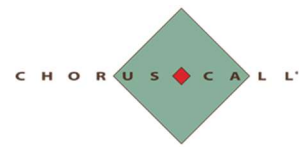




“Allcargo Terminals Limited
Q2 & H1FY25 Earnings Conference Call”
October 30, 2024



**MANAGEMENT: MR. SURESH KUMAR R – MANAGING DIRECTOR –
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ALLCARGO TERMINALS LIMITED
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Moderator:

Ladies and gentlemen, welcome to the Q2 and H1FY25 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 expectations of the company as on date of this call. These statements do not guarantee the future performance of the company and it may involve risks and uncertainties that are difficult to predict.

As a reminder, all participant 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 the star then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Suresh Kumar R:

Hello, good afternoon, everyone. This is Suresh. Wishing you all a happy Diwali in advance as I begin the Q2 conference call. We are here to discuss the company's quarterly performance. As mentioned, along with me, I have Pritam Vartak, who is the Chief Financial Officer for Allcargo Terminals Limited and Sanjay Punjabi from our Investor Relations team. We have uploaded the results, the press release and presentation on the Stock Exchanges and Companies website. I hope you have had an opportunity to go through the same.

I will share an overview of economy, industry and business, after which I will hand over the call to Pritam to discuss the financial performance for Q2 FY25. The Indian economy continues to show resilience. It is one of the fastest growing economies globally.

The IMF in its most recent World Economic Outlook update has maintained its projections for India. It expects India to grow at 7% in FY2025 and 6.5% in FY2026. The outlook for India's GDP growth has moderated from 8.2% in FY23 and 7% in FY2024. In contrast, the IMF has projected global growth to be at 3.2% in FY2024 and FY2025. Coming to the global ocean trade, it has witnessed decent demand during the first half of FY2024. Buoyancy in demand was witnessed on account of the festival season stocking.

The freight rates have remained high as compared to last year. This was due to a combination of increased demand and disruption of trade routes due to geopolitical events. This demand was seen tapering off towards the end of September 2024 on account of the China Golden Week.

The United Nations Trade and Development Agency in its annual report has projected that global maritime trade will grow by 2% in 2024 and for the period 2025-29, which is a four, five year period, projected to grow at an average of 2.4%. Throwing some light on merchandise trade during the first half of FY2024, exports during this period were \$213 billion as compared to \$211 billion during the same period previous year. Imports during April-September 2024 were \$350 billion compared to \$330 billion during the previous year. The trade deficit during April-September 2024 was \$137 billion compared to \$119 billion during the last year.

Coming closer to allcargo terminals, we have delivered a volume of 3,18,000 TEUs for the half year ended September 2024. This represents a growth of 4% as compared to the same period last year. During the current financial year, ATL has embarked on its plans to increase capacities in the key markets of Nhava Sheva JNPT, Chennai and Mundra.

The company also plans to expand its ICD footprint and participate in the growing multimodal logistics park segment by utilizing the Government of India initiatives in the logistics sector. Furthermore, Allcargo Terminals has acquired 7.6% stake in Haryana Orbital Rail Corporation from Allcargo Logistics. This stake purchase is in line with the company's growth aspirations of entering into multimodal logistics parks and ICDs.

I will now hand over the call to Pritam to give you a summary of the financials for Q2 and FY25.

Pritam Vartak:

Thank you Suresh and good afternoon to everyone. A very warm welcome to our Q2 and H1 FY25 earnings call. I will take you through the highlights of the financial results. I will start with the quarterly highlights. Total volume handled for Q2 FY25 stood at 158,000 TEUs as compared to 159,000 TEUs during Q1 FY25 and 156,000 TEUs during Q2 FY24.

Revenue for Q2 FY25 stood at INR195 crores representing a growth of over 3% last quarter and 5% over same period last year. EBITDA excluding other income for Q2 FY25 stood at INR32 crores as against INR30 crores for Q1 FY25 and INR32 crores for Q2 FY24. Better yields and operating efficiencies have enabled an EBITDA per TEU of over INR2,000 and a 19% growth in PAT over last quarter. For Q2 FY 25, the company reported a net profit of INR11 crores.

Coming to half year, for the half year ended September '24, company reported a volume growth of 4%. Revenue stood at INR385 crores as compared to INR366 crores during the same period last year. EBITDA for the same period stood at INR62 crores as compared to INR61 crores. Net profit for Q2 FY25 stood at INR21 crores as against same period last year.

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

Moderator:

Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Viral Shah from Adinath Tax Consultancy. Please go ahead.

Viral Shah:

Yes. A very good afternoon sir.

Pritam Vartak:

Good afternoon.

Viral Shah:

This is the first time that I am joining the conference call, so may my voice or may my tone please regret me if I made any mistakes. Sir, I have a few questions regarding the company. My first question is, what is the current status for future plan operations capabilities extension? And when can we assume that they will fully start working, like our four future plan extensions, one of them is Jhajjar for ICD-PFT facilities.

And second, we have purchased land in Mundra, 60 acres, at Mumbai, 25 acres for extensions. And at Chennai, we are going to access Kences facilities. So, what are the benefits from this extension and when can we expect they are working with full capacity, sir?

Suresh Kumar R:

Thank you, Viral ji, for your question. There are multiple points that you have asked. In terms of our future plans, all the things that you mentioned fit in with our strategic plans to expand capacity. Currently, our capacity is around 8.5 lakh TUs annually, and we run at about 85% to 90% capacity utilization. When we look at our three-year growth horizon, we would like ATL to transform from being a CFS heavy player to a CFS and ICD player across the country. As you know, currently we have seven facilities, six of them are CFSs and one ICD in Dadri.

We, together with these facilities, are in ports which cater to about 80% of India's EXIM trade. JNPT, Navasheva, Mundra and Chennai are markets which are rapidly growing. Chennai has a second cluster of ports in Ennore and Kattupalli, adding to the earlier port which was the Chennai port.

Similarly, in JNPT, volumes have been expanding. Mundra also volumes have been expanding. So, the investments that we have proposed and the investments that we are in the process of making is to increase capacity in all these markets and take our capacity from 8.5 lakh TEUs to close to about 12 lakh TEUs, which will enable us to expand our volumes and grow at a rapid pace in the coming two to three years.

In terms of timeline, the Kences facility, which is the second facility in Chennai, which is a strategic partnership that we have entered into, we expect to have business and volumes coming into ATL from Q1 calendar year, which is January to March time of 2025. Mundra, the land that we have acquired, this is outside the Adani SEZ. We expect to have the first phase of construction to be completed in the next nine months to 12 months and business to start coming in from Q3 of FY26.

The third expansion that you talked about is in JNPT, where we have taken additional land of about 25 acres. We are going through the process of getting the necessary customs notification for that and we expect our business to happen in this expanded facility by March-April 2025. So, that are the timelines.

The last point that you had mentioned was about ICD-Jhajjar. We would like the ICD-Jhajjar project to be on stream and the first volumes to start coming in that facility from December '26, early January '27. So, that's the timeline that we have.

Currently, we are in the process of getting our access to the land and we have made the strategic investment in the HORCL project so that we have the best possible rail connectivity. I hope this answers your questions.

Viral Shah:

Sir, very much clear and thank you very much for your kind reply. Sir, can I ask another question?

Suresh Kumar R:

Yes, please do.

Viral Shah:

Sir, I have another question is that the half yearly result for the current year are as per our expectation or below expectation and over expectation. And further point is that on DFC facility that we are going to start in future. When will DFC facility start and what advantages from that

facility we can receive? Sir, my last question. Can I also add that or just clear these two questions first?

Suresh Kumar R: No, you can ask the last question also.

Viral Shah: Okay, sir. My last question is that in past from Allcargo Group that is logistic or terminal or whatever our company, we have given bonus in prior period, or do we have any plan to give dividend and bonus share in future to our shareholders or any specific update on that? That's all from my side, sir.

Pritam Vartak: I think the first question was around the expectations.

Viral Shah: Yes, right. Half yearly results.

Pritam Vartak: Yes, for the half yearly results. So, in this last two quarters or last few quarters, we have seen that the volume has been increasing consistently. In the previous quarters, we had a very good volume and we were able to sustain this volume for the current quarter as well. Our revenue grew by 3% quarter-on-quarter indicating that there is a better yield due to focused sales strategy. Gross margin also continued to go upward and EBITDA also showed substantial improvement.

So, in this quarter, we were able to cross the INR 2000 mark per TEU EBITDA. The gross margin exceeded 33% and the EBITDA percentage was in excess of 17%. So, the continued improvement in performance on account of sustained volume increase, operation efficiencies and better yield, that strategy is successfully getting implemented. And because of that, we are seeing significant improvement in profitability.

And we expect that this trend will continue in near future. So, to answer your question, yes, the quarter and the half yearly results are as per expectation and as per the targets, which management has set for the company.

Viral Shah: Okay.

Suresh Kumar R: Yes, I would like to add to what Pritam has nicely explained. We also estimate that our volume growth on a sequential quarter basis is slightly better than the market and a Y-o-Y basis clearly better than what the market has done. So, that's our estimation of how we have performed with regard to the market. The financial numbers were shared by Pritam. Your second question was regarding DFCC and what are our plans around it.

As I have been mentioning in our investor calls, we have identified three stations on the DFCC route, which are of greater interest to us other than the Farrukhnagar ICD project that we have. So, whenever the bids for this are opened up by the government, we would like to participate in them. So, that is our plan for the DFCC project.

And the last question that you asked was about Allcargo dividends and shares. At this point in time, we don't have any comment to offer on that.

Viral Shah: Okay. Thank you very much, sir.

Suresh Kumar R: Thank you.

Viral Shah: Okay. So, now that it's completed from my side, do I need any functions to close my questions?

Suresh Kumar R: No, I think we have answered your questions. We request you to continue to stay on the call so that if there are other questions asked by others, you can take that information also.

Viral Shah: Sure, sir. Thank you very much for your kind -- Thank you very much.

Suresh Kumar R: Thank you.

Moderator: Thank you. The next question is from the line of Mehul Savla from RW Equity. Please go ahead.

Mehul Savla: Hello.

Suresh Kumar R: Good afternoon. Please go ahead.

Mehul Savla: Yes, you can hear me, right?

Suresh Kumar R: Yes.

Mehul Savla: So, no, I think thanks for taking the question and decent set of numbers given the macro environment. Just wanted to check one was on this fundraising plan of INR 500 crores. So, is there any identified, it talks about growth capex, but is there any identified plan in terms of what it is going to be used for?

Pritam Vartak: So, Yes. So, in this board meeting, we took an in-principle approval to raise funds up to INR 500 crores. I think while answering the previous call, we talked about various projects, upcoming projects. Which includes Mundra land development, Farrukhnagar or Jhajjar ICD MMLP plan, then Kences CFS, JNPT extension. All these projects are very important to us for the future growth strategy of Allcargo Terminals.

And these projects would require certain amount of capex as well as working capital investment. On that basis, we have done certain workings and we thought that will require certain amount of funds for doing this expansion on timely basis. As of now, we have taken this enabling approval. We will take our next step and form up our plans in the next few months. And those plans would be accordingly discussed with the Board and further approvals would be taken. As of now, yes, we have taken enabling approvals.

Mehul: Enabling approvals.

Pritam Vartak: Yes. And that is against certain specific projects which we just discussed.

Mehul: Yes. And so, is this now like a -- is there like a kind of a change in strategy now in terms of going from our earlier more asset-light model to actually investing into assets like we've done already at Mundra and JNPT that you would prefer to own assets rather than go for the asset-light model? Is that the way forward or that strategy also continues in terms of looking at options like Speedy or other inorganic opportunities?

Suresh Kumar R:

Yes. So, if you -- I think it's a very well-directed question. Thank you. In terms of our strategy, we continue to look at for opportunities which will keep asset-light model that we have been talking about in progress. And if you were to look at the expansion that we're talking about in Chennai, the partnership that we have gotten into, the additional land that we have taken on lease in JNPT, these are all part of the asset-light model and the asset-light plan that we have.

In Mundra, we were able to identify land outside the Adani SEZ, which had come in at a fair value and given the strategic importance of Mundra and the fact that a lot of competitors have land inside and outside the facility, the Adani SEZ, we decided to have this as part of ATL in Mundra.

The ICD operations that we are talking about, the MMLP-ICD operations in Farukhnagar will be asset-light model largely because the land will continue to be taken on lease from whoever has the land parcel in the identified area. So it is in continuation of the asset-light strategy. I would like to modify this and say wherever there is a requirement which has a strategic fit, we will have assets of ourselves, which is like in Mundra. And therefore, the asset-light plus an asset-right approach is what we are now embarking on.

Mehul:

Got it. And actually one other thing, I think Mundra what you said makes sense because earlier on the call also of Concor, their kind of commentary was that Mundra is kind of seeing a lot more strategic importance especially with the whole DFC getting up to JNPT shifted by a significant amount of time. But long term, do you see kind of more focus on traffic volumes coming into Mundra compared to JNPT and probably JNPT slowing down or both would kind of grow in line with the industry?

Suresh Kumar R:

I think both will grow in line with the industry. And as industry watcher, you would be seeing the moves which have been made by the government to ensure that our GDP grows at a certain clip to ensure the aspirations of 5 trillion and becoming even larger. The capacity which is being built closer to JNPT in the form of the upcoming Vadhavan project only tells us that India needs a lot more capacity. So both Mundra and JNPT will continue to grow strongly. And then Vadhavan port is supposed to start by 2029-'30. I think all this will be required if we are to talk about a 5 trillion economy and the ambitions that we have.

Moderator:

The next question is from the line of Shaukat Ali from Monarch Capital. Please go ahead.

Shaukat Ali:

I have two questions. One, I wanted to understand what kind of TEU volume that we are going to end this year, financial year. So far, we have been able to grow almost 3% over the first half. So where do you see this trajectory going forward over the next half of this year? And the second question is, what is the perspective of buying a stake in Haryana Orbital Rail? And how synergistically it fits in our perspective? And what kind of investment that we make there? If you can give some detail on the acquisition of a stake in that area?

Suresh Kumar R:

Sure. So our H1 volume, we talked about 3,18,000 to use, which was a 4% growth over previous year H1. We expect similar kind of growth going into H2. And if you were to look at how the market has been between Q1 and Q2, Q1, there was significant growth. Q2, there's been a little bit of a tapering down, which I mentioned in my opening remarks saying in September, the

volume seemed to have tapered down a little. We expect this trend to continue for H2. And then we will continue to maintain our market share that we have been having in H1. So that's the outlook on volumes, if I were to kind of indicate that.

Your second question is with regard to HORCL strategic investment, and how does it help us? The MMLP-ICD project ATL is envisaging in Farukhnagar, Jhajjar is a very important one, given the importance of northern India to the overall GDP of the country, and the DFCC project, which is now nearing its completion. With the DFCC coming in, there will be a need for a lot more of ICD capacities along the DFCC, and the Farukhnagar, Jhajjar project that we are talking about is in its proximity.

The HORCL investment that we make, HORCL is providing the Haryana Orbital Rail. The HORCL investment is strategic to us because it will give us access to both Indian Railways and DFCC. And that will enable transit times to be best in class for any ICD MMLP in that area. So that is the reason why we believe the HORCL investment is important for our MMLP aspirations.

And if you were to look at HORCL and the way in which it comes up, there is a Model Economic Township Limited, METL in the area, which houses a lot of industries and these industries need to be connected to Mundra and JNPT and the rail connectivity becomes extremely important and transit times can become a critical differentiator. We believe with the HORCL investment, we will be able to offer the best transit times and therefore offer greatest value for the customers in this very, very important catchment area.

Shaukat Ali: And what is the quantum investment that we made in that area, in HORCL?

Pritam Vartak: In HORCL, we have picked up 7.6% stake and that is valued at INR138.7 crores. That's the investment into HORCL in the form of equity. Apart from that, whatever investment would be required in Farukhnagar ICD, we are in the process of firming up our plans and once those plans are there, we will be announcing those discussions. As of now, we don't have any numbers in terms of that.

Shaukat Ali: Fair point. Thank you. That's all from my side.

Pritam Vartak: Thank you.

Moderator: Thank you. The next question is from the line of Akash, an individual investor. Please go ahead.

Akash: Hello. Thanks for the opportunity, sir. My question is on EBITDA per TEU. Is it sustainable at this level, or do you see it going up from here?

Suresh Kumar R: Yes. Again, if you are watching our results over the last three, four quarters, there has been a steady strengthening of our EBITDA per TEU. And we believe that 2000, 2100 level is the aspiration that we wanted. I think three quarters back at the time in which we were listing, we had talked about it saying that we would like the EBITDA per TEU to be in the range of 2000 to 2100 and we would like to be industry leading when it comes to EBITDA per TEU.

Due to the efforts in the last three quarters on various fronts, which Pritam also alluded to in terms of yield management and cargo, we have been able to get to that at this level and we expect this to remain around this mark in the foreseeable short-term future.

Akash: Thank you. And my other question is sir, are you witnessing any consolidation overall in the CFS?

Suresh Kumar R: Yes. Good question again. I think as industry watchers, you would know that there are close to about 150, 155 CFSs across the country and these are at various stages of maturity, growth, and different kinds of partnerships and models exist. We have reliable market information which goes around which says that there are CFS operators who are looking at moving out for various reasons.

So we believe that there could be consolidation which will assist serious national footprint operators like us, because this will ensure that pricing which has always been a pressure point, could start stabilizing earlier than expected. So early signs of consolidation are visible which is good for the industry, which is good for players who have a long-term stake in the business, and we look forward to that happening.

Akash: Okay. That's it from my side. Thank you.

Moderator: Thank you. The next question is from the line of Sanket from RV Investments. Please go ahead.

Sanket: Just wanted to know about the revenue guidance and the further industry outlook.

Suresh Kumar R: Can you please repeat? You are not audible, revenue?

Sanket: Revenue guidance and further industry outlook?

Pritam Vartak: So we explained about the current quarter results and we are expecting that the volumes and the trend in terms of profitability which we have seen, we are expecting that to continue. Apart from that Sanket, we don't give any specific guidance on these calls and we won't have any commentary around that.

Sanket: What about the industry outlook?

Suresh Kumar R: About the industry as I mentioned in my preamble, 7.6% GDP growth is what is projected for India this year and that is slightly lower than the previous year. But then if you were to look at volumes the expectation based on H1 is that kind of volumes are likely to continue.

Sanket: Okay. Thank you.

Moderator: Thank you. The next question is from the line of Amit Kumar from Deteminand Investment. Please go ahead.

Amit Kumar: Yes. Hi. Good afternoon, sir. Just one question. When do you expect this Haryana Rail Orbital Rail line to start, and what is the progress on our Jhajjar ICD also, if you can just sort of give us some sense?

- Suresh Kumar R:** Yes. So, Jhajjar ICD, I briefly mentioned, we expect to go on stream with the first phase towards the end of 2026, December 2026, early 2027. The HORCL project is scheduled for completion by 2027, and the connectivity for the land that we will have the MMLP ICD will be available by March-April 2026.
- Amit Kumar:** I'm sorry. So, land availability, you're talking about the ICD or the railway line itself?
- Suresh Kumar R:** The ICD needing rail connectivity, I'm talking about that connectivity to the MMLP ICD is expected to be available by March-April 2026.
- Amit Kumar:** Thank you.
- Moderator:** Thank you. The next question is from the line of Mehul Savla from RW Equity. Please go ahead.
- Mehul Savla:** Yes, thanks for the reconnect. Just one check, this Haryana investment that we made, does it give us any preferred access or temperature for our project? Or, what is like the payback or, how much take is required for you to be part of this whole setup?
- Pritam Vartak:** So, Mehul, to answer your question, this investment was done by Allcargo in 2020. And this investment is bought by Allcargo Terminals from Allcargo Logistics. And this investment has ensured that the rail line, Haryana Orbital Rail Corridor, which is being designed is along the land which Allcargo Terminals has secured for its ICD and MMLP.
- Allcargo Logistics has transferred its ICD and related business to Allcargo Terminals during demerger. And the interest in this particular project are with Allcargo Terminals and not to Allcargo Logistics. So, it is logical that to see this project through to ensure that this project completes as per timeline, Allcargo Terminals needs, has taken to this project. And so that Allcargo Terminals can monitor this project along with HORC. So, that's the rationale for Allcargo Terminals to pick up this stake.
- And basically, this investment has ensured that the land which Allcargo has secured for ICD and MMLP development has that rail line access, which will give strategic advantage to ATL in terms of the connectivity.
- Mehul Savla:** So, like, without this tech, you would not have been able to get the rail access, is it?
- Pritam Vartak:** That would not be in a way that we require. It would have been through an already congested Indian railway line, wherein technically, it would have been very difficult to operate a rail. A lot of operational issues would have been faced in terms of engine reversal and other things. However, by way of having a direct connectivity with HORC, it has been ensured that through HORC, we get connected directly to the dedicated freight corridor. So, whenever this project is live, the ICD through HORC will get directly connected to a dedicated freight corridor.
- Mehul Savla:** So, in terms of like the investment or if the return on the investment is essentially like more like a business enabler, there is, I mean, there is, financially there is no benefit. It's like more of a strategic stake, which enables you to have a good location and connectivity and hence get more

business or better margins or whatever, because of the good connectivity. Is that the way to look at it?

Pritam Vartak: Yes, that's the way to look at it.

Mehul Savla: Thank you.

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

Suresh Kumar R: Hello. Thank you. I would like to thank everyone for attending the call and for the questions. I hope we have been able to give you the necessary information. Thank you for your continued support and your interest in Allcargo Terminals, growth and progress. The last three quarters, we have been on a poor trajectory. We have laid the foundations for our expansion for the coming 2 to 3 years in the first half of the year, and we look forward to the coming quarter and the half year with optimism. Wishing you all a very happy Diwali. 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.