

Allcargo Global Logistics Ltd.**Investors / Earnings Conference Call****(February 7, 2011)**

Moderator: Thank you for standing by. This is Yashashri your conference moderator for today. We welcome you to the Results Conference Call of All Cargo Global Logistics Ltd. We have with us today Mr. S Suryanarayanan Group CFO from All Cargo Global Logistics Ltd. At this moment all participants are in a listen-only mode. Later we will have the floor open for the question and answer session guided by me. I would now like to handover the conference to Mr. Suryanarayanan. Please go ahead sir.

S. Suryanarayanan: Good afternoon, I am Suryanarayanan the Group CFO. Thanks for coming into the con-call for the Results for the Quarter and for the full year 2010 and I have with me my colleague Saurabh Sharma who is the General Manager Finance and Rahul Rai and Sunil Rajak who heads the Investor Relationship. To give you a perspective for the year we have moved, at the consolidated level our revenue has been at 2600 Crores a growth of about 28% and at the PAT level after minority interest we are about 171 Crores as against 130 Crores of last year a growth of about 32%. At an EBITDA level we are at about 305 Crores as against 247 Crores last year a growth of about 23%. You all must already have our press release which would give the earnings in the various segments. We have grown in all our three segments both on a year-on-year basis and at a quarter-on-quarter basis and if there any questions on the results then I can take them as it comes in.

Moderator: Ladies and gentlemen we will now have the question and answer session. Participants who wish to ask a question are requested to press * and 1. Participants who wish to ask a question may please press * and 0. We have a question from Mr. Prasoon. Please go ahead with your question. You may go ahead with your question sir.

Prasoon: Good afternoon sir.

S. Suryanarayanan: Good afternoon.

Prasoon: First of all my congratulations for your good set of numbers. And sir my first question will be on the CAPEX plans. What is CAPEX plans which you wish to incur in the quarter?

S. Suryanarayanan: In the coming year?

Prasoon: Yes sir.

S. Suryanarayanan: In CY 11 we are looking at about 250 Crores, basically comprising of about 100 to 125 Crores into our CFS / ICD and about another 80 Crores into our equipment division and then our regular CAPEX of 15 to 20 Crores.

Prasoon: Sir any insight into the CY 12?

S. Suryanarayanan: CY 11 you mean? Because we follow the calendar year.

Prasoon: Yes sir CY 11 I got it is 250 Crores and any idea on the CY 12 CAPEX plans, any insight you can give?

S. Suryanarayanan: CY 12 CAPEX will be marginal after this, maybe in the region of 50 to 60 Crores thereafter as we develop each of our facility.

Prasoon: My second question on the CFS realization.

S. Suryanarayanan: CFS realization or utilization?

Prasoon: Realization per TEU for CFSS. JNPT what is a change that you noticed, what is a trend going on, what is a current realization which you had in the last running quarter?

S. Suryanarayanan: If you look at from a Quarter 4 perspective, our revenue per TEU is increasing across all our CFSS. You want the numbers?

Prasoon: Yes sir if you can give the numbers.

Sunil Rajak: Prasoon the numbers are like this 11,088 for JNPT per TEU, 8500 for Chennai, 6349 for Mundra and EBITDA for JNPT is 6400 approximately and just above 3300 for Chennai, 2151 for Mundra. This is for the current quarter.

Prasoon: I note that Quarter 4 CY 10. Just continuing on the same question, on Chennai we have been noticing that there is a lot of infrastructure bottleneck and this road infrastructure leading from the CFSs to the port. So does the company have any problems just because of that?

Moderator: Yes sir, Mr. Suryanarayanan's line is disconnected, please stay on the line we are connecting him back. Mr. Prasoon please go ahead.

Prasoon: Yes.

S. Suryanarayanan: Sorry we got cut off.

Prasoon: Sir my next question was on Chennai CFS. We have been hearing that the Chennai CFS the road connecting the New Manali road which connects from the CFSs to the Chennai port is having a lot of difficulty because the vehicles are not plying in that area. So does All Cargo CFS getting affected by this?

S. Suryanarayanan: No we are not got affected but I will take you back. If you look at our capacity now with an increased level we had created a capacity of about 84,000 TEU and we have increased the capacity from 84,000 to 120,000 TEUs. As I'm speaking to you this month we have done almost about 9000 TEUs. So which means we are increasing the throughput in Chennai. So irrespective of what the bottleneck is in terms of the infrastructure or other our CFS volumes have continued to grow and it is also evident in the results that we have produced in the growth of Chennai CFS itself. On a year-on-year basis we have grown, we have grown at 49% on a year-on-year basis.

Prasoon: Right sir that's all from my side sir. Thank you.

Moderator: Thank you Mr. Prasoon. We have our next question from Mr. Devang Shangvi from ICICI Securities. Please go ahead with your question sir.

Devang Shangvi: Congrats on good set of numbers. I wanted to know what is that CAPEX incur for FY 10 and last Quarter of FY 10, for the full-year as well as Quarter.

S. Suryanarayanan: For the full-year our CAPEX would have been in the region of about 300 Crores.

Devang Shangvi: And for the last quarter, in the December quarter?

S. Suryanarayanan: About 65 Crores.

Devang Shangvi: And if I heard correctly the Mumbai-JNPT realization was 11088, is it right sir?

S. Suryanarayanan: Right.

Devang Shangvi: But is it sustainable for long period of time? Can you just throw some more light on that?

S. Suryanarayanan: JNPT the previous quarter the revenue realization was 9,600. Look at it, there has been an increase. I think it will be sustainable at that level.

Devang Shangvi: Okay sir. And the Chennai realization was 8,500, right? The line was not clear then.

S. Suryanarayanan: Yes 8,500.

Devang Shangvi: And Pithampur?

S. Suryanarayanan: From a different perspective even these realizations because they are also function of transportation but the dwell time increases the realization will also increase.

Deven Sanghvi: What will be that average dwell time at each of the ports?

S. Suryanarayanan: JNPT if I know it is at about 13.

Deven Sanghvi: Chennai?

S. Suryanarayanan: Chennai would-be in the region of between 14 and 12.5.

Deven Sanghvi: And Mundra?

S. Suryanarayanan: Mundra is more of an export side but there it is about 11 days.

Deven Sanghvi: Okay sir and the Pithampur ICD what will be the volume for the quarter, is it doing 600-700 per TEUs or how is it?

S. Suryanarayanan: It depends on some months we are doing about at 700 per month, some months we are at about 500 but at an average level we are at about 600 TEUs per month.

Deven Sanghvi: So December quarter would-be around 1800?

S. Suryanarayanan: Yeah.

Deven Sanghvi: Okay sir. This is from my side, thanks a lot sir.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Sanghvi. We have our next question from Ms. Jyotsna Murthy from Enam Securities. Please go ahead with your question madam.

Jyotsna Murthy: Good afternoon sir, congratulations on good numbers. In the EQ line business I wanted to understand what is the percentage contribution from the two new acquisitions that we would have done, that we have done in the last quarter?

S. Suryanarayanan: The full impact has not yet come in into the present set of numbers. The full impact of that acquisition will come in to the current year 2011 but about € 0.5 million you can take as the net income that we have taken in the current year.

Jyotsna Murthy: Okay that is the top line you are saying?

S. Suryanarayanan: No net income at PAT.

Jyotsna Murthy: Okay and sir in terms of volumes?

S. Suryanarayanan: Volumes are already there. Because they were anyway our agents so the volume generation that has happened was always being captured both at the origin level and at the destination level. So what I am giving you is the net impact from the origin level.

Jyotsna Murthy: And in TEU terms of volumes for the quarter would-be about 53,000?

S. Suryanarayanan: Yes for ECU as a whole?

Jyotsna Murthy: Yes.

S. Suryanarayanan: Yes correct

Jyotsna Murthy: Okay and on the project engineering segment what would be the utilization levels of the cranes because on a sequential basis and on Y-O-Y basis the margins have declined to about 14%.

S. Suryanarayanan: Yeah the asset utilization in our project and engineering solution would be in the region of about 92% to 93%. The reason why you are seeing some element of the margin depression is not because of the business per se but in terms of the timing of the revenues because on sometimes what happens is you are able to capture ocean trade in which case the margin levels are higher. In another case because as you have the contracts coming in on a milestone basis sometimes the margins keep fluctuating. They are not evenly spread throughout the quarters and some quarters you might get it higher, in some quarters they might get lower. But better way for you to get a sense you take it on a year-on-year basis.

Jyotsna Murthy: Okay so it is broadly in that 17% to 19% which we can forecast for going ahead as well?

S. Suryanarayanan: Correct.

Jyotsna Murthy: Okay and sir any order book on this business project, because project Cargo is included in this segment?

S. Suryanarayanan: We had an order book of about 55 Crores at the end of December for project and if you take the equipment order book of about 125 would-be in the region of about 180 Crores.

Jyotsna Murthy: Okay, sure. Sir and in the previous, as in Q4 CY 09 there has been an exceptional expense of about 3.5 Crores, just wanted some highlight on that. Because I think we have reclassified numbers.

S. Suryanarayanan: 3.5 Crores in CY 09?

Jyotsna Murthy: In Q4 of CY 09 yeah, Dec 09 Quarter.

S. Suryanarayanan: It is coming mainly from the ECU consolidation. In some of those countries they are appointing terms and asking them to classify it as exceptional income or exceptional expenses. So that is what is exceptional otherwise there is nothing in terms of a business perspective.

Jyotsna Murthy: Okay, it is purely on consolidation level?

S. Suryanarayanan: Yeah it is a consolidated number that comes.

Jyotsna Murthy: Okay sir. Thank you so much sir that is it from my side.

Moderator: Thank you Ms Murthy. We have our next question from Mr. Sumit Duseja from SPA Securities. Please go ahead with your question sir.

Sumit Duseja: Good afternoon sir.

S. Suryanarayanan: Good afternoon.

Sumit Duseja: Congratulations on good set of numbers. My first question pertains to ICD at Indore. Basically the performance of ICD at Indore hasn't been that encouraging though its improving but when do you expect it to pick up and fast pace, what time?

S. Suryanarayanan: The next Quarter it should improve. We have started getting new customers; new services from the shipping lines. I think as it starts moving in into the year the business volume will increase.

Sumit Duseja: Okay so the capacity utilization levels, can you give some guidance on that how we actually?

S. Suryanarayanan: Yeah we have sufficient capacity, we are only at about 700 to 600 TEUs.

Sumit Duseja: So how much it could be in next quarter?

S. Suryanarayanan: It is very difficult to guess but as shipping lines services, it could go up to about 1000 TEUs per month.

Sumit Duseja: Okay fine sir and sir next question is the status of ICD at Dadri? It was expected to begin in Feb or March as I hear last time.

S. Suryanarayanan: We are on track; it will kick in by April.

Sumit Duseja: Okay and sir on your expansion plans at JNPT, some light on that because capacity utilization is already about 90%?

S. Suryanarayanan: Correct we are currently operating between 98% and 100%. We have plans to increase the capacity at JNPT. We should be announcing the expansion very quickly and we are putting in place to increase the capacity from a nearby place. So it is all finally inked and all that we will announce it. But for the moment I just would leave the thought to you that we are increasing capacity at JNPT.

Sumit Duseja: Okay so that should happen within first half of the current year?

S. Suryanarayanan: Not happen in the first half, it will happen maybe towards the third quarter of the current year.

Sumit Duseja: Okay very fine sir. One last question sir, what would be the effective tax rate should take on this next year for CY 11?

S. Suryanarayanan: For CY 11 you still operate at MAT level.

Sumit Duseja: Okay very fine sir that is all from my side thank you so much. All the best sir.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Duseja. We have a next question from Mr. Abhishek Ghosh from B&K Securities. Please go ahead with your question sir.

Abhishek Ghosh: What is the capacity for the Mundra CFS?

S. Suryanarayanan: We are at about 70% yet.

Sunil Rajak: 77,000 TEU per annum after expansion.

Abhishek Ghosh: Okay and that should come in by end of this year?

Sunil Rajak: No in August itself last year we have expanded from 52,000 to 77,000. In Chennai we have expanded to 120,000 and in Mundra we expanded 77,000 in August 2010.

Abhishek Ghosh: Okay and one more thing on the CFS expansion on the CAPEX plan you said about 100 Crores will be coming into this CFS expansion. So would you throw some light on that as to which CFS you looking to expand and which ICD this CAPEX break-up? In your CAPEX commitment you said about 100 Crores you will be spending next year on CFS and ICDs so could you give a breakup of as to which CFS you looking to expand and which ICD in terms of the breakup?

S. Suryanarayanan: That way you will have some cost that Hyderabad ICD expansion would cost us at about 40 Crores almost Then a JNPT as I told you we are increasing our capacity, once I do that I will announce it but that is expected to cost at about 80 Crores or so. Then we are increasing our warehousing capacity at Goa and Bangalore.

Abhishek Ghosh: Okay that's all from my side sir. Thanks.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Ghosh. We have a next question from Mr. Siddhartha Khemka from Centrum Broking. Please go ahead with your question sir.

Siddhartha Khemka: Good afternoon, congratulations on the good performance.

S. Suryanarayanan: Thank you.

Siddhartha Khemka: Sir my first question is on the Chinese acquisition that you did last year. Can you throw some light on how the integration has happened till now?

S. Suryanarayanan: The integration was always there Siddharth because he was our agent so in that sense he was already networked into our system. So that was never problem of the integration and therefore we have not found any integration problem at all. For what this has done is since he was earlier in the relationship was as an agent but now it is our own operations that is taking place so to that extent you are able to better control the pricing, you are able to better effectively monitor what is happening vis-à-vis competitors and from a strategic perspective it makes us that much more stronger.

Siddhartha Khemka: Okay so you said that the volumes that these companies are doing where already being recorded at ECU Line earlier?

S. Suryanarayanan: Because on the import side whatever was the export that were happening where already coming into us at import side, at a destination. Now what is coming to us is only his share of the income in addition to what was already coming. As more volumes are going through and as long as we are able to get a profit greater than what would he was generating at the origin side gives the bigger impact for us from an overall perspective because that much more would have also come into the on the destination side. And therefore the force multiplier effect on this is almost double.

Siddhartha Khemka: Okay so going forward because of this acquisition we will see a contribution to the net level, not much of increment at the revenue level. Am I correct in that?

S. Suryanarayanan: You are right. In one sense your right and I think we have set ourselves a good target in terms of our own ECU Line expansion or the volumes that will grow. We should been a position to grow at an overall level of almost, we would grow at almost at quite a substantial rate of growth in the ECU Line business.

Siddhartha Khemka: Okay sir any breakthrough in terms of acquisition or presence in US?

S. Suryanarayanan: Not yet. We are looking at it maybe we might not do it in 2011 but we have some plans put in. So let's see as to when that will happen but for the moment we are consolidating our position and looking at growth in 2011.

Siddhartha Khemka: Okay the operating cost seems to have gone up, is this because of changes in the freight rates?

S. Suryanarayanan: When you are comparing the cost, you are comparing on?

Siddhartha Khemka: On the consolidated level sir.

S. Suryanarayanan: At a consolidated level yes freight rates have gone up and that automatically builds into the operating cost. Likewise as how when freight rates increase even the revenue will also increase at the top line and at an absolute margin level we are holding on and in fact it has improved.

Siddhartha Khemka: Right sir.

S. Suryanarayanan: The only impact for it is the little bit on SG&A expenses, they have gone up because in this quarter because of employees redundancy and thus we have had to pay almost about €450,000 have been booked into this quarter, to that extent some of these results are a bit skewed but at a business level we are continuing to grow and at a volume level quarter-on-quarter itself we are growing at 12% in the ECU Line business, I think it will power us. Growth rates they will power us in the coming year.

Siddhartha Khemka: Okay my last question sir on the 80-IA benefit that we have been continuing to carry and you have said that we will continue at MAT rate but there is some order from the IT department that disallowing that, can you throw some light on that, where we stand as of now?

S. Suryanarayanan: This is currently being adjudicated in the tribunal and we believe we have a good case and that's why we have indicated that also in the notes to the results. So we believe we have a strong case, legal opinion believes that we have a strong defense. So till such time that's why we have taken it at a MAT level.

Siddhartha Khemka: So we continue to recognize the 80-IA benefit even at the newer CFS ICD that we have.

S. Suryanarayanan: Correct anyway JNPT will run off in 2013.

Siddhartha Khemka: Right but then we are expanded capacities in Chennai and Mundra. So these will help us to have benefit from the 80-IA benefit.

S. Suryanarayanan: Correct.

Siddhartha Khemka: Thanks a lot and all the best sir.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Khemka. We have our next question from Rajni Gildial from Asit C Mehta. Please go ahead with your question.

Rajni Gildial: Hello sir my questions have already been answered.

S. Suryanarayanan: Thank you.

Moderator: Thank you. We have a next question from Shubhankar Ojha from SKS Capital Research. Please go ahead with you question.

Shubhankar Ojha: I missed out your initial remarks. If you have shared any guidance for CY11?

S. Suryanarayanan: My sense is we last year grew at about 25% to 30% at the PAT level.

Shubhankar Ojha: Correct and what would be the volume and the price?

S. Suryanarayanan: Yes from about I see from the business verticals that currently performing we believe that growth should be sustained in the coming calendar year also.

Shubhankar Ojha: And if I may ask you sir what was the volume contribution and realization contribution in the current 2010 or calendar year?

S. Suryanarayanan: You are talking about volume and contribution, in which segments are you talking about?

Shubhankar Ojha: No can it be shared overall?

S. Suryanarayanan: So overall because each of these measures is very different in each of the segments. So that's the reason I'm asking. But if you require all these details then my colleague would pass it to you once you would get in touch with him.

Shubhankar Ojha: Okay I should get it offline then. And sir do you have any fundraising plan in current financial year?

S. Suryanarayanan: Not in the current calendar year at this point of time no, unless if we do some very big acquisition but at this point of time no.

Shubhankar Ojha: And how would our balance sheet look like, as in gross borrowing and....

S. Suryanarayanan: The gross level our borrowing is at about 400 Crores, I carry a cash of about 110 Crores so the net would be about 290 Crores.

Shubhankar Ojha: Okay great, thanks very much sir.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Ojha. We have a next question from Mr. Rohit Sanghavi from Prime Securities. Please go ahead with your question sir.

Rohit Sanghavi: Firstly congratulations on good set of numbers. My question is you mentioned € 0.5 million as the contribution from the Chinese acquisition. This is not the full impact so this is for how many months, is it nine months?

S. Suryanarayanan: No not nine months, this is only for the current year we have taken but for on a full year basis we should be doing minimum of about \$3.5 million.

Rohit Sanghavi: \$3.5 million at the PAT level, right?

S. Suryanarayanan: Yes.

Rohit Sanghavi: Okay and in the previous analyst meet Mr. Shetty had mentioned that there are several cost-cutting measures especially on the ECU Line side of the business which will eventually lead to increase in margin there. So just wanted to get a sense is there any update on that initiative?

S. Suryanarayanan: That is what I told you, we have already initiated that. That's why we got in our staff cost you would see a minimum in the ECU Line I had to provide for almost about €450,000. Because of certain employee rationalization that we did, we back sourced some of the items. We are continuing to focus; there is a timetable on which we are moving forward. Then the next element is we are putting in a global procurement system in place where we believe that we will get quite substantial amount of saving on that. And once the system comes into place from effective 1st of May I think proportionately we should have some substantial savings in the current year.

Rohit Sanghavi: Okay and one question I had regarding the volumes as far as your ECU Line business is concerned. What has been the year-on-year growth in terms of volume?

S. Suryanarayanan: At a year-on-year basis, on a volume basis it is about 16%. On the quarter-on-quarter sequential we have marginally declined by 4%.

Rohit Sanghavi: Okay and you expect this growth to be sustainable?

S. Suryanarayanan: To my mind yes it is sustainable because you must understand that we are in a very niche market. We are aggregator of aggregators so in that perspective you will see nowhere in any country the growth is happening that 16%. But the very fact that volumes are growing at this level implies that the model itself of this LCL aggregation is quite good and network size is coming into play which is kicking into these growths.

Rohit Sanghavi: Okay alright thank you very much.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Sanghavi. We have our next question from Mr. Bhavin Gandhi from B&K Securities. Please go ahead with your question sir.

Bhavin Gandhi: Congratulations on good set of numbers.

S. Suryanarayanan: Thank you.

Bhavin Gandhi: Sir I just wanted some perspective as to how is the last year in terms of segments wise, as to what hurdles you have faced and going forward what kind of margins and realizations we intend to target in terms of segments wise?

S. Suryanarayanan: From a hurdle perspective in each of the segment I don't think we have faced many hurdles. We would do well in each of the verticals that are there because there is an organization behind each of those verticals and they are all running in the manner in which they have been. We have hired people, there is a good organization behind in each of these verticals to make the business grow and it is continuing to grow and that is evident in the numbers that has come out. So I don't see any hurdles immediately happening in any of them. Yes in two of our verticals at least in the CFS / ICD and the Project & Engineering solutions to a large extent they are dependent on the Indian growth story. So to that extent if there were some macroeconomic factors that would affect the overall Indian growth story then yes to that extent there would be an impact but otherwise I don't see too much of something happening in these two verticals. As far as the global LCL business is concerned if you see the numbers on the year-on-year basis and if you see the ECU Line segmentation itself you will see that we have almost grown over 100% at a PAT after minority interest. Now that itself is very significant achievement over what we did last year both in terms of

volume growth and in terms of the business itself that has happened in spite of the first quarter being a very tough quarter in which we were unable to pass the freight rates hikes to the customer. So inspite of that if we have done well in that business would give the indication of the business by itself at a fundamental level is quite strong to withstand the shocks that are there.

Bhavin Gandhi: Okay sir just one more thing. Can you give us the volume guidance for CFS business next year?

S. Suryanarayanan: Volume guidance, what type of guidance? You can look at it from a capacity perspective.

Bhavin Gandhi: Okay.

S. Suryanarayanan: Yes at JNPT we believe the current utilization capacity would be there, at Chennai we would be able to fully ramp up to at about 20% growth there over there, more than 20% almost about 40% would be over the existing capacity of at about 84,000 TEUs. At Mundra also we have enough capacity there to enable us to grow there.

Bhavin Gandhi: Okay thank you so much.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Gandhi. Ladies and gentlemen to ask a question please press * and 0. We have a question from Mr. Siddhartha Khemka from Centrum Broking. Please go ahead with your question sir.

Sidhharth Khemka: Sir just a follow up question. Recently the news that in the Chennai ports the High Court has given an order against the Containers Shipping Lines Association, regarding their right of deciding the CFS and nominating the CFS for their choice. Sir just wanted your perspective on the situation their right now.

S. Suryanarayanan: My understanding of the situation Siddharth is the shipping lines have already gone and appealed against that order. So to that extent it is subjudice and even if it were to move otherwise we have enough relationship with the freight forwarders and the Clearing House Agents people, CHA. So I don't see this having very significant impact. End of the day a person who comes into our CFS is coming because of our operational excellence of evacuating both from the ports and to the ports. And we have that very strong capability, I don't think then there would be too much of an impact in this. If it were even move against that but at this point of time it is subjudice that they have taken it up against the High Court orders.

Sidhharth Khemka: So as of now the shipping lines are still nominating the CFS?

S. Suryanarayanan: Yes at this point of time.

Sidhharth Khemka: Okay and do you see this same thing percolating to other ports especially JNPT? If suppose they manage to go through whatever in favor of the customs.

S. Suryanarayanan: It could happen if the Court were to move like that I don't know which way the other people at other ports would do. But the logical conclusion from your statement would-be if it were to happen at one place it would also happen at the other places.

Sidhharth Khemka: But you don't feel that this will happen?

S. Suryanarayanan: I don't think that is too much affecting. End of the day we are all running this business, we are competing with our fellow people that point of time and as long as we do a good job and we do it at a reasonable cost so I don't see too much of an issue.

Sidhharth Khemka: Right sir thanks a lot.

S. Suryanarayanan: Thank you Siddharth.

Moderator: Thank you Mr. Khemka. We have our next question from Mr. Neelesh Dhamnaskar from Religare AMC. Please go ahead with your question sir.

Neelesh Dhamnaskar: Congratulations on a good set of numbers. Sir my question pertains to segmental profitability. After putting your regroup numbers even if we were to see the incremental growth in capital employed in your equipment hiring division which is now renamed as a different entity, on that the incremental profitability on a Y-O-Y basis it is just about 5 Crores and even the ROCE are yet to reflect the kind of ROCE number you had envisaged probably in the earlier on con-calls. And the fact that you have mentioned in a earlier response that the capacity utilization levels of the equipment are almost at 92% to 93%. So is it fair to assume that these say 9% to 10% is what the ROCE one can expect for these kinds of operations?

S. Suryanarayanan: Operations is after EBITDA you are taking?

Neelesh Dhamnaskar: Yes that's right.

S. Suryanarayanan: You need to look at it from a different perspective, one you are taking capital employed at a point in time. Suppose I were to add equipment of 20 Crores, I have not got the benefit of full year impact on that whereas on my denominator that 20 will come in, on the income side I will not have the full impact of that.

Neelesh Dhamnaskar: Right but then as per your assessment how much time does it take for any equipment to start delivering its maximum possible revenues?

S. Suryanarayanan: Equipment if we put in it will start generating revenue immediately. So to that extent there is a revenue generator the minute if we put it to use. The only point I am trying to say here is don't draw a comparison on an immediate level on basis of capital employed. Because the way we assess, we measure in each of our equipments that we have put into the system what is a return on that particular equipment and I believe that so far we are on track and at an average between 18% to 20% on that on a IRR basis.

Neelesh Dhamnaskar: Sir the reason why I'm asking is if I were to see the last four quarters ROCE, if I were to annualize your number, they are just in single digit. The reason why I'm asking is yes this argument holds but that trend we are not seeing in terms of increasing the ROCEs I hope you got my point.

S. Suryanarayanan: I will just quickly revert back. That is what I am saying; you should not take it on a quarter basis and tried to annualize it because that will mislead you because continuously equipments are also being put into the system. The way we track this is every asset utilization is fully tracked and I can show you and I can explain to you that our returns are in excess of 18% on the fully capital employed basis.

Neelesh Dhamnaskar: Okay so as per your numbers.

S. Suryanarayanan: And what you are doing is, you are taking at an EBIT level if I understood you right.

Neelesh Dhamnaskar: Right sir capital employed ROCE as per our calculation is always EBIT divided by capital employed.

S. Suryanarayanan: But they you're also taking the full depreciation impact on that?

Neelesh Dhamnaskar: Right.

S. Suryanarayanan: That is why I am telling you the return thereafter should be between 16% to 20% and I can show you the workings very clearly.

Neelesh Dhamnaskar: So probably I will take it up, I will discuss it with you later but just one last thing.

S. Suryanarayanan: If you were coming to my office or you discuss this with Sunil we will show you. Then you will get of full understanding on these returns.

Neelesh Dhamnaskar: Yes sure I will do that later but one last thing. Assuming that you don't put in any further capital employed in a big way in this division rather can we assume that by the end of CY11 we can actually see on a reported basis ROCE which you are talking about?

S. Suryanarayanan: Yes if we were not to put any capital and we were to just keep it at a steady level at which the books are reflecting you will definitely see that return.

Neelesh Dhamnaskar: Okay that is it from my side. Thanks a lot and all the best.

S. Suryanarayanan: Thank you Neelesh.

Moderator: Thank you for your question sir. We have our next question from Ms. Jyotsna Murthy from Enam Securities. Ms Murthy please go ahead.

Jyotsna Murthy: Sir on the depreciation consolidated that you have reported is about 54 Crores and if I just take a sum of the quarterly that we did it its coming to about 65 Crores. So I just wanted to check any of mismatch in these two figures.

S. Suryanarayanan: If you remember the last quarter we changed the method of depreciation.

Jyotsna Murthy: Right sir I have just taken 13 Crores for the Q3 and the other 10 Crores I have already taken it below the line. So with just 13 Crores in Q3 and 18 Crores in this Quarter my numbers come to about 65 Crores consol. While we have just reported it as 54 so I was wanting to check if there is anything in Q4 that I'm missing out on?

S. Suryanarayanan: No because these are all coming from our depreciation schedule. I hope you have adjusted the impact of the last Quarter's depreciation.

Jyotsna Murthy: Sir for Q3 I have done so I wanted to check if there any such item in Q4 also. That if I will have to take out 10 Crores.

S. Suryanarayanan: There is nothing like that. I can explain to you the working. Maybe can we have a look at this offline? I will try to explain you.

Jyotsna Murthy: Sure sir I will discuss it with Sunil and then I will get back later. Sir and on the Hyderabad ICD are we on track to commence operations this year?

S. Suryanarayanan: We are starting to not operations; we will start the commencement of the building.

Jyotsna Murthy: Okay so when would we expect numbers to start coming through there?

S. Suryanarayanan: Once we start it will take us at least about 6 to 7 months to complete and thereafter we will be ready.

Jyotsna Murthy: Okay sir thank you so much.

S. Suryanarayanan: Thank you.

Moderator: Thank you Ms. Murthy. We have our question from Mr. Devang Shangvi from ICICI Securities. Please go ahead with your question sir.

Devang Shangvi: Sir just wanted to ask you regarding JNPT expansion. What type of capacity are you planning to expand?

S. Suryanarayanan: Once we do it we will announce it to you. The capacity would be equivalent if everything goes well; the capacity would be equivalent to what we have.

Devang Shangvi: Okay sir and the breakup between standalone MTO and equivalent numbers?

S. Suryanarayanan: Which one?

Devang Shangvi: The break up between the standalone MTO and the ECU Line MTO revenues?

S. Suryanarayanan: That Sunil will give you.

Sunil Rajak: Devang in terms of CBM total we have already given you. On Indian operations this quarter this year is 97,159 CBM.

Devang Shangvi: Sir your voice is breaking I'm not able to hear you.

Sunil Rajak: Can you hear me now? Okay so export was 97,159, import 58,740 and total 155,899 and if you deduct this from the consolidated numbers you will get the ECU Line numbers.

Devang Shangvi: Over the ECU Line numbers?

Sunil Rajak: Yes.

Devang Shangvi: Okay sir thank you that is all from my side.

Moderator: Thank you Mr. Sanghvi. As there are no more questions I would now like to handover the conference to Mr. S Suryanarayanan. Over to you sir.

Suryanarayanan: Thank you. Thank you all for participating in the conference call for our results. I would just like to reiterate. Our income from operations has grown from about 2000 Crores to 2600 Crores of growth of about 28%. Our EBITDA has moved from 247 Crores to 305 Crores of growth of about 23% and our profit after tax after minority has grown from 130 Crores to roughly about 171 Crores a growth of 32%. Thank you very much for participating and in case you require any further information or details please get in touch with my colleague Mr. Sunil Rajak. Thank you.

Moderator: Ladies and gentlemen this thus concludes your conference for today. We thank you for your participation and for using Ijuxion Conferencing Services. You may please your disconnect your lines now. Thank you.