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Companies



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Under new promoters, Gati plans to improve margins and ROCE by being asset light, with plans to divest all its non-core businesses and reduce debt. Mr. Rohan Mittal takes us through the ongoing transformation.



KEY HIGHLIGHTS

- Company plans to capture 10%+ market share by the end of FY23 and a key driver to that growth will be digitally led initiatives
- Company plans to become a net zero debt company, reducing its finance costs by selling its non-core assets and issuing further equity & warrants
- Though lockdowns have created a credit squeeze, organised players in the industry have benefitted by eating into market share

Rohan Mittal, CFO and Chief Transformation Officer of Gati Limited spoke with us earlier today regarding how the company is evolving under the new management, Allcargo Logistics.

Gati is into express distribution & supply chain management including operating cold chain logistics facilities. Gati undertakes surface, air, e-commerce & contract logistics. The company has 4.1 million sq. ft. of warehousing facilities and e-fulfillment centres.

New management, Allcargo Logistics, took over last year and has driven certain changes into the company. The management seeks to reduce debt quickly, maintain an asset-light model and focus on B2B and surface and air express, thereby improving margins, ROCE and return to shareholders.

The company plans to drive this through divestitures of cold chain, fuel stations business along with other non-core businesses including land & buildings owned by the company and commercial vehicles.

Asset base has been brought down from 520 crores to 145 crores. Part of this process is already underway with almost 160 crore of assets transferred to assets held for sale.

Funds raised on the sale of assets are being utilized to reduce a huge 400cr debt at the end of FY20. The debt at the end of FY21 already stood at around 290 cr with further reductions of close to Rs 100 cr since.

Further, the company has also cleaned up its balance sheet by revaluing assets to fair value under IND-AS and recognizing losses in Q4FY21.

The turnaround plans for the company, currently having a 7-7.5% of the surface express market share, is to clock 10%+ market share by the end of FY23 and improve that to 15% in the next 5 years.

Margins have improved to 8.3% in Q4FY21, but they plan to improve them further to 12-12.5% in the next 5 years.

On the industry at large, Mr. Rohan suggests that national lockdowns led to demand compression which was difficult for the company. Lockdowns also created a credit squeeze for all players but at large helped the organized players gain market share from the unorganized players.

The stock has gain 12% in the last month, 62% in the last 3 months, and 242% in the last 12 months. A transformation which may be worth watching out for!



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