

Gati speeding up debt reduction by monetising non-core assets

Move aimed at focussing solely on the core business of surface express logistics

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Express logistics company Gati Ltd – majority owned by Allcargo Logistics Ltd – has accelerated debt reduction by selling non-core assets to focus solely on its core business of surface express that includes road and air transportation.

Over the last few months, Gati has reduced its debt by 70 per cent in the standalone entity, shut down three non-profitable businesses, reduced direct costs by about 15 per cent in its flagship subsidiary and initiated monetisation of non-core assets.

Making full use of the tax amnesty scheme launched by the Centre, Gati has reduced its contingent liabilities by more than 75 per cent. The company has also shut down its freight forwarding business, Gati Cargo Express (Shanghai) Co Ltd and Gati Import Export Trading Limited.

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Rohan Mittal, Chief Financial and Transformation Officer, Gati

2020, from ₹410.7 crore in March 2020.

“The debt reduction is a part of the major transformation underway to restructure the company's assets and operations and regain a market-leading position,” Rohan Mittal, Chief Financial and Transformation Officer, Gati Ltd, said in an interview.

Selling vehicles

GKE (Gati's flagship subsidiary) has started sale of its owned commercial vehicles to further reduce debt by 8-10 per cent. GKE owned a fleet of 369 vehicles, of which 221 have been sold/are committed to be sold and

the sale process is likely to be completed by March 31. The vehicles are being sold to existing vendors and deployed back on GKE network. The proceeds from the sale have been used to retire debt.

Gati currently owns 7 per cent of the total operating fleet while the balance is sourced from vendors. With the sale of commercial vehicles furthering its asset light strategy, GKE will continue to partner with vendors to add fleet to its network.

“Being the oldest express logistics company in the country, Gati has cultivated strong relationships with vendor partners and has managed to maintain a tight cost control, without running the risk of being at the mercy of vendors in pricing,” Mittal said.

Sale of warehouses

GKE is also exploring the sale and lease back of warehouses that it currently owns and operates to become asset light. “We are doing this in 4-5 locations across India. The proceeds will again be utilised to reduce debt,” Mittal told *BusinessLine*.

The restructuring initiatives will help increase the earnings per share (EPS) and return on capital employed (ROCE), thereby rendering it value accretive for shareholders, Mittal added.

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