allcargo logistics ltd.
Ingenuity In Motion

To,	To,
Manager-Department of Corporate Services	Manager - Listing Department
BSE Limited	**National Stock Exchange of India Limited**
Phiroze Jeejeebhoy Towers,	Exchange Plaza, C-1, Block G
Dalal Street, Fort,	Bandra Kurla Complex,
Mumbai – 400 001	Bandra (East), Mumbai – 400 051
BSE Scrip Code: 532749	**NSE Symbol: ALLCARGO**

June 02, 2022

Dear Sir/Madam,

Subject: Transcript of Earnings Conference Call for the quarter and year ended March 31, 2022

Pursuant to Regulations 30(6) read with Schedule III and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed herewith transcript of earnings conference call held on Monday, May 30, 2022 for the quarter and year ended March 31, 2022.

The transcript of recording can also be accessed on the Company's website, from the below link:
https://www.allcargologistics.com/investors/presentationsandtranscripts/calltranscripts

We request you to take the above on record.

Thanking you,
Yours faithfully,
For Allcargo Logistics Limited

DEVANAND PARSHOTTAM MOJIDRA
Digitally signed by DEVANAND PARSHOTTAM MOJIDRA
Date: 2022.06.02 18:34:11 +05'30'

ALLCARGO LOGISTICS LTD.

Devanand Mojidra
Company Secretary & Compliance Officer

Encl: a/a

Allcargo Logistics Ltd. Q4FY22 Earnings Conference Call
Hosted by PhillipCapital (India) Pvt. Ltd.

May 30, 2022

MANAGEMENT:	**MR. RAVI JAKHAR – CHIEF STRATEGY OFFICER, ALLCARGO LOGISTICS LIMITED** **MR. DEEPAL SHAH – CHIEF FINANCIAL OFFICER, ALLCARGO LOGISTICS LIMITED**
MODERATOR:	**MR. VIKRAM VILAS SURYAVANSHI, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to the Allcargo Logistics Limited Q4 FY'22 Earnings Conference Call, hosted by PhillipCapital (India) Private 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 are not guarantees of future performance and 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 '*' then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Vikram Vilas Suryavanshi from PhillipCapital (India) Private Limited. Thank you. And over to you sir.

Vikram V Suryavanshi: Thank you, Faizan. Good morning and a very warm welcome to everyone. Thank you for being on the call of Allcargo Logistics Limited. We are happy to have the management with us here today for question-and-answer session with the investment community.

Management is represented by Mr. Ravi Jakhar -- Chief Strategy Officer and Mr. Deepal Shah -- Chief Financial Officer.

Before we start with question-and-answer session, we will have opening comments from the management.

Now, I hand over the call to Mr. Ravi Jakhar for the opening comments. Over to you, sir.

Ravi Jakhar: Thank you, Vikram. This is Ravi here. I hope that all of you and your families are safe and healthy. On behalf of Allcargo Logistics Limited, I extend a very warm welcome to all participants on this call for discussing the fourth quarter and the Financial Year '22 Financial Results. As mentioned by Vikram, I am joined with my colleague, Mr. Deepal Shah.

I also hope that everyone has had an opportunity to go through our "Investor Presentation" and the "Press Release" that we have uploaded on the exchanges and also shared on our website.

I'm really pleased to talk about this year's performance which has been a historic year for us at Allcargo Logistics, wherein we witnessed significant momentum across our businesses.

It is important to note that while the numbers represent the story of the year gone by, in reality, this is an outcome of transformational programs and strategic initiatives undertaken by the group over the last few years, which have come to a full play in the financial year '22, providing strong momentum to various businesses across all segments.

Specifically speaking about Q4, there were some challenges in terms of minor disruptions in the express business in the month of January with some COVID-related disruptions and slowdown in the north part of India.

On the global scene, usually, February being a Chinese New Year is generally lower as compared to the Christmas high season of October to December quarter. This time, there was also a lockdown in Shanghai. So, therefore the volumes and the performance in China was somewhat muted. But despite all these challenges in the macroeconomic front, further impacted by the geopolitical situation in Ukraine, it provided some sort of headwinds to the business. But despite those strong headwinds, the business has managed to perform very well and we recorded the highest ever Q4 performance, making significant improvements year-on-year in this quarter.

I would like to highlight the key pillars of growth that we are driving at Allcargo. To begin with, over the last few years, we have been prioritizing and reorganizing our businesses. And we had shared about last-to-last quarter when in the month of December, we launched the demerger plan to restructure some of our businesses which would provide them greater financial flexibility and strategic independence, thereby fueling higher growth momentum. We had spoken about demerging the TransIndia Realty & Logistics Parks, which is the real estate logistics park business of the group, which move out of logistics by way of the demerger

We also spoke about the CFS/ICD business being demerged into Allcargo Terminals, leaving Allcargo Logistics to be a completely asset light, digitally enabled company, with businesses underlying with ECU Worldwide which is the international supply chain business. Contract Logistics business which is housed under ACCI at the moment. The Express Logistics business and eCommerce business which is undertaken with GATI and the GKEPL which is a subsidiary of GATI.

We have also notified in the recent past that the board has approved that management should evaluate further and in discussion with our joint venture partners, which is KWE, who's our joint venture partners in GKEPL, which is a subsidiary of GATI to explore and evaluate if there are any further rational steps to be taken in context of restructuring, which we are evaluating, and we shall share updates with everyone as we come to some conclusion.

The idea is very simple – To keep the structure simple and enable businesses to grow in the best way possible. And in trying to achieve these simple structures and prioritizing these businesses, it is also equally important to continue to divest the businesses which are not on the priority landscape. In this context, while the four businesses which is international supply chain, the CFS/ICD business and Express Logistics business and the ports Contract Logistics business, we have continued to see significant momentum in growth. And my colleague, Deepal will talk further about that in some time.

We have also continued the path on divesting smaller businesses, which we started with some subsidiaries in GATI. Subsequently, the cold chain business was also divested in the past 12-months gone by. We subsequently sold off the project transportation business, which is another non-core business, which was also announced in the transaction. I'm glad to share that has been completed.

My colleague will also share updates on the logistics park transactions when he gives an overview of the business.

But primarily on the business side, we are clearly focusing on the four core businesses, which are being driven for the by transformation, and digitization. So, once we have these prioritized businesses identified, over the last few years we have really transformed these businesses, undertaking a disruptive approach. In the international supply chain business, we have led a significant program for digitization. A few years ago, perhaps about three or three and a half years ago, there was a single-digit number for bookings done through our ECU360 platform.

Today, I'm glad to share that almost 60% of all our key export bookings across the world happen through digital platform or digital interchanges. Further, the phase acceleration, which is also a part of the transformation initiative and the reorganization to build it as a truly world-class global organization has also paid dividends, which we have witnessed in the strong growth we have seen over the last two years.

On the India side, we have turnaround GATI and the underlying GKEPL business with significant initiatives bringing down debt, improving operational capabilities, making the company much more efficient. And as we move forward, we are expanding the infrastructure, opening new high quality transshipment centers and hubs which will enable the next phase of growth.

On the contract logistics business, we have continued the momentum is now over a good three-year horizon, wherein the business has continued to gain new customers, build new quality infrastructure, Operate them as an asset light contract logistics company.

On the CFS/ICD business, the FY'22 year also witnessed a very strategic acquisition of Speedy Multimodes providing undisputed leadership in the CFS markets to Allcargo Logistics and providing a stronger platform for growth from hereon.

So, with this, I'm glad to share that all the businesses have very positive momentum, the transformation initiatives have largely been completed, and as we move forward, we are looking at the next phase of transformation wherein we are evolving our financial systems, digital ERP and a host of other tools, such as using data science models to optimize networks be it in Express Logistics business in India or be it the international supply chain business globally.

And with these initiatives, we are confident of continued positive momentum, which would allow all these four core businesses to continue to grow faster than market, thereby enabling improvement in market share for us even in businesses, we are already market leader, such as being the number one player in the global LCL trade and being the number one CFS operator and we expect that the market share should increase across all businesses.

Now to specifically talk about the business highlights and the financial performance for the Q4 and FY'22, I invite my colleague, Deepal. Thank you. Over to you, Deepal.

Deepal Shah: Thank you, Ravi. I will now discuss the financial year '22 performance. Allcargo Logistics reported consolidated revenue of Rs.20,000 crores for the year and EBITDA stood at Rs.1,516 crores. Profit before tax stood at Rs.1,186 crores including Rs.81 crores share of profit from associates and JVs.

This has been the best ever performance recorded by the company setting stage for next phase of growth on the back of strategic acquisitions, transformational and digital initiatives undertaken by the company. There has been a sustained increase in revenues coming through digital platform, ECU360, which now accounts for almost 60% of export bookings across all key markets.

The company has divested the transportation business in line with the asset light strategy and made strategic positions in India and across the world.

Just to highlight some thoughts on the presentation format as you've seen, we have attempted to give you a simple disclosure on an indicative basis of what the demerged entities would typically look like. But please note that this is purely indicative, and it would vary as we go along.

Now I'd like to discuss the performance of each of the business segments in detail for the quarter, starting with the MTO business, international supply chain business. The international supply chain business, which is the MTO segment, operating under the ECU Worldwide witnessed robust growth on the back of volume growth, driven by expansion in market share in favorable market conditions.

Company set up a JV in Scandinavian region which you're aware, which has grown significantly post-acquisition and ECU Worldwide is now a 40% market leader in Sweden, Norway, Finland and Denmark. The JV in South Korea also performed exceedingly well, along with key regions like India, China, Europe, Americas, all exhibiting best ever business performances.

MTO segment reported a revenue of Rs.17,643 crores higher by 109% year-on-year against an Rs.8,449 crores from the corresponding year. EBITDA stood at Rs.1,305 crores, a growth of 186% as compared to Rs.456 crores from the previous year. The ROCE for the International MTO business improved to its highest levels of 52.1% in FY'22. That was the year.

Now for the Q4 FY'22, MTO segment reported revenue of Rs.5,122 crores, higher by 88% year-on-year and EBITDA stood at Rs.403 crores, a growth of 170%.

Moving on to the CFS business and the ICD business. The CFS and ICD business was bolstered with acquisition of Speedy Multimodes, and the company is now a market leader on the private side in the CFS business in India, with presence across major gateway ports of India. Volumes handled through the year increased by 59%. Those includes the Speedy acquisition volumes as well at 4.5 lakh TEUs as against 2.82 lakh TEUs handled last year. CFS and ICD vertical reported a gross revenue of Rs.578 crores, growth of 25% year-on-year against Rs.464 crores in the corresponding previous year. EBITDA stood at Rs.155 crores compared with FY'21 of Rs.176 crores. ROCE for the business stood at a healthy 27%.

For Q4 FY'22, CFS/ICD vertical reported revenue 172 crores, registering a growth of 31% year on year. EBITDA stood at Rs.41 crores lower by 11% YoY and EBITDA margin stood at 23% for the Q4 FY'22.

Going on to the Express Logistics business, under the umbrella subsidiary GKEPL, reported its highest ever volume of FY'22. The company is building quality infrastructure to drive next phase of growth. For the year FY'22, the revenue stood at Rs.1,489 crores as compared to Rs.1,300 crores in the FY'21, registering a growth of 13% YoY. The market share loss has bottomed we believe in GATI and with revised focus and new management team is in place, we believe it's poised to deliver turnaround in FY'23.

As Ravi highlighted, we are evaluating various restructuring options here with our JV partner and we will keep you updated with the same.

Contract Logistics, Rental and Other Businesses. The contract logistics business successfully diversified across new industry segments like auto, FMCG, pharma to record highest ever revenue and profit growth. The business is under the ACCI umbrella where Allcargo owns 61% shareholding. ACCI also has a customs clearance business which is under process of demerger.

ACCI contract logistics business command higher margin basis market leadership and chemical warehousing. The company provides Grade-A customize warehousing solutions managing almost 5 million square feet. ACCI witnessed a 49% growth in revenue and a 42% EBITDA growth.

Under the projects in engineering solutions business, which would be now doing engineering solution, as you're aware that we are hiving off the business. We have been constantly reducing the capital employed. We are doing away with the non-productive cranes and we're retaining only the very productive cranes. So, with that, there has been an improvement in the EBITDA margin. And at the exit level, the equipment utilization stood at a record of 90% levels.

We have been consistently providing other key competitive performance indicators in our investor presentation. One can refer that for more details.

With this I would like to open the floor for questions and answers. Thank you.

Moderator: We will now begin the question-and-answer session. The first question is from the line of Siddharth Oberoi from Prudent Equity. Please go ahead.

Siddharth Oberoi: In your opening remarks you said that the performance was muted due to the China lockdown as well. The Shanghai lockdown started on March 20th. So, is this effect of the 10, 11-day period? And that is so, then the lockdown lasted for the next four weeks as well. So, are you expecting a very big major impact in volumes in Q1?

Ravi Jakhar: To share with you, like I mentioned there has been an impact of lockdown. And while Shanghai lockdown has been the most prominent one, which has continued for a longer period of time, there were other minor lockdowns as well in other provinces in China. However, I also highlighted that the performance has been an extremely positive performance despite all these headwinds. Today, the business of ECU Worldwide is highly diversified with significant distribution of revenue across all geographies. So, while some partial lockdown such as in Shanghai may hamper the growth prospects as the entire global trade sees a little bit of muted growth, we do not see that one geography making a significant impact on the overall volumes. So, it would be a contributing factor to limiting the growth as the trade itself slows down out of China. But beyond that, it is not going to have a significant impact as such.

Siddharth Oberoi: Mr. Parthasarathy was on TV the other day. He said that the company is operating at almost 90% capacity utilization. So, I just wanted to know, where do you see the growth coming – is it acquisition, is it going more further into digital, or where?

Ravi Jakhar: Let me highlight. There seems to be some confusion. I'll clarify what that number was. The largest business of the company's international supply chain, which is completely asset light, it is like Uber of shipping, we do not own any ships, but we operate dedicated services. So, in fact, we run direct trade lanes at nearly 2,400 to 2,500 trade lanes, which means that a customer can book on a virtual ECU ship, we might be using underlying capacity from any shipping line, but we operate it like a daily service, every Thursday or every Tuesday, Friday, those kind of services from Busan to Hamburg or New York to Nhava Sheva. That's how the services run. And we operate like a shipping line without any underlying capacity. The comment that you're referring to of 90% plus equipment utilization, that was in specific context of the equipment business, which is a non-core business, a small business that we operate. While that business is non-core, and that we have continued to reduce the capital employed in that business, we have also ensured that business also operates in the most efficient way. And as an outcome of the sustained efforts there, the equipment utilization, which is in the crane segment, which used to be in the 50s% and 60s% has now come to near 90%. That is the number which perhaps you are referring to when it comes to equipment utilization. It is not in context of any of the four core businesses that we're talking about.

Siddharth Oberoi: But then generally how do you see the growth panning out in this first quarter maybe affected because of lockdown or otherwise, what are the triggers that you think, is it acquisition, just a bet on a global trade?

Ravi Jakhar: If you look at the growth that we have been able to showcase in the international supply chain business, we have two key products; the LCL volumes grew by 18% year-on-year, and the FCL volumes grew 21% year-on-year. In the FCL, we have had this growth over the last seven to eight years and it is sustainable because we still have a very small share in the market. On the LCL business, while we have the largest market share in the world, we have still been able to grow at very high growth rates, driven by digitization initiatives operating at scale, and strategic acquisitions. A combination of all these three has allowed us to be operationally most efficient, and it is a business of scale. Ultimately, the profitability and ability to serve customer better depends on how well can we utilize the space in a container, because we are aggregating various cargo shipments into a common container. So, therefore, there is further headroom for increased utilization improvement, there is headroom for growth in market share, driven by higher competitive play. We today own about 14% market share in the world in FCL business, and we see an opportunity to increase this market share, which means that we can grow faster than the market growth rates. In a year, there could still be some pockets where we are not present or we have a relatively lesser presence where we could look at more acquisition opportunities as well in a very strategic way. But, if you look at on the organic growth itself, the two biggest drivers of global trade today are cross-border commerce with smaller businesses participating more and more with the advent of technology platforms for cross-border trade and we see eCommerce trade. Both which is within the country but being serviced by manufacturing across the border or even the cross-border eCommerce. Now, all of these are leading to further increased growth rate of the LCL business. And this is not over a three month or a six month or even a two-year horizon. This has been a sustained trend over several years and is estimated to continue for a very long period of time wherein the small business cross-border commerce and the eCommerce will continue to drive the global trade growth, leading to a significantly higher LCL trade growth as compared to the overall container growth rate which itself is significantly higher than the overall global trade growth for last 5, 10, 15 or even 20 years. So, there are enough growth opportunities in the market and the opportunities for us to continue to differentiate further and grow market share for us. So, all the opportunities remain open. We do not see any headroom limitations for growth in the international supply chain business. And in the express logistics business in the country, it is among the fastest growing segments and GATI had lost a significant market share. There is an opportunity to regain that market share by building world-class infrastructure and operating the best-in-class services. Similar approach on the contract logistics side, we have a significant headroom for growth. And on the CFS/ICD business again, we have witnessed a very robust growth and we see there are opportunities to expand in other related domains such as inland container depots, the ICDs, which we are working on. So, these are the factors which have contributed to the growth in the years gone by and would continue to drive the growth in a more efficient way as we use technology to our best advantage.

Siddharth Oberoi: I wanted to know what is holding back the Blackstone deal.

Deepal Shah: On the Blackstone deal, as you're aware, when we signed the deal, that time the construction was still underway. So, most of the warehouses are almost towards completion. And we expect all the approvals and permissions to come in say two to three months, and we should be able to compete with that.

Ravi Jakhar: Just to add to that, there were certain procedures which were beyond our control, wherein we were not in a position to offer clear guidance, and it was an estimate. However, I'm glad to share that those steps have already been completed now over the last few weeks gone by and therefore the timelines that we are indicating are more definitive and we should be able to see the continuation of that transaction in the next two to three months.

Moderator: The next question is from the line of Prashantkumar Hazariwala, individual investor. Please go ahead.

P Hazariwala: I have two questions. The first one is we have seen a tremendous growth year-on-year. So, how do you see going ahead, what kind of growth we can expect, a ballpark range if you can? What about EPI-GDA numbers, operating margins that gone up by 7%, how do we see that margins going forward? Second one is regarding GATI, are we planning to delist GATI from here and merging to the Allcargo?

Ravi Jakhar: To answer your first question, which is around the growth from here on, as I mentioned, we estimate the top line to grow faster than the underlying market growth rate. The market growth rate is driven by dynamics beyond our control. But they are all estimated to be in robust growth rates as estimated by various advisory and research firms. We as management are confident of outperforming the market and increasing the market share. That's the extent to which I can share the revenue guidance. And with all the digital initiatives, be it about on the backend operations or on the customer-facing touch points, it should allow us to operate more efficiently and therefore the cost should also stay in control, which means that there should be an opportunity to grow the bottom line at a faster rate than the top line. So, that's the extent to which we have been able to share the guidance. We cannot provide any specific color to the numbers, but like I said, we would grow faster than the market and improve the margins by use of digital initiatives. And over the last two, three years, there were a lot of transformational steps undertaken. So, therefore, naturally, the growth rates have been significantly exceeding the underlying market growth rates. So, this is the kind of guidance I can share for the quarters or the couple of years to follow. The good part here is that all the segments that are high priority segments contributing to almost the entire top line and bottom line are all very well placed for strong growth as an industry as a whole. So, therefore, we are well placed as far as the growth is concerned. Secondly, to respond to your question on GATI, there are no such plans. What we have shared in an update is that the board has advised to see what is the most rational structure, keeping two objectives in mind. One is simplicity and second is to provide the best enablement to the corresponding business to drive its growth. It should have the financial flexibility required, it should have the strategic independence. And with these guidelines from the board, we as management would explore various options along with our joint venture partners there and make recommendations to the board. And as we move forward in any direction, we will keep everyone updated. So, that's all we can share on that. Thank you.

Moderator: Next question is from the line of Chetan Shah from Abakkus Asset Manager LLP. Please go ahead.

Chetan Shah: Just two quick questions if you can help me understand. You kind of mentioned that in our LCL and FCL business, we've grown at 18% and 21%. Our market share is roughly about 14% in this space. Could you give us some flavor about the competitive scenario in this area, and which are the routes or the locations where we see next couple of years where there is a good amount of consolidation is possible so that we can have a relatively better market share and we can grow ahead? Second question, which I have is about CFS business. In one of the slides you mentioned about the Jhajjar expansion and all. If you can tell us once this ongoing CAPEX is done, how do we see growth happening in this business going forward please?

Ravi Jakhar: I would provide you a brief commentary on the competitive landscape in the international supply chain business. Naturally, its cargo network business, which requires presence on origin and destination. And there are global networks which compete with each other. There are a few key global operators such as Allcargo, ECU Worldwide, which is the world's largest LCL consolidator. The second, we have an American company which goes by the name of Vanguard. Third is an alliance between two companies -- Shipco and SACO. And then there is a global network. So, there four global networks and then there are a large number of small operators confined to a specific geographic region or to a specific country, who operate on various trade lanes. Number of trade lanes that they operate in and number of geographies of the operation typically is much more limited. No one else has a scale completely comparable to us. The nearest competitor would be sitting at about 10% market share. And we have significantly expanded the gap wherein at one point in time we were number two, we crossed the number one and every year we continue to expand the gap by growing faster than the market. The competitive landscape is such that customers require service and they require a wider presence as well, which means that an exporter shipping to multiple destinations may not want to operate with different logistics partners directly or indirectly. And therefore, companies which have a global footprint tend to benefit. It is for this reason why some of the well-established regional players who are part of other global networks are also strategically aligned to seek cooperation with ECU Worldwide. It was in this direction that we identified a strategic opportunity and pursued it for a good couple of years to ensure that it was the right fit and this was something which we went within ambition to achieve our market supremacy in the Scandinavian region. And because of the strong global network and the footprint and the way we have been modernizing our infrastructure and digitizing our customer touch points, we were able to convince Nordicon to get acquired and formed a joint venture, which acquired all the businesses across all four countries. This is a testament to the fact that ECU Worldwide operates the world's strongest LCL network. Now, as this happened, this company was operating with a competing network. And as we acquired this in the month of July last year, effectively from November onwards, those volumes also started coming into our offices across the world. I'm just giving you a flavor since you asked for it in terms of how our capabilities on the digital side and the scale at which we operate, allows us to strategically target entities to acquire. And also within the organic landscape, we are able to offer customers far superior service by having both reach and the service capabilities. The number of trade lanes that we operate, perhaps far exceed even the majority of the world's largest shipping lines. That's the scale at which we operate in terms of offering fixed committed departures across the world. So, that's what allows us the platform to continue to drive growth on the international supply chain business. Speaking on the CFS side, you asked about the expansion plans into the ICD side. So, naturally, the container terminals in the country require extended arms to manage the container throughput in an efficient way. And we are glad that the country has had the CFS ecosystem, which allowed the ports to remain fully operational without any compromise on the functionality, like what we have seen in the most developed economies of the world as well, facing significant port congestion because of evacuation challenges. So, we saw how CFS infrastructure plays a critical role in the container logistics of the country, which is poised for significant growth on the back of increased consumption as well as export growth driven by various government initiatives and the private enterprise efforts. Now as we move beyond the CFS business where we already cover all the key container terminals in the country, the biggest opportunity lies in the ICD business which is going to go through a paradigm shift with a dedicated freight corridor becoming fully operational. The speed at which the rakes move would significantly improve to more than double. And with the lanes also doubling with cobra trains and high-speed double stack electrified tracks becoming operational, rail logistics will become significantly more competitive than it has ever been in the country. And that should lead to a conversion back from the road traffic to rail traffic. And we intend to benefit from that shift by strategically placing our assets in connectivity with the dedicated freight corridor. We expect the first major Western DFC to be fully operational by end of the next year. And that is the timeline with which we would also look at aligning our ICD development at Jhajjar. And we continue to evaluate other such opportunities where we stand to benefit from the dedicated freight corridors and we can contribute to the efficiencies and service levels in the trade primarily for the EXIM cargo and for the domestic cargo as well. So, that's the opportunity ahead of us. And as we have seen the government is committed to more such dedicated freight corridors being set up across the country, as these get set up, we also estimate that the older railway tracks with connected logistics parks may not be competitive enough as compared to new logistics park being set up or some of the old ones which will connect to the dedicated freight corridor as well. So, at Allcargo, our strategy in the terminals business is to explore the ICD business completely aligned with the new age infrastructure in form of the dedicated freight corridors. Jhajjar is the first one, which is already work under progress, and we would evaluate other options as well.

Chetan Shah: When you spoke about the opportunity in ECU Worldwide and the market share gain and a few of the opportunities, can you just tell us the acquisition, which we did in the last couple of years? How has that shaped up in terms of integration? Second, in terms of our digitization of the entire business model. There is some mention of that in our PPT, but if you can explain in terms of percentage where we reached, in what timeframe you think will be like 100% completely digitized, so that we can take an advantage and improve our efficiency dramatically in this business?

Ravi Jakhar: Like I mentioned some time back, the digitization has significantly improved. It used to be about under 10% a few years ago, and is already near 60% for all export bookings. So, digitization initiatives have been going very well. And as far as the acquisitions are concerned, our joint venture in Korea has performed exceedingly well. It was a fresh business. And we have been able to significantly scale it up making it among the top 10 performing countries across the world. On the Nordicon acquisition, the base on which we had acquired the company, the company has more than doubled its profits post integration with the ECU Worldwide network and there are clear indicators driving that be it in terms of container utilization, conversion to more efficient 40-foot containers, more direct trade lanes, all the things which we were strategically planning for through this acquisition have been achieved and which is what had led to a very robust performance in that acquisition.

Deepal Shah: Ravi, just to add, so if you see the history of Allcargo, for that matter ECU also, there has been a fair amount of inorganic growth over the last few years starting from USA, China, some in Europe and all. So, all around, we have done this fairly well in terms of the integration and growth for all of the acquisitions that we've done and more so the recent ones as well. So, I don't think so from an integration perspective, there are any challenges across any of these acquisitions.

Moderator: The next question is from the line of Akshay from Envision Capital. Please go ahead.

Akshay: Just wanted to know that, Sweden and Finland recently announced their decision to join NATO. So, how would this impact us and what we can say negatives which we can see from this development?

Ravi Jakhar: We do not see any impact of this on our business. We do not have any expertise in the geopolitical matters, but with the limited knowledge, even Mr. Putin has remarked that he does not have any objections to Sweden and Finland joining NATO. So, beyond that, we are not in a position to comment any further, but our understanding from both our local offices and from what we learn from our economic advisors and experts on geopolitical matters that we read about or listen to, it does not appear that it should have any impact on the trade disruptions in those regions and therefore, is unlikely to have an impact on our business either.

Akshay: What would be our revenues coming from those areas?

Ravi Jakhar: I would not be able to share the exact percentage breakdown for each countries, but it would be one of the top-10 regions, all four put together. If you look at the state of the business, like I mentioned earlier as well, that is what allows us to kind of navigate some of these regional geopolitical situation is that, today, we have almost 20% coming from Europe, almost 15%, 20% coming from Americas, 25% of our business comes from the Indian subcontinent, Middle East and Africa, and about 35%, 40% comes from the APAC region. So, it's a very well diversified trade flow that we manage under the ECU Worldwide network.

Akshay: You did mention about dedicated freight corridors and increasing what we can say thrust of the government on these corridors. Recently, there was a news regarding railways is considering scrapping up of some dedicated freight corridors in expanding the existing lines. So, any developments regarding that on our business?

Ravi Jakhar: These are extremely long-term projects. I do not see them having an impact in the short to medium term. If you look at the history of the western dedicated freight corridor, it has taken almost a decade for it to come from policy to execution. So, these are going to be structurally advantageous long term infrastructure initiatives for the country. But in the short to medium term, which is if I look at the next year or next three years horizon, I would say, most of the development would still be focused on the first phase of freight corridor which is the western and the eastern DFCs, which are going to be fully operational soon.

Akshay: Because government was facing a lot of acquisition problems in these corridors. So, that's the reason they were planning to scrap these things.

Ravi Jakhar: Like I said, these have always been long-term infrastructure projects, which have always taken time, there have been land acquisition issues, which is why as far as we as a company are concerned, we tend to focus on things which are in our control, and therefore, it's a huge opportunity coming our way as a country by making full use of the western dedicated freight corridor itself as it becomes fully operational. And if you look at that, NCR is the biggest origin in that cargo route as well, which is where we are focused on that, and we are building up the logistics park with ICD capabilities in Jhajjar. And we would keep our focus on the soon-to-the-operations dedicated freight corridors rather than the ones which are in the pipeline or at the policy level.

Moderator: The next question is from the line of Harsh Jhanwar from Centrum PMS. Please go ahead.

Harsh Jhanwar: Considering merging our contract logistics business with the express logistics, sir, if you could help us understand conceptually, how these two businesses are co-aligned and what are the synergy benefits we can get in terms of network optimization?

Ravi Jakhar: So, at this point in time, like I mentioned earlier, we are evaluating various options involving our Express Logistics, Contract Logistics, eCommerce, and other businesses underlying in GATI, GKEPL and at Allcargo. We are in a very preliminary valuation stay in discussions with joint venture partners. We will provide more color on this at a more definitive stage.

Deepal Shah: So, just to add, I think probably what Ravi's trying to say is that how is it aligned. So, basically, if you look at our business segments, there is international supply chain business, which is international, the contract logistics, the warehousing and distribution business, the express that are both domestic businesses and they are aligned. So, that's the reason, it typically makes sense that both of them sit together. So, that's the logic of the business thinking about bringing it together.

Harsh Jhanwar: I was just trying to understand what benefits it could possibly have if you decide to go ahead with that?

Deepal Shah: So, from an industry perspective, the contract logistics business has an extended arm of express distribution for its warehouse the distribution. Whilst we provide the contract logistics on the warehouses and one of the businesses, the express distribution business is handled by GATI. So, that's the kind of interplay between the two businesses.

Ravi Jakhar: So, there are opportunities as you mentioned, which we are evaluating the opportunities on the network optimization as both businesses that are pan India footprint, there are opportunities on the client servicing models as both cater to the same set of customers, seeking diversified logistics services. And there are a multitude of synergies which we are exploring in arriving at what's the right structure, whether to keep them separate or merge or look at some of the restructuring options. And there are multiple options to that which we'll evaluate and we'll come back at the appropriate time.

Harsh Jhanwar: My second question was regarding the freight rates in our MTO business. Now that supply side issues are normalizing from June, July, as China opens up again, so how do we see the freight rates going forward in medium term?

Ravi Jakhar: We believe that as the China lockdowns ease and it opens up, there could be a short-term spike in the freight rates driven by significant demand in the short term, which is next couple of months. In the medium term, which is say next six to 12 months, we believe the freight rates to be largely stable and maybe marginally decline as they normalize with increased efficiencies in the trade flows when some of the congestion issues being resolved. So, we believe that there could be a marginal decline on the freight rates, but in the immediate term as China immediately opens up, there could be an upward spike and which could then normalize over the coming months. That's the broad estimate we have.

Moderator: The next question is from the line of Chetan Shah from Abakkus Asset Manager LLP. Please go ahead.

Chetan Shah: Ravi, one small question in this ICD business. Could you just give us some flavor that once this DFC gets completely operational clear down the line, what kind of volume growth is possible from what it is today versus what it can be in next three-to-four-year time horizon? I'm talking about in general the growth of the volume potential.

Ravi Jakhar: Basically, there are two categories of cargo. One is the EXIM cargo and second is the domestic cargo. As far as the EXIM cargo is concerned, there could be an additional shift of about maybe a plus-5% to plus-7% kind of. These are broadly our estimates, I'm sharing based on my personal understanding on this, which could be a further shift towards the rail business. What would be the key thing would be that, within the rail business, today also it is coming on the old rail network coming through the network of ICDs. But as the DFC becomes operational, the stage will become far more efficient, it will arrive in a much more timely manner, the same inventory could be utilized. So, therefore, significant development on the EXIM side would be in terms of improvement in efficiencies, in terms of time, as well as the cost of transport as we get more rationalized. On the domestic side. over the last three decades, rail used to be the primary carrier of domestic freight which shifted to road over the past three to four decades in a consistent way. Over the next five to seven years, with a good network of logistics parks driven by government policy incentives and private operators coming together, there could be a potential opportunity from 8% to 10% shift back from rail to road in terms of the share of cargo on the domestic side. That's the high-level ballpark estimates, which I will say a significant impact on the reversal of trade flows from road to rail.

Moderator: The next question is from the line of Vipul Shah from RW Equity. Please go ahead.

Vipul Shah: I have two questions. First is sometime last year, we had announced that we had appointed Jefferies to advise us on the ECU business. So, just wanted to understand where are we in terms of that process? The second question is on the NCLT scheme of arrangement, I believe the stock exchanges gave us the NOC sometime in the last week of March, and now we are very close to entering the month of June. I believe the next step would be making an application to the NCLT. So, have we made that and where are we in the process?

Ravi Jakhar: On the NCLT process, basically, we have got the NOC from the exchanges and there were a couple of other updates which have gone back and forth. And we estimate the process to conclude in another week to 10 days and then the next step as you rightly said is to file the scheme with NCLT, which should happen subsequently. And then from there on, it should take about 9 to 11 months, that's the broad estimate that we have. That's as far as the NCLT process is concerned. And yes, we had appointed Jefferies as an advisor to explore the landscape and the opportunities that exist, and also while we appointed Jefferies to evaluate the opportunities on the fund raise side. We also continue to evaluate our own requirements in terms of the acquisition-led growth and strategic partnerships. It was an appointment which has been made, and it's been at a very preliminary stage in terms of exploring the landscape. There are no significant updates on that to share at this point in time, and we would perhaps share updates as we progress in any direction on that. At this point in time, I will not be able to share anything significant on that.

Vipul Shah: So, we do consider that Jefferies mandate is right now on hold and we will pursue anyways the growth which we have shown is phenomenal, so we will pursue our own strategy, or are we still engaged with Jefferies?

Ravi Jakhar: Yes, I wouldn't say, it's on hold. I would say we continue to evaluate our strategic capabilities and opportunities. Naturally, we have been able to successfully perform on the two acquisitions, which have witnessed significant growth which we did in the last two years in the international business, which is where Jefferies has been acting as an advisor. And we have been able to also grow the business significantly. Therefore, both these acquisitions were funded through internal accruals without having to increase the debt in that sense. And therefore, there is ability to drive some of the acquisition opportunities through the internal accruals, there are also opportunities to continue to attract top talent across the world, which we have seen in the last 12 months as well, which is also helping us drive the organic growth across various key markets. So, they continue to be our advisors. And we evaluate the fund raise options among other strategic priorities that we have. We will do what is in the best interest of business, and we will share update at an appropriate time.

Moderator: Ladies and gentleman, that was the last question for today. I now hand the conference over to the management for closing comments.

Ravi Jakhar: Thank you all for joining. On behalf of myself and my colleague, Deepal, I would like to thank you for taking the time out and learning about the company and asking relevant questions. We are thankful for your participation on this call. And as management, we are committed to sustaining this growth momentum, and we'll continue to work towards it and keep you updated on any strategic decisions or initiatives that we undertake for boosting the growth of the company. Thank you very much.

Deepal Shah: Thank you.

Moderator: Ladies and gentlemen, on behalf of PhillipCapital, (India) Private Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.