

**MODERATOR:**

Ladies and gentlemen, good day and welcome to the All Cargo, Q3 FY 2016 earnings conference call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing \* then 0 on your touch tone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Nishna Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Thank you Vikram. Good afternoon to all participants, and would thank the management of All Cargo for taking out time for today's concall to discuss quarterly financial performance of the company. We have with us Mr. Prakash Tulsiani, Executive Director & COO, Mr. Surya Narayanan, Executive Director ECU-Line and Director Finance, and Mr. Jatin Chokshi, the CFO. We will begin this call with opening remarks from Mr. Prakash Tulsiani following which we will open the floor for an interactive Q&A session. Before we begin, I would like to mention that certain statements in this call could be forward looking statements in nature, and are subject to risks and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on man-made beliefs as well as assumptions made by information currently available to the management. I would like to now hand over the floor to Mr. Prakash Tulsiani. Thank you sir.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Good afternoon everyone and thank you for joining us on the call. I hope all of you have received the results and gone through the quarterly financial numbers by now. For those who haven't or did not get the time, you could view them along with our presentation on the website. While we go through our presentation and quarterly results I would like to advise that we continue to maintain our leadership position in our business verticals of MTO which is LCL, CFS and project and engineering solutions. And by delivering to our clients integrated logistics services through mix of synergistic businesses, in short one stop solution. The volumes have grow in both MTO and CFS businesses despite a continued slowdown in global trade which is growing at approximately at 1%. And in India the container trade is growing at approximately 0.6%.

We also saw a jump in our gross profit and this improvement in the margins has come basically because of lower freight rates, operating efficiencies, and higher productivity. In our global LCL business we are among the top 2 in the world. In the Indian businesses of container freight station, we continue to be the only player that is present in the major container ports of JNPD, Chennai and Mundra, that account for nearly 80% of the container traffic in India. Last year we announced that we are building our CFS at Kolkata port and we are in line with our plan, and we expect to start operations in 2017.

In the project and engineering services which also has the shipping business, we are leading players in coastal shipping, equipment leasing and project logistics. We are bringing a huge

focus on our supply chain management and contract logistics business which we refer to as contract logistics business. And as mentioned in the previous interactions and also in the last quarter, we shall expand in this segment and board has in principle approved a substantial and controlling interest acquisition of CCI logistics. CCI Logistics is one the largest players in contract logistics in India, and is a strong player across diverse sectors offering value added services to its marquee clients, and this business is a scalable business and shall grow in India.

We will continue to look at acquisitions which will help us scale our business. Our acquisition strategy remains unchanged which is a well thought out focused on strategy and synergistic fit, and based on good return on investment. We also have plans to raise approximately 300 crores depending on what the need would be. The board has given us an enabling resolution up to 300 crores for permitted securities for future capex or acquisition which will aid our business growth. If you recall we have a vision of 2020, \$2 billion, and that is for that purpose.

A lot is happening in the logistics world and I believe that All Cargo has the capabilities and the management bandwidth to meet the opportunities as they unfold. Starting with quarterly update, Jatin our CFO will take us through with the consolidated financial quarterly numbers, and I hand over to Jatin now.

#### **MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Thanks Prakash and good afternoon to everyone. Now discussing the consolidated quarterly financials of our company, our total revenues from operations for the quarter was 1339 crores, a decline of 6%. This decline has been on account of lowering freight rates that are actually up to a large extent a pass through for us, and notional currency impact arising from consolidation of accounts. The gross profit for the quarter grew by 6% to Rs. 468 crores. And the margin increased by over 400 basis to 35%. After registering for onetime expenses, the normalized ebitda was maintained at 131 crores and the margin increase by 54 basis points to 9.8%.

Moving to the 9 months financials, our total revenue from operations were at Rs. 4286 crores, a year on year growth of 2%. This increase has been contributed by growth across all our business of MTO, CFS and project engineering. The gross profit for the quarter grew by 10%. It is not quarter, sorry. The gross profit for the 9 months grew by 10% to 1393 crores, and the margin increase by about 230 basis points to 32%. After registering for onetime expenses the normalized ebitda was maintained at Rs. 411 crores year on year increase of 11%. And the margin increase by over 80 basis points to 9.6%. The profit after tax for the 9 months was Rs. 209 crores, a year on year growth of 13%.

Moving to the balance sheet, as on 31<sup>st</sup> December 2015, the net worth was to date Rs. 2142 crores, and the gross total debt was 553 crores. Our debt at the net level is Rs. 293 crores. Our current net debt to equity was at 0.14 reflecting a strong balance sheet. The consolidated and annualized returns on capital employed without good will was 21% as compared to 19% in FY15.

Moving to the performance of each business going ahead, starting with our global business of LCL, Suri will take you through the MTO business. Over to you Suri.

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

Our MTO business has been performing in line with our expectations. The volume this quarter grew by about 8% to 116,000 TEUs. We have seen growth continue to come from markets that we have been continuing to focus over the last 3 to 4 quarters. We have achieved this growth in spite of the reduced freight rates and excessive capacity in the container shipping. Due to which the freight rates are falling at extremely low. So in one effect, somebody who could move it through an LCL can also do it through an FCL because the freight rates are that low. But in spite of that we are continuing to grow and continuing to improve our margins which implies that we are doing correctly what we have set ourselves out to. The revenue from this business was 1096 crores. In real terms the revenue has grown and in line with the volume growth. The ebit was at 54 crores, a decrease of 12%, as we expanded and opened offices for our coming expansion in line with our plans and also inward for our expansion in certain markets. We continue to focus on growing volume across our existing network, and increasing our operational efficiency. The annualized return on capital employed without goodwill was at 62% as against 49% in FY15. Our aim is to be the largest LCL consolidator in the world and we will continue in strengthening our network in fast growing geographies to attain leadership position in the markets that we operate in.

Prakash will now talk about the rest of our India businesses.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Suri thank you very much for taking us through the MTO business. Coming to our India business of CFS and project and engineering, starting with our CFS and ICD operation, the volumes in this business have grown at 5% to over 74,000 TEUs, despite only a 0.6% container volume growth in India during the quarter. The revenues grew by 8% to 115 crores, mainly on account of handling special cargo and long standing containers. So this is in this particular quarter where the billing was made for the long standing containers which were then moved out of the CFS. The ebit grew by 24% to 38 crores on account of improved productivity and efficiency and the reasons mentioned for revenue and volume growth and for the above reasons. The annualized ROC without goodwill increased to 40% as against 30% in FY15.

Coming to our projects and engineering business, our asset utilization in the crane fleet continues to be above 90%. The revenues were at 140 crores, a year on year growth of 6%. The ebit declined year on year to 9 crores. This was on account of two vessels under repair and impact of derivative income which was accounted in quarter 3, FY15. The ROC is at 8%.

To conclude on a consolidated basis, I am happy to say that despite the declining global trade and slow recovery in India, we have witnessed growth across our businesses. Asset utilization continues to be strong and we are also growing inorganically with the proposed acquisition. We have strong cash flows with a very healthy balance sheet. We are leveraging our global network to consolidate our leadership in the LCL business by opening new offices in geographies to increase our footprint and scale. In India we continue our focus on increasing our market share in CFS, ICD and P&E businesses and also looking at scaling up of contract logistics, warehousing and shipping business. Our goal is to maintain our leadership position

across all verticals of our businesses, with improved productivity, client satisfaction and lowest cost proposition.

We are in the state of readiness for all government initiatives like Make in India, Sagar Mala, Indian Waterways, GST and Infrastructure development of roads and railways. As and when the unfold we will participate and be in the forefront. That's it from our side. Thank you very much and we are now open for any questions.

**MODERATOR:**

Thank you sir. Ladies and gentlemen we will now begin the question and answer session. At this time if you wish to ask any questions please press \* and 1 on your touch tone phone. Participants are requested to use handsets while asking your question. Participants who wish to remove yourselves from the question queue may press \* 2.

We have our first question from the line of Harsh Shah from Dimensional Securities. Please go ahead sir.

**MR. HARSH SHAH - DIMENSIONAL SECURITIES:**

Yeah good afternoon sir. Sir first question is related to the LCL business. As we saw that the freight rates have come down tremendously. And as you mentioned that one can send freight via FCL at almost LCL rates. So going ahead can we expect that the margins in the business will remain the same? Because if we try to increase the margin then the overall rates for the final customer might increase. So can we expect that the quarter on quarter basis there won't be much increment there?

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

I think for the next 2 or 3 quarters, the condition of the freight rates will continue like this. Because there is so much excess capacity in the container freight. Now there is consolidation that is taking place also in the shipping line. So those impacts are still not fully factored in. But on the whole I think you are right, you should consider this like this for some time to come. But now margin will not fall of a sudden dramatically increase. But we are holding steady. As I speak to you, the month of January has also been quite good. We are growing over the previous year. So the growths are still coming in. But from your perspective I think you can keep the margins where you are and then we can take it forward.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Just to add to what Mr. Suri just mentioned about, converting that LCL into FCL is not that easy because they are used to, whoever has that LCL cargo, they are used to actually shipping in that fashion because here they get all the value added services from us. That is what actually makes them come back to us even though the rates maybe low. But they anyway get the benefit of the lower rate. So let's assume that the rates are lower. It is not that we as an LCL consolidator are charging them more. We are passing that on to them, the benefit of that lower rate.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

And it is not just pure freight which is our deciding factor for conversion of LCL into FCL and vice versa, because LCL cargo sending into FCL will involve additional expenses in terms of choking, lashing and other things because sending half the containers empty will have its own challenges in terms of cargo toppling down and not settling and damage to the cargo could also be there. However but yes I mean this is the situation today and we are hopeful of maintaining our existing growth as well as margin as Suri said.

**MR. HARSH SHAH - DIMENSIONAL SECURITIES:**

Okay. And another thing is with the global trade coming down and the volume itself are muted, so what are the chances that the FCL players who currently have the capacity and the ships, they coming and taking over the LCL business? So are there any chances like that?

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

It is not possible for them because they will have to really redo their operations. They don't have those type of network and the capability and the bandwidth to do this. Most important – I think the message that I wanted to tell you all is that inspite of the environment in which we are operating, we are continuing to grow, our business is continuing to move both at a GP level, at a margin level. That was the point that I was trying to tell you that as a leader in the business that we are in, we continue to demonstrate that leadership and that is why we are able to grow even in a very tough environment that we are all in. It is not easy. The competition is tough. But inspite of that, inspite of everything else that is happening at a global level, we continue to move, we are continuing to perform, and that is the message that I wanted to tell you here. Our FCL product has also grown. So everywhere we are seeing a whole set of growth that whatever targets that we have set ourselves I think we are achieving and we are on path to that.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Exactly. And the benefit of our strategy of growing organically, inorganically over the last 10 years has really been paying us in a tough time whereby we have our own network globally by virtue of acquisition in all offices and that is really one of the key reasons why we are growing in terms of volume inspite of our almost stagnant trade or the organic growth of the industry which is at 2% while consistently we are growing at around 8 or 9 or 10% kind of thing on year on year basis depending on the situation at a particular point of time.

**MR. HARSH SHAH - DIMENSIONAL SECURITIES:**

Fair enough. And just a last question which is related to the CFS, our volume has outgrown the industry numbers and you had mentioned that it was because of specialized goods that we freighted. So are these specialized goods expected to continue and what exactly are these goods? So can you give some color on that?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

See these are the requirements of the trade. So it is that in this quarter we had the extra ODC or cargo of that type. But let me also come to a different situation as you rightly pointed out, that we have done probably better than the other peers in the market because we recovered also very well from the China floods. Oh sorry, Chennai floods, sorry, Chennai floods. I am sorry for that. And Chennai floods though it was for 12 days we were closed, I think we recovered extremely fast versus many others. And that is what helped us in keeping our volumes up there.

**MR. HARSH SHAH - DIMENSIONAL SECURITIES:**

Correct, correct, okay, okay. Thank you sir.

**MODERATOR:**

Thank you Mr. Shah. We have a next question from the line of Bhavin Gandhi from B&K Securities. Please go ahead.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Bhavin here sir, congratulations on a good set of numbers.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Thank you Bhavin.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Sir to start off with, can you explain – I mean if you look at the MTO business in Euro terms, the margin sequentially seems to have come off. So can you just take us through that?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Which one?

**MR. BHAVIN GANDHI – B&K SECURITIES:**

In the MTO business if you look at it in terms of Euro, it seems that there has been a sequential decline in margins.

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

Don't worry about that because for us our second quarter is always a very, very solid performing thing. And then the third quarter and the fourth quarter are a lot more average. So therefore you don't have to worry on a quarter on quarter basis. The right way in fact that's why one of the reasons is you must also look at it when you look at it on a year on year basis, the Euro versus the Rupee impact is also coming in. That impact is but 5-6 crores. So I think the right way to look at this business is not look at quarter by quarter. It will just give you some sort of an indication but the right thing is at the sum of all of it is what we do. And if

you really look at it on a 9X9, 9 months to 9 months, you will see where we are and how we are performing. So that's the right way to look at it. Because if you look at it at a sequential level, where especially for us, where the fourth and the third quarter are a little bit lesser than the second one. The second one is the key one for us and that's where the bulk of our movements happen.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Sure, sure. And sir secondly if you can help us with the latest acquisition that we talked about, CCI Integrated. Can you help us with the acquisition costs and some financials of that company?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

First of all let me take you through on the CCI. CCI is in the business of contract logistics. They are having – they handle containers with commodities of chemicals, FMCG, white goods, and pharma. These are the main commodities they have. They give a logistics solution, contract logistics solution to their clients which are marquee clients. They are typically you know a large accounts like FMCGs and multinationals where they deal with. At that stage, the current stage is that in principle we have got an approval from the board to look at this acquisition. So what will happen is right now we will have the regulatory approvals, the shareholder approvals, the compliance, and then finally also along with all this happening at the same time, we will also have our valuation going on. So at the stage we can't give you a number of what price are we buying or what are the other details because all this will unfold in the next couple of months. So as and when we have crystallized and we have got the details, we will certainly share with all of you. Right now it is clear mandate that we will go through and buy a substantial portion of this particular business where we will also transfer our freight forwarding and contract logistics business into this company, and we shall hold a substantial and controlling interest in the company.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Sir is it possible to share any financials of the company?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Not at this stage because this company as we said – because these are for commercial reasons that we would not like to reveal much. And this will – this is still in the hands of the valuers. So commenting before them would be inappropriate.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Yeah and we are under NDA so it's not appropriate for us to comment at this juncture on any financials.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Sure. And thirdly sir very recently one of your competitors have received – suspended operations. I am talking about Gateway in case of Punjab Conware, all the operations have

been suspended. So because of that have you seen any volume increase for the other players like yourself?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Yeah the operations have been suspended but they were handling more export cargo. And so the LCL consolidation on export cargo has shifted to the other CFS. And of course what was the portion they were handling for import also, so certain portion has moved to the other CFS and certain portion has moved to the parent company which is managing that Punjab Conware. But yes the overall cargo availability for the other CFS has gone up because of this suspension.

**MR. BHAVIN GANDHI – B&K SECURITIES:**

Sure, sure. That will be all sir. Thank you so much for taking my questions.

**MODERATOR:**

Thank you Mr. Bhavin Gandhi. We have our next question from the line of Vikram Suryavanshi from Philip Capital. Please go ahead.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Yeah good evening sir. Can you highlight about this onetime thing what you said that ebitda was 131 crores?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Okay this is onetime expenses of what we are mentioning is basically few initiatives what we have taken like we have aimed to be \$2 billion company by 2020. In that direction we have decided to open certain offices in few countries as Suri mentioned. So besides that we are doing a complete rebranding of our ECU and our strategy kind of thing. So though technically the benefit of all these expenses will be accruing going forward. But as a prudent accounting policy and other things we thought okay let us take a debit in the P&L account. So this is not a normal expenses or operational expenses or day to day expenses. There is as we said , since the benefit is coming over a long period of time, including the new office opening, so that is the reason we have mentioned separately or highlighted separately.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Okay. And in P&E you have also mentioned about derivatives. So is that there was a loss in that transaction or what was that?

**MR. SURYA NARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

No, no, no, actually the last quarter corresponding last year, there was a derivative gain sitting in that kind of thing because you know all the equipment what we have bought in 2012 under the buyer study contracts, the repayment was going on till end 2015 or the beginning of

2016. And though all the conditions were fully hedged, which was at a very prevalent currency price, so as per the accounting standards and policy, when the actual settlement takes place for the repayment, the difference between your hedge price as well as the price on the day of settlement for the accounting purpose you need to show as a derivative gain. So because of that there was a derivative gain was sitting in the corresponding quarter of the last year. So hence purely from that comparable basis if you remove that then we have performed better for this. Because that is purely financial derivatives and amount as per the accounting standards.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Okay. So that we can add it back to ebitda?

**MR. SURYA NARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

Yeah just for comparison sake.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Right, right. And you also gave guidance of like 8-10% kind of MTO growth and already you have given a lot of comments on that. So would you looking at the current situation in terms of a global economy, do we continue to sustain that thing?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Okay let me tell you we never issue any forward looking statement or give any guidance. However various analysts and market this thing, they make their own estimates based on our past track record and market and other things. So just to correct that we have not given any kind of future thing. However the very fact that in terms of MTO our volume has grown up by 8% on this quarter, that shows the capability of our network, of our businesses to outgrow the organic growth or the world growth. So yes I mean consistently we have outgrown those markets and achieved higher and higher volumes for our MTO business.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

It's a historical number that Jatin mentioned and not a forward looking one.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Got it yeah. And last question about this dry docking, what is the cost of dry docking and is it over?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

No actually that was not dry docking. What you have mentioned is a special repair we have to undertake depending on certain technical findings and other things. However this would have been done at the time of dry docking but we always maintain our ships in an updated condition. So when the actual dry docking will be due in future, so this cost in time ideally

should get compensated. But yes we have to incur expenditure now and not only the expenditure but the ships remain idle during that period of the special repairs.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

So were there material costs on the repair?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Not really material, not really material.

**MR. VIKRAM SURYAVANSHI – PHILIP CAPITAL:**

Okay thank you sir. Yeah.

**MODERATOR:**

Thank you sir. We have our next question from the line of Chintan Seth from SKS Capital. Please go ahead.

**MR. CHINTAN SETH - SKS CAPITAL:**

Yeah thanks for taking my question sir. Coming back to the ship repair cost, you mentioned that idle days. What period was the ships idle and how much revenue loss have we incurred due to....

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Approximately 10 days.

**MR. CHINTAN SETH - SKS CAPITAL:**

10 days, okay. So not much....

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

No.

**MR. CHINTAN SETH - SKS CAPITAL:**

Okay correct. And sir coming back to the freight rates, you said significant drops. So can you quantify the amount and what will be the trajectory? How do you – you did mention that the outlook will continue for some time going forward also due to global situations. So how are we managing it in terms of maintaining our margin given the expansion we did and the cost we have incurred this quarter?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Hi Chintan. This was more of a market statement and what is happening in terms of the freight rates in the global trade. It was nothing to do with our business. It was more of the business of the shipping lines which are in container business. The large ones, the global carriers. We use their equipment and the space. That is we use their ships as well as the containers from them to bring our LCL cargo into their containers. So it is more of a reflection of what is happening in the freight market. Well as we have said, if the freight rates drop, we also park that cost of the freight to our client. So it doesn't affect us as such. But yes definitely the freight rates are done, the shipping lines are bleeding, that is what we were mentioning.

**MR. CHINTAN SETH - SKS CAPITAL:**

So our yield is maintained was it was earlier. Like our volume growth is at 8% this quarter. But revenue declined by similar quantum 8% or 9%. So does it reflect the reduction of the pass through higher than the...

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

But our GP has also grown. So the volume growth has also grown. There is a combination of yield growth also. Combination of both is giving you what is the GP growth.

**MR. CHINTAN SETH - SKS CAPITAL:**

Right.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Just to substantiate what Mr. Suri has just mentioned, let me give you an example. Let's assume the freight rate from Shanghai to Mumbai has dropped from 600 to 400. Now that freight rate which I was charging to our client at 600 bucks, today let's say I am charging at 405 bucks or whatever. Right? So then that drop is shown on my top line. Because that is forwarded or passed on to the end customer. That is what Suri is mentioning about.

**MR. CHINTAN SETH - SKS CAPITAL:**

So we maintain our gross margin but...

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

For our services we maintain our number, whatever the charges are.

**MR. CHINTAN SETH - SKS CAPITAL:**

Okay. And the onetime expenses we incurred, it will be ongoing because going forward the branches whatever expansion in new geographies you have given will continue to operate at least. And you have set up your base and that expenses will continue to flow into P&L irrespective of the work or scale of work will be lower initially and will scale up going forward.

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

No. The onetime expense was not due to branch opening. There are other expenses. These branch expenses are – we were just trying to bring to you that if you only look at a specific quarter and then compare why I was trying to tell you that there is an exchange rate impact between what was it in December of last year versus December of this year. So and if you were to compare the number of offices in that December versus this, there was an increase. So that is all that we wanted to bring about rather than what you call a onetime, onetime. There are other onetime expenses but they are all more in nature of a strategic purpose where you will get it at a future point in time.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

So it is not going to continue. That is not what we expect, unless there is a substantial major initiative or something that we take. But we don't foresee as such a continuation of such expenses.

**MR. CHINTAN SETH - SKS CAPITAL:**

Okay so our margin ebitda at 5-6% range will continue.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

You are right, you are right.

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

That is what we are expecting and our track record says that.

**MR. CHINTAN SETH - SKS CAPITAL:**

Okay. And lastly on the fund raising, give our low borrowing leverage what is the thought process of the management? Why we are diluting equity base where we can really go for debt funding which will cost less than equity funding.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

So I think Chintan you have said it that it is not the intention to go and get equity more. It is permitted security so it will be a debt.

**MR. CHINTAN SETH - SKS CAPITAL:**

Okay it will be a debt.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Yeah.

**MR. CHINTAN SETH - SKS CAPITAL:**

Correct. And one acquisition doesn't imply the entire usage of that CCI acquisition won't entitle to the entire fund, quantum of the fund raised

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

First of all if you see the resolution, it is an enabling resolution that we have. That's the upper limit. It does not mean that we are going to go for 300 crores. And secondly you are absolutely right. It doesn't mean that all this is for CCI.

**MR. CHINTAN SETH - SKS CAPITAL:**

Right, okay. Thanks for clarification. All the best sir.

**MODERATOR:**

Thank you Mr. Seth. We have our next question from the line of Harshad Borawake from Motilal Oswal Securities Limited. Please go ahead sir.

**MR. HARSHAD BORAWAKE – MOTILAL OSWAL SECURITIES LIMITED:**

Hi. Thanks for the opportunity. I have this question on the P&E segment. On a sequential basis the revenues are largely intact. But there is a decline on the P&E ebitda. I think you explained something about revenue loss or repairs for the two vessels. So is it the only explanation for the decline in the sequential ebit or is there something more to this?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

No but that is what it is and the derivative that we talked about. That is on account of derivative income which was there last year in the same quarter.

**MR. HARSHAD BORAWAKE – MOTILAL OSWAL SECURITIES LIMITED:**

No, so I am talking more from 2Q FY16 and 3Q FY16. 2Q FY16 ebit was 159 million. It has now come to 84 million.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Yeah. So that is the two explanations that we gave you. Indeed that is the only one.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

No he is talking about ebitda. So ebitda for the two new vessels what we purchased in the month of July and this thing. So it was capitalized somewhere in July end. So the full impact of that depreciation is coming into this quarter as well for the two new ships what we purchased.

**MR. HARSHAD BORAWAKE – MOTILAL OSWAL SECURITIES LIMITED:**

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Yeah I think okay, that explains it. And my second question was on this Calcutta CFS, what is the timeline and what is the potential volumes we are looking at there?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

The timelines – the work has already started at site. Ground improvements are ongoing. Plans are being ready. And what we expect is that by end of this year or beginning early next year, that is 2017, we should be able to see this CFS operational. And the total capacity of this CFS terminal will be in the range of 100,000 TEUs.

**MR. HARSHAD BORAWAKE – MOTILAL OSWAL SECURITIES LIMITED:**

Okay. That is all from my side. Thank you.

**MODERATOR:**

Thank you sir. Participants who wish to ask any question may please press \* and 1. We have our next question from the line of Achal Lohade from JM Financials. Please go ahead.

**MR. ACHAL LOHADE – JM FINANCIALS:**

Yeah sir good evening, thank you for the opportunity. Sir my first question is what is your cash flow generation for 9 months?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Okay now if you see the free cash flow what we have generated that is close to 270 crores, in the range of 270 crores and those kind of things.

**MR. ACHAL LOHADE – JM FINANCIALS:**

And what is the capex number?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Capex during the year is not much. Except in the last July what we have purchased two ships. All others are maintenance capex, very marginally 2 crores, 3 crores kind of thing. But yes two ships what we have purchased that is only major capex we have done in this financial year.

**MR. ACHAL LOHADE – JM FINANCIALS:**

If you could give me the quantum sir.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Yeah for the two ships what we have bought in July that total cost is close to 60 crores of INR.

**MR. ACHAL LOHADE – JM FINANCIALS:**

Great. The second question I had was about we have been hearing that the volumes have been under pressure from a CFS or overall container volume growth point of view for India especially on the Western coast. If you could talk a little bit about import export, have they seen material decline or a different trend? And how do you see it going forward?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

No see, now you see the western coast predominantly is the JNPT. And at JNPT because of the capacity constraints in terms of the number of terminals getting operated, so there is not much change in the volumes except yes as we all know the country is passing through a phase of lowering exports kind of thing. So yes definitely export volume has been affected. But not the import volume to a large extent. Particularly at JNPT Port. That is the reason because of the congestion and lack of capacity the few shipping lines have diverted their cargo to other west coast ports like Mundra and Pipavav. But yes overall import volume has not much impact, export is down by close to 8-10% kind of thing in terms of containerized cargo.

**MR. ACHAL LOHADE – JM FINANCIALS:**

Does it also involve this empty related changes? Have you seen material change in terms of the empty movements and how does it impact in CFS operations?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Empty Containers please let us remember. Now if our imports are heavy and exports are light, there will be empty containers going out of India, that is in case they are going out. I think the shipping companies are keeping those containers in some empty depots. We are not affected because if you see our group of business it is 90-95% on import and balance is on export. So no it has not affected us at all.

**MR. ACHAL LOHADE – JM FINANCIALS:**

Okay we are actually 90-95% import driven.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

Yeah just 90%.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Specifically in JNPT.

**MR. ACHAL LOHADE – JM FINANCIALS:**

And how about overall?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Overall around 75%.

**MR. ACHAL LOHADE – JM FINANCIALS:**

Great sir, thank you so much.

**MODERATOR:**

Thank you sir. We have our next question from the line of Nishna Biyani from Prabhudas Lilladher Private Limited. Please go ahead sir.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Thank you. Sir I would just like to understand, we have been more accustomed to look at overseas acquisitions like Hong Kong, China. And in this quarter you are looking at acquiring a domestic company like CCI. I was just wondering if we have to go towards Euro 2 billion to be on target, it has to be through the MTO part and not the domestic freight forwarding. I was just wondering why suddenly a change in your strategy?

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

Okay I will ask Prakash to elaborate. But let me tell you Nishna there is the growth or the target of 2 billion comes from not only the global business what we have, but in our business plan we estimate a growth in all our business verticals including our India businesses, new opportunities, specifically with the government initiatives in terms of Make in India, DFC, and then Sagar Mala and GST, a lot more opportunities are there for contract logistics business, shipping business and all our Indian business in fact. But yes since traditionally the top line from the global business is always higher, any substantial or good acquisitions globally will definitely boost the top line number at a much higher level. But yes the growth we have picked up from all businesses including businesses. Yes Prakash would you like to add something ?

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

I will just say that if you recall all of our interactions in the past also we have mentioned that the areas of growth would be contract logistics, CFS, MTO business and shipping business. So we will be focusing on all these 4 verticals that we have. So wherever the opportunity comes we will go and grab it provided it is a strategic fit and the right pricing. So it depends on what comes in. So it is not that we are saying that we will grow only in the MTO business. But that will remain as a big opportunity as and when it develops. So right now opportunity was given to us in contract logistics so we took that.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Okay. Sir my next question is for Suryanarayanan. Sir when we look at the MTO segment it's been firing on all cylinders for you over the last 9 months, sir in the weak global micro. Can you share with us the growth in Euro numbers for the 9 months FY16?

**MR. SURYANARAYANAN - EXECUTIVE DIRECTOR ECU-LINE AND DIRECTOR FINANCE, ALL CARGO:**

Yeah I think if you speak to Savli and Sharad they will do it. But at a sequential level I think in Euro terms we are more or less the same. And at a growth level I think we are growing when you compare on a year on year basis also. But the detail in Euro terms you can take it from Savli and Sharad.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Sure sir will do that. and sir this is more to do with a couple of book keeping questions. When we look at your tax rate over the last 9 months and in the last quarter sir has guided that it will get back to the 20-22%. But again in this quarter – so what should one factor in as your full year tax rate?

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

It is close to 20% Nishna. Because the quarter on quarter there are a lot of other factors, predominantly in terms of deferred tax and deferred tax liabilities which changed the entire percentage of perspective. Because what is happening like extra provisioning for the depreciation for the two new ships, provisioning for leave encashment, gratuity, which are creating all deferred tax liabilities. So definitely quarter on quarter it is not. But yes as you rightly asked we expect that the effective tax rate should be in the region of around 20%.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Okay. And sir depreciation policy on YoY it may happen that this year FY16 entirely we may see a dip in depreciation vis-à-vis last year.

**MR. JATIN CHOKSHI - CFO, ALL CARGO:**

No, no, there is no change in the depreciation policy per se. If you see we have sold some of the old assets as well which has reduced our depreciation quantum. So it is not that we are changing the – plus additional depreciation for the two new ships what we have purchased. So it is a combination of plus and minuses and all those things. But basically we are not changing our depreciation policy. Just every year we are reviewing the remaining life of the asset. And if there is a major change in the life of the assets in the remaining period then only we make additional provisions and that also always is a provision. But we never write back the depreciation as a prudent accounting policy. But yes depreciation we are not changing any policy.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Okay. Okay sir.

**MODERATOR:**

Thank you sir. Participants who wish to ask any question may please press \* and 1. As there are no further questions, I would now like to hand the floor back to Mr. Nishna Biyani from Prabhudas Lilladher Private Limited. Over to you sir for closing remarks.

**MR. NISHNA BIYANI - PRABHUDAS LILLADHER PRIVATE LIMITED:**

Thanks a lot to the management, Prakash sir and the team to take out time and help us understand what are the things turning out in different businesses in All Cargo. Thanks a lot again sir.

**MR. PRAKASH TULSIANI - EXECUTIVE DIRECTOR & COO, ALL CARGO:**

Thanks a lot, we really appreciate it. Thanks bye.

**MODERATOR:**

Thank you sir. Ladies and gentlemen on behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.