

"GATI Limited Q2 FY 2016 Results Conference Call"

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LIMITED

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Moderator:

Ladies and gentlemen, good day, and welcome to the Gati Limited, Q2 FY 2016 Results Conference Call, hosted by Motilal Oswal Securities Limited. As a reminder, all participants' 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 "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Harshad Borawake from Motilal Oswal Securities. Thank you and over to you Sir!

Harshad Borawake:

Thank you Margaret. Good morning everyone. On behalf of Motilal Oswal Securities, we welcome all the participants to Gati's Q2 FY 2016 Results Conference Call. From Gati, we have Mr. Sanjeev Jain - Director Finance - Gati, Mr. Bala Aghoramurthy - President & Whole Time Director - Gati Kintetsu Express Private Limited, Mr. Dhruv Agarwal – Executive Vice President - Gati Kintetsu Express Private Limited, Mr. Peter Jayakumar – Deputy CFO - Gati Kintetsu Express Private Limited and Mr. V.S.N. Raju – Chief Compliance Officer & Company Secretary – Gati Limited. We thank Gati management for giving us an opportunity to host this conference call. Now we would start the call with initial remarks from Gati management on its financial and operational performance, which will be followed by Q&A session. I now hand over the call to Gati management for their initial remarks. Thank you.

Sanjeev Kumar Jain:

Thank you Harshad. Good morning friends. Welcome to Gati's Q2 FY 2015-2016 investor call. I thank for your participation. We will take you through the financial performance of the company and its main verticals followed by Q & A session.

The results have been yesterday approved by the board and also available on company's website and on the stock exchanges. Before we discuss the financial performance of the company, it is important to share the context of natural economics under which the company operate.

The IP data for August was recorded at 6.4% and is consistent with the improvement in the reported GDP numbers. However breaking down the components into sectors, which are relevant to our express business, we see a lower growth of 3% in consumer goods for the year-to-date number of 2015-2016.

In comparison, the growth trajectory of e-commerce sector in India remains strong as ever as reiterated by the latest report on e-commerce, the market is projected to cross \$80 billion by 2020. Likewise our quarter also reflects the blend of restrained economic condition coupled with the firm growth in e-commerce business.



We closed the second quarter with consolidated revenue of Rs.408 Crores. We have analyzed each of the business segments and observed that our core business is insulated from the economic volatility; however, our international business, rail segment and legacy fuel station business have seen marginal revenue decline due to external factors.

I will take you through the important group developments as follows. The second quarter has seen another quarter of 100% growth in our e-Commerce business. This is on year-on-year basis. We have closed our e-Commerce business at Rs.45 Crores vis-à-vis Rs.23 Crores in the previous year in the same quarter. This is the ninth sequential quarter in which we have seen 100% growth.

Our new emerging business e-fulfillment center has seen 45% growth quarter-on-quarter. It is very impressive growth and we expect this growth will continue. This time we are better prepared for our peak seasonal load with significant investment in infrastructure capacity, this addition in infrastructure capacity for peak load had meaningful impact on our G&A cost. We have started internal compliance GST with assistance from a big advisory firm. This is to keep the Company ready to reap the advantages of GST as soon as it is implemented.

We have added a new line of ISUZU pick-up truck in our fleet to further extend the last mile reach and connectivity from strategic locations to Tier II and Tier III geographies. Synergistic business development with our Strategic partner KWE and added few key accounts including a global opto-medical company. Another important development was that our debt level remained constant through better working capital management and also interest optimisation through better mix of loan portfolio.

Coming to our various business vertical, the first vertical I will pick up is EFC. Our foray into EFC business last year continues to show positive outcome and building long-term relationship. The vertical has grown impressively by 45% quarter-on-quarter.

Currently in EFC we have a total space of 200,000 sft and design capacity of 30,000 orders per day with a flexibility to process supplemental orders during intermittent spikes and peak season.

We also started Just In Time EFC concept with close to 10000 sft in two locations. Today we have got four EFCs. Our capacity of Hyderabad EFC has further expanded by 80000 square feet and new EFC operations started in Bangalore. The revenue for this facility will start showing in our operating results in the coming quarter.



Our important vertical e-commerce has seen significant attraction in this quarter two. On the e-commerce the growth momentum continues in the second quarter with 100% growth year-on-year and clocking revenue of Rs.45 Crores in the reporting quarter. We recognized that precise measure of seasonal demand can make a significant difference in our performance and customer services hence we are closely working with all major retail customers to forecast the peak volumes at operating unit level.

In regard to the same, we created capacity to deliver 80,000 packages per day with a combination of fixed and variable capacities. Our fixed capacity is around 55K and additional capacity is 25K, which will take care of the peak season. Likewise our last mile delivery business partners like: bikers, four-wheelers, and franchise network increased by 50%.

In the reporting quarter we have opened nine more consolidation centers for first mile pick up of e-commerce as well as dedicated pick and pack operation center. We drive substantial volumes from all major e-retailers. Our approach on e-tailer customer is building relationship based on value added solutions, selling rather than transactional services. This is demonstrated by our recent winning of the supply chain packing Solution Company of the year for our solution to a leading e-retailer.

Last year we had also won the supply chain innovation award of the year. Further strengthening the commercial processes including turnaround time for COD, cash management system, scanning, soft load automation and better control environment. These are some of the important issues we are focused in the last quarter and we believe this will help us to grow our e-commerce business more sustainably.

We have also introduced vendor financing vendor own (VFVO) model at the most optimum commercial, which has been extended to our business partners and keep them engaged in a long-term relationship with our growth.

Our core business - express business has been flat QoQ, despite the negative impact of diesel price (Matrix effect) and degrowth in the certain industry verticals. We have not seen the desired growth in our express business primarily due to stagnation in sectors like consumer durables and general manufacturing, where we command leadership position.

On our rail vertical we are glad to inform that we have been recently awarded a tender on key south north corridor between Madurai to Chandigarh. We expect this business to start showing results in quarter three onwards.



In view of the accelerated growth in e-commerce logistic as well as in e-fulfillment centers the company continues to make significant investment in people, network, technology and infrastructure resulting into lower EBITDA in quarter two but we have the long-term investment and we believe that from quarter three onwards these investments will start showing outcome in our financial performance.

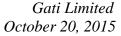
Coming to our cold chain business the work at Dharuhera warehouse is in full swing. We expect this warehouse to start its operations somewhere between fourth quarter of this financial year. We have also introduced the concept of leased vehicles in our cold chain business. This is similar concept we have in our express business and this makes our cold chain business more scalable. So friends these are some of the important group developments in each verticals.

I will take you through the financial performance of our company under each entity at consolidated level. At consolidated level the revenue has almost remained flat year-on-year basis and quarter-on-quarter basis. There were degrowth on unit segments like international, rail and fuel stations; however, our core business is insulated from economy volatility. The lower revenue growth in these verticals also resulted into the EBITDA and PBT degrowth by 6% and 18% on quarter-on-quarter basis. The decline in the profitability is due to the flat revenue in the retail fuel price and increase in the P&A cost for building future capacities.

Our financial numbers at consolidated level looks like this. In this quarter, we had a topline of Rs.408 Crores compared to Rs.420 Crores in the previous quarter and Rs.415 Crores in the previous year same quarter. This reflects a marginal degrowth in our revenue on quarter-on-quarter and year-on-year basis.

Our EBITDA at consolidated level are Rs.32 Crores compared to Rs.34 Crores in the previous quarter and Rs.38.6 Crores in the previous year same quarter. We have the similar impact on our PBT, which is 11.1 Crores for the quarter two as compared to Rs. 13.7 crores quarter ending June 2015 and Rs.21 Crores in the previous year same quarter.

Our debt levels remains stagnated at a level of Rs.472 Crores as compared to Rs.470 Crores in the previous quarter. Debt has been maintained at same level in fact there is marginal decline in the debt in this quarter barring impact on FCCB due to foreign exchange fluctuations. So debt at consolidated level is at Rs.472 Crores. There entity wise bifurcation is as follows: Gati as standalone has Rs.277 Crores of debt, which includes an FCCB bond. Gati Kintetsu had total debt of Rs.156 Crores. Gati Kausar had a debt of Rs.37 Crores. Rest of the entities does not have any significant debt. We have further optimized our rate of interest on account of improved credit rating and better mix of the loan portfolio.





Coming to the entity wise performance Gati had a total topline Rs.124 Crores with the EBITDA of Rs.18.9 Crores, which is 15% at EBITDA level. PBT is at Rs.10.1 Crores reflecting PBT at 8% and PAT at Rs. 9.7 Crores reflecting PAT of 8%.

GKEPL had a topline of Rs. 281 Crores with the EBITDA of Rs. 21.5 Crores which is 8%. PBT is at Rs. 12.1 Crores, which is 4% and PAT at Rs. 9.7 Crores which is 3%. Kausar had slightly improved compared to quarter two. Its topline is at Rs. 12.4 Crores, EBITDA at Rs. 5 million which is 4% and PBT at -22 million because of implication of depreciation and interest.

GIETL has a topline of Rs. 80 million with the minor negative EBITDA. Our total topline is Rs.408 Crores as compared to Rs.420 Crores previous year and EBITDA of Rs.32 Crores as compared to Rs.34 Crores of previous quarter.

So these are the financial numbers at entity level and consolidated level. I thank you for your patience hearing. We are looking forward to your questions and respond to that. Thank you very much.

Moderator:

Thank you very much. We will now begin with the question and answer session. The first question is from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.

Ankit Panchmatia:

Good morning. Thanks for taking my question. As far as I understand the online players the e-commerce players are now investing into their own infrastructure. So for an example we take Snapdeal. So Snapdeal is now investing more into Gojavas to build up their own parallel logistics infrastructure and I assume that Snapdeal is our customer also. So I just want to understand that how these are synergies getting rolled around and how are we impacted with these kinds of updates?

Dhruv Agarwal:

This is Dhruv here. So actually if you take a look at all the big e-retailers they are working on a mixed strategy. So if you take Flipkart for example historically they have always done their own logistics and deliveries via their e-Kart arm. However, they have started outsourcing more and more to third party service providers others like us. On the other side Snapdeal had never had their own logistics arm but now they are developing gojavas and Amazon has a mix and match always did a mix and match of both. They have their own and they use third party as well and this is true for all the e-tailers. So even though this has come in Snapdeal has invested in gojavas and building up their volumes there. However it has not really impacted what we take from them. So volumes are e-com volumes are growing. That is what I was saying that everybody has a mixed strategy on this and they are doing their own and outsourcing as well because the volumes are continuously growing.



Ankit Panchmatia:

Basically that is what I just come from there is if I see our e-commerce revenues the run rate which we are doing this 15 Crores per month which is standing at 45 Crores a quarter and this has the same since past three quarters even if we are investing more into more feet on street or something like that, so that is what I want to understand that in the next quarter would we able to maintain this run rate of 100% YOY growth which we used to kind of mention it but now the base would be high in the next quarter because in the previous year same quarter it was higher so this 100% will not look 100% in next quarter.

Sanjeev Jain:

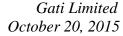
Let me respond. So one is that our Q1 and Q2 numbers were flat essentially because in Q2 the overall sale volumes on the websites dipped slightly except in the month of August in which everybody had their Independence Day sales. So that month we saw a three to four Crores so just to give you broad numbers July and September we did about 14 Crores in those month each but in August it spiked up to 17 Crores because of the sales period and now in coming to this quarter our last week when all the Diwali sales started we are already looking at double the orders that we are picking up versus last year and versus the last quarter.

Ankit Panchmatia:

Second question on the GKEPL side. GKEPL essentially long time has been done on a very stagnant mode. So how are the investments being aligned for payment how are we looking this business as?

Bala Aghoramurthy:

This is Bala here. Let me address this question. Firstly, let us understand the GKEPL performance this time has had a specific impact of the rail business that we do. We explained even in the last quarter that there was a West-East Corridor that we had lost out and we committed to working our significant strategy. We said we will diversify and grow the business in a different direction. So this quarter we, of course carry a little bit of that business loss. Having said as committed, we have worked on the diversification which is why you see this new South-North Corridor, which has actually not been tracked by anyone. We have deliberately engaged with the railways and created our new name there. So this is one impact that the GKEPL business financial is carrying. Secondly we have also continued to invest both in our e-fulfillment centers which all under the GKEPL business portfolio of course in anticipation of e-com growth and in collaboration with the e-com players. Lastly even in our long haul we have continued to invest because the e-com growth support has to come to long haul capacity as well. We are very bullish about the Q3 on ecom and also on various other sectors within the GKEPL fold. So that is the answer to it. So we expect Q3 to be much better simply because we have already invested in cost in our base also we are seeing consumer attraction from October onwards. We have a lot of confidence about GKEPL.





Ankit Panchmatia: Any internal targets for this South-North Corridor which you are estimating this kind of

revenues you will get in?

Bala Aghoramurthy: Let me explain this. It is not just one corridor while we refer to one corridor we have

actually opened up multiple ones we deliberately called this out because it was not been spoken of before. We have also taken a networth of parcel vans on another about five different lanes. All these are very, very specific and deliberate strategic steps to diversify the rail portfolio. So I do not want to give a specific number on one lane. I want you to understand that it is the totality of the networth that we are trying to change even in rail. So we will not be a one lane rail company you will be a very diverse network rail company.

Ankit Panchmatia: Thank you very much.

Moderator: Thank you. The next question is from the line of Mahesh Bendre from Way2Wealth

Securities. Please go ahead.

Mahesh Bendre: Good morning Sir. E-commerce business contributes roughly 11% to our sales. So if I look

long-term view of next two, three years do you think this business can grow substantially

higher in terms of contribution to overall sales of our company?

Sanjeev Jain: Friend, we recently did a breathing exercise within company and by 2020 our e-commerce

business would be almost half of our total business and by 2020 it is going to be almost half

somewhere 46%, 47% of the total group revenue of our company.

Mahesh Bendre: Another question is on margin front last two years our margins have been in the double

digit, so any view on the margin over a medium to long-term?

Sanjeev Jain: Margins have come in the last three quarters in fact GKEPL is to have margins of around

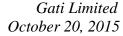
10.5% to 11%. It has come to 7% to 8% primarily because we made lot of investments in our people and admin cost to expand our network and overall capabilities to take off our vision 2020 targets. These margins have started recovering slightly in quarter three. We have a very definitive cost reduction plan in quarter three and quarter four. I hope in quarter three and quarter four we continue to increase at least by 1% margin and left over the

margins of two-digit in the next financial year.

Mahesh Bendre: That is all from my side. Thank you Sir.

Moderator: Thank you. The next question is from the line of Rohit Garg from Infina Finance. Please go

ahead.





Rohit Garg: Sir I wanted to check with you on the pricing pressure you might be facing on account of

newer delivery startups for example delivery e-com express etc., there are say whatever average pricing per package we are getting and what they are starting into quote, are you

seeing a pricing pressure there?

Dhruv Agarwal: Rohit, Dhruv here. So we are not seeing a pricing pressure because of the startups yet that is

also because we provide a lot of value added services to our customers, which includes first mile fulfillment packaging, last mile COD, RTO and reverse as well. So due to this mix and also because our network is a pretty large pan India network and where we have the capability to deliver even to remote location we are not seeing any pricing pressures on our

e-commerce logistics front.

Rohit Garg: You expect this capacity to keep growing 100% year-on-year for next two, three years?

Dhruv Agarwal: This is going based on projections but for this financial year we have projected and we are

planning to go by 100%.

Rohit Garg: Thanks.

Moderator: Thank you. The next question is from the line of Shubhankar Ojha from SKS Capital &

Research. Please go ahead.

Shubhankar Ojha: Good morning. So want to check with you in terms of the EBITDA margin guidance, I

think we have in past talked about a 9% EBITDA margin for FY 2016. Are you on track to

achieve the same? That is one.

Sanjeev Jain: The Company is cognizant of its declining EBITDA margin in the last three quarters and I

explained that what is the rational of impact on the EBITDA margin. It is primarily because we made investment in more recruitment to gear ourselves for our vision 2020 but having made investment we have definitive plan to control our cost and I see that at least 1%

change in the EBITDA will come to next year.

Shubhankar Ojha: Secondly if you share some growth outlook for the core business which you say express

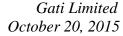
business I mean it has been stable but if you can share some outlook in terms of how the FY

2016 going to pan out in terms of the second half of the financial year?

Sanjeev Jain: In the surface and air express distribution we do expect a near double digit growth in the

remaining part of the year. I guess we will close the year with total year number of high

single digit growth in surface and air.





Shubhankar Ojha: Finally what is happening with respect to the dispute with Air India?

Sanjeev Jain: On Air India as we have reiterated and upheld by High Court. In fact the High Court in its

latest judgment had directed Air India to deposit Rs.22 Crores as interim measure and we expect in Air India to deposit the money by mid of November. We have all the plans to convince the court to withdraw the money for our usage by convincing them that this is the second reiteration by the superior court. So it has been upheld twice first at terminal level

and second by High Court level. We expect the case will finally will go in our favor

Shubhankar Ojha: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mayur Gathani from OHM Portfolio Equi

Research Private Limited. Please go ahead.

Mayur Gathani: Thank you for the opportunity sir. I have a couple of questions. You spoke about some

business partner scheme in the opening remarks. What was that Sir?

Sanjeev Jain: Thank you very much. Good question. My colleague will update you. This is very unique

piece Gati has signed off.

Peter Jayakumar: Primarily, we wanted to do something for our business partners. So this plan is to make

them entrepreneur so what we have done is we have talked to some of the leading automobiles companies like Tata and others and we give them a very good discount on each vehicle. Apart from that we have also tied up a line of credit from SBI and also from private finance company. So what it means is they get a benefit of over Rs. 120,000 per vehicle and they become an owner and apart from that this also enables us to create the capacity which we need from our business partners who have been with us for more than three years and the most important aspect is we also give them assured a monthly service charge. So from

this they will be in a position to pay the EMI and this is going to be a game changer.

Sanjeev Jain: So Mayur to summarize is that Gati has used its relationship with both the manufacturers

and the financiers to the benefit of the business partner. It will bring stickiness with the

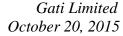
various partners.

Mayur Gathani: But you do not have any liabilities that right?

Sanjeev Jain: We have not stood as any guarantor for that scheme. There is no guarantee given either to

financier or the manufacturer. Our relationship with the vendor is purely operational that we

continue to get business from us.





Mayur Gathani: On the e-fulfillment centers how many centers do you have currently in the first half how

many operational in FY 2016 and how many will be operational?

Dhruv Agarwal: Mayur, currently we have 4 fulfillment centers operational plus 2 other fulfillment centers

which are kind of a just in time fulfillment operation that we are working on in this half. Moving forward as the requirement comes we will keep adding capacity but we project currently we have about 2 lakh square feet of space. It should be at the end of the financial

year somewhere between the 3 to 4 lakh mark.

Mayur Gathani: Currently it is 2 lakh square feet and by FY 2016 end it could be in 3 to 4 lakhs?

Dhruv Agarwal: That is what we are projecting.

Mayur Gathani: Fair enough and so on the e-com margins what are the margins we are generating with the

100% growth levels and we intend to continue with this I mean we are seeing 100% growth over the next few quarters as well as I understand so what are the margins that we are

trending in this business.

Sanjeev Jain: So e-commerce margins we discuss every quarter and I am very happy to tell you that e-

commerce margins are intact at the rate of around 14%, 15% at EBITDA level and we are confident the way the economies of scale and operational advantage we have will continue

to have EBITDA margin in the range of 14%, 15% going forward as well.

Mayur Gathani: Great and Sir in the rail business we lost out some opportunity we lost out the West-East

Corridor. So how much was the revenue impact to that? Its impact has been seen over the last two quarters, quarter one and quarter two. Is that correct Sir and that will be compensated by the new tender that you have received and the new lines that you intent to

start from quarter three onwards. So what was the impact of the topline can you mention it?

Dhruv Agarwal: Let me explain that the West-East Corridor loss was about 8 to 9 Crores per quarter. South-

North alone is not going to compensate that. That is only one of the steps which has been

taken. Totality is what we are working on it will of course show result in due course.

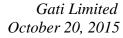
Mayur Gathani: Your standalone profit was 9 Crores and your consolidated profit is 5.7 Crores. So which

segment of is losing money?

Sanjeev Jain: Our standalone is certainly growing because of the growing e-commerce business. It is

highly profitable as compared to the core business but standalone also has advantage of the

dividend income the last quarter, I believe.





Mayur Gathani: How much is that Sir?

Sanjeev Jain: It is around 8 Crores.

Mayur Gathani: So this is from the Kintetsu JV?

Sanjeev Jain: That is from Kintetsu JV you are correct.

Mayur Gathani: So H1 FY 2016 the total dividend was 6 Crores or only for the quarter two?

Sanjeev Jain: Actually the final dividend that company distributes is 8.4 Crores but the total that declared

was 12 Crores.

Mayur Gathani: You also mentioned that we should be able to touch margin double digit in the Kintetsu JV

by next year?

Sanjeev Jain: What is the question please?

Mayur Gathani: If I understood correctly margins in the Kintetsu business which are currently in the last two

quarters around 7% to 7.5% can we touch double digit by FY 2017?

Sanjeev Jain: Yes next year we have a plan of improving EBITDA at the joint venture level 1% every

quarter. We are very confident in the next financial year 2016-2017 our margins will return

to normal 10% to 10.5%.

Mayur Gathani: Overall FY 2017 margins can be double digit?

Sanjeev Jain: Should be in the range of around 9% to 9.5% at consolidated level because consolidated

level has got other means of business, which is Gati Kauser, which is our Asia Pacific,

International Freight Forwarding and fuel stations which have a lower margins.

Mayur Gathani: So I think double digit FY 2017 you are saying 9.5 or is it for 2016. Sorry for the

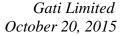
confusion?

Sanjeev Jain: I am talking of 2016 and 2017 at consolidated level.

Mayur Gathani: At consolidated level you are saying 9.5%?

Sanjeev Jain: Yes.

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





Moderator: Thank you. The next question is from the line of Chaitanya Adesara from Siddhesh Capital.

Please go ahead.

Chaitanya Adesara: Just if you can throw some more light on the FCCB issue? That was my first question. The

second question is on the Kausar business if you can also throw some light on the current expansion and the margins of Kausar business and what kind of capex are you looking at for the next one year? That was my second question. Third is just a follow up is there any

increase in the pincodes for the past quarter?

Sanjeev Kumar Jain: Thank you for the questions. Coming on FCCB; FCCB there has been no change in the last

quarter as viewed earlier and also disclosed in our clause 41 and annual report the bond holders and the trustees are in the lower court in Andhra Pradesh fighting against the conversion. So the case is being contested by company on various grounds. You are aware that the company has sort clarification, detailed clarification from RBI which is still pending and in the meantime the bond holder had moved to the lower court. So the case is being contested, being heard. I believe it will take some time. So there is no change of the status of FCCB in the last quarter. Coming to question on Kausar; Kausar continues on its cold chain warehouse setting at Dharuhera. They have signed a CIP Capex Investment Plan with the private equity from Mandala Agri Capital and the work on Dharuhera project is in full swing. We expect that the warehouse should be up in running by 4th quarter of this FY and in the same time the work on identifying other locations are also going on and capex plan for next one year is around in the range of around Rs.50 to 60 Crores by setting up

three to four cold chain warehouse.

Dhruv Agarwal: I will take your question on the pincodes. So we are at approximately 20,000 pincodes

which is the same number as last quarter but what we have done is we have shutdown some of the pincodes where we did not see enough volume requirement and we have opened

certain new ones but net of that we are at 20,000 pincodes.

Chaitanya Adesara: Thank you.

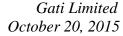
Moderator: Thank you. The next question is from the line of Hiresh Mehta from Dinero Wealth Private

Limited. Please go ahead.

Hiresh Mehta: Good morning Sir. I just have one small question that Snapdeal they have partners like

gojavas where they are developing like anything in terms of their own sales right. So I just wanted to know Sir to what extent our sales will get impacted in future and as on date what

percentage of the overall sales we do it?





Sanjeev Jain:

Hiresh, so as I was mentioning earlier all the e-tailers have the mixed strategy where they have their own logistics arm and they are outsourcing as well. So currently we are not seeing a major impact of decease in volumes and moving forward as well as the volumes grow for the major e-tailers now PayTM has also come into the market place model etc., where we do not see that it will be a huge impact on the volumes that we are carrying and what we are projecting at the moment. Coming to your second question that information I would not be able to share on the phone with you that what percentage of their overall that are we carrying.

Hiresh Mehta:

But Sir at least you can share that who are the major retailers to which what we are tied up?

Sanjeev Jain:

All of them all the major e-tailing websites are our customers. Our customer list is close to over 100. So it is not that we are dependent on limited number of customers. It is a widely diversified customer base for us. All the major e-tailers are part of customer list and this customer list also includes the teleshopping networks.

Hiresh Mehta:

Thanks a lot.

Moderator:

Thank you. The next question is from the line of Neeraj Mansingka from Edelweiss Capital. Please go ahead.

Neeraj Mansingka:

I think you mentioned about a 2020 program plan. Can you give some color on what you see, how you see the growth of the company on each division?

Sanjeev Jain:

It is a detailed vision which company has created with the external expert but in summary what we say that today we deliver almost 6 million packages every month. This capacity we want to expand by five times. So our vision in single sentence is that we want to deliver one million packages everyday by 2020 and it will reflect in our various financial performances of various verticals.

Neeraj Mansingka:

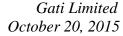
Thank you Sir.

Moderator:

Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking Limited. Please go ahead.

Pratik Kumar:

Good morning Sir. My first question is regarding the employee cost. We have seen a marginal reduction in the employee cost sequentially which was like growing for the past few quarters as you have been investing upfront of the festive season. So any specific reasons there?





Sanjeev Jain: As I told that our investment in people has peaked in quarter one and after that both the

people cost as well as the admin cost is under close scrutiny to optimize in terms of improving the EBITDA so that is part of debt. My colleague will also update on you this

question.

Bala Aghoramurthy: Also let me add one thing that what we have done in the last three to four months we have

looked for ways of killer bee between the B2B operations and the B2C operations we found quite a few areas and opportunity for saving bear, so that is the reason why you actually see a reduction in the people cost simply because we have been able to move with the combined

entity together.

Pratik Kumar: In the last quarter you mentioned that you added like lot of bikers for the last mile

connectivity and you increased that number to around 1500 bikers for e-com agents which now you say you have moved up to 2000 if I heard it correct. So but the last quarter the

reason probably was this attributable to the higher employee cost sequentially than in Q1?

Sanjeev Jain: Your question is correct but bikers cost is part of operation, I believe. So biker cost is

reflecting in the operating cost not in the people cost.

Pratik Kumar: So ideally, I mean Q3 onwards we should expect improvement in margins which you

mentioned in Q1 also that Q2 is expected is remain flat and Q3, Q4 should be better?

Sanjeev Jain: This is our expectation that people cost and admin cost will continue to be optimize quarter-

on-quarter.

Pratik Kumar: I do not know if I missed this but overall capex plan for company for FY 2016, FY 2017

would be?

Sanjeev Jain: Our capex plan at both level barring Kausar, which is different is in the tune around Rs. 40

to 50 Crores split into e-commerce and our joint venture company Gati Kintetsu Express. Our primary focus investment in the technologies, hardware, metal handling equipment and equipping our EFC business. So they are the large area where we make investments and also we keep on replacing our old fleet of task that also needs investments so overall capex

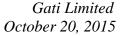
for the full financial year will be in the range of Rs. 40 to 50 Crores in these areas.

Pratik Kumar: For Gati Kausar we would have much?

Sanjeev Jain: Gati Kausar I said that we have signed a capex plan for next three years with the tune of

around Rs.250 Crores and next year we expect that Rs.40 to Rs.50 Crores should be

invested in the next in the three to four cold chain warehouses.





Pratik Kumar: We were expecting the north cold chain warehousing to start by Q4 FY 2016 and that

would have a pallet capacity of around 5000?

Sanjeev Jain: 5000 pallet we expected to be operation by January, February next year.

Pratik Kumar: That is from my side. Thank you.

Moderator: Thank you. The next question is from the line of Achal Lohade from JM Financial. Please

go ahead.

Achal Lohade: Sir wanted to understand part of the standalone business you have e-commerce, freight

forwarding and fuel stations. Is it possible to give some idea about the freight forwarding

business and in the fuel stations what the revenue mix is like and what are the margins?

Sanjeev Jain: Our freight forwarding business has two legs. One is Indian leg and one is our Asia Pacific

leg. Both the legs put together it is a business of around Rs.150 Crores per annum and its EBITDA margin around 5% to 6%. Our fuel stations are in the range of Rs.200 Crores per annum with EBITDA margin of around 1.5%. It is consistent EBITDA margin in both the

businesses and both have lower EBITDA margins as compared to our core businesses.

Achal Lohade: So essentially the standalone would be more driven by e-commerce as such is that

understanding right Sir?

Sanjeev Jain: Yes your understanding correct. Our e-commerce business in this financial year will be

close to 40% to 45% of the total revenue of the standalone business and going forward this

revenue will keep on increasing in term of total revenue of the standalone entity?

Achal Lohade: Sir I missed the part of the rail thing you were talking about. Could you please elaborate a

little bit what exactly are you doing and what are the plans?

Sanjeev Jain: In our rail vertical, we were very heavily dependent on West-East Corridor. My colleague

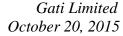
Bala will further update more on rail. .

Bala Aghoramurthy: The rail business was dependent quite heavily on the trains that we were running we used to

call the Millennium Train Express which was running between Kalyan and Kolkata and then to Guwahati. This was the three year tender and post three years the tendering usually gets reissued. We had locked the tender sometime in April this year. So that is the point that I was making earlier when we have lost the tender. We of course found alternate ways of

continue to sustain the rail business. One of the strategies that we have adopted is we will

not be limited to one single rail one train. We will actually diversify quite a bit. In that





context I was giving example. For example we have started a new full train from Taloja to Patna we ran back in the last couple of months. We have also looked for the networth of parcel vans and what is called as sleeper luggage racks and so on. We have opened up about 5 or 6 of them in various lanes. Some of them in the north, some of them in the west east and the latest new addition is actually in the south north. So that is the direction that we have headed, so that we continue to grow the business in a more network designed manner rather than we dependent on one lane as a transportation service.

Achal Lohade: Where does it fit in the overall consolidated company, which part of the segment it is?

Sanjeev Jain: GKEPL business, it is a part of joint venture company.

Achal Lohade: In terms of the investment what is the investment already done and how do you see it going

forward?

Sanjeev Jain: You are talking of investment the rail vertical?

Achal Lohade: Correct.

Sanjeev Kumar Jain: Rail vertical like in our normal businesses it is asset light business. It does not require any

specific capex or investment. These deals are taken either on long-term lease or on tenders

on intent basis. So they are opex within driven other than capex driven.

Achal Lohade: That is all from my side Sir. Thank you so much.

Moderator: Thank you. The next question is from the line of Ashutosh Narkar from HSBC. Please go

ahead.

Ashutosh Narkar: How much would be the e-commerce package overall for a quarter?

Sanjeev Jain: We are delivering around 8 lakh packages a month that is 2.4 million to 2.5 million in the

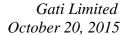
quarter.

Ashutosh Narkar: Sir my other question was if I were to look at your annual segmentation in that roughly

around 33% is for goods above 10 kg this is for the e-commerce business. Now is that our business remained more or less kind of flat and you explained multiple reasons why it could again potentially scale up during next quarter because of the Diwali season but because assuming 33% is about 10 kg I would assume it is mostly in consumer durables right and

since consumer durables have not been doing really well has that kind of impacted our

business in the segment or it is a wild guess at this point in time?





Dhruv Agarwal:

Ashutosh, two things like I said in the last Q1 to Q2 overall the e-com business itself not just us, the retailers or the e-tailers itself they did not have a huge growth over the last year which we typically see and the consensus or the explanation was that there is an upcoming season sale that will happen in October, November, December so the buying right now is less. However we saw big spike in the month of August which had those Independent Day sales and going by the projections, we have received from our customers we have expanded our delivery capacity. So the second point is that in the last week sale we saw huge spike in the consumer durables order volumes. That was largely driven of course because of everything been on space. Overall if you see quarter-on-quarter currently we do about 55% in the less than 2 kilo segment and about 18% which is 2 to 5 kilos and about 28% in the 5 kg plus. So we have also expanded our portfolio and gotten into the lower weight segment a little bit more.

Ashutosh Narkar:

The lower weight would give us higher margins right?

Sanjeev Jain:

Two points to look at it. One is that previously if you look at our Q4, Q1 lot of the lower weight segment was moving by air. So the margin was okay nothing great as the e-com market is developing they have started also moving the lower weight segments by road which provide company like Gati a great advantage and yes slightly better margin on the lower weight segment moving by road.

Ashutosh Narkar:

Thanks a lot. Just one last question for leaving what would be your total investment till date in the e-commerce venture?

Sanjeev Kumar Jain:

E-commerce business is an asset light business barring our EFC. This business like our express business is asset light it does not require much investment. Nevertheless we have made investment of around Rs. 25 Crores so far on creating various operating units, technology and metal handling equipments. Our major investment is in the EFC with needs intense capital not e-commerce as such.

Ashutosh Narkar:

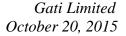
Thanks a lot and all the best to you gentlemen.

Dhruv Agarwal:

Ashutosh just to give you an idea in the last week alone that 13 to 17 October sale itself we have picked up around 3.5 lakh packages versus an average if you see that 7.5 lakhs a month. We have done about 3.5 lakh in the last week alone. That should just give a broad indicator of the way the sale is going.

Ashutosh Narkar:

That is fair. Thank you gentlemen. All the best.





Moderator: Thank you. The next question is from the line of Nihal Jham from Edelweiss. Please go

ahead.

Nihal Jham: Good morning. Just to continuing on the last point you mentioned that you are seeing the

traction where a lot of the packages are not being transported by road rather than air. So if we consider this point should we not be seeing better growth in our express segment going

ahead compared to the high single digit you mentioned?

Bala Aghoramurthy: Nihal, actually our express only provides the long haul connectivity to the e-commerce. So

our e-commerce logistics vertical which is again spread, so almost 40% of our deliveries are within metros where the GKEPL long haul would not be utilized. So the impact is there in terms of we are getting a better capacity utilization of our long haul etc., but in terms of our revenue number it will not be such a big jump but we have to see how this current season

goes.

Nihal Jham: So would this short haul be considered as a part of e-commerce segment and not GKEPL,

this short haul transportation?

Bala Aghoramurthy: Within city delivery this is only in the e-com business. It does not actually get into the

GKEPL- business at all. When we move it in the long haul across cities and so on there is a component which is long haul which sits in the GKEPL and the rest of the movement is

again within e-com. The first mile, last mile always sits in the e-com business for us.

Nihal Jham: Fair enough. That answers my question. Thank you so much.

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand the

floor over to Mr. Harshad Borawake for closing comments.

Harshad Borawake: Thank you. On behalf of Motilal Oswal, I thank all the participants for their participation in

the call and also thank Gati management for giving us an opportunity to host this call.

Thank you.

Sanjeev Jain: Thank you very much Harshad. Thank you all the participants.

Moderator: Thank you. On behalf of Motilal Oswal Securities Limited that concludes this conference.

Thank you for joining us. You may now disconnect your lines.