



“Allcargo Logistics Limited  
Q1FY2019 Results Conference Call”

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**Moderator:** Ladies and gentlemen, good day and welcome to the Allcargo Logistics Limited Q1 FY2019 Results Conference Call hosted by SBICap Securities 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. Sandeep Mathew from SBICAP Securities. Thank you and over to you Sir!

**Sandeep Mathew:** A very good afternoon to everyone. We are very happy to have with us today the management of Allcargo Logistics Limited, which has been represented by Mr. Shashi Kiran Shetty, Chairman and Managing Director; Prakash Tulsiani, CEO of CFS and ICD verticals; and Mr. Jatin Chokshi, CFO. I now hand over the call to the management for opening remarks. Over to you, Sir!

**Shashi Kiran Shetty:** Good afternoon, everybody, and I welcome you to this earnings conference call to discuss Q1 FY2019 results and operational highlights. I am joined by Mr. Prakash Tulsiani, ED & CEO of CFS/ ICD, Mr. Saleem Nazir, who is the CFO of ECU Worldwide; and Mr. Jatin Chokshi, who is the CFO of Allcargo Logistics. I would like to take a moment to mention that this year the company completed its silver jubilee, having finished 25 years in existence. This is a momentous occasion and reminded us of the years gone by, the team that helped us to get to where we are and the many milestones we still aim to achieve in the logistic industry, both in India and globally. And I thank you for your support, and we will continue to work to the best of our ability to achieve our goals. Now, moving to the Q1 FY2019 results you can view the results along with the earnings presentation on our website. I would like to share a few highlights related to the quarter.

In our MTO business, I am happy to share that despite a slow growth in the global macroeconomic environment as well as fears of trade restrictions we have shown growth in volumes by 26% year-on-year. Globally, despite consolidation, the shipping industry capacities have remained unchanged. However, freight rates continue to be under pressure, but stable. We continue to hold the leadership position globally for LCL consolidation. We also have increased focus on our allied services, including the FCL product, which is gaining significant traction in our overall volumes; the 26% growth is on revenue, it is on TEUs combined. Coming to the India business we have seen a lot of changes and positive initiatives in this past year. There has been a focus on development of Logistic Park as well as the development of a robust multimodal infrastructure network that will enable the use of different modes of transportation, seamlessly transfer cargo. The CFS business saw a growth in port volumes and improved market conditions, which in turn helped us to improve our volumes in the business, and we saw a growth of approximately 4% to 5%. We are seeing improved contribution from the Kolkata CFS, which was commissioned in December 2017.

As you may be aware, in Jhajjar, we have acquired 93 acres of land plus leased railway land for a long-term basis 27 acres as on date to develop India's largest multimodal Logistic Park. We expect to start the construction work shortly, and expect the warehousing subsegment to be operational by second half of 2019.

We have also embarked on developing our land banks and construction work has started has in Hyderabad, Bengaluru and JNPT. We expect this vertical to commence operations and start contributing to the EBITDA in FY20. In the projects and engineering division we saw an increased utilization compared to the previous quarter.

We have an executable order book of Rs.170 Crores+ in the project transportation segment and have significant inquiries from the Wind and other core sectors, such as coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and power, for the projects which are planned to start towards the end of H1-FY19. The receivable position has also improved significantly.

Going now straight to a quarterly updates. Mr. Chokshi, our CFO will take us through the consolidated financial numbers. Over to you, Jatin!

**Jatin Chokshi:**

Thank you, Sir and good afternoon to all. Let me take you through the key consolidated quarterly financial highlights.

Total revenue from operations was at Rs.1625 Crores for the quarter ended June 30, 2018, as compared to Rs.1483 Crores for the corresponding previous period, an increase of 10%, mainly on account of volume and revenue growth in MTO and CFS business, 89% of the revenues are from the global MTO business.

EBITDA was at Rs.102 Crores for the quarter ended June 30, 2018 as against Rs.103 Crores during the corresponding previous period.

Profit after tax was at Rs.54 Crores for the quarter ended June 30, 2018 as against Rs.64 Crores for the corresponding previous period.

EPS for the quarter ended June 30, 2018, was Rs.2.16 per share for a face value of Rs.2 per share.

A quick update on the balance sheet front. As on June 30, 2018, the total equity was Rs.2,018 Crores and the net debt was Rs.204 Crores.

The capital structure of the company remains conservative with a net debt-to-equity ratio of 0.10 as on June 30, 2018.

The return on capital employed stands at 11%.

Unfortunately, Mr. S. Suryanarayanan is unable to join as he is traveling so I will be taking you through the business performance of the MTO segment for the quarter.

Starting with highlights of the MTO business, I am happy to announce that the MTO business clocked volume of 174,043 TEUs for the quarter ended June 30, 2018 as against 138,479 TEUs for the corresponding previous period, an increase of 26%. This growth has come from key markets across the world despite challenging trade and freight conditions.

The total revenue for the quarter ended June 30, 2018, was at Rs.1455 Crores as against Rs.1289 Crores for the corresponding previous period, an increase of 13%.

EBIT was Rs.58 Crores for the quarter ended June 30, 2018, as against Rs.53 Crores for the corresponding previous period, an increase of 9%.

The ROCE for this business stands at 27% on an annualized basis.

We have always outperformed the global LCL trade, and we plan to continue to outgrow the global LCL trade and remain market leaders in LCL consolidation. Our FCL business has also continued to grow healthily.

We will continue to focus on key growth areas and move at a rapid pace, given the world trade developments. That is all from my side. I will now hand over to Mr. Prakash to take us through the India businesses. Over to you, Prakash!

**Prakash Tulsiani:**

Thank you, Jatin, and good afternoon everyone. In our CFS and ICD business segment, the total volume has increased by 4%. Growth was driven by Kolkata and JNPT volumes. The total revenue for the quarter ended June 30, 2018 is at Rs.110 Crores as against Rs.109 Crores for the corresponding previous period. EBIT was at Rs.31 Crores for the quarter ended June 30, 2018 as against Rs.30 Crores in the previous period and this is mainly due to volume increase and shutting down of loss making, CWC facility. Commencement of Kolkata unit has also assisted us in stabilizing returns despite increased DPD volumes, which are low paying.

The ROCE for the business stands at 28% on an annualized basis. Jhajjar, as detailed by our Chairman, is our future development in Logistics Parks.

Coming to our Project and Engineering Business, the total revenue was at Rs.72 Crores for the quarter ended June 30, 2018 as against Rs.99 Crores for the corresponding period earlier. EBIT was at Rs.6 Crores for the quarter ended June 30, 2018 due to decrease in asset utilization of the equipment leasing business and continued stagnant demand especially from the Wind segment.

Revenues declined primarily due to decrease in asset utilization of the equipment leasing business and continued stagnant demand especially for the wind segment

In Q1 FY2019, the projects from the wind sector continue to remain subdued. The industry is now on a growth trajectory, and as per current estimate on course to add 30 gigawatts of new capacity in the next three years, thereby taking the cumulative capacity to 60 GW in FY21. We have significant enquiries from this sector for the projects, which are planned to start towards the end of Q2FY19. The company has been increasing its focus on project transportation where the current executable order book is around Rs.175 Crores plus. We have seen some positive movement in the form of renewed revival in 8 core sectors as enumerated by our Chairman. The company intends to explore opportunities in neighboring countries like Sri Lanka, Myanmar, Nepal and Bangladesh.

We remain optimistic that our asset utilization shall witness an increase in the second half of the current financial year.

Lastly, an update on our contract logistics business; through a joint venture Avvashya CCI, we have emerged as one of the leading players in the sectors of chemical, Pharma, food, retail and e-commerce, and we managed over 3 million square feet of warehousing space. We have an asset-light model in the business and plan to grow organically and inorganically across a wide spectrum of business sectors all over India over the next three to five years. Our earnings in Avvashya CCI is reported at the PAT level in our consolidated financials. In the recent past, the company has added several big multinationals and large corporates to our customer portfolio. We will continue to drive more efficiencies and service quality to the verticals we focus on. That is from our side. Thank you very much and now we open the floor for any questions.

**Moderator:** Thank you very much Sir. Ladies and gentlemen we will now begin the question and answer session. We wait for a moment while the question queue assembles. We have a first question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

**Giriraj Daga:** My first question is related to the MTO business. So if we had a very decent 27% growth - 26% growth in the volume, if you can give breakup like what was the share of FCL in this quarter versus last year and the related question is that we see that significant dip in the realization in EBIT per unit also, so is it only driven by the FCL movement or there is a little bit pressure on the business itself?

**Prakash R. Tulsiani:** So the main growth, which has come on the FCL business, which is almost 40% compared to the previous quarter and the LCL business has grown by about 5%, which is higher than the global growth. Obviously the net margin is lower because FCL generates lower per box gross profit. There is a little bit of a pressure on the LCL business, but I would say it is not significant. The markets have almost bottomed down. I do not see any further pressure coming in. Yes some markets it may have little extra pressure, but the mini markets where we have far superior - I mean far stable margins going forward. That is how we see it.

**Giriraj Daga:** Just a follow up, what was the share of FCL in this first quarter?

- Prakash R. Tulsiani:** One second. See in our business, because it is the business where we have a combined nature in the sense of the LCL, wherever we resell LCL, we also are able to sell the FCL business. We would like to say that the ratio between the two remains constant in the sense of approximately 14% to 15%, which comes from FCL and the balance comes from LCL. So that is the ratio, that we have been dealing with, which we have improved over a period of time, and that is where we are today.
- Giriraj Daga:** Okay. My second question is related to the capex side of it, so we starting with – the chairman said that we are starting with construction in Hyderabad, Bengaluru and JNPT, so what is the capex we are looking in this year and how much we have done in the first quarter?
- Jatin J. Chokshi:** Yes. As far as the capex is concerned, during the first quarter, we spent close to Rs.25 Crores on the Hyderabad and JNPT warehouses and for the remaining year based on our estimate in plants, apart from the 2 warehouses we have also spent Rs.135 Crores to acquire the land for the first phase of the Jhajjar and now for the remaining financial year, we expect another Rs.50 Crores to Rs.75 Crores between our warehouse and additional capex front of things.
- Giriraj Daga:** And when will be the Hyderabad and JNPT facility commissioning?
- Jatin J. Chokshi:** We are developing these facilities in a phased manner depending on the customers' requirement.
- Shashi Kiran Shetty:** Hyderabad, the first box is already ready, and it is almost leased out, and JNPT facility has been built to suit for our customers. It is already under it is going to be completed in the next one month, both the facilities and they will start generating income soon thereafter.
- Giriraj Daga:** So in FY2019 end, we will have both these units contributing to our business?
- Jatin J. Chokshi:** Yes.
- Giriraj Daga:** Okay, my last question is on the contract logistic, so when we see the share of associated profit, we see a significant jump there from almost Rs.52 lakhs that is going to Rs.3.3 Crores profitability on year-on-year wise, if you can you help us with some number on revenue and EBITDA side also that would be helpful on year-on-year and this quarter number?
- Jatin J. Chokshi,:** Okay for third party logistics as you may be aware that we are doing through our subsidiary company ACCI, and first quarter revenue is Rs.92 Crores for the ACCI and profit after tax for ACCI is Rs.3.72 Crores.
- Giriraj Daga:** But our share was like 3.3, when I say share of profit.
- Jatin J. Chokshi:** Right, so because there is an Ind-AS Accounting Standards, some amortization has happened during the year ending, some could be reverse. So basically for the first quarter, it is all accounting standards and other things it will be applicable, when we present the balance sheet in benefit in second half and financial year. So this is what and apart from that not only the ACCI,

our share from JV includes Dadri, which is a joint venture with Concor and Nepal. So the Dadri has Rs.1.5 Crores and Nepal is Rs.1.21 Crores. So all put together it is Rs.3.5 Crores.

- Giriraj Daga:** Thank you and all the best.
- Moderator:** Thank you very much Sir. We have a next question from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.
- Vikram Suryavanshi:** Good afternoon Sir. Just in case of CFS, how is the growth coming, is it across the CFS or we are still how is the situation in JNPT Port DPD and how is the volume pick up at Kolkata CFS?
- Prakash R. Tulsiani:** The volumes in India are rising because of the consumption drive which we have in India, yes the ports have been doing better, so it is volume across all the terminals except maybe a bit of Chennai where the growth has been lagging in the sense the volume growth has started recently, but otherwise, it is a cross hand for us, it is mainly coming also from Kolkata, which has kicked in very well.
- Vikram Suryavanshi:** And Kolkata how is the utilization level right now?
- Prakash R. Tulsiani:** Pardon?
- Vikram Suryavanshi:** How is the utilization level at Kolkata?
- Prakash R. Tulsiani:** In Kolkata we are doing better in the sense of first phase, whatever capacity we have we are almost at 60% in the first phase, 60% capacity utilization, so we have done well, we are already at break even.
- Vikram Suryavanshi:** Okay and we have also seen in MTO standalone growth so..
- Prakash R. Tulsiani:** MTO standalone growth.
- Vikram Suryavanshi:** Yes, so that is also quite remarkable so can you just...
- Jatin J. Chokshi:** In terms of volumes.
- Prakash R. Tulsiani:** Pardon. In terms of volumes.
- Vikram Suryavanshi:** Okay, so in standalone in India so we have increased the exposure to full container load?
- Shashi Kiran Shetty:** Yes, it was always - India was always into the full container load business.
- Vikram Suryavanshi:** Okay.
- Moderator:** Sir, do you have any further questions?

- Vikram Suryavanshi:** No. Thank you.
- Moderator:** Thank you. We have next question from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Yes, thanks for taking my questions, so your net debt in the current quarter has reached almost to Rs.200 Crores and so if you can give some - you were supposed to hold an analyst meet to give out some sort of details on the capex that you want to do on your future MMLPs, including Jhajjar, so has that capex being formed up or we are still in a period of contemplation as to what would be the modus operandi of funding and what is a timing or the timeframe for the same?
- Shashi Kiran Shetty:** The Jhajjar, we have bought 99 acres of land.
- Jatin J. Chokshi:** 93.
- Shashi Kiran Shetty:** Sorry, 93 acres of land as a first phase, and we have also taken from the Haryana government 27 acres for connecting Farrukhnagar station to our property and also the permission for laying the tracks is something that is already come about, but we are not happy with the permission, we are trying to alter the permission for something else, which is more beneficial for the property, so all this work is currently underway. The property what we bought, the 93 acres, they are currently under conversion, so we have a bound - we have a binding agreement with the seller to sell us the additional land, and that is where the ICD will come. The first phase of the land, what we already bought, which I said is under conversion to CLU is where we are going to be building large warehousing projects as part of the Logistic Park and these warehouses are being - going to be built on the basis of build-to-suit, so when we have a customer contract that is when will start doing the construction and we are in advance level of discussion with multiple customers for the requirement of the space. The way we see it within the next two years, we should be able to fill that land with warehouses on a build-to-suit model, and we might build at about 10% or 15% on a speculative model because lot of our customers they need warehouses, they are not willing to wait, they need warehouses to move in, so that also is an opportunity because then you are to charge more. So 15% is speculative, 80%, 85% is on basis of the build-to-suit, so that is how we are going about in Jhajjar. So if you look at this year in terms of additional capex, we do not see a significant amount, maybe somewhere in the region of about Rs.100 Crores, Rs.150 Crores or something like that in the balance part of this year, but we already paid Rs.135 Crores for the land what we bought in Jhajjar along with the leased warehouses. So 93 plus 27 that is 120-acre land we got at Rs.135 Crores.
- Abhijit Mitra:** Okay, so your effective increase in net debt by almost Rs.70 Crores on a sequential basis how one should look at it because you have generated it seems OCF in the quarter, so you have paid for other land parcels as well apart from Jhajjar like so Bengaluru, Hyderabad, Nagpur, Chennai?



- Shashi Kiran Shetty:** No, all those lands were already acquired in the last over seven years. So those lands were bought at a very differential price, and obviously there is all appreciated, but we are not spending any money other than Jhajjar for the land acquisition.
- Abhijit Mitra:** And this Rs.135 Crores, majority of it would have been paid in this quarter?
- Jatin J. Chokshi:** Yes, yes, yes, all in this quarter.
- Abhijit Mitra:** Okay and you expect additional Rs.100 Crores to Rs.150 Crores to be spent for the remaining three quarters, is the understanding right?
- Prakash R. Tulsiani:** Yes.
- Jatin J. Chokshi:** Yes, correct.
- Abhijit Mitra:** Okay. Thanks. That is all from my side.
- Moderator:** Thank you Sir. We have next question from the line of Ankit Panchmatia from Batlivala & Karani Securities. Please go ahead.
- Ankit Panchmatia:** Hi Sir, good afternoon. Thanks for taking my question. Sir we have been able to see good volume as well as revenue growth from all of our segments, but the profitability continues to remain under concern, so I want to want your take on this, what we should track or what would be the inflection point for the same to get back to the profitable growth and how do you see the global market panning out following up this trade war disruption? These are my two questions.
- Shashi Kiran Shetty:** See let us take the global trade, the global trade, we have heard about as you have about whatever that trade restrictions are being applied by different countries, and we say that our volumes have not been affected, and we do not see any effect as on date also and the buying pattern will change and even if that happens, we are present in more than 160 countries and in more than 300 locations, so for us we are absolutely agile and in state of readiness, so wherever the business moves we will accordingly move, and the volumes will still remain with us. So we are pretty good to go, and we certainly see that our growth is coming on all segments as you rightly said in terms of ECU Worldwide and also from CFS, and also P&E we expect that the capex cycle will start and we will see better utilization in that. To add to what Prakash is saying that if you look at the previous quarter to this quarter, the PAT has grown by 170% and that is despite the equipment being underutilized because of the market conditions at a level of about 47%, whereas same quarter last year the utilization was upwards of 85%. So what we are seeing is that from the third quarter, the equipment utilization will up significantly and all that revenue will contribute to the bottom line because all our fixed cost has already been taken care of, so there is a big upside possible in the project and equipment division in the coming two quarters, - three quarters, I mean two quarters. We expect this to happen from H2 that is October to March period and thereon. As far as CSF business is concerned post DPD the entire business has now stabilized and this is the model of the future. So in spite of changing the model, you have seen that our

volume has grown by 13% compared to the previous quarter. Despite bad shipping conditions, our global business has grown significantly as we have explained earlier. All this shows the company is outperforming the market and we are growing much better than the market growth, and when the markets turn around, we will have a remarkable position to get the benefit and as regard to our contract logistics business we have a very detailed business plan to take this business from current 3.5 million square feet of utilization of the warehouses to 10 million square feet of utilization, because post GST, there is a kind of a demand that we envisage from our existing customers and the new customers and the contracts that we are signing with a lot of new customers as explained earlier, so and like I said, the significant land that we own as a company over the last four, five years they are all now coming into play. We are going to be using these lands for the development of warehouses and Logistic Park for the benefit of the Indian market and we see robust demand and we expect rapid growth in this segment.

- Ankit Panchmatia:** Sir for Jhajjar what kind of capital outlay we have been committed for the next two years?
- Jatin J. Chokshi:** For the entire Jhajjar project we are estimating there over a period of three to four years we will be spending close to Rs.500 Crores in a phased manner for all warehouses as well as ICD and the land and everything, so that is what the capital outlay we hope for the Jhajjar.
- Ankit Panchmatia:** Thank you. That is all from my side.
- Moderator:** Thank you very much Sir. We have next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Good afternoon Sir, Sir my first question is regarding this Logistics Park earnings and warehouse earnings, so this JNPT warehouse just I wanted to understand is it something new, which we are worked at?
- Shashi Kiran Shetty:** Yes, it is an additional 150,000 square feet of warehouse will be commissioned on end of this month.
- Pratik Kumar:** So this earnings from JNPT warehouse, Hyderabad warehouse and eventually like this Jhajjar earning, so all of these will come under CFS business side or there will be separate business line item for all this earnings?
- Shashi Kiran Shetty:** We have not decided on that, but most likely under the CFS, yes.
- Pratik Kumar:** Okay and Sir earnings from Jhajjar facility in whichever way, we are planning to rollout in a phased manner, so when is the earnings expected from Jhajjar facility?
- Shashi Kiran Shetty:** Jhajjar will take a little while at least one year for the revenue to start trickling in, it will take at least one year.

- Pratik Kumar:** While for the rest of Hyderabad and JNPT warehouses, we should start see earnings from Q4 as you mentioned?
- Shashi Kiran Shetty:** That is correct, yes, not Q4, Q2.
- Jatin J. Chokshi:** Q2, Q3.
- Pratik Kumar:** Of 2019?
- Shashi Kiran Shetty:** 2019, yes.
- Pratik Kumar:** Okay and Sir regarding again the Jhajjar facility or for development of warehouse and other locations, are we looking for to have some strategic tie-up with strategic or financial tie-up with any partners or we are like going so low on these expansions because we read a lot about in that in press.
- Shashi Kiran Shetty:** Yes, we are not tying up with any financial partners at the moment. We may tie up with a strategic partner or we may do some sales of the existing some of the part of the property, so that we can use that money for further expansion.
- Pratik Kumar:** Strategic partner in a sense, so for example they will get business and you will run warehouse something of that sort?
- Shashi Kiran Shetty:** Yes, I mean, smart money you can call it like that way.
- Pratik Kumar:** Okay and Sir regarding this LCL, FCL and MTO business, so you said that LCL grew by 5% and FCL grew by 40%, so I mean I understand that we are growing very aggressively versus industry, but for both these segments what would be the growth for the industry, if you have that data?
- Shashi Kiran Shetty:** 3% to 4% max.
- Pratik Kumar:** Sorry Sir, your voice broke.
- Shashi Kiran Shetty:** Yes, the market is growing roughly in the region of about 2% to 2.5% and we do not like the word aggressively because we are not aggressive, we are always profit driven, so we are deploying a lot of resources around the world, competent people and great systems to attract the business and that is how we are beating the market by a large margin.
- Pratik Kumar:** Okay and Sir one question on Avvashya CCI, you mentioned PAT of Rs.3.72 Crores, what is our proportion in this Rs.3.72 Crores, which we factor in our P&L?
- Jatin J. Chokshi:** Okay, now as you may have seen, our total share of JV for this quarter is Rs.3.5 Crores, the breakup is, as far as the ACCI is concerned, it is Rs.2.27 Crores minus the amortization of the

goodwill and other components, so the net is Rs.0.33 Crores plus we have Dadri, Rs.1.5 Crores, Nepal Rs.1.21 Crores, so that is how the broad breakup of Rs.3.5 Crores.

**Pratik Kumar:** Okay so Avvashya CCI is contributing Rs.0.33 Crores in current quarter after factoring amortization?

**Jatin J. Chokshi:** Yes, which is a mandatory as per the accounting standards, right?

**Pratik Kumar:** Correct, okay Sir, I will get back to the queue. Thank you.

**Moderator:** Thank you Sir. We have next question from the line of Achal Lohade from JM Financial. Please go ahead.

**Achal Lohade:** Yes, thank you for the opportunity Sir. Just wanted to check first on the breakup, if you could give us in terms of the CFS as well as ICD volumes for the quarter?

**Shashi Kiran Shetty:** I think we give always a combined volume, and ICD, we have only one, which is Dadri, so typically, it is majority from CFS.

**Achal Lohade:** Okay and how do you look at the volume growth at JNPT, how has been our volume growth and the impact of the DPD stabilized now and what was the impact of DPD on the margin front?

**Shashi Kiran Shetty:** The JNPT port has been growing at the rate of approximately around 4% to 5% and DPD has grown and has come to approximately 40% and that has remained, therefore, over a period of six months now, so we have as we have discussed also in the previous call in the last quarter result, that we have arrived at a stable environment and we continue to see this.

**Achal Lohade:** Okay, but in terms of the profitability, you think there is more stress, which would be possible or you think whatever the margins currently we are having that could be maintained or improved?

**Shashi Kiran Shetty:** Yes, we believe that where we are today, it is sustainable, and unless something new comes in, but right now it is where it is in the sense of the current environment for the over six months period and we believe that this is the stable environment and we will continue to grow from here and obviously we grow with increasing our volumes because the unit cost will come down and thereby improving our profitability per TEU.

**Achal Lohade:** Right, have you seen the benefits of the fourth container terminal commissioning started rolling in or you think that still some time away at JNPT?

**Shashi Kiran Shetty:** The fourth terminal started and their volumes are still yet to reach percentage of the capacity, they are still lower and because they are still I think working towards getting the balanced phase that is the second phase up and running, but right now the traction has been limited.

- Achal Lohade:** Traction has been limited, okay and just last question in terms of the Jhajjar ICD, a) what is the status of DFC as per your understanding and b) do you think with the possibility of DFC getting delayed further you could also see some delay in terms of our spending with respect to Jhajjar ICD?
- Shashi Kiran Shetty:** First let me take the DFC question what we hear is the DFC on August 15, 2018 should start from Dadri up to Ateli, which is in Rajasthan and that should be inaugurated very shortly, so that is part of the DFC, which will be operational, but end-to-end we hear a lot of different dates, so let us not speculate, let us wait for the government or the Indian Railway to come and let us know. I think it, in my guesswork, I would say that it should be soon after the Atalie has been achieved after they have secured whatever land parcels they need to, so once that is done then we wish **(audio break) 39.32**. The point is that between JNPT up to may be Dahanu Road is where the challenges are and on the other hand near Delhi that is from somewhere border of Haryana up to Delhi, so these are the two sections, which we will wait to hear more from the government and let us hope that by 2022 that all this is put into place. Now coming to our Logistics Park, which is Jhajjar, will we be affected not at all, because there is a railway line already existing and within the existing network we will be able to operate as soon as we put in connectivity from Jhajjar into Farrukhnagar the nearest railway station, which is approximately 1.5 kilometers and for which we have received the approval and we shall commence the work shortly, so there is no challenge to bring in a double-stack train from anywhere from Gujarat Ports, because they can only offer the double-stacks into our plot that is Jhajjar or ICD, so I do not see any challenge in the current environment itself.
- Achal Lohade:** Got it Sir, great. Thank you so much for taking my questions. Thank you.
- Moderator:** Thank you Sir. We have a next question from the line of Ankit Panchmatia from Batlivala & Karani Securities. Please go ahead.
- Ankit Panchmatia:** Thanks for taking my question again. Sir a couple of data points as earlier asked can you give the breakup of FCL volumes and LCL volumes in our MTO business?
- Shashi Kiran Shetty:** I think we answered that and said that we will give a percentage and we are at the rate of anywhere between 13% and 15% as full container loads and balance is LCL that is the core business.
- Ankit Panchmatia:** Okay, Sir and in the CFS, if I can get breakup facility-wise if it is possible?
- Shashi Kiran Shetty:** Being very commercial sensitive, you will agree with me, and we never give the breakup of the facility, please let us look at the profitability and the development, which has happened despite DPD over there, I think that is what we are focused on to ensure that each and every location - each and every facility of our CFS does very well, and that is what we are determined to achieve.

- Ankit Panchmatia:** And Sir as particularly in the opening comments, the gross margins for FCL business are lower than LCL business, any sense that how much lower it would be or what is the price differentiation for both?
- Shashi Kiran Shetty:** Again over here as we mentioned and in many calls also earlier and even in this call, how do we sell FCL, it is that we already have a team in place for LCL in more than 160 countries, in 300 locations plus and the same team and may be some members have been added at respective, I would say, regional officers to ensure that we continue to go and sell, which is our ancillary or existing business, so we do not need any more manpower or anymore facilities or offices, with the same setup we are able to sell two different products so that is our goal to improve our overall profitability in the company, in the group and also for ECU Worldwide.
- Ankit Panchmatia:** Okay Sir, no problem. 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:** Yes Sir. Thanks for the opportunity again. Sir just for understanding, is this direct port delivery, having any impact in other ports else JNPT or is it only specific to JNPT?
- Shashi Kiran Shetty:** The DPD has been applicable today to JNPT primarily and Chennai.
- Pratik Kumar:** And as we are understanding, is it likely to, I mean, extrapolate in other ports or is it expected to remain in these two ports?
- Shashi Kiran Shetty:** See we have to see which are the gateway ports because the ports, which are handling volumes for hinterland will anyway carries a volume for hinterland, so this is applicable typically for cargo which is in the near vicinity of the port, so that is why JNPT and Chennai are catering to volume to the near vicinity also and that is why DPD is there.
- Pratik Kumar:** But I mean, volumes from JNPT also carry to like 200, 250 kilometers inside JNPT also, I mean, port border, so like for instance, the Krishnapatnam, Vizag volumes are also be getting consumed near to port, I would assume?
- Shashi Kiran Shetty:** I have not heard about the other ports because anyway we do not have a facility there, but I have not heard anything about the DPD.
- Pratik Kumar:** For that matter in Kolkata also, I mean, volumes could - probably would be getting consumed in that location?
- Shashi Kiran Shetty:** In Kolkata, they already had the facility of prior to any other port, they were allowing some deliveries export also, including stuffing over there, so they operate very differently.

- Pratik Kumar:** Okay Sir and just one thing, just clarification on capex, so I mean, we have already spent Rs.135 Crores in Q1 on Jhajjar project, Rs.25 Crores on Hyderabad and JNPT, and we are expecting another Rs.150 Crores in three quarters?
- Prakash R. Tulsiani:** Yes approximately yes.
- Pratik Kumar:** So around Rs.300 Crores plus capex expecting in FY2019?
- Prakash R. Tulsiani:** Yes, approximately yes.
- Pratik Kumar:** Okay Sir. Thanks and all the best.
- Moderator:** Thank you. We have the next question from the line of Abhijit Mitra from ICICI Securities. Please go ahead.
- Abhijit Mitra:** Yes, just a follow up question on the MTO, so given the trend that we are seeing in a significantly high volume growth and probably dilution in the trend of the margin, so where do you think this volume versus margin equation will sort of stabilize especially in the MTO business, can you highlight some of the key levers, one is what we understand the FCL versus LCL mix, anything else that you would want to throw light upon?
- Prakash R. Tulsiani:** I think, as I mentioned earlier, it is already bottomed out, because we are one of the lowest freight levels that is what happening in industry, so there is no much scope for further reduction and the reduction is primarily coming from the mix of LCL and FCL and we are not diluting any of our margins. It is the nature of that business, so obviously as we mentioned that is the same people are selling both the products if possible.
- Abhijit Mitra:** Yes the mix of FCL at 13% to 15%, it has a scope of going up further from here or is it like the high-water mark that you see?
- Prakash R. Tulsiani:** No, it can go up a lot more that will contribute to the bottomline. It will not erode the margin.
- Abhijit Mitra:** Thanks. That is all from my side.
- Moderator:** Thank you Sir. We have the next question from the line of Giriraj Daga from K M Visaria. Please go ahead.
- Giriraj Daga:** Sorry Sir, I am just sticking with the same point of LCL, FCL mix because what the numbers you are telling about the 14%, 15% and the rest is LCL the numbers does not add up if we do the 40% and 5% growth maths to achieve a 26% revenue growth will require somewhere higher than 40% of FCL cargo, which we can grow at 40% and then we can add up the number above 26% overall growth.
- Shashi Kiran Shetty:** So rate, the ocean freight also fluctuates a lot, 26% is a volume growth by the way.

- Giriraj Daga:** 14%, 15% you are talking about revenue growth - revenue number?
- Prakash R. Tulsiani:** 14% (audio break) 48.04 14%, 15% is a FCL volume of the total NVOCC volume and rest is LCL.
- Giriraj Daga:** Yes Sir the same point I am making is that assuming last year it was 10% is that grew by 40%, we might reach 14%, 15% and remaining 90% will grow by 5%, but then the combined growth of 26% on combined basis and that does not add up.
- Prakash R. Tulsiani:** No, because see again topline is a factor of not only the freight, it depends on the trade lane where...
- Giriraj Daga:** These are the volume only right?
- Prakash R. Tulsiani:** Yes, okay we have another person to explain it.
- Company Speaker:** So your question is mainly related to the 26% is the volume growth, it is not the revenue growth, point number one. Point number two, the 40% and a 5% growth that you spoke about - that Mr. Shashi spoke about is a split between FCL growth and LCL growth. So the LCL growth is a single digit, which we still continue to meet the global trade market and the FCL growth is something that we are focusing our efforts on by getting.
- Shashi Kiran Shetty:** Exponential growth.
- Company Speaker:** Synergies, yes we are getting synergies of same markets that our sales people are targeting, so we are not talking about any revenue growth as a combination of these parameters and numbers because a lot of other factors also goes into it, not just the rate, but other factors also, right?
- Giriraj Daga:** No, but I was actually talking only of the volume growth only, so if you can take offline maybe if you can explain the numbers.
- Company Speaker:** We will do.
- Prakash R. Tulsiani:** Yes we will come back to you.
- Company Speaker:** You can get in touch with team.
- Giriraj Daga:** Okay.
- Moderator:** Thank you Sir. We have next question from the line of Vaibhav Gogte from Ashmore. Please go ahead.
- Vaibhav Gogte:** So when do you expect things to stabilize in P&E business?



- Prakash R. Tulsiani:** Yes, the second half of the year that is when we expect the far better utilization of the assets that as far as the equipments are concerned. The project business, we already have an order book of over Rs.175 Crores, which is likely to be added further to reach about Rs.300 Crores by the end of the financial year. So project business is already - the traction has already seen. Equipment also we see the traction, but particularly during monsoon, the utilization of the equipment always goes down and all new projects generally people keep it post monsoon. So the quarter beginning October is where we see significant improvement in the utilization of the assets, which like I said earlier that will add to the bottom line.
- Vaibhav Gogte:** Thank you.
- Moderator:** Thank you. We have a next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Yes Sir, just a follow up on this P&E business, so was there any provisions of bad debts in the current quarter, like loss of Rs.6 Crores on a PBIT basis?
- Jatin J. Chokshi:** No, basically there is no specific provisions in respect of any customer or client, but yes, based on the accounting standards, which is mandatory that needs you to provide based on the ECL that is estimated credit loss based on the past track records of your own. So we have made a provision for the accounting standards to the extent of Rs.3 Crores in P&E segment, otherwise there is no specific P&E and in fact, it is reversal to the extent of Rs.2 Crores because of recovery from some of the customer.
- Pratik Kumar:** So Rs.3 Crores is like negative and Rs.2 Crores is recovery, so net?
- Jatin J. Chokshi:** Net is that at a company level, so net provision is around Rs.3 Crores, Rs.3.5 Crores.
- Pratik Kumar:** Okay and the rest of the losses attributable to lower utilization of assets?
- Jatin J. Chokshi:** Yes that has impacted the revenue overall.
- Pratik Kumar:** Okay Sir that was my only question.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question, I now hand the conference over to the management for closing comments. Over to you, Sir!
- Shashi Kiran Shetty:** Yes, so to wrap everything up from here we see the performance going to improve due to various factors what I have mentioned, the growth in the MTO business particularly on the full container load, the CFS business having stabilized post DPD and our Kolkata CFS doing better, already achieved and beyond break even, the new warehouses revenues will start kicking in. The project and equipment business will start delivering better numbers in the second half of this financial year and like I said the growth of ACCI business is going to grow exponentially that is the trend we can see already from the some of the contract that we signed with the customers and like I

said earlier, that we are going to monetise, sorry we are going to start utilizing the land bank, which we have acquired where we spent over Rs.300 Crores in the past, over the last five years, which is now coming in handy for us to start developing and start generating income out of that and the company is also looking at how we can take advantage of the growth in the Indian economy by looking at how we expand into the domestic logistic market, there is some serious work underway in that area as well, that is what I just want to leave with you the thoughts. Thank you very much.

**Moderator:** Thank you very much Sir. Ladies and gentlemen on behalf of SBICap Securities Limited that concludes this conference call. Thank you for joining with us. You may now disconnect your lines.