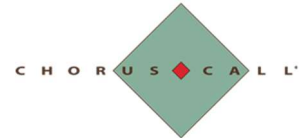




**“LEAP India Limited
Q2 FY27 Earnings Conference Call”
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MODERATOR: **MS. SOUMYA CHHAJED - GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the LEAP India Limited Q2 FY27 Earnings Conference Call. 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 Ms. Soumya Chhajed from Go India Advisors. Thank you, and over to you, ma'am.

Soumya Chhajed: Good day, everyone, and welcome to Q2 and H1 FY27 Earnings Call of LEAP India Limited. We have with us Mr. Sunu Mathew – Chairman, Managing Director and Chief Executive Officer – LEAP India Limited; Mr. Hrishi Gandhi, the Chief Growth Officer; and Mr. Rajesham Alle, the Chief Financial Officer. Please be reminded that discussions on today's call may include certain forward-looking statements and must be, therefore, viewed in conjunction with the risk pertaining to the business.

I now request the management to provide more insight and post that we'll begin with Q&A. Thank you, and over to you.

Sunu Mathew: Good morning, everyone, and welcome to LEAP India Limited's earning conference call for the second quarter and first half of FY27. I would like to start with the business overview. For those joining us for the first time, LEAP is India's largest on-demand asset pooling company with around 90%, 92% share of the organized pallet pooling market. We provide pallets, plastic containers, and material handling equipment on a pay-per-use basis.

We take full care of the full asset life cycle, which means deployment, tracking, retrieval, repair, and redeployment. Today, we manage a pool of 15.5 million assets valued at over INR1,820 crores. We serve round about 1,100-plus customers across 11,000 touchpoints through 27 fulfillment centers.

A detailed overview of the business and the industry opportunity is available in our investor presentation. So, today I will focus on what has changed during this quarter, which is the second quarter. So, one of the most important announcement that I would like to make is the acquisition of Vimprotech and TIPS.

The most important development this quarter is our agreement to acquire 100% of the business of Vimprotech and TIPS for an equity value of INR142 crores. Both are being acquired through slump sales into newly incorporated, wholly owned subsidiaries, Vimprotech into Vimprotech Private Limited, which will be our manufacturing arm, and TIPS into Total Integrated Packaging Solution, that means TIPS Private Limited, which will be our pooling arm.

Vimprotech is into plastic manufacturing, providing end-to-end solution and in-house designing, mold-making, and production of vacuum forming and injection molding across its two plants in Puducherry and Tamil Nadu. TIPS is a crate and tray pooling business, predominantly very strong in the automotive sector, with an asset pool of 0.25 million crates and trays.

Together with a robust customer base of 200-plus, they have reported FY26 revenue at INR61.7 crores at an EBITDA margin of 28%, with revenue growing up to 44% CAGR over the last three years. The strategic logic is straightforward. First, it gives us backward integration into plastics, boosting our innovation and building newer capabilities. This will result in reducing our dependence on outside vendors, improving turnaround time, quality control, and cost.

Second, it increases our portfolio and leverages our customer base to cross-sell. Third, it adds a strong Southern footprint that we can scale through our existing network in the West and North. And you understand that 30% to 40% of the business of automobile is in the South part of the country. On an FY26 pro forma basis, the transaction is accretive to revenue, EBITDA, and PAT, and improves our net debt to EBITDA.

We are pleased to announce that we have already signed the BTA on 26th October. The key managerial persons will continue to be associated with us, ensuring leadership continuity and a seamless transition. I understand that there has been a lot of questions on GCC expansion. So, we have set up wholly owned subsidiaries in Saudi Arabia and the UAE.

The GCC is a natural extension of our platform. Palletization levels are already high, automation and ASRS adoption are rising, and the movement hire model is very well-understood. We continue to take a measured, phased approach to this market. We are contemplating certain acquisitions also in the GCC market.

A stronger balance sheet is the third point that I want to put forward. From our IPO fresh issue of INR480 crores, INR360 crores has been used to repay debt. On a post-IPO basis, our debt to equity is about 0.5, and our net debt to EBITDA is about 1.9x, with around INR110 crores held as investments. This gives us the flexibility to pursue value-accretive opportunities such as this acquisition while staying disciplined on the leverage.

I am very happy to announce that in the month of October, India Ratings and Research, a Fitch Group company, upgraded LEAP's long-term rating from A to A plus, and same has happened for TARON business, which is our MHE business, that has also moved from A to A plus.

This is our third upgrade in about 3.5 years. We now have a leaner balance sheet, a top-tier short-term rating, and a clear runway to fund the next leg of growth, including value-accretive opportunities, such as this acquisition, while staying disciplined on the leverage.

Let me come to the certain performance highlights. I would like to tell you that always when you look at this business, you should compare it over last year, so quarter-on-quarter is -- we are not a selling company. So, you cannot compare it with quarter 1 to quarter 2 because this is a seasonal business.

So, as compared to last year's quarter 2, we have done INR216 crores of turnover. We have grown by 22.5%. We have done INR110 crores of EBITDA, which is we have grown by 24.8%. Overall EBITDA for the first half is 52.2%.

We have given a PAT growth of nearly INR18 crores, which is a jump of 62% over the last year. Now, if you remove the break cost, the money that we have paid to the banks for paying off the debt, if you remove INR6.5 crores of that, actually we have grown our PAT by 109%.

So, this is a whopping story, and this you will be able to see in our future times to come, like quarter 3, quarter 4. We have put in round about 417,000 net allot of our pallets. So, the people who are asking this question of whether there is growth since you have 90% of the market, that also comes to rest. We have added 37 new customers. LEAP has added 24 new customers, and TARON has added 13 new customers. So, overall, in the first half, we have added 85 new customers.

If you looked at our MHE business, we have grown by 60% on revenue and round about 28% on our EBITDA. If you look at the outlook, our priorities for the rest of the year are very, very clear, which is deepen penetration with existing customers, keep moving customers from static to movement hire, cross-sell across pallets, containers, and MHE, open up new industries, integrate Vimprotech and TIPS, and build the GCC business in a measured way. We will do this with continued discipline on asset utilization, returns on capital, and balance sheet strength.

With that, I will hand over to Hrishi to take you through the operating and growth updates for the quarter.

Hrishi Gandhi:

Thank you, Mr. Mathew, and a very good morning to all the participants. I would like to start with business overview, a quick recap of how our growth works.

LEAP grows on three engines, adding assets to the pool; keeping those assets productive; and moving customers from static hire, where asset sits at one location, to movement hire, where the assets travel across the supply chain and earns at every leg. Underneath all three is our network of 11,000-plus touchpoints, which lets customers hire anywhere and de-hire anywhere.

Let me take you through how each of this moved during the quarter. So, in terms of quarter update, asset base and utilization. So, we closed H1 with 15.5 million assets compared with 13.8 million a year ago, an addition of 1.7 million.

Pallet utilization stood at 89.3% in line with Q2 FY26. Container utilization was at 73.7%, up from 71.7%. And MHE utilization at 82.3%. As I mentioned on our call last year, we aim to take the pallet utilization to 90%, 91% range over the coming quarters, and we continue to deploy new assets quickly.

In terms of customers and network infrastructure, we now serve 1,100-plus customers, and we are constantly adding that. We have 11,000-plus touchpoints. We also continue to capture network synergies from CHEP integration, where our fulfilment centres were close to erstwhile CHEP facilities. We consolidated with them, closing two facilities and bringing our network to 27 fulfilment centres without any loss of reach.

With regard to movement hire, there is a constant improvement in movement hire business, and we are converting customers from dairy sector, textile sectors from static hire to the movement hire, and the journey will continue further.

In terms of quick background about Vimprotech and TIPS, the new acquisition, Mr. Mathew has already covered the strategic rationale. So, let me speak to the commercial side. Vimprotech gives us in-house design, mould-making, and plastic manufacturing capabilities. That means faster development of design and moulds, customization of various products, shorter turnaround, and better control over the quality and cost.

TIPS strengthens our container pooling position, especially in automotive business. The growth opportunity comes from three places, cross-selling of pallets, crates, containers, and MHE across our 1,100-plus customers; and their basically, Vimprotech and TIPS groups, they have 200-plus customers, taking their strong Southern presence into our Western and Northern network; and moving into newer industries, such as FMCG, electronics, EV and agri with integrated offerings that supports longer contract and higher wallet share, integrated product.

In terms of GCC update, our subsidiaries in Saudi and UAE are well-established. We got our licenses. This has been foundation-building months. We have got all the approvals, and we have been putting our ground infrastructure right from setting of an entity, getting all licenses, getting warehouse infrastructure, and hiring key people, customer engagement, and regulatory approvals also.

At the same time, we are engaging with our prospective customers and building our pipeline. Getting the foundation right now will let us to scale faster once we go live. In terms of way forward, our priorities are clear, deepen movement hire, cross-sell pallets, containers, crates, and MHE across a larger customer base, take pooling into newer industry, and build the GCC into our next growth market. Every asset we pool replaces single-use packaging.

So, the growth that builds value for our shareholders also makes supply chain more sustainable. We have the network, the capabilities, and the balance sheet to do this. And I am confident about the road ahead.

With that, let me hand over to our CFO, Mr. Rajesham Alle, to take you through the financial performance. Mr. Rajesham Alle.

Rajesham Alle: Thank you, Hrishi, and good afternoon, everyone. Before the numbers, a brief word on how our models shows up in the financials. Customers pay for our assets on a per-use basis through allotment fee, daily rental, and increasingly, movement fee at each leg of supply chain.

Moderator: I'm sorry to interrupt, sir. If you can come closer to the mic?

Rajesham Alle: Yes. This gives us a recurring, annuity-like income stream on a long-life asset base. Our financial levers are simple, grow the pool, keep the assets productive, and let operating leverage flow through to earning and cash.

Key financial updates for the quarter, Vimprotech and TIPS acquisition. The acquisition of Vimprotech and TIPS is valued at an enterprise value of INR1,020 million and INR400 million, respectively, and is structured as a slump sales into wholly owned subsidiaries of LEAP India. In FY26, Vimprotech and TIPS has revenue of INR470 million and INR180 million, respectively.

With respect to IPO proceeds and leverage, of the INR4,800 million fresh issue, INR3,596 million has been used to repay debt, and INR1,200 million is unmarked for general corporate purposes. On a post-IPO basis, debt to equity is about 0.48x and net debt to EBITDA is about 1.9x, compared with 4.4x in H1 FY26.

We also hold around INR1,100 million as investments, and with India Ratings further upgrading our rating to A+ from stable A for both LEAP and TARON, should additionally optimize our cost of borrowing and give us a clear runway to fund the next leg of growth.

With respect to Quarter 2 FY27 performance, total income for the quarter was INR2,159 million, up 23% year-on-year. With this, asset pooling income was INR1,759 million, up 19%. And MHE income was INR393 million, up by 52%. With respect to EBITDA was INR1,097 million, up 25%, with EBITDA margin at 50.8%, up 91 basis points year-on-year, supported by higher income, cost optimization, and network synergies.

Depreciation was at INR576 million. Finance costs was at INR215 million, reflecting the benefit of INR3,596 million debt repayment from IPO proceeds. With respect to PAT, was INR178 million, up by 62%, with PAT margin at 8.2%, and cash PAT was INR754 million, up by 26%.

Now, with respect to H1 FY27 performance, for the first half, total income was INR4,294 million, up by 26% year-on-year. EBITDA was INR2,239 million, up by 23% at a margin of 52.1%. PAT was INR425 million, up by 42%, and cash PAT was INR1,566 million, up by 25%.

To sum up, our focus remains the same, scale the pool, keep the asset productive, and translate operating growth into stronger capital efficiency, now with a stronger balance sheet and broader platform.

With that, I will hand the call back to the moderator for the question-and-answer sessions. Thank you.

Moderator: Thank you. We will now begin the question-and-answer session. The first question comes from the line of Krupashankar N.J. with Avendus. Please go ahead.

Krupashankar N.J.: Good afternoon, and thank you for the opportunity, and congrats on great set of numbers. My first question was on the receivable days. I didn't see that there was a stark improvement in the receivable days when you compare it from March to September.

So, I just wanted to get some sense around how do you -- is there any room for further improvement which you can anticipate over the medium term? You did highlight something in the first quarter wherein the SAP S/4HANA implementation will drive a stark reduction. So, just wanted to get an update on the working capital days and how it can shape up over the medium term.

Sunu Mathew: Thank you, Krupa. So, Krupa, if you look at it, we have just bettered our number of days by six because when we started the year, it was 128 days. Now, our DSO is like 122 days. We really understand that this is not the right place to be there.

But as I told you that we have implemented SAP S/4HANA, and the bills are going on time, and you can see that whatever we have billed, we have started collecting more than that. So, we are very confident as a team that by the end of the year, we will be less than 90 days. So, that is what we are actually working upon.

There are certain challenges with customers because very big customers also work on a PO basis. When they work on a PO basis, if they ask for more pallets, and if the billing for that month is INR1 higher than the PO, then that month we do not get anything, and we will have to generate a PO from, say, 350 locations.

So, we are talking to those customers in order to get a centralized PO. I think if we are able to sort five or six customers who actually work on the basis of PO, I think we will be able to get it much better below 90 days. But you can take it from me that from 122 days, this will get better to 90 days by the time we end FY27.

Krupashankar N.J.: Understood. That's very helpful. So, if I were to then extrapolate that our cash flow from operations would be -- if you continue the trajectory on the profitability, so cash flow from operations would be more than enough to meet our capex requirements for the year. Is that understanding correct?

Sunu Mathew: See, if you look at the current trend, that situation will come in FY28. But there are certain acquisitions which are on the line in India and also outside of India, which is basically GCC. We believe that we will be having enough and more EBITDA so that we will be covering whatever we want to put it in our assets. But since it is on the cards, I would not like to comment upon it. But we will better it much before than what we have actually given to the shareholders.

Krupashankar N.J.: Sure, sir. So, I was looking at it ex of the acquisition cost, only the capex which we are incurring towards addition of assets. If I were to compare it only on that basis, then the cash flow from operations would be more than adequate to meet that requirement. Is that understanding fair?

Sunu Mathew: Yes, the understanding is correct. If you look at it, so this quarter, we have done a capex of INR213 crores as compared to INR201 crores last year H1. But the growth has been 21%. So, you can see that we have put in the same amount of capital, but we have grown by 21%. So, you are absolutely on dot that overall, this year, we will be having a capex of INR450 crores, and near to that we are looking at our EBITDA.

Krupashankar N.J.: Understood. So, second question would be on the pallet business. While I do appreciate the extent of growth which has come through, the breakup between pallets and containers' revenue stream for this quarter is not explicitly highlighted in the presentation. Would that number be handy? Can it be shared?

Sunu Mathew: Yes. It can be shared, and we will put it on the website. I think the presentation which has been uploaded in the website has that. So, the split is there. So, technically, it is again 64% contribution from pallet side, round about 20-odd percent, 20% to 22% contribution from auto side, and 14% to 16% contribution from MHE side. So, more or less, the contribution strata has not changed that much.

But you can look at it that this time the granule cost has gone overboard, plastic cost has gone overboard. Automotive sector has done fantastically well. If they have asked for four crates, we have been able to deliver only 1.5 crates to them. Even though we have added 200,000 more crates into the system, but the demand was much more. But we cannot buy a crate at 60% or 70% higher cost. So, we are just waiting for the cost to just lower down so that we can gain up in automotive much further.

Krupashankar N.J.:

Understood. So, taking that point forward, just wanted to get a sense of how are the lumber prices looking at? While you have given about the granules, which is for containers, on the lumber side of things, considering the dollar rates and the elevated shipping prices, how is that seen? And on a realization basis, what is the like-to-like realization which has increased in the September quarter?

Sunu Mathew:

Krupa, I have already told you that one of the biggest risk that we carry in this is if the timber cost is continuously fluctuating. That is the reason we created Plinova four years back, and today we have complete control over the timber cost. You can see that in last six years, our cost has not fluctuated more than 2% to 3% of the overall cost, you know. So, this is a very highly regularized product.

And once we have the contract with our suppliers all across the globe, it is actually not CIF, but FOB. Even if the container cost has increased 10 times, that has actually not put too much of dent on our pallet cost. You know, so if the container cost goes down, they benefit; if the container cost goes up, then we benefit.

So, currently, the average cost of our pallet, which is like a INR1,750 pallet, is there. Two or three places we have slightly increased the price, but timber cost, more or less, is totally under our control. We may have to look at it if the current situation prevails after March 31, 2027, but currently we are completely under control.

Krupashankar N.J.:

Understood. Last question from my side, Sunu, if I may. Yes, with Yes, with respect to static and movement hire, I know while it cannot be quantified on a quarterly basis, but if you can throw some color around any tractions or new business wins you've got on and how that is shaping up in your overall strategy?

Sunu Mathew:

Okay. See, if you look at the movement business, this time again we have done round about 720,000 pallet movement. But we were expecting much more higher movement and much more higher revenue. But what has happened, we signed Sanathan Textiles, we signed Bhilosa. If you look at that, there is 100% growth on the movement hire, but the base is very small.

We were looking at 10 times growth in textile, but the textile industry is only not functioning. They are functioning at 20% of their overall production capacity. So, textile industry is not doing well because of the cost of the granules. Plastic good industry is also absolutely hit due to the granule rate fluctuation.

So, if you look at the pooling thing, this crates actually travel on our pallets to different automotive components. So, that has also reduced a bit low because of the fluctuation of the

plastic prices, and that has actually put a dent into the movement hire. But if you look at Amul and dairy, agro, industrial goods, they are continuously doing well.

So, what quantum jump we were expecting in the second quarter, that has not happened. But at least we are on our numbers, and again, we have done 720,000 transfer hire movements in this quarter. And going forward, I believe that the situation will get corrected, and we will be able to hit our numbers of 3.6 million transfer hire movement for this year.

Krupashankar N.J.: Understood. Thanks a lot for answering my questions, and I'll get back in the queue.

Sunu Mathew: Thanks, Kripa. Thank you.

Moderator: Thank you. The next question comes from the line of Angad Saluja with UBS India. Please go ahead.

Angad Saluja: Yes. Hi. Am I audible?

Sunu Mathew: Yes, Angad.

Angad Saluja: Yes, thanks. Good afternoon, sir. Thanks for taking my question. I think first, question is on the acquisitions that you've done. I think TIPS seems like a natural extension of the business, so, more understandable. But just want to understand more on VIMPROTEC, that this is into manufacturing.

So, is it that you see that the cost-benefit of having this in-house is much larger than probably having a vendor do this? Or if you could just quantify some of the benefits that you think you could derive from this sort of acquisition, given that we've always been more into the pooling part, and manufacturing is not our strong forte, as such?

Sunu Mathew: A good question, Angad, on the acquisition. But you need to understand that, see, I am always a customer-customer guy. But in India, if you have to do business, there are certain things that needs to be in-house. We gain above everybody else because we control the price of timber in the country. And of late, we understood that there is so much of fluctuation.

Sometimes it is 20%, sometimes it is 70%. And I cannot run to 400 automotive customers to keep changing the rates. Second, very important point is Vimprotech is a mold-making, a designing, and a plastic converter company. So, if you look at any automotive component, or for that matter, if they have to move from one destination to another, they come to us.

We actually create a prototype, and then we go to this mold-making companies. They take their own sweet time. So they take 2 to 3 months. By that time, sometimes we lose the customer or they give it to two, three players, and then a competition starts. So, if we have an in-house production, we will be able to actually improve our automotive business by at least 600 basis points because we will have somebody who will be able to turn around the things in 1 week rather than waiting for actually 2 months.

So, again, the mold-making will remain with us. What happens that if somebody copies our mold-making, even if we have taken IP on that, it's a civil case and we will keep roaming around

the courts for next 20 years. So, it is always better that we have something in-house wherein all our intellectual property rights are within the company because this is a very hardcore design, and this is our brain and blood and sweat, which anybody can copy anytime.

So, we want it to be there within ourselves, and that is the reason it is a great buy. And then we'll have a 10% to 12% margin -- betterment in the margin of the plastic crates that we make. If we give it somewhere outside, they may add a certain margin. If we actually make it in in-house, then you can see that our ROCE and ROE will dramatically improve in automotive.

Angad Saluja:

Right. Got it. No, that's good to hear, sir. And my second question is just continuing from the earlier participant on movement hire, right? So, as you mentioned that this quarter was around 720,000 movements that you've done versus I think last quarter was around 766. So, just want to understand on a year-on-year basis, what would the growth be? This 720,000, what would that be last same quarter last year?

Sunu Mathew:

See, Angad, 4-year, 5-year trajectory, which I will tell you within India is like from 500,000, we have actually moved to 1.1 million; from 1.1 million, we went to 2.1 million. Last year, we did 2.8 million. This year, what we have said to the market is that we will do round about 3.6 million to 3.7 million. So, having said that, we are we are currently there at 1.5 million, which is INR15 lakh pallets.

So, we have said that we will be doing INR36 lakh pallet. Our season is just getting started. You need to understand that this is a rainy season. So second quarter is a rainy quarter, and this is the lowest that we do. Our biggest jump is going to come in December, Jan, Feb, March, wherein we contribute 34% to our total sales because everybody pre-builds.

Water pre-builds, juice, milk, cola companies, jeera companies, every company will actually pre-build on that. And that is the time when you will see at least in the last quarter you will see round about 1 million kind of a movement hire. So, we are very confident that we will be reaching the numbers what we have given to the market.

Angad Saluja:

Great. And just, just one follow-up on that. Any incremental, if you can just guide qualitatively, what's the traction you're seeing on converting customers from static to movement beyond dairy and textile also, and how are those conversations sort of shaping up?

Sunu Mathew:

See, as I said that we have signed 37 new customers. In this, round about six customers are on movement hire. This is again on the bottles and something on dairy. There are three customers, which are again being signed on the textile front. And one more company is into the movement of this tower kind of a stuff to various geographies.

So, I think it is going on well. We have round about 60 companies that we are talking to as far as transfer hire movements are concerned. And we actually follow it on the basis of the sales funnel. See, in one quarter, actually, two or three customers could be signed. There is a possibility in one quarter we will sign 20 customers. So, it is just based on that trial and the time that it is taking.

For example, I told you last time about what we are trying into solar panel. So, solar panel, we have tried it, and it is, say, 90% successful because this pallets actually go into the farmlands of the country where solar panels are being fixed.

So, we are also looking at introducing an active RFID to be placed on this pallets so that we can track it through the computers. So, we are -- we will be the first company which will be putting an active RFID into any kind of a pallet in the world. So, that thing is also going on. Once that converts, there are 39 new 39 companies which are doing this solar panel movement.

So, that will be a very big number. So, if we have said 3.6 million, next year possibly it could be 7 million, 8 million. So, that is the kind of jump, quantum jump, that you will get into our pooling business. And you look at, see we signed Sanathan Textile, and then it was Bhilosa. If you look at the textile industry, we are growing by 100%.

But it is just from 7,000 movements we have gone to 8,000 movements. So, this 7,000 actually has to go to round about 200,000. So, that is the kind of growth we were we are expecting. But since everything is being shut down, there is a certain lull, but I am very confident that You see, what has happened is that most of the states, villages are being declared as drought.

If this drought kind of a situation is there, people are going to drink more water, they are going to drink more cola, they are going to drink more juices, and that actually takes up our pallet penetration into the market, pallet introduction -- new pallet introduction into the market, and also the pooling from pet to the cola companies. We are very confident that we will be able to do it.

Angad Saluja: Got it, sir. Got it. Great. I think that's all the questions I had. Thank you so much, and all the best for the 90 quarters. Thanks.

Sunu Mathew: Thank you, Angad. Thank you.

Moderator: Thank you. The next question comes from the line of Viraj Kadam with Bewealthy. Please go ahead.

Viraj Kadam: Hello?

Sunu Mathew: Hi, Viraj.

Viraj Kadam: Hello?

Sunu Mathew: Yes.

Viraj Kadam: Yes. I wanted to ask, what's the update on the GCC market? Especially in this war situation, how are you planning for GCC operations?

Sunu Mathew: Okay. Thank you, Viraj, for asking this question. People have a lot of anxiety about this. Let me tell you that in in GCC, we have already touch-based with 26 customers. As in the earnings call, Mr. Hrishi has already explained that all our necessary licenses are in place. As far as customers are concerned, we are in touch with 26 customers.

But suddenly, there are two, three better tailwinds that has actually come up in GCC. So, as I have told in my earnings call that there are certain acquisitions that we may do. Now, the situation is that we can give a price to our customer and quickly start the business. But we are waiting that if there is an acquisition proposition in the GCC, then the customer will always choose the lower price.

So, we are actually holding ourselves back, and we are looking at certain things to happen quickly in next quarter or the other two quarters. And if that is not getting into the cards, we will start to give the price and start our business.

So, if you look, we are going very frugal. We are looking at the situation, what is happening in GCC. We have just spent hardly INR2.5 crores, INR3 crores into the entire licensing and taking up of the office and putting our people out there and meeting the customer. So, we are treading this very cautiously, but in my future times to come, there will be a lot of good news from the GCC market.

- Viraj Kadam:** Thank you. Thank you so much.
- Sunu Mathew:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Neelotpal Sahu with JM Financial. Please go ahead.
- Neelotpal Sahu:** Hi, sir. Good afternoon. Am I audible?
- Sunu Mathew:** Yes, very much, Neel.
- Neelotpal Sahu:** Thank you for the opportunity, and most of my questions have been answered. Just a bookkeeping kind of questions. On the balance sheet, there seems to be a rise in other financial liabilities. Can you throw some light on what this number is? What is causing the increase?
- Sunu Mathew:** Rajassham, would you like to take this, other financial liabilities?
- Rajesham Alle:** Yes. Since we have raised primary INR480 crores and INR2,000 crores offer for sale, against that, we have earmarked for around INR112 crores for IPO expenditure. Now, since we are awaiting the invoices from the various consultants and brokerage firms, so we have kept this payable into current liability.
- Neelotpal Sahu:** Hello?
- Sunu Mathew:** Yes. Put both.
- Neelotpal Sahu:** I could not hear you. You know, I couldn't hear you completely. Can you come again?
- Rajesham Alle:** Yes, I'll just tell you. We have raised around INR480 crores is a primary and INR2,000 crores offer for sale. We incurred expenditure of around INR113 crores towards IPO round. We have earmarked these expenditure to making the payment for brokerage houses. We have kept things under current liabilities. So, this is payable in this quarter.

Neelotpal Sahu: Understood.

Rajesham Alle: yes.

Neelotpal Sahu: Understood. Thank you, sir. And any color you could give on when do we expect the first set of revenues to come in from Middle East? An approximate timeline, given the volatility...

Sunu Mathew: See, yes, so if you look at Middle East, we can start the revenue maybe from next month. But we are looking at, as I said, that we are looking at certain companies to go for, which already have their operations in GCC. But next quarter, we will be definitely showing numbers on GCC front.

Neelotpal Sahu: All right. Thank you, sir. Those were my questions.

Sunu Mathew: Thank you.

Moderator: Thank you. The next question comes from the line of Vishal Mehta with IIFL Capital. Please go ahead.

Vishal Mehta: Hello. Thanks for giving me opportunity. My first question is on the Vimprotech acquisition. What I understand is given that this entity is into manufacturing, the sales would be in the nature of outright sale of these plastic products, not necessarily pooling. So, do we intend to continue this business of outright sale of plastic packaging products, and would we kind of grow this business as well? Your thoughts there.

Sunu Mathew: See, Vishal, first of all, we will see that what is the kind of growth that we are having within LEAP. So, first of all, like we need 400,000 crates, and we today go to three different vendors to actually get it manufactured for us because the automobile and other -- and the quick-commerce growth for utility boxes is really very high.

So, first, we will try to actually utilize their complete potential in order to juice them out for our benefit. And then out of like 200 customers, we will see that which is the customer wherein we will be able to grow the business. And then over a period of time, our intent is pooling.

So, even after selling that, will we be able to pool those SKUs which is actually going to those customers? For example, I can tell you a very renowned brand of refrigerator, they take the plates which comes actually inside the refrigerator, on which we keep our products. So, currently, it is very shabbily packed and sent to the customer.

We are looking at, can we have a kind of a returnable packaging which can be introduced out there? So, it's a good problem to have, and we believe that from their plastic manufacturing business also, we will derive certain amount of pooling revenue.

Vishal Mehta: Okay. So, this INR48 crores, INR50-odd crores of revenue that Vimprotech does, will that entire revenue accrue to us, or will it partially be flowing to us through margin improvement, partially through revenue? Some color there would help us model it better.

- Sunu Mathew:** See, I think as far as turnover is concerned, we will be able to take from November because we have signed the BTA only in the month of October. So, revenue will come starting November. And there will be a definite addition into the EBITDA margins, which is there, and which will be there in the consolidated balance sheet of LEAP India.
- But because of the goodwill, we really do not know how much of PAT will flow to our balance sheet. But I'm very sure there will be a very healthy turnover and EBITDA, at least for this financial year, which will come into the business.
- Vishal Mehta:** Okay. And with this acquisition, how much of manufacturing do we intend to move to Vimprotech? So, for example, if we are adding 1 million assets in our plastic business, how much of that will be catered by Vimprotech, and how much we'll still rely on third party?
- Sunu Mathew:** So, currently, it will be 50-50. Currently, they have two lines. Two lines can only take up 50%. Once we see their productivity and the kind of mix that they take out, and we check the strength and all those stuffs. On the basis of that, over a period of time, we will continue to improve. And over a period of time, 100% of our production will be in-house.
- Vishal Mehta:** Okay. And these TIPS warehouses, they have four warehouses. We intend to keep all of these four, or any overlap there, and we want to consolidate there or...?
- Sunu Mathew:** No, no, no. We will keep it. They run the business very, very frugally. If I have to calculate the ROCE of a customer of TIPS, since they run it in a very frugal manner, they can show a better ROCE than the moment it comes to LEAP, because LEAP is into a very high-fi standard of multinational. So, over a period of time, it is a strategic buy out. Smaller company business, which is like one-flow, two-flow, we will move it to them.
- Certain businesses, which are consolidating kind of a business, that we will take it from them. So, TIPS will actually turn to operate our smaller companies, wherein the distance needs to be covered is smaller, and LEAP will do all strategic kind of customers like Bosch, Cummins, Gabriel, and all these all these companies.
- Vishal Mehta:** Got it. Last question from my end, on the margins front specifically for this quarter, if I exclude other income, the margin seems to have compressed around 80 bps. So, any color on cost pressures this quarter or anything of that sort?
- Sunu Mathew:** See, nothing of that sort. First of all, you need to understand that this other income is not talking about any interest income or something from the bank which we have deposited or so. This is a part of our business. See, this comprises of something which is known as LEC, lost equipment charge. If a customer loses the equipment, they have to pay entire INR1,750 to us.
- Then the BBR, broken beyond economic repair. So, if they break 17 components or 10 components of a pallet, then those components are taken, and they are sold into the market, which is technically, we get INR1,750, the full cost, but we take these components and then we sell this. So, these are that kind of other income. This is this is not the other income wherein always 0.5% to 1.25% of the entire pool will go through LEC and BBR, which we actually recovered from the customer.

And when we actually sell it to the vendors and the scrap vendors, so this is that other income which actually goes into it. So, this is not any other income from interest cost or so. This is this is the proceeds of the business only. This is the nature of the business which has always been there. Quarter-to-quarter it will keep changing. I cannot sell half a truck load unless and until the BBR is a full truck load, then only I will be able to call for the vendor and give it.

Vishal Mehta: Sure. Okay, that's it from my side. Thank you, and all the best.

Sunu Mathew: Okay. Thank you.

Moderator: The next question comes from the line of Priyank Jain with First Bridge. Please go ahead.

Priyank Jain: Hi, Sunu. Congratulations to you and the complete team of LEAP on showing such a good growth. And a fantastic momentum that you have seen in the past two quarters. Would just like to have your view on the broader macroeconomic factors that would actually help LEAP keep the momentum going over the next quarters?

Sunu Mathew: Okay, Priyank. We are being very fortunate that we actually cater to nearly 38 sectors. Even if three, four sectors actually do not do well, but then there are other sectors which actually jump in so that our growth is continued. So, today if you look at the crude price going above USD120, and that is an effect on the granules. So, textile industry is hit, plastic industry is hit. Transportation, like they are asking for a 6% price hike and all these kinds of stuff.

But at the same time, say suppose government is declaring most of the villages as a drought village, that means people are going to consume more water, they are going to consume more cola, soft drink, juices. And that is again a sector which we dominate that sector with 100% share. So, that is again promulgating our growth.

Normally this second quarter is a subdued quarter because of rain. But this time the October heat was so much that we have allotted round about 100,000 pallets starting September 15 to October 15. So, so this is the kind of momentum that I am able to see. Industrial goods are doing very, very well.

I see quick-commerce also doing very well, even though nowadays quick-commerce have started going ahead with 3PL in order to reach to the customers faster. So, if you look at our 3PL pallet penetration growth, this quarter it has actually increased by 355%. But that is a culmination of quick-commerce, wherein they are growing very, very rapidly.

I can tell you that even though there is a fantastic growth in automobile component sector, but we are not able to tap to that sector because the cost of the granule has gone up by 30%, 50%. So, having said that, still, if you look at our problem, we are having a very good problem, that whether we need to grow in pallets, whether we need to grow in automotive, or whether we need to grow in TARON.

In TARON, we have put in round about 150 machines. So, continuously, India is moving from horizontal racking to vertical racking. So, there is a very natural growth there also. Currently, if you look at few of the industries and macroeconomics, if you ask from me, for few of the other

industries because we cater to round about 1,100-plus customers, and if you add 200 customers more from Vimprotech and TIPS, it is like 1,300 customers-plus we are catering to today.

We are looking at all the sectors. For others, there are many sectors, it will be a tough quarter 3 and tough quarter 4. But as far as LEAP is concerned, as I said that we cater to round about 38 sectors, we will continue this momentum and the growth. And heat is going to be the maximum, which actually benefits us with time.

Priyank Jain: Got it. Congratulations once again to the whole team. I am okay. I am good for now.

Sunu Mathew: Thank you.

Moderator: Thank you. The next question comes from the line of Vikas Jha with Blue Sky FinTech. Please go ahead.

Vikas Jha: Yes. Hi. Thanks for the opportunity. I just wanted to confirm; I like I heard Mathew sir a while ago...

Moderator: Mr. Vikas, your voice is not coming clear. Could you please use your handset?

Vikas Jha: I wanted to ask Mathew sir just a while ago, I heard him talking to [inaudible 0:55:12], and he said that we are targeting for INR918 crores to INR920 crores for FY27 in revenue, which implies close to 26% growth, and we guided for 20% growth in Q1 FY'27. So, is this kind of a guidance upgrade?

Sunu Mathew: See, we have always said that we will be growing in between 20% to 27%, which is our natural organic growth, and that is what we have been able to demonstrate. So, this number, every time people keep asking. So, this is this is something that we have actually shared with our investors, which is INR918 crores, INR920 crores of top line, and again a 50% EBITDA to that, and a PAT margin, which is -- and a PAT of around INR90 crores. So, this is what is the guidance that we have given.

And currently we are on the trend. Second quarter being a bit of lull season for us, you will see much more improvement in what we have said. See, last year, Vikas, we have done somewhere round about INR62 crores, and then we are saying that we will do INR90 crores this year, which itself is a kind of 40% to 44% growth in PAT. So, we will be able to do much better than and in my previous media interviews also I said that we will not grow our PAT by 40%, but by 60% to 80%. So, that is the guidance that I can give you as far as PAT is concerned.

Vikas Jha: Okay. Thank you so much, guys. I'm okay for now.

Sunu Mathew: Thank you.

Moderator: Thank you. The next question comes from the line of Abhishek Chowdary, an Individual Investor. Please go ahead.

Abhishek Chowdary: Hi, sir. Thank you for the opportunity. Sir, could you talk a bit about the capital allocation philosophy of the company? Where could we expect the debt levels to be compared to equity?

And what could be the capex we would be doing? What could be the average capex we would be doing for a rupee of revenue?

Sunu Mathew:

So, if you look at it, we have given a guideline that this year we will be doing round about INR450 crores of capex overall. So, this year we have done INR213 crores in the first half, and which has given us a growth of 21%. So, last year also you will see that we have done more or less the same kind of stuff. So, with the same kind of asset base in the first half, we have been able to grow the business by 21%.

And that is what is the beauty of pooling, that once you put the product into the market, there is a possibility for that financial year, you may get 80 days, 90 days, 240 days rental revenue. But the moment it comes to the next year, you will get 365 days of rental revenue. So, that actually improves the entire mathematics of it. So, now, how we look at it is that we have certain amount of orders for pallets also, for crates also, and for machines also.

So, we have to pick and choose. So, if we get a fantastic customer wherein we get a contract of 8 years, we will put a new machine and we will buy a new machine. If we get a contract only for 2 years to 3 years, we will put a refurbished machine as far as our MHE business is concerned. Now, if you look at something which is our pallet, which is going for a 3-year, 5-year locking period, we will introduce new pallet into the system.

But if it is a hire and dehire seasonal kind of a substance, then we will repair more pallets and then we will put that into the market. So, we will have to make a choice, either the machine or the pallet. Now, if you look at our first quarter, what has happened is that we have done hardly INR70 crores, INR77 crores of capex in that. Even though there was a lot of demand of automotive crates, we did not buy new crates because that was actually coming at 60% higher cost at than our normal cost because the rate of the granules were every day changing.

So, we did not buy those crates in the first quarter. When the prices actually reduced a bit, it came to USD90, then we booked it, and then we have introduced 200,000 crates into the system. So, the logic is that we have growth from all segments. So, we have to pick and choose where we need to repair and put the pallets, where we need to introduce the new pallet. Do we have to improve our swing stock ratio in automotive, or do we need to produce new crates? Do we need to buy a new machine or do we need to give a refurbished machine?

So, this is case-to-case basis. I will not be able to say because if I say BALCO, BALCO takes 54 machines. By default, I will have to buy it and put it in BALCO because it's a 5-year contract, non-breakable contract. Otherwise, they will have to make good the loss. So, I would not like to put a refurbished machine out there.

So, this is the basic thesis of our capex. But overall, we said INR450 crores, so we will be in and around that. Now, for example, if somebody comes and asks for 300,000 more pallets, so then there is a possibility we may exceed our capex requirement. But that will be seen in FY27, FY28 with a greater revenue.

Abhishek Chowdary:

Thank you, sir. Thank you very much.

Sunu Mathew: Thank you.

Moderator: Thank you. The next question comes from the line of Amit Thawani with Clear Blue Capital Advisors. Please go ahead.

Amit Thawani: Hi, Sunu, sir. Thank you for taking my call. Just wanted to understand the business a little better. So, broadly, we are making about INR500 of rental on a pallet with 50% EBITDA, that's about INR250 per pallet. Right now, our...

Sunu Mathew: We make INR564. If you look at our previous per pallet yield, it was INR1.46, 1.48 paise. Now it has jumped to INR1.54 paise. So, if you look at INR1.54 paise, you multiply by 365 days, we generate round about INR562 to INR565 per annum with a 50% EBITDA, yes.

Amit Thawani: Okay, sir. So, 565 with a 50% EBITDA, that comes to about 280. Just And that is at a 0.4 movement hire. I'm just trying to understand if that movement hire goes from 0.4 to 1.4, what will that EBITDA of that per pallet go up to?

Sunu Mathew: It will go up to 80%.

Amit Thawani: Will it go up by...

Sunu Mathew: 80% EBITDA. Yes.

Amit Thawani: But our cost...

Sunu Mathew: Because what happens, the same pallet moves. Because if I have given a pallet to a cola company, they keep it, and they keep giving me the rental model. The moment it gets transferred to somebody else, then we get the transfer hire charges. But the moment it goes to the other customer, they also keep paying me the daily rental. So, it comes on top of this INR562.

So, for example, if how you have to look at this business is that if the pallet is, say, INR1,750, we generate we generate INR565 per annum. So, then leave EBITDA aside, we will say that the break-even is, say, 3.1 years to 3.2 years. The moment this per pallet yield 1.54 actually goes to 1.62, 1.72, so this will come down to 27 months, this will come down to 24 months, 18 months, 14 months.

So, that is how the business is, that the more you improve, you need not have to go 1.4x. Even if you come one-to-one as a ratio, we have got INR94 lakh pallets, if we do INR94 lakh movements, our EBITDA will be will be too much, because the per pallet yield what we were getting previously was X, now it is X plus 2. So, we really do not want to reveal all these numbers because if anybody has to do this business, they understand how to actually calculate it.

So, what you need to understand of a break-even thing, a INR1,750 pallet, currently break-even is, say, 3.1 year. If we just add last year, we have done 2.8 million movement. This year, we have said that we will do 3.6 million to 3.7 million movement. That will take our per pallet yield from INR1.54 to INR1.62, and that will continue to keep increasing.

Amit Thawani: And margin 154 to 162 with margin going to...

- Sunu Mathew:** Which margin you're talking about?
- Amit Thawani:** EBITDA.
- Sunu Mathew:** See, that is just an add-on. There is no reduction in the margin. Yes, yes, the transfer which happens, happens on their truck. It just -- say you have to just multiply INR1.62 into 365 days. So, this INR565 will go to INR612, then INR722, that way.
- Amit Thawani:** Got it. And, sir, our...
- Moderator:** I'm sorry to interrupt, Mr. Amit, I would please request you to come back in the queue for further questions.
- Amit Thawani:** But I had just one question answered. I think...
- Sunu Mathew:** Yes, yes, you can tell.
- Amit Thawani:** Sir, the second question I had is on the EBITDA margin on stand-alone was 60% before the CHEP acquisition, and now we've we are at 50. Any chances we could go back to that 60%?
- Sunu Mathew:** See, it is combination. So, previously when that thing was there, then we actually improved our business by 200% in TARON. If you look at TARON, TARON is at an EBITDA of 30%. That has basically pulled down our EBITDA.
- So, I'm not too much concerned about what it is going to 55% or what it is going to 48%. It should be -- that the quantum value should be seen. My EBITDA should be, over a period of time, much more higher than the capex that I'm making. So that over a period of time, company can think about giving dividends or something else like better acquisition in the future.
- Amit Thawani:** Thank you, Sunu, sir. Thank you.
- Sunu Mathew:** Thank you.
- Moderator:** Thank you. The next question comes from the line of Anant Mundra with Mytemple Capital. Please go ahead.
- Anant Mundra:** Hello. Thank you for the opportunity. So, my question was around the industry. I wanted to understand why is the pallet pooling penetration as a percentage so low in China? Is there something particular about the country which keeps it low, and what path do you expect India to take?
- Sunu Mathew:** Okay. So, when we are talking about China, we have to take the data from whatever is listed on their government site. If you visit China, they are absolutely 100% palletized. They say that they are 50% palletized. I think you should visit Hangzhou and all these places. They are technologically so much upgraded. Even if when they do the ASRS or they do the robotic movement, the base is the pallet. It could be a kind of a metal pallet which they take, but I really do not concur to the number which is being there on the website. China is fully palletized.

Anant Mundra:

Okay. And what about the pooling penetration? That is, I mean, the pallet palletization is about 50%, but the more concerning bit was that the pallet pooling is just 9.5%, where India is already.

Sunu Mathew:

Pallet pooling is of a much greater extent. It was it was like five times more than India. I think there are these numbers which are not very right, because CHEP was there in China. They were very big in automotive. They were very big in pallet business also. But then Merchants Group of China, which is a government entity, has bought Loscam. And ultimately, CHEP has sold their business to Loscam, but they hold 10% stake in Loscam China business.

So, it was a four, five times bigger, better business than us. Second important point, you need to understand that the entire manufacturing, what happens in China, is located to the South part of China, to a particular region, and then if you have to come to the other region, the distance is humongous.

So, distance is so huge that it is good for the company to have their own pooling kind of a circulation. So, North does within North, and South China does within South. So, that is the reason you don't get a complete comparison. India is not like that. India is very densely populated, but the distance is not that much as compared to China.

Because anything what is produced in Chakan goes to Gurgaon, it goes to Chennai. Anything that is produced by Sundram Fasteners or Delphi or any other company in Chennai actually goes to Nasik, it comes to Kandivali, and it goes to Gurgaon also. So, in India, there are only 14 core locations as far as automotive is concerned, and the pooling is a much, much more feasible thing in India as it happens in any other country.

And China is not a great comparison to our country because the density of population is actually spread across all regions in India, and so do the manufacturing locations. So, this is one of the reasons that and now all the other questions of us getting into more palletization and all need to be put to rest, because you see, every year we have added, since last seven years, eight years, we have added 700,000 to 800,000 more pallets. This year, when we were starting, everybody was having the question whether you will be able to add 900,000 pallets this year.

Now, I can tell you that in September, we have already added, net allot I'm talking about, 417,000 pallets. We have signed round about 37 new customers. Last quarter, we have signed 48 new customers, 85 new customers we have signed in the first half. So, we are very confident that we will surpass these 900,000 numbers in this financial year also. We will end somewhere at somewhere at 1 million or 1.2 million. You know, so that is the pace at which India is actually growing, and so is so is pooling.

If you look at automotive, automotive is 100% pooling today. They really do not need any cardboard. So, they are going to go carbon neutral, and we are the champions of carbon neutral in the country. So, if you put something like in the environment calculator, a pooled pallet vis-a-vis a one-way pallet, you will see what is the kind of CO2 imprint you reduce in the atmosphere.

So, in India, we do not have this concept of carbon credit. I am very confident government is working towards it, and if it comes in next one to two years, all this people will buy carbon

credits from us, and all this will go directly into our PAT, which will be which will be a different ballgame altogether, because we have learned this when we have gone to GCC, because in GCC, you can actually buy and sell carbon credit.

Anant Mundra: Got it, sir. That was it from my side. Thank you.

Sunu Mathew: Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. I now hand the conference over to the management for their closing comments.

Sunu Mathew: So, thank you, everyone, for joining us today, and for your questions. I would like to take more and more questions from you whenever you want to. You can reach to my management team. See, this is a new business, difficult for people to understand. More and more questions that you ask actually challenges us back so that we are also more clear onto what is it that the investors are looking.

Overall, I can tell you that we are doing fantastic as far as the companies are concerned. We will grow. We will continue to keep growing by the pace at which we are for the next five years, and acquisition and mergers are the way forward for our company to go and show the kind of growth that we have shown in last 10 years. I thank everybody for joining. Thank you. Thanks a ton.

Moderator: Thank you. On behalf of Go India Advisors, that concludes this conference. Thank you for joining us and you may now disconnect your lines. Thank you.