"Afcom Holdings Limited

H1 FY25 Earnings Conference Call"

November 18, 2024

MANAGEMENT: **CAPTAIN DEEPAK PARASURAMAN – CHAIRMAN AND MANAGING DIRECTOR – AFCOM HOLDINGS LIMITED**
MR. KANNAN RAMAKRISHNAN – WHOLE-TIME DIRECTOR – AFCOM HOLDINGS LIMITED

MODERATOR: **MS. CHANDNI – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Afcom Holdings Limited H1 FY25 Earnings Conference Call hosted by Kirin Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

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

Chandni: Thank you, Muskan. Thank you. On behalf of Kirin Advisors, I welcome you all to the conference call of Afcom Holdings Limited.

From management team, we have Captain Deepak Parasuraman, Chairman and Managing Director, Mr. Kannan Ramakrishnan, Whole-Time Director. Now I hand over the call to Captain Deepak. Over to you, sir.

Deepak Parasuraman: Thank you, ma'am. Good afternoon, everyone. Thank you very much for joining the call today for Afcom's Financial Performance Conference for the second quarter and the first half year of 2025. It's a pleasure, ladies and gentlemen. I extend a warm welcome to one and all of you as we, in particular, this is our first call after our recent listing on 9th August of this year. To put it in short, let me just make a brief that we started this company in 2013.

It's been a long journey. In 2016, we started researching in the market. In 2017, we started taking all the required permissions and so forth. In 2019, we got the allotment of our freighters and we have started operating on the quasi-chartered models from 3rd September 2021. We have got our own two leased aircraft, dry leased aircraft of Boeing 737-800s in 2023. And now we are all ready with our aircraft.

As a combined organization, we have a vast experience. And now we are fully established. There are over 20,000 hours of flying experience. We have over a combined work experience of our people, staff, outputs, goes into very many years. We have a complete setup ready with 24 hours operations control center, maintenance control center, around the clock engineering, and well-stocked crews. Significantly, I would like to say that our aircrafts are now ready for flying.

Test flights are completed. Aircrafts arrived in Chennai on 10th November this month, and we are good to go. Coming to a very high-level financial performance, ladies and gentlemen, in the first half yearly for 2025, we have done a revenue of INR90.19 crores. Year on year, if you will see, the increase has been by 26.48%. Our EBITDA, we recorded INR27.49 crores. Year on year, increased by 65%. We recorded a PAT of INR18.86 crores, which year on year increase 54.64%. So this, in short, is a very brief snapshot of our financial performance. Ma'am, over to you.

Moderator: Thank you very much. Please note that this conference call will be approximately six minutes long. The first question is from the line of Sudhir Bheda from Bheda Family Office. Please go ahead.

Sudhir Bheda: Good afternoon, sir, and hearty congratulations on being the first cargo airline to be listed on the exchange. Sir, my question is, I just want to understand the opportunities available, addressable market size in the cargo, air cargo space. What are the opportunities and how big is the market?

Deepak Parasuraman: Kannan sir?

Kannan Ramakrishnan: Thanks, Captain. So the market, the opportunities are, pretty large and it is growing at a faster pace. And all the previous, estimates by, the aviation leaders, like Boeing and Airbus, they all have estimated the cargo growth, CAGR growth estimated somewhere between 5 to 6 percentage year on year, which is, which has been estimated. And particularly in the region of our focus, their estimate is, the CAGR is around, 6 to 7 percentage, is what they are expected growth, for the next five years.

And in reality, I think, because of devastating conflict and, the sea route in that area, is experiencing a very turbulent, navigation time. So the cargo, the demand for the air cargo has further, increased and the growth is pretty large. And in India, if you look at it, and the availability of, the pure charters is very limited, and the cargo volume is pretty high.

So there is a huge scope. And that is what, Afcom is endeavor, to, make use of that, for our growth.

Sudhir Bheda: Yes, so thank you. And my second question is, sir, since we have already acquired the two dry lease plane, and then we are further acquiring the plane in this financial year and next financial year as well. So what is the prediction for next financial year in terms of, in terms of financial, how the sales would look like? And one plane will generate how much revenue with what is EBITDA margin per plane in a month, how the revenue will be generated out of one plane, for example, and what will be the EBITDA margin?

Kannan Ramakrishnan: So each of this Boeing 737-800 has got a capacity of 22.5 tons on a gross weight basis, and on a volumetric weight basis 29.5 tons. Our cargo is always a mix of, weight to volume ratio, it will be a mix of, a dense cargo and, the voluminous cargo, it will always be a mix.

So even taking on a gross weight, as a baseline for our calculations which is 22.5 tons, and each aircraft on a very conservative estimate of operating one schedule per day for six days, and these aircrafts are, I mean, with the current kind of a market and the yield, we can safely presume that, anything on a conservative estimate, INR18 to INR20 crores of, revenue, each aircraft is capable of producing in a month.

Sudhir Bheda: And EBITDA margin, sir?

Kannan Ramakrishnan: On a very conservative estimate, the EBITDA margin will be in the range of around, 30 to 34%, sir.

Sudhir Bheda: And what is the next year's projection with the planes coming in, expanding the fleet, we are expanding the fleet, so how the next year will look like?

Kannan Ramakrishnan: So, instead of putting a particular number, I leave it to your, the best judgment, the each aircraft on a conservative estimate, as I told you that, around INR18 crores to INR20 crores is the top line revenue possibility. And we intend to have a fleet size of five aircrafts. And so, I mean, this is on a very, what should I say, say simple plain vanilla calculation this is the opportunity what is available.

Sudhir Bheda: Understood. Thank you very much, sir, and all the best.

Kannan Ramakrishnan: Thank you, sir. Thank you, sir.

Deepak Parasuraman: Thank you, sir.

Moderator: Thank you. The next question is from the line of Rahil Dasani from MAPL. Please go ahead.

Rahil Dasani: Hi, sir. Good afternoon. Thank you for this opportunity. My first question is… Hello. Hello.

Deepak Parasuraman: Hello, sir. We can hear you, sir.

Rahil Dasani: Yes. So, my first question is the agreement that we have with the GSSAs and the flight forwarders, how does it work exactly? Is there some sort of exclusivity like for some particular geography or some products or some fixed space confirmation according to which our planes will at least carry a certain tonnage from these agents per trip?

Deepak Parasuraman: Sir, to answer your question, yes, the GSSAs are the general sales and service agents. They have the exclusivity for each of the regions they operate from. For example, the TTK group, Taylor Logistics has the exclusivity for India.

How it operates is that they give us what is known as MGR or minimum guaranteed return. So, 50% revenue or 50% load factor based revenue for each flight is guaranteed by the GSSA.

Rahil Dasani: Okay. And have we gotten this confirmation for the new planes that we have brought in already?

Deepak Parasuraman: Yes, sir. The confirmation is there. It is for the entire term of the contract irrespective of the fleet we operate.

Rahil Dasani: Got it. My next question would be around passenger aircrafts since they have a lot of belly capacity and because of that they would be a lot more efficient than us and they are already very competitive. So, what would be the incentive for the end customer or these agents to pay much higher and go ahead with the non-scheduled operators? Exactly, how do we fit in the value chain amongst these sort of players?

Deepak Parasuraman: A specific value is brought in by a Pure freighter, sir. The first value that is being brought is that in a passenger aircraft, (A) the door size of the belly cargo limits to what kind of cargo that can be transported. (B) the belly cargo availability is always subject to what is the passenger's check-in baggage load which is never really confirmed until the last moment.

Third, there are many cargo today which is the critical component of export and import which cannot be carried on board a passenger aircraft. For example, anything that has batteries, laptops, mobile phones, electronic goods, engineering machinery, none of these can be carried in a passenger aircraft as these are deemed as dangerous goods. Even perishables like frozen foods which go on dry ice is not permitted in a passenger airline.

So, this excludes the majority of the export and import cargo which is what is moving, which makes it imperative to be moved in a Pure freighter.

Rahil Dasani: Makes sense. So, just in connection to this, why did we want to go ahead and do non-scheduled operations instead of the scheduled operations because from what I understand, it seems that non-scheduled flights benefit nowhere, be it predictability in filling up space or that only select customers and products need us. Also, we need to undergo much more scrutiny?

Deepak Parasuraman: No, sir. The purpose of starting with a non-scheduled is neither of this. Non-scheduled in the initial stages gives us the flexibility to operate multiple routes. For example, we are doing the Singapore, Thailand, Vietnam sectors. However, increased demand because of the West Asian conflict leading to the hardening of freight rates has got us new opportunity to fly a little more into the Middle East region and to one other region, Maldives. So, if I was a scheduled operator to go ahead and get these schedules across these airports and start operating, it will take time.

But the flexibility of increasing networks and changing networks is very easy in a non-scheduled operator. Of course, from certain cost component perspectives, it is cheaper to be a scheduled operator than a non-scheduled operator. But the advantage of a non-scheduled operator in the initial stages far outweighs that of a scheduled operator.

So, that is a specific reason we started as a non-scheduled operator. While the fleet size increases beyond the point, we automatically transition to scheduled. This has been the case with everybody, sir.

Even passenger airlines, jet airways, everybody started as non-scheduled when they exceeded five acres in transition to scheduled.

Rahil Dasani: All right, sir. Thank you. I'll get back in the queue.

Deepak Parasuraman: Thank you, sir.

Moderator: Thank you. The next question is from the line of Akash from Sahasrar Capital. Please go ahead.

Akash: Hello, sir. Yes, sir. So, I just had a few questions. The first one was, the approval that we got for the commercial operations. So, is it for the single plane or both the planes that we have?

Deepak Parasuraman: Sorry, sir. I didn't get the question. Hello.

Akash: Yes, sir. So, the approval that we got for the commercial operations, so is it for the single plane or is it for both the planes that we have?

Deepak Parasuraman: Both the planes, sir.

Akash: So, from the 25th of November, we will be starting the operation for both the planes. Is my understanding correct?

Deepak Parasuraman: Yes, sir. The second plane may join five to seven days after the first plane, sir.

Akash: Okay. And so, my next question was, the order that we placed for the two more plane. So, what's the status there? So, if you can just explain.

Deepak Parasuraman: Sir, it is under process. It is under process at the moment. There are three or four more steps before the aircraft is physically brought to India.

Akash: Sorry, sir. Three or four months, you said, right?

Deepak Parasuraman: Steps left before the aircraft is physically brought to India.

Management: He said three or four more steps, not months.

Deepak Parasuraman: Three or four steps, sir, in the process before physically bringing the aircraft to India.

Akash: Okay, sir. Is there any timeline that you can share with us?

Deepak Parasuraman: Sir, very shortly, sir. I mean, we are looking at all of it well before the end of this financial year.

Akash: Okay. Okay, sir. Thank you. Thank you, sir. Thank you.

Moderator: Thank you. The next question is from the line of Imran from Longbow Intercapital. Please go ahead.

Imran: Hi. Thanks for the opportunity. Good afternoon to everyone. I hope I am audible.

Deepak Parasuraman: Louder, sir. Thank you. Good afternoon.

Imran: Thank you. Deepakji, first of all, congratulations. the numbers are really, really good. Unexpected. I am wondering what you will do with your own planes if, you are doing what you are doing right now. My question is, first of all, on the taxation part, I wanted to understand, the last two years, full year, that is FY24 and 23. In the P&L statement, the taxes are around about INR8.9 crores in FY24.

Yes. And in FY23, the taxes were INR4.5 crores in the P&L statement, right? However, if I look at the cash flow statement, the taxes that you have actually paid in cash, it is basically half of what you have shown in, the P&L. So, I was curious to know why the tax outgoes in actual terms, in cash terms, is lower than what you have shown in the P&L statement.

Management: So, in which year you are saying that it is half, sir?

Imran: So, sir, in the end of FY24, the figure is INR8.85 crores, right? And if I look at the, the cash flow statement of the same year, it is around INR3.69 crores.

Management: Okay, I'll take your question. I'll come back to you. So, let me take out the records because offhand, I mean, the tax is fully paid and I will come back to you with the proper answer. I'll take your question.

Imran: All right. I'll wait for this question. In the meantime, I'll ask you the other question that I have. The question is, an extension of the previous participant's question on the aircrafts, right? you are mentioning INR18 to INR20 crores per aircraft per month, right? And with four aircrafts, I think it is going to touch more than INR900 to INR1,000 crores revenue. I mean, is this understanding correct? When you have four aircrafts ready with you, you can do INR900 to INR1,000 crores? That's the right number?

Deepak Parasuraman: Absolutely, sir. As a matter of fact, through the next financial year, it's going to be totally five aircraft. So, this is going to be higher than that. And also to state that this is one flight per aircraft per day. But there are growing newer opportunities which the utilization of aircrafts are going to be higher for the moment that we are keeping out of the picture.

Imran: And Deepakji, how confident are you to get such kind of business from your existing agents? I mean, that's a big number, right? Are they already doing these kind of volumes which will shift to you from the other airlines?

Deepak Parasuraman: There are three things here, sir. One is currently being shipped through foreign carriers, which is going to different destinations and getting a tranship from there. For example, if you have to send to Jakarta, you send from here to Hong Kong, tranship from Hong Kong to Jakarta. It takes more time, costs more money. Now, that gets substantially reduced. That's point number one, sir.

Second, it's a growing market. The market is growing. And the unmet demand is very large. Because on-ground cargo is substantially available. It's not that if the cargo is available today to be shipped, that there is a flight to be carried the same day. It has a downtime.

So that volume of cargo is also very large. The third thing, which is the ever-expanding West Asian conflict, which is hardening the freight rates and is bringing severe strain in the capacity. Because many of the people who are operating the large white-bodied aircrafts of foreign carriers are now pushing these aircrafts into different destinations where the yields are much higher.

So that is bringing an absolutely new opportunity. I'm sorry, sir, for my comparison. But today the cargo freight, the way it is growing, not that much. But still looks like as it was during the COVID period.

Imran: Right, right. Sir, just one last question, a very quick one. And after this I'll fall back in the queue. If I compare your employee expenses for this half, it is about INR3.1 crores. And if I compare it with the sequential last year's half, that was about INR3.8 crores. Despite you have done additional about INR13 crores revenue.

I was wondering why the employee cost is lower even from the last half of the last year. What is the reason for this 80 lakh drop in the employee cost?

Kannan Ramakrishnan: Yes, I'll answer the question. Some of the employee costs pertaining to the dry lease operation have been taken to the balance sheet till August end. September 4th onwards, it has been taken into the P&L. And till September 4th, it has taken on to the balance sheet because as a pre-operative expenses. And that's the reason.

Imran: No, sir. So that is something... So my question was INR76 crores. For INR76 crores revenue, you have expenses about INR3.8 crores. For INR88, INR89 crores revenue, you only have 3.1. I know something you are capitalizing for the place that you have bought now. I'm talking about the existing operations. Why in the existing operations, even though the revenues are going up, but the employee cost has come down?

Kannan Ramakrishnan: Sir, I mean existing operation, whatever pertaining to the cost of the existing operation is charged to the P&L. Whatever over and above the existing operation, which are the manpower costs pertaining to the dry lease operation, all those things have been taken into the pre-op expenses. And it is charged to the balance sheet. And as I mentioned, from 4th September onwards, it has been charged to the P&L. And till then, it was charged to the balance sheet.

Imran: Got it, sir. Maybe I'll take this offline whenever we have a one-on-one call.

Kannan Ramakrishnan: Sure, sure. Thank you.

Imran: Okay, sir. Thank you.

Moderator: Thank you. The next question is from the line of Niraj from Branch Capital Partners, please go ahead.

Niraj: Hi, Deepak sir and Kannanji. Hi. Congratulations on great... So my question is, what is the total amount? What is the total amount that we have capitalized as a pre-op expense for these two dry lease planes? If you can share that number.

Management: Sir, it is around INR31 crores, sir.

Niraj: It's around INR31 crores. Okay. And secondly, you said that from 4th of September, you have started charging the pre-op expenditure for the employee costs to the P&L. Why 4th of September? That's when you got what?

Kannan Ramakrishnan: Sir, 4th of September is what our flights have completed. The test flight schedule was finished. And the official approval has come in. So after that, we have been using for the test flight. We have been doing the ground run. And we have been doing so the manpower for the dry lease operation. Yes, dry lease operation. And they have been put into use. That is the reason.

Niraj: Got it, got it. Now, other question is, with regards to the pre-op expense, when you are going to start charging over to the P&L? And over what period you plan to charge that amount to the P&L?

Kannan Ramakrishnan: Sir, we already started charging to the P&L from 4th of September onwards on a pro-rata basis. And it will continue. And it is depreciated over the period of 8 years, which is the life of the lease term of these aircrafts. On the IT terms, it is depreciated for 5 years.

Niraj: On the IT terms, it is 5 years. And on the book basis, it will be 8 years. Thank you so much. Appreciate it. Thank you.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Hello, sir. Sir, this depreciation, you said the pre-operative expenses have started from 4th September. But in the half yearly, we can only see a 4 lakh amount, which was also present in previous half years. So, from the numbers, it does not appear that you have really started.

Kannan Ramakrishnan: There is a difference of 3.24 lakhs of the corresponding period. It has gone up to 4.74 lakhs. 4.74 was the whole year.

Prateek Chaudhary: Okay. And just final, are we completely done as far as the approvals are concerned? I mean, are we done with proving flights or the maintenance inspection?

Deepak Parasuraman: Sir, the maintenance inspections are complete. All the inspections are complete. And as we speak, we have the DGR inspectors in our operations office, which is where I am taking this call from for the final one. And we are good to go. Proving flight is pending this week.

Prateek Chaudhary: Okay. So, is there anything other than… Is that the last stage or is there something that will happen post proving flight also?

Deepak Parasuraman: The proving flight is the last step, sir.

Prateek Chaudhary: Okay. Okay. Okay. Thank you, sir. I will get back in the queue. Thanks a lot.

Deepak Parasuraman: Thank you so much, sir.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investment. Please go ahead.

Tushar Sarda: Yes. Thank you. Thank you for the opportunity. I wanted to know what is the schedule for the three other aircrafts? When do they come in and when do they start the operations?

Deepak Parasuraman: So, with regard to the other three aircrafts, as I said, for the third and the fourth aircraft, we have got four steps left, which will be inducted within this financial year. There are only four steps in the process left to import the aircraft into the country. Thereafter will be the fifth aircraft, sir, which will also be well within the end of this financial year.

Tushar Sarda: So, they will start operation or you will take a couple of months?

Deepak Parasuraman: They will start operation. You see, the first aircraft is the process because there is an organizational approval process involved. When the organizational approval as an airline gets approved, subsequent aircrafts on arrival is about seven days for entry into service.

Tushar Sarda: Okay. Okay. Okay. My next question was, sir, you have capitalized. You said INR31 crores. Is that right? Can you give details of this amount? What type of expenses are these?

Kannan Ramakrishnan: Yes, these expenses are pertaining to the fixed assets, tools and equipments and the pre-op expenses, the salaries paid to the dry lease set of operations. These are all the natures of the expenses which are capitalized.

Tushar Sarda: So, how much of this INR31 crores is revenue in nature and how much is actual capital expenditure?

Kannan Ramakrishnan: Sir, roughly around INR12 crores is revenue in nature and the rest of the things are capital which are pertaining to the fixed assets and the tools, equipments and all the other stuff.

Tushar Sarda: And my last question is somebody asked about scheduled and unscheduled airline operations. So, if you can explain the difference between the two in terms of cost implication.

Deepak Parasuraman: Sir, between the scheduled and the non-scheduled operations, the key difference of a scheduled operator is, for example, if I am operating to Singapore or any other destination, my schedule is fixed for six months, including the time my slots are booked for the six months, which is what is a scheduled operator. So, my airport slots are fixed and my summer schedules are established. In a non-scheduled, it does not apply.

If we want to fly, we just have to find a flight plan and fly to that destination with a pre-approval. So, this is the single largest difference between a scheduled and a non-scheduled operator. The specific advantages of a scheduled operator is that your landing parking is marginally cheaper.

You are able to sign a better fueling contract because you know the time and your schedule is already fixed for a year. So, these are the marginal differences between a scheduled and a non-scheduled operator. Many of the people in the passenger line go for scheduled because they are able to publish it to tell the passengers what time, exact departure times, etc.

Freight aircrafts predominantly operate in non-scheduled because we give a timeline. Say, today is the 16th of November, the departure is between 10 to 12. That's how we give it. So, the gate cut-off is four hours prior to 10. So, the schedule is more focused towards the passenger airlines.

Tushar Sarda: No, I understood that. My question is, is there a significant cost difference?

Deepak Parasuraman: There is not a significant cost difference. No, sir. There is no significant cost difference.

Tushar Sarda: That's what I wanted to understand.

Deepak Parasuraman: Yes. Thank you, sir. Thank you, sir.

Moderator: Thank you. The next question is from the line of Devansh Shah from Credence Asset Management. Please go ahead.

Devansh Shah: Yes. So, there is one question, sir. I was just looking at our PPT, sir, the Board of Directors page. I am looking at Flying Ten Freighters as well, if you could just elaborate on the same sir?

Deepak Parasuraman: Flying Ten Freighters? That is something on my personal past experience, sir. We will park it. Maybe that we will discuss one-on-one because it is not a part of Afcom at the moment, sir. We can take it on a personal call.

Devansh Shah: Done, sir. No problem, sir. Yes. Thank you.

Moderator: Thank you. The next question is from the line of Chirag Jain from Yogya Capital. Please go ahead.

Chirag Jain: Good afternoon, sir. Thanks for the opportunity, captain. Thank you for having me again. Sir, my question was that, as you mentioned previously by participant, that each aircraft can do INR20 crores of revenue per aircraft. So I was trying to just figure it out why currently we are not at the current run rate of INR20 crores. Because if the same run rate has been reached, it would have been reflected in the revenues. So what is causing the mismatch?

Deepak Parasuraman: Yes. That is very simple, sir. There are three specific reasons for that. One is that we are operating a quasi-charter at the moment which is restricted to three schedules a week. Whereas these aircraft of ours will fly as much as we want to. It is with us.

So it will fly six days, seven days a week, and as many schedules as we want. That's my number one, sir. The second point is that these aircrafts are 737-400 on the quasi-charter, which has got a capacity limitation of 15 tons gross weight, whereas our aircrafts are 22.5 tons gross weight. These are 800s. So this is the primary reason for difference.

Chirag Jain: Even if I halve the revenue, we still have a significant scope because I included earlier for seven schedules a week. Even if we adjust it for three schedules per week, we should be somewhere around INR180 crores of revenue. And we are somewhere around that part only, INR180-INR140 crores.

So how we are planning to ramp up here from here? What's the plan for that? Because I had that question before the listing also, and I have it currently because I can't foresee the INR900 crores revenue without something concrete on the table. So what's our plan?

Deepak Parasuraman: Sorry, sir. I'm not able to get the question.

Chirag Jain: What's the plan to increase the schedule per week?

Deepak Parasuraman: Okay. So the ramp-up plan is very clear, sir. Each of the aircraft is going to do minimum six flights a week. Starting immediately, we have two aircrafts which will do six flights a week with 22.5 tons. So straight away, there is a capacity jump. Apart from this, the other aircrafts will do the same.

However, what is not included in the projection is that each of these aircrafts are capable of flying on an average 17 to 18 hours a day. The current shown schedules are only nine hours a day. So through the day, the aircrafts are available and we intend doing multiple flights, which is kept outside of this INR20 crores projection.

So each aircraft on an average 22.5 with a 27, 29.5 ton average gross weight, six times a week will reach the INR20 crores. And of course, with the other schedules which will be operating by the day, more so because of the increased demand of the vegetation conflict, it's actually going to be much higher.

Kannan Ramakrishnan: Just to add his captain's point, sir, it is not that the ramp-up plan is just not only the capacity offering. It is also different destinations and we'll also be connecting a few more major cargo hubs in India, apart from Chennai. These are all our ramp-up plans.

That is how we are pretty confident with the number of the cargo opportunity which is available presently and with our offerings of capacity in the market. And these numbers, whatever we are talking about, it is pretty much in the visibility. Okay.

Chirag Jain: Got it. Have we hired the pilots for the same?

Deepak Parasuraman: Yes, sir.

Chirag Jain: Okay. That's the last question before I get back in the queue. When will the... Sorry. Is the current six schedule per week starting from next week? Sorry. When these two new aircrafts would reach the six schedule per week time line?

Deepak Parasuraman: No, sir. Immediately I'm starting, sir. We have the cargo lined up for it.

Chirag Jain: Okay. Thank you. I will get back in the queue.

Deepak Parasuraman: Thank you, sir. Thank you, sir.

Chirag Jain: All the best, sir.

Deepak Parasuraman: Thank you. Thank you, sir.

Moderator: Thank you. The next question is from the line of Rupesh Sharma from Bell Point Capital. Please go ahead.

Rupesh Sharma: So can you give me a breakdown of when the five aircrafts will come into the Afcom fold? You have two aircrafts coming by November 25th and November 26th. What is the plan for other three aircrafts? And are they the same size, 737-800?

Deepak Parasuraman: Sir, all the five are the same fleet, 737-800 BCS. The two aircrafts have already come and will be commissioned to start flying from the 25th commercially. The other three aircrafts will come before the close of the financial year, this financial year.

Rupesh Sharma: So before FY25 ends, right?

Deepak Parasuraman: Yes, sir. Yes, sir.

Rupesh Sharma: Okay. Are you confident on that, sir?

Deepak Parasuraman: Absolutely, sir. We are on the job.

Rupesh Sharma: And my next question is on expanding this fleet size. What is the plan for FY26? Will you be adding any new aircrafts?

Deepak Parasuraman: Well, sir, that FY26, we have to operate the five aircraft to its fullest potential, optimum utilization of resources. Thereafter comes our phase two of our business plan, where we intend adding two wide-body aircraft to expand our network in this direction, which will be the 777s mostly.

Rupesh Sharma: Mostly, okay. Will that happen in FY26 or will that be the case?

Deepak Parasuraman: Yes, sir.

Rupesh Sharma: FY26.

Deepak Parasuraman: All going well. Okay.

Rupesh Sharma: Okay. And you told about that on a conservative basis, you are confident on running the aircraft at one schedule per day for six days a week. But can this be increased?

Deepak Parasuraman: This will be definitely increased and increased in the near term. Itself, as I said, the demand of the fleet is going very, very high. So, the six schedules a week is already done. We are currently working on adding the schedules, which will be much more. And the yield will be much larger given the decision conflict. So, we will be making an official announcement shortly after the 25th. I am so sorry, sir. But I am restrained by the UPSI requirements not to be able to disclose in greater detail. Sure, sure.

Rupesh Sharma: Thanks. Thanks a lot for your time and answering my questions.

Moderator: Thank you. The next question is from the line of Manish from MCM. Please go ahead.

Manish: Sir, our estimation of INR18 to INR20 crores per month per plane is with what estimation of load capacity, sir?

Kannan Ramakrishnan: We have calculated considerably at 75% CLF.

Manish: Sir, we achieved INR15 crores per month in H1, which was purely from quasi-charter. And that was, I guess, three schedules per week, right?

Kannan Ramakrishnan: Correct, Yes. Correct, Yes.

Manish: So, sir, and we are expecting INR20 crores with a larger capacity and with almost 12 schedules per week, per week, two planes. So, is our calculation somewhere, are we being extremely conservative in understanding this?

Kannan Ramakrishnan: INR20 crores is per aircraft, sir. 12 schedule means then it becomes two aircrafts. INR18 to INR20 crores, we said that, per aircraft.

Manish: But 12 schedule is for two planes per week, right?

Kannan Ramakrishnan: Correct, correct, Yes.

Manish: And H1, we did three schedules per week, correct?

Kannan Ramakrishnan: Correct, Yes.

Manish: So, that's, and there we could achieve INR15 crores a month?

Kannan Ramakrishnan: Yes.

Manish: So, we are expecting to achieve INR40 crores per month approximately from two planes, is it? So, are we still under-guiding this? The guidance for this seems a bit under-estimation.

Kannan Ramakrishnan: Sir, in fact, as Captain was telling, and I was also telling, initially, the potential is large and it is on a very conservative estimate what we have been, what do you call, we are estimating on a very conservative basis.

Manish: Okay. And so, by any chance, if our load capacity goes from 70 to 80?

Kannan Ramakrishnan: for load capacity we are operating in the range of around 95 percentage plus. And in some of our flights are 100%. But, we have taken an estimate of around 75% only. So, we are, we are trying to be a little conservative to begin with.

Manish: Okay. And the 30% EBITDA, we can sustain with the 70% load capacity, is it?

Kannan Ramakrishnan: Yes, sir. EBITDA will be definitely sustainable. And in fact, Raleigh's operation, provides us the economies of scale and that benefit also will get accrued into the P&L.

Manish: Okay.

Moderator: The next question is from the line of Utkarsh Soumya. An individual investor, please go ahead.

Utkarsh Soumya: Thank you for the opportunity. I just had a question on these current two aircrafts that you have. You will have an entire year of operation in FY26. Am I right for these two aircrafts? And given the INR20 crores number that you have given, we can easily estimate that you will make at least INR480 crores from these two aircrafts in FY26?

Kannan Ramakrishnan: You are right, sir.

Utkarsh Soumya: Okay. And the F-3 will come before March 25. And when will they start operations? Like these two are starting operations on the 25th of November. When will those three start operations approximately?

Kannan Ramakrishnan: Sir, our start of operation only we are estimating, before the end of this financial year. So that, the next year, the full, the benefit of, the entire fleet of aircrafts operating will be there. That's what, we have been working on. Then we can say upwards of INR1,200 crores top line. Give or take. We can say upwards of INR1,200 crores top line, give or take.

Utkarsh Soumya: Yes. And you gave us a margin of 30%, and I'm sure you would have included the benefits of operating leverage, economies of scale. But you have not really achieved 30% any time before this. So have you taken that into account?

Kannan Ramakrishnan: EBITDA, sir. We have not told 30%, PAT. It is EBITDA.

Utkarsh Soumya: No, no, EBITDA.

Kannan Ramakrishnan: Yes, yes, EBITDA.

Utkarsh Soumya: Yes. So you're confident of achieving that?

Kannan Ramakrishnan: Yes, sir. EBITDA is, definitely, yes.

Utkarsh Soumya: And this is as per 70%, 70% load factor. Am I right?

Kannan Ramakrishnan: 75%.

Utkarsh Soumya: 75%. Okay. And with five aircraft, how much interest cost in terms of working capital do you foresee? Like right now, I think a short-term mortgage at INR11 crores. And you did INR2 crores of interest cost in the first half. So how do you see this panning out of operating five aircraft?

Kannan Ramakrishnan: Sir, our working capital cycle is, roughly around 60 days. And, the 60 days, the working capital have to be met by institutional borrowings. And the cost of borrowings is roughly anywhere between 9.5% to 10.5%, which is, the bill discounting facility is what, we have opted for. And that's the kind of, the interest, will be accrued into the P&L.

Utkarsh Soumya: So what will your short-term borrowing look like?

Kannan Ramakrishnan: So short-term borrowing, you see, the, I mean, what do you call it? So working capital borrowings only. And we estimate a working capital of, INR50 crores, to be, availed, to begin with. And the 60-day cycle and the INR50 crores, the working capital, I mean, cost of funds is roughly on an average around 10%. We estimate, Yes, we estimate somewhere around, INR4.5 to INR5 crores as the interest cost on the annualized basis.

Utkarsh Soumya: Okay. And you are already at INR4 crores. So that will only go up to from INR4 to INR5, INR5, INR6 crores.

Kannan Ramakrishnan: So this is, a combination of, certain in the first half period. We had a short-term loan, which we pre-closed, from the proceeds of the IPO. And the interest for the, servicing it till August 10th is captured into this. And that is why it is on the higher side.

Utkarsh Soumya: Okay. So we can assume INR5 to INR6 crores interest cost. And what will the depreciation look like? Next year?

Kannan Ramakrishnan: So on a full year basis, the depreciation will be, roughly around, INR1.75 to INR2 crores. Yes.

Utkarsh Soumya: And one last question. During, I think the IPO, you had mentioned that you don't foresee any competition, at least for the next two years. Then maybe you will see competition coming in after two or three years. So can you please comment on that?

Kannan Ramakrishnan: Captain, you want to take this question? Okay. I mean, till he joins, we foresee that, the competition may, we might, experience the competition a couple of years down the line. Because so far, nobody has, has begun the journey of, forming an NSOP for a few writers into our country.

So even if assuming that, if somebody is going to start this journey now, it's going to be, at least a couple of years from now on. So that is why we said that, for the next couple of years, we don't foresee a major competition. Of course, from the existing players, the passenger aircrafts, and they may come out with, having few, exclusive fighter aircrafts.

But going by our experience in the past, even though they come in, with their pure fighter aircrafts, they will be using it more to consolidate into their hub, for their large, what do you call, wider body aircraft operations. And they would like to consolidate cargo from the tier two, tier three towns, as a feeder. That's how, it has worked out in the past, with the major, passenger airlines like Indigo, Spice, and, etc. So that is what our understanding is.

Utkarsh Soumya: Okay. Thank you so much.

Moderator: Thank you. The next question is from the line of Shireen, an individual investor, please go ahead.

Shireen: Sir, I have two questions. The first one is, once we have our dry leave aircraft start operating, are we going to stop the chartered operation that you're doing right now? Are they going to continue?

Kannan Ramakrishnan: No, we'll be stopping it, sir.

Shireen: Immediately in the month of November itself?

Kannan Ramakrishnan: Yes, sir. Once both the aircrafts, start flying, commercially, and the wet leaves, the quasi-charter operation will be stopped.

Shireen: Okay. Thank you. And the second question is, right now we have three schedules, and the aircraft's capacity is 15 tons. That means 45 tons capacity per week. With two aircrafts running at six schedules, and at 20 ton capacity, it is going to be like 264 tons per week. At 70% utilization, it comes to 200 tons per week. It looks like our capacity is going to be like 200 tons, 4 to 5 tons, even. Do you see enough businesses there to fill in that? And that's my question, sir. Are you confident that we can?

Kannan Ramakrishnan: Yes, sir. We are pretty confident. In fact, our GSSAs are also pretty confident. And we, as we mentioned earlier, we have been working on minimum guarantee, contractual obligations from our GSSAs.

They know that what is the capacity, we are putting it on the ground, and they are pretty geared up. And the pent-up demand, for the cargo itself, is pretty high. And number two is that, we are also going to add a few more, the destinations.

So that is, again, the newer opportunities for which, the cargo, the pent-up demand in that sector also is pretty high. So that is how, we, what do you call it, kind of approaching our capacity offering.

Shireen: Okay. So the follow-up question is, okay, so we haven't started loading the two airplanes. I mean, as you said, we can run them for 17 to 18 hours. That means we can add more schedules with the existing two aircraft. So why we need to get more aircraft when the current two aircrafts are not 100% loaded? What is the rationale in the thinking behind that?

Kannan Ramakrishnan: In fact, I mean, see, it is, when we are getting into this, on a more, what do you call, larger scale, and we connect, multiple destinations, it is, some amount of redundancy in terms of, the equipment need to be created.

Because we thought, though we call it ourselves as an NSOP, non-scheduled operators, then our operations will be more or less in line to the scheduled operations. So in case, the aircraft becomes AOG, we should have a fleet, to, operate in that sector for that particular, schedule. So that, the clients are not, put into the sufferings.

So that is the one of the point, important point. And second thing is that, I mean, the 17 hours of utilization per aircraft, is something, what do you call, is possible. And, but to that extent, the crew optimization and, that also need to be taken into consideration.

And third important thing is when we start connecting multiple, sectors, and with only operating with the two aircrafts, and then we will get into the flight duty time limitations, and it cannot be leveraged, beyond, 12 to 13 hours. So that is why we wanted to have a fleet size of, optimum fleet size of five. So that four aircrafts will be fully utilized, for completed schedule.

And the fifth one, will act as a redundant, as well as, as on a schedule basis.

Shireen: Thank you. Are you going to operate from outside Chennai, other airports as well, or you will stick to only Chennai?

Kannan Ramakrishnan: There are plans, sir. We will be, we will be operating, a couple of more originations within India, major hubs, which we will announce it, at an appropriate time, sir.

Shireen: Thank you very much.

Moderator: Thank you. The last question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Yes, I wanted to check this EBITDA margin which you have guided, 30%. Is it after the rental for the aircraft that you are leasing, or is it before the rental?

Sorry, sir. Come again, sir. Sorry.

Tushar Sarda: The EBITDA margin you said will be 30% to 33% for dry lease. So is this after accounting for the rental or before accounting for the rental?

Kannan Ramakrishnan: Yes, after accounting for the direct expenses, sir.

Tushar Sarda: So that involves rent, right?

Kannan Ramakrishnan: Involves rent, Yes.

Tushar Sarda: Okay. Thank you.

Moderator: Thank you. That was the last question for the day. I now hand the conference over to Ms. Rani for closing comments. Over to you, ma'am.

Chandni: Thank you, everyone, for joining the conference call of Afcom Holdings Limited. If you have any queries, you can write to us at research@directkirinadvisors.com. Once again, thank you for joining the conference.

Kannan Ramakrishnan: Thank you, all.

Chandni: Thank you, Deepak sir. Thank you, Kanchan sir.

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

Kannan Ramakrishnan: Thank you. Bye.