to the bond holder. However, the regulator declared that we needed the permission and it was advised to treat this as debt. Company has challenged the RBI view and the matter is in AP High Court and under subjudice. Please note that we have clarified our stand in the accounts, which got published yesterday.

Naveen Shah: Okay. So does this FCCB represent something? If I remember correctly, FCCB is held by the Goldman Sachs?

Sanjeev Kumar Jain: Yes...

Naveen Shah: Okay. So till the court, I think, order you will not be able to take any action on this matter, is it?

Sanjeev Kumar Jain: Yeah. This is the factual position. We will not be able to take any step on this matter till the matter is disposed of by the Court.

Naveen Shah: Okay. And last thing, whether any more impairment is expected or write-off of goodwill etc in the 2014-15 or immediate thereafter?

Sanjeev Kumar Jain: With regard to the Gati Ship, I think we have taken required steps. In fact, we have made our entire investment in the Gati Ship at zero level.

Naveen Shah: Thank you.

Sanjeev Kumar Jain: Thanks.

Moderator: Thank you so much. We have the next question from Mr. Madan Gopal from Sundaram Mutual Funds. The line is unmuted. You may go ahead and ask your question.

Madan Gopal: Hello.

Sanjeev Kumar Jain: Hi.

Madan Gopal: Sir, you are able to hear me?

Sanjeev Kumar Jain: Yes. Please, go ahead.

Madan Gopal: Yeah. Congrats for good set of numbers. Sir, if you see the shipping business made Rs. 15 crores loss for the nine-month period, for the full year period what is the sort of number you are considering when you are giving guidance of Rs. 55 crores as per your presentation?

Sanjeev Kumar Jain: Guidance of?

Madan Gopal: For your full year guidance, in which how much of shipping loss is being considered?

Sanjeev Kumar Jain: Yeah. Fair. Thank you very much. In the nine months' period, Gati Ship has suffered a loss of Rs. 15 crores. We believe that the overall loss for the 12 months' period should not increase over Rs. 20 crores.

Madan Gopal: 24 crores?

Sanjeev Kumar Jain: Rs. 20 crores. Overall losses should not go beyond Rs. 20 crores in this 12 months' period ending in June 2014.

Madan Gopal: Okay.

Sanjeev Kumar Jain: Yeah. I already updated that one ship has been disposed off . We have contacted for sale and we have received the advance amount in Escrow Account. Hopefully in the next few weeks, we will dispose and that was the major contributor of the losses.

Madan Gopal: Sir, your standalone business while the top line has made expectation as we were previously discussing, but at the EBITDA level, it has come at 5% for the nine months' period. But I remember we discussed a possibility of around 7 to 7.5% kind of margin possible in this standalone business. Which business in the standalone actually not helped us in the EBITDA margin?

Sanjeev Kumar Jain: Yeah. Overall, growth in the business is contributed by our e-commerce business which has grown around 125%. E-commerce is growth-oriented business. To enhance our network from current 16,000 deliveries per day to 25,000, we are required to make appropriate investments in terms of inducting the people and also creating the network of small offices. So some amount of that cost has gone to building this network and that is impacting EBITDA to some extent. Rest of the businesses of Gati comes from the fuel stations, which is the large amount of revenue with low margin

Madan Gopal: So e-commerce, which in the previous quarter looked at somewhere 12 to 14 kind of margin, has probably come below that, is it?

Sanjeev Kumar Jain: Yeah. The margin in terms of E-commerce business is increasing, but we have to make investment in terms of recruiting more people and creating a network for the future. So that is impacting the cost. And these costs are s not Capex. It is operating cost.

Madan Gopal: Okay. I understood that. Sir, on the e-commerce business, I was wondering whether Amazon works with us or they have their independent operations.

Sanjeev Kumar Jain: Amazon is our customer, I cannot share more information. But we are one of the leading service providers to them.

Madan Gopal: Okay. That's good. Good, sir. If there is any other question, I will come back in the queue.

Sanjeev Kumar Jain: Please. You are most welcome. Thank you very much.

Madan Gopal: Thank you, sir.

Moderator: Thank you, Mr. Madan Gopal. Moving on to the next question, we have Mr. Jigar Walia from Merchant Group. The line is unmuted. You may go ahead and ask your question.

Jigar Walia: Congratulations, sir, for the good set of numbers particularly on KWE and e-commerce. Sir, just a clarification first e-commerce for Q3 we have done 25 crores or 35 crores, sir?

Sanjeev Kumar Jain: E-commerce on quarter 3, we have done Rs. 16 crores. If I take you through quarter-on-quarter trend, in quarter 1 we did revenue of around Rs. 10 crores. In quarter 2, we did Rs. 14 crores. In quarter 3, we did Rs. 16 crores. And the current run rate is in the range of around Rs. 7 crores per month. We believe that we should close 12 months period in the range of Rs. 62 to Rs. 63 crores, close to what we spoke in the last investors' call.

Jigar Walia: Okay, Perfect, other question is a clarification. On the shipping receivable and advances write-off of Rs. 67 crores, is it mainly advances by the parent to Gati Ship or is it receivables?

Sanjeev Kumar Jain: The entire money represents, the financial assistance given by Gati since the formation of GATI Ship.

Jigar Walia: Gati. Okay. Next question is, sir, for KWE, why did they do a secondary deal for the 5% stake in Gati Limited and why not a primary investment? And is Gati opened to KWE investing at a primary level, I mean, will it also help reduce debt and, maybe, the money comes into the company?

Sanjeev Kumar Jain: So let me first clarify that KWE taking a decision to invest in the parent company has demonstrated that both the partners are coming close and KWE has shown confidence in the Gati's management. In fact, when we did the deal two years back, KWE had indicated that they will make investment in the parent company as well. If you recollect that in the previous KWE deal, promoters had not benefited in any manner. The entire deal of KWE was with Gati in a combination of primary and secondary transaction. In M&A transaction promoters usually get non-compete fee, which was also not given to the promoters. So KWE indicated that if they decide to make investment in Gati Limited, they will buy the shares directly from the promoters. Promoters had liquidity requirement and that's the reason that they made a secondary transaction rather than primary transaction. But I agree with you that if they do the primary transaction with Gati, it will help Gati to square up debts of Gati limited.

Jigar Walia: Primary transaction with KWE, are we looking forward to it?

Sanjeev Kumar Jain: I think it's a beginning. It's the beginning of relationship with the parent company. I hope that they see more value in Gati and take their own decision. It's difficult to predict or read the minds of investor. But we are confident that our partnership is going strong.

Jigar Walia: That's right. Sir, just a follow up. Just to clear out some inquisitiveness, promoters are requiring money and therefore they sold to KWE. If you can give some colour on the power projects that are there in, what are the developments happening?

Sanjeev Kumar Jain: Yeah. Normally, I don't speak on behalf of the promoters. So the promoters, power ventures are different. And there is a Chinese wall in the operation of Gati and the power project. There is a full team of power project including Director Finance who works for power project. I can simply update on the matter of facts that the first power project of 110 megawatts is commissioned last year in the month of May. And following that, GE made large investment of Rs. 257 crores. The first power project is up and running. For rest of the update on power project, I will refer you to the Director Finance of power project.

Jigar Walia: Okay. That would be helpful, sir. And, sir, one last question if I may? Sir, just going through the presentation that you uploaded for this year now, I mean, I think you have done very well and our targets are also fine, but our targets are significantly scaled down as compared to the presentation that you had put up last year.

Sanjeev Kumar Jain: Yeah. I think your observation is correct. So we've made…

Jigar Walia: Sir, if you can just… why have we scaled down in terms of our growth target?

Sanjeev Kumar Jain: Your question is correct. We became more realistic in terms of our assessment. Our plan to close down or reduce the losses of Gati Ship, it took longer time than what we thought of. In fact, we were quite optimistic of closing the Gati Ship losses much faster than what it has taken at present. So that is one reason. And, of course, our overseas subsidiaries did not do well. They did not contribute to the top line what we had projected. These were the two prime reasons to scale down our targets to make it more realistic

Jigar Walia: Yes. Sir, we don't have the break up in terms of the Express and E-Commerce business. Were there any scale down in targets for on these two businesses?

Sanjeev Kumar Jain: No. In fact, these two businesses have done better than what we had projected.

Jigar Walia: Okay. So those targets continue as it is?

Sanjeev Kumar Jain: Those targets continue. We are very, very confident that e-commerce will close between Rs. 62 to Rs. 65 crores. And our joint venture companies get projected a turnover on 12 months of Rs. 1050 crores.

Jigar Walia: Okay. Sir, for your Express business, how much we did for rail, air and road – this break up, sir?

Sanjeev Kumar Jain: Yeah. I can give you the break up separately, but broadly the rail contributes roughly 10 to 12% of total revenue of Joint Venture Company. And air is also roughly 9 to 10% of the overall revenue.

Jigar Walia: Air is now increasing or it is still on a declining mode, sir?

Sanjeev Kumar Jain: It is not declining, but it is not growing rapidly at present. We are more focused in terms of maintaining the profitability of the customers through the cost contentment. So we are making cleanup of the customers who are not making profit. So our focus on the air product is more on the bottom line than the top line.

Jigar Walia: Okay. Thank you so much, sir.

Sanjeev Kumar Jain: Thank you very much.

Participant: Sir, just to add on – I am sorry. Sir, shipping, we will not have any losses in FY15 starting from April to March.

Sanjeev Kumar Jain: No. As I said that April to June, this is not part of the 2014 and 2015 because we have changed the financial year. There will be Rs. 4 to Rs. 5 crores of losses since business is still not closed and the Gati Pride has continued to work till May end when the disposal will be finally over. So this quarter will contribute around Rs. 4 to Rs. 5 crores of losses.

Participant: Only this is that the first quarter of FY15 will have Rs. 4 to Rs. 5 crores losses, but the balance nine months if they are not selling that other ship, we should be able to break even?

Sanjeev Kumar Jain: We should be able to break even. I think there is a fair estimate.

Participant: Sir, overall, FY15 you may just be a break even on shipping?

Sanjeev Kumar Jain: Seems so. Yes.

Participant: Okay. Thanks.

Sanjeev Kumar Jain: We've have been taking all the required steps on the Gati Ship. The steps, there have been some delay, but finally we are reaching the destination.

Participant: Any cash flow expected by the selling of the ship?

Sanjeev Kumar Jain: There will be a disposal of ship for decent consideration, but that will go to meet these liabilities. It is on finance lease. It is a ship which is on finance lease. So its realization will go to the lender.

Participant: Okay. Thank you very much, sir.

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you, Mr. Walia. We have the next question from Ms. Kavita from Nirmal bang Securities. The line is unmuted. You may go ahead and ask your question.

Kavita: Good morning, sir, and congrats for good quarter. Hello?

Sanjeev Kumar Jain: Hi, Kavita. Very, good morning. How are you?

Kavita: Good, sir Fine.

Sanjeev Kumar Jain: Please go ahead with your question.

Kavita: Yeah. Many of my questions have been answered. Sir, this on the Kausar, for the past couple of quarters it's been, subdued revenues from this segment. So could you give us some update exactly what is happening, what are the expansion plans here?

Sanjeev Kumar Jain: Yeah. Your observation is correct. I think last three quarters, the Kausar's revenue has not grown and there are two reasons for that. Some of the customers have moved to ambient temperature. So that has hit the revenues. Some of the customers which were in pipeline, they have taken time in terms of new business development. And the team is also getting focused on the closing of the financial transaction which I have been talking about. We have taken the latest update from Kausar and from April onwards, there is slight improvement in the top line and I hope 2014 and 2015 will be much better as compared to 2013-14. But I admit that Kausar business has not grown, the way we projected.

Kavita: Okay. So what are the margins as of now, sir, and what do you expect going forward?

Sanjeev Kumar Jain: This business, as standard, is 13-14% of EBITDA margin. 2013-14, we had closed at much lesser, but it will recover to its original EBITDA of around 12-13% in 2014-15.

Kavita: Okay. Sir, secondly on the E-Commerce front, you said you have already, made some investments. Could you give us a figure on that? And going forward, how much more investment you have to make to reach those 20-25,000 parcels per day?

Sanjeev Kumar Jain: Yeah. I have my colleague, Dhruv Agarwal. He looks after E-Commerce business. He will give you more update. On financial data, I will share the number separately after that. Dhruv. What are the developments in the E-Commerce?

Dhruv Agarwal: Hi, Kavita. On the E-Commerce, like Sanjeev had mentioned earlier, this investment is not in the form of Capex. But when we go out and we expand our network and open up new locations, you know, we have an increase in the Opex where the volumes probably come slightly later. So that's why there is a little gap between what we spend and when we start seeing revenue against what we spent. But in terms of investment, it's more an Opex and lesser for Capex.

Sanjeev Kumar Jain: Yeah. I have been updating Kavita on last couple of calls that E-Commerce business we have kept assets light. This is more on outsourced model and this is how this business will grow. But in terms of development, we have already contracted the e-fulfillment centre in Delhi and we have already opened an e-Fulfillment centre in Hyderabad at present. So lot of things is happening in terms of expansion of the business and this cost goes to the P&L rather than the balance sheet.

Kavita: Okay. Sir, overall, what are the Capex plans, if you can give a segment-wise for the next year?

Sanjeev Kumar Jain: For the next year?

Kavita: Yeah, 2014-15.

Sanjeev Kumar Jain: 2014-15, the overall Capex plan for the whole group, keeping aside the Kausar, will be around Rs. 20-25 crores, which will be as follows: Around Rs. 12 crores in the joint venture company in the form of investment in the IT and technology and change of old fleet. And around Rs. 5 to 7 crores in the E-Commerce business more into the IT front.

Kavita: Okay.

Sanjeev Kumar Jain: Kausar investment plan is separate because it is linked with the capital inclusion which is a large plan of around Rs. 120 crores over three years in terms of setting up the 10 cold chain warehouses.

Kavita: 10? Okay.

Sanjeev Kumar Jain: Yeah.

Kavita: Okay. Sir, getting back to the core business Gati KWE, could you give us some light, you know, you have addressed some five or six clients in the current quarter. If you can name one of them and, you know, what kind of growth we expect from them going forward?

Sanjeev Kumar Jain: Kavita, I will share the names separately. We've added customers and there is improved pipeline of customers we have added in the last quarter. And we work with all the global majors in our customers' profile. Giving name publicly is bit prohibitive,

Moderator: Sir, I think, Ms. Kavita's line got disconnected.

Sanjeev Kumar Jain: Sure.

Moderator: Moving on to the next question, sir, we have Mr. Chiragh from Valley Quest. The line is unmuted. You may go ahead and ask your question.

Chiragh: Hello. Sir, congrats on the good numbers.

Sanjeev Kumar Jain: Thank you, Chiragh.

Chiragh: Sir, when do we expect to raise funds for our Gati Kausar business?

Sanjeev Kumar Jain: Gati Kausar divestment plan is at advanced stage. Though I have been saying this in the last two quarters, there is significant development happened there. We believe that in the next two months the divestment and Capital infusion of Gati Kausar should be over.

Chiragh: Okay. And we are on track to set up 10 cold chain warehouses

Sanjeev Kumar Jain: We are on track. We are on track in setting up those cold chain warehouses.

Chiragh: Okay, one more thing. What were the margins in E-Commerce business in this quarter – operating margin?

Sanjeev Kumar Jain: Yeah. Margin – You were talking of EBITDA margin or operating margin?

Chiragh: Sir, EBITDA margin of E-Commerce.

Sanjeev Kumar Jain: EBITDA margin in E-Commerce ranges between 12 to 15%. And as I said that we are in the phase of expanding our network. So lot of cost goes to the P&L item. This business will remain in the range of 12 to 15%.

Chiragh: Okay. Sir, for next year, how much do we plan to invest to improve our distribution network of this business?

Sanjeev Kumar Jain: Yeah. We will invest around Rs. 20 crores in our core business and E-Commerce business, apart from that, the Gati Kausar business, which is a separate plan of around Rs. 120 crores over the next three years.

Chiragh: Okay. Rs. 20 crores includes our CapEx for the E-Commerce business?

Sanjeev Kumar Jain: 20 crores include Capex for the E-Commerce. But as I repeatedly said that E-Commerce is asset light business. This does not envisage great amount of Capex in the business other than the technology front.

Chiragh: Right. Okay, sir. Thanks a lot.

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you so much. We have the next question from Mr. Rajesh K. Ravi from Karvy Stock Broking. The line is unmuted. You may go ahead and ask your question.

Rajesh K. Ravi: Yeah. Hi, sir. Good afternoon and congratulations on good set of numbers.

Sanjeev Kumar Jain: Thank you. Yeah. Please go ahead.

Rajesh K. Ravi: Sir, on the shareholding front, I see that the promoter shareholding has earlier dipped to 34%, now in this March quarter it is up to 38%. So what has, you know, on what account has this changed?

Sanjeev Kumar Jain: Yeah. Promoters' shareholding is slightly up due to reclassification of some of the shareholders with the promoter group and this has been intimidated to the stock exchange.

Rajesh K. Ravi: Okay. And, second, sir, on the Express this E-Commerce business, what would be your market share in the overall E-Commerce logistics?

Sanjeev Kumar Jain: The market share to E-Commerce is not a documented data. But I believe that we are one amongst the first five or six players. My friend, Dhruv, is here. He can throw some more light on the E-Commerce market share.

Dhruv Agarwal: Hi, Rajesh.

Rajesh K. Ravi: Hi, sir.

Dhruv Agarwal: On the E-Commerce market share front, it's quite tough to share today what percentage of the market we hold, but certainly I think we are in the top five E-Com service providers in the country today. Currently, we have just given the idea of we have a dedicated capacity to deliver about 16,500 shipments a day, which will be increased to about 20,000 shipments a day by the end of June quarter. And besides that, we are also now moving forward and opening up some e-fulfillment centers.

Rajesh K. Ravi: There are packaging centers being expanded is what you are talking about e-fulfillment centers

Dhruv Agarwal: Fulfillment is a mix and match of both. One is that, you know, vendor-owned inventory would be stored with us and as the orders coming in, we would be picking packing and dispatching them. And then the packaging business is a separate vertical within this, so we only do packaging. And this is mostly for white goods.

Rajesh K. Ravi: Okay. You said you are in amongst the top five E-Com logistics supply partners. So, like, who would be the other four, you know, in the list currently?

Dhruv Agarwal: It is all from reports. But I believe that Blue Dart and Aramex are leading the list.

Rajesh K. Ravi: Okay. Blue Dart ?

Dhruv Agarwal: Blue Dart, of course and there is a company called delhivery. Flipkart's captive company E-Kart.

Rajesh K. Ravi: Okay. And this segment because it would be growing at a fast pace, so you believe that this is one area where, you know, the growth could be at the fastest pace for you?

Dhruv Agarwal: Yeah. Our belief is that this business will continue to grow year-on-year, at least, 100%. And that is also demonstrated in the last year’s numbers.

Rajesh K. Ravi: Right, sir. And at PAT level, is this segment generating profitability or it will only propose the ramp up you would see this number coming in?

Sanjeev Kumar Jain: No. This is currently highly profitable business. And this will remain profitable.

Rajesh K. Ravi: Right, sir. Okay. And, sir, in this cold chain logistics business, you said this last three quarters have been slightly, you know, disappointing in terms of your own guidance. So what have been the main drivers for this disappointment and what is the slowdown you have seen leading to, the slow performance

Sanjeev Kumar Jain: Yeah. The slowdown is that some of the retailers have moved from reefer logistics to the ambient temperature. So the yield had come down for some of the customers. Some of the QSR which were hoping to contract, there has been some delay. So, overall, there have been execution delay and the change of mode by some of the customers and, of course, business is heavily dependent on the meat where the uptake has been less. But we have reviewed the number for the month of April. There has been a better uptake. And I hope that in 2014-15, our business should grow 15 to 20%.

Rajesh K. Ravi: Okay. So, if I correctly understand you are saying, overall for cold chain logistics, meat is one of the major, you know, large component for the business and that is because of the slowdown, you have also seen, you know, muted growth. Would that be a fair assumption, sir?

Sanjeev Kumar Jain: That's fair.

Rajesh K. Ravi: Okay. And, sir, lastly on the shipping business, overall, what we see is that shipping industry now on a recovery path and asset prices for, you know, small, mid-size assets are recovering, you know, do you see that this is a window of opportunity for you that, going forward with the industry recovery you would be re-entering into this business or whether expanding this business?

Sanjeev Kumar Jain: I think your observation is correct. We have seen that our yield has improved in the west coast of India. Our colleague, Dhruv, looks after that business. But we have lot to develop in our main business and the E-Commerce business. Despite taking note that in shipping recovery is happening; but we are not excited about to expand the business. So, in fact, we are going ahead with the disposal of one ship. And the second ship will also be disposed in due course. Dhruv, do you want to add? What are the recoveries you are seeing in the shipping? Dhruv wants to add something on the shipping.

Dhurv : Yeah, Rajesh. Primarily, the east coast operations, though we were operating at 100% capacity, the freight rates that we were getting were not supporting us. And, anyway, like we had mentioned, we have been able to close the contract to dispose that ship. On the west coast, the first few months took us to stabilize that operation. But over the last couple of months, we have seen that we have managed to do 100% capacity utilization on the west coast of India and there has been a steady increase in the freight rate and the volumes as well.

Moving forward, I think in the next quarter, Gati Majestic on the west coast should be break even or slightly profitable.

Rajesh K. Ravi: Okay.

Sanjeev Kumar Jain: Yeah. So this recovery we have seen in our west coast operation which we are running with the Tata, but as a management, we are focused not to get further expansion mode in the shipping business.

Rajesh K. Ravi: Okay. So the primary focus would be to ramp up the core business.

Sanjeev Kumar Jain: Yes. E-Commerce and Joint venture business. We will primarily remain as a package delivery company in the country and our focus will be on package delivery. It will be both E-Commerce as well as our normal cargo business.

Rajesh K. Ravi: Right, sir. Great, sir. Thank you for taking my questions. And thanks and all the best

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you so much. We have the next question from Mr. Ritesh Chheda from MK Global. The line is unmuted. You may go ahead and ask your question.

Ritesh Chheda: Sir, how much of the debt is on shipping business? And one asset sale which we are planning, how much of the debt come down on account of that? And, second, the write-off in the shipping…

Sanjeev Kumar Jain: Can you say louder, please? A little louder,

Ritesh Chheda: You heard the first question?

Sanjeev Kumar Jain: If you can repeat, please.

Ritesh Chheda: Okay. How much of the debt on the consolidated balance sheet that we see is on account of shipping business? How much is for shipping? And, second, if you, in a shorter time even a part with an asset, how much of the debt will come down because of the asset sale and how much still remains? And, lastly, when you took the write-off on the shipping business, I am not seeing the capital employed of shipping business, actually come down on account of the write-off. So if you could help us understand that?

Sanjeev Kumar Jain: Yeah. So overall debt in the Gati ship business is around Rs. 65 crores, which is a combination of both a finance lease against the vessel which is being disposed and the Rs. 9.5 crores from a commercial bank. The debt will not come down significantly because of the disposal of one sale. It will require other properties to be disposed-off. So while we take a look at the properties and assets available vis-à-vis loan there was shortfall to extent of around Rs. 9 to Rs. 10 crores in the whole disposal. So once we finally close and dispose the properties , three large properties in the Gati Ship, we will close to the amount of the loans.

As far as the capital employed is concerned, what we have done is in the books of account of Gati that our investment and our finance assistance to Gati Ship have been impaired. Nothing has been done in the Gati Ship books.

Ritesh Chheda: Okay. Okay. And then the 360-crore capital employed is on account of what then?

Sanjeev Kumar Jain: The 360 crores is a combination of value of two ships, the containers, the three large properties and the current assets.

Ritesh Chheda: And how much of that in your opinion – so current asset is not realizable, right, that's the reason why you took the write-off?

Sanjeev Kumar Jain: Parent company made an assistance of over Rs. 60 crores since the formation of Gati Ship that we have impaired in Gati's books.

Ritesh Chheda: And even the receivables have been impaired, right?

Sanjeev Kumar Jain: Yes. Some part of the receivables also got impaired.

Ritesh Chheda: So how much of this 360-crore capital employed is actually a good capital employed there?

Sanjeev Kumar Jain: But that is there in the Gati Ship books.

Ritesh Chheda: Okay. In the Gati Ship's book, how much of the 360-crore is not doubtful then?

Sanjeev Kumar Jain: Yeah. The precise estimate we will know once we fully close the business cycle and the process is on. One ship is on disposal, second ship is operational; then we have three large properties. We will start doing the assessment of Gati

Ship that how much overall impairment will be in the Gati Ship books. As far as Gati's book is concerned, the entire impairment of the investment and whatever assistance we have given to the Gati Ship has been done.

Ritesh Chheda: So that itself is doubtful. So 135-crore plus 67 crores is about 200 crores. One can assume that in 360 crores, at least, 200 crores is doubtful.

Sanjeev Kumar Jain: As I said that we have to make the reassessment again. We have taken a conservative view in our books of account because we created this reserve, primarily to take a hit on these impairments. So we wanted to make it as conservative as possible in Gati's standalone, so we made a provision for 100%.

Ritesh Chheda: And you reiterated your earlier observation that the Capex in the Express distribution supply chain business would be more or less equal to the depreciation.

Sanjeev Kumar Jain: No. The depreciation is to the extent of around Rs. 12 crores. Yeah, of course, our overall Capex in the joint venture company is in the range of around Rs. 15 to Rs. 17 crores.

Ritesh Chheda: Right. Okay. Thank you, sir.

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you, Mr. Ritesh. We have the next question from Mr. Rahul from Lucky Investment. Your line is unmuted. You may go ahead and ask your question.

Rahul: Yeah. Sanjeev. Hi. This is Mitul Mehta.

Sanjeev Kumar Jain: Hi, Mitul .

Rahul: Yeah. Sir just wanted to ask you on the E-Com business. If you could just give us a break up of, you know the small packet sale as a percentage of E-Commerce sales, this current 16,500 going up to 30,000? And if you could just give us a break up as to how do you plan to distribute in terms of the packet sales?

Sanjeev Kumar Jain: Yeah. I have my colleague, Dhruv. He will speak to you more on the E-Commerce business. He is directly involved in the E-Commerce and Supply Chain business.

Dhruv Agarwal: Hi. On this breakup of the volume in terms of the weight slabs, that's actually been pretty fluid on month-on-month because, (a) we have been opening up few locations and (b) there is no set pattern to this consumption. But just to give you an idea based on our last quarter to this current quarter less than 500 grams, we have grown by about 32%. And our major jump has also we have seen in the 50 to 100 kg weight slab, which has grown by about 70%.

Moving forward, as we are expanding our capacity, again, when we expand our capacity, we expanded to cater to all of the weight slabs. There is nothing unique that we need to do for less than 500-gram segment. I hope that kind of answers your question.

Rahul: Yeah.

Sanjeev Kumar Jain: What Dhruv has said, I wanted to just add that we are seeing lot of moment in the white goods. And we are so surprised that people now buy ACs and refrigerator on the net. So this is big development. And as a company, we see a huge opportunity in the white goods. And for Gati, as a group, its expertise lies in handling large parcels.

Rahul: Sir, you know, in terms of your overall balance sheet, we take a two to three year view. Are we likely to see debt falling from the current 480 crores? If you could just elaborate on this particular plan, if there is any?

Sanjeev Kumar Jain: See, our last four quarters moment in the debt, debts have been coming down though it is not reduced significantly. The company was highly leveraged when we did fund infusion in June 2012 .As compared to Rs. 650 crores, now, we have Rs.480 Crores. We believe that we will continue to maintain debt level of less than Rs. 500 crores. Our business is slightly working capital intensive. In logistic side where the billing cycle is almost one month and typical customer demands 30 days to 45 days of credit period. So working capital is very essential for any logistic company. We will have the working capital requirement. And the term loans are getting repaid. I believe that we will not be able to reduce our debt drastically, but it will continue to decline gradually. And everything depends on how FCCB get paid from the disposal of land. For the size of company of Rs. 1500 crores, I think less than Rs. 500 crores of debt is the ideal leverage.

Rahul: Okay, sir. Thank you very much and all the best.

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you so much, Mr. Rahul. We have the next question from Mr. Binoy Jariwala from Sunidhi Securities. The line is unmuted. You may go ahead and ask your question.

Binoy Jariwala: Yeah. Hi. Thank you for the opportunity, sir. My first question pertains to the E-Commerce segment. If you could give me of the 15-16 crores of revenues that we have done in this particular quarter what was the average shipments per day?

Dhruv Agarwal: Well, Binoy, we are doing about 16,500 shipments per day at the moment.

Binoy Jariwala: That is our capacity. So does it imply the capacity…?

Dhruv Agarwal: Okay. On an average, you can take on an average in the last quarter; we have been doing about 14,500 shipments a day delivery.

Sanjeev Kumar Jain: Actual delivery is around 14,500.

Binoy Jariwala: Okay. And in case of nine months?

Dhruv Agarwal: Month-on-month, we have been increasing this capacity, Binoy. I think it will be little tough to answer that. But currently we are attempting deliveries of 14500 capacities of 16,500 per day

Binoy Jariwala: Okay. So how many shipments would have been done for the nine months' period, I mean, number of packages in totality?

Dhruv Agarwal: If you have another question, if we can go to that, I will just get you that?

Sanjeev Kumar Jain: Yeah. We will get to that information.

Binoy Jariwala: Sure, The second question is pertaining to the KWE acquiring 5% stake in Gati. With this, is there a board member that comes on the Gati board? Second, is there a specific roadmap as to swap of the KWE's joint venture's take into Gati Limited itself?

Sanjeev Kumar Jain: Your first question was regarding? I just missed that first question.

Dhruv Agarwal: Board member.

Sanjeev Kumar Jain: Yeah, board member. So right from the beginning, as part of the transaction, one board member from KWE had been nominated on the parent company. So there is a KWE nominee on the board of Gati right from the beginning. And there are two board members on the joint venture company. So they always had a board seat in the parent company. In terms of swapping of joint venture shares with Gati, I do not envisage such things happening in the near future.

Binoy Jariwala: Okay. And my last question pertains to the FCCBs, if you could throw some light? I perhaps missed your comment on the FCCBs in the call.

Sanjeev Kumar Jain: Yeah. If you can go through our comments which we have given in the clause 41 published accounts, I think we have reiterated our position on the matter. But I can, for your benefit, say it again that, Gati applied for the prepayment of some part of the bond. Somehow, the regulator viewed that we should have got the approval for the Bond. And it was stated that FCCB we raised should be treated as a foreign debt. And, accordingly, we had gone to the AP High Court to reflect on this position of the regulator.

Today, the said matter is under subjudice. It's very difficult for me to make a comment on a matter under court's process. But if you can refer our comment in the clause 41, I think we have, very categorically, stated our position there.

Binoy Jariwala: Sure. And any development on the sale of land parcels?

Sanjeev Kumar Jain: We have already given mandate to global firms and they are working on there. I hope once the government is formed, the land market should be more bullish and we will have good progress post that.

Binoy Jariwala: Okay. And which are these land parcels?

Sanjeev Kumar Jain: The land parcels are primarily located in the North of India near Delhi. Some of them are part of Delhi and some of them are near Delhi.

Binoy Jariwala: Okay. And the current market value of these land parcels as per your estimates?

Sanjeev Kumar Jain: Will be roughly in the range of around Rs. 125 crores.

Binoy Jariwala: Okay. So anything in specific, I mean, obviously the government will be formed on May 16th, but anything specific in a couple of quarters that you would like to share on these land parcels? Do you see any possible sale within a couple of quarters?

Sanjeev Kumar Jain: Yeah. In fact, we have been trying and our efforts have been more in terms of disposing these lands so that we can reduce some of our loan liability including the FCCB bond. In the past, we have seen subdued interest in the land. But we believe that we are focused now and we have given mandate to two global property firms. And we have been told that post formation of government, the property market will pick up. We can expect better interest and better realization for these lands. I hope we should dispose these lands in the next two quarter

Binoy Jariwala: Okay. Thank you. And about E-Commerce query?

Dhruv Agarwal: Binoy, we will try and get that data to you later. We are not able to get that how many we've done till date.

Sanjeev Kumar Jain: Dhruv will speak to you separately on this data. Okay?

Binoy Jariwala: Sure. Thank you.

Sanjeev Kumar Jain: Thank you very much.

Binoy Jariwala: Okay.

Moderator: Thank you so much. We have the next question from Mr. Rajesh from Anand Rathi. The line is unmuted. You may go ahead and ask your question.

Rajesh: Yeah. Sir, first on the book keeping side, I just needed your gross rate and across the business lines how does it look like when you talk about the 480 crores? And just a clarification, this shipping business when you talk about that 65-crore debt, so does this mean that on the asset disposal that 65-crore at least will come down from the gross debt numbers, right, the lease what you have spoken about that 60-crore lease number and then another 8-10 crores? So apart from that 10 crores shortfall, at least, that 50-crore would be come down from the gross debt? That's my first question, sir.

Sanjeev Kumar Jain: Your first question which I understood that you wanted the entity-wise, the debt number. The Rs. 480 crores debt in the group comprises Rs. 214 crores in the Gati's standalone. And the Gati's debt of Rs. 214 crores comprises Rs. 133 crores as FCCB bond. Rest is either working capital or term loan. Gati KWE as on March 2014 is Rs. 175 crores. Gati Ship is Rs. 66 crores, Kausar Rs. 23 crores and then we have a small loan in some of these subsidiaries. So the total loan is Rs. 480 crores. Out of this Rs.480 Crores 134 represent FCCB and around Rs.55 Crores represented by finance lease. So the total debt in the group is Rs. 480 crores. What is your second question?

Rajesh: Yeah. Second was, sir, basically this was related to the E-Commerce business. Dhruv, if you can just, explain when you talk about that there's one what you are talking about from an infrastructure perspective where the packaging business and e-fulfilling business what you are starting about. And second is on the slab-wise growth what you are referring to. Just wanted to understand, how does the yield move across when you talk from weight perspective for 500 gram? I believe that it would be more on a per unit basis rather than on the weight basis, whereas, the higher one would be on the weight basis. So how does the yield cost economic works out for these businesses for this segment? That's one.

Second, as we grow, since now we are already a majority part of it on the 7000 pin codes we are already there, so how does the opex intensity decreases for the future growth, and where should we start looking at the door this intensity is decreasing?

Dhruv Agarwal: You see that E-Commerce yield is not something which is a firm of one component. It is dynamic depending upon many, many factors. It depends upon what is the weight category, what is the transport mode category, whether it's being moved by surface, it's being moved by air. And air and surface cost are very different. Then there are hosts of amount of value added services in terms of picking, in terms of packaging, in terms of fuel charges, in terms of return to origin (RTO). So there is combination of seven-eight charges, which goes to bill. While this is a little sensitive information, we can discuss separately. But what I understand from the data in front of me that this yield pay-per-package realization is increasing quarter-on-quarter.

Rajesh: Sir, I understood.

Dhruv Agarwal: Hope, I have clarified. If package is moving through air, it will have very different yield. If package is moving through surface, it will have very different yield. An invoice will have five-six components depending upon the weight category, Etc.,

Rajesh: Yeah, understood. So I will just rephrase, I am not looking particularly only from a yield perspective because there would be similar yield which, will have the cost dynamics that is similar, if I understand you correctly.

Dhruv Agarwal: Exactly. Yes, you are correct.

Rajesh: Because when you are saying that 12 to 15% margins, so what I wanted to understand was that when we move towards the value added services which we are already doing in terms of e-fulfilling and packaging businesses, so how do we look at the Opex intensity of this yield, when do we start looking at, you know, that decreasing beyond, say, suppose, when you are saying that you are reaching a 30,000 units per day of shipment by December, so does that mean that the operating leverage should start kicking it or we still need to move to somewhere closer to 50,000 or 70,000 how do you look at that?

Sanjeev Kumar Jain: I understand your question. I will tell you what the intensity of the operating cost is.

Rajesh: Okay.

Dhruv Agarwal: Yeah. Rajesh, just on this intensity of operational cost, I think if you see the E-Commerce, E-Tailing business is growing, you know, year-on-year not just the entire market is growing upwards of 30-40%. So I think over the next couple of years, we plan to expand our reach and our delivery capability and capacity. So I think probably at least for the next 12 months, we will not see a big decrease in the opex intensity like you are saying because we want to continue to expand this capability.

Sanjeev Kumar Jain: I think he rightly described that Opex intensity will not decrease in the next 12 months because it's a rapidly growing business. But I understand if I have to give a little color on the dynamics of the business, it is more on the margin side. It all depends that how we can increase the productivity of our delivery network, delivery boys. So there is good scope. When we set up the network of small offices across country and the volume picks up, it depends on how we leverage that advantage of skill. The outcome from the productivity of delivery boys and fixed cost, that will be incurred on the network should be seen somewhere after 30000 to 40,000 of package per day. Today, the business is rapidly enhancing. Today, we are in the mode of rapid expansion on the network. So we are little less concerned about this aspect, rather than taking pain to keep on expanding the network since the demand is huge. The market potential is unlimited.

Rajesh: Understood. Sir. Yes, sir. As you have been mentioning that asset light business and since the Opex is more front-ended compared to the revenues, but whenever you talk about this packaging business and e-fulfillment business, do I understand correct that this would be more towards all the inventories on the vendor's books or whoever is your customer?

Sanjeev Kumar Jain: That's right. I think Dhruv has a better answer for this.

Dhruv Agarwal: We will not own any of the inventories coming in through our warehouses. This would all be owned by the vendors or the websites.

Rajesh: Okay. And, secondly,

Sanjeev Kumar Jain: The inventory risk is not in Gati's books. Okay. But there are some new models on which Gati is working with these retailers.

Rajesh: Understood. And, secondly, when we talk about the infrastructure of packaging business what we are opening e-fulfilling centres, there would be some amount of at least the infrastructure part. There would be some amount of Capex which will be involved into it, though minor, but there would be some in terms of the leases of the deposits or somewhere or it's all Opex.

Dhruv Agarwal: As far as possible, Rajesh, we are only opening this packaging centers these packaging centers and e-fulfillment centers where we have existing operations and where we have our existing warehouse networks. So we are trying to optimize the cost and i.e. the cost of the place and the cost of the manpower. The investment that we made is probably more in the e - Fulfillment and packing centers is more on the IT side.

Rajesh: More on the IT side? Okay.

Dhruv Agarwal: But it is very less. Yeah.

Rajesh: Okay. And where do you think generally as an assessment since numbers, you know, shipments definitely which are growing, so this would be on the packaging business side also at least you will be in the top 20 to 30 cities the way E-Commerce business is moving, that's how we should look at it?

Dhruv Agarwal: Currently, we have targeted to expand this in the major metros. And then as and when the requirements increases, then suitably we will move to the tier 2, tier 3 towns. Currently for the packaging and fulfillment, we will be focusing on the metros.

Rajesh: All right. Just a last question, This Kausar, there was a remark when you were answering one of the questions, Mr. Jain, which you said that there is some pick up which you have witnessed during April. So just slightly can you bit expand on the time when you say pickup, does it mean that it's more from the QSR side or it's more related to general or overall demand perspective? That's what you were talking.

Sanjeev Kumar Jain: Yeah. This summer season in general is better for Kausar because there's lot of demand for ice cream. But beyond ice cream, which is a conventional product, we are also seeing demands from QSR and also from the meat products. We see increase in the consumption side.

Rajesh: Okay. Yeah. You are saying on a like-to-like basis that's what? Right?

Sanjeev Kumar Jain: Exactly, yes.

Rajesh: Okay. Good. Thanks for the answers.

Sanjeev Kumar Jain: Thank you.

Moderator: Thank you so much. We will take the last two questions for today's session. And we have the next question from Ms. Devanshi from NBS Brokerage. The line is unmuted. You may go ahead and ask your question.

Devanshi: Congratulations, sir, for your good set of numbers. I just had two quick questions. One was the loan and advances amount of 238 crores at the end of this nine months, I just wanted to know that how much is towards the group companies and how much is towards the outside companies? And, please throw some light for the guidance for the company for FY14-15?

Sanjeev Kumar Jain: Loans and advances – You are talking of – Are you referring the loans and advances of the consolidated?

Devanshi: Yes, consolidated – loans and advances.

Sanjeev Kumar Jain: That's clear. We will give the details. Your questions on guidance for 2014-15, we believe that our overall growth in a conservative way should be in the range of 15 to 20% on the top line. Our improvement in the EBITDA should continue to have a minimum 0.5% to 0.75% overall. And between 15 to 20% of top line growth, our different business segment will grow in a different manner. E-Commerce will continue to grow 100% and our joint venture company will grow minimum 15 to 17%. Kausar will also grow between 15 to 20%. So, overall, we are confident that our business at consolidated level should grow between 15 to 20%.

One major component is advance recoverable on account of pending Air India dispute where tribunal has given mandate and decided the case in favor of Gati. Somehow, Air India preferred appeal in the High Court. The matter is being heard in the High Court. And in the tribunal one which is headed by one of ex-Chief Justice of India. Till some decision is out, it would continue to accrue 18% interest. So that is a major segment of loans and advances. Then, there are TDS deducted by the customers and cenvat recoverable.

Devanshi: Sir, if you could just tell me around how much amount is there which is recoverable from Air India?

Sanjeev Kumar Jain: That is around Rs. 26 crores in the books. And over that, there is 18% interest which, is not accounted for in the books. Then the second segment is the TDS and advance tax paid over the years. So till the assessment is done, one has to maintain both provision as well as TDS and advance tax. These are the two largest amounts. Then there are some operational advances of around 90 crores which represent various deposits, rental advances, advances given to the vendors for market vehicle hires and they all are related to the business.

Devanshi: Okay.

Sanjeev Kumar Jain: There are also advances given to the other parties which are associated companies.

Devanshi: And how much was it towards subsidiaries?

Sanjeev Kumar Jain: Towards subsidiaries?

Devanshi: Pardon me?

Sanjeev Kumar Jain: When you make a consol account, the advances and loans given to the subsidiaries, they are knocked off. So what you see the number is the independent advances given to the independent parties.

Devanshi: Okay. All right, sir.

Sanjeev Kumar Jain: Thank you.

Devanshi: Thank you.

Moderator: Thank you, Ms. Devanshi. And we will take the last question for today's session. And it's from Mr. Madan Gopal from Sundaram Mutual Funds. The line is unmuted. You may go ahead and ask your question.

Madan Gopal: My questions are answered, sir. Thank you so much.

Sanjeev Kumar Jain: Thank you very much, Madan. Thanks a lot. I really appreciate.

Moderator: Thank you so much, Mr. Madan. So I would like to now hand over the floor back to Mr. Jigar Kamdar for any closing comments.

Jigar Kamdar: Thanks to Mr. Sanjeev Kumar Jain and the whole team of the Gati Limited. We are extremely thankful for your time and for discussing the facts about the company. Thanks a lot, sir, and thanks to all the participants. Thank you.

Sanjeev Kumar Jain: Thank you very much for the participation of all of you. Thank you very much. We will continue to engage with all of our investors and analysts on a quarterly basis. And we are ready to share more information. If any of you need some more clarification or information, you can contact directly with me or my colleague, Mr. Peter, or Mr. Raju. Thank you very much for your participation. Thanks once again.

Moderator: Thank you so much, sir. Thank you, ladies and gentlemen. On behalf of Systematix Shares and Stocks Limited, that concludes this conference call. Thank you for joining us. You may all disconnect your lines. Thank you so much.

Sanjeev Kumar Jain: Thank you very much.