



Allcargo Global Logistics Limited.
Investors/Earnings Conference Call
(August 16, 2010)

Moderator: Good afternoon ladies and gentlemen. Thank you for standing by. This is Yashashree, your conference moderator for today. We welcome you to the results conference call of Allcargo Global Logistics Limited. We have with us today Mr. S. Suryanarayanan, Group CFO from Allcargo Global Logistics Limited. 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 hand over the conference to Mr. Suryanarayanan. Please go ahead sir.

S. Suryanarayanan: Good afternoon ladies and gentlemen. I apologize for the delay because there were some issues internally here. Sorry for keeping you waiting. On behalf of Allcargo Global Logistics, I welcome you to the post results conference call for the quarter ended for the second quarter. In the last quarter, we had assured you that we will add value to your investment through the continuous growth and pleased to inform you that we are seeing the sustained growth in all our businesses. Despite the market worries about European market scenario, we have been able to increase the market share through continuous increase and you will be pleasantly surprised when you see the ECU numbers. Increased operational efficiencies have also yielded better productivity.

In the CFS business, continuous focus has been on the capacity utilization in all our CFS. In spite of variation in the port volume, the performance of Allcargo has been steady in this period. In Chennai, we have become the biggest CFS in terms of throughput handled in June 2010 with handling over of 6,000 TEUs per month consistently. In the last quarter, we have done the capacity expansion for Mundra which can handle a throughput of 7,700 TEUs p.m. We have worked on planned capacity expansion in the equipment business with sustained focus on utilization level. We are aggressively working on the capacity addition in this business to cater to the business potential generated through the potential infrastructure growth forecasted.

At a consolidated level, Allcargo's operations generated revenues of 639.5 crore for the quarter, up by 22% over the corresponding period last year. Gross profit of Rs. 66.7 crore for the quarter, up approximately 7% over the corresponding quarter last year. Operating profit after interest and exceptional items for the quarter at Rs. 40.9 crore for the quarter, up by 5.3 over the corresponding quarter last year. The net profit after minority interest of Rs.37.9 crore for the quarter.

Our ECU Line standalone results, the ECU Line reported revenues of Rs. 453.2 crore for the quarter witnessing a 15.4% year-on-year growth. Our EBITDA stood at Rs. 24.3 crore and net profit after minority interest of Rs. 10.1 crore registering a growth of 15% and 63% respectively. With this, I open the floor for questions and answers.

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. We have a first question from Mr. Apurva Doshi from Kotak Securities. Mr. Doshi, please go ahead.

Apurva Doshi: Hi sir, congratulations on a good set of numbers. Can you give the MMT volume sir, India and ECU Line both?

S. Suryanarayanan: Our volume of TEUs for India is 6302.

Apurva Doshi: 6,302 versus 5,865, correct?

S. Suryanarayanan: Right.

Apurva Doshi: Okay and ECU Line TEUs?

S. Suryanarayanan: ECU Line TEUs would be roughly about 54,000 as against 42,684.

Apurva Doshi: Okay, so this trend of 54,000 is sustainable going forward or is it just one-off quarter?

S. Suryanarayanan: No, if you look at it in the first quarter, we did 48,000 and in quarter 2, we have done 54. In fact what has powered our results in ECU has been both the growth in the volumes and also in the margins as I had explained to you in the first quarter, we were not in a position to pass on the freight rate, but now we have been able to do that and that is where you have seen the performance of ECU.

Apurva Doshi: Sir, ECU Line Q1 CY10 was 51,269, you said some 48,000?

S. Suryanarayanan: It all depends on how we have yielded. We can reconcile the number but what I have in front of me is roughly about 54,000.

Apurva Doshi: No, that is for Q2 CY10 that is current this one, I am saying Q1 CY10?

S. Suryanarayanan: Q1, we had roughly about 48,000.

Apurva Doshi: And YoY?

S. Suryanarayanan: YoY is about 27% growth over quarter 2.

Apurva Doshi: 27% growth?

S. Suryanarayanan: Yes.

Apurva Doshi: Okay. Sir in the MTO business, if you see the PBT margins have crashed from 17% to 9.7?

S. Suryanarayanan: You need to look at it from two aspects as we have been always telling because the turnover is a little bit of a misnomer here because as freight rates keep increasing, your turnover will grow, your operating margin will fall down as a percentage of turnover.

Apurva Doshi: But even in absolute term, it has de-grown from 11 crores to 8.6 crores?

S. Suryanarayanan: There, you have to look at in a little bit different way because it is a combination of both my NVOCC business and my project business. So in the project business, sometimes in terms of the timing of the flow of the billing, in one quarter if I have more of ocean freight, then the percentage is higher; in terms of domestic transportation, it is a little more lower. So those are some combinations that also pull it up and down.

Apurva Doshi: Can you give me the project cargo numbers then?

S. Suryanarayanan: As a standalone basis, we generally do not give this because it comes as a part of our MTO business.

Apurva Doshi: Can you give the numbers of equipment hiring revenue and EBITDA? Your revenue is 32.5 crores, I wanted EBITDA?

Management – Allcargo: EBITDA is 17.5 crores.

Apurva Doshi: Can you give YoY number, Q2 CY09?

Management – Allcargo: For the first half 2010, total revenue is 63.5 crores.

Apurva Doshi: No, I have Q1 CY10, I wanted second quarter of CY09 in YoY comparison?

Management – Allcargo: Total turnover was 22.17 crores.

Apurva Doshi: And EBITDA?

Management – Allcargo: 11.27.

Apurva Doshi: Okay and this ECU Line, can you give YoY numbers? I think top-line was 392 crores.

Management – Allcargo: I will give you in euros.

Apurva Doshi: No, rupees million.

Management – Allcargo: You want first half 2010 right?

Apurva Doshi: No, second quarter of CY09.

Management – Allcargo: Second quarter of CY09, total revenue is 392 crores.

Apurva Doshi: EBITDA?

Management – Allcargo: 21 crores.

Apurva Doshi: And profit after minority interest?

Management – Allcargo: Profit after minority interest after tax 6.1 crores.

Apurva Doshi: Okay, so there, there is significant jump in profitability in ECU Line?

S. Suryanarayanan: And this you must look at it that in last year, our exchange rate was at about Rs. 66. Now it is at about Rs. 61.

Apurva Doshi: Actually, I was going to come to that kind. Can you give ECU Line million euro for current quarter Q2 CY10?

Management – Allcargo: Q2 CY10 is 77 million top-line.

Apurva Doshi: EBITDA?

Management – Allcargo: EBITDA 4.1 million.

Apurva Doshi: And profit?

Management – Allcargo: 1.7 million after tax other interest.

Apurva Doshi: Similarly YoY?

Management – Allcargo: That is Q2 2009 right?

Apurva Doshi: Correct. I think top-line is 58 million.

Management – Allcargo: And EBITDA was 3 million and net profit after tax and minority interest was 0.9 million.

Apurva Doshi: 0.9 million, okay this is through. Was the cash balance and has the QIP money has come in right?

S. Suryanarayanan: QIP money has come in.

Apurva Doshi: So after that, what is the cash balance as on June consolidated?

S. Suryanarayanan: Cash balance roughly as of June on a standalone basis is about 188 crores and roughly about another 70 crores by way of global cash.

Apurva Doshi: The global will be net cash?

S. Suryanarayanan: No, this is the pure cash balance that I am saying because the borrowing now is overall it is about 315 crores.

Apurva Doshi: Consolidated?

S. Suryanarayanan: Consolidated.

Apurva Doshi: And sir we are talking of some Chinese acquisition in last conference call, what has happened?

S. Suryanarayanan: The final stages of the due diligence is happening there. It may be in the next 15 days, the due diligence report will get closed off. Once that is done, more or less the

deal will get closed off. So far the due diligence reports are showing positive. We are just waiting it for it to get closed in all aspects before we speak to you people.

Apurva Doshi: Okay and this anything on the expansion plan would you like to update?

S. Suryanarayanan: So far our expansion plans are as we have spoken in India, we are continuing to do contract based expansion in our equipment business that is very key because we are matching our expansion with the contract. So in that sense, these assets do not simply stay idle that is one. In Mundra, we had increased our capacity; in Chennai, we increased our capacity. Within the next 12 months or so, we are looking at increasing our capacity in JNPT. And as far as our global side is, those acquisitions in China are happening I am not able to disclose much on this, this is because we are just waiting for the due diligence, but I think over the next 2 to 3 weeks that will also get closed, but so far what we are seeing is proceeding as per what was our expectation.

Apurva Doshi: Okay and ICD at Dadri?

S. Suryanarayanan: ICD at Dadri, the constructions are started. I think by December, we should be ready to start.

Apurva Doshi: Okay and on the Hyderabad and Nagpur?

S. Suryanarayanan: So far nothing much has been happening except that we are looking at certain developing certain warehousing facilities in these places.

Apurva Doshi: But by when it would come up?

S. Suryanarayanan: We are doing it in a stage phase in the sense we first would like to develop a good business plan before we start anything, any activity out here.

Apurva Doshi: Okay sir, I think I will come back in queue if I have more questions. Thank you very much and best of luck.

Moderator: Thank you Mr. Doshi. We have a next question from Ms. Bhoomika Nair from IDFC Securities. Ms. Nair, please go ahead.

Bhoomika Nair: Good evening sir. Sir what were our project cargo revenues in 2Q 09? Against 35 crore?

Management – Allcargo: Total revenue was 20 crores in last year same quarter.

Bhoomika Nair: And EBITDA would be about 4 crores, right?

S. Suryanarayanan: Yes.

Bhoomika Nair: If we look at it on volumes in the CFS business has gone up on a YoY basis quite well, if I look at JNPT especially in this current quarter, the volumes have actually gone down marginally from 34-35,000 to roughly about 32,000 in this quarter. Any reason for this in the JNPT volume fall?

S. Suryanarayanan: That is the marginal. You are talking about..

Bhoomika Nair: From Q1 to Q2.

S. Suryanarayanan: That I think is part of the process itself where we had a shift of one customer from one of JNPT to another, but he has come back in the month of July. So if you look at my July volume, they are more than what I did in June.

Bhoomika Nair: Sir you talked about an expansion here in JNPT, what is the current capacity and what could it possibly go up to by another 12 to 18 months?

S. Suryanarayanan: Our current capacity is at about 1.44, we could take it up by another 1.44.

Bhoomika Nair: So you could actually double capacity out here?

S. Suryanarayanan: Double the capacity.

Bhoomika Nair: so this is because you have extra land or you are going to stack it up higher or how are you going to be able to do that?

S. Suryanarayanan: I will let u know, but there are talks are in progress substantially and I think as soon as we do something, we will let u know but this is just to give you an idea that I said that we are in a position to do this. I will come to you with the details once we close out.

Bhoomika Nair: Okay, so this will start sometime I mean by third quarter of CY11?

S. Suryanarayanan: I think for the year you do not take anything.

Bhoomika Nair: Correct, but for CY11 would it be in the third quarter roughly one year from now

S. Suryanarayanan: You can keep it like that.

Bhoomika Nair: Sir also in the standalone segment, we have seen the equipment hiring business go up quite sharply in terms of revenues both on YoY basis as well as the sequential basis, this is mainly because of the additional equipments that we have added in this current quarter?

S. Suryanarayanan: Not only current quarter, over the first 6 months.

Bhoomika Nair: Yes, because from in one Q we did about revenues of about 20 crores and this quarter we have done about 32 crores of revenues.

S. Suryanarayanan: Correct.

Management – Allcargo: Bhoomika, we will have our investor presentation on website in next one hour. Our numbers of cranes have gone up to 84 at the end of this quarter.

Bhoomika Nair: And what was it beginning of the year so that we can ...

Management – Allcargo: Last year at the same time, we were at 54.

Bhoomika Nair: 54 cranes which is why the capital employed has also jump quite significantly?

S. Suryanarayanan: Right.

Bhoomika Nair: And margins could have fallen because obviously it is under utilizable, just been commission plus depreciation full impact has come in through the current quarter?

S. Suryanarayanan: We are aggressively taking the depreciation on these assets. We are writing it off over 6 years.

Bhoomika Nair: Sir moving on to ECU Line, this quarter has been excellent in terms of volumes as well as margins etc. We have moved back to the 50,000 kind of levels of volumes that we have done in the past as well. So sir this is what would you say is this 54,000 because normally we have done the highest prior to this, we ever did was about 51,000 sometime in CY08 in any particular quarter. So this is obviously the highest we ever achieved in ECU Line. So do you think these numbers are sustainable and what levels can we grow?

S. Suryanarayanan: I think so because what is happening we are consistently seeing growth in these volumes both from quarter 4 of 2009 itself it was happening, but for us the problem was slightly different in the first quarter. Volumes were growing, but what really was now happening was as freight rates were increasing and our competitors who are coming out of the recession did not want to pass on the freight hikes to the customers because everybody wanted to keep the volume base as it is and that is where we had a margin pressure in the first quarter, but in the second quarter, the reverse has actually happened where everybody has now decided, boss, we cannot do the way we are doing business and therefore the freight rates have been able to be passed on to the customer therefore with the volume increase and the price hike being passed on to the customer has actually lifted the margins. To answer your question in short to my mind, it is sustainable because we have seen it in July, in August there will be a slight dip because of the holiday season in Europe, but I think it should come back in September-October.

Bhoomika Nair: So you see this 54-55,000 kind of TEU sustaining over the next two?

S. Suryanarayanan: More or less. July has been a good month for us and so I think overall we believe that this is sustainable.

Bhoomika Nair: And even on the margin front?

S. Suryanarayanan: Yes.

Bhoomika Nair: Okay. Sir could I get the LCL and FCL volumes for ECU Line?

Management – Allcargo: Bhoomika for quarter two, LCL export has been 19,356; LCL import is 21,150. FCL is 13,590.

Bhoomika Nair: Total FCL you are saying?

Management – Allcargo: So total comes out to be 54095 as sir just said.

Bhoomika Nair: Okay and last year second quarter, the total volume was something like 41,000 as what I have is that wrong number?

Management – Allcargo: 42,684.

Bhoomika Nair: Sir lastly you said the debt was about 315 crores. What is the standalone and international?

Management – Allcargo: 188 crores is standalone.

Bhoomika Nair: So that is cash debt.

Management – Allcargo: Standalone debt is 188 crore and 315 crore is the consolidated debt.

Bhoomika Nair: Okay so both debt and cash levels in standalone is similar?

Management – Allcargo: Yes, standalone cash is 196, little bit higher and consolidated level, cash is almost 292.

Bhoomika Nair: 292 crores cash. Sir also we were looking to put up warehouses and all that, how is that progressing and we have also mentioned that we are getting trying to enter into the shipping business. So if you could throw some light on both these?

S. Suryanarayanan: Warehousing what we are doing is of course Goa, we have completed our warehousing in Goa that is on stream, then we are planning warehouses at Hosur, Nagpur, and Hyderabad, but here we would all be expanding as the business plans are being generated that is how it will happen. So we have a study that has shown where we have to put up these warehouses which are the positive locations, but it is now the final detail link of the business plan is what is which will drive the final decision.

Bhoomika Nair: So nothing in the current year or sometime will be made

S. Suryanarayanan: At least in this year, nothing much of these will come into play to drive the results in anyway.

Bhoomika Nair: And sir Goa is now like how big and what kind of revenues and profitability or is it just very small to be?

Management – Allcargo: Goa is 50,000 square feet approximately.

Bhoomika Nair: Yes I was asking in terms of revenues.

S. Suryanarayanan: No, revenue wise and all, it is still small.

Bhoomika Nair: Very small and sir on last in the shipping line that you were talking about there was some news article?

S. Suryanarayanan: Shipping line is we are planning to acquire to take care as a part of our equipment in our project business that is what we are looking at. It is not to be a shipping company in that sense. It will be more of an extension of our project business to take care of project movements.

Bhoomika Nair: Okay sir, thank you so much.

Moderator: Thank you Ms. Nair. We have a next question from Mr. Siddharth from Centrum Broking. Mr. Siddharth, please go ahead.

Siddharth: Sir, my question is on the Pithampur ICD. Last quarter, we said that had some volumes in those ICDs. How was the volume this quarter?

S. Suryanarayanan: Quarter also, it has been in the same range of 700 to 800 TEUs.

Siddharth: Per month?

S. Suryanarayanan: Yes.

Siddharth: And when do we see these gaining full fledged or being fully operational?

S. Suryanarayanan: To my mind, I will take at least another 5 to 6 months before it starts fully when we can fully penetrate into the market.

Siddharth: Okay sir the volumes that we are handling right now these are EXIM volumes or these are domestic volumes?

S. Suryanarayanan: These are EXIM volumes only.

Siddharth: Okay and second question is on the margins, we have seen that operating costs have increased on a Q-on-Q basis as well as on a year-on-year basis, so any particular reason for that?

S. Suryanarayanan: As freight rates increase, then there will be an increase on the top-line and also the operating cost also will go up to that extent.

Siddharth: Right sir. So but then our margins should have been fairly stable, but we see that margins are also.....

S. Suryanarayanan: In which segments we are talking?

Siddharth: Sir I am talking on the overall consolidated level sir.

S. Suryanarayanan: It is the same thing no because I told even in our project movements, some of them are cyclical a little bit and therefore you will see a little bit of drop up and down, but otherwise from, if I were to summarize and sum up to you, I think we are on track to achieving what we are planned. I think from an ECU perspective, we are continuing to grow there and I think it will be a part of our growth in the coming quarters. The infrastructure growth in India in terms of our equipment business and our project business is still will continue to drive it and we have an order book of roughly between 75 to 80 crores on hand in our project division. So I think all of these from perspective of the quarter 3, quarter 4 for the moment looks good

Siddharth: Okay sir and so we will be able to pass on the freight hikes this quarter?

S. Suryanarayanan: Yes that is how you will see my ECU numbers almost more than doubling than what we did in the first quarter.

Siddharth: Right sir. All the best sir, thank you very much.

Moderator: Thank you Mr. Siddharth. We have a question from Ashwini Desai from Bajaj Alliance. Please go ahead with your question.

Ashwini Desai: Good evening sir. Sir sorry for repetition, but I am not sure I understood the reason for the fall in margins in MTO, I mean MTO excluding the project cargo, I am not sure I understood why did the profitability absolute number fell?

S. Suryanarayanan: If you exclude it, then we are down by about 2 crores on the overall number.

Management – Allcargo: So what exactly are you looking at in the EBIT margin which is after depreciation. There has been a good amount of depreciation this quarter which was not there last year.

Ashwini Desai: Okay, so much has it been if you could share the numbers YoY?

Management – Allcargo: There has been an increase of around 3.5 to 4 crores on YoY basis is depreciation.

Ashwini Desai: Okay and that was in account of?

Management – Allcargo: New equipments we have taken, we have taken certain hydraulic access and all those things in a project division.

Ashwini Desai: Okay, is essentially because of the project cargo you mean?

Management – Allcargo: Yes.

Ashwini Desai: Okay, thank you and my next question is the ECU Line, if you see the EBITDA has grown by around 15% but if you see the PAT after minority has grown by 63%, why is it that?

S. Suryanarayanan: As a part of our strategy, we have started acquiring all our minority shareholders in some of our key countries. So those have also now started coming into play.

Ashwini Desai: Okay and my next question is you shared the number regarding Pithampur ICD that you are doing 700 to 800 TEUs per month. What is the maximum that it can go to I mean I am trying to understand what is capacity that it has?

S. Suryanarayanan: I think the capacity in actually Pithampur is roughly about 3,000 TEUs.

Ashwini Desai: Okay and sir just to understand your CAPEX plans a bit in detail, you are planning to double the capacity at JNPT How much you would be spending for that?

S. Suryanarayanan: For the moment, as we start doing it, I will get back to you on the JNPT expansion.

Ashwini Desai: Okay fine. Sir could you share the CAPEX numbers that you planned to do this year and next year?

S. Suryanarayanan: So far in the first half, we have done about 110 crores. We had set ourselves a target of about 220 crores over the next 15 to 18 months. I think we are on track on that.

Ashwini Desai: Okay and this 110 crores that you spent, it was on which division?

S. Suryanarayanan: It is a combination of equipments, a bit on the CFS expansion at Mundra, and a little bit of office space.

Ashwini Desai: Okay and sir in Chennai what is the current capacity?

S. Suryanarayanan: It is at about 86,000 TEUs.

Ashwini Desai: Okay and this project cargo that the order book that you shared of 75 to 80 crores, it is executable over what period?

S. Suryanarayanan: It is executable over the next 12 months.

Ashwini Desai: Okay and sir my last question is could you guide regarding your tax rates for the next 2 years, what should we assume for this year and CY-10.

S. Suryanarayanan: On the tax rate, we have continued to assume the minimum tax rate.

Ashwini Desai: Okay because we had about 16% in CY09, we can assume that going ahead?

S. Suryanarayanan: You will have to take the minimum or whatever is the tax rate you can take that rate.

Ashwini Desai: Okay fine that is all from my side. Thank you sir.

Moderator: Thank you Ms. Desai. We have a next question from Mr. Apurva Doshi from Kotak Securities. Please go ahead with your question sir.

Apurva Doshi: Sir regarding Hindustan Cargo if you see, we see a sharp improvement in both top-line and bottom-line. Can you just explain the reasons or is this trend sustainable?

S. Suryanarayanan: It is. Now as the recession on the air cargo side is being coming back into play or we are coming out of the recession, then there is an improvement both in terms of the top-line and in the bottom-line.

Apurva Doshi: So this is sustainable?

S. Suryanarayanan: Sustainable and because the economic activity itself is pulling the top-line and the bottom-line now.

Apurva Doshi: And sir on the ECU Line front if you see in terms of euro terms, the growth is sharp around 33% because of currency conversion, we have lost it to half, 16%.

S. Suryanarayanan: That is because you almost have 8 to 9% on the currency conversion.

Apurva Doshi: That is correct, but my question is this kind of growth in million euro terms can be taken forward or what kind of average quarterly volume?

S. Suryanarayanan: You would take it like this. Of course, the first quarter was a little bit down because of the margin pressure that we could not pass it on to the customer, but in the second quarter we have been able to do that. To understand your guidance, you need to take as though that quarter is the sort of the regular quarter to take your forward projections up.

Apurva Doshi: So first quarter or the second quarter?

S. Suryanarayanan: We should take the second quarter.

Apurva Doshi: Second quarter, €77 million top-line and this 1.7 with EBITDA of 5.3%, so more than 5% is sustainable for ECU Line?

S. Suryanarayanan: I think so because you must understand what is driving this. If you really look at some studies that I have done, there is a whole lot of growth that is happening in the intra-Asia region will it be in Indonesia, Hong Kong, Singapore, and China. There is a whole set of trade that is happening between these countries and that is set to dominate in terms of ocean freight far more than what an Europe or an U.S. can grow. In fact some studies that I have with me with some consultants who have done this paper study shows almost a growth of 54% in the ocean freight and sea freight business in the intra-Asia region and we are quite strong in some of these companies, Indonesia, Philippines, Malaysia, Singapore, Hong Kong. We are very strong in these countries.

Apurva Doshi: And sir on the CFS front, this average realization at JNPT has actually gone up, so are they sustainable now at this 9300 levels or an average you can take 9000 for the whole year?

S. Suryanarayanan: I think you can take about 9000 as a sustainable level.

Apurva Doshi: And EBITDA front?

S. Suryanarayanan: At an EBITDA front, you take about 5000 bucks here.

Apurva Doshi: 5000 is sustainable because we are hearing lot of competition as JNPT and also just wanted to because without naming the competitors, their results are also out and their numbers were bad. So just wanted to understand how we are maintaining EBITDA and average realization?

S. Suryanarayanan: Our realization is what I am telling you. So that is a little bit of our operational efficiencies where we are able to do much better than some of our competitors.

Apurva Doshi: But these are definitely maintainable over period of time?

S. Suryanarayanan: I see July has been a good month for us also.

Apurva Doshi: Okay and sir on the CAPEX front, I believe earlier last con-call we had said 250 crore for CY10, now you are saying 224 next 18 months?

S. Suryanarayanan: It all depends on the timing.

Apurva Doshi: Of the acquisition.

S. Suryanarayanan: That is why some of these numbers would move up and down.

Apurva Doshi: But apart from this, there is no major withdrawal of CAPEX or something like that?

S. Suryanarayanan: Nothing like that, we are on track.

Apurva Doshi: And on this cranes front, you said 54 to 84, how much money we have pumped in?

S. Suryanarayanan: About 110 crores I think.

Apurva Doshi: Additional?

S. Suryanarayanan: Yes.

Apurva Doshi: 110 crores for doing this cranes and these are all high capacity cranes or which segment?

S. Suryanarayanan: It is a mix of cranes, but tending to be a little more on the high capacity.

Apurva Doshi: And these are all in India or?

S. Suryanarayanan: All in India.

Apurva Doshi: So Dubai, had some cranes earlier?

S. Suryanarayanan: No, we had got it back into India.

Apurva Doshi: So now everything is in India?

S. Suryanarayanan: Everything is in India because here itself the growth is so much on the infrastructure side that no point in keeping all of them there.

Apurva Doshi: And for this depreciation thing, what you explained around 3, 4 crore so that is an annual impact or now every quarter it will remain the same or it was just a one-time change in policy or something?

S. Suryanarayanan: There is no change in policy. What is happening here is it all depends on when this equipment hit us and commissioned.

Apurva Doshi: So most of the cranes you are saying got commissioned, so deprecation was high in this quarter but now this will continue and you said you depreciate in 6 years, what is the average life?

S. Suryanarayanan: Average life can even go to 15 years, 18 years, or 19 years.

Apurva Doshi: So what was the reason for providing aggressive depreciation?

S. Suryanarayanan: It is just that historically we have been providing and we are continued to provide it at that level.

Apurva Doshi: And sir lastly there was income tax liability which you have mentioned 65 crores what is that?

S. Suryanarayanan: Here the assessing authority, they rejected a claim for 80-I (a).

Apurva Doshi: That is for CFS and ICD?

S. Suryanarayanan: For CFS and ICD. So we believe we have a very strong case and we have also a legal opinion that we have a strong case.

Apurva Doshi: Now because your competitor is already proving MAT and they do not have any case, so?

S. Suryanarayanan: In our case, it has happened. So that is why we believe that we have a strong case. We have a legal opinion that has a strong case and therefore we are continuing to do it at MAT level.

Apurva Doshi: But it is 65 crores?

S. Suryanarayanan: Yes, net of it.

Apurva Doshi: And is there any FOREX derivative loss or something like that?

S. Suryanarayanan: Nothing like that we do not factor in any FOREX derivative and anything like that.

Apurva Doshi: No hedging, absolutely nothing?

S. Suryanarayanan: No, we do a little bit of forward hedging, but nothing that is where we enter into a loss or derivatives or anything like that.

Apurva doshi: So one more last question on ECU Line as you are emphasizing so much on it and if the volumes remain at even if they remain at current levels, can the EBITDA actually go up from 5.3 to somewhere 5.5 or even higher because of efficiencies of scale or something like that?

S. Suryanarayanan: it could because it all depends a little bit on the region from which it is coming from.

Apurva Doshi: You spoke about Asian region any update on the European region what is happening and U.S.?

S. Suryanarayanan: Even on the Europe region, we are seeing growth and in fact we are seeing lot of growth in Germany. Good month for us in the Germany in the month of June, in the month of July has been good, France has been very good. So selectively in some of the European countries, we are seeing even though whatever we are talking about to euro zone as a whole in the LTL business, we are able to see the growth that we are seeing.

Apurva Doshi: Okay and your opinion is that this is not one-time this trend will continue?

S. Suryanarayanan: Because what is happening is Apurva we have seen this in April, we saw it in May, we saw it in June, and we are seeing it in July. So from our perspective, it looks like it is sustainable. In the month of August there will be a bit of a dip because lot of people in Europe are on holiday, but otherwise it should come back.

Apurva Doshi: Okay sir, thank you very much.

Moderator: Thank you Mr. Doshi. We have a next question from Mr. Rohit Shimpy from SBI Mutual Fund. Mr. Shimpy, please go ahead.

Rohit Shimpy: Can you share numbers for CFS volumes?

Management – Allcargo: CFS volume in this quarter export is at 10,485 TEUs.

Rohit Shimpy: And what is the split between the three?

Management – Allcargo: For JNPT, it is 32,188 TEUs; for Chennai, it is 17,615; for Mumbai, it is 4915. So total 54,718 TEUs.

Moderator: We have a question from Mr. Chetan Kapur from IDBI Capital. Mr. Kapur, please go ahead.

Chetan Kapur: Good evening sir. So what would be your coverage in the equipment hiring business as far as the order book or you can put it as....

S. Suryanarayanan: When you say covering means what exactly do you mean?

Chetan Kapur: The amount of coverage of the total revenue days what we might have for the each of the equipment what we have.

S. Suryanarayanan: I can answer you in a different way. Our equipment utilization would be roughly between 92% to 93%.

Chetan Kapur: And most of this equipment, what would be the share of equipment which will be on other kind of a longer term contract duration something more than 3.5 to 4 months?

Management – Allcargo: Almost more than 80%.

Chetan Kapur: So we have got reasonable amount of visibility on that?

S. Suryanarayanan: Yes.

Chetan Kapur: Sir what would be the new areas where you expect new contracts coming in for these equipments?

S. Suryanarayanan: So far in the segments that we have been operating, the expansion itself is happening in those segments and we have been able to get it from the market. The market share itself is increasing on this.

Chetan Kapur: So like normally I think we have been concentrating towards power and other utilities. So is there any new segment which is coming up what you are targeting at?

S. Suryanarayanan: I am not able to see any new segment per se, but if you see in the presentation that we will upload in the next one hour, we will give you the complete breakdown of the profiles.

Chetan Kapur: Thank you.

Moderator: Thank you Mr. Kapur. We have a next question from Ashwini Desai from Bajaj Alliance. Please go ahead Ms. Desai.

Ashwini Desai: Sir I had just one question regarding your Mundra CFS, it looks like your capacity utilization levels are low. I just wanted to know why is it that you are expanding?

S. Suryanarayanan: Export volumes out of Mundra are going up. We are in a position to take advantage of those exports because at that point in time then to start the exports and then to start the expansion and to take it forward will be very difficult because you also need to handle the empties of the containers that are coming in and that we need to handle. So it is a combination of all of these is what is making us to take it forward.

Ashwini Desai: Okay and how much you are going to spend there?

S. Suryanarayanan: Not more than 10 to 12 crores.

Ashwini Desai: And by when it would be ready?

S. Suryanarayanan: It is already ready.

Ashwini Desai: It is already operating?

S. Suryanarayanan: Yes.

Ashwini Desai: Okay fine thank you.

Moderator: Thank you Ms. Desai. We have a question from Jyotsna Moorthy from Enam Securities. Please go ahead with your question.

Jyotsna Moorthy: Good evening sir. Just to check the Indian Railways has come out with its PFT policy, so given that we have strong land banks at various places, are we planning to enter in any of these in the next couple of months?

S. Suryanarayanan: No, not immediately. We are also studying that policy and trying to fully comprehend the impact because many of it though the government has released it, they still

hold a lot of key in some of these policies. So we just want to be very sure before we embark on that.

Jyotsna Moorthy: So nothing in the expansion plans?

S. Suryanarayanan: Not in the immediate future.

Jyotsna Moorthy: Okay thank you sir.

Moderator: Thank you Ms. Moorthy. We have a question from Mr. Chetan Kapur from IDBI Capital. Please go ahead with your question sir.

Chetan Kapur: Just a followup question sir. I believe we have also like as you had earlier told us in the con-call that we are setting up warehouses across various locations. Can you just tell us about like whether these will be standalone ventures or we will be getting more into other value added services like 3pl Logistics?

S. Suryanarayanan: The idea here is to get into value added services, but before we go full fledged, we are doing it at an incremental level feeling our feet into it before we do massive investments and that is why earlier in the con-call, I had said that we are building a business plan being very sure of the region, the place that we have to set up this warehouses and then only do the necessary investment to take it forward.

Chetan Kapur: And how positive are you as regarding the GST implementation and the likely positive impact on the supply chain management outlook in India?

S. Suryanarayanan: On the supply chain outlook if GST happens to come in, then it is a welcome feature. It will definitely boost the way currently logistics is being done in India, but when it will come, we are all hopeful that it will happen in April of next year. Hopefully, they will all reach consensus on the VAT rate and other thing. If it does happen, then I think it is a welcome step. We are looking forward to it. Then people like us who have these land banks will have a very big business plan to then take it forward.

Chetan Kapur: Right sir, that is it.

Moderator: Thank you Mr. Kapur. As there are no more questions, I would now like to hand over the conference to Mr. Suryanarayanan. Over to you sir.

S. Suryanarayanan: Thank you all for participating in our conference call on our second quarter results and if any of you require any further information, you could always contact us to give you the same and hopefully we will have in the next quarter we will come to you with a same level of growth or if not better growth. Thank you very much.

Moderator: Ladies and gentlemen this does conclude your conference for today. We thank you for your participation and for using iJunxion Audio Conference Service. You may please disconnect your lines now.