August 20, 2026

BSE Limited
Phiroze Jeejeebhoy Towers
Dalal Street, Fort
Mumbai - 400 001
Scrip Code: 544602

National Stock Exchange of India
Exchange Plaza, C-1, Block G,
Bandra-Kurla Complex, Bandra
(East), Mumbai – 400 051
Scrip Code: AGL

Dear Sir/Madam,

Sub: Transcript of Earnings Conference Call for the quarter ended June 30, 2026

Pursuant to Regulations 30 read with Schedule III and 46 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirement) Regulations, 2015, please find enclosed herewith transcript of earnings conference call of Allcargo Global Limited for the quarter ended June 30, 2026, held on Monday, August 17, 2026, at 4:00 p.m. (IST).

The transcript is annexed for your reference which can also be accessed on the Company's website from the below link:

https://www.allcargo.global/datafiles/2026/08/AllcargoGlobal-Earnings-Aug17-2026.pdf

Kindly take the above information on record.

Thanking you,

Yours faithfully
For **Allcargo Global Limited**

SWATI GOPAL SINGH
Digitally signed by SWATI GOPAL SINGH
Date: 2026.08.20 18:03:17 +05'30'

Swati Singh
Company Secretary and Compliance Officer
Membership No.: A20388

"Allcargo Global Limited

Q1 FY27 Earnings Conference Call"

August 17, 2026

MANAGEMENT: **MR. RAVI JAKHAR -- DIRECTOR STRATEGY AND GROUP CHIEF FINANCIAL OFFICER -- ALLCARGO GROUP**
MR. STEPHEN DUNN -- GLOBAL CHIEF FINANCIAL OFFICER -- ALLCARGO GLOBAL
MR. SANJAY PUNJABI -- INVESTOR RELATIONS, ALLCARGO GROUP

Moderator: Ladies and gentlemen, good day and welcome to Allcargo Global Limited Q1 FY '27 Earnings Conference Call. We have with us the senior management team of Allcargo Global Limited, Mr. Ravi Jakhar, Director Strategy and Group CFO, Allcargo Group; Mr. Stephen Dunn, Global CFO, Allcargo Global; Mr. Sanjay Punjabi, Investor Relations, Allcargo Group.

Please note, this call may contain some of the forward-looking statements which are completely based upon company's beliefs, opinions, and expectation as of today. These statements are not a guarantee of the company's future performance and involve unforeseen risks and uncertainties. The company also undertake no obligation to update any forward-looking statements to reflect the developments that occur after the statement is made.

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 touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ravi Jakhar for his opening remarks. Thank you, and over to you, sir.

Ravi Jakhar: Yes. Hi. Thank you. Good afternoon, everyone, and thank you for joining us on Allcargo Global Limited's First Quarterly Earnings Call, subsequent to our listing as an independent entity.

We appreciate your interest in our company and business, and look forward to discussing our performance for the quarter as we progress through this call. I'll talk about a few macro headlines and give you a bit of a perspective on how business is trending before handing over to my colleague, Stephen Dunn, for more financial highlights.

Speaking of the macroeconomic environment, we are all aware that there's a crisis going on in the Middle East, which is impacting trade and is naturally impacting our volumes also negatively, and that has remained so for the last 5 months to 6 months. At the same time, we have seen corrections in inventory levels, and that has led to some momentum in freight flowing through the other trade lanes.

As an outcome of that, we have seen sequential improvement in most trade lanes for our business, whether it's transatlantic, transpacific, or some of the intra-Asian trade lanes as well. As an outcome of that, we have seen incremental volumes in both LCL and air of the magnitude of about 5%, while on the FCL, we have seen a quarter-on-quarter growth rate of about 1%.

A marginally lower growth rate on FCL is also coming from the fact that FCL business has higher contribution of the Middle East, Africa region, which is impacted by the war, and therefore, the negative pull of the Middle East region has a slightly more bearing. Otherwise, broadly, the trend is similar in terms of seeing volume expansions sequentially across all the trade lanes, across all the products.

The other element which has now remained as a, you know, constant in the background is the Russia-Ukraine war and some of the other minor geopolitical disturbances, which have ensured that the global economic environment has remained more flattish, and it hasn't changed much over the last 12 months to 18 months. However, we do see that over the last 3month, 4 months, there has been marginal improvement in the trade environment, with volumes picking up for some of these key trade lanes.

And like I mentioned, perhaps half of our growth is contributed by market growth, and half of our growth in this quarter is contributed by market outperformance. The other aspect that I would like to highlight is that the capacity on the carrier side has been somewhat more constrained with all these disruptions. And as an outcome of that, the freight rates prevailing over the last few months have been on the higher side, and which is what reflects in our revenues as well as freight being passed through in our some of our operating costs as well.

What we have been able to do besides marginally benefiting from these tailwinds over the last few months. We have also focused a lot on company-specific initiatives on how we could keep our cost under control and not just mitigate the inflationary measures, but also perhaps bring down the costs over the last year's base using opportunities on both technology-led automations, replacing some of the work with Agentic AI, and also continuing our drive to have more and more resources based in lower cost geographies, which is made possible by our continued focus and investments in creating one single system for finance, HR, operations across the globe. So, that's a trend that continues for us on the business side.

As we move forward, we are not taking into account any significant improvements in the economic environment as we prepare for our business strategy. Some of these geopolitical events are completely unpredictable, and rather than pivoting any of our plans to an outcome driven by an end to the Middle East conflict or end to some of the other conflicts, our focus entirely remains on operating in the environment as the business opportunity presents.

And then trying to stay focused on improving our efficiency, we have brought down our loss-making trade lanes, focused on container utilization, and all of these factors contribute to improved gross profits per unit of cargo that we carry. And like I mentioned, combined with the focus on staff and admin costs using tech and process excellence and offshoring are the key focus areas for us to maintain and continue to see marginally improved profit performance. So, that's in a nutshell on the operating environment and some of our core business strategies.

And before we come back to questioning on these and some of the other broader points, I would now hand over to my colleague Stephen Dunn, the CFO for the company, to take us through some of the financial highlights. Steve.

Stephen Dunn: Thank you. The first quarter of FY '27 reflects continued progress in our financial performance over the same period last year and sequential quarter. As highlighted, improving trade conditions supported volume growth across our businesses. This translated into consolidated revenue of INR3,522 crores for Q1 of FY '27, representing 5.8% year-on-year growth and 20.8%

sequentially. Gross profit stood at INR733 crores, up 2.5% year-on-year and 6.5% quarter-on-quarter.

More importantly, our continued focus on yield management, procurement efficiencies, process optimization, cost control, and productivity improvements has resulted in a significant improvement in profitability. EBITDA for the quarter stood at INR33 crores compared to a loss of INR31 crores last year in Q1 of FY '26 and EBITDA of INR17 crores in Q4 FY '26.

At the EBIT level, losses reduced significantly to INR18 crores compared with a loss of INR77 crores in the corresponding quarter last year and a loss of INR33 crores in the previous quarter. Similarly, pre-exceptional PBT improved to a loss of INR24 crores versus a loss of INR92 crores in Q1 of FY '26 and a loss of INR36 crores in Q4 of FY '26.

Profit after tax also improved substantially to a loss of INR28 crores compared with a loss of INR87 crores a year ago and a loss of INR45 crores in the immediately preceding quarter. Another encouraging aspect of the quarter was the continuing strengthening of our balance sheet. We further reduced higher cost standalone borrowings to INR272 crores as of June 30th, 2026, from INR314 crores as of March 31, 2026. This reflects our commitment to improving capital efficiency, lowering finance cost, and strengthening overall financial flexibility.

While there is a lot of work to be done, the direction of travel is encouraging. The combination of recovering trade volumes, disciplined commercial execution, structural cost initiatives, AI-led productivity enhancements, and a continued focus on cash generation positions us well for a sustained improvement in financial performance. We remain committed to delivering profitable growth and creating long-term value for all of our stakeholders.

With that, we would be happy to take your questions.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. First question is from the line of Kiran from TableTree. Please go ahead.

Kiran: Thank you so much for the opportunity. I have two questions -- three questions given this is the first call. Sir, I know it seems very familiar in terms of talking LCL and all the industry terms. If you could just explain -- given this is the first con-call exclusively focused on Allcargo Global, if you could just explain the business model in simple terms for everybody to understand because this gets recorded, this is in transcripts, so people can read about the business model?

If you could just explain for the next 2 minutes -- 3 minutes of how the business economics and the business model works. That will be really helpful? I know we have read through the presentation in terms of end-to-end from shipping to air freight, but just in your own words, if you could just explain that will be really helpful.

Ravi Jakhar: Sure. If you can add your other questions as well, so that we can respond together.

Kiran: Sir, the second question is dependent on the answer on the first question, so please go ahead.

Ravi Jakhar: Yes. So, primarily, you know, we operate in the international shipping and air transport business. As you can see, the mainstay of our business is LCL consolidation, which is less than container load consolidation. What we do is, the cargo either moves by air, which is what is captured in the air freight part of our business, but that's a small segment in our business.

The ocean freight gets carried in containers, as you would know. There are two kinds of businesses in there. One is full container load, wherein customer is booking the entire container for moving from point A to point B. And the second part is LCL, or less than container load cargo, which means that somebody might be booking 1 cubic meters or 5 cubic meters or 2 cubic meters of cargo.

And we receive these cargoes across our network, a global network of 2,400 direct trade lanes that we operate and, you know, many more indirect trade lanes that we operate. So, think of it as a somewhat like, you know, how you are on an airline, you're booking a seat and not chartering the entire aircraft. So, FCL is more like chartering the entire aircraft, which is like chartering the entire container, saying that, okay, I want to move my cargo, and LCL is like you're just buying a seat on the plane.

And with, of course, not it not being a one standard seat, but, you know, almost like filling up different cargoes into the box. What we do is we run committed services, which means that, let's say, every Friday there would be something going from Port A to Port B or every 15 days or sometimes daily, we would have something going from, you know, say, Shanghai into Tokyo or -- so these are regular sailings that we operate across different port pairs, and customers, which in case of LCL business are largely forwarders, book this through us.

So, that's the core business model in terms of what we do. The biggest advantage here is that for running these services, you need to have enough load to provide regular services, which becomes a huge entry barrier, and therefore, across these markets there are only a handful of global players, and we are the market leaders globally, holding about 14.5% market share in this business.

Over the last about 7 years -- 8 years, we have focused a lot on technology. We are perhaps the only company in this domain operating with our own in-house operating system, our own digital platform, which now accounts for 70% of our export bookings, and our own in-house teams on data science, AI, and other tech initiatives. So, an unmatched global scale, market leadership in volumes that we carry, and a leadership in tech and digital aspects is what puts us ahead of the competition in an environment which is also brings in challenges in terms of entry barriers for setting up the network.

Kiran: Perfect, sir. Perfect. Now, this is really helpful. Thanks for that. Sir, the second question that I had was given -- and this is probably a recurring question to you in private conversations, but given the large shipping lines and very heavy busy shipping lines, there is what you call in-sourcing.

So the Maersks of the world, insource a lot of heavy-duty shipping lines, leaving a third-party shipping lines like us into the lower volume traffic. Is what I basically understand. Again, this is my very rudimentary fundamental understanding on the business.

If you could help correct the notion or maybe throw a nuance on the notion about these large shippers themselves in-sourcing a lot of very high volume, high margin business leaving only the -- what – the sort of crumbs, so to speak, on the shipping lines for people like us. Is that the wrong understanding or help me correct that, please?

Ravi Jakhar: Yes. I would comment on that that that is not the correct understanding. And not just this business, I think, you know, any business in the world across manufacturing or services would always have a high volume, low margin or a low volume, high margin business. You tend to operate on thinner margins when it comes to, you know, customers who buy at scale from you.

And typically, what tends to happen is that, you know, some of the biggest accounts which run into, you know, possibly several hundred thousand TEUs of requirements would engage increasingly more and more with direct shipping lines. But those are high volume, FCL business that is conducted.

Our mainstay is LCL. We are talking about moving cubic meters of cargo, and this is the highest profit margin business in the entire ocean freight segment, and shipping lines carry a very small, tiny fraction of this business.

Kiran: Got it. Understood. Then the easier and the more local question, sir. How confident are we to kind of do a gross margin of 22% to 23% in this business? Do you see a large section of the business still continuing to gain share on LCL or are there other modes of transport that we have found the niches where there is high margin which helps us push the gross margin to 22% to 23%?

Because our cost base right now roughly is INR2,800 crores per year, sir, if I'm analyzing Q1. Maybe there'll be some efficiencies of INR100 crores -- INR150 crores because of AI and all the optimization that you're seeing. So, just if you could paint a picture around the gross margins and the cost base as well? That's my final question and I'll rejoin back in the queue.

Ravi Jakhar: Yes. So, in our business, gross margin honestly does not hold any significant value because gross margin means your profit in percentage terms. In our business, a significant amount of our cost is ocean freight, which is extremely volatile and can vary significantly, and this largely serves as the pass-through cost. And therefore, you know, typically in the higher freight environments, you would tend to see that margins would come down, while in reality that's a better situation for us because we are making, you know, higher returns on capital employed and we are generating higher profits as well.

While on the contrary, when freight rates tend to go down in, you know, a subdued economic environment, our gross margin could expand in percentage terms, but in reality, that means that we are operating on, you know, lower gross profit and the profit also goes down. So, the way we have always explained this business over the last 20 years, earlier as part of Allcargo Logistics and now as a new company, is that you have to look at gross profit per cubic meter or gross profit per TEU. That is how we even do our operational budgeting.

So, revenue is not a, you know, relevant line item, interestingly, in this business. And what we look at is we try to maintain a gross profit per cubic meter on the LCL business, gross profit per TEU on the FCL business. And that is what we call as the yield. And that yield is what is the driver. So, we typically even when, let's say, any particular country or branch is making a budget, they would say this is the volume which I want to do, and at this yield, which means that this is the gross profit I want to achieve.

A revenue is often an implied number because the ocean freight rates can fluctuate. So, that is how we look at. So, that's how one should read through the numbers as well, looking at gross profit relative to the volume.

Kiran: Got it, sir. So, you're talking about yields then. So, essentially the yields normalizing is when we'll actually see the numbers? Got it. Sir, from a cost base perspective, are we at INR2,800 crores per year? Is that the rough number that we should model in?

Ravi Jakhar: So, I would say that, you know, 15% of our business sits in India, approximately. 80% to 85% business sits outside India. Now, the biggest cost contribution comes in from ocean freight, which largely operates in U.S. dollar terms. And the local staff and admin cost operate in local currencies.

A significant part of that would be in euros in European countries, and USD is the second most important currency in the global basket, driven by U.S. as well as many other countries which have their currencies pegged to USD or are range bound. So, the cost in rupee terms can tend to vary depending on where rupee is.

Usually, internally, we use dollar because that's the more dominant currency in both cost and revenue side. So, typically when analyzing trends, dollar could be a better currency to look at for, you know, comparing, you know, past year versus this year, as compared to rupee because rupee would tend to be more volatile in context to the global P&L.

Kiran: Got it. So, you would much rather stay cost terms in dollar terms. I'm just trying to understand sir, in terms of -- I mean, outside of the rupee depreciation angle, I'm just trying to understand, will we be roughly here in terms of cost because your presentation talks a lot about cost cutting measures and AI and everything else.

Ravi Jakhar: Yes.

Kiran: So, I'm just trying to understand what the percentage shape that you're looking at.

Ravi Jakhar: So, Yes. So, one line response to that would be that our intent is to keep the cost flat in dollar terms. And so, therefore, only increase that you would see would be on account of, you know, translation of the global cost from U.S. dollars into rupees as we report in Indian rupees, but then there will also be corresponding benefit on the revenue side because there also dollar would convert into rupees.

So, if you're looking at only cost as a line item, you know, take off the rupee depreciation, more likely or in certain cases an unlikely appreciation. So, you just adjust for the rupee dollar adjustments and the intent is to keep it flat in dollar terms.

Kiran: Got it, sir. Got it. I'll join back in the queue, sir. Thank you so much.

Moderator: Thank you. Before we move to the next question, a reminder to the participants to ask a question, you may press star and one. Next question is from the line of Chaitanya from Amaltas. Please go ahead.

Chaitanya: Hi. Good afternoon, and thank you for this opportunity. This is in continuation with the question that the last participant asked. This is regarding the gross profit per TEU that you discussed. I just wanted to understand that from the numbers if I look at your historical numbers, it seems like after the boom of COVID cycles, these yields have fallen quite significantly starting FY '24 and I think in FY '26, I think you made a loss.

So, just want to understand what are these cycles and is this industry cyclical because if I look at the longer history, it doesn't seem to be, but after COVID the numbers seem to suggest that -- these numbers seem to suggest that it's cyclical. So, if you could just talk about it.

Ravi Jakhar: Yes. So, a few comments on in response to that question. First, as you could see, from the most recently reported numbers, the volumes have been down across products. As we have reported, we have seen approximately 4% decline in LCL volumes and a double-digit decline in the air and FCL volumes, which means that volumes came down across the board and despite that on a year-on-year basis the gross profit has moved upwards. So, you know, that kind of speaks about the direction in which yield has moved.

There were a couple of years when the yields were significantly high post the COVID period. So, those, you know, about 21 months to 24 months, you could to a certain extent call out as an exceptional because the freight rates had significantly increased and that led to higher margins in FCL as well. But on an overall basis, if you look at leaving those 2 years out, the yield has continuously improved over a period of time.

It's largely the volumes that have remained subdued in the last – you know, I would say almost now a couple of years on the back of the economic environment and further caused by geopolitical disruptions. But on the yield side, we have actually moved upwards, and like I said even in the most recent quarter, if you look at the volume and the gross profit trend, the yields would point towards a positive number.

And the second thing you spoke about the cyclicality. So, I would say that, you know, it does not follow any cyclicality as such, but it closely shadows the economic and the trade environment. And therefore, any disruptions which come into play, you know, such as those caused by tariff barriers last year, you know, war in the Middle East this year, some of these would have an bearing on the global economic and trade performance and that would reflect, you know, in the performance of the business as well.

Now, naturally over the longer history, such events have been, you know, less frequent, and what we have seen both on the positive side on economic boom driven by economic stimulus during the COVID or, you know, the downward trends on account of geopolitical crises, both negative and positive events have become far too frequent over the last 5 years, and therefore, there seems to be higher volatility in the global economic and trade environment, and -- but I would say it's not a stagnation.

Now, at least over the last couple of years we have seen the industry bottoming out in a way on the volume side, and I would say that our base case is that we assume that nothing much changes for the next 12 months, and which is why we try to increase volumes primarily by chipping in a little bit on the market share and then trying to stay more focused on, you know, how can we negotiate better contracts, how can we improve utilization, how can we reduce loss-making trade lanes, improve profitability on trade lanes.

And a host of these measures which can allow us to incrementally improve the yield and also then keep the cost, you know, constant and therefore, we continue to drive the profitability. So, our focus is more inwards because the external environment is not in our control, but it's rather than a cyclical, it's more of, you know, significant disruptions and positive and negative volatility that we have seen, which hopefully should be lesser. But, you know, I mean, I could not really comment on that as there is no, you know, certainty on how the geopolitical environment shapes up.

Regarding the last point, I would like to highlight that, you know, at – in the depreciation in our business is largely on account of, if you go back into the history, the way the company has grown, we have also grown on the back of various acquisitions, and therefore, you know, there's goodwill on the books, there are a lot of other non-cash assets which also depreciate.

As a business, it's an extremely asset-light business with hardly any capital assets owned or even the capex investments are a tiny fraction of the company's P&L and therefore, most of the depreciation would be non-cash in nature, and in fact over the coming quarters we intend to provide a bit more perspective on that, and which is why, while one could look at negative numbers, the business has actually, you know, generated cash in the recent times.

And even on an overall basis if you look at the last couple of years, we have sequentially brought down the debt on our books, which has been an outcome of cash generation with both, you know, operating business initiatives plus some of the asset divestment initiatives as well. Yes. So, I hope I was able to give you some perspective on your question.

Chaitanya: Yes. Very helpful. Also, I wanted to understand the difference in unit economics between the LCL and the FCL and the air cargo business. And you may correct me if I'm wrong because I don't have the entire data set with me. It seems like since quite a bit of years I would say, since 2016 or 2017, the LCL volumes seem to be flattish and all the growth has come from FCL and air cargo and I may be wrong here because I don't have the actual numbers with me, but this is what I could deduce from the annual reports. So A, what is the difference in unit economics of between these businesses? And has LCL stagnated or has that also been growing? Is there a structural issue over there or not?

Ravi Jakhar: Yes. So one, you know naturally, LCL being the most niche business would tend to be having highest profitability as compared to FCL, which would be lowest of the three products and air would sit somewhere in the middle. In terms of the growth rates, you would find FCL business having higher compounded growth rates primarily on the account of coming on a low base. But like I mentioned, you know, in the addressable market globally we hold about 14.5% market share in LCL. In FCL that number is not even 1%. So, it's a highly fragmented market and our contribution or, you know, share is much smaller.

In terms of the growth actually if you would observe you would find that the business had steadily grown on the LCL business as well. But over the last 2 years there has been a contraction of volumes and now in the most recent period, like I mentioned, you know, over the last 6 months the Middle East crisis further had a negative impact on the volumes and which is what has led to. So, if you see where we stand today, we are almost 10% below on the LCL volumes to where we were a couple of years back.

And last 2 years, the environment has been quite worse. The actual volumes possibly for the industry have come down by almost 13% to 14% because we would be outperforming about 3% to 4% roughly or maybe slightly more than that on the overall volume side.

So I would say that the decline in the volumes is across both LCL and FCL over the recent couple of years, but because we have a dominant market position in LCL that impact becomes immediately visible in our P&L while FCL because you are expanding into new countries, you're opening new markets, you were growing at a much higher growth rate of say 18%, 20% over a period of almost seven eight years continued.

So now when you reduce 14%, 15% from 20 you still get to 4%, 5%, but in on the LCL side you would typically tend to see a negative impact. So I would say it's not a stagnation, but it is growth in different dimensions and then offset by the subdued economy. So for an example, the decline in volumes would have come from some of our most mature markets in Europe in the recent times, even US, compared to volumes which we were handling.

But at the same time, we have seen growth in emerging markets in Latin America, Southeast Asia, India as well. So, but the two have been kind of offset in a certain way, and as the economic situation rebounds, you should see the growth come back in. In general, the thumb rule is that the LCL business tends to grow roughly at about 2x the FCL growth rate.

Now, that is the opportunity for us that in LCL because we already have a dominant position in some other markets, if the industry is growing at 2x of the FCL growth rate, maybe we can grow at 2.5x or 3x somewhere broadly in that range. But in the FCL even if the industry is growing at x%, we can even grow at 3x, 4x, or 5x purely because we are still not present in many markets and many opportunities are there.

So in terms of growth rates FCL potentially can be higher growth rates. But then LCL is what is the most niche business, highest profit margins, lowest working capital, and therefore the most profitable business and hence the mainstay and also the most important strategic focus for us.

Chaitanya: Okay, so if I understand it correctly, LCL would be the trigger for the profit numbers to start showing up, right? The growth in LCL volume.

Ravi Jakhar: Absolutely.

Chaitanya: I have one more question if you don't mind me asking or I can join back the queue as well.

Ravi Jakhar: Sure, you can go ahead. I'll try to be brief so that we can have other participants also come in.

Chaitanya: Yes, again this is a question you mentioned that it's an asset light business, but you have quite a bit of debt on your books. So a, is that against any assets or acquisitions or is that working capital debt? And in terms of return on capital, what is your internal target for return on capital in this business? What do you think can be generated from the operations that you run? Compared to because your historical numbers have been quite good. So I'm just understanding, trying to understand what we should expect going into the future.

Ravi Jakhar: Yes. So as far as the debt is concerned, it has primarily been one towards the working capital and secondly it also pertains to some of the acquisitions historically as the business historically did acquisitions and also expanded the business. In terms of return on capital employed, I would refrain from any immediate guidance, but if you would look at the historical numbers on this business, the return on capital employed has been always north of 20%, and definitely we need to be heading back to that zone broadly. Exact guidance I would refrain from. Maybe we'll try to provide in the coming quarters as we put across projections for the future years.

Chaitanya: Okay, thank you so much.

Moderator: Thank you. Next question is from the line of Dhruv S from Leo Capital. Please go ahead.

Dhruv S: Thank you for the opportunity. So my first question is, sir, could you help us understand the sustainable margin profile of the business? Historically margins have been quite volatile, like we have seen volatility with freight rates and trade cycle. As the business normalizes, what do you see as a sustainable long term EBITDA margin and what are the key factors that could drive if it's higher or lower from here?

Ravi Jakhar: Like I mentioned, the gross profit margins in terms of the percentage terms and by the same logic, EBITDA margins in percentage terms are not very relevant to the P&L in this business. In terms of the gross profit per unit of volume, we believe that the current levels can be sustained.

So any incremental growth that you would see in volumes would be a direct multiplier on the gross profit. And on the cost side, the intent is to keep it flat in dollar terms. And therefore that should create an operating leverage and an impact on the EBITDA. That's the way to look at this business, I would say.

Dhruv S: Okay, sir, thank you. My second question is given the ongoing geopolitical disruptions, changes in trade routes, and increasing supply chain diversification, how are you thinking about the medium to long term growth opportunity for the business? And do you see these disruptions as a structural opportunity for volume and market share or are they like likely to remain near term headwinds for growth?

Ravi Jakhar: Yes. So I would say that like I said earlier, geopolitical conflicts cannot be predicted at least by us on the business side, and therefore we go in with the assumption of no significant growth over the next 12 months, and we plan our strategy based on that, to chip in at the market share and control more on the cost side.

From a medium to long term, personally, I would say one would tend to read in on various expert commentary. One would expect the Middle East crisis to end at some point in time, whether it's 3 months or 12 months, no one knows. But since you talked about mid to long term, which in my mind is 3 to 5 years, I would think that this crisis would be behind us.

And hopefully there should be some revival in the economic environment, and that should mean that the trade flows can possibly regularize. From our business perspective, at this point in time, we are focused on costs, and currently with all the acquisitions and organic initiatives, we are well present across all the key markets globally, and therefore any tailwind that comes in by way of economic growth, we should be well positioned to capture that.

Dhruv S: Okay, sir. Thank you so much.

Moderator: Thank you. Next question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Yes, thanks for the opportunity. I hope I'm audible. First to understand the business as a whole in terms of volumes, right. If you look at global trade, though there have been disruptions but the volumes have been broadly steady if we read from the top shipping companies globally. But for us the volumes have declined if I look at year on year basis LCL about 4 percentage, FCL around 13 percentage. So, what explains the volume degrowth compared to the broad-based global trade which has been more or less flat? How should one understand this volume degrowth?

Ravi Jakhar: Yes, so when you're looking at the global trade often the commentary includes both the loaded and the empty repositioning containers as well. As far as the LCL business is concerned, it has de-grown by a higher number than what we have de-grown by if you look at an year-on-year picture at a global level.

On the FCL side, the de-growth on our numbers for this quarter would be higher because we have a significant contribution coming in on the FCL business from Middle East. And that's one region which has been worst impacted by the by the current disruptions. So that is why I would say the overall global decline in FCL business would have been lower than us, but on the LCL on a year-on-year basis, the industry has declined more than our decline on the year-on-year basis.

Ahmed Madha: And how should one categorize the LCL business volume growth fundamentally over medium to long term? There have been a lot of views in terms of getting disrupted because a shipper will want to integrate that service also into their business, and then there are other arguments. How will you place the sort of structural volume growth of industry when you provide a lot of services, a lot of operational intensity which goes into your business? So how would you categorize the volume growth of your LCL business fundamentally over medium to long term? And how do you see the normalization of volume growth happening in the current fiscal year as well?

Ravi Jakhar: Yes, so as far as the LCL business is concerned, there is absolutely no alternative except air freight, which is a much more expensive alternative. Somebody who's wanting to ship 1, 2, or 5 cubic meters of cargo, and to give you a perspective, an average shipment size is roughly somewhere in the range of 3 to 4 cubic meters in our global business.

Somebody wanting to ship 1, 2, or 5 cubic meters of cargo has only two options, to ship it by LCL or to ship it by air when we're talking about the cross-country trade. So there are no alternatives for shippers in terms of the mode of transport. In terms of who they could use, like I mentioned, it requires think of it as running an airline network.

Now if you only have demand for 10 passengers every day from City A to City B, you cannot run a flight. So for an airline to operate, you need to have enough demand to be able to deploy an aircraft. Similarly, for a shipping company, it needs to have enough demand on that particular trade lane to be able to deploy a daily once in 3 days or a weekly or a fortnightly sailing.

And that requires a tremendous scale of operations because having that consistent demand is not something which can be replicated in short time, and which is why if you see the global networks, all the key global players are the ones which you can date back to the last century. So that's how I would put it across, that there are no alternatives per se.

Within these set of LCL players such as us and others, those who can continue to drive operational efficiencies, reduce costs of service, and embed technology to integrate well with the shippers, those would tend to win in the long term.

Ahmed Madha: For FCL ex of Middle East, what will be our volume degrowth? You mentioned that Middle East had an impact for our overall FCL volume growth. So, ex of Middle East, can you give a range? What will the number be?

Ravi Jakhar: So barring the Middle East, I would say we have grown across our transatlantic trade, we have grown into Latin America, those are the two key markets which are on the positive side on the FCL business. Middle East is what has been low. So which means that both volumes in and out of Middle East have de-grown significantly, and also that has an impact on the other regions to some extent.

For an example, North Asia, which includes China, for us is the biggest contributor to FCL volumes into Middle East. So, they would also have seen a negative impact on that. But some of the other markets like transatlantic and business into Latin America has seen growth for us over the last year on year.

Ahmed Madha: And can you comment on how do you see the near-term volume growth? Should it improve from the Q1 base or the current volume should more or less sustain?

Ravi Jakhar: So like I mentioned earlier, the base case that we are running is a continued marginal uptick in volumes for the next few months, which is the typical trend in the industry. You tend to see marginal uptick up to a couple of months prior to Christmas, and then the volumes tend to get flatter or be a little subdued around the Chinese New Year, and they tend to pick up after that.

Now we expect the similar trajectory to be followed this year, but no substantial growth given that some of the challenges on the economic side still persist as an overhang. So I would say marginal incremental volumes is what we are forecasting, and on the back of other initiatives slightly more compounded positive impact on the profitability side would be our anticipation.

Ahmed Madha: Sure. And in terms of the freight cycle, right. I mean if I go through the companies commentary earlier that the group was fully consolidated, that it is a pass-through in terms of freight rates and we have seen freight rates materially improving somewhere between 20% to 30% and maybe it will differ based on geography. How should one look at our gross margins in context of how the global freight cycle is? Should we try to correlate, should we not correlate? And if not the case, then what can enable us to improve our absolute gross profits, which will eventually mean that overall bottom line is healthy? So how should one think about it?

Ravi Jakhar: Yes, so I think, like you rightly pointed out, the absolute gross profits is what we focus on rather than the percentage margins. Now what happens is two things here. One on the revenue, while it's a pass-through cost it tends to does have a close resemblance to the P&L, and I'll explain to you why.

On the LCL business, if the freight rates are high, you would tend to have more demand, because a higher freight rate means there's higher demand. Now higher demand and less supply means that we are in a situation to improve our container utilization. Now our costs for what we pay for to the shipping line is the container, what we charge for is the cubic meter inside the container.

So typically, what we tend to observe is in higher freight rate environments, we tend to see marginal improvements in our utilization, which leads to improved profitability. On the FCL side, that to some extent has a profitability bearing, not exactly proportional, but it has some bearing as we try to factor in the working capital cost and take the quotations up or down.

So in a typically higher freight environment, FCL margins also will tend to expand. So on the back of increased utilization and on the back of slightly improved margins, FCL generally you would find a correlation between the profitability and the freight rates, though in theory we are moving the freight rates as a pass-through cost. But like I explained, these are the factors.

In terms of the absolute gross profit if you observe over the last seven, eight years, we have improved our yield considerably, which is the gross profit per unit of volume that we handle. And how we have done that is a multitude of factors. Earlier -- 10 years ago we were largely doing ocean port-to-port. We have gone into much more door deliveries.

We are offering first mile, last mile connectivity on many of these cargoes that we handle. Then we have created scale at which we are able to negotiate better terms with the warehouse contractors where we operate for consolidating and deconsolidating the stuffing, de-stuffing the boxes. We have done a lot of network optimization. Significant percentage of business historically could be sitting in the loss-making trade lanes because of utilization not being better.

So a lot of technology process, practices have been used to significantly improve the gross profit per unit of cargo that we handle. And that is something which we believe would continue at the same levels. And the expansion in absolute gross profits in the months, quarters, or years to come would be primarily driven by volume.

So we our intent is to maintain the yield that we have currently, and grow volumes, and which lead to the gross profit expansion, and while maintaining the cost to create an operating leverage on the profit. That's the outcome of strategies that we are working on.

Ahmed Madha: Then ideally in the current quarter or in the, like last couple of quarters, the gross profit should have moved up considering the freight rates have moved up, but that we don't see in the P&L.

Ravi Jakhar: So like I mentioned, if you see Q-on-Q, our volumes moved by about four and a half, 5% in LCL and Air, and the FCL moved by about 1%. As we have historically stated the LCL and FCL breakup is about two-thirds, one-third. Which means that on a compounded basis, the direct correlation GP should have grown somewhere in the range of about 4%, 4.1%, 4.2%. Compared to that, the gross profit has grown about 6.6%. So that extra two to two and a half percent is largely coming from slightly marginal impact of the freight rate environment and some of the efficiencies brought in as well.

Ahmed Madha: Sure. And lastly on cost structures. I mean we had about INR705 crores SG&A, if I combine the opex and employee cost, that run rate should remain the same? It shouldn't go up, is that fair assumption to consider?

Ravi Jakhar: So, I think I responded on this same question a while back. So just to reiterate, our intent is to keep the cost flat in dollar terms. Dollar is the more standard operating currency both for our revenue and operating cost, with on the employee side, some cost sitting in European Union, which are have been appreciating, and then some sitting in India and some other markets shipping depreciating, or on a holistic basis, dollar acts as the single most relevant currency on our basket of revenue and cost. So in dollar terms, our intent would be to keep the employee expenses and the admin expenses flat over the coming couple of years. That would be the intent.

Ahmed Madha: Just last question, if I look at the historical profitability, even pre-COVID, there were a couple of years in during COVID which were phenomenal for us, but pre-COVID for this business was more or less stable in terms of what EBITDA you are generating, and even you mentioned about 20% ROC profile of the business steady state.

But to achieve those historical metrics you had in terms of EBITDA and what ROC profile you mentioned, the delta that needs to come into P&L is like significant. So, how should one imagine that should be coming? Will that take a long journey in terms of improving volumes, pricing, cost structures, everything or the normalization can be relatively quick?

Ravi Jakhar: So I would put that across on the trade normalization. In terms of the absolute quantum we should be in the right range, provided we see another I would say, just a ballpark, maybe a 12% to 15% growth on volumes from here should put us in all the right desired trajectories. Now that 12% to 15% volume growth from here would be some part of that can come through market share gains, but a good part of that will have to come through trade rebound as well.

Now if trade rebound happens sooner, then it can be faster, because market share expansion can only happen at a certain pace over the years. So a combination of those two would define where -- so if the economic environment changes favorably, we could reach there much quicker. If it remains like this, it may take a bit longer as I would put it. But that's a broad ballpark target at which things would start looking very different.

Ahmed Madha: Sure, got it. Thank you so much and all the best.

Ravi Jakhar: Thanks.

Moderator: Thank you. Next question is from the line of Kiran from TableTree. Please go ahead.

Kiran: Yes, thank you so much for the follow-up. Sir, we keep talking about gross profit per yield and EBITDA -- sorry, gross profit per ton and yields. Is there any particular yield number that we look at? I mean, from what I could read, we have about 14,700 TEUs in FCL. LCL if I divide by roughly 30, we have 68,000. So just trying to understand, are you looking at any particular yield number that we should kind of model in, in terms of a range?

Ravi Jakhar: So the CBM and TEU yields are very different because LCL and FCL business are fundamentally different. What we do offer for better insights to our investors and analysts, is we provide a monthly update, which would commence, as the company has now got listed earlier, we used to provide it as a business update, now it will come in for the company update starting this month.

Wherein we provide -- so while we cannot provide absolute numbers, we provide a scale. Which means that if the yield was 100 one year ago, how has that progressed over the last 12 months. So that can give you a good directional trend on the yield across LCL and FCL business, which we shall be providing in our monthly update that we shall release from the company side.

Kiran: Got it, sir. Got it, understood. Then the second follow-up is, sir, we spoke about being asset light, but we have a short-term debt of about INR900 crores as of March 26 -- actually INR1,300 crores if I'm not considering the lease liabilities bit of it. So we have short-term borrowings of about INR918 crores.

So just to understand, when we say asset light, this doesn't include working capital because INR1,000 crores debt -- approximately INR1,000 crores debt is quite a huge number. That is one part of the question. The second part of the question is given we have done a lot of acquisitions, amortizations and everything else, how does management think about acquisitions going forward?

Are we saying, look, let's integrate and grow the business first for the next 18 months and then look for acquisitions, or will you continue to acquire businesses when you come across? Those are the two parts of the questions, sir.

Ravi Jakhar: So to respond on the first part, the debt is largely working capital debt, and we've also historically invested in acquiring different businesses and capital has been deployed towards that, while profits have to a large extent also been distributed and paid out as dividend to shareholders. In terms of the acquisitions, we have done strategy acquisitions over the years to enter into new products or new markets.

At this point in time, we do not foresee any need for any further markets. We are present in all the relevant markets. We are present in all the products that we want to be. And with the network strength that we have over the last couple of years, we have grown more organically. So even in new markets, we've entered by hiring new teams for new products as well as for entering into new markets.

So at least in the near term, the strategy is to grow by investing in people and not buying businesses.

Kiran: Thank you so much. And this INR900 crores of working capital debt, are you looking to reduce it or will it be steady state here?

Ravi Jakhar: So some part of this is also not interest bearing as it gets offset by the cash sitting on books as well. And being a global company, sometimes moving cash across borders may not be most efficient. So we do work with a single global bank in many countries wherein cash sitting on the books also acts as a cover against this.

So you can also look at the cash balance against this debt and therefore the net debt is almost 40% of this or slightly more would also be the cash sitting on books. So therefore the net debt is effectively 60% of the number that you mentioned. Further, we intend to increase that significantly over the next two, three quarters itself by one, focus on reducing the working capital on the balance sheet.

Secondly, some non-core asset divestments, some of the real estate that we may still own which we don't need to own and a few other measures on the working capital improvement. See, the net debt number, which I would say call out as the more relevant number looking at debt net of cash, should come down significantly over the next two to three quarters.

And we'll provide an update in the coming quarter and subsequently on how the net debt has trended for this business over the last trailing four quarters.

Kiran: Thank you so much. All the best.

Moderator: Thank you. Next question is from the line of Ahmed Madha from Unifi Capital. Please go ahead.

Ahmed Madha: Yes, two, three follow-ups. Firstly, on debt number in the presentation, you have disclosed standalone net debt number as of June end. Can you give what is the consolidated gross debt and net debt as of June end?

Ravi Jakhar: Yes, I'll request my colleague Steve to respond to that. Steve?

Stephen Dunn: Yes, sorry, the consolidated debt is about INR942 crores at the end of March -- the June quarter.

Ahmed Madha: And what will be the net debt amount?

Stephen Dunn: Net debt is run about INR570 crores. Yes.

Ahmed Madha: Okay. Secondly, you spoke about the selling some of the non-core assets. I mean, I think since the listing there was one such transaction which we saw with your group company. Can you elaborate a little bit more? What sort of asset, what sort of size one can consider those assets to be?

Ravi Jakhar: I would say these would be some of the warehousing and office assets that we own, which combined could be just a very ballpark number would be somewhere around USD10 million to USD15 million all combined.

Ahmed Madha: Okay, USD10 million to USD15 million. Got it. Sure, yes, that's it from my side. Thank you so much.

Moderator: Thank you. Ladies and gentlemen, we will take this as a last question for the day. I now hand the conference over to Mr. Ravi Jakhar for closing comments.

Ravi Jakhar: Yes, thank you everyone for joining in on the call, and we remain excited talking about our business and providing more perspective to our shareholders and analysts. I would strongly recommend that you be in touch with our investor relations team. Sanjay Punjabi is the person to reach out to.

If you have any insights on the business in terms of -- we'll be always happy to hear from you and take your feedback. And also any questions that you have, we tend to not provide any selective information, but always open to understanding what questions come more often to investor and analyst's mind and based on that continue to update our quarterly presentations to include more and more insights as we can help you to understand the business.

So please feel free to reach out to Sanjay and the team and we'll be happy to provide more details. Yes. Thank you all.

Moderator: Thank you so much, sir. On behalf of Allcargo Global Limited, that concludes this conference. Thank you all for joining us, and you may now disconnect your lines.