



“Allcargo Terminals Limited
Q4 and FY‘24 Earnings Conference Call”

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Moderator: Ladies and gentlemen, welcome to the Q4 and FY24 Earnings Conference Call of Allcargo Terminals Limited. This conference call may contain forward looking statements about the company which are based on the beliefs, opinions and expectation of the company as on date of this call. This statement do not guarantee the future performance of the company and it may involve risk and uncertainties that are difficult to predict.

We are pleased to have with us the management team represented by Mr. Suresh Kumar R, Managing Director and Mr. Pritam Vartak, CFO and Mr. Sanjay Punjabi, Investor Relation for Allcargo Terminals Limited. We will have the opening remarks from the management followed by a question and answer session. Thank you and over to you sir.

Suresh Kumar: Good afternoon and a warm welcome to everyone on the ATL Q4 and FY24 earnings call to discuss the company's quarter and annual performance. I have with me Pritam Vartak, Chief Financial Officer for Allcargo Terminals Limited and Sanjay Punjabi from our Investor Relations team. We have uploaded the results, press release and presentation on the stock exchanges and company's website. I hope everyone has had an opportunity to go through the same. I will share over the next few minutes an overview of the economy, industry and our business after which I will hand over the call to Pritam to discuss the financial performance for the quarter ended and financial year ended March 2024.

The International Monetary Fund had projected global growth at 3.2% in 2024 and 2025. While this represents marginal improvement, it is still below the growth levels witnessed during the pre-pandemic years. The global headline inflation is also showing some signs of moderation. In most regions, it is falling faster than expected as supply side bottlenecks are being resolved. According to the IMF, global headline inflation is expected to moderate to 5.8% in 2024 and 4.4% in 2025 from the peak of 8.9% in 2022. Another aspect to be highlighted is that despite the banking crisis erupting the United States in early 2023, there wasn't a widespread financial impact.

Geopolitical concerns still loom large and thus policymakers around the globe have the task cut out. They have to successfully roll out a monetary policy that will support growth and manage the inflation target. Coming closer to the business that we are in, the global ocean trade was also marred by a turbulent global environment in 2023.

Geopolitical crisis coupled with a slowdown in consumer spending had an adverse impact on the trade. Demand was impacted by rising inflation on account of the Russia-Ukraine war and crisis in the Middle East. These issues led to a contraction in global merchandise trade by 1.2% in 2023. The conflicts in the Middle East also led to disruptions in vessel movements. Many carriers were forced to send vessels through the longer route due to attacks on commercial vessels. Some of the vessels were being routed through the Cape of Good Hope.

The rerouting increased transit time by seven to ten days and this has an impact on import volumes in India. This also led to an increase in freight rates towards the end of 2023 which has since then moderated. India, on the other hand, in this geopolitical global scenario, continues to be the bright spot.

As per the IMS, India is likely to become the world's fourth largest economy by 2025 by surpassing Japan. It expects India to overtake Germany and become the third largest economy by 2027. The IMF has projected India's economy to grow at 6.8% in the financial year 2025 and 6.5% in the financial year 2026 and this is in stark contrast to the projected global growth. India's growth is expected to come on the back of resilient domestic demand and private sector capex which is expected to take over from the government capex.

Overall manufacturing activity continues to remain buoyant in India. The Manufacturing Purchase Manager's Index touches a 16-year high in March 2024. During the financial year 2024, India's merchandise exports declined. However, trade deficit improved by 35.7% as compared to the previous financial year. Financial year 23-24 has been a very special one for Allcargo Terminals.

This is the year in which the company got demerged and listed on the exchanges in August 23. We also started conducting growth pilots and laid down pillars that will chart the future of the company. We remain committed to delivering on those pillars. Our brand recall and service quality continues to outperform industry peers. This can be witnessed from the fact that we have been able to maintain our volumes during the quarter and have grown the same by 8% for the full year 2024 as compared to last year.

The volume growth has come in spite of a tough global trade environment and other deterrents such as the Cyclone Biparjoy which disrupted operations in Mundra and another cyclonic storm which had disrupted operations in Chennai towards the end of November, early December. On the operational excellence front, we would like to highlight that our efforts in the past year for enhancing service levels through digital enablement with the myCFS portal, a dedicated app and the new CRM platform are all progressing well.

We have also focused on optimizing yard utilization and have identified procurement initiatives that can lower our operating costs by 3% in Q4 FY24 as compared to the last quarter. We are also looking to enhance capacity at key ports. Keeping this in mind, we have completed land acquisition in Mundra. Mundra, as all of you would be aware, is one of the fastest growing ports in India and we believe that there is significant headroom for growth that lies ahead. We are excited about the ICD opportunity too as we stand, as we complete the Jhajjar land consolidation by the next few quarters and we should be ready for subsequent activities by the calendar year end.

As we head into the new financial year, we have clearly chalked out plans and pillars for growth. The focus is to build scale efficiencies and reduce the operating cost. I will now hand you over to Pritam for discussing the financial highlights of Q4 and FY24.

Pritam Vartak:

Thank you Suresh and good afternoon to everyone. And welcome to our Q4 and FY 2024 earnings call. I will take you through the highlights of financial results for the quarter and full year ended March 2024. I would like to start with quarterly highlights. Total volume handled for Q4 FY24 stood at 1,53,000 TEUs depicting a growth of 1% as compared to the same period last year. On a quarter-on-quarter basis, volumes were flat with a marginal decline of 1%.

Revenue for the quarter stood at INR182 crores as compared to INR184 crores in Q4 FY23 and INR185 crores for Q3 FY24. EBITDA for Q4 FY24 stood at INR27 crores as compared to INR26 crores for Q4 FY23 and INR29 crores for Q3 FY24. This implies EBITDA per TEU of INR1760 for Q4 FY24. The company reported a net profit of INR9 crores for Q4 FY24 as compared to INR15 crores for Q4 FY23.

For the financial year ended March 2024, volumes stood at 613 '000 TEUs depicting a growth of 8% as compared to last year. Revenue for FY24 stood at INR733 crores as compared to INR706 crores for FY23. EBITDA for financial year '24 stood at INR117 crores as compared to INR143 crores for FY23. The company reported a net profit of INR40 crores for FY24 as compared to INR59 crores for FY23.

With this, we would like to open the floor for question and answer session.

Moderator: Thank you very much. The first question is from the line of Shaukat Ali from Monarch Network Capital Ltd. Please go ahead.

Shaukat Ali: Hello. Good afternoon, sir. I just wanted to understand the margin profile that we saw in this quarter. So, how do we read the margin going forward? Should we read it in a seasonal way or there was some one-off impact which led to this margin of around 14%? So, can you guide us about going forward margin from here?

Pritam Vartak: Sure, Shaukat. So, basically, if you look at the results, our volumes for the quarter remain more or less flat with 1% increase. Revenue from operations actually come down by 2%. Now, having said that, there is a substantial improvement which has happened in gross margin percentage. The gross margin percentage has improved to 32.4% from 31.6% in the previous quarter. Now, if you look at EBITDA for the quarter, the EBITDA for the quarter stood at INR26-INR27 crores against INR29 crores of previous quarter.

If you look at, if you have to explain the drop in EBITDA, there has been some one-off impact. This is, few of them are like bad debts provision which we have done in the current quarter around close to INR1 crores and one-off adjustments on account of year-end employee gratuity and leave encashment valuation, that is also around INR70 lakhs. These are some of the one-offs which has happened in this particular quarter which has resulted into EBITDA being down as compared to previous quarter.

We believe these are the reversible things which has happened in the quarter and we will have upside to that extent in the coming quarter. Apart from these one-offs, we have certain additional expenses on account of staff cost where we have increased our headcount, actually in keeping mind the future requirements. All these headcounts in future would contribute to the company's growth and company's profit.

On a quarter-on-quarter, if you have to analyse what is that we are going to do and what is that we are targeting for the future, our main thrust is going to be on the volume where, because every increase in the volume would give us incremental margin. We believe that every 10% increase in our volume would give us incremental EBITDA. Our gross margin percentage would

go up by 2% because lot of our, close to 30% of our operation expenses are fixed and they won't go up in case our volume goes up.

So, that is one of the operation efficiency, one of the volume leverage which we are trying to achieve in the coming quarters. As Suresh has explained in his opening speech, there is better yard utilization which we are looking to achieve. Procurement efficiencies we are building in. The people which we have taken as an additional headcount would contribute to significant savings in expenses like transport and repairs and maintenance expenses.

With all these various initiatives which are in progress and the reversible nature of some of the expenses which has hit us in the current quarter, we believe that we will be coming back to the EBITDA margin levels of the previous last two quarters which we have seen. Below the EBITDA, there has been certain increase in expenses like interest cost and that is mainly on account of the additional loan which we have taken, working capital loan which we have taken in the current quarter. Plus there are certain additional leases we have entered into which has resulted into increased ROU interest expenses and ROU depreciation.

So those are the things which will continue but on EBITDA level, yes, with this increase in volume and additional cost saving initiatives which we have planned, we are hoping to get back to the previous quarter levels which we were having.

Shaukat Ali:

Thank you for the very detailed answer sir. Also, if you can give us some sense about how the volume recovery you see, when you see a meaningful volume recovery going forward?

Suresh Kumar:

So on the volume, if you were to look at it, two things. Compared to the last year, the previous year, FY '24 our volumes grew by 8%. Optimized yard utilization is one of the things that we are doing which builds and increases some capacity and then the geopolitical scenario changing some of the points that I spoke about will contribute.

JFM quarter typically has got the peak of March which helps. April, we have shared the volumes with the stock exchanges and we have had growth over the previous year April numbers which indicates that volumes are starting to bounce back and we expect that trend to continue. Exports, there were some hiccups during the previous quarter Q3 due to seasonal bans on some commodities which we believe are being taken off.

That should also give us a thrust with regard to exports. So based on the volumes that we have already done in April and the trends that we are seeing in May, we believe that the volume uptake is already on and this is in line with what we would like to have for the coming quarters.

Moderator:

Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.

Vikram Suryavanshi:

Hi. Good afternoon, sir. So I have a couple of questions. One, if you look at overall EBITDA, say around 1760 per TEU, is the JNPT EBITDA in line with the overall EBITDA or is it lower or higher? Just to make some sense.

- Pritam Vartak:** Sorry, Vikram. I think if you could repeat your question, we were not able to hear that very clearly. We heard up to 1,700 EBITDA per TEU, which you mentioned.
- Vikram Suryavanshi:** So I just wanted to check whether JNPT EBITDA is higher than overall company's EBITDA or is it in line or low?
- Pritam Vartak:** JNPT EBITDA, so, we are operating two facilities at JNPT. There is a difference in EBITDA for both these facilities and there are reasons for those differences. But then if you look at it, it's comparable across various facilities and not like very drastic difference across various facilities.
- Vikram Suryavanshi:** Got it. So any update on Speedy renewal in terms of how is outlook for volume for Speedy terminal?
- Suresh Kumar:** So Speedy renewals that you are referring to, are you referring to the JNPT Speedy renewal?
- Vikram Suryavanshi:** Yes.
- Suresh Kumar:** So Speedy JNPT, we have the license till 2025 December. We have had a good track record of performance. And as of now, the indication is as per the tender document, you get the renewal in the first quarter of the last year of operation. So that's the time in which the renewal discussion will start. And we have an option of extending the license by another 10 years.
- So given the fact that our track record all these years has been good and we have contributed significantly to the JNPA revenues, and since we have also had good feedback from our customers, we are positive that the renegotiations which are scheduled for the beginning of next year should have a positive outcome. But it's too early now to talk about it because the renewal discussions happen only in the first quarter of the last year.
- Vikram Suryavanshi:** Okay. But that is our choice too. And will it be mutual discussion with the port authority or it will go for bidding and then we have right of refusal kind of thing?
- Suresh Kumar:** So that is something which we will be clear of only during the conversation because we have a 10-year extension on the license, which is how the license conditions are. Depending upon our track record, they will do an evaluation for the processes. They will do an evaluation of our track record over the past years, having managed to do what we promised and the quality of service.
- There are a set of parameters that they go through. And then we will be able to know whether it's an extension or whether it will go in for other discussions. But as of now, till the last year, for every annual evaluation, we have done well in all the annual evaluations, meeting all the performance criteria.
- Vikram Suryavanshi:** Understood. And would it be possible to give a mix of storage revenue and handling revenue or absolute number if possible? And how is the average dwell time now at CFS?
- Suresh Kumar:** So the initial portion, we can send you the details. The average dwell time between the last quarter and this quarter, there is no much significant change. We can share the details with you separately.

- Vikram Suryavanshi:** Okay. And last question on our expansion plan, particularly if you can give some update on Farrukhnagar. And I guess we are also looking for some of the ICD terminals at Gati Shakti Terminal scheme. So I just want one more clarity about have we finalized out any locations. And are these Gati Shakti Terminals will be a common user facility or it can be used as an exclusive terminal? If you can share your thoughts on that?
- Suresh Kumar:** Yes. So you asked two things. One is about our expansion. During my opening remarks, I had mentioned we have – we feel Mundra as a market has got significant expansion opportunities. And that's where we have bought in additional land to create a facility in the coming years. So that is one thing that we have done in the last quarter.
- ICD Jhajjar, with regard to the land acquisition and related steps, we are progressing as per the plan that we have. And 2026 is the targeted launch of ICD Jhajjar. In terms of Gati Shakti Terminals, there are a few identified locations that we have. One in Gujarat, one in Maharashtra, and one in Haryana that we have in our list based upon the potential identification that we have done. These are still not coming for tender. So once they come in for tender, we will apply for them and hope for the best in terms of winning those tenders.
- Vikram Suryavanshi:** Got it. And these tenders will be bid on the fixed price as well as the volume variable kind of thing for Gati Shakti. And can that be exclusive terminal for us or it has to be common user facility kind of thing?
- Suresh Kumar:** Our understanding on that is it is an exclusive terminal at this point in time. And that is how some of the existing terminals or the terminals which have been tendered are gone. So we expect the same to continue.
- Vikram Suryavanshi:** Okay. And just a last, I think, since it is related to our CFS at Mundra, but I guess Mundra, a large part of that volume goes by rail to northbound. So overall port volume in terms of container, how much would be like a CFS kind of related volume in terms of percentage if you can broadly give?
- Suresh Kumar:** So the CFS volume percentage is, again, I can share that with you. But the point to note in Mundra, is Mundra has got a regulated number of CFSs at this point in time. So it is not as widespread number of CFSs compared to JNPT. So that is one point. Second is we have got two facilities in Mundra. And therefore, in our estimate, we have a reasonable market share in a market which is growing.
- Vikram Suryavanshi:** Understood. And our import-export mix also remains similar or is there any change now?
- Suresh Kumar:** No, it has remained similar compared to the previous quarters. I think it is 76%-77% imports, balance, exports. That has been the average. It is very much in the same level. Thank you very much for that.
- Vikram Suryavanshi:** That was quite helpful, sir. Thank you.
- Moderator:** Thank you. The next question is from the line of Rahul Deshmukh from LKP Securities. Please go ahead.

- Rahul Deshmukh:** Sir, thanks for the opportunity.
- Suresh Kumar:** Rahul, your voice is not very audible. Can you please speak up?
- Rahul Deshmukh:** Yes. So, sir, I recently started following Allcargo terminals. So, I just wanted to understand the growth model. Like you just mentioned that the global growth is expected to be around 3.5% and Indian logistics sector may grow more or less around 7-8%. So, would we grow at a higher rate than the industry? Now, like there is a lot of competition in the sector. Like how Allcargo terminal differentiates itself from its competitors?
- Suresh Kumar:** Yes. So, I was able to hear about 70% of your question correctly. Let me try to phrase it and tell me whether I have understood it correctly. 3% global growth versus about 6% to 7% growth in India. How is Allcargo's growth estimate? Was that your question, please?
- Rahul Deshmukh:** Yes, right. Like would we grow at a higher rate than the industry and like how?
- Suresh Kumar:** Yes. So, I think the track record that we have had over the last 4-5 years is our growth has been a percentage or 2% points better than the industry growth consistently. Even last year when our volumes have grown by about 8%, the industry volume growth was about 7%.
- So, when I talk about the industry, this is the addressable market which comes into the CFS that we keep track of and this is the addressable market in the ports in which we are present. So, we are present in Mundra, Nhava Sheva, Calcutta, Chennai and we have an ICD in Dadri. So, the addressable market growth in these markets was in the range of about 6.5% to 7% and we grew at about 8%. So, we have maintained that over the past many years and that's what has kind of helped us increase our market share. We expect that to continue because of all the reasons that I spoke about. One is the fact that Allcargo brand and the service that we offer.
- Second is the operational efficiencies and the customer connect that we have and the third is also the investments in digital and various other things which customers have found to be very attractive in terms of the MyCFS portal and app that we have. So, these have helped us gain preference over some of our competition over the past years.
- Moderator:** Sorry to interrupt, sir. Mr. Rahul, your voice is not audible.
- Rahul Deshmukh:** So, what is the current market share of Allcargo within the total addressable market?
- Suresh Kumar:** So, we estimate our market share to be in excess of 10%, maybe 10% to 11% is our estimation of our market share of the addressable market.
- Rahul Deshmukh:** Okay. And which government scheme are you planning to utilize in the upcoming days?
- Suresh Kumar:** I think, Rahul, we have a problem with your audio.
- Moderator:** Mr. Rahul, are you using any Bluetooth device or earphones?
- Moderator:** Mr. Rahul, we are unable to hear you. If you could just speak to the normal mic. Hello, Mr. Rahul. Your voice is not audible to us. I request you to please follow up in the question queue.

Okay. We will move on to the next question. The next question is from the line of Shaukat Ali from Monarch Network Capital Ltd. Please go ahead.

Shaukat Ali: Thank you for the opportunity. I wanted to understand that how the volume growth guidance, are you retaining the volume growth guidance of doubling the volume over next three years, over FY'23 volume? And does it include Mundra expansion? And second question is regarding the capex, how we are envisaging capex over next two or three years? And if you can give us some timeline about the Mundra expansion and kind of capex that we are going to incur in that Mundra expansion. That's all from my side.

Suresh Kumar: Thank you, Shaukat. Let me just refresh what we spoke about a couple of calls back. When we spoke about that, it was a time in which we were listed and we said our volume aspiration is to cross a million TUs in four years. That was our volume aspiration. So, when we made, when we had that aspiration, we were just about touching 6 lakh TEUs.

Now, last year's volume, Pritam had shared and the growth that we are planning to have. So, this million TEUs is a combination of our existing facilities, organic growth from these facilities in line with what happens in the India EXIM trade, which is about 7% to 8%. Second is additional facilities that we would have in places where we are not already present.

And third is the ICD-GCT opportunities, which we are targeting. So, it's a combination of all these, which will help us get to the million TEUs that we are targeting.

Shaukat Ali: And capex right line over the next two years, three years?

Pritam Vartak: So, this year's capex budget, apart from, so this in FY'24, we invested in Mundra land close to INR23 crores. We would be coming up with a detailed plan in terms of building the CFS and the warehousing facility on Mundra land. Accordingly, the capex for that Mundra facility would be considered.

Apart from that, there has been a normal capex, which we have been incurring year-on-year for our operation of the facility. We spoke about the renewal of various facilities, Whenever these renewals are confirmed, we will do the capex investments required for upgrading those facilities as well.

Now, rest other capex would be dependent on the decisions which we take in terms of the new facilities and the construction of new facilities. And those decisions would be taken at the appropriate time. So, as of now, on horizon, we have Mundra CFS development. We also have Jhajjar ICD coming up, which is in FY26 and the up gradation of our existing facilities. Those are the key capex which we envisage at this point of time. Any other project which comes up, we would discuss that at the appropriate time. Does that answer Shaukat, your question?

Shaukat Ali: Yes, sir. So, the million TEU that we are targeting, that we expect to achieve in FY'27 or FY'28, sir?

Suresh Kumar: FY'27 - 28, yes.

Shaukat Ali: FY'28, okay. That's all from my side.

Moderator: As there are no further questions, I would like to hand the conference over to the management for closing comments.

Suresh Kumar: So, thank you everyone for attending our quarterly and annual conference. Thank you for the questions that you shared with us. We are optimistic with the facilities that we currently have and the additional capacities and the plans that we have created. Just to kind of summarize the growth drivers that we are focusing on.

One is the core business, continue to outpace the market, organic and inorganic plus geographic expansion. Adjacencies that add value to our customer proposition in both existing and new locations. We spoke about the hub and spoke pilot which is still ongoing. We will leverage DFCC and the national monetization pipeline, especially with regard to ICDs and GCTs. We spoke about it.

Operations excellence we are committed to with an asset right business model. Digital enablement to deliver industry leading CSAT and aligned with the overall Allcargo group's ESG goals. We will also be looking out for strategic alliances and partnerships, building on the shipping line relationships, MMLP opportunities.

These are the five growth drivers that we see. April has begun on a positive note and we believe this buoyancy will continue. And we will be able to deliver on the plans that we have made for the coming quarters. Thank you.

Moderator: On behalf of Allcargo Terminals Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.