"Allcargo Terminals Limited Q2 & H1 FY24 Earnings Conference Call"

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MODERATOR: **MR. MOHIT LOHIA – ICICI SECURITIES**

Moderator: Ladies and gentlemen, good day and welcome to the Allcargo Terminals Limited Q2 FY24 earnings conference call hosted by ICICI Securities.

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 touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Mohit Lohia from ICICI Securities. Over to you, sir.

Mohit Lohia: Good afternoon everyone. First of all, I would like to thank management of Allcargo Terminals Limited for providing us this opportunity to host the call. From the management side, we have Mr. Suresh Kumar – Managing Director and Mr. Pritam Vartak – Chief Financial Officer. Without any further delays, I now hand over the call to Mr. Suresh for opening remarks. Over to you, sir.

Suresh Kumar R: Good afternoon and a very warm welcome to everyone for this maiden Earnings Call of Allcargo Terminals Limited.

We will discuss the performance for Q2 and H1 FY24. We have earlier in the day uploaded the results, press release, and presentation on the stock exchanges and the company's website. I hope you had an opportunity to go through the same.

Along with me this afternoon, I have Mr. Pritam Vartak who is the Chief Financial Officer for Allcargo Terminals Limited and Himanshu and Sanjay from the Allcargo Investor Relations team. Since this is our first call, I would like to take the opportunity to walk you through the company and its business model and share some thoughts and insights on our growth plan too. After my initial note, I will hand over the call to Pritam to discuss the financial performance for the quarter gone by. Allcargo Terminals, as most of us would know, was established in 2003 as a division of Allcargo Logistics with a vision to tap into the immense opportunities in the Cargo Terminals vertical owing to the increasing EXIM trade opportunity in India.

The core business of Allcargo Terminals Limited comprises container freight stations, CFS as we call them, and inland container depots (ICDs) operated on an asset-light model. The CFSs and ICDs act as an extension to the port infrastructure and are an important link in the movement of containerized cargo. Today, Allcargo Terminals is one of the largest CFS operators in the country offering India's widest CFS/ICD network. We operate 7 CFS and ICD facilities in India of which four are fully owned by us and three are held through subsidiaries and joint ventures. ATL is well positioned at key ports of JNPT Nhava Sheva, Mundra, Chennai, and Kolkata that drive approximately 70% of India's container traffic. We are also well placed to capture the ICD opportunity driven by the development and forward strides in the past few years and dedicated freight corridors (DFC).

In the CFS business, we have an estimated market share of 13% with the privilege of being the market leader in Nhava Sheva JNPT and Mundra. In both these locations, we have 2 facilities each. And we are amongst the top 3 CFSs in Kolkata and Chennai. We cater to approximately 3,000 customers and are empanelled with all major shipping lines. ATL offers customized services that include, but are not limited to palletization, packing, labeling, stuffing, de-stuffing, storage, examination of import & export bound cargo – the entire sequence of activities which are there in EXIM. We operate bonded and unbonded warehouses. We are specialized in cargo handling, direct port delivery, and all this together comprises the service portfolio that we offer our customers. Allcargo Terminals also has an expertise and experience in handling ODC which is the over dimensional cargo and hazardous cargo which we refer to as the HAZMAT handling. We own and operate state of the art equipment at our CFS facilities, and we also at various times hire and rent out equipments to facilitate smooth operations. We have a digital-first approach with our own online portal and the app that we have created called myCFS. The portal facilitates faceless operations for our customers and helps them access several online facilities such as priority movement of cargo, grounding for examination, and such allied services. The portal also allows customers to generate proforma invoices and OSR-related documentation, etc. Customers can track status and location of their containers via the myCFS portal which we have opened out to our customers, be it the CHAs or the direct customers, using RFID-enabled container tracking.

For us, the year 2023, twenty years since we started our first CFS, is a landmark one. This is the year in which we listed in August, and we believe this is the time for fresh beginnings, a year we conduct growth pilots and chart a new course for ourselves. Allcargo Terminals has laid down strategic pillars to fuel our future growth. I would like to clarify that at this stage, I am discussing the broader roadmap to achieve desired growth. We shall be able to share specific timelines and numbers on some of these opportunities as we move closer to actual execution. The pillars that we have identified are five-fold.

First is organic and inorganic growth of the CFS business. The company will continue its efforts to outpace industry growth. We will focus on market share and wallet share for growth and profitability, and overall, we shall aim to double our volumes in the next 4 years. We will also explore opportunities to expand our geographic presence through new CFSs in areas where we are not present currently or have a room to strengthen our existing position. This is the first pillar of our growth strategy.

The second one is to explore opportunities through DFCC-linked ICDs and Gati Shakti terminals. As some of you would be aware, we will also look to launch our ICD at Jhajjar to align with benefits available through the Western DFC connectivity. In addition to the ICD, we are exploring the immense opportunity offered by the Gati Shakti terminals. We have identified 4 to 6 key locations for this purpose, and we will go along the DFC stretch in this and we will look to participate successfully in the tendering process. That's the second pillar.

The third pillar is about operations excellence and digitalization. This is something that we have already initiated through the digital portal that I briefly spoke about earlier and the myCFS app that we have now enabled our customers to access our services from wherever they are. With this, we plan to digitize the customer journey end to end and link it up with the necessary infrastructure and government systems as and when that happens. This will definitely improve efficiencies, reduce effort, and help save time for our customers and for our operations. That's the third pillar.

The 4th pillar is to be looking at adjacencies to the CFS business. We believe CFS is something which is a vital cog in the entire supply chain and there are elements ahead of the CFS and after the CFS to which we can add value. One such thing is the hub & spoke service model for transportation of container cargo that we are exploring and we are ready for a pilot in Q3 FY24. That's the 4th pillar.

The final and the 5th pillar is the strategic partnerships that we will explore and enter into. Like, for example, with shipping lines. In the last half year, we had entered into a strategic partnership with one large shipping line to be their exclusive CFS for their entire volumes at the Kolkata port. We will actively look at such partnerships at our other ports also in the future. We believe the long-standing relationships which the Allcargo Group has will help us in this endeavor. These are the 5 pillars of our growth strategy that we have kind of charted out.

Having said that, what do I feel are the trends in the industry which have relevance for us? I would like to throw some light on some recent industry trends. Merchandise exports for the period H1 – April to September 2023 – stood at approximately USD 211 billion, as compared to USD 232 billion for the same period last year. Merchandise imports for April to September 2023 stood at USD 327 billion compared to USD 373 billion for the same period. Logistics sector is anticipated to experience favorable growth driven by domestic consumption and the many government initiatives like the PLI scheme, the National Rail Plan, Gati Shakti, and foreign trade policy; and we are closely watching any opportunity that emanates from this. The foreign trade policy announced by the government augurs really well for the EXIM trade. The policy has been drafted keeping in mind the changing needs of international trade and it has set an ambitious target of achieving exports worth 2 trillion USD by 2030. Other government schemes are more focused towards building a robust infrastructure that will encourage multi-modal transport and supplement faster movement of goods.

With this, I would like to now hand it over to Pritam for discussing the financial highlights for Q2 and H1 FY24.

Pritam Vartak: Good afternoon everyone, and a very warm welcome to our Q2 and H1 FY2024 earnings call. I will take you through the highlights of financial results for the second quarter and half year ended September 2023. I would like to start with quarterly highlights. Total volume for Q2 FY24 stood at 1,56,647 TEUs, as compared to 1,39,000 TEUs for Q2 FY23. Revenue for the quarter stood at Rs. 185 crores, as compared to Rs. 178 crores for Q2 FY23. EBITDA for the quarter 2 FY24 stood at Rs. 32 crores, as compared to Rs. 40 crores for Q2 FY23. This implies an EBITDA per TEU of Rs. 2,067. The company reported a net profit of Rs. 12 crores for Q2 FY24, as compared to Rs. 14 crores for Q2 FY23.

For the half year ended September 2023, volumes handled stood at 3,04,900 TEUs, as compared to 2,73,500 TEUs during the same period in 2022. Revenue for the half year stood at Rs. 366 crores, as compared to Rs. 347 crores for H1 FY23. EBITDA for H1 FY24 stood at Rs. 61 crores, as compared to Rs. 81 crores for H1 FY23. The company reported a net profit of Rs. 21 crores for H1 FY24, as compared to Rs. 33 crores for H1 FY23. On the balance sheet side, consolidated net debt for the company stood at positive Rs. 11 crores (Net Cash) as of September 2023 in comparison to Rs. 19 crores net debt as of March 2023.

With this, I would like to open the floor for a question & answer session.

Moderator: We will now begin with the question & answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

We'll take the first question from the line of Madhur Rathi from Counter Cyclical Investments. Please go ahead, sir.

Madhur Rathi: Sir, I just wanted to understand our EBITDA pre-IndAS has fallen by a much higher number when compared on a YoY basis. If you could help me understand that.

Suresh Kumar R: The EBITDA numbers if you were to compare on a YoY basis, let's set the context for that. One is with regard to volumes. We have seen an increase in volume compared to last year by about 13% on a YoY basis. This volume has also come in with a higher percentage of DPD, the cargo mix between export and import has also changed, plus with capacity available in some of our key CFS locations, i.e., tariff pressures and rebates which are available for customers to choose. To remain competitive in a time in which there are tariff pressures plus the other factors that I mentioned, there is some amount of EBITDA dilution that we have seen and we believe that's the trend in the industry. What we have done is to try and maintain an EBITDA per TEU and our profitability margins ahead of industry average, or in our estimate, we would try to be the industry leaders in terms of profitability margins. That is how I would kind of respond to your question about the profitability margins change.

Madhur Rathi: Sir, my question was, when I look from a cash flows from financing perspective, our lease payments and interest have gone up; in the same lines, our ROU has been on the similar lines, but still our EBITDA has declined. That's what the question was. And why this discrepancy in the lease payments from a YoY perspective?

Pritam Vartak: Not sure what discrepancies you are talking about. Can you elaborate your question again?

Madhur Rathi: Sir, the lease payment on the interest is Rs. 17 crores for this quarter. They were negligible around Rs. 30 lakhs to Rs. 32 lakhs in the previous year. However, our ROU was on the similar lines. I am asking regarding that. Why is that difference coming?

Pritam Vartak: The lease payments when you are talking about IndAS accounting, this payment doesn't form part of P&L. What forms as a part of P&L is interest and depreciation on ROU assets. If you see our finance cost, that's in line. And if you see our depreciation, that's also in line. There are no discrepancies and there are no changes as such.

Madhur Rathi: But sir, why is this figure for Rs. 17 crores for this quarter and around Rs. 30 lakhs for the previous year same quarter? That's what I'm trying to understand.

Pritam Vartak: There is no figure of Rs. 17 crores. Not sure which figure you are looking at.

Madhur Rathi: Sir, I am looking at page number 6 of the results.

Pritam Vartak: We are not identifying the figures which you are saying. Maybe you can drop an email and we can respond to that.

Madhur Rathi: Sir, my next question would be what is our CAPEX plan for the next 2 to 3 years since we are looking at adding new CFSs and ICDs into our portfolio?

Suresh Kumar R: As I mentioned in my introductory remarks, ATL's business model is based on being asset light. Therefore, the CAPEX that we anticipate for our growth is very negligible because whatever are the regular maintenance CAPEX that we have is the only thing that we need. New facilities will typically be on the asset-light model like how we have some of our existing facilities. This will be on a right-of-use model, and therefore we don't anticipate significant CAPEX deployment for expansion or additions of CFSs in the coming quarters and years.

Madhur Rathi: Sir, my final question is what will be the steady state EBITDA margin that we should expect going forward?

Pritam Vartak: We have seen the uptrend in EBITDA in this quarter and we are expecting that this upward trend would continue for the rest of the year.

Madhur Rathi: Sir, what will be our guidance for the top line and bottom line growth for the next 2 to 3 years?

Pritam Vartak: We avoid giving any guidance. But as I said before, we are expecting our volumes to get doubled in the next 4 years. And the upward trend which we have seen would continue going forward as well.

Moderator: We'll take the next question from the line of Mr. Mehul from RW Equity. Please go ahead, sir.

Mehul: Congratulations on the start of a new journey as an independent listed company. Basically, the fundamental question is more on the business model. Earlier as being an integral part of Allcargo Logistics, everything was within the company. Now as an independent organization, I just wanted to understand how does the customer ownership work? My question is in terms of synergy with the contract logistics business, how does the customer ownership and relationship get driven? Is it by them? Is it by us? Or how does that synergy work? Similarly, TransIndia has acquired 2 new land parcels. How does that opportunity come into play for any potential upside for Allcargo Terminals? A little bit more color on as an independent organization, how does the business model work independent of Allcargo Logistics.

Suresh Kumar R: Thank you for your good wishes as we start our new journey. With regard to the strategic demerger, one of the things it is expected to give ATL and the other demerged entities is strategic independence and financial flexibility, and this is the stand that we have been taking and this has been part of the strategic demerger process. This kind of now gives each of the independent entities access to resources without having to kind of balance between whether this is something that an investor who has come to us specifically for one line of business would appreciate or not. That is what the biggest benefit the strategic demerger has offered to us. Now comes the question of customers and the customer experience and especially of customers who choose multiple products within the Allcargo Group. Within the Group, we have built a mechanism to ensure that customer handover between the entities doesn't kind of fall between. And there are customers who possibly have started off with CFS and who would want opportunities to do the ocean trade business or the 3PL business through Allcargo supply chain.

We have a robust cross sales mechanism by which inquiries and leads are passed between the organizations and these are fulfilled. These are centrally tracked by a Center of Excellence which looks at customer experience. And whenever the customer has got multiple products with the Allcargo Group, they are very closely watched to ensure that they don't have any gaps between their experiences when they interact with multiple organizations. This is something that we have factored in with the Center of Excellence model that we have.

Having said that, if a customer has originally been a CFS customer, that's the largest portion of the business that the customer is giving us. CFS sales team, the service team, and the operations team take ownership of ensuring that the integrated services are offered to the customer by team members interacting across the organization. For this, we are also now moving on to digital solutions across the organization with a common CRM platform which we will have at some point in time, which will ensure that within the organization, there is one view of the customer, as they do business with our different entities. It is a combination of what we have done in the past plus a digital technology edge that we do to it. And the third one is having a Center of Excellence which looks at customers who have got multiple sets of products and solutions that they require from us. That's how we are managing this, and that's how this will evolve as we go forward.

Mehul: Just a question here. Is there any commercial upside, let's say, if you get additional business for a group company or the other way around if a group company gets new business for you? Is there a commercial incentive on either side to drive that?

Suresh Kumar R: No, there is no commercial incentive that we have set for that because all of the entities are part of the same promoter group company, and therefore, they work independently which is why the cross sales lead transfer mechanism facilitated by CRM works as a platform for exchanging leads and ensuring that customer solutions are done.

Mehul: And the other part about the TransIndia.

Suresh Kumar R: The other part of Trans India is the way in which we operate our asset-light model is – I can talk on behalf of ATL – when I scan the environment and look at opportunities that I would like to get into, one that we know of is like Jhajjar. This has been on the growth plan for the CFS division for a while, and we have indicated that as an area of interest for us and TREL has managed to acquire the necessary land parcels there and will build the facility based upon an expression of interest that has come from our side. Similarly, across the country, there are places where we can rely on the group organization to help us. We will lean on them to provide us a solution. This doesn't mean that we can't look at the facilities outside the group to lease things. If those opportunities are available, we will do that also. TREL's role is we kind of present our areas of interest to them and if they are able to fit that with their business plan and if they are able to give us the right value proposition, then we would like to take these assets on lease from TREL. That's the working arrangement between us and TREL.

Moderator: We'll take the next question from the line of Shubham Desai, an individual investor. Please go ahead, sir.

Shubham Desai: Sir, my first question will be, as you said, there is a pillar of technology in the business model, in what part of the value chain would be this new technology and digitization be employed? And what is the spend of this technology deployment in the business model? And also, when will the Jhajjar CFS be online, and what kind of volume are you expecting from this?

Suresh Kumar R: The simpler one is to answer the second one. We are targeting 2025-26 for commissioning the Jhajjar facility. And we are in the process of firming up our plans to develop an ICD with rail connectivity and ensure that it runs at its optimum capacity. The cargo traffic that is required and the various tie-ups that we have to get into, we are in the process of working on that. Closer to commissioning, I think we will share the detailed business plan for the facility. But in terms of timing, we are looking at 2025-26 as the timeline for launching the Jhajjar facility.

To your first question about digital, very early in the CFS journey, right in 2011 or 2010 itself, I think Allcargo had invested in what has then become industry standard as what we call the CFS-MAG, and that has been the platform that we have been using all along. And now we have further upgraded that platform with minimal investments and also offered a portal enablement for the same and an app version of the same for our customers. Where does this actually come in for the customers? Through the app, one can actually understand the location of the containers, the track & trace whatever one needs to know, plus upload necessary documents and also place necessary service requests. Before this app and before the portal, some of this work had to be necessarily done physically by someone visiting our CFS. And typically if you were to look at it, a lot of our CFSs would be set up outside the city limits and therefore there is a certain amount of commute that one would have to do to come to the CFS. What this helps the CHA associates and the partners of our business is they can now do some of the work that they were doing standing in front of a counter even before they visit our CFS. This also brings in some amount of efficiency for them because typically, depending upon the volumes, there are CHA representatives assigned for different CFSs. And if some of this work can happen digitally, then one person can actually double hat for multiple CFSs. That is where this comes from the value chain of the current operations. And we are in the process of making this as digital as possible, and at the appropriate time when this can be linked with the existing customs systems and everything with due permissions and technology permitting, we will do the necessary API and interfaces at that point of time.

To summarize, investments are minimal. This builds upon the CFS-MAG which was a pioneering innovation of Allcargo. We have taken this to the next level. There is a portal and app interface now possible. We will look at an API interface in future. This reduces a lot of manual work for the CHA team and therefore efficiencies come in.

Shubham Desai: To my understanding, most of this technology deployment is on the customer interface side. Am I right?

Suresh Kumar R: Yes, on the customer interface side.

Shubham Desai: So, are you looking at any automation in the operational side of the business?

Suresh Kumar R: Automation as much as possible with regard to track & trace within our facilities, RFID is already implemented. And through the CFSAI, we have also made representations to the CBIC and the customs authorities to help us give virtual boundaries rather than physical boundaries and segregation of commodities. This is a proposal that we are working closely with the CFS Association because we believe this is something which can help everyone utilize the yard's capacity in a better manner if we can kind of have virtual boundaries. That's the technology deployment opportunity that we see. But this requires regulatory permission and we are working with the government authorities and customs through CFSAI to achieve this.

Moderator: The next question is from the line of Gurvinder Singh from Fortuna Investment Advisors. Please go ahead, sir.

Gurvinder Singh: My question is regarding your working capital entries. I wanted to understand what part of your receivables and payables are with group entities versus third parties.

Suresh Kumar R: I would request Pritam to please share numbers on this, or if you would require time to tabulate this and share, would you want to collect the email and send a response?

Pritam Vartak: Yes, we will get back to you with the exact percentage of receivables and payables. However, receivables from the group companies don't have a significant amount. From payables, as we discussed that there is TREL with whom we are having lease transactions, those are the things where we have payables. And all the transactions which we are doing are on an arm's length basis. That's the reason we have some payable amount. And the receivable amounts whatever we have are not very significant.

Moderator: We'll take the next question from the line of Mehul from RW Equity. Please go ahead, sir.

Mehul: Sir, I just wanted to check more on the inorganic front. What is the appetite that the company management has in terms of taking on debt for the right opportunity considering our current balance sheet? Because, Allcargo as a group has always grown aggressively by successfully acquiring companies. We are really hoping that it's kind of replicated here. Just a little more color on how you are thinking about the inorganic growth front.

Suresh Kumar R: I will go back to the guiding principles by which Allcargo Terminals business model has been crafted. We will remain committed to the asset-light model. Acquisitions of attractive opportunities will come up and that is something that we believe is something waiting to happen in the industry. And if one were to kind of link that up with the earlier question on profitability, with profitability margins under pressure, at some point in time, we see there will be some kind of consolidation and opportunities could come up. If such suitable opportunities come up, we would factor that into the asset-light model of working and see how we operate those facilities while the hard CAPEX required for that remains out of ATL because we believe our core competency is running and operating CFSs and delivering great customer experience – and now we will add digital to it – and we will remain focused on this. Managing the asset, I think we are privileged to have other portions in our group, who do that as their business and they have their core competency. We will synergize with them as much as possible even when we are looking at inorganic opportunities.

Mehul: I just wanted to get a sense because I think it's something similar to what you have done in the case of when you did the acquisition of Speedy Multimodes. On those lines, if something do you feel there could be opportunities or a pipeline that could fructify in the future?

Suresh Kumar R: Yes.

Moderator: We'll take the next question from the line of Mr. Mohit from ICICI Securities. Please go ahead, sir.

Mohit Lohia: I have 2-3 questions. Number one is, how are we planning to use cash accruals over the medium term in terms of CAPEX, dividend distribution, etc.? The question number two would be what is our core focus area for the growth and what would be the key growth lever for us? And the third is, who are the key competitors of our CFS business? While we have seen that industry has not grown that much, but surprisingly, our volume was much better – I think 13% YoY basis growth. What are the key growth drivers for the volumes? And can you also share with us terminal-wise growth in the volumes?

Suresh Kumar R: So, I think three questions. One, you were talking about the financial aspect and CAPEX deployment for the future. I will leave that to Pritam to answer. The other two questions with regard to what are our growth areas, how do we plan to grow in future, and our competitive position, let me try to answer them, Mohit. With regard to the growth that we have seen this half year, this is a growth which has happened due to a set of actions which have happened over a period of time. And some of these actions are around the sales acceleration program that we have across the different facilities and the closer customer connect and contact that we have. I think we operate a sales team and a sales process which is evolved and keeps very very close track of our customers. And I told you we operate with a base of approximately 3,000 customers and with empanelment of all shipping lines. This is something which we very closely follow through. Second thing which has helped us in some way to differentiate our services versus competition is the enablement of digital facilities that I briefly spoke to you about. While there are still a lot of things that we can offer, the ultimate is to have an API interface with the ICEGATE and that is a long way before we reach there. The small steps that we have taken, I think, are getting good response from customers. As you know, in our business, we have two sets of customers. One is the shipping lines and then you have the CHAs and the consignees. And this is a service which is not really for shipping lines. This is a service which is actually meant for CHAs and the consignees. And the response that we have got from them in terms of acknowledgement that we are trying to do something different, has been very positive. The third thing is, in the last 6 months, there have been multiple times we have seen difficulties faced by the industry. For example, one of them was the Biparjoy cyclone which hit Mundra, and I would like to credit how our teams worked there to respond to the situation. I think it was a very very difficult situation for everybody. It was one of the severest cyclones which had hit that part of our country. There was so much of dislocation of services, but I think the response which was crafted together by our teams managed us to win the confidence of our customers. These are some things which have helped us. One, I said very very close tracking of our customers. Second is the digital initial steps that we are taking and the very very sharp focus that we have on operational excellence and responding to customer requirements, I think, is helping us. There is also, obviously the shipping line relationships and whatever volumes come in, and then there is a DPD competition which happens along with everybody. We participate in them as much as possible.

One of the things we have tried being part of the Allcargo group is to maintain price sanity as much as possible, and that is something which we would like to hold on because finally we are all in this business to grow and serve customers well and serve our stakeholders well. We are not in this for short-term gains of making some additional volume for a particular month and then kind of not knowing what happened. We would rather do this in a systematic long-term way. And some of the efforts that we have taken over the past so many quarters across different occasions have helped us.

The two major facilities if you were to look at are Mundra and JNPT. The advantages of running two different CFSs also accrue to us. I will request my Investor Relations team to share with you the growth that we have in the different locations separately. I don't have it readily. That can be sent to you. I hope I pitched up on the points that you talked about. And the one thing that you asked me is about inorganic growth and what are our future growth things. Clearly, in the 5 pillars that I spoke to you, the first and the primary pillar will still be to get additional business from CFCs and ICDs, one through existing locations and one through geographic expansion whenever we see an opportunity, and we definitely see an opportunity for that in the coming 2 to 3 quarters. Let's see how some of these things emanate. The second one is the Gati Shakti terminals and the work around it. We have expressed interest for about 4 to 6 stations. We believe that can add volumes to us in the coming quarters and years. Third I mentioned to you about the hub & spoke arrangement which is our earnest attempt to participate in the customers' cargo value chain after the cargo leaves the CFS. We believe there is an opportunity for us. And if you were to look at the configuration of various markets, it all is a hub & spoke. If you were to look at Nhava Sheva, it's a hub and then you have got Pune-Pimpri-Chinchwad, Vapi. All these places are hubs which Nhava Sheva supplies. Once the container leaves our CFS facility can we partner with the customer either through other arms of the Allcargo group or by ourselves in warehousing and other value addition is something that we are exploring. This is a hub & spoke pilot that I briefly explained. If it works well, we will want to extend that.

Then the other pillar that I talked to was digital operations excellence and the last one that I told you was wherever there is an opportunity for strategic alliances, be it with shipping lines or be it with other organizations who help us do the business in the asset-light model, we will be open to do that. That is how our growth strategy is charted out.

Onto the first question, Pritam, would you answer?

Pritam Vartak: The first question was around CAPEX and cash accrual. You have already clarified that ATL's business model is basically asset light. In spite of that, if there are opportunities and business projects where the CAPEX investments are justified, we will look at that investment at the time of execution. In terms of cash accrual, which is happening month on month, we are investing it in short-term investments. And whenever there is an opportunity for organic growth or any other investment, we will use that. If that's not there, then of course, the board and the AGM would take the decision for dividend payout at an appropriate time. That's how we are looking to use our cash accruals.

Moderator: We'll take the next question from the line of Mr. Mehul from RW Equity.

Mehul: Sorry for the interruption. This is my last question for sure. Sir, there is a very high EXIM imbalance right now, but if that were to normalize a couple of quarters down the line, to what extent can it help our margins or it is largely neutral for us?

Suresh Kumar R: First of all, Mehul, please don't say sorry to us. The interest that you show in our company is most welcome. And the more questions that come from you helps us think better. So, thank you very much for your questions. On the point about the EXIM imbalance, we are watching this closely. There was a time in which there was one leg which used to be significantly more profitable than the other. But as an industry watcher, I'm sure you have started realizing that this is now getting normalized and there is no significant difference between the different legs – between export and import – unless there are specific value additions like reefer or over dimensional cargo or any of those things which come in, which obviously come with additional work and therefore additional services, and therefore an opportunity for us to get some additional revenue and maybe margins. So, the EXIM trade we just are not overly bothered about the imbalance because there is an export story which is waiting to happen and we would like to definitely participate in it. Imports, which has always been the mainstay of the CFS businesses, if it continues to progress, we will be happy. But, you know the composition change in import in favor of DPD and the impact it has had on the industry.

Moderator: Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to Mr. Suresh Kumar for closing comments.

Suresh Kumar R: Thank you very much to everyone who patiently listened to our introductory note, and for the many questions that you have asked us today. This is our maiden call and we are really grateful for your participation, involvement, and the questions. There are a couple of you to whom we need to send in responses which our Investor Relations team will send you the responses in due course. Continue to keep track of us. Wishing you and your families a very very happy festival season – very very Happy Deepavali.

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