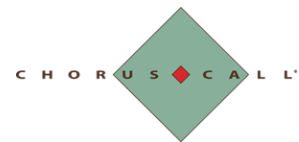




“AVG Logistics Limited  
Q2 FY '24 Results Conference Call”  
November 17, 2023



**MANAGEMENT:** **MR. SANJAY GUPTA – MANAGING DIRECTOR AND  
CHIEF EXECUTIVE OFFICER – AVG LOGISTICS  
LIMITED**  
**MR. HIMANSHU SHARMA – CHIEF FINANCIAL OFFICER  
– AVG LOGISTICS LIMITED**

**MODERATOR:** **MR. BHAVIK WAGHELA – KIRIN ADVISORS PRIVATE  
LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Q2 FY24 Earnings Conference Call of AVG Logistics Limited hosted by Kirin Advisors Private Limited. 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Bhavik Waghela from Kirin Advisors Private Limited. Thank you and over to you.

**Bhavik Waghela:** Thank you. On behalf of Kirin Advisors, I welcome you all to the AVG Logistics Limited. Q2 FY24 conference call. From the management side, we have Mr. Sanjay Gupta, Managing Director and CEO and Mr. Himanshu Sharma, CFO. Now I hand over the call to Mr. Sanjay Gupta. Over to you, sir.

**Sanjay Gupta:** Yes. Good afternoon. I am Sanjay Gupta. Ladies and gentlemen, good afternoon everyone and a warm welcome to our inaugural conference call as we gather to discuss AVG Logistics Limited's financial performance for the quarter FY24. It is a great honor to address you all. Before we deliver into the specifics of Q2 FY24, allow me to provide a concise overview of our company and its business model. AVG Logistics Limited, founded in 2010, is a leading multimodal, sustainable solution provider in India. We are specialized in providing customized and technology-driven solutions for transportation, warehousing, and supply chain management.

Our dedicated team, coupled with a fleet of modern vehicles, allow us to offer customized and technology-driven logistic service. A key component of our service offering is a third-party logistic service where we excel in road and rail transportation, including vehicle transportation, handling temperature-sensitive items, and managing warehousing. Our extensive network spans over 50 branches across India, ensuring a wide-reaching and reliable presence of our clients.

Some of the country's leading companies, including Nestle, HUL, DS Group, Apollo Tyres, JK Tyre, ITC, Airtel, MRF Tyres, Jubilant Foods, UltraTech cement, Coca Cola, and many others have entrusted us with their logistic needs. Their choice reflects the confidence that they place in AVG Logistics Limited to deliver dependable and efficient service.

Behind our success is a team of more than 400 skilled professionals who are tirelessly working round the clock. Their dedication ensures that AVG Logistics provides 24 by 7 integrated logistic service across various industries in India. We are working for Nepal and Bangladesh also.

Our fleet comprises over 3,000 vehicles, a mix of owned and hired. We have 500 of our own vehicles and 2,500 hired vehicles, allowing us to navigate the details of transportation effectively. Moreover, we manage a more than 8 lakh square foot warehouse space, offering not just storage but a range of value-added services to cater to the unique requirements of our esteemed customers.

This includes additional services that go beyond the basis, ensuring a comprehensive and client-centric approach. AVG Logistics Limited is not just about logistics, we are a dynamic force working to shape a future field with reliable and efficient supply chain solutions. Every step we take is aimed at ensuring business experience, seamless and dependable logistic service, contributing to their overall success. With the continuous focus on our multi-modal and reefer business, our expansion efforts, including the introduction of a new business subsidiary Galaxy Packers and Movers and a partnership with AVG Sunil Logistics Liquid Transport, acquiring new clients, especially in the consumable industry.

It is a significant aspect of our strategy. We choose business wisely to ensure a good profit margin. Over the period of time, we developed ourselves as an FMCG logistics company as there is no effect of recession and other things on FMCG industry and we grow around 15%-20% year-on-year as historically.

In the first time of the year, we generated cash of INR35 crores from our operations. Looking at the second half, we are optimistic because of increased demand during festival and higher production in FMCG sector towards the end of the year. Our company is determined to keep growing just like it has in the past. So this is the speech from us and now I will hand over to our CFO, Mr. Himanshu Sharma to take some financial results. After that, you may ask for any questions. Thank you.

**Himanshu Sharma:**

Thank you so much, sir. Good afternoon and very warm welcome to everyone on this inaugural call of AVG Logistics Limited. So in the H1 financial year 24, we reported revenue of INR218.7 crores which is 5.09% more than H1 financial year 23. The EBITDA is INR40.37 crores and EBITDA margin has increased from 15.7% to 18.4%. The PAT is INR4.25 crores and the PAT margin has increased from 0.48% to 1.94%. The EPS has increased from INR0.85 to INR3.61 in the H1 financial year 24.

Coming into the quarterly financial, the quarter 2 financial 24, we have reported revenue of INR117.9 crores which is 6.25% more than Q2 financial year 23. The EBITDA is INR21.3 crores and EBITDA margin has increased from 15.04% to 18.13%. The PAT is INR1.72 crores and the PAT margin has increased from 0.81% to 1.46%. The EPS has increased from INR0.77 to INR1.46 in the Q2 financial year 24. Now we invite you to share your questions and comments as we open the floor for question and answer session. Your participation is valuable and we are eager to address any enquiries you may have. Thank you for your patience and being an integral part of our journey.

**Moderator:**

Thank you very much. We have our first question from the line of Vinay Chaudhary from MK Ventures. Please go ahead.

**Vinay Chaudhary:**

Hello. Hi, good afternoon and congratulations on the inaugural call. I have a question on the side of gross margins. On the roadside, we have reefer as well as the dry trucks. What would be the differential margin for both of these?

- Sanjay Gupta:** The answer is that in the reefer business, we have a good margin because of the investment. There is less competition in the reefer business. The margin is around 28%-30% in the reefer business.
- In the dry business, we have a margin of 18%-20%. That is why we are thinking and increasing our business in the reefer business.
- Vinay Chaudhary:** So, all the expansion will be in the reefer business?
- Sanjay Gupta:** Yes, our plans were like that. We are looking towards that line. We are working to increase our PAT.
- Vinay Chaudhary:** Thank you very much.
- Moderator:** Thank you. We have our next question from the line of Rohit Suresh from Samatva Investments. Please go ahead.
- Rohit Suresh:** Good afternoon, sir. Thank you for the opportunity. My first question would be, if you look at from FY22 to FY23, there has been a significant jump in our EBITDA and gross margins. Could you indicate what are the reasons why you saw such a big jump in our margins?
- Sanjay Gupta:** Actually, in 22, we are registered in the SME platform where the balance sheet is made on the basis of the iGAAP. In March 23 – May 23, we have shifted to the main board, whereas the balance sheets are shifted under the IndAS formula. So, there is a change of balance sheet from iGAAP to IndAS formula. Hence, these are the first-time implementations as per the accounting system.
- Rohit Suresh:** Okay. So, on a like-to-like basis, what would be our margins for FY '21-'22 just for comparison?
- Sanjay Gupta:** So, Himanshuji, can you please explain the answer to the question?
- Himanshu Sharma:** Yes, sure. So, I think the right guidance on this PBT and PAT will give which has also improved significantly. And we have closed 2023 with INR8.33 crores of PAT.
- Rohit Suresh:** No, sir, I get it. On the EBITDA margins or gross margins, I just want to know because you said because of IndAS, the accounting system has changed. So, just for a comparison sake, if you could give me FY22 like-to-like, it will be helpful to compare what the margins are, how it moved from FY22 to FY23.
- Sanjay Gupta:** So, are these figures ready with us, Himanshuji?
- Himanshu Sharma:** Yes, sir. we have to refer to the FY22 number actually. So, but PAT has improved. EBITDA has roughly improved by 8% due to this implementation and PAT has improved approximately 2%. So, that is the change of Ind AS 116, where Right of use assets are been created and which has given impact on EBITDA and interest, whereas the PAT level shows the real improvement which we did from 22 to 23.

- Rohit Suresh:** Got it. And so, what will be the reason for that? That's my main question. What would be the reason for the improvement in our margins last one year?
- Himanshu Sharma:** Yes, that is from the cost saving initiative which we are taking in the company and that is giving improvement in the PAT.
- Rohit Suresh:** Got it. Okay, sir. Thank you. My second question would be, so historically our warehousing share has been pretty low. It hasn't increased and if I am not wrong, the margins in the warehousing part is much more than the transportation part. So, do we plan to increase the warehousing revenues or what is the plan? So, will the focus be more on the transportation part and less on the warehousing part or do you see any change in the mix right now?
- Sanjay Gupta:** Yes, we are planning to increase the warehousing area also. As of now, we are having business of 8 lakh square feet, which we have developed over a period of last 5 to 6 years and we are planning to make it double in the next 3 years.
- Rohit Suresh:** Double in 3 years. Okay. Got it. Sir, just one more question would be on the rail segment. So, you have highlighted that you have leased with Concor India and there is a potential to generate around INR600 crores of revenue. So, if you could give me a timeline on like by when, on an annualized basis, how much year-on-year -- so, over a period of time or do you expect it to take some time for it to ramp up the revenues from the rail segment?
- Sanjay Gupta:** Sir, what you will see, if you see our journey, the company was started the business in 2010 and historically, we have increased our business 15% to 20% historically during the last 12 to 13 years and 1 or 2 years it was less. Now, the time has come and a lot of business opportunities are coming up. INR600 crores, our target is in March 25 is around INR700 crores, INR750 crores.
- Rohit Suresh:** Okay. Got it.
- Sanjay Gupta:** Because of two, three new identities and companies we have made and entire business we are doing under one umbrella of AVG Logistics. So, we will be targeting around INR700 crores, INR750 crores in March 25.
- Rohit Suresh:** So, that will be contributed to the increase in reefer business and the rail segment, right?
- Sanjay Gupta:** Yes, because our transportation business we are keeping in the same level. So, as of now, for example, 80% business in transportation, 75% and 15% is in reefer and now we are increasing reefer is 25% and warehousing is 5%-6% to 10%. So, and around 2%-3% is packer and mover and liquid logistics also. So, overall the business will increase on other sector and transportation will remain same. Ultimately, down the line, the transportation percentage will come down and reefer and other areas will improve.
- Rohit Suresh:** Got it. Sir, on PAT level, if you could give any guidance, what kind of numbers like in FY25, you indicate INR700 crores, INR750 crores on top line. In terms of profitability, if you could guide something on that basis...

- Sanjay Gupta:** It is increasing day by day. So, since we are focusing on reefer business and warehousing and packer and mover, they are high margin business and we are thinking to make it around INR30 crores to INR35 crores in March 25.
- Rohit Suresh:** Got it. Got it. Great. So, just one more question. The Tripura warehouse that we had right now, it is not functioning, right? If I am not wrong for some time or what is the issue? Is it a new warehouse? If I am not wrong, as per my understanding, it was an older warehouse facing some issues. So, if you could just give me some clarity what is happening there?
- Sanjay Gupta:** No, no. We have two types of model. One is we are taking the warehouse on lease and giving it to the customer as per the requirement. So, out of the 8 lakh square feet which we have, around 5.5 lakh is the leased model. That is called light asset model and around 2.5 lakh we have our own. So, out of that 80,000 Mysore is already in function and Agartala around 50,000 is coming. It is almost complete and it will come up in January 24, next two months.
- Rohit Suresh:** January 24, got it, okay sir. So, just one last bookkeeping question. If you could just, in the multimodal segment that you did in the presentation, how much will be road and how much will be rail? I just wanted to know how much is rail right now? How much does it contribute revenue?
- Sanjay Gupta:** So, actually we have signed an agreement with railway of around INR500 crores in the next 6 years. So, that business will give us around INR100 crores per annum from the railways and INR110 crores by railways and plans will be by road.
- Rohit Suresh:** So, has the business already started?
- Sanjay Gupta:** Yes, already started. In last year it was little bit less but in this current year, full year it will be in train.
- Rohit Suresh:** So, INR100 crores, INR110 crores are expected from railway business. And for the margins on the rail, how compared to the road, are they much higher – gross margin?
- Sanjay Gupta:** Yes, it is higher and margin is higher. And another one good thing is that we may able to give good service to our customers because of the less dependency on the market. So, market vehicle, what is happening, there is a shortage of the drivers in the industry. So, to come out from that situation, we as an early bird entered into a long-term contract with railways for the long haulage. And for the short haulage, we are using trucks and long haulage like Delhi-Bangalore, Hyderabad-Guwahati, Bangalore-Guwahati, the long distance we are using train.
- Rohit Suresh:** Got it. So, just one last question was on the reefer part. So, as we are expanding the reefers, I would like to know one first thing on the reefers, how much are we going to invest because if I am not wrong, the number of reefers available in the market is low. So, are we looking to purchase or are we on the lease model so are we going to invest?
- Sanjay Gupta:** So, Yes, Yes. Actually, we have already invested in 250 vehicles. And now onwards, what we are thinking and making some solution, we are partnering the drivers. So, now the driver which we are working with us from more than five years or so, which people are good people, we are making them from driver to owner.

So, it will be a light asset model for us and we will attach those vehicles with our company. So, model will like that driver to owner and after five, six years, the vehicle will be theirs and we will give them the business guarantee and they will take the loan from the bank and we will give the comfort letter for the business purpose, not for the guarantee from the company side.

- Rohit Suresh:** Got it. So, do we also plan to get into cold chain storage or right now our focus only on...
- Sanjay Gupta:** So, we are already doing for Nestle India and now we are applying for land in Khurda in Odisha and Nagpur in Maharashtra for storage of ice cream and chocolates. And we are getting the subsidy of around 40% on the cold storage. So, hence we have decided to make at least two, three cold store in pan India basis, like where the land is available from the government side, where we can get the subsidy also 40%.
- Rohit Suresh:** Got it. So, how much will be Nestle of our total business right now or top three if you could give me like?
- Sanjay Gupta:** Yes, actually, if you see top three customers is giving us the revenue of around 45%. Nestle total is around 20%-22% of our business.
- Moderator:** Thank you. We have a next question from the line of Chinmay Rane from Kojin Finvest. Please go ahead.
- Chinmay Rane:** Yes. Hello, sir. So, you were just talking about the reefer business and the new model. So, what kind of a margin expansion you expect from this model? Sir, my question was like you were talking about the new business model like making from the driver to the owner and making it the asset light. So, what kind of a margin expansion you expect from this kind of a business strategy?
- Sanjay Gupta:** So, it will be light asset model. So, as of now, if we make our own vehicle, we are getting the margin of around 30%-32%. And in this business in light asset model, the driver which we are making the owner will take some margin around 5%-6%. So, now we need not to pay the salary to them and they will partner in our business. So, now our margin will be little bit reduced by 5%. So, our margin will be around 27% instead of 30%-32%. Because investment in operating and business guarantee will be given by us.
- Chinmay Rane:** Okay. So, your operational expenses will be reduced to that extent?
- Sanjay Gupta:** Yes. So, only the fixed expenses and the books will be light and otherwise, our depreciation etcetera, will not come in our books.
- Chinmay Rane:** So, you were explaining something?
- Sanjay Gupta:** Yes. So, what we are doing, we are talking to our drivers and we are going to engage 50 vehicles and the name of the scheme is driver to owner. So, we are talking to banks on their behalf and we also make a policy that one driver should not have more than two vehicles.
- Chinmay Rane:** Okay. And this 150 vehicles will be serviced to you, accordingly?

- Sanjay Gupta:** Yes. And they will be used in our business only.
- Chinmaye Rane:** And this is in addition to our existing fleet?
- Sanjay Gupta:** Yes. Existing.
- Chinmaye Rane:** And, sir, you talked about that you had invested in some 250 reefer business. So, what was the investment in this reefer vehicle? You did it in the past few months.
- Sanjay Gupta:** So, one vehicle carrying that 18 tons material is costing us around INR50 lakhs to INR52 lakhs. There are three types of costs. One is the AC container and AC air-conditioned equipment and vehicle cost.
- Chinmaye Rane:** Okay. And sir, you were talking about a multi-modal business. So, how was revenue expansion you expect going with this model?
- Sanjay Gupta:** Yes. Our 30% business in transportation, we are doing by multi-model logistic only. Whereas, we are using road and rail both.
- Chinmaye Rane:** Okay. And do you expect it to go from 30% to upwards from?
- Sanjay Gupta:** Up to 50%.
- Chinmaye Rane:** Up to 50%. And how many years?
- Sanjay Gupta:** Next one year or two years. Because nowadays, what is happening is that customers are asking for some carbon footprint reduction and sustainability and shortage of drivers. And the cost of the toll tax is increasing day-by-day. For example, if we are coming from Mumbai to Delhi, earlier we were paying only INR4,000 to INR5,000 per trip as a toll tax. But now, it has increased to INR8,000 to INR9,000 per trip.
- Chinmaye Rane:** Okay. But that would have been transferable to the client, right?
- Sanjay Gupta:** No. Transfer of this toll tax is a part of freight.
- Chinmaye Rane:** Okay, sir. Thank you so much. I'll come back in the queue. And all the best.
- Moderator:** Thank you. We have a next question from the line of Sajal Gupta from Fe Securities. Please go ahead.
- Sajal Gupta:** Good afternoon, Sanjay. Congratulations for your first call. And I just wanted to understand a few things. First of all, you said that, what is the current year turnover you are expecting in the current year? And next year, I think you said INR475 crores turnover you are talking of. So, is this...
- Sanjay Gupta:** We are expecting around INR 520 - INR525 crores this year.
- Sajal Gupta:** So that means you are talking of approximately 40% jump in turnover next year.



- Sanjay Gupta:** Yes, sir. Because we are adding our two-three extra businesses like Packers and Movers and Liquid Logistics, which we are not doing presently. So these businesses have a lot of scope and less competition and high margins. So hence we have decided to enter into the new line of business, which comes under the logistic industry only.
- Sajal Gupta:** So out of this INR200 crores jump in turnover, so you expect a major part of that coming from these new business plans?
- Sanjay Gupta:** Yes, it's partly like 15%-20%. We are increasing every year from our present business. And balance, like if we are increasing INR520 crores this year, so INR100 crores will be coming from the transportation. And around INR100 crores from this three-four identity, it will come.
- Sajal Gupta:** Okay. So that means, what I foresee is that your EBITDA margins will also start moving going forward because of the new additions of the business. Because I think these, what would be an average EBITDA margin for a business like Movers and Packers and the other business, Liquid business? Are they much higher than what you are doing right now?
- Sanjay Gupta:** Yes, transportation business is having competition. So, presently we are doing EBITDA margin of around 17%-18%. But in Packers and Movers, it is around 30% and Liquid logistics also it is around 25%-30%. So what will happen, if we do business of 25%-30% EBITDA margin, so our overall, it will jump from 18% to 22% like.
- Sajal Gupta:** Okay. My second question to you is that profit after tax, there is a line item, there is some share of 1.19 lakhs, I don't have the exact figure in front of me. There is a loss of that. What is the nature of that transaction and what is this loss?
- Sanjay Gupta:** Actually this is not a loss, it is an accounting issue. Accounting issue is like that, we had invested some amount in around INR8 crores- INR9 crores in 2018 and the project of warehousing in Delhi with our company called Ndravag Business Park. So that company is coming up with the InVIT. So hence we, now we have shifted that company in the Ind AS formula. So, this is an accounting issue with the Ind AS and iGAAP formula and now since we have already sold out our 25% stake in this company, this amount will be reversed by next quarter. So, this will be reversed and the benefit of the profit will come up in the quarter 3.
- Sajal Gupta:** Quarter 3, okay? That's...
- Sanjay Gupta:** So this is not a loss, it is just an accounting matter and it will reverse because the money around INR18 crores profit coming up with this NDR AVG. So this amount will reverse and profit will also come in this quarter only.
- Sajal Gupta:** Perfect. Fine sir, thank you so much and wish you all the good luck for the future.
- Sanjay Gupta:** Thank you, sir.
- Moderator:** Thank you. We have our next question from the line of Subhankar Ojha from SKS Capital and Research Pvt. Ltd. Please go ahead.

**Subhankar Ojha:** Hi, thanks for the opportunity. So just quickly on the borrowing figure, I mean what is our current debt and what will be the peak debt number after this capex that we are doing right now?

**Sanjay Gupta:** Yes, in March '23, I think our total debt was around INR110 crores including the CC limit of INR50 crores. So, CC is INR50 crores and INR60 crores for the warehousing and fleet vehicles loan, which we are paying regularly and warehousing. So, in March, September '23, it is around INR95 crores. So, the debt is around INR95 crores as of now including the CC of INR50 crores which we are using for customers.

**Subhankar Ojha:** Okay, and this is the peak number, I mean...

**Sanjay Gupta:** INR110 crores-115 crores was the peak. Now, it is reduced to INR95 crores-INR96 crores.

**Subhankar Ojha:** Okay and yes, I am done with that. Thank you.

**Moderator:** Thank you. We have our next question from the line of Anurag Agrawal from Agrawal Analytical Investment. Please go ahead.

**Anurag Agrawal:** Hi, sir. Thank you for the opportunity. Sir, I just wanted to understand, there is this lumpiness towards the March end quarter that a lot of our margins shoot up during that quarter across a few years, I have noticed that. Could you just explain me, what is the reason behind that?

**Sanjay Gupta:** Himanshu ji, can you explain that?

**Himanshu Sharma:** Yes, sir. Thank you. So yes, thank you, Anurag. So, compared to previous years, certainly with the growth in the company, we are always working on the cost-cutting measures and with that, we have worked with a lot of banks, I mean all the banks to reduce the bank charges, operating side, I mean all the cost-cutting initiatives, competitive quotes, all those measures have been taken to improve the profitability.

So, our top line between 2022 and 2023 was almost the same, but we were working to strengthen the operation and we were like making ourselves for the growth of the company in the previous years. So, this year, all those growths, we will be looking into the top line and as, sir, mentioned that, we are expecting roughly INR520 crores-INR525 crores of the top line this year.

**Anurag Agrawal:** That didn't answer my question. I asked, why do we see higher profitability during the March quarter, not the financial year. So, like if there were cost efficiencies which were brought in, so that should have flowed in through the June quarter and September quarter as well, right? But if we have higher, so I can see EBITDA margins of about 35% during March quarter and even in the previous year, March quarter, we had an EBITDA margin of about 32%. So, I just wanted to understand, why do we have a higher profit margin during the March quarter? Is there something related to profit?

**Sanjay Gupta:** It is a seasonability and the turnover is also increasing in the last quarter because we are working for the FMCG companies and our vehicle utilizations are much better and business is also growing by 15%-20% in this quarter. Every year, you see, the first half is always less and the second half is always good and that our company like Nestle, HUL, etcetera, these all companies

are having the target to pushing a lot of material in the last February-March. That's why better utilization of our assets and making more money because our fixed costs are same. If we are able to run our vehicle more, we will earn more money.

**Anurag Agrawal:** Got it. Apart from that, sir, we recently entered into a JV with Sunil Transport. Could you share some light regarding the size of their company? How much the size of their fleet that they have? What kind of traction do you see with this JV coming up?

**Sanjay Gupta:** Yes, so actually that company is having the experience of liquid logistics from last 50 years and now the owner of Mr. Sunil Agarwal is heading 50-55 vehicles with their own company and they don't want to increase the business with their own company. So, they need help like company like us who is associated with railways and roads. So hence, we have entered into a contract with the 51% is AVG and 49% is Sunil Transport.

So, now both operational part has been taken care by us and marketing and some specialization required which we are taking advice from Mr. Sunil Agarwal. So, now we are expecting the business of around INR50 crores per annum in this company. So, around INR 25 crores - INR50 crores, top line will come to us.

**Anurag Agrawal:** Okay. So, one more question, we recently on-boarded Ms. Kalra as a Strategic Advisor, I believe she already was involved in logistic company earlier, so I just wanted to know how would that help our company grow? What kind of, like are we seeing more client wins through onboarding her or something like that?

**Sanjay Gupta:** Yes, so Gazal Kalra is the co -- ex-McKinsey. She has an education in Harvard and McKinsey and these companies, what we are having sir, she is the co-founder in Rivigo. So, Rivigo is now no more in logistics. So, we are using their best things which they are using in Rivigo company. So, we are working towards sustainability and electric vehicle also. So, she is guiding us on sustainability and how to make the process and system in the company and use of the technology.

Because now the time has come, since we are growing 20%, 15% year-on-year and this year we may be able to close INR520 crores over time. So, we need some good person to guide us on the sustainability, technology and what is the requirement of the customer. Customer is asking for zero accident company and lot of cameras and back camera, front camera, lot of new things has come in the industry which we are taking the advice and using them in our company, implementing these systems which will give us the better and preferred vendor of the multinational companies.

**Anurag Agrawal:** Got it. So, you mentioned right now electric vehicle. So, as of now, as per my knowledge, I don't think there are much EVs in trucks and heavy vehicles in India. So, are we aiming for last mile delivery, that kind of a thing where we are trying to get in three wheeler EVs and all that?

**Sanjay Gupta:** Yes, earlier it started from last two years, three years. Earlier the private OEM like Euler and some other companies came up with three wheeler. Now the company called Tata has come up with the Tata Ace with the 800 kg to 1 ton. And another thing is happening that one is bigger vehicle of 35 ton to 40 ton of south group, called Murugappa Group, they have come up with the bigger vehicle. And the cost of that vehicle because of the battery cost is very high. Hence,

we have started introducing electric vehicle and the future is electric by 2030. So, we are waiting for some time to come up with bigger vehicle and then immediately we will introduce electric vehicle as well in our company.

**Anurag Agrawal:**

Okay. So, right now we don't have any EV vehicles in our fleet, right?

**Sanjay Gupta:**

We have only four, five vehicles for the last mile delivery.

**Anurag Agrawal:**

Got it. And do you think incorporating heavy vehicle EVs for 40 tons or something like that, would that increase or decrease our margin? How would that affect us?

**Sanjay Gupta:**

No, no. Actually the working formula is like that. We are working on a basis of investment basis, ROI basis. So, if our diesel vehicle is costing us INR50 lakh and electric vehicle is costing us INR1 crores, so we will save on diesel charges. So, we have made some calculations and getting better margin because our operating costs are less in the electric.

**Anurag Agrawal:**

Got it. So, last one question. Forgive me for any inference. So, one of our clients, I don't want to name them, were involved in lot of legal issues pertaining to taxation and billings and everything. I just want to know because transportation sector also has a lot of unorganized segment in India. So, does that affect us in terms of billing?

**Sanjay Gupta:**

No, no. What we did, sir, actually we have seen our balance sheet. We have appointed BDO who is number four, five in India as of now as an auditor. So, we are using our best practice and following best advocates and like this and taking best advice. So, as of now, touchwood, we don't have any issue like this and we are following the legal things.

**Anurag Agrawal:**

Okay. Got it. Thank you, sir. Thank you so much for your time.

**Moderator:**

Thank you. We have a next question from the line of Miraj from Arihant Capital. Please go ahead.

**Miraj:**

Thank you for the opportunity, Sanjay sir. I just had one clarification regarding the NDR AVG InvIT that you said. There was some transaction that you were speaking about. I couldn't understand. If you could please explain what exactly the transaction is and the INR18 crores figure that you were talking about?

**Sanjay Gupta:**

Thank you, sir. Actually, we have invested INR7 crores, INR8 crores in 2018 and taken one plot from Delhi Metro for development of a warehouse in Delhi. So, that is a prominent area and we made one company called NDR AVG where NDR has taken the 65% share and AVG has taken share of 35%.

So, now after 2018, the project needs to be completed by 2022 but it got delayed because of the COVID in between. So, now this project is completed and the rent has already started from the various multinational companies in this project. So, our parent company of NDR, which we have 60% share bringing up one InvIT of INR2,000 crores and this project we are selling in the InvIT.

So, now this project we will come out after selling of our 25% share and we will get INR25 crores rupees whereas INR7 crores is our investment and INR18 crores is profit. So, 10% share

will remain with the company, where we get around INR15 lakhs or INR14 lakhs per month rent from that company. Now, you understand?

- Miraj:** Understood. You said INR14 lakhs to INR15 lakhs per month as rent, right?
- Sanjay Gupta:** Yes, and INR18 crores one-time profit will come in this quarter.
- Miraj:** Okay, understood. Thank you.
- Moderator:** Thank you. We have a next question from the line of Vikas Verma, an individual investor. Please go ahead.
- Vikas Verma:** Sir, sustainable PAT margin for peak revenue is INR725 crores.
- Sanjay Gupta:** Pardon sir? We are talking about March '25 and, right, sir?
- Vikas Verma:** I am talking about your target revenue which is INR725 crores. What will be the sustainable PAT margin for the next three years?
- Sanjay Gupta:** As I told you, there is a profit of around INR30 crores to INR35 crores. There is a profit of 5% to 6%.
- Vikas Verma:** And for the next three years, what will be the margin?
- Sanjay Gupta:** Sir, as our asset is getting free and we are paying interest from our internal account and the profit is increasing, we are increasing the different line of business like reefer business, household shifting business, liquid logistics. So, profits are better and the target is to make 10% margin, PAT margin on the turnover.
- Vikas Verma:** Okay. And have you set a target for the company for debt-free status?
- Sanjay Gupta:** Yes, on March '26, when the company will have a turnover of INR700 crores, INR800 crores, we are planning to repay the entire debt and by that time, we should be a debt-free company.
- Vikas Verma:** Okay. And sir, since you have been incorporated, Nestle is your client. Do you take a price hike from Nestle every year?
- Sanjay Gupta:** Yes, the contract is for one year only. Every year, there is a cost inflation around 3% to 5%. So, it is a bidding system and we are quoting our rate as per our market rate. So, it will depend upon why we are getting returns from anywhere. So, we work on a profitable business only. If the rate is not good, we will do that.
- Vikas Verma:** Okay. Sir, you have a separate cold chain division. Have you set a revenue target for that?
- Sanjay Gupta:** Yes, I think the turnover is INR70 crores, INR80 crores. So, we are planning to make it double in the next year.
- Vikas Verma:** Double in the next year?

- Sanjay Gupta:** Yes, the business that we are growing now is only in the reefer and other areas. The local dry transportation is our target. And the historical growth is 10% to 15%.
- Vikas Verma:** And sir, do you have any big vision for the company? Where do you see the company in the next five years to 10 years?
- Sanjay Gupta:** In the next five years, we have to take it within INR1,000 crores. And in the market, logistics business is very good and available. And the market is of INR2 lakh crores to INR3 lakh crores. So, it is not a big deal to do a business of INR1,000 crores to INR2,000 crores. When we grow from 20%, let's say I do it in INR500 crores, then I can do it in INR600 crores. When it will be of INR1,000 crores, then it will increase by INR200 crores and will double in three years. So, if we are talking about INR1000 crores after three to four years, then in the next 10 years, we are talking about INR2500 to INR3000 crores turnover.
- Vikas Verma:** Okay. Thank you very much.
- Moderator:** Thank you. We have a question from the line of Anurag Agrawal from Agrawal Analytical Investment. Please go ahead.
- Anurag Agrawal:** Sir, one last question from my side. Sir, in one of the events held in 2017 or 18, conducted by Sixth Sense Fund, we had forecasted that we will reach a turnover of INR500 CR by FY'21 I think so. And obviously, there was COVID in between. But now it's FY'24. What were other -- apart from COVID, what were other reasons which affected our goal or why we weren't able to reach that target?
- Sanjay Gupta:** Yes, actually, the major reason was COVID only. Two years was very bad. But if you see our turnover, we have maintained during the COVID year also. So, two years was very bad and that was the only effect in that turnover. Otherwise, it is -- our business is growing well. We are adding the customers and adding the warehouse, we are adding the fleet and overall improvement is going on. So, now the time has come after this five years has completed. So, now we will grow by 20% to 30% year on year.
- Anurag Agrawal:** Okay. Thank you, sir.
- Moderator:** Thank you. We have a next question from the line of Drasti Shah from Bluelotus Capital Advisors LLP. Please go ahead.
- Drasti Shah:** Hello.
- Sanjay Gupta:** Yes, Yes. Good afternoon.
- Drasti Shah:** Yes. I had a question that might have been repetitive. So, the question is, how much capex are we estimating to buy new vehicles because we are entering into newer value-add segments like liquid transportation and factors and movers and all. So, what is the capex that you are estimating for the new vehicle addition?
- Sanjay Gupta:** So, ma'am, we are trying to take maximum vehicle on the lease only as we are launching one scheme in our company, Driver to Owner. So, around INR20 crores investment, it will come

from the driver side where we are giving the comfort to them for the business. And around INR10 crores investment may be there from our side where the new type of business and new type of vehicles with the commitment from the companies.

What we are doing in our company, we are not investing any money in warehouse or in tracking or containerized business until we get the alloy from the customer. So, if we get the business from the customer, only then we are investing. Otherwise, we are not investing. And target is for next one or two years only for INR10, INR5 crores rupees only. Maximum, we are going for the light asset model.

**Drasti Shah:** Okay. And could you just give an idea about what might be a revenue share from warehousing since we were adding an additional warehouse also. And what is the contribution from warehousing segment?

**Sanjay Gupta:** So, our target is to make it double. Now, we are around eight lakh square feet. Our target is to make 20 lakh square feet in next three years. So, the revenue will be around 125% more as of now.

**Drasti Shah:** So, what is it right now? I mean I am asking if you have given the revenue segment of your current...

**Sanjay Gupta:** Himanshuji, how much is the revenue of the warehouse?

**Himanshu Sharma:** So, it is approximately INR25 crores at present or like FY'24, we will be having INR25 crores from warehousing. So, with the double, it would be roughly INR50 crores next year.

**Drasti Shah:** Okay. And we had a tie-up with the Indian Rail Government, Indian Railways for new lines and all. So, any kind of major revenue coming from Indian Railways as of now? I mean sorry, from the railway segment?

**Sanjay Gupta:** Yes, we are having around five, six trains as of now. And we are talking to railways to add some more lanes like from Gujarat to Assam, there is no train as of now for the cargo. So, we are talking to railways and we are expecting three, two more trains adding in next six months time.

**Drasti Shah:** So, do we have any significant revenue coming from railways now as of like with FY'23 and FY'24?

**Sanjay Gupta:** We are expecting around INR100-INR110 crores from this year.

**Drasti Shah:** From this year?

**Sanjay Gupta:** Okay. Yes.

**Drasti Shah:** Alright. Thank you.

**Moderator:** Thank you. As there are no further questions, I now hand over the conference to Mr. Bhavik Waghela from Kirin Advisors Private Limited for closing comments. Over to you.



**Bhavik Waghela:**

Thank you for joining the con call of AVG Logistics Ltd. If you have any queries, you can write us at [info@kirinadvisors.com](mailto:info@kirinadvisors.com). Once again, thank you everyone for joining the con call.

**Moderator:**

Thank you. On behalf of Kirin Advisors Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.