



**“AllCargo Logistics Limited
3Q FY2018 Post Results Earnings Conference Call”**

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Moderator: Ladies and gentlemen, good day and welcome to AllCargo Logistics Limited 3Q FY2018 Post Results Earnings Conference Call, hosted by Batlivala & Karani Securities India Private Limited. As a reminder, all participant lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Jinit Mehta from Batlivala & Karani Securities India Private Limited. Thank you and over to you Sir!

Jinit Mehta: Good afternoon everyone and thanks for joining the call. On behalf of Batlivala & Karani Securities, we welcome you all to the AllCargo Logistics 3Q FY2018 Post Results Conference Call. We have with us today the management of AllCargo Logistics represented by Mr. Shashi Kiran Shetty, Chairman, Mr. Jatin Chokshi, CFO, Mr. Prakash Tulsiani, Executive Director and CEO, CFS-ICD and Mr. Suryanarayanan, Executive Director, ECU Worldwide. I would now request Mr. Prakash Tulsiani to start the call with his opening remarks on 3Q FY2018 results. Over to you Sir!

Prakash Tulsiani: Good afternoon everyone and welcome to the earnings call for Q3 and nine months of FY2018 results. I am joined by our Chairman and Founder Dr. Shashi Kiran Shetty, Mr. Suryanarayanan, ED of ECU Worldwide and he is actually dialing in from Hong Kong and Jatin Chokshi, CFO with us at the conference room here in Mumbai. I hope all of you have received our results and gone through the consolidated quarterly financials by now. You can also view them along with earnings presentation on our website.

The container shipping industry, which showed signs of recovery during the first half of 2017, has come again under pressure in the last quarter of calendar year 2017. Freight rates are under pressure despite high season prior to Chinese New Year and it has not improved, which is largely due to some shipping lines, building up capacities and even after M&A's capacities remain the same. So there has been many M&A's, which we have discussed in the past, the capacities have not been withdrawn.

Chinese New Year this year is sometime next week and effect of that in India would be seen with no vessel calls in the beginning to mid-March. Impact of GST is slowly settling down, the government has been receptive to feedback from the industry. The changes in the system are now making compliance easier and we expect a stable scenario within the next six months. The infrastructure sector is showing visible signs of recovery and we expect the capex cycle of the country to pick up in the next two to three quarters. Additionally, as you may know the consumption pattern of the country is also on the rise, which is good for the overall logistics industry. Going now straight into details, we will first start with Mr. Suri for ECU worldwide and he will take us through the numbers for our global business. Over to you Suri!

Suryanarayanan S: Thank you Prakash. Good afternoon everyone. I am happy to announce that the total revenue for the MTO division for the quarter ended December 31, 2017 was Rs.1327 Crores as against

Rs.1206 Crores for the corresponding previous period, which is an increase of 10%. EBIT was at Rs.55 Crores for the quarter as against Rs.42 Crores for the corresponding previous period, which is an increase of about 31%. The MTO global volumes grew by 7.4% to 144, 646 TEUs. The growth has come from key markets across the world despite challenging trade and prevailing freight conditions. We have always outperformed the global LCL trade and we expect the strength to continue and remain market leaders. Our FCL business has continued to grow healthily. I would now request Prakash to take you through the performance of our businesses.

Prakash Tulsiani:

What we will do is Suri that since you need to step out and go for some meetings in Hong Kong we will get Jatin Chokshi, our CFO to first go through the numbers and then I will take over for the India business.

Jatin Chokshi:

Thanks Suri, thanks Prakash and good afternoon to everyone. Let me take you through the key consolidated quarterly financial highlights. The total revenue from operations grew by 4.9% year-on-year to Rs.1480 Crores for the quarter ended December 31, 2017. The growth in our revenue is mainly on account of volume and revenue growth in MTO business under challenging global conditions and declining freight rates. The EBITDA for the quarter ended December 31, 2017 was Rs.93 Crores, a decline of 6% year-on-year. This decline was mainly on account of the end of the lease of managing the CWC CFS in Mundra and also reduced contribution from P&E segment due to decrease in asset utilization and prudent policy of provision for doubtful debts. Profit after tax for the quarter was at Rs.32 Crores. Now I request Prakash to go into the business related details.

Prakash Tulsiani:

Thank you Jatin and starting with our CFS and ICD division rather vertical operations. The total volumes we handled in the quarter was 71,764 TEUs, the total revenue for the quarter was Rs.94 Crores, EBIT was Rs.28 Crores. The decline in revenue came primarily because of the CWC withdrawal that is which we talked about, Jatin talked about in Mundra and also due to increase in the direct port delivery, which has been going on in Nhava Sheva. Lastly I would say that I am happy to announce that Calcutta CFS commissioned operations in Q3, which we are reviewing right now. DPD we have go to market strategy to tackle this effect, which has come because of policy change. Now we are going directly to our end customers and securing that business, which otherwise would have gone to out of the port directly into the customer warehouse or factory.

Coming to our project and engineering business, the total revenue for the quarter ended December 31, 2017 was at Rs.71 Crores. EBIT was negative for the quarter. The decline in revenues was primarily due to decrease in asset utilization of the equipment leasing business and poor demand especially from the wind and power sector. Recent policy changes resulted in short term uncertainties in the wind sector, which was a primary reason; with wind sector enquiry now increasing crane utilization is on the rise and we expect the improvement in the coming quarters. We had discussed this also in the last call, which we had after the earnings in the last quarter at that point also we had mentioned about the effect on the equipment division because of the wind sector. As you also may know that the company has been increasing the focus on project transportation where the order book is heathiest ever that we have seen in the company history

we are at Rs.226 Crores right now. This is also on the back of the infrastructure and also what we see the capex cycle slowly returning back in the Indian market. The company has large orders from both public and private sector companies.

The company shipping division has also turned around we discussed about that we will sell some assets and we did that, so we sold two vessels out of total five, which we had, now we have only three and we have a long term contract also and the division has turned around very well. Growth in the infrastructure sector especially power, oil and gas, cement and steel is expected to increase the demand for specialized transportation and equipment division in the coming quarters.

Let us update you on the contract logistics also through a joint venture company, which is Avvashya CCI we know it as one of the leading players in the sectors of chemicals, pharma, food, retail and e-commerce and we manage over three million square feet of warehousing space. We have an asset like model in the business and planned to grow organically and inorganically across a wide spectrum of business sectors all over India over the next three to five years. Additionally the recent initiatives by the government to give logistic sector and infrastructure industry status, this will enable us the ability to raise funds for creating synergies and deliver larger value. This will facilitate logistic industry to raise fund at competitive rate and boost rate. The status would help to give credit at a competitive rate on long term basis. In addition to all this, I think the consumption pattern, which we talked about in India has been growing and that is where we see that once the GST whatever is happening in terms of settlement in understanding by the companies and the consumers we should see a lot more happening on the contract logistics side. That is up from our side and thank you very much. I think the chairman would also like to give some comments on the earnings to all the investors.

Shashi Kiran Shetty: Friends as you have noticed with all the numbers that have been presented, the current quarter number is not really up to the mark, which is something we are also not very happy about, but as you all can understand our business is completely depending on the growth in the business in the world market and how the economy grows in India because that is where we have substantial investment as all of you know. As regard to the global market I am sure all of you are aware that the world market is growing, the GDP is likely to grow in 2018 and 2019 by about 4%, which means there is 1.5 times growth in the container traffic. So that is the great news for the industry and with this happening the utilization of the vessels are likely to increase and the freight rates are expected to go up in the future, which is a direct impact to our business because as the freight levels goes up our margin improves, so that is something that I want to report here.

The second thing is the India business. The India capex cycle as all of us know has been under stress since number of years and we hope and anticipate that is also now the capex cycle is likely to revive once the GST stabilization happens, the demonetisation impact also happened, so last two years we have gone through lot of pain in the industry and I think we are at the end of that cycle. Generally the industrial production is also I think almost at the peak since the last four years and the private sector is now looking more actively in making more investments and developing the business.

And the other factor is as you know that India the export volume has grown substantially last year by about 9% and that trend is likely to continue also in this year and that is again good news for us. The impact of DPD is almost over the cycle business case has changed and now this business will remain stable. The renewable energy windmill, our capacity utilization has already reached 60% and as Prakash mentioned about the order book, which is over Rs.220 Crores, that execution is going to happen and we expect more trades will be utilized in the coming months with more wind farms being auctioned in the market by the government, so better utilization of the assets are expected and the project transportation business is likely to see a better revenue flowing in. Our global business has a much better outlook than what it had. CFS business where there was little bit of a concern because DPD- that concern is almost behind us. So the outlook looks positive in the coming quarter. The steel and fertilizer industry has also started doing better and that is an early indication and hopefully the real estate sector will turnaround there will be more home sales in the coming quarters, so all that should help overall the economy and the outlook for the company's operation and profitability going forward. This is what I wanted to report and happy to take more questions.

Prakash Tulsiani: Now we open for questions please.

Moderator: Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Mohit Khanna from Value Research. Please go ahead.

Mohit Khanna: I just had couple of questions here. First, there were rumours in the market that we were going to expand the direct delivery business by acquiring Snapdeal's business that I did not think go through, so what is your alternative plan for the growth in that business and also could you please detail the DPD impact and why do you think it is behind us now?

Shashi Kiran Shetty: First of all we looked at that acquisition and that did not make sense to us, so we did not go forward with that acquisition and we are at the moment not doing anything on that front that is the last mile, but obviously our plan for growing our contract logistic business and our future play in the India logistics story that is something that we are working still on, so that is what I can tell you right now and about DPD, Prakash you can take the question.

Prakash Tulsiani: As regards DPD what we have seen is that when the DPD policy change came in yes it started sometime in the month of March last year, which is 2017 and because it has just started it saw a great jump in terms of number of containers, which went in for DPD, but for the last few months that is I would say over a quarter the number has remained constant and we believe that it will stay there in the sense the DPD numbers would remain constant and we have also adjusted a go to market strategy accordingly keeping in mind what is the needs of client and what is the value proposition that we give to them. So we believe that cycle of or whatever the changes in the policies were there now that is behind us and from here we should see the numbers growing in terms of our CFS volume.

- Mohit Khanna:** Alright. Thank you.
- Prakash Tulsiani:** And also to add we have started our Kolkata CFS and that will help us increase the numbers.
- Shashi Kiran Shetty:** To add to that post GST now the enquiry for contract logistics and requirement of large box warehouse are coming up in the market quite a lot and we find that is a great opportunity for us particularly because we have a substantial land bank, which is close to about 400 to 500 acres of land and the land is one of the most difficult commodity that is today in the marketplace and we have substantial interest from various sides to develop this land bank which has been in the book for a number of years, so this asset is likely to get utilized in the coming year.
- Mohit Khanna:** Thank you so much. I have more questions, but I will get back in the queue. Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** Can we share out of that 7.1% growth in MTO how much was between LCL and full container cargo?
- Shashi Kiran Shetty:** I would say good number came from FCL because FCL is a new product that we have and obviously that is growing faster it has a lower base, so obviously the volumes, which you see that have grown, which is approximately 7.4% for us. I think FCL is about 22% of that.
- Prakash Tulsiani:** 22% growth in FCL and 7.4% growth in LCL.
- Vikram Suryavanshi:** Have we started handling the DPD clear container at our facility?
- Shashi Kiran Shetty:** Absolutely yes because that is a new product or new segment that we have seen and definitely we cater to that. Those who needs storage once they have cleared here at the port after DPD we are able to accommodate them and not only that we have been able to offer them end-to-end services that is even ocean freight, even pickup at their origin and even giving them delivery at the destination.
- Vikram Suryavanshi:** How do you see that business shaping up with this port terminal at JNPT?
- Shashi Kiran Shetty:** Port terminal at JNPT definitely just started they had only two vessel calls I think the volumes will continue to grow in JNPT and as the port scenario there was no capacity available that is why JNPT was not growing, but now with the increased capacity we should see JNPT gaining some volumes back.
- Vikram Suryavanshi:** Thank you very much.
- Moderator:** Thank you Sir. We have next question from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead.

- Keyur Pandya:** Thank you for the opportunity. Sir my question is on DPD, so Sir this DPD effect is only on the Mumbai port or is it visible at some other ports as well where we are present that is one and related question is, if this is increasing trend then will this impact in ramp up in our Kolkata CFS?
- Shashi Kiran Shetty:** I will say that DPD actually was prevalent in a way in Chennai already and it has come to Nhava Sheva also now, so you are right, the JNPT and Chennai for now and also in Kolkata they have direct port delivery setup since the beginning. So this is not a new concept in Kolkata or in Chennai, but it is a new one for JNPT.
- Keyur Pandya:** Will that impact ramping up our volumes in Kolkata?
- Shashi Kiran Shetty:** No, because we have taken that into consideration already.
- Keyur Pandya:** My second question is on the CWC where CFS which we took on rents, so now we are discontinuing there, so what would be impact on our cost, what would be the saving on that front which would not be there from next quarter?
- Shashi Kiran Shetty:** You are right, it would not be there beginning this quarter that is January.
- Keyur Pandya:** Q4?
- Shashi Kiran Shetty:** You are right Q4 we will not have CWC, CFS per quarter Rs.2 Crores.
- Prakash Tulsiani:** Per quarter Rs.2 Crores, which is a fixed cost, so we have done away with that.
- Keyur Pandya:** One book keeping question. So the volumes that we show in our presentation on the CFS, so that includes Dadri and Kheda ICDs or that exclude that?
- Shashi Kiran Shetty:** Yes, you are right. It includes Kheda and Dadri ICD.
- Keyur Pandya:** Even our segmental revenues include that or that comes in the share of profit from associates?
- Shashi Kiran Shetty:** No, in the presentation it does.
- Keyur Pandya:** Basically it is line-to-line consolidation?
- Shashi Kiran Shetty:** Yes.
- Keyur Pandya:** Thank you.
- Moderator:** Thank you Sir. We have next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

- Pratik Kumar:** I just wanted to understand now what is the capex outlook and capex numbers, which we should assume for the next two to three years including the recent capex announcement, which has been highlighted when the management on media?
- Shashi Kiran Shetty:** We had announced that over the next three to five years we will invest close to about Rs.700 to Rs.1000 Crores on development of our ICDs and logistic parks, which will constitute ICDs depending all on the demand warehouses and private freight terminals wherever we can bring in the rail network into our facility, so it is work in progress and this is something will happen over the next three to five years maybe earlier as we have been conservative, but that is the capex what we expect. Unless we do some acquisitions, which is obviously not in the current number what I have spoken about, so over and above that there is good acquisition that will obviously go out of that purview.
- Pratik Kumar:** What is our capex for FY2018 and how much we have spent till third quarter?
- Shashi Kiran Shetty:** Capex for FY2018 is close to Rs.50 Crores of which around Rs.35 Crores to Rs.40 Crores we have already spent and depending on the land acquisition plant for Jhajjar in this financial year we may spend another Rs.50 Crores, Rs.60 Crores that is outlay for the capex.
- Pratik Kumar:** End of the year at around Rs.100 Crores of capex?
- Shashi Kiran Shetty:** If the land acquisition happens.
- Pratik Kumar:** Sir in general what is the progress on Jhajjar ICD now in terms of clearances?
- Prakash Tulsiani:** As mentioned earlier also I think we have all the clearances we are just waiting for the funds and land clearances and then we are ready to go, so it takes time because land matters as our chairman also explained earlier that these are the most difficult part in any projects that we go ahead, so we are just closing in on the final matter as far as legality or land is concerned. Title is clear, but we just need to get our documentation in order and thereafter we will go ahead.
- Pratik Kumar:** Regarding this CFS volumes of around 71000, so what is the contribution of that the DPD volumes, which I have handled in JNPT?
- Prakash Tulsiani:** I will say on DPD you will have some numbers available even from the government and as per that the numbers are 40%.
- Pratik Kumar:** Out of the total Rs.71000 of your reported volumes how much DPD volumes for yourself?
- Shashi Kiran Shetty:** These are commercially sensitive and I would request that I will not give those details.
- Pratik Kumar:** Sir just final question on the P&A segment, Sir mentioned about Rs.200 Crores of order book this is for which segment of this?

- Shashi Kiran Shetty:** It is a project division.
- Pratik Kumar:** And equipment leasing division we have 60% utilization?
- Shashi Kiran Shetty:** As we speak yes.
- Pratik Kumar:** When can we expect the turnaround of this business specifically because this was the main run probably in this quarter?
- Shashi Kiran Shetty:** Absolutely, so it is difficult to say, by the next quarter things should change it may be go down to about 80% utilization.
- Pratik Kumar:** That is it from my side and all the best.
- Shashi Kiran Shetty:** Do not take it as guidance, but that is our expectation.
- Prakash Tulsiani:** We are optimistic because of the capex cycle coming in and improving, we had mentioned this also in the last conference call that we see some pressure building up in terms of the leasing of equipment, so as we speak today yes we can see good order book on a project logistics, which gives us a clear feeling that the situation is turning around and the capex cycle is improving. So accordingly we expect that optimistically we should be there sooner than later.
- Pratik Kumar:** I have one more question on CFS, so you mentioned about Rs.2 Crores savings because of that CWC business, which was pending, so that was the equivalent impact in Q3 of Rs.2 Crores in the profitability.
- Shashi Kiran Shetty:** The cost is hitting there, which will not be there from January quarter onwards.
- Prakash Tulsiani:** And also we have the cost of Kolkata, so there is both these cost will now disappear. So Kolkata will start generating income and CWC cost will not be there.
- Pratik Kumar:** I will get back to the queue. Thank you.
- Moderator:** Thank you Sir. We have the next question from the line of Abhishek Ghosh from Motilal Oswal Securities Limited. Please go ahead.
- Abhishek Ghosh:** Thanks for the opportunity Sir. I just wanted to understand while we have grown at volume in LCL by 7% what would have been the market growth rate?
- Shashi Kiran Shetty:** Market growth rate has been in line with the GDP approximately 3.5% to 4%. In fact I am being corrected it is 3%.
- Abhishek Ghosh:** Sir shipping freight rates, which have kind of little subdued in the last three, four months as we speak in the month of February, is there any improvement?

- Prakash Tulsiani:** They come to a stage of consistency I would say whatever fall was there they have remained there, they have not gone down further and as our chairman mentioned also with the growth in the GDP and our own projections we believe that the container volume growth would be there up to the range of let us say 4% or in that range and we shall grow higher than that.
- Abhishek Ghosh:** If you could just help us with how has been the experience in terms of now that we have launched the Kolkata CFS and what are the kind of utilization level that we expect say 12 months down the line?
- Prakash Tulsiani:** These are very early days and I would say we are just ramping up our operation. Let us discuss this in the coming quarter when we would have at all the experiences of at least three months behind us I would say we are getting good traction, we have been well received because we are the only player who is a national player, all the others are local players there and the quality of services and the facility, which we have developed and the closest to the port that is only 1.5 km away I think we are very well received by the clients over there and also the shipping lines.
- Abhishek Ghosh:** In terms of the project segment, the loss that we have seen in the current quarter is on account of higher provision write offs or general asset utilization coming down and because of that rates getting impacted, so how should we look at it?
- Prakash Tulsiani:** It is the combination of both the factor of course asset utilization is not as expected, which has brought down the revenue and because of the prudent provisioning policy in our provisions though as earlier various part as we mentioned it is not a bad debt, but it is very prudent policy we are providing as and when we recover we reverse the provisions. So in this quarter we have provided Rs.5 Crores for the segment, P&E segment both.
- Abhishek Ghosh:** This is very helpful and all the best.
- Moderator:** Thank you Sir. We have next question from the line of Mohit Khanna from Value Research. Please go ahead.
- Mohit Khanna:** For MTO pricing when we said that you have seen quite difficult business environment and the pricing pressure has been witnessed, so does it really depend on Baltic dry index or some other factors in the force because if volumes are going up pricing should be at least stable or so.
- Shashi Kiran Shetty:** No, we have nothing to do with the Baltic index, Baltic index is for container, not applied for container that is for dry bulk and oil and all that commodities. So like I said earlier the container outlook is very good, ships are continued to go to the scrap yard and no major order being placed and trade is expected to grow world trade I am talking about by at least 6% so which means 6% growth is almost like 300 million TEUs, 6% is 18 million TEUs that is a kind of a growth of volumes that is expected in the next two years. So obviously that will put lot of pressure on the existing assets and the freight rates are likely to go up that is a general belief by the shipping industry and lot of shipping analysts are forecasting that.

- Mohit Khanna:** But we have not been at a place with rates are strictly stable, we are still witnessing rates going down?
- Shashi Kiran Shetty:** I would disagree actually in 2016 when we were there, we have seen the rates really go down, but beginning of 2017 until June the rates actually recover quite a lot and after that again in the last quarter there was a slight dip while right now as we speak the rates have been stable since October 2017.
- Mohit Khanna:** Alright that is comforting. Also one more thing, you just mentioned that land bank is around 400 acres, 500 acres so as an investor we definitely like growth, but if you can put a fair value if just in estimates to this land bank that would provide some balance sheet support for the stock?
- Shashi Kiran Shetty:** About Rs.200 Crores.
- Mohit Khanna:** And also one final question from my side, what are the real criteria that you will look for when you want to acquire the last-mile delivery business?
- Shashi Kiran Shetty:** No, we are not acquiring last-mile business at this point in time.
- Mohit Khanna:** So it is completely off the shell?
- Shashi Kiran Shetty:** No as I am not saying that, but right now we are not looking at any immediate acquisition of last-mile business. We are looking at entering the India's logistic market, which is line haul along with that we will do a last-mile, so right now we are not in any discussion or conclusion of any of those acquisitions at this point in time. So it will be very hypothetical format to say anything right now.
- Prakash Tulsiani:** It is a very dynamic market and obviously there are lot of deals coming our way, but right now we do not have anything on hand.
- Mohit Khanna:** Alright. Fair enough. Thank you so much.
- Moderator:** Thank you Sir. We have next question from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Thank you for the opportunity Sir. I just wanted to understand you said something about the line haul business you are looking at if you could elaborate us little bit on what kind of scale, what kind of capital commitment you are looking at?
- Shashi Kiran Shetty:** Our aspiration is to get into the express logistics and LTL transportation within India and like I said we are not yet ready to share any details in terms of the capex or how much is, what will be the timeframe at this point in time, but we are actively working on developing all our logistic parks, which means lot of warehousing and moving into Bengaluru and Hyderabad and Jhajjar as our immediate priority to get these projects up and running in the near future.

- Achal Lohade:** Got it. That is part of the Rs.700 Crores three to five years capex you have talked about right?
- Shashi Kiran Shetty:** Yes.
- Achal Lohade:** Great. I will come back in the queue. Thank you.
- Moderator:** We have the next question from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Thanks for taking my question. I just missed the previous commentary on the provisions that you have taken on the P&E business I think the line kind of got and developed a blip at that point of times out of the Rs.15 Crores of EBIT losses that we have done in the nine months in the P&E segment how much of that is provisions?
- Shashi Kiran Shetty:** Rs.5 Crores in P&E segment.
- Abhijit Mitra:** There is a capex over the next three to five years Rs.700 Crores to Rs.1000 Crores that you are mentioning, what would be the structure this capex, previously you have spoken about creating SPVs and looking for funding option, so should we bill this capex within the balance sheet as of the next three to five years or how would the structuring be if you can throw some light?
- Prakash Tulsiani:** We have not finalized any structure, we are open and expecting all possibilities whether it is a combination of equity or debt in the company's book itself or could be a strategic partner, so we are keeping all options depending on the market dynamics and the business or the strategic perspective will take a call, but yes total outlay would be in the region of Rs.700 Crores.
- Shashi Kiran Shetty:** In other words to fully develop this facility we need about Rs.700 Crores to Rs.1000 Crores right depending on how this business will evolve post GST like I said it is very exciting time lot of enquiries are coming to us because we have substantial land bank and we are looking at various options available to us, so we have township from private equity for example we have in discussion with strategic partners we may go that route or we may build our own portfolio by funding ourselves through debt and equity, so we are keeping this option and the idea is to get the maximum ROCE from this investment and on a sustainable basis and keep our risk profile intact.
- Abhijit Mitra:** Is this model similar to say a global GLP or Prologis kind of a model or is it the infrastructure that you are providing or what you intend to provide or it would be like pure ICDs, which you have setup or that matters CFS is that you have setup, how is this, is it sort of infrastructure setup that you are providing for other guys to come and setup shop within that location, is that the right understanding?
- Shashi Kiran Shetty:** No, we are generally an asset owner right and operator that will be our first priority that you put it that way.
- Abhijit Mitra:** Got it and this Rs.700 Crores to Rs.1000 Crores does it include the vision of entering express logistics and LTL transportation or that separate?

- Shashi Kiran Shetty:** No, that is not part of that.
- Abhijit Mitra:** That is separate, so there the chances of both organic and inorganic opportunities you are exploring I would presume right?
- Shashi Kiran Shetty:** Yes, organic is less, more inorganic.
- Abhijit Mitra:** That is helpful. Thanks a lot. That is all from my side.
- Moderator:** Thank you Sir. We have next question from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead.
- Keyur Pandya:** Thank you for the opportunity again. Question is on the provision that you mentioned for doubtful debt, so Rs.5 Crores is for this quarter or for nine months FY2018?
- Prakash Tulsiani:** No, Rs.5 Crores is for the quarter.
- Keyur Pandya:** So what is the provision we have done till now and any further provisioning, which you are envisaging or this is end of it?
- Prakash Tulsiani:** Till now at consolidated level for the nine months we have made the provision of Rs.25 Crores, which includes all the businesses put together and for PE segment is around Rs.14 Crores.
- Keyur Pandya:** Okay.
- Prakash Tulsiani:** We also got the money back also, these are the net provisions.
- Shashi Kiran Shetty:** So net provision is Rs.25 Crores for nine months and for the quarter is Rs.5 Crores and is there anything more expected in provisioning?
- Prakash Tulsiani:** No, in fact we expect the reversal because of the aggressive recovery plan and the revival in the market so this quarter we expect reversal.
- Shashi Kiran Shetty:** One of our main companies in this case is Inox and we got already Rs.7 Crores from them.
- Keyur Pandya:** The Rs.14 Crores is the provision for PES and Rs.15 Crores is the year-to-date loss, so if you exclude this provision that is at the break even the segment is right?
- Prakash Tulsiani:** Yes.
- Keyur Pandya:** Sir second question is on the CFS front, so with this DPD coming in and can we see some pressure on the margin, which we are entering with the overall CFS industry ranging very higher margins, so can we say any pressure on margin or pricing going ahead?

- Prakash Tulsiani:** What you have already seen, you have seen we have dropped by 2% points over a period of last six or seven months. We have already seen whatever pressure we had seen and going forward we remained constant or rather we will improve from here because we have understood dynamics or the needs of our DPD clients and the third party customers and accordingly we are developing the go to market strategy or value proposition and that is what will take us forward helping us to improve the margins and we do not see going down from here at all.
- Keyur Pandya:** So my point was at the industry level I mean to grab higher volumes can we see some aggressive comprehension from the existing players just to create a field sector?
- Shashi Kiran Shetty:** Again as per the policy of the government they are not allowing any more new CFSs to come in Chennai and in Mumbai area, so we do not see any capacity increasing.
- Keyur Pandya:** Sir just one last question, there is more on the book keeping front, Sir any specific reason why employee cost year-to-date is lower for this year?
- Shashi Kiran Shetty:** Primarily because of lot of process improvement and digitalization, productivity improvement and things like that.
- Keyur Pandya:** Thank you and all the best.
- Moderator:** Thank you Sir. We have the next question from the line of Dhruv Agarwal from Ashika Group. Please go ahead.
- Dhruv Agarwal:** So I have question on one of the points covered earlier like you mentioned that you have nothing to do with the Baltic dry index so may I be correct in assuming that the world container index or just some other index that we can use to get an idea of the freight rates movement?
- Shashi Kiran Shetty:** Shanghai freight index.
- Dhruv Agarwal:** Got it and is this also relevant for your domestic container freight charges for the CFS business?
- Prakash Tulsiani:** That is for the world freight business. Domestic is nothing to do with that it is purely local.
- Dhruv Agarwal:** Any idea of how do we get to know what is the movement in the domestic freight charges?
- Prakash Tulsiani:** Regret there is no such index available locally.
- Dhruv Agarwal:** Thank you and second question I have is just a general strategic questioning on CFS business over the next three to five years what kind of competition do you see or just any upcoming players?

Shashi Kiran Shetty: As I mentioned earlier specifically Nhava Sheva in Chennai, which are the two large markets and Nhava Sheva being the largest the government has decided not to give any more new licenses to any CFSs, so in short the capacity will remain or even may go down.

Dhruv Agarwal: Just regarding ICDs?

Shashi Kiran Shetty: ICD is open because then logistic parks are coming in and with the dedicated rail freight corridor there could be new logistics park coming up depending on wherever the industrialization takes place and which of the state takes the lead in developing the industrial clusters and accordingly the logistic cluster will come in.

Dhruv Agarwal: Got it. Thank you.

Shashi Kiran Shetty: For example, the Jhajjar area there is a lot of new industries are likely to come up and to the best of our knowledge what we understand about 17 agreements have been signed we have setting up new factories.

Dhruv Agarwal: Accordingly depending on the development of the industries and the states, parks will come up.

Shashi Kiran Shetty: Particularly Jhajjar I was talking about.

Dhruv Agarwal: Thank you.

Moderator: Thank you Sir. We have next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Thanks for the followup. Regarding the contract logistic business what would be our revenues topline like we are till date because that number is not visible directly in the income statement?

Prakash Tulsiani: Revenue is in line of our expectations and that is what the number we are sharing and EBITDA for YTD December 2017 is Rs.19 Crores and here we are not concentrating line by line and we are following the JV accounting.

Pratik Kumar: Revenue number we are not sharing?

Prakash Tulsiani: We are not sharing, but approximately or I can say it is around Rs.225 Crores for the nine months.

Pratik Kumar: Sir what is the closing net debt as of nine months period?

Prakash Tulsiani: The closing net debt at consolidated level is Rs.198 Crores.

Pratik Kumar: And Sir regarding one of the questions mentioned earlier in the call there was an impact of Rs.2 Crores in CFS business savings this is per quarter if I heard it correctly?

- Prakash Tulsiani:** Going forward yes.
- Pratik Kumar:** Question on this there was this JNPT tender on transport have things moved at all on that for industry or we are also quoted as one of the participants there?
- Prakash Tulsiani:** Nothing has moved forward, it is still at the government level and we await outcome of that.
- Pratik Kumar:** Sure Sir. I will get back to the queue. Thank you.
- Moderator:** Thank you Sir. As there are no further questions from the participants I now hand the conference over to the management for closing comments. Over to you Sir!
- Prakash Tulsiani:** Overall we feel that the work is over both in the global outlook and also the outlook for India I think how the government will react keeping the 2019 election is something that we do not know, but I think overall the mood in the logistic industry is good and the global growth in the volumes is bringing some cheer for the industry and we anticipate a better performance in the coming quarters and that is pretty much what it is and the company is in a good position, is in a healthy state financially and we are all dedicated to make all our projections come true. We are also adding new management bandwidth into the organization as you all know that we have the new CEO who joined for ECU Worldwide, we are in the process of hiring Chief Digital Officer and also bringing a new talent in the area of warehousing and logistic park development, so there is more management bandwidth coming into the organization and we are really looking forward for fulfilling the opportunity that is in front of us. Thank you very much.
- Shashi Kiran Shetty:** Thank you very much for joining the call.
- Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of Batlivala & Karani Securities that concludes this conference call. Thank you for joining us. You may now disconnect your lines.