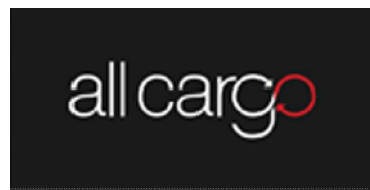


Transcript

“Allcargo Logistics Limited 4QFY16 Earnings Conference Call”



Event Date / Time : 23rd May 2016, 3.00 PM IST

Event Duration : 60 minutes

PRESENTATION SESSION

MANAGEMENT: **MR. PRAKASH TULSIANI – EXECUTIVE DIRECTOR & CHIEF OPERATING OFFICER, ALLCARGO LOGISTICS LIMITED**
MR. S. SURYANARAYANAN – EXECUTIVE DIRECTOR, ECU LINE
MR. JATIN CHOKSHI – CHIEF FINANCIAL OFFICER, ALLCARGO LOGISTICS LIMITED

MODERATOR: **MR. VIRAL SHAH – SBI CAP SECURITIES**

Moderator: Ladies and Gentlemen, Good Day and Welcome to Allcargo Logistics Q4FY'16 Earnings Conference Call hosted by SBI Cap Securities. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone phone. I now hand the conference over to Mr. Viral Shah from SBI Cap Securities. Thank you and over to you.

Viral Shah: Thank you. Good afternoon, everyone. I welcome all the participants to the 4Q & F'16 Results Conference Call of Allcargo Logistics.

We have with us Mr. Prakash Tulsiani – ED and COO; Mr. Suryanarayanan – Executive Director, ECU-Line and Mr. Jatin Chokshi – CFO for the company.

We would commence the call with the opening remarks from Mr. Prakash Tulsiani to give an overview of the company performance, this would be followed by Q&A.

Now, I would request Mr. Prakash Tulsiani to start with the opening remarks. Over to you, sir.

Prakash Tulsiani: Thank you, Viral. Good Afternoon, Everyone and Thank You For Joining Us On This Call.

I have with me in this office Mr. Jatin Chokshi – our CFO and Mr. Suryanarayanan – our ED of ECU Worldwide who is actually traveling but joined on this call, so he is also available.

I hope all of you have received our results and gone through the Quarterly and Full Year Financials by now. For those who have not, you can view them along with our 'Presentation' on the website. Allcargo has continued to maintain its leadership across the main businesses of MTO which is LCL business, CFS and Projects and Engineering Solutions. The ability to offer complete and one stop logistics solutions through the synergistic mix of businesses has made us a preferred partner with our customers. While we are amongst the best in our business verticals, we have now stepped into a next wave of profitable growth.

With the acquisition of majority stake in Avvashya CCI our emerging business of Contract Logistics shall grow at a fast pace, contributing significantly to the revenue mix going ahead. Avvashya CCI is one of the largest players in Contract Logistics in India. The company is a strong player across diverse sectors offering value added services to its marquee clients. Post the merger of our Freight Forwarding and Contract Logistics businesses of Allcargo and the acquisitions of further stake we will hold 61% in Avvashya CCI, the new company. We are confident that in the coming years along with the growth in domestic consumption and GST, we will not only capture market share but also grow across India in the Contract Logistics space. We shall also be amongst the first few to foray into Logistics path opportunity which will be available due to government initiatives of Dedicated Rail Freight Corridor and Smart City. We have identified land in Jhajjar in Haryana which is in this connection of the DRFC and Smart City, where we are looking to set up Rail-connected Logistics Park. We are currently evaluating to develop this in phases depending on clients need. This facility will cater to Inland Container Depot, Bulk, Domestic Cargo and Warehousing. So, this is going away from the routine which is only ICD, we are going to be in various segments.

We have plans to raise about Rs.300 crores through permitted securities for expansion or acquisition that will aid our business growth.

With the government's focus on growth of manufacturing in India and whenever the GST is in place, along with Freight Corridor, domestic consumption will rise and logistics will play a key role. Lot is happening in the Logistics world and I believe Allcargo has the capabilities backed by a rich experience and the management bandwidth to meet the opportunities as they unfold.

Starting with quarterly and the yearly update, Jatin bhai, our CFO will take us through the Consolidated Financials. Jatin, over to you.

Jatin Chokshi:

Thanks, Prakash and Good Afternoon to All. Coming to the consolidated quarterly financials of our company, our total revenue from operations stood at Rs.1,402 crores for the quarter ended March 31, 2016 as compared to Rs.1,413 crores for the corresponding previous period, a marginal decline, the decline is predominantly due to the reducing freight rates in the shipping industry and notional currency translation in the period. Gross profit for the quarter grew by 15% to Rs.482 crores, the margin has improved on account of increase in our operating efficiencies and economies of scale coming in. The EBITDA for the quarter was Rs.125 crores, on a year-on-year increase of 18%, this was mainly on account of increase in capacity utilization and cost optimization. The EBITDA margin increased substantially and currently it is around 9%. The PAT for the quarter increased by 25% year-on-year to Rs.69 crores and margin improved, currently it is 5%.

Moving to the Full Year Financial Performance of our company: Our total revenues from operations were maintained at Rs.5,688 crores. I am happy to state that we were able to achieve this despite continued decline in Freight rates and appreciation of the Euro that has a notional impact on our consolidated financials.

All three businesses of MTO, CFS and Project and Engineering Solutions segment have contributed to the profitable growth of the company. The gross profit for the year grew by 11% to Rs.1,876 crores. The EBITDA has also shown the corresponding year-on-year increase of 13%. While the PAT for the year increased by 16% and clocked at Rs.278 crores. The EPS for the year was Rs.11/- per share, again year-on-year increase of 16%, this is factoring post bonus issue in the ratio of 1:1.

Coming to the Balance Sheet as on 31st March 2016: The net worth increased by 16% year-on-year to Rs.2,206 crores. The total gross debt decreased by 11% to Rs.543 crores. Our net debt decreased by 36% year-on-year to Rs.269 crores. Our current net debt-to-equity ratio is at 0.12 as against 0.22 of last year, reflecting a strong balance sheet and financials. The consolidated return on capital employed without goodwill was 21% as compared to 19% in FY'15.

The company has declared and paid 100% interim dividend on the enhanced capital post the bonus issue in the ratio of 1:1.

Moving to the performance of each of the businesses, starting with our Global business, Mr. Suryanarayanan will take you through the MTO business. Over to you, Suri.

S. Suryanarayanan: Hi! Good Afternoon to all of you. In our Global business we have emerged as world leaders with a global network covering over 80% of the world. We operate out of 300 plus offices in 164 countries. Our MTO business has been performing in line with our expectations despite the continued decline in freight rates world over due to excess capacity of container shipping line, the decreasing world trade we have seen strong growth in volumes during the quarter and the full year. We have seen growth coming in from key markets of China, US, Canada, India and Southeast Asia.

For the quarter, the revenue stood at Rs.1,191 crores and for the year at about Rs.4,763 crores. We continue to focus on growing volumes in our existing network and improving our operational efficiency. The return on capital employed without goodwill is at 61% as against 50% in the last year. Our aim is to continue to maintain our global market leadership and we will continue to strengthen our network across the markets that we operate in.

Recently, we completed a rebranding exercise of our worldwide business and now we will be known as ECU Worldwide. The new identity will redefine the brand experience for the company stakeholders across the globe following the integration of new services, technology and best practices and professional expertise.

Prakash will now talk about our India business.

Prakash Tulsiani: Thanks, Suri. Coming to our India businesses of CFS and Projects and Engineering, let me start with CFS and ICD Operations. In the Indian business of CFS, we continue to be the only player that are present in the major container ports of JNPT, Chennai and Mundra. These three ports account for 80% of the container traffic in India. As we all know, we are expanding in the CFS business. The CFS at the Kolkata Port is well underway and we expect to start operations towards end of the current financial year. The volumes for the quarter grew by 3% and 5% in the full year despite a muted growth in container volumes in India. The revenue for the quarter grew by 2% to Rs.107 crores, in line with the volume growth. The EBIT for the quarter was Rs.30 crores, year-on-year growth of 4% considering that the market was flat, I think this is a good growth. The full year revenue grew by 10% to Rs.443 crores and the EBITDA grew by 26% to Rs.137 crores, mainly on account of handlings, special cargo, longstanding containers, cargo mix and improve productivity. The ROCE without goodwill increased to 38% as against 32% in FY'15.

Coming to our Projects and Engineering business: Asset utilization of the crane fleet continues to be more than 90% in FY'16 as against an average of nearly 80% in FY'15. The revenue for the quarter decreased by 16% to Rs.128 crores, the EBIT declined by 27% to Rs.19 crores after adjusting for derivative gains. This was on account of sale of aged assets and slowdown in the project logistics industry. Obviously, when we sell the assets, so they are not available for the business and that is the difference between the two quarters. The revenue for the full year was Rs.549 crores, year-on-year growth of 4%. After adjusting for derivative gains in FY'15, the EBIT increased by 22% in FY'16 despite dry-docking during the year.

Since we have covered all the three segments, to conclude, I am happy to say that despite the declining trend in global trade and the slow recovery in India market, we have witnessed good growth across all our businesses. Our goal is to maintain our leadership position across all businesses with improved productivity, higher asset utilization and lowest cost proposition. We continue to deliver value to our

clients despite stiff competition. We are leveraging our global network to consolidate our leadership in the LCL business by opening new offices in geographies to increase our footprint and scale. In India, we will continue our focus on increasing our market share in CFS, ICD and P&E business, and also look at scaling our Contract Logistics Warehousing and Shipping business. Our strong cash flows combined with a very healthy balance sheet support our growth ambitions. We are in the state of readiness and continue to look at opportunities in the Indian Logistics space that will emerge from various government initiatives like Make in India, GST, Sagar Mala and Infrastructure Development. Thank you very much and we can now take the questions.

- Moderator:** Thank you very much, sir. Ladies and Gentlemen, we will now begin with the Question-and-Answer Session. The first question is from the line of Harshad Borawake from Motilal Oswal Securities. Please proceed.
- Harshad Borawake:** I had one question on MTO side. So you did 5.2% EBITDA margin and around 8% of volume growth. So just wanted to check in how do you see the outlook going forward? In terms of margins, do we model further higher margins on this business?
- S. Suryanarayanan:** The way to look at this is do not look at it at a quarter-on-quarter basis but look at it more at an annual level, of course, freight rates are at an historical low levels on some of the lanes, so therefore it is a bit difficult to judge which way the margins would move, but I think from a modeling perspective, you keep it between 5% to 6% of the revenue.
- Harshad Borawake:** In terms of volume outlook, how does it look? You also talked something about consolidating more on this business and opening new locations.
- S. Suryanarayanan:** Wherever we see opportunities and wherever we can strengthen our market position it is in those geographies that we are looking at. But to answer your question on the volume growth, I think as I speak to you we are growing. So, I think the 8% growth level that has been stated is quite okay.
- Harshad Borawake:** On the CCI, can you just give some details about financials of what is the top line margins, what kind of business details if you can on that side?
- Jatin Chokshi:** As far as CCI is concerned, as we all know, it is in public domain that Allcargo's Contract Logistics business and Freight Forwarding business has been demerged into a new company along with the CCI's business. The name of the new company is Avvashya CCI Integrated Logistics Limited wherein based on the pure business valuations of Freight Forwarding that is Hindustan Cargo Limited and Contract Logistics business will be ending up getting close to 17% of equity stakes in the company and to acquire the controlling stake in the company, company is paying Rs.130 crores so that eventually the company will end up having 61.13% share capital in the Avvashya CCI.
- Harshad Borawake:** So on a pro forma basis, what would this company look like in FY'16 the year just which ended?
- Jatin Chokshi:** On FY'16, the revenue of the CCI was Rs.77 crores and Hindustan Cargo and Contract Logistics put together was close to Rs.315 crores and in line with our growth philosophy, consistency and other things, we expect keeping in mind the potential of this business and combined strength and leverages of both the companies and marquee customers and a lot of potential in terms of the GST and other things,

we feel that this acquisition should also be a very significant and scaleable to sustainable level business model operating and in line with our own internal parameters.

Moderator: Thank you. The next question is from the line of Sandeep Mathew from ICICI Securities. Please go ahead.

Sandeep Mathew: I have a few questions here. The first one was actually on the MTO business. So, while it is very impressive to see the company grow at almost 9% this year on the volume front given the weak global trade data that is coming out, what was actually very surprising to me was the fact that if I look at your profitability per container on euro basis, that has actually seen a significant jump on a year-on-year basis. So what could this be attributable to? Second, whether is this sustainable?

S. Suryanarayanan: That is why I explained a bit earlier; these margins and all depends on how freight rates are moving and in fact, today, the freight rates are at very-very low levels because of the excess capacity in the shipping industry. So therefore, it is a bit difficult to say whether we will hold on to the margins. So far we are constantly trying to improve our operational efficiencies through technology and other means. So there is continuous focus. But the market is competitive. So now whether these margins will be held at or sustainable, it all depends on which way the freight markets continue to move. So, I would temper a little bit of your forecast or your model in terms of the margin. I think if you can take about 5% of margins I think that would be okay.

Sandeep Mathew: My question was not on margins, my question was on the profitability per container. If I look at your EBIT per TEU and if I look at it on a euro terms, so this year you have done almost close to €72 vis-à-vis last year when you did €58. If I put this against the backdrop of...?

S. Suryanarayanan: To answer your question, I think we should be able to sustain if things hold as we are continuing to hold currently.

Sandeep Mathew: But also sir, any insights on how is it that we saw significant improvement between let us say last year and this year despite freight rates falling, what were the factors, you mentioned about operational efficiencies, could you just maybe give us some more insight as to what those operational efficiencies were?

S. Suryanarayanan: It could be better procurement, better use of technologies, looking at better productivity. So this is a continuous gain in all our processes that go in on the cost side.

Sandeep Mathew: How much it move profitable route player role in this?

S. Suryanarayanan: That is a very difficult way to look at this business, because when you are in a network business there is no question of anything on a profitable route, because it is all interlinked across the globe. So, when you have to serve a customer, you have to serve the customer across. So, in that sense, you cannot say, I just want to operate on only these trade lanes or I will just operate only on some selective trade lanes. So I think you will have to look at it at a network level and I think in all of the markets that we are operating in, we strive to be #1 or #2 in some of these markets.

- Sandeep Mathew:** The second question was actually on the CFS business. Here, again, very impressive to see the company growing volumes on a year-on-year basis and also profitability if I just look at it on a per container level seems to have seen a significant jump over FY'16. So one, obviously is the higher utilization but an operational leverage that comes out of it. But anything else that is evident and also going forward how should we be looking at this part of the business?
- Prakash Tulsiani:** We did mention to you that we handle special cargo, we had some longstanding containers, there was a cargo mix obviously if you get more of 20s and you earn a bit more and improve productivity. So all this put together has given us the better margins and we hope that this continues in terms of handling special cargo.
- Sandeep Mathew:** This EBIT that we have done of around 4,500/TEU for full year '16 on an average, that number continue to be surpassed going forward or...?
- Prakash Tulsiani:** Yes, definitely, we expect that.
- Sandeep Mathew:** My third question was on the P&E segment. We have actually seen a bit of actually volatility on the margins. So what would be primarily this attributable to, because the way I look at the business we should ideally be seeing fairly steady margins in this business...okay, last quarter there was dry-docking that came in, but any particular reason we are seeing this volatility in the P&E segment margins on a QoQ basis, all the four quarters have seen different kind of margins, that is why?
- Prakash Tulsiani:** Sandeep, you are right. Actually, this should be looked at as a full year. The reason is it depends on when the projects are starting and when are the demand for our engineering equipments. For that, sometimes when the project is announced it could happen that they are delayed. Now, these are large projects that we talk about and there are a lot of variables in that. So, I would say please look at it as a full year rather than quarter-on-quarter or sequential or whichever way you like it. So, the business is improving in terms of new projects coming in, infrastructure development happening. So I think we should view it as a full year rather than quarter-on-quarter.
- Sandeep Mathew:** Just on that acquisition, any numbers on the profitability of what was FY'15 or FY'16 PAT and EBITDA of the target company?
- Prakash Tulsiani:** Not yet. As we go along, let us get this company started, in the sense of mergers and acquisitions, whatever we have done. They are still settling down. So I think over a few quarters we will get this numbers.
- Moderator:** Thank you. The next question is from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- Nishna Biyani:** Sir, just wanted to understand the holding structure of CCI Logistics. 61% is owned by Allcargo and the balance is owned by whom?
- Jatin Chokshi:** By the erstwhile promoter of the CCI, owning close to 38 point something.
- Nishna Biyani:** Sir, reason for the merger of Hindustan Cargo with CCI?

- Prakash Tulsiani:** CCI business if you see they were also in Freight Forwarding as well as in Contract Logistics. We were also doing the same business that is Freight Forwarding under HCL and we had our Contract Logistics under Allcargo. If we are looking at expanding in Contract Logistics, it only makes sense to bring all the businesses under one roof, under one management so that we have a clear focus going forward.
- Nishna Biyani:** On a rough cut basis, when you look at say FY'17, this segment of your business which is the domestic Freight Forwarding and Contract Logistics can be closer to say Rs.450-500 crores in turnover and what margins one should look at?
- Jatin Chokshi:** You can estimate the numbers, the current year numbers we have already shared, keeping in mind the growth and what kind of thing. Yes, similar number you can expect, but we will not discuss about the margin right now, a couple of quarters as Prakash mentioned earlier a pass-through, but definitely it is better and better than what CCI as well as Allcargo were doing because of the synergies with the customers and a lot of operations getting merged.
- Nishna Biyani:** Any CAPEX which you foresee in CCI Logistics over the next two years?
- Jatin Chokshi:** It is again asset light model but yes like our Contract Logistics business, there can be a marginal CAPEX predominantly in the form of the racking systems and those kind of things. But otherwise a pure asset light model of the business. So very marginal. Depending on the customers requirement, locations and their own need, there could be a marginal CAPEX, but not at a large scale.
- Nishna Biyani:** Sir, coming to your CFS volumes, what was the Q4 exit volume and Q3 volume?
- Jatin Chokshi:** CFS volume for the quarter was 74,250, it was an increase of 3%. For Q3, the volumes are almost similar; it is like 300-400 Containers apart.
- Nishna Biyani:** What has happened to the margins in this particular quarter? I am speaking QoQ; 33% is what we clocked last quarter and this quarter we are closer to 28%.
- Jatin Chokshi:** As I mentioned, for the full year if you see our comments, there were containers which were long standing, there were special cargo which was actually handled in Q3.
- Prakash Tulsiani:** Again, the revenue accrues at the time of the clearance of the cargo. As we discussed, it is the right thing to look at complete year because in this particular quarter there could be an overlapping, so the few containers getting cleared in the April or May subsequently. That is how may impact slightly.
- Nishna Biyani:** When we look at the MTO segment, just wanted to understand the currency impact for the full year FY'16, any number you can throw, this was a gain or this was a loss because of the currency translation which you referred in your financial every year for the notional basis?
- Prakash Tulsiani:** For the translation of the currency, the financial year '15 the average rate for conversion of euro into INR was 77.58 and for the current financial year the average rate is 72.33, so that is down by 6.76%.

- Nishna Biyani:** In the PES segment, just wanted to understand what is happening with our Shipping business, how do you foresee FY-'17, FY'18 look like?
- Prakash Tulsiani:** In the Shipping business you will recall that in July last year 2015 we got two additional vessels and they are deployed on a back-to-back contract. So looking at the Shipping business, of course, the volumes on the coastal run have improved, there are a lot of companies who wish to bring cargo via the coast and then do the last mile connectivity. So there is an improved traction in terms of volumes as far as the local Shipping is concerned, but back-to-back two vessels which is 55% of our total capacity is already committed.
- Nishna Biyani:** So what I understand is say FY-'17 in the Project Engineering space the Shipping business is expected to contribute significantly, that is one, because you add two ships and you get the entire year...?
- Prakash Tulsiani:** You are right absolutely, but again overall total portion of the Shipping business is not that high in the P&E segment.
- Nishna Biyani:** Just wanted to understand the unallocated capital which has gone up to Rs.426 crores for the Q4FY'16. So what is this increase of Rs.130 crores? Sir when you look at your capital employed by segment you give it, so in that you get 'Unallocated Capital' just below 'other'
- Prakash Tulsiani:** Just allow us to come back on this, we will just examine and hopefully within the call we should be able to, otherwise we will revert separately.
- Moderator:** Thank you. The next question is from the line of Ruchi Sheth from Aventus Capital. Please proceed.
- Ruchi Sheth:** Actually I just wanted to ask just a follow up question of the previous one, since Allcargo is at 61% in CCI and the merged entity, is this a part to majority or is the promoter going to continue to hold this 39%?
- Prakash Tulsiani:** 61% is with Allcargo while approximately 38.8% would be held by the erstwhile promoter of CCI.
- Ruchi Sheth:** There is no future arrangement to change this?
- Prakash Tulsiani:** There is an agreement, but I would like to keep that separately in the sense there is a 5-year agreement to keep going with the two partners and thereafter we have an arrangement if there is.
- Jatin Chokshi:** The share purchase agreement has got all the standard closures which normally is available to majority and minority shareholders.
- Ruchi Sheth:** What is your strategy on e-Commerce both on the fulfillment and delivery side?
- Prakash Tulsiani:** We will continue to focus in the Contract Logistics on opportunities that may come from the e-Commerce segment. Now here obviously we can do the last mile if they want us to do rather and fulfillment centers, today, we do fulfillment centers.
- Ruchi Sheth:** What is the quantum of revenue from this e-Com fulfillment specifically?

- Prakash Tulsiani:** It is just the beginning and I would say that the quantum is not very large, you will see that in the Avvashya CCI we will have more on Contract Logistics coming in from Chemicals, Pharma and Auto, Logistics, but e-commerce is a growing segment.
- Moderator:** Thank you. The next question is from the line of Harsh Shah from Dimensional Securities. Please proceed.
- Harsh Shah:** I just wanted to understand in the MTO segment we do not have any one-time item, correct, in the EBIT level?
- Prakash Tulsiani:** No, it is not.
- Harsh Shah:** So the growth is pretty much we could say the operational growth?
- Prakash Tulsiani:** Yes, it is all operational efficiency as Suri mentioned about it and looking at process excellence, taking cost out, as any management would do on ensuring that we deliver good healthy growth.
- S. Suryanarayanan:** Plus we should also look at it year-on-year basis rather than look at it at a quarterly level.
- Harsh Shah:** In the CFS business, since last couple of quarters everyone is talking about the recovery during the second half of the year. So I just wanted to understand when you talk about the recovery which industry is going to lead this recovery both in terms of export and import because import we are seeing that the coal volumes, the rubber, the iron volumes all are coming down. So can you just throw some light on the recovery which industry can we focus when we talk about the recovery?
- Prakash Tulsiani:** Let me say that for growth of India we will have to look at infrastructure development and for that I do not see many private bodies coming forward to come and invest in the infrastructure field. So it will be a government spending. So the government spending will ensure that we come back into the cycle of investments. So I believe it will be the infrastructure sector that will start. Coming to the EXIM business what I have seen is that, clearly, India is a consumption-driven economy for us. How do I base that it is a consumption driven is because if you look at the port volumes, port volumes are growing only at 1 or 1.5 or 2%. Now we have heard that export volumes have gone down. So what is holding the port volumes at 1.5% or 2% upwards? It is obviously the imports. So these imports are for direct consumption, obviously, a large portion of that is for direct consumption and others of course the raw materials that we received. So I believe it is a consumption-driven economy that we have in front of us and the sectors which will start in my opinion fast would be the infrastructure which will help us move the deal.
- Harsh Shah:** In terms of Container volume do you mean the iron and the metals and the other elements... if we talk about the container volumes which industry will drive the Container volumes?
- Prakash Tulsiani:** As I said, it is consumption, so it will be all consumer goods that will come in, A to start with and also some of the other the industrial goods that are required. If you are referring to bulk, yes, coal is missing right now and I believe that is because of the government initiative also to bring domestic coal for the thermal plants, and on the other hand I think fertilizers and others are doing well.

- Moderator:** Thank you. Our next question is from the line of Pratik Kumar from Anitque Stock Broking. Please proceed.
- Pratik Kumar:** Sir, my first question is with regards to the P&E segment where you have mentioned the sale of certain assets which has also impacted the revenues in the segment during the quarter. So how much was this impact and what is the current fleet size for the company for the segment?
- Jatin Chokshi:** Currently, we have got 135 cranes, initially we had 141 cranes, so the obsolescent and old few cranes we have sold, so there is a very minor impact on the revenue, it is not a huge impact. So this is what is about current numbers and economics.
- Prakash Tulsiani:** What we have sold also is some of the trailers that we had.
- Pratik Kumar:** So that is not a major impact in, because the decline is there on the sequential as well as the year on year basis in the revenues?
- Prakash Tulsiani:** Yes, obviously, because there was a contract on trucking which in terms of turnover or in terms of total income is large, but in terms of our bottom line is not that heavy, and moreover it was with assets which were of aged assets, so we just disposed that out.
- Pratik Kumar:** My second question is with regards to the new Logistics Park. It seems we are generating too much cash now and if I just extrapolate the current earnings in future years, so we will have I think good cash by next 2-years FY-'17, FY-'18, so I suppose a large part of this cash is generated in the MTO business. So is that cash readily usable to put up a Logistics Park in Jhajjar or they are not fungible across the segments?
- Jatin Chokshi:** No, traditionally our India business and global business as far as the funds are concerned, they have got a separate fund management; however, there is no compulsion, all the funds are fungible if need be; however, keeping in mind our requirement overseas in terms of any potentials opportunity for more acquisitions at the moment whatever is the CAPEX we have the plan in terms of Jhajjar and Kolkata CFS and whatever it may be, our free cash flow generation out of the India business should take care of that apart from the borrowing program up to Rs.300 crores what board and shareholder both have approved. So we will be using the judicious mix of equity as well as debt to gain the maximum return on capital employed and investment keeping in mind the long-term gestations of whatever you said. Again we are executing this Jhajjar project in phased manner which will take at least 2 to 3-years starting with the first phase of land acquisition and subsequently keeping in mind the business needs and all these things. So it is not a question of 1-year cash flow, it is a question of multi-year cash flow which based on the debt-equity ratios and prevalent conditions will judicious to use those things.
- Pratik Kumar:** So we might today use this Rs.300 crores additional debt to completely finance Jhajjar expansion?
- Jatin Chokshi:** No, total CAPEX like acquiring the controlling stake in CCI which is also a part of. So Jhajjar is not going to have Rs.300 crores outlay in the first year or second year depending on land and other things. So up to Rs.300 crores approval will be using both for CCI acquisitions as well as part will be used as and when required we will be raising for the Jhajjar also if required and to the extent required.

- Pratik Kumar:** Sir what is our overall CAPEX guidance for FY-'17 & FY-'18?
- Jatin Chokshi:** FY-'17 other than currently Rs.130 crores what we will be paying for CCI acquisitions and if the land due diligence and everything going smooth then probably it could be around Rs.100 crores for the Jhajjar land acquisition, that is what we have planned for the FY-'17, and depending on this rail link facilities and any other opportunities we will draw up the plan probably in the last quarter of this financial year for the FY-'18.
- Pratik Kumar:** What is the status on expansion in that Kolkata CFS?
- Prakash Tulsiani:** In Kolkata CFS, where we have got 16-acres of land from the Port Trust, the outlay is approximately Rs.35 crores and the work has already started there, we expect that by financial year end in and around that or latest second quarter of 2017 we should be up and running.
- Pratik Kumar:** On the CCI acquisition, so we have like now 61% stake in this entity and we have also merged our Hindustan Cargo in this business. So the erstwhile promoter of CCI also holds now stake in Hindustan Cargo or...?
- Prakash Tulsiani:** No, it is a merged entity now called Avashya CCI.
- Pratik Kumar:** So in Hindustan Cargo also the erstwhile promoter of CCI has that stake because now it is a merged entity?
- Jatin Chokshi:** Yes, so the erstwhile promoter of CCI will not be holding any shares either in Hindustan Cargo or Allcargo, it is the other way round.
- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from PhillipCapital. Please proceed.
- Vikram Suryavanshi:** What was revenue from Shipping division this full year?
- Prakash Tulsiani:** Those numbers if you see overall they are not very large in considering the turnover that we have and I would say that this is a growing business, allow us some more time and then may be over a period of next 2 or 3-quarters we will discuss it; however, the number that we have is approximately Rs.100 crores.
- Moderator:** Thank you. The next question is from the line of Pranjal Sanghvi from SBI Cap Securities. Please proceed.
- Pranjal Sanghvi:** I understand you have one ongoing contract with Reliance Jio for Crane Leasing to be particular. So I wanted to know when is the contract ending or are we in any plans to renew the contract?
- Jatin Chokshi:** No, it is not a Reliance Jio, it is a Reliance Jamnagar refinery expansion is there. So initially we had a contract for close to 41 Cranes, currently 31 cranes are being deployed and the smaller tonnage cranes have been withdrawn because now it is no longer required; however, the larger cranes which is a crucial in any kind of revenues and plays a significant role in growth they are still getting deployed and for next

6 to 8-months and because of the revival particularly in the wind sectors and few more sectors, currently demand situation is very good in India, that is the reason you may have seen that few more cranes are being ordered by Indian players. So we do not foresee any issues post-Reliance equipment getting offered down the line 6 to 8-months.

Moderator: Thank you. The next question is a follow up question from the line of Sandeep Mathew from ICICI Securities. Please proceed.

Sandeep Mathew: I just wanted to just double check at some of the numbers on the acquisition that you have mentioned sir, so what I have understood is that the company has effectively paid roughly about Rs.131 crores for the 44% stake in CCI. So is that interpretation correct sir?

Prakash Tulsiani: Yes, that is right.

Sandeep Mathew: The next couple of questions is that so we are effectively valuing Hindustan Cargo at roughly about Rs.50 crores against revenue of about Rs.115 crores for this year. So are these margin profiles of the two companies significantly different sir?

Jatin Chokshi: No, it is a different value, is not depending on the revenues and other thing, it is a different parameter what entire industry follows, that is what we are following. The revenue is not a right yardstick for valuation because you know in Freight Forwarding business even the custom duty which is a pass through collected on behalf of the customer is forming part of revenue.

Sandeep Mathew: But would margins be significantly different sir because ...?

Jatin Chokshi: No, there is no question of margin percentage difference, but yes they have got a larger business, so that is the reason, if you apply the similar multiple to both the businesses the business having absolute number larger definitely will get more values in terms of percentage, but otherwise the value is the same.

Moderator: Thank you. The next question is a follow up question from the line of Pratik Kumar from Antique Stock Broking. Please proceed.

Pratik Kumar: Sir, just wanted to double check, so you mentioned about Rs.300 crores of the fund raising so is it refinancing of the older gross debt or is it additional debt with the accompanying plans to take?

Jatin Chokshi: No, this is purely the CAPEX related funding we are raising, not for refinance or debt because our current debt and cash flow position is comfortable to meet our current obligations.

Moderator: Thank you. The next question is from the line of Jasika Mehta from HDFC Securities. Please proceed.

Jasika Mehta: Just wanted to know the volumes of FY-'15 CFS and MTO?

Prakash Tulsiani: The number for FY-'15 for volumes is 422,200 TEUs for MTO business, and the current is 459,746, and as regards CFS we were at 291,579 for FY-'15 and the current year it is 304,756.

Jasika Mehta: What would be the tax rate going ahead?

- Jatin Chokshi:** Going ahead the tax rate would be the same what currently we are having; they are ranging in between 21 to 24-25% kind of thing.
- Moderator:** Thank you. The next question is a follow up question from the line of Ruchi Sheth from Avendus Capital. Please proceed.
- Ruchi Sheth:** I just wanted to ask what was the EBITDA margin of CCI in FY-'16? Top line was 77 crores.
- Prakash Tulsiani:** I think this is commercially sensitive information because we have just acquired this company and I would request you to pass this question.
- Moderator:** Thank you. The next question is from the line of Sushil Choksey from Indus Equity. Please proceed.
- Sushil Choksey:** I was just going through CCI Logistics website and the client list speaks of DuPont, Syngenta, Bata, Cipla, Cadbury, Hindustan Construction, Unilever, LG, L&T, Lupin, Monsanto, Nokia, North Seed, Marico, Onida, Praj. So this is purely more of white goods computer hardware, chemicals, pharma and even infrastructure. So is it possible that at least indicative business segment where they have strength at least in the top-5 segment which is visible on the website itself, if you just highlight that much ...?
- Prakash Tulsiani:** Yes, Sushil, there are 3 or 4 of them, start with Chemicals, then Pharma, then we will say Auto Logistics, these are the three main actually.
- Sushil Choksey:** You mean Auto Logistics means trucking of two-wheelers or car?
- Prakash Tulsiani:** No, the parts of these vehicle manufacturing companies... the OEMs.
- Sushil Choksey:** Is it that this Contract Logistics along with your domestic shipping can be intricate for like Hyundai shipping cars from Chennai to Mundra or may be Gujarat plant of Maruti to south of India?
- Prakash Tulsiani:** You said it, I mean, we are a one stop solution for Logistics Services and we offer integrated services, so obviously, yes, wherever there are synergy to combine it we are doing it and we have already been doing it, so going forward it is only going to strengthen us.
- Sushil Choksey:** Now looking at other aspect on these multinationals, are you also offering some kind of a Warehousing solution along with Logistics or it is only pure...?
- Prakash Tulsiani:** No, we do everything if it requiring, it is point-to-point, sometimes we say factory to foundation, in this case from the factory of our client to the end consumer we will go through all the Logistics needs of the client, so, yes, we are able to give them Warehousing, we are able to give them Trucking, we are able to give them Shipping, even if rail is required in between handling equipment, whatever is needed, Integrated Logistic Solution one stop.
- Sushil Choksey:** Having answered my question in indirect way can you tell me what kind of facilities they have in the segments of storage?
- Prakash Tulsiani:** Today they are in the west coast of India which is very close to Nhava Sheva and they have warehouses in Avvashya CCI now and also some in the east coast and we are going to develop even

more across India and obviously this is on the basis of the consumption drive that we see in India and also preparing for the GST whenever it comes in.

Sushil Choksey: What square feet or what acre of land bank these companies will have where space is concerned at the time of acquisition, the strategy may change to go asset light?

Prakash Tulsiani: No, but even at the time of acquisition we have not acquired any of the warehouses that they owned.

Sushil Choksey: So it is not part of the transaction?

Prakash Tulsiani: No.

Sushil Choksey: So you only paid for asset light model for the business growth potential based on the customer list what you have?

Prakash Tulsiani: Right.

Sushil Choksey: Now, how many customers would be duplicated between us and them?

Prakash Tulsiani: That we have not gone through, I think we do business with all of them.

Sushil Choksey: Then how does it benefit us in terms of synergy if it is duplication between our organization and them?

Prakash Tulsiani: No, in the Contract Logistics we were not in this niche segment that we are talking about. So this is on top of whatever we were doing.

Sushil Choksey: If I ask you a question in Pharma distribution if one of the entities which is your customer and I am manufacturing for domestic formulation distribution, so other than storage what solution will you offer through this Logistic company?

Prakash Tulsiani: If they need any refrigerated transportation or they need some customs clearance or they need to store the goods, that is part of warehousing, but we can value add all the services that are needed.

Sushil Choksey: I think if I read well it also states that distribution of any of these Flipkarts of the world also will be part of the business, that is what you were indicating?

Prakash Tulsiani: Yes.

Sushil Choksey: Any indicators what is the customer base on those kinds of logistics right now?

Prakash Tulsiani: No, we have one or two customers that we have mentioned in the past, because this is a growing segment so we are continuing to engage with the e-Commerce players and yes, still we are developing with them, and as and when we conclude we will let you know.

Sushil Choksey: We have rebranded ourselves from ECU-Line into ECU Worldwide which is a good thing to note that people are mistaking between line and ECU Worldwide what businesses we were in as I used to hear in the previous call. What is the future strategy on ECU Worldwide for growth?

- S. Suryanarayanan:** The strategy will continue to be in what we are doing, but wherever markets allow us, we will expand with other product offerings.
- Sushil Choksey:** When you mean by other product offerings, any elaborate terms can you highlight?
- S. Suryanarayanan:** We are not a very dominant player in the Air Freight side, we would be in the Air Freight, our FCL segment is continuing to grow so that will become another big focus area. So these are some of the products that we will continue to move across the globe.
- Sushil Choksey:** What percentage of our revenue in FCL would it be right now meaningful or it is small?
- S. Suryanarayanan:** It is growing immediately, I am not able to get a number on the top line of the FCL side, but I will ask Savli to give it to you.
- Sushil Choksey:** On the Air Freight side?
- S. Suryanarayanan:** It is very small at this point of time because only in few markets we are operating in Air Freight whereas we are now slowly moving to see how we can take it more in the globe.
- Sushil Choksey:** Margin sustainable you answered in the previous call. There is any scope of a small percentile growth?
- S. Suryanarayanan:** I think with the way the shipping rebates are, Sushil, I would tend to be a little more cautious, of course, we are doing well, we are meeting our own expectations quarter-on-quarter, but having said that the market is very competitive and the rates are extremely low. So it is all a combination of how we internally look at all our operational efficiencies, as I said, our procurement, our productivity, the lengths have been put on each of these as never before and that is where we are coming up as winners in the margins, but I would be a little cautious as we move forward. It is a little more difficult to really predict on how it runs, but we are hoping that we will continue to maintain what we are doing.
- Sushil Choksey:** Based on your MTO volume what are you seeing on the ground where US economy, Chinese is concerned and Europe is concerned?
- S. Suryanarayanan:** Even though there is individual, what you call, slow down that is happening, at our level because we are of an aggregator, I think we are strategically positioned. So I do not see very drastically the volumes dipping unless the global trade really tanks like how it did in 2008, but there also if you realize we fell only marginally as against other players. So I think from that perspective because we are strategically placed we should hold and that is where in spite of all that is happening around us, we are still maintaining the growth is because at a strategic level inherently we have an advantage.
- Sushil Choksey:** If we have to compare with any comparable company, where would this stack up in numbers in terms of volume or revenue 10% 20% different or far away?
- S. Suryanarayanan:** I would not talk about revenues but at a volume level my sense is again some of our leading competitors I think we are growing. That is the impression that we have from ground level that we are getting from our people.

- Sushil Choksey:** I think in the opening comment, Prakash, you mentioned that we have become #1 in the world. So the #2-3 volumes you have any indications or that we will have to do ourselves?
- S. Suryanarayanan:** We are saying we are one of the global leaders in this segment. So in terms of the competition it is very difficult because there are no published figures to say that we are ahead of this, but in markets where we are and the ground level information that we are getting from our people I think we are forging ahead.
- Moderator:** Thank you very much. Ladies and Gentlemen that was the last question. I now hand the conference over to the management of Allcargo Logistics for closing comments. Over to you.
- Prakash Tulsiani:** Thank you. We have made all our comments and we appreciate everyone being on the call.
- Moderator:** Thank you very much, members of management. On behalf of SBI Cap Securities that concludes today's conference call. Thank you for joining us and you may now disconnect your lines.