

Transcript

“Allcargo Logistics 1Q FY-16 Earnings Conference Call”



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Presentation Session

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Moderator: Ladies and gentlemen, good day and welcome to the Allcargo Logistics 1Q FY-16 Earnings Conference Call hosted by SBI CAP Securities. As a reminder all participants' 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 this conference call, please signal an operator by pressing “*” then “0” on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Mahantesh Sabarad from SBI CAP Securities. Thank you and over to you, sir.

Mahantesh Sabarad: Thank you. Good afternoon everyone. I welcome all the participants to the 1QFY16 results conference call of Allcargo Logistics. We have with us Mr. Shashi Kiran Shetty - Chairman and Managing Director of the company; Mr. Suryanarayanan - Executive Director ECU LINE; Mr. Prakash Tulsiani - the COO; and Mr. Jatin Chokshi - the Chief Financial Officer. We would commence the call with opening remarks from Mr. Suryanarayanan on the company performance. This will be followed by a Q&A session. Before we begin the questions I would like to mention that some of the statements related to today's conference may be forward looking in nature. I would now like to request Mr. Suryanarayanan to begin with the opening remarks. Over to you, sir.

S. Suryanarayanan: Good afternoon, everyone and thank you for joining us on the call. I hope all of you have received our results and gone through the quarterly financials by now. For those who have not, you can view them along with our presentation on the website.

I am very happy to share that we have registered a good growth in revenues and profits from all our lines of business in this quarter as well and has been in line with our expectations. Company has emerged as the second largest player in the LCL consolidation business globally and is the only Indian player who has a strong presence across multiple logistics businesses of CFS, contract logistics, project logistics, equipment leasing and costal shipping in India. We have over the years evolved to be financially strong and sound continual dividend paying company formidable player in the business we operate and creating value for our stakeholders.

In the last five years our compounded annual growth rate our EBITDA has grown about 14%. We are rapidly growing in the Indian market with the worldwide presence with a focus on high potential key markets of U.S., China, Brazil, and Germany. We are delving deeper in the domestic coastal shipping businesses and last month we invested in two ships aggregating 24,000 debt weight ton for a long-term contract that we have received from a large MNC.

We have a strong and experienced management team in place gear to take our company to the next level and also examine any growth opportunities going forward. The team has been strengthen and we are happy to tell you that Prakash Tulsiani has joined us as the Chief Operating Officer and Executive Director and Martin Mueller as the Chief Commercial and Strategy Officer of the group. Both of them have rich and variant logistics and management experience.

Coming to the quarterly performance. Our consolidated total revenues from operations for the quarter stood at 1,478 crore year-on-year growth of 12% the consolidated EBITDA for the quarter was 137 crore year-on-year growth of 16%. The EBITDA margin improved to 9.3% as against 8.9% in the corresponding previous period. The PAT was at 75 crores a year-on-year growth of 53%. We have always tried to be financially stress free and overtime we have brought down our debt. Our current net debt to equity is now at 0.16 reflecting a strong balance sheet. Return on capital employed without goodwill has increase to 23% from 19% in the last year.

Moving to our business. Starting with the MTO operations, the volumes have grown 11% year-on-year this is the organic growth and we are happy to mention that we have outperformed the LCL industry growth globally. Asia continues to dominate the pie in terms of volume mix and we are seeing growth coming from key markets of Germany, U.S. and China. In CFS the volumes have grown 8% year-on-year. There has been growth in volume sequentially as well. We expect to see this growth to continue in the coming quarter. Growth has come from all our locations.

In project and engineering business we have grown in revenues and profits. The revenues grew by 22% and EBIT substantially over last year. In this business we have started to see some positive movements like enquiries are coming up and small project starting to move on the ground. The asset utilization has gone up and realizations are also on the upward trend though albeit slow. I am pretty confident that in this year this business will show improvement not only in the top-line and profits but also on their return on capital employed. On a consolidated basis we are happy to say that our focus across all businesses is continued to be on growth in terms of volumes and revenues. We continue to focus on improved asset utilization and higher return on capital employed. This year we expect to generate around 400 crore of cash and a higher return on capital employed.

We are leveraging our global network to consolidate our leadership in the LCL business. We are continuing to focus on the key markets of U.S., China, Brazil, and Germany in the coming years. In India we will continue our focus on increasing our market share in CFS and in the P&E business and also looking at scaling up our contract logistics, warehousing, and shipping businesses.

As a company we continue to examine opportunities for growth, new businesses as well as inorganic growth to achieve a target of \$2 billion by 2020. Thank you so much. We can now take questions.

Moderator: Thank you very much, sir. Ladies and gentleman, we will now begin the question and answer session. Our first question is from the line of Adhidev Chatopadhyay from Elara Capital. Please go ahead.

Adhidev Chatopadhyay: My question is more as industry question right now. As you all are aware current state of operation JNPT where things are stuck because the strike I guess. Could you just explain how that is affecting our freight forwarding operations and where do you see the traffic getting diverted away from JNPT to which other destinations? Thanks.

Prakash Tulsiani: Thank you this is Prakash Tulsiani. In terms of port business today when we see that GTI at JNPT is today not operational and the traffic which we see is getting actually diverted to nearby terminal which is in JNPT some of them and the others are probably presently discharging at one of the transshipment ports which could be either Jebel Ali or Colombo. Some of the traffic is also diverted to Gujarat ports. As regards to our business yes, definitely presently because we have volumes which do come from GTI they are not there because the port is not functioning but as these volumes will have to eventually come back to Mumbai or JNPT because end destination is

JNPT this will come in at a later date that could be some part of it I would say a small percentage which could be missing but definitely I understand that over a period time this will come back. So it is delay rather a pause I would say and not missing of volumes overall not complete missing of volumes, there will be some which will be there.

- Adhidev Chatopadhyay:** Okay. Just follow-up in terms of global trade which are the areas that you are seeing weakness continuing and where are seeing some signs of improvement overall?
- S. Suryanarayanan:** On an overall basis we are growing it is not that we are de-growing in any specific markets but at global level we are continuing to grow and almost all the markets there has been growth.
- Adhidev Chatopadhyay:** Okay. So just to is there any slowdown in market like are you seeing some slowdown in China or some noticeable slowdown in the export side just a more micro level question rather than...
- Shashi Kiran Shetty:** I think from India the export is below there is drop of about 15% in the last two quarters import is also is not really the ships are coming as a matter of fact till the GTI problem happened so import is not major hit especially in terms of the container traffic.
- Moderator:** Thank you. Our next question is from the line of Sushil Choksey from Indus Equity. Please go ahead.
- Sushil Choksey:** My first question you just said that the import volume is stable and export volume has dropped when you mean export volume by value you are talking about or volume? Because volume might have not dropped because of petrol products.
- Shashi Kiran Shetty:** No, we are talking about in terms of volume.
- Sushil Choksey:** So you are seeing export volumes has dropped?
- Shashi Kiran Shetty:** Volume has dropped by almost 15% that is due to multiple reasons one I think is the global trade itself kind of slow and it think that is the main reason Yes.
- Sushil Choksey:** Okay. Instead of asking too many question because there is a large queue where do you see your ROC going forward in next one or two years?
- Shashi Kiran Shetty:** Yes, this year right now we are at about 23% without taking goodwill into account and we expect this to further improve I would image it will go up by another 400 basis points.
- Sushil Choksey:** Second thing is global shipping rates like Bombay, Dubai or China to Europe rates are dwindled to very small numbers. Is it having a positive impact one is for freight purchase and second thing is does it is it become a volume kicker in terms of LCL business.
- Shashi Kiran Shetty:** Frankly such a low freight is not healthy for any business and I do not expect this rate to remain for this long time. So we all hope that the freight levels go up so that there is better margin. In a way if a trend continues for a long time I guess that will demand consolidation of the industry there could be a lot of Mergers and Acquisition that may happen in the liner or shipping industry but this is not at sustainable level most of them loose money. Only good thing is that all this is happening on the basis of higher capacity shift coming into service which brings your per unit cost to a much lower unit so that is how they are able to reduce rates but it is not sustainable at these levels. So some ships will either start streaming slow or some ships will go off the service and some ships get redeployed a lot of charter ships will get released. So I think overall it will be a temporary phenomenon.
- Sushil Choksey:** And basically it is a shipping line but having an impact on long-term but does it have a positive long-term contract manufacturing from destination like Asia to Europe?
- Shashi Kiran Shetty:** No, ocean freight is a very small percent of overall cost of the transaction it is normally below 5% so I do not think it will make such a big impact on the commodity prices.
- Sushil Choksey:** Okay. My next question how are you seeing the trend on material handling and equipment divisions as economy you have to kick off and GST has been tabled in Rajyasabha right now but one does not know whether it goes to. Irrespective whether it happens or not how do use the kicker based on your contract is reliance IOC and et cetera are the projects.
- Shashi Kiran Shetty:** Yes, we are reasonably booked to utilize the assets well above 90% till the end of the year we do not see any challenge there and I think the way we see the moments are taking at the ground and let's keep our finger crossed. But in any case the renewable energy sector is doing very well and a lot of our equipments are deployed there and we are saying no to a lot of our customer for giving more equipments because they are occupied right now.
- Sushil Choksey:** Is the rates getting better or..

- Shashi Kiran Shetty:** It has got slightly better in the new contracts.
- Sushil Choksey:** And how is the consolidation opportunity there?
- Shashi Kiran Shetty:** No, I do not see there is a bit of consolidation there because our strategy is also not to invest too much of capital into the equipment rendering business we are looking at alternative methods to grow in this business.
- Sushil Choksey:** No, I am not asking from our point of acquisition I understand that we are de-leveraging but if there are too many sellers in the market which means may trigger reason for others who have natural death possibly.
- Shashi Kiran Shetty:** No, this somehow the company has find some way to survive. A lot of them have asset which they are paid for so the cost of operations of these assets are not like unlike a shift so people just pull along and survive and then bounce back when the times are good.
- Sushil Choksey:** The life of asset is more valuable in the contracts?
- Shashi Kiran Shetty:** More value yes, absolutely. it's in real money terms.
- Sushil Choksey:** Can you breakup our coastal shipping business in terms of bulk and container?
- Shashi Kiran Shetty:** We are dominating the bulk trade in the coasting shipping. We have now five ships we are added two ships which are 25,000 tonne dead weight against some very big contract on a long-term basis where the freight rates are being agreed and the contract is signed on the basis and also they are not supposed to use any third party as per the contract so we continue to have a dominance in the bulk business and these are new opportunities coming for us so, we might invest few more ships in the next couple of quarters. On the coastal container shipping business is concerned we run one service between Mundra to Cochin to Tuticorin and back. We just launched another service starting today loading from Kandla to Mormugao to Mangalore and on the return come back to Goa to pick-up some cargo back to Kandla this is second string of the service. So we are going to grow in this business in the years to come and we see this as very exciting business and also get into the inland waterways at some stage when the opportunity is open up. So positioning our company to be an active coastal and inland waterway the way we planned.
- Sushil Choksey:** Last question
- Moderator:** Thank you very much, sir. Our next question is from the line of Bhavin Gandhi from ` Batlivala & Karani Securities. Please go ahead.
- Bhavin Gandhi:** I had a question for Shashi sir and just wanted to check just to can you talk us through the induction of in the management I mean the structure of the management and what is the thought process behind that?
- Shashi Kiran Shetty:** As you know that we have been growing since last several years and one of the main reason for our growth is very strong management and family fully involved in the management of the company and as you know that as we grow we need to have more management bandwidth to run the businesses and we keep investing on high quality people who come from relevant experience and qualification. So keeping that aspiration in mind we inducted Mr. Prakash Tulsiani and Mr. Martin Mueller and we believe that new opportunities will come and they will work with us together to zero down on future growth path and future opportunities for the company and continue to grow profitably keeping always in mind the return on investment capital. So in terms of structure yes, as you know that Prakash Tulsiani has joined as Executive Director spending time on finding new opportunities and also look how we can make our organization more efficient and Martin Mueller is going to based out of India and he will look at opportunities outside India.
- Bhavin Gandhi:** Okay, sure, that is helpful sir. Sir, in the initial remarks Mr. Suryanarayanan mentioned that you are looking at about 400 crores cash profits or cash flows this year, this is net of CAPEX or before CAPEX?
- Shashi Kiran Shetty:** Before CAPEX.
- Bhavin Gandhi:** Before CAPEX, right and just one last thing sir if I remember right in the last call you had highlighted that the exit utilization in the P&E division were almost 96% and we saw a dip on a Q-on-Q basis in terms of revenue in the P&E division so if could throw some light on that path.
- S. Suryanarayanan:** Yes, there are some equipments got released but there is always gap between asset moving from one location to another location so these equipments are moving now from location they are released to the next destination. So the revenue will be captured in the Yes..
- Management:** It is a part of the project and engineering.

- S. Suryanarayanan:** Yes, okay. So that is one part. And second part is there is slight dip in the execution of some of the project business due to certain in arrival of the shipments and all that. And that is one of the reason and yes that is pretty much what it is.
- Moderator:** Thank you very much. Our next question is from the line of Vikram Suryavanshi from PhillipCapital. Please go ahead.
- Vikram Suryavanshi:** Sir one I that what was the utilization for our CFS business during this quarter compared to last year?
- S. Suryanarayanan:** We have grown 8% in terms of volume.
- Vikram Suryavanshi:** Okay. Can you give gross debt amount?
- S. Suryanarayanan:** Gross debt?
- Vikram Suryavanshi:** Yes.
- S. Suryanarayanan:** 574 crores.
- Vikram Suryavanshi:** And cash would be?
- S. Suryanarayanan:** 254.
- Vikram Suryavanshi:** Yes. And basically you already explained that very strong growth in MTO business but we have seen the margin improvement also is it basically margin improvement can we further levers for the margin expansion for MTO from current level?
- S. Suryanarayanan:** The performance is better because of the growth of volume by 11% and also through operational efficiency.
- Moderator:** Thank you. Our next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** Couple of questions one if we look at the JNPT or the other ports volume growth for containers is relatively sluggish since we have grown about 8% wanted to understand is it driven by the market share gains or you think the industry growth is similar?
- S. Suryanarayanan:** No, it is actually mainly market growth sorry the market share growth as we know that the volume growth has not really happened in JNPT and anywhere in India for that matter
- Achal Lohade:** if you could talk about where exactly the growth has come in terms of if you could talk about specific locations and what is the market share out there for us?
- S. Suryanarayanan:** We do not give those details. You can contact in the office we will share that with you.
- Achal Lohade:** Sure. But what I am trying to understand are these temporary things or is it more structural change you are seeing in the CFS business be in terms of discounting or be it in terms of the realizations?
- S. Suryanarayanan:** No, our realization has not dropped and it is basically getting more customers and getting higher wallet share.
- Achal Lohade:** Got it. Sir secondly, wanted to understand like in the Analyst Meet you kind of indicated you would be open to look at the port opportunities. Just wanted to get since Mr. Tulsiani has joined on the board I wanted to understand any fresh thoughts I you could provide.
- S. Suryanarayanan:** Yes. We are on options available but there is nothing to announce right now and we are definitely looking in that direction.
- Moderator:** Thank you very much. Our next question is from the line of Nihal Jham from Edelweiss. Please go ahead.
- Nihal Jham:** My first quarter was in relation to your mix LCL and FCL, is it still around 85% that we have seen, or is there a focus 20 ft. container load business?
- S. Suryanarayanan:** I think the percentage is more or less what the percentage that you have in terms of revenue.
- Nihal Jham:** So you expect to stay similar or you see this mix changing going ahead?
- Shashi Kiran Shetty:** I think as we grow in India in the next few couple of years and that is where we are going to put a lot of focus hoping that the investment cycle will change that ratio will come down a bit and most of our business as you know is on LCL and FCL is something that we are likely to grow in the future that is where we have put a lot of effort to grow that business which is substantially high in terms of volume compare to LCL, right.
- Nihal Jham:** Absolutely. And sir on the ICD and CFS segment when are we going to see capacity increase? Is there any new CFS or ICD that we will be adding this year?

- Shashi Kiran Shetty:** I think it is a very difficult question but the way we see it looking at the current conditions I do not think people will really invest so much of money in building new CFS while there is almost 50% capacity available and breakeven levels are so high for any newcomer they will generally struggle logically so I do not think it will encourage more capacity to come in the CFS or ICD the way I see it.
- Nihal Jham:** Okay, sure. And sir one last question if you could give us any color on your contract logistics and warehouses businesses you started out and there anything that you could tell us in this quarter about this?
- Shashi Kiran Shetty:** That business is growing well. We are growing in confidence making us more inspirational to grow in that business. Cannot share more details right now but that is one of the focus area for the company to grow in the future.
- Moderator:** Thank you. Our next question is from the line of Pritesh Chheda from Lucky Investment Managers. Please go ahead.
- Pritesh Chheda:** Sir on the coastal shipping side we just wanted to understand what is the scale of opportunity that you are seeing? What is the scale of business that we can create over the next three years to five years? What is the scale of investments that would be required to create that over the next to five years and what in your opinion should be the payback or the ROCE of that business?
- Shashi Kiran Shetty:** Yes, coastal shipping we will grow for two reasons; one is the roads are congested there are limited railway capacity available and it is faster and more environmental friendly to move the goods by seas and government is kind of incentivizing the cargo getting diverted so, all these will lead to reasonable growth in the coastal shipping business. So put a number is going to be very difficult because there is no established way to measure how the cargo will move because it is definitely getting popular from the time we started three years ago to now there is significant shift in cargo taking place but it is gradual I mean it is not moving the way we all hoped for. The opportunity is galore when it can happen is the question for all of us but we are addressing it by creating a domination in that market, create entry barrier in terms of our size with the assets that we have and also we are encouraged by the Sagar Mala project which the government is committed to implement and the Sagar Mala project should also bring in additional opportunities for the coastal business. And the export import market as you know is not growing currently in if you compare the previous 10 years so because of that the transshipment business is not growing one of the way the coastal shipping would have benefited is the transshipment of containers were to happen from Vallarpadam or JNPT or Mundra one of this place become hub but that has not really happened and trade is not growing as much as we all hoped for. So these are some of the reason why the business is growing but not phenomenal growth for too many players to come in. So that is in a way good because that will keep only few healthy players in the market.
- Pritesh Chheda:** How much budgeting have we done in from of capital expenditure on this part of the business annually?
- Shashi Kiran Shetty:** We actually go on the basis of opportunities that we are able to get the business we are able to convert on the basis of that we decide on our CAPEX.
- Pritesh Chheda:** Okay. How long is your experience in the container side of the business in the coastal shipping?
- Shashi Kiran Shetty:** We have very high experience in container business as you know that because we are an NVO, we are container freight station operator. We are very actively involved with the trade so we are very familiar with the container line of business.
- Pritesh Chheda:** My last is if you have to keep on investing the capital in this part of the business what should be the payback that you typically target?
- Shashi Kiran Shetty:** We as a company normally look at four year payback.
- Pritesh Chheda:** So which means this business incremental capital in coastal shipping you are comfortable projecting a 25% ROCE?
- Shashi Kiran Shetty:** Yes, I mean that is what generally we would like sometimes it may exceed sometimes it may go a little different....
- Pritesh Chheda:** So these new services that you have started North-South one which was already there and which we have added now would you expect that those service would generate those kinds of ROCE?
- Shashi Kiran Shetty:** I wish everything is so clear so that we do a crystal ball you know we have to make sometimes a judgment call business acumen is what driving us sometimes.
- Moderator:** Thank you very much. Our next question is from the line of Jinit Mehta from Batlivala & Karani Securities. Please go ahead.

- Jinit Mehta:** Sir you mentioned in your initial remarks about revenue guidance being \$2 million by 2020. Sir could you tell us more that time what would like margin profile?
- S. Suryanarayanan:** We target normally on ROCE that is what we mentioned earlier so we hope to grow in that direction both in terms of ROCE EBITDA and all these thing very difficult to predict because of the freight rate and so many other factors but keeping in our past record and our business philosophy we expect continual growth in that direction.
- Jinit Mehta:** Okay, understood. And sir, could you just give me a number for the CAPEX for this year FY-16 and segment wise break-up also.
- Shashi Kiran Shetty:** FY-16 like I said the market are still not recovered and we are not in a position to really calculate or zeroed down on what we want to invest I think as I mentioned the philosophy of the company is to deploy capital in a very profitable on a return on capital over 20% we clearly see such opportunities then we deploy capital otherwise we are happy to put the money in the treasury and make reasonable return and focus on existing capacity utilization that is how we run our business and as regard to our future about becoming a \$2 billion company by 2020 we have certain plans which unfortunately we cannot share right now but we have some definite thinking on where and what we wish to achieve that number.
- Moderator:** Thank you. Our next question is from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- Nishna Biyani:** Sir over the next two years on steady state we shall generate closer 800 crores to 1,000 crores of cash flows and so which are the geographies which you are targeting for the MTO in terms of next stage of growth?
- Shashi Kiran Shetty:** We always said that as a strategy we want to look at the larger market in the world where have headroom to grow that is China, U.S., Germany, Brazil and obviously so this is where our focus growth will be but our 80% of the business comes from about 15 countries and those 15 countries are very important and we will look at some of the other countries where there are opportunities like for example Africa is one of the focused market for us as well.
- Nishna Biyani:** Okay, sir and coming to your PES division what would be the share of crane rental contribution to the total PES division?
- Shashi Kiran Shetty:** Yes, we have to get back to you on that. We will discuss offline, yes.
- Moderator:** Thank you. Our next question is from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Few questions sir, first one we have seen reasonably good growth in the MTO business and you highlighted this to largely organic. Can you just highlight us to is it also driven by incremental investment in these larger geographies or what has enabled us to get this kind of growth?
- Shashi Kiran Shetty:** Mainly with the greater focus and having the right people on the job this management restructuring and put new talent on the market and bringing a greater amount of focus and incentivizing people.
- Rakesh Vyas:** Okay, got your point. Sir my second question pertains both the segment MTO as well as CFS we have seen a reasonable volume growth on Q-o-Q basis but the commencing rate revenue growth is slightly sluggish to that extend. So can you just highlight what it is account for?
- Shashi Kiran Shetty:** It can change depending on the dwell time depending on the commodity, etc. So there is no definite answer to that. If you see in the first quarter also there will be some changes quarter-to-quarter but eventually what you have to track how good our revenue generation is.
- Rakesh Vyas:** So effectively there has been no price reduction in the CFS business at least on Q-o-Q basis?
- Shashi Kiran Shetty:** Not really, Yes.
- Rakesh Vyas:** Got your point. And sir my third question pertains to a much longer picture three year - four year timeframe on the overall CAPEX that we would be looking at. If you can just throw some light because you highlight current year there are many opportunities I am just trying to understand how it would pan out in next three years or so?
- Prakash Tulsiani:** Vyas, what we do as the Allcargo as the company we continue to examine all opportunities that come by with the management team, with the agility we have we are all set that as I always call it as we are ready to grab any opportunities that come by so what we have done is that we have a team with all this Make in India and the manufacturing coming, with smart cities, with the dedicated rail freight corridor whatever has been announced and the GST as the opportunities come by. As we get to see that there is where we can have profitable growth we will certainly jump and come into it so we cannot give you a number right now. I would say that allow us whenever we have an opportunity we will come back and announce it and let all of you know.

- Rakesh Vyas:** Okay, great. Thank you, Prakash. And my last question just for the business understanding purpose the coastal shipping especially on the bulk transportation part correct me if I am wrong this is largely fixed ROCE kind of contract that we have entered into a long-term basis?
- Shashi Kiran Shetty:** Not the fix ROC but fix rates that will give us the visibility on the revenue and on that basis we have...
- Rakesh Vyas:** So this is fixed rate and minimum guaranteed volume kind of contract, right?
- Shashi Kiran Shetty:** Yes, absolutely.
- Moderator:** Thank you. Our next question is from the line of Chintan Seth from SKS Capital & Research. Please go ahead.
- Chintan Seth:** You did mention about your focuses on all the businesses adding to it you are also focusing on costal as well as portfolio business in the due course costal you are already operating to lines and will look at more policy initiative and take the call to improve or increase the freight thing. CAPEX you did not mentioned about the quantum but on operating cash flow side you mentioned before CAPEX you are generating around 400 crore this year and which is broad line whether CAPEX could be in access of the cash flow or will it be in line with that number broad guideline not number but how we should look at it?
- S. Suryanarayanan:** No, see as we as we have mentioned earlier basically we constantly look for any opportunities for the growth of the business so, very difficult to predict the size of the CAPEX whether it should be in line...
- Chintan Seth:** Okay, so you would not constraint about the cash flow you will if the opportunity is right we will invest it irrespective....
- S. Suryanarayanan:** Yes, exactly, because you cannot plant the CAPEX based on your profit. It depends on the opportunity because in any case we have got a healthy ratios in terms of any need-based funds and other thing but largely it is driven by the business and opportunities and economies which I mean we are committed to.
- Chintan Seth:** Right. So for this year if we look at three segments your project engineering had a very strong this fiscal and you continue to see the performance improving or it will because lastly it was low base in terms of utilization of the fleets and all. So if we look at his year what is the utilization standing and how it will pan out going forward?
- Shashi Kiran Shetty:** At least for the next two quarter we have a clear visibility of the deployment of the assets and as I said earlier the wind mill sector has a lot of growth what we have seen and we believe with the focus on solar and windmills the requirement of these assets are going to be there this will be sustainable and in the next few quarters after that the investment cycle are expected to revive and these assets will get further deployed in the future.
- Chintan Seth:** Right. So current utilization number if you can provide?
- Shashi Kiran Shetty:** 94%.
- Chintan Seth:** So if the things start looking further improving on the economy side we will also look at adding more fleet size if require.
- Shashi Kiran Shetty:** Yes, we will think about that how to grow about it...
- Chintan Seth:** First and foremost is to utilize it fully?
- Shashi Kiran Shetty:** Yes.
- Chintan Seth:** Okay. And when do you expect by the second-half or because this is already 94% so there is not much gap between full utilization of the assets.
- Shashi Kiran Shetty:** Yes, we have to wait for the next two quarters to see.
- Moderator:** Thank you. The next question is from the line of Jason Soans from Networth Stock Broking. Please proceed.
- Jason Soans:** I just wanted to ask you that for Q4 your margin in MTO was 1.94 which has jumped to 4.8% and during that time you had said that there is euro translation 7 crore loss if I am not wrong. So is there any such component right now in this quarter?
- S. Suryanarayanan:** No, in fact it is the way round that euro exchange loss was an aggregate of the average for the full year that got impacted in that particular quarter but if you look at the exchange rate for the last quarter versus this quarter it is more or less at the same level. But in euro terms we have grown quite substantially and that is translating. Whereas, if you compare it with the quarter of the previous year there is actually the rupee has appreciated. So in spite of the rupee appreciation against the euro we are still grown at about 9% in the MTO segment, yes.
- Jason Soans:** Okay. So in terms of euro how much have we grown sir?

- S. Suryanarayanan:** We had grown +20%.
- Jason Soans:** And my second question is as the euro has depreciated against the rupee so you know our P&E equipment is generally sourced through euro. So just wanted to understand if there any opportunity you are looking probably purchasing an equipment or something of that sort?
- Prakash Tulsiani:** Yes, we are looking at all that options but we have not decided anything really and we also that euro will stay this way for a while so there is no real urgency for rushing into any investments still we see the Indian economy getting more visible.
- Moderator:** Thank you. The next question is from the line of Ankit Panchmatia from ICICI Securities. Please go ahead.
- Ankit Panchmatia:** Sir I just wanted to understand how is ECU LINE basically performing something maybe qualitatively and how are we over there?
- S. Suryanarayanan:** I think we are doing quite well overall at a global level as we have earlier said we are growing at about 8% to 11% and we are holding steady and we are growing both at an EBITDA level and at PAT level in the overseas subsidiary.
- Ankit Panchmatia:** Sir, I think at the ECU LINE we have partnered with Alibaba and those kind of players so can we get this a flavor that how and what kind of work we are doing over there for them.
- S. Suryanarayanan:** So that there is no confusion we are another platform we are a backend provider to eCommerce company, and that is it. So idea here is if the volumes increase then the throughput goes through our network. So that is it. We should not read too much into this particular.
- Moderator:** Thank you. The next question is from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** What is the volume growth at JNPT CFS and what is the capital utilization?
- S. Suryanarayanan:** I think all this you can get it from our...
- Shashi Kiran Shetty:** Yes, all facilities combine is 8% we can give the breakup later on separately.
- Dheeresh Pathak:** Okay. And in terms of the MTO business can you share the underlying currency that what is the mix?
- S. Suryanarayanan:** In the mix is you have either dollars or euros there is no other underlying currency.
- Dheeresh Pathak:** But a lot business I would assume originates in Asia so that so also build in dollars and...
- Prakash Tulsiani:** One in India the trade flow is always a quotation by sell in dollars only.
- Dheeresh Pathak:** Okay. How much is dollar and how much is euro?
- S. Suryanarayanan:** It is all you can take roughly about 70-25.
- Dheeresh Pathak:** In a broad sense can you share with the total CFS capacity at JNPT and what is the utilization as of now?
- S. Suryanarayanan:** I think all this you can sit with our investor person he will give you these details.
- Moderator:** Thank you. Our next question is from the line of Pranjal Sanghvi from SBI CAP Securities. Please go ahead.
- Pranjal Sanghvi:** Sir most of my questions have been answered but it will be great if you could throw some light on the realization how are they trending in the CFS segment?
- S. Suryanarayanan:** As our Chairman has already earlier stated. I think it is holding steady. I think we are doing quite well in that part of it.
- Moderator:** Thank you very much. As we have no further questions, I now hand the conference over to Mr. Mahantesh Sabarad for closing remarks. Over to you, sir.
- Mahantesh Sabarad:** Thank you, everyone for participating in the call. Special thanks to the management of Allcargo Logistics for giving us an opportunity to host the call. Thank you everyone.
- Shashi Kiran Shetty:** Thank you.
- S. Suryanarayanan:** Thank you.
- Moderator:** Thank you members of management and Mr. Sabarad. Ladies and gentlemen, on behalf of SBI CAP Securities, that concludes today's conference call. Thank you all for joining us and you may now disconnect your lines.