



“AVG Logistics Limited Q3FY24  
Earnings Conference Call”

**February 21, 2024**



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**MODERATOR: MR. VAISHNAVI AMBOKAR – KIRIN ADVISORS**



AVG Logistics Limited  
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**Moderator:** Ladies and Gentlemen, Good day and welcome to AVG Logistics Limited Q3 FY24 Earnings Conference Call hosted by Kirin Advisors.

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.

Ladies and gentlemen, please note that AVG does not provide specific revenue or earnings guidance. Anything said on this call which reflects AVG's outlook for future or which could be constituted as a forward looking statements must be reviewed in conjunction with the risks that the company faces.

I now hand the conference over to Ms. Vaishnavi Ambokar from Kirin Advisors. Thank you and over to you, ma'am.

**Vaishnavi Ambokar:** Thank you. Good afternoon, everyone. On behalf of Kirin Advisors, I welcome you to the conference call of AVG Logistics Limited.

From 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 – Managing Director and CEO. Over to you, sir.

**Sanjay Gupta:** Good afternoon. Ladies and gentlemen, a very warm welcome to the Conference Call for the AVG Logistics Limited Quarter 3 FY24.

We will brief our "Recent Development and Financial Performance." It is our honor to address you all today.

Before we dive into the specifics of Quarter 3 Financial Year '24 and the 9-month Financial Year '24, let me provide a detailed overview of our Company and its Business Model:

AVG Logistic Limited is a leading multimodal logistics provider in India. Journey of AVG Logistics is marked by rapid growth, fueled by a dedicated team of logistics expert and technology, advanced fleet to deliver customized full stack solution across transportation, warehousing, distribution, supply chain management and 3PL services. AVG Logistics to deliver excellence with every mile through a tremendous focus on customer fraternity and the dedication to staying at the forefront of the industry technology.

A significant aspect of our service portfolio is third party logistics service where we excel in road and rail transportation handling temperature sensitive goods efficiently managing warehouse. Our extensive network spent over 50 branches across India ensuring the robust and reliable purchase for our value claims. We have earned the trust the prominent Indian companies like Nestle, HUL, DS Group, Apollo Tyres, JK Tyres, ITC, Airtel, MRF, Jubilant Food, UltraTech Cement, Coca Cola and more.

The decision to rely on us for their logistic needs reflects the confidence these industry leaders have in our ability to provide dependable and efficient service. So, over a period of time we have developed ourselves as an FMCG logistics service provider. We are happy to inform you we have added new clients such as PepsiCo, Leap India, Colgate, BigBasket, Loreal and many other retail companies.

Our success is driven by a dedicated team of over 450+ skilled professionals. Their commitment ensures AVG Logistics provides seamless 24 by 7 integrated logistic service across diverse industries. Our fleet compromise over 3,000 vehicles which includes 550 owned vehicles allowing us to dedicate the details of the transportation effectively.

We would also like to share with you the development of the company during the 3rd Quarter of the Financial Year '24. Successful acquisition of a significant 150 crore contract over 6 year which involves leasing the Parcel Express Train from Indian Railways connecting Bangalore to Ludhiana.

This specialized train will conduct weekly round trips totaling 313 journeys in 6 years covering the distance approximately 72 hours. This express service enhances connectivity and opens opportunities in Ludhiana textile market including hosiery manufacturing, cotton textile and cycle manufacturing industries.

Further, we are working with Indian railways to have more rail routes in line with our vision to grow Green logistics over revenue portfolio.

We are also working with OEMs to launch EV electric vehicles and LNG fleets to our existing and potential customers in the coming months and target to add 100 vehicles since December 24 to grow Greenlogistics shares the setting of the goal.

In another strategic mode, we have added 50 high quality cold chain vehicles from multinational logistics company consisting of 20% over existing cold chain fleet.

This enhancement elevates our total fleet strength to an impressive 275+ vehicles, reinforcing our capability in cold chain logistics. These achievements underscore our dedication to shaping the future of logistics and we are excited to share these milestones with you today.

As we move forward, your continued support and partnership remains pivotal to our success. Thank you for being an integral part of the company's journey.

For a detailed overview of our "Financial Performance," I invite Mr. Himanshu Sharma – our CFO, to take the lead. Thank you.

**Himanshu Sharma:**

Good afternoon, everyone. In the 3rd Quarter of Financial Year, we are pleased to announce robust Financial Performance with revenue reaching 125.28 crore marking an impressive 16.87 crores compared to Q3 Financial Year '23. EBITDA for the Quarter 3 Financial Year '24 stands at 23.14 crores, underscoring the strength of our operational performance and EBITDA margin in percentage terms has increased from 18.16% to 18.47%.

PAT for the quarter stands at Rs. 4.8 crores and PAT margin in percentage terms has increased from 1.26% to 3.83% reflecting a 257-basis points growth. Our earnings per share has surged from Rs. 1.15 in Q3 Financial Year '23 to 4.08 in Q3 Financial Year '24 presenting an outstanding year-on-year growth of 254.78%.

Now going into 9 months Financial Year '24:

Our "Financial Performance" showcases continued positive momentum with reported revenue reaching 344.01 crore marking 9.09% growth compared to same period in Financial Year '23. 9 months Financial Year '24 EBITDA stands at 63.51 crore and in percentage terms EBITDA has improved from 16.6% to 18.46%. PAT for 9 months ended December 23 stands at 9.04 crore resulting in an increase in net profit margin from 0.75% to 2.63%.

Our earnings per share have surged from Rs. 1.99 in 9 months Financial Year '23 to Rs. 7.67 in 9 months Financial Year '24 depicting an impressive year-on-year growth of 285.43%. These results affirm our commitment to sustained growth, operational efficiency, and value creation for our stakeholders. Thank you, investors, for your continued support and trust in AVG Logistics. We appreciate your commitment to our journey. Your confidence inspires us to reach new heights in the logistic industry. We value partnership in our growth.

Now the floor is open for any questions.

**Moderator:**

Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is on the line of Rahil Dasani from Mittal Analytics. Please go ahead.

**Rahil Dasani:**

First of all congratulation for the great quarter, I had a series of question on the reefer should I take them one by one or altogether.

**Sanjay Gupta:**

Yes.

**Rahil Dasani:** So, first of all you had acquired 50 used reefers. So, what sort of cost savings did we get per vehicle?

The second question is how is the asset light reefer model progressing?

The third one is what is the current number of reefers that we have and how will it grow in the 2 years to 3 years, and lastly have we been able to capture any other customers except FMCG?

**Himanshu Sharma:** So, the first question is cost saving from these trucks. normally a new cold chain truck what we buy is approximately 50 lakhsto 55 lakhs and these trucks we have bought at around 20 lakh per truck. So, there is a cost saving compared to new truck 30 lakh into this truck and these 50 trucks approximately we bought from, and it is making our cold chain fleet size to 275 plus cold chain vehicles as of now we have.

**Sanjay Gupta:** So, now there is a huge opportunity in the cold chain earlier actually there is the awareness about the cold chain is not applicable in the market. Now a lot of fruit, vegetables and QSR industry is doing well. So, we are focusing to the BigBasket recently we have introduced for movement of their fresh fruit and vegetables like we are moving strawberry from Haryana to Bangalore and carrots from Haryana to Bangalore and Banana from Pune side to Delhi we are bringing banana.

So, lot of fruit and vegetables and we have recently started the business with Zydus that is called Nutrela butter and we are in touch with our present customers also where we want to increase our share in their present business. So, I think your two three questions were covered in this or do you have any other questions?

**Rahil Dasani:** So, right now you said you have some 275 reefers so I wanted to understand where can this number go in the next say 2 years to 3 years?

**Sanjay Gupta:** Yes. We are targeting to make it around 400 vehicles by March December '24.

**Rahil Dasani:** And lastly if you were to go into the asset light model so what is the process on that?

**Sanjay Gupta:** Nowadays the market, leasing facility is available. So, because we want to work on a lightasset model. So, instead of buying we are using the leasing model. So, we are taking the vehicles on lease and providing those services to the customers. And lastly inthe meeting I have told you that we are in touch with our drivers "Chalak se Malik" so around 10 to 15 vehicles we have introduced inthat scheme also.

**Rahil Dasani:** And lastly on the customer you told me that you are supplying the product like bananas and all previously we are just into FMCG for some select customers. So, could you make this clear?

**Rahul Gupta:** No, earlier mainly we are in the chocolate business with Ferrero, Nestle Cadbury and now we have started with ice cream, butter, curd, milk product and fruit and vegetables and now we are entering into the pharma industry also because pharma is also having lot of demand about the cold chain. like GlaxoSmithKline and these Ranbaxy these are the pharma customers who are moving their medicines in the air condition they are maintaining the injections, etcetera at the 4-degree, 5-degree temperature vaccines also.

These customers are the premium customer, and they don't mind about the cost, they want good quality. So, we are providing them the good quality because ice cream we are carrying in minus 20degreesif we don't follow the cold chain then it can be melted. So, we successfully world achiever in Kwaliti Wall's now we are talking to this Vadilal, and few other ice cream customers, there is a lot of demand and summer season is coming up.

So, season is more important like in North India there is a huge cold, so lot of butter consumptions are there, so when we are using our vehicle for the butter transportation there, they need minus 18 degree. In summer we are using for ice cream and the butter demand is less and like chocolate and pharma industries are for the all season 12-month business and we are talking to Domino's and the this KFC there is a huge demand and development in QSR sector where lot of hotel and chain and this chains of this pizza and things are increasing day by day in India. So, we expect a lot of business in QSR also.

**Moderator:** Thank you. The next question is on the line of Sajal Gupta from FE Securities. Please go ahead.

**Sajal Gupta:** Congratulation Sanjay and the team for achieving such good numbers, i have a few questions to you. First of all, I wanted to understand that you have added new more clients in this quarter. Could you talk to us about those clients, and I will just shoot my questions to you and then you can answer all of them in one go.

And the second thing is that you had talked about that you should be able to achieve our top line of 700odd crores in the previous quarter. So, are we looking in that kind of a top line getting achieved because of this addition in FY25 or do you have any other mark on that part of the game? So, I will come out with more questions if you can start answering this question then I can put my other questions?

**Sanjay Gupta:** We have added PepsiCo which is moving the Lays chips which is very lightweight consignment. So, we are moving their chips from Haryana and Bengal and Maharashtra, Pune to all over India and we are moving this PepsiCo consignments in train from all over India basis.

And the second is the company called Leap India where they are making the pellets for all the FMCG company and it's a good business and we are working for them on 3PL services. We are providing warehouse services, transportation and repairing of their pellets also.

Third one is that we have entered into contract with Colgate India. We have factory in Goa, Haryana, Baddi and Sri City in Tamil Nadu. So, Andhra and these are the moment we are doing for Colgate.

The second thing I told you about the BigBasket. BigBasket recently we have entered into a contract for dedicated model of the reefer vehicle where we are working for them for the fruit and vegetables on Pan India basis and third one is the Loreal. Loreal, they hired a factory in Baddi and Pune. So, we are moving all the material from All India basis and few other retail consignments customers are also ready and we are in touch with Tata Steel for the electric vehicle and LNG vehicles and there is a huge demand of the LNG and electric vehicles and as I mentioned in my speech about the we are heading around 100 vehicles by December 24.

So, this will give us a total revenue of around 10 crore, 15 crore per month. So, as of now our target is to close the March '24 by 500 crore and regarding the figure of I am very much hopeful that we may be able to achieve the turnover of 700 crore by March '25 because of 10% growth we are getting organic growth from the existing customers and 150 crore business we are taking by the new trains route and adding new fleet of electric vehicle, LNG vehicles and increasing our warehousing business and lastly we have added recently the Packer and Mover business also.

That Packer and Mover business also we are targeting around 35 crore by March '25 around 3 crore per month and that Packer and Mover business is having a good margin and having a good name in the market that AVG Logistic working for that and we may get more business of our commercial business also because of that relationship and our services. So, I hope I have answered all your questions.

**Sajal Gupta:** No, no, it's very promising to see that the company can grow from 500 to 700 crores which is very promising. So, my next thing is this Movers and Packers business the new venture which you've got into what kind of an EBITDA margins do we have in this kind of business?

**Sanjay Gupta:** EBITDA margin would be around 25% to 30% because it's the purely services so the customers are looking for good service. So, we have developed ourselves and now the season is coming for the transfer and business, business will come to us.

We are available in Google and doing advertisement and because it's the business of purely about advertisement. So, we are trying our best to talk to our banks LIC, a lot of bank transfers are happening every year. So, those are our main customers for this Packers and Movers.

**Sajal Gupta:** What I see this part of the business which you were not there earlier if this part of the business also grows the fashion which you're talking of, we are talking of a different trajectory on this top line and plus obviously the margin coming into this way.

**Sanjay Gupta:** Yes.

- Moderator:** Thank you. The next question is from the line of Keval from Onyx Advisors. Please go ahead.
- Keval:** Goodafternoon Sanjay Ji, Can you please explain a little bit better your rail business, is it a commitment for the number of journeys from our side and the revenue which we have committed to the railways and then do we have to fill up the bogies with luggage from our customers how is it, can you please explain in a little bit of detail?
- Sanjay Gupta:** Actually, the process is like that delivery is floating the tenders for a period of 6 years and there is a reserve price is available as per their market rate, as per the rate card. So, now because there is an acute shortage of drivers, and the transportation road cost is increasing day-by-day and, in this railway tender the rates which we are offering today are fixed for 3 years.
- So, we will take the increase from the customer, but railway will not take any increase for the next 3 years. So, what we are committing to the railways is that we will fill the train from both sides like we are running 6 trains as of now and we have signed the contract with railway around 700 crores till now. One route is Delhi Bangalore.
- So, we are going to the different customer. The train capacity is 500 tons. So, we are developing around 10 customers 450 tons per train per customer like MRF Tyre, Apollo, Tyre, JK Tyre and all the customers very much require the train because of the sustainability, and they also need to control the market.
- For example, I am moving around 8,000-ton material in a month from Delhi to Bangalore. You just think that if 8,000 tons material will come on road then market rate will increase by 10% to 15%. So, I'm helping in two things to the customer. One is to control the market and less dependency on the road and the third one is sustainability and reliability because whatever happens when train day is yours the train will move on that day.
- So, now the customer is understanding, and the customer is advising us to take more trains. Now all the 6 trains are running fully and having good margin and full of businesses is available and actually we have shortage of trains now. So, I hope that it will increase and the commitment or assurance to the investors from my side of 700 crore the railway is having a very big role and definitely we will increase more routes in this coming year and hopefully that our target will achieve by March '25.
- Keval:** Sir, what would be the current contribution from railways?
- Sanjay Gupta:** Actually, we are having three models. One is multimodal. So, I hope around 120 crore, 130 crore business as of now 25% business we are doing by railway as of now.
- Keval:** 120 crore business annually for 5 routes and this will be the next route?
- Sanjay Gupta:** 6 route 20 crore per route.



- Keval:** And from a customer point of view how long are your contracts for freight?
- Sanjay Gupta:** Contract what is happening in the industry there is a norm. There are two things. One is the contract. One is the rate. So, contracts are for long term of 3 years to 5 years, but rates are applicable for 1 year because for apple-to-apple comparison the road rate is applicable for 1 year. Hence, they are giving us the rate for 1 year only, but these are extendable for another according to the road rate.
- So, road rates are always increasing 3% to 5% year-on-year basis. Our main cost is diesel they have rider and driver salary and toll tax and repairs and maintenance. These two, three costs are increasing, toll tax like 2 years back toll tax cost was Rs. 3 to Rs. 4 per kilometer, but now the toll tax cost has increased to Rs. 8 per kilometer and which is not applicable on train, on train there is no toll tax.
- So, customers are very happy, and they are diverting their business to the rail and as we are requesting railways to float more tenders and we are trying to get these tenders in our favor.
- Keval:** How many such train routes have already been tendered by railways in totality?
- Sanjay Gupta:** Total in India as of now total 7 routes are running out of that 6 routes we are running and 1 route is running by some other competitor because it needs expertise, and we are proud to say that we are one of the largest leaseholders of Indian railways.
- Keval:** And sir from a customer point of view what is the cost advantage they have in giving us business rather than taking it on the road?
- Sanjay Gupta:** Yes, we are giving the cost advantage around 3% to 4% on existing rates and now I understand and I'm trying to convince them you don't see about the cost, you see about the sustainability that all the FMCG customers having lot of pressure from the government to do something for the system ready number one.
- Number two good thing is that now because I'm in business since '85 so I know the demand and supply. So, what happens in demand and supply like in North Kisan Andolanis running and because of Kisan Andolan 20% business has increased because nobody is able to give the material by road. So, we are putting all the trains from Punjab to South Punjab to East, Punjab to North.
- So, as a newly bird as first we are getting the advantage that customers know that AVG is an expert in rail transportation. So, customers are approaching us and from the last 10 days, 15 days our business has grown by 25% because of the Kisan Andolan.
- One more thing now I am trying to convince to the customer that don't give us the whole material because customers like HUL, Nestle they are having the business ocean. So, what they have understood is that if they give business in train nothing will happen to them, cost

advantage, sustainability, and the biggest thing I am trying to explain to them is that it is a tool to control the road rates.

Suppose if you give the product to customers, 3 transporter are sitting and railway person has arrived then what we say like if rail is Rs. 10,000 and road 12,000 then road will also come in 11,000. So, they will not do arm twisting so I am explaining to the customer to that language that what they are understanding now every customer wants their 20%, 25% business should be hold for train so that there is a less dependency on the road.

- Keval:** Sir, when we move goods through the train route is it door-to-door delivery on both sides?
- Sanjay Gupta:** Yes. We are providing door-to-door service only. So, pick up from the customer point and deliver to the customer and if some customers want that they will pick up their own from the station we will do that also, but 90% is door-to-door.
- Moderator:** Thank you. The next question is on the line of Prathamesh Dhiwar from Tiger Asset. Please go ahead.
- Prathamesh Dhiwar:** Sir, just as you said for FY24 you are going to do 500 crores of revenue. So can I expect in Q4 the revenue will drop around 150 crores with 30% to 35% EBITDA margins?
- Sanjay Gupta:** Can you please put your question again please.
- Prathamesh Dhiwar:** Sir just wanted to know as you said for FY24 you're going to do 500 crores of revenue?
- Sanjay Gupta:** Yes sir.
- Prathamesh Dhiwar:** So, can I expect for Q4 around 160 crores of revenue with around 30% to 35% of margin EBITDA margins?
- Himanshu Sharma:** So, 150 crores, 160 crores of the sale we are targeting in the Q4 and targeting to reach 500. Gross margin would be similar to 28%, 30% and EBITDA certainly will improve I guess by a percent or two and overall, the Q4 performance would be I think best because this is from our increased revenue and second, we have also one of transaction in the Q4 which we have recently declared. So, the Q4 performance would be far better, but there is a one off in the Q4. So, from business certainty the margins will improve.
- Prathamesh Dhiwar:** Like you said the margins will improve by 1% to 2% for Q4. So, if I see in the last Q4 previous year you have done around 34.5% of margin. So, can I expect around 36% to 37% for Q4?
- Sanjay Gupta:** No, it's still a little high, but they are trying their best to like last year our profit PAT was around 8 crores and this year our profit till 9 month is 9 crores. So, total as you are talking about in PAT also it will be good jump from last year.

- Prathamesh Dhiwar:** So, more than 35% EBITDA margins for Q4 basis?
- Sanjay Gupta:** Yes.
- Prathamesh Dhiwar:** And sir for FY25 will be sustainable at 18% to 20%?
- Sanjay Gupta:** Yes.
- Prathamesh Dhiwar:** Sir I just wanted to know on the debt front I think by FY26 you are going to be debt free if I'm not wrong, so how is the path going to be like for Q4 and for the coming year?
- Sanjay Gupta:** If you see in March '23 our total debt was around 104 crores and in March '24 it should be around 80 crores. So, 24 crore debt we have already reduced in this year and because of our lot of fleet which we have taken on EMI basis from 2018 to 2023 which we have paid all the EMI.
- Now this will help us to improve the EBITDA and PAT margin both. So, total EMI which we are paying around 1.5 crore per month during the last year. Now the EMI has reduced to 30 lakh per month. So, these are helping us to improve profitability and EBITDA both. So, our target is that there are two types of loan. One is the CC limit which is around 50 crores and term loan was around 54 crores.
- So, term loan has reduced from 54 crores to 34 crores, 20 crores. So, 20 crores another 30 crore we are finishing by March '25 and then we will come because of internal accrual and business development and lot of things which we are adding the assets etcetera margin with internal accrual we may be able to pay the entire loan by March '26.
- Prathamesh Dhiwar:** So, basically March '24, debt will be at 80 crores. Sir, just wanted to know the last question on the customer front in the coming year how are you looking to add more customers like you're also adding more into the cold chain so incoming can you give some guidance on the customer side?
- Sanjay Gupta:** So, in cold chain there are four, five industries. One is the chocolate industry, another is pharma industries, third is fruit and vegetables, fourth is milk products like butter and curd, etcetera and fifth is QSR industry like McCain we have our customer, in McCain ready to eat product which comes, and KFC is there, Jubilant Food is there, McDonald's. So, these are the major clients for the cold chain. So, they are requiring both things. They are requiring transportation and cold chain warehouse also.
- So, lastly, we have mentioned that we are taking the land from the government and making the cold room and the cold warehouse. So, these cold warehouses we are constructing in the near future around by December 24th their visit to three cold warehouse will be available in AVG.

- Prathamesh Dhiwar:** So, just last question how much tax percentage we pay and for the coming year how much that percentage is going to be?
- Himanshu Sharma:** So, tax percentage is 25% and we have some deferred tax reversals. So, if we look at the financials roughly the calculated tax percentage is coming 33% for the quarter and for the year it is like 9 months it was 32.3% and these are from IndAS implementation and lease accounting mainly.
- Prathamesh Dhiwar:** For Q4 and FY25 tax rate guidance?
- Himanshu Sharma:** Q4.
- Prathamesh Dhiwar:** Yes, forthcoming quarter and for FY25?
- Himanshu Sharma:** Overall, it could be somewhere around 30% I see even for now also it is 31.5. So, this year I see it would be roughly 32%, 33% and next year it will be roughly 30%.
- Prathamesh Dhiwar:** So, like any reasons why this should be at 30%?
- Himanshu Sharma:** Yes, I mentioned that this leases accounting. So, there is a difference in depreciation which have a high depreciation impact compared to Companies' Act and Income Tax. So, those reversals are there and because of that the calculated rate is bit high the resulting rate is bit high.
- Moderator:** Thank you. The next question is on the line of Yashwanti from Kojin Finvest. Please go ahead.
- Yashwanti:** I just wanted to understand what is our average carrying capacity of your reeferand new revenue which we earn per day or per trip of a reeferor maybe a per month whichever is convenient to disclose for you?
- Sanjay Gupta:** Yes, in the cold chain our vehicles are running around 8,000 to 10,000 kilometers per month. So, we are getting revenue of around Rs. 60 per kilometer and total revenue is around 5 lakhs to 6 lakh per month per vehicle.
- Yashwanti:** Per vehicle per month, right?
- Sanjay Gupta:** Yes Rs. 60 per kilometer is the revenue we are getting from the customer.
- Yashwanti:** So, that goes to around 5 lakh per month that is what you're saying per investment?
- Sanjay Gupta:** Yes, 5 lakh per month with the investment of if you buy the new vehicle is around 50 lakh and is like in my previous speech which I told we had added bought at 20 lakhs. Now, what we are doing we are working for the profitability. So, if we buy it then my profit will be around 30%

in the reefer. 30% means my cost is around Rs. 40 per kilometer and we are charging Rs. 60 per kilometer from the customer.

**Yashwanti:** So, almost 33% of you get it from per customer?

**Sanjay Gupta:** So, the result of the PAT will come in the coming years of March '25 because we have already paid the EMIs of the vehicles and the entire money will help us to improve the profitability and overall increase in business also.

**Yashwanti:** Yes, very close so your payback period is almost 3 years to 4 years so with this kind of revenue and when we were expanding our business, I mean more clients the things can be even more the better terms?

**Sanjay Gupta:** What your business model is like is that total life of the vehicle is around 10 years, and we are recovering the entire money in 4 years. So, then 6 years that vehicle will be earning for us and after 10 years we may be able to sell this vehicle at a cost of 30% like 50 lakh vehicle it is after 10 years also we can sell at a 15 lakh at scrap.

**Yashwanti:** Though you purchased for Rs. 20 lakh you can sell at 15 lakhs?

**Sanjay Gupta:** Yes after 10 years because at that time the vehicle cost which today is Rs. 50 lakhs that time vehicle cost will be around 75 lakh in 10 years. So, today the vehicle which is 50 lakh 5 years before this vehicle was 30 lakhs when it was BS-IV and now BS VI has come. Later what will happen like the electric vehicle cost will increase to around 1 crore. So, in 1 crore vehicle what will happen by retrofitting people will run these vehicles on an electric vehicles and steel prices got increases, labor cost get increase everything gets increased then Rs. 10 to Rs. 15 lakh we can get from scrap also.

**Yashwanti:** So, this investment is really cash growing for you?

**Sanjay Gupta:** Yes, it is certainly a good time for us and our investors also.

**Yashwanti:** So, my next question is this how much percentage of your revenue comes from the cold chain business sorry if you had already mentioned?

**Himanshu Sharma:** Cold chain plant we have roughly 15% of the revenue of the total investment.

**Sanjay Gupta:** As of now it is around 15% to 16%, but we have three, four types of business. One is cold chain warehousing and multimodal. So, now we have found that the cold chain business is higher profitable. So, we are focusing on the cold chain business and our target to increase by 30% in March '25.

- Yashwanti:** Sir, I just want to understand two things what the current size of your warehouse facility is and secondly you are proposed to take land from government and build a cold chain cold storage warehouse. So, what is the likely cost from this proposed cold storage warehouse?
- Sanjay Gupta:** Actually, the land cost is around 1.50 to 2 crore per acre and the construction cost is around for the dry warehouse we are having the cost of Rs. 1800 per square feet and the cold chain is around 4,000 square feet, but in the cold chain there is a facility available, the government is giving the subsidy of 35%.
- So, ultimately it is costing us around 3,000 instead of 4,000. So, if we take the subsidy in our account then it is costing around Rs. 2,500 to Rs. 2,800 per square feet because what will happen now is the government is bringing lot of policies to develop the infra for the cold chain. There is acute shortage of infra of cold chain and over a period of time in next 3 years whenever the infra will improve then government will withdraw the subsidy also.
- So, as an early bird we want to develop 3, 4 cold warehouses immediately so that we may able to take advantage of the present government scheme of subsidy.
- Yashwanti:** And what will be the size of the capacity of the size of this?
- Sanjay Gupta:** The size will be around 2,000 pellet per warehouse.
- Yashwanti:** Sorry sir?
- Sanjay Gupta:** 2,000 it is in pellet numbers. So, we are bringing around 10,000 square feet or 2,000 pellets per warehouse so that business is running on a pellet basis. So, in one cold warehouse there are 3, 4 customers who will come 500 pellets, 200 pellet, 600 pellet.
- Yashwanti:** Is the pellet means the proportion kept for any particular customer?
- Sanjay Gupta:** It will become a multiuser facility.
- Moderator:** Thank you. The next question is on the line of Deepak Poddar from Sapphire Capital. Please go ahead.
- Deepak Poddar:** So, first up just wanted a clarification and you mentioned in the fourth quarter we will do 150 crores to 160 crores of revenue at 35% EBITDA margin, is that right?
- Sanjay Gupta:** No, we have mentioned about the 150-crore revenue that is around 50 crore per month and because we got the few trains contract and new customers, we have added last 9 months. So, the top line will increase to that line, but EBITDA will not be like 50% EBITDA will be around I am handing over to CFO.

- Himanshu Sharma:** EBITDA would be around I think roughly 14%, 15% on those increased business on the incremental business.
- Deepak Poddar:** So, I mean currently our EBITDA margin in the 3rd Quarter is around 18%, correct?
- Himanshu Sharma:** Yes.
- Deepak Poddar:** So, at 150 crores, 160 crores what sort of EBITDA margin we are looking at?
- Himanshu Sharma:** Around 18%.
- Deepak Poddar:** Around 18% to 20%, correct?
- Himanshu Sharma:** Yes.
- Deepak Poddar:** And what sort of EBITDA margin we might be looking at for the next year FY25?
- Sanjay Gupta:** Around 22% to 25% because it will increase because what is happening we are taking the leverage means our operating cost staff salary, office rent, godown rent all are same and if we may able to increase the business by around 30% then our expenses will not increase in same ratio. So, that leverage we will take so from 18 it may have increased by 22%.
- Deepak Poddar:** So, basically 22% to 25% EBITDA margin we might look for the next year?
- Himanshu Sharma:** Yes.
- Deepak Poddar:** And on the debt part currently we have about 240 crores debt at the gross level?
- Himanshu Sharma:** Today we have 90 crore gross debt.
- Sanjay Gupta:** As of today, is around 85 crores.
- Deepak Poddar:** As on today is around 85 crores?
- Sanjay Gupta:** March '23 which is 110 crore which is now in March '24 it will be around 85 crores.
- Deepak Poddar:** No, I am including the lease liability as well because generally lease liability we take it as a part of debt?
- Himanshu Sharma:** This is pure debt from the bank it is not included like the lease liability. So, lease liability over a period should reduce because now we are not having the contract with our terms where we need to account as a lease liability especially into the train and this is one train.

- Sanjay Gupta:** This is also very good question it was also in my mind. So, because what happens in before March '23 we are in the SME platform. In May '23 we came into the main board and the same basis. So, our accounting policy has changed from I kept to IndAS formula.
- So, IndAS formula there is a policy of the formula that we have totake the lease as a debt. So, last time they hit our profit etcetera this time this will reduce. I am not having the figures in my hand right now, but the leasing which we have taken as a debt for the period now it will definitely reduce in this year.
- Deepak Poddar:** So, as on September it was around 143 crores?
- Sanjay Gupta:** By March '24143 it will be around 120 crores.
- Deepak Poddar:** So, basically 80 crore debt and 120 crore lease liability so total borrowing maybe around close to 200 crores by FY24 end?
- Sanjay Gupta:** Lease liability I don't consider it as a loan because it is government formula, but that money over a period of time I am getting from the customer and paying to the railways or through MRP because we have taken the long term contract and long contract if we get anything at cheap cost which we take it from long term point of view like train we have taken it as a long term and if any problem arises we can take 2 months' notice and do the exit clause.
- But we have a gold mine in our hand and by God grace we got these contract and this will very profitable, and we learnt a lot from the last 1 year in experience with railways and we are taking 6. 5 more trains in these trains we are not taking lease liability because our auditor is BDO so they are very strict about the accounting formulas, etc. So, this is a fifth number company in India that is I think from Brazil like they are working in top 5.
- Deepak Poddar:** And just one last thing now because of this IGAAP to IndAS accounting policy change, was that the main reason because of which your last year 4thQuarter EBITDA margin showing 35%.
- Sanjay Gupta:** Yes, that was the main reason. The lease one which was there it has come in lease liability and one and two line has changed.
- Deepak Poddar:** And I think in the last call we had said that in FY25 we might be looking at a bottom line of 30 crores, 35 crores aPAT of at a top line of 30 crores, but if we have to look at 700 crores of revenue and if we look at 22% to 25% EBITDA margin I think you will do much better than that 30 crores, 35 crores we are targeting I mean where is this gap?
- Sanjay Gupta:** We are giving the conservative figure to the market so that if it is less than the market will not appreciate. If it is more everyone will appreciate. So, we are working on that line.



- Moderator:** Thank you. The next question is from the line of Gaurav Sachdeva from Sajag securities. Please go ahead.
- Gaurav Sachdeva:** Sir, in the last call you said that you are looking for a PAT margin of 10%. So, in how many years we can achieve that?
- Sanjay Gupta:** It will be a target of around next 4 years to 5 years because as and as and when we will become debt free, our vehicle will free from the EMIs, and then entire fund flow will come to the company then we will definitely make the PAT of around 10% because now that lot of money is going in debt etcetera interest etcetera.
- Gaurav Sachdeva:** 4 years to 5 years from now?
- Sanjay Gupta:** Yes 3 years to 4 years because our target is to debt free by March '26. So, if you see last year our expenditure of bank interest is around 10 crores to 11 crores and this year it will reduce. So, how I will be able to increase the PAT because we have to increase the business and control the cost?
- So, we are working in both things control on the cost and increase the business. So, like this year our interest cost will be less compared to last year and business will be increased by 20%. That's why we are able to achieve 9 crores profit against the last year of 8 crores in 12 months and this is 9 crore in 9 months.
- So, this quarter will be always good for us because we are hiring the 65% vehicle from market and the market is less then there is a huge business opportunity is coming up because of multiple reasons and we hope that we'll be able to give the good results this year.
- Gaurav Sachdeva:** And sir what is the bottom-line expectation for FY26?
- Sanjay Gupta:** Bottom line PAT in '25 it is around 700 crores and if we do 20% growth for net-net 850 crore, 900 crore target is there so in that if we do of 6% 50 crores, 60 crores PAT will come.
- Moderator:** Thank you. The next question is Sahir Sachdev from Groflow. Please go ahead.
- Sahir Sachdev:** I have a couple of questions. First you said you do 120 odd crores from rail. In the future the business you foresee to be from rail.
- Sanjay Gupta:** The railway is the future of Indian logistics industry because there is an acute shortage of driver, increasing the cost of diesel, increasing the cost of toll tax, etc. So, our 120-crore business will become 500 crore in railways in the next 3 years to 4 years because this is a sustainability all the FMCG customers are having the target for the sustainability.

So, we hope that every customer will come up with our sustainable program and we may be able to get more business from many, many clients like recently today we have added two, three customers on account of sustainability.

**Sahir Sachdev:** My next question is basically what is the percent of revenue from your top 5 and top 10 clients like what do they contribute respectively?

**Sanjay Gupta:** Our top 10 client is having the revenue of around 70%. So, what we are doing now to make 700 crores so we are adding 5 key clients more of 10 crore per month per client so that 100crore can be increased by the 10 customers only because it's a very, very big industry in logistics like transportation, warehousing, primary, secondary, cold chain, train, Packer and Movers.

So, what we have developed ourselves over a period of time I'm having the experience since 85, so say around 38-year experience. So, we have the full bouquet because all the companies don't have all types of service. One company is having the cold chain, they don't have the dry movement, they don't have a train, they don't have Packer and Movers.

So, if we go to Nestle, if they ask for cold chain I will provide, if they ask for dry transportation I will provide, if they ask for warehouse I will provide. So, customers are also satisfied to work under one umbrella. So, if we have all the services of logistic needs that will be good thing and to do more customers there is no advantage you take material from one customer like from Nestle company we got 140 crores, 150 crores revenues.

So, we will develop the customers with the good numbers ticket size should be around minimum 10 crores to 20 crores of one customer.

**Sahir Sachdev:** And just wanted to know like you've divided these clients by segments like FMCG, Pharma, Auto and others what's the segment split between like the industries and also last question sorry could you shed some light on the competitive landscape as well?

**Sanjay Gupta:** I cannot hear you properly.

**Sahir Sachdev:** I was asking basically you have divided your clients between FMCG sector, Pharma sector, auto sector in the present and the others in the investors presentation, in that percentage wise like what industry contributes.

**Sanjay Gupta:** I have told you that what we have done is 60% of our company is FMCG company. In FMCG Logistics what happens even if the downward time there is always an increase. So, during the recession time also we have developed by 10% to 15% because there is always demand of FMCG products and food items.

So, because we want to increase top line also so hence, we are now entering into the pharma, entering into the cement, entering into steel, entering into auto parts. So, these 5-6 segments are there, but our main core business is FMCG.

**Sahir Sachdev:** And sir last question could shed some light on the comparative landscape please and how the industry is developing?

**Sanjay Gupta:** Sir, can you explain what exactly you are looking into competitive landscape.

**Sahir Sachdev:** Just what's going on around the competition is the competition increasing?

**Sanjay Gupta:** Yes, competition is always increasing, but what we did in the market we do different things from the market like we are doing rail. So, if you ask in the industry only 3 or 4 logistics industries are there who are providing the rail service. So, what we have developed our USP is that we do different things from others, multimodal, train, Packer Mover, etc.

So, we are not afraid about the competition because our clients are good, and we maintain the relationship and provide our best services and we have appointed a lot of KAM to look after their account. So, if you see historically, they are growing 10%, 15% year-on-year basis the company is only for 2011, 2011 company is standing at 500 crores.

So, our vision is good, and we have a very good service and relationship with customers, and we are very honest and dedicated to customers. Our company has a slogan that we are responsible service provider with honesty and dedication. Customers doesn't want anything. If you work honestly then customers don't go outside. I have been associated with Nestle since 91, 32 years I am associated with Nestle and we are there strategic vendor.

**Moderator:** Thank you. Ladies and gentlemen, we take that as the last question. I now have the conference over to for Ms. Vaishnavi Ambokar for the closing comments.

**Vaishnavi Ambokar:** Thank you everyone for joining this conference call of AVG Logistics Limited. If you have any queries, you can write to us at [research@kirinadvisors.com](mailto:research@kirinadvisors.com). Once again, thank you everyone for joining the conference.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Kirin Advisors that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.