"Allcargo Q1FY13 Results Conference Call"

August 08, 2012

MANAGEMENT: MR. SURYANARAYAN – DIRECTOR - FINANCE, ALLCARGO LOGISTICS LTD.
MS. SAVLI MANGLE – VP FINANCE (PROJECT LOGISTICS) & IR

MODERATORS: MR.AVI MEHTA – ANALYST, IIFL CAPITAL LIMITED

Moderator Ladies and gentlemen, good day and welcome to the Q1FY13 Results Conference Call of Allcargo hosted by IIFL Capital Limited. As a reminder for the duration of the conference, all participants' lines are in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during the conference call, you may signal for an operator by pressing * and then 0 on your touch phone. Please note that this conference is being recorded. I would now like to hand the conference over to Mr. Avi Mehta of IIFL. Thank you and over to you sir.

Avi Mehta Thanks Lavina. Hi good afternoon everyone. On behalf of IIFL, I would like to welcome all of you to the Q1FY13 Conference Call of Allcargo Logistics. From the company, we have with us Mr. Suryanarayanan – Director, Finance and Ms. Savli Mangle – VP Finance (Project Logistics) and IR. I would now like to hand over the call to the management for their opening comments. Over to you sir.

S. Suryanarayanan Good afternoon everyone. Thank you for joining us on the call. I will do a brief summary on our results and then update you on each of our business operations. After that, we will take the questions. I am sure all of you would have received the results by now. For those who haven't, you can read them along with the presentation on our website. Before we discuss the results, I would like to give you an update on the buyback that the company initiated last month. The buyback is at Rs. 142.5 and the total amount earmarked for buyback is Rs. 75 crore. The company had stopped the process for the past two weeks due to the closure of the trading window; and now post these results, it will once again commence the buyback. Till date, we have completed around 49% of the buyback and the number of equity shares has decreased by 2% to 12.8 crore shares.

Moving onto our results for the quarter ended June 30th, 2012, our consolidated total revenues were 13% year on year at Rs.980 crore. The EBITDA increased by 5% year on year to Rs.118 crore. The PAT is at Rs. 56 crore, a decline of 16% mainly on account of increase in depreciation and interest. The increase in interest has been mainly due to the addition of debt that was borrowed to fund our capital additions over last year and around 100 basis points increase in our cost of borrowing, from an average of about 8.5% to 9.5% currently. This quarter, our consolidated capital employed for the three businesses went up by about 8% to nearly about 2000 crores. Of this increase, over 60% of our capital expenditure, investments were towards an acquisition of a third ship, towards new CFS at JNPT. Some trailers were added and only one crane, which was ordered in prior period, has come into this quarter and we have added some equipments in our Chennai CFS. So you will see that the bulk of the investments have gone in the CFS business and in shipping rather than in the equipment towards cranes. We have more or less, slowed down on that sector and unless we see pickup in the Indian economy, we would be putting capital expenditure on hold there.

For the year, we have earmarked a total of about Rs.150 crore towards our CAPEX and so far the bulk of it has gone towards the CFS which is roughly about Rs.75 to Rs.80 crores. Our CAPEX plan for the rest of the year is conservative and will be depending on how the economy responds & as and when we look at investment opportunities, only then we will be doing the CAPEX investments. Our operating businesses have continued to grow their revenues and profits.

Now moving onto our businesses, starting with the CFS operations, we are amongst the top two CFS operators at JNPT in Chennai and amongst the top five at Mundra. Our total installed capacity is at about 341,000 TEUs per annum with a capacity utilization as high as almost about 100% at JNPT. In fact, in one or two of the month in this quarter were above 100%. This business has achieved revenues of about Rs.83 crores, a year on year increase of about 24%. The EBIT marginally declined on a year on year basis comparison to Rs.32 crores. This was mainly on account of increase in staff expenses and also increase in other expenses. The new CFS at JNPT is on track and should be operational by the end of this month. As we have earlier told you, we would be adding an additional 100,000 TEUs through this expansion. Moving onto our multimodal transport operation, we are amongst the leading players in the global LCL consolidation business. The total volumes have increased 3% on a year on year basis and on a quarter on quarter basis, we have actually moved on at about 10%. As you know our unique business model, in spite of the slowdown in the global economy, we are still being able to show this growth and even at the EBITDA level, there has been growth in this business. This segment generated total revenue of about Rs.722 crore which is up by about 14%. The EBIT was at about Rs.39 crores an increase of about 14% and the margin has remained steady at about between 5% and 6%.

And finally our project and engineering solution business, our order book is robust and expanding. The total order book size is over Rs.300 crore for the next 12 to 18 months. The total revenue was up by about 28% to Rs.111 crore. EBIT has increased by 25% to Rs.25 crore. To summarize and reflect across all our businesses, we will continue to focus on growth in both revenue and profits. As mentioned earlier, our CAPEX plan for the year is conservative and only as and when we see demand and growth pick up, would we be investing. And what our capital investments that are now coming on stream is only to finish off the balance portion of the CFS expansion in JNPT and some equipment that have been ordered for our project and engineering businesses. We are still positive on the global LCL business and also on the India story,, albeit the economy has slowed down, but I think over a period of time, it will kick-start again and we will be well poised to take advantage because of the way we are positioned. For our customers, we are now a partner of choice due to our demonstrated ability to offer complete end-to-end solutions in the logistics space. Thank you so much. We can now take questions.

Moderator Thank you sir. Participants, we will begin the question and answer session.Our first question is from the line of Mr. Saurabh Arya from Bajaj Allianz, please go ahead.

Saurabh Arya First question is, we have seen increase in volumes at the CFS, be it YoY, be it QoQ. So what I want to ask is, is there some pricing pressure which is going on that is why we are seeing some decline in EBIT margins or what exactly is happening there?

S. Suryanarayanan See what is happening there is, one of the elements which I forgot to tell in the opening remarks, the dwell times have come down. If you look at our CFSs be it JNPT, Chennai, or Mundra, the dwell time as compared to the previous year has come down by almost two days. On an average, it has come down between 1.5 to 2 days; this itself is making quite a lot of an impact on the margin. This is one of the main reasons why the margins have marginally declined.

Saurabh Arya But in terms of pricing, there is no change, we are not offering any discount?

S. Suryanarayanan No, in fact if you see our revenue per TEUs, they are quite healthy. In fact just now when I looked at the Chennai dwell time, it is almost decreased by 4.3 days. See now these are all big numbers and in JNPT, if my memory is right, roughly about 1.5 days is what has decreased on a year on year basis. So these were all having an impact when you compare on a year on year basis. And if you remember, the last quarter when we compare April, May, June of last year versus the current April, May, June, those were all very, very good days where our dwell times were all of a very high level. So all of those are what contributed to those increases at that point in time.

Saurabh Arya But now that our new capacity would be coming on stream, so even if you know volumes are increasing, so actually would there be more decline in EBIT margins believing that dwell time would be here only, but due to this new capacity coming in utilization would fall, so in that sense margin would fall further?

S. Suryanarayanan No, it is not that you have to look at it that way. The way is at the end of the day the market is also growing,. And the way to look at it is the strategy is we have never focused on exports as far as JNPT is concerned. We have always been import led and now when you look at on the other side, you will look at the export side of the business which we have not been doing consciously and now at JNPT-II, there is a strategy to build around that part and along with the import side and then you will be able to get to where we are.

Saurabh Arya But I am actually believing that right now we have 1,44,000, TEUs even if we have done around 100% utilization in JNPT in one of the months, but JNPT port itself in terms of growth is far-far away right now.

S. Suryanarayanan No, not necessarily, if you look at JNPT even though they are not going ahead with the port terminal, they have given the dredging contract for deepening the channel where higher TEU vessels can come in. These will still continue to allow the port to grow. Yes, to some extent some traffic might move from here to other ports, but JNPT being where it is and with the deepening of the channel and for which the contractors after a long period of time has been awarded, we believe that the thing will still come into JNPT.

Saurabh Arya In terms of increase in volume which has happened in this quarter, is it because the proportion towards CFS has increased at the JNPT or what exactly it is? Is that also a reason because rail volumes would have fallen at JNPT?

S. Suryanarayanan The way we should look at is, in fact if you realize in January-February-March, our volumes had come down and we were able to recoup and do well in this quarter. So it is a combination of keeping the rest and if you track the graph of the port volumes and the CFS volumes within us, you will see very clearly that when port volumes fall sometimes, CFS volumes fall, but as port volumes picked up we have outperformed the port volumes in this quarter.

Saurabh Arya But for the full year in terms of CFS, what would you believe? Volumes would be these levels and EBIT should be at this level?

S. Suryanarayanan I think so.

Saurabh Arya One more question. Can you give me on ECU Line, what are the volumes, what are the sales, some EQ line related numbers which were not there in presentation this quarter?

S. Suryanarayanan This we will give it to you, because I think everybody else will be asking the same question.

Savli Mangle Absolutely. We have given you the total volumes in MTO and that is actually the way you have to look at it. Much earlier, we used to give that split between ECU Line and India NVOCC, but to be honest that is not the right way to look at it because India again is just a part of a network of the entire ECU Line, or the LCL consolidation business. So which is why in order to look at this business correctly and in the right perspective, we only give you total volume, but we can send you the ECU Line volume numbers separately as well.

Saurabh Arya That would be great. Thank you. That is it from my side.

Moderator Our next question is from the line of Mr. Deepak Agarwal from Impetus Advisors, please go ahead.

Deepak Agarwal I have a question on your coastal shipping. You added one more vessel during the quarter. Isn't it an ill-timed acquisition, given that the cabotage charge is likely to be relaxed shortly?

S. Suryanarayanan Yes, at the end of the day, there is going to be competition in whichever sector we operate in. It all depends on how efficiently you operate, how you operate, the strategy that you build around. We believe we have a good strategy and it will pay off dividend now. If competition comes in, we will have to gear ourselves to meet that competition and I think we are well positioned in this segment to take it on.

Deepak Agarwal But I mean the new level playing fields are there, because their costs are significantly lower, so how will you …?

S. Suryanarayanan But it all depends on the type of vessel that you are operating. Our vessels are all at about 7500-8000 DWT. We are talking in this, it is all comparing different ways and different things. And even our cost could be as low, because if you are thinking in terms of only the financing cost then I think our group has that ability to get competitive rates.

Deepak Agarwal No, I am talking about the operating costs because their operating cost could be significantly lower because of the bunker cost etc.

S. Suryanarayanan Then why would they come in all the way and then use that port, I do not know how it will all work out and what type of a level playing field will be given when those cabotage laws are relaxed, but at the end of the day, if it were to happen, we will look at it..

Moderator Our next question is from the line of Mr. Rajesh Kumar from Karvy Stock Broking, please go ahead.

Rajesh Kumar Would you throw some light on the project equipment division. Like you said that you would be more conservative in your expansion plan, but could you share some data points in terms of how much CAPEX you are planning for the current year in that division?

S. Suryanarayanan See, if you have looked at our capital expansion over the last two years or so, we have spent quite a substantial amount of money in acquiring cranes and other equipment. But apart from what we have done this quarter, which was also a result of what we had ordered against which we had firm commitments in terms of our orders. We have gone slow, looking at what is happening in the infrastructure side at this point of time. So that is why we are holding back onto all our capexs in this sector.

Rajesh Kumar Okay. How much has been the CAPEX so far in Q1 across all the segments?

S. Suryanarayanan It is roughly about 120 crore for the yeaof capital employedr

Rajesh Kumar 120 crores have been done in the first quarter, of which 70 crores you said was spent in the CFS, right?

S. Suryanarayanan Correct.

Rajesh Kumar And all the CWIP that is sitting on the books at the end of FY12 would be operational?

S. Suryanarayanan They are all up and running except for this CWIP which is in JNPT.

Rajesh Kumar See, currently at the end of FY12, we had around 90 crores of CWIP, so that would come down significantly this quarter because most of it would be related to the JNPT, right?

S. Suryanarayanan Correct.

Rajesh Kumar And what would be your peak debt levels?

S. Suryanarayanan Our peak debt level is where we are now.

Rajesh Kumar Okay. So you do not see any further stretching in this business, any further stretch in the debt level, because you would be more focusing on the asset sitting on the books currently?

S. Suryanarayanan Correct.

Moderator Our next question is from the line of Mr. Chetan Kapoor from IDBI Capital, please go ahead.

Chetan Kapoor My question is regarding the CAPEX what we have done on the vessel, what is the amount what you have spent?

S. Suryanarayanan It is roughly about 30 crores.

Chetan Kapoor What exactly is this vessel kind of…?

S. Suryanarayanan It is a bulk carrier, but its size is about 8000 DWT. It has a lot of gears on aboard where it can do even project cargo movements.

Chetan Kapoor So moreover whatever CAPEX what you will be doing on the vessels will be coming under the project cargo segment?

S. Suryanarayanan Yeah, it will come under that segment because it is all related to equipments and the way you manage it, so it will come more under this segment. There is no more capex on this ship, so once you buy a ship then there is no more capex that actually happen on that.

Chetan Kapoor But we have to keep on doing the surveying and all those things.

S. Suryanarayanan That happens once in three years.

Chetan Kapoor Yes sir. And furthermore, my question is regarding your ECU Line business, your global NVOCC volume, it seems that on a YoY basis, they have shown a growth of around 3%, so definitely there has been a little big of slowdown. So going forward what is your guidance on it?

S. Suryanarayanan Guidance is, I think we will continue to grow over the previous year and I am not able to see much of slowdown that has happened because now it is already six months of the global LCL business, so we are still holding. I believe we should still grow by the end of the year in volume terms at least by about 5%-7%.

Chetan Kapoor And finally, my question is regarding your Mundra operations, it appears like our volumes have declined in Mundra operations, volumes as well as our realizations have declined. Any specific reason for that?

S. Suryanarayanan No, it all depends on which cycle of imports is happening in which quarter. In that quarter if you are doing more imports then it pushes up the volumes and the margins. I think in this quarter when I compare it with the previous year, I see a little bit of that movement happening.

Chetan Kapoor So you expect it to better in the coming years?

S. Suryanarayanan Yes, I think in this quarter it should be doing well.

Moderator Our next question is from the line of Yugesh Suneja from PUG Securities, please go ahead.

Yugesh Suneja Just taking forward the question on coastal shipping, can you elaborate more on business strategy in terms of deployment of those vessels and what would be the current volumes or utilizations on those vessels?

S. Suryanarayanan Capacity, whenever a vessel goes, it goes out full, so it goes through the maximum capacity that it carries. So to that extent, it is 100% capacity that you carry through. In terms of a strategy, we tend to deploy it on ports where we believe it gives us more profit and then we would continue from that.

Yugesh Suneja Would it be more utilized for in-house movement of project logistics business or you are using for 3rd party?

S. Suryanarayanan Combination of both, there are times when we can use it in-house.. We can do it when other ships are not available to do a movement. So like that, if we see there are opportunities to do it in-house, we tend to use our ships for that.

Yugesh Suneja But in general, you are using them for third party?

S. Suryanarayanan Correct.

Yugesh Suneja And in terms of time utilization, like you said that whenever it goes of course it will be at full utilization level, but in terms of availability or movement in that regards, like how often they are being used?

S. Suryanarayanan It all depends on the cycle, in which port to port you are traveling, what is the waiting time at port, etc. You take into account all of this and then put it into your pricing.

Yugesh Suneja And on your ICD business though I understand that they are at a small level right now, but can you share some numbers in terms of current volumes at ICDs and what would be the average realization?

S. Suryanarayanan If you could speak to Savli, she would be able to give you those details because the numbers are too insignificant for us really, but you can get those numbers from her.

Savli Mangle Yugesh, we will get in touch on this data.

Moderator Our next question is from the line of Mr. Jignesh Kamani from Nirmal Bang, please go ahead.

Jignesh Kamani Just following up on the costal shipping, in your strategy, if you think about right now, we have only three vessels, how much vessels we are applying to carry and what kind of commitment we are applying to make into this business?

S. Suryanarayanan We should not look at this business in terms of how you want to increase the ships. Here in this business, you will have to look at it as to see, how you can deploy them profitably. I think that is the right way to look at this.

Jignesh Kamani Depending upon the work demand and scenario and depending upon our expertise.

S. Suryanarayanan Exactly otherwise what will happen is you might tend to create overcapacity or other things. So we has to be very careful in the way we do it, we have a good team that is looking into it, they come with a lot of experience and I think so far we are doing the right things.

Jignesh Kamani So what kind of capital commitments is required for next two years or maybe five years for this kind of business?

S. Suryanarayanan I would be simply giving you a figure. We will have to only look at it at a profitable level. For me, it is not possible for me to give you a number at this point of time.

Jignesh Kamani What kind of return ratio, ROCE this business will give you?

S. Suryanarayanan It is upwards of 20%.

Jignesh Kamani And on MHTC Logistics, can you say somewhat what kind of revenue and margin this business is doing exactly?

S. Suryanarayanan This is a project company that we have bought, we are merging it, in fact if you have seen our notice, we are going to merge it back into our company, so all of which is related to our projects business only.

Jignesh Kamani But it is significant or very small amount?

S. Suryanarayanan When we purchased it, it was quite significant, but now with the bulk of the operations already being transferred into Allcargo, this is just the remaining small part of that company that would get transferred into our company.

Jignesh Kamani Okay. And CFS and project equipment both standalone and consolidated number, there has been some, you can say minute, difference, so is there any of the subsidiary which is not affected in the first standalone number?

S. Suryanarayanan I did not get your question.

Jignesh Kamani If you take about CFS revenue or operating profit and similarly project equipment revenue and operating profit, which was mentioned as standalone as well as consolidated, both are not same.

S. Suryanarayanan Right.

Jignesh Kamani So what was on account of that? Is there any subsidiary which is not sectored in the standalone number?

S. Suryanarayanan No, these are some of the ICDs which would have worked from a standalone like our Dadri, Pithampur and all that would have come in and JNPT-II.

Jignesh Kamani No, but JNPT revenue has not been…?

S. Suryanarayanan Not revenue. Your question is…

Jignesh Kamani Revenue and EBITDA.

S. Suryanarayanan I don't see. I see only the ICDs.

Savli Mangle ICDs, they are held in JVs, right, they are consolidated that is where it is coming.

Jignesh Kamani But in project engineering?

S. Suryanarayanan In Project engineering, there is no MHTC, but that is a small amount.

Jignesh Kamani That's what I said, in some of the cases, whatever the project is going to take above last quarter EBIT, this is in excess of 120 cr, that is why.

S. Suryanarayanan That is not coming from MHTC, it is all coming from our side and also from the shipping.

Moderator Our next question is from the line of Bhumika Nair from IDFC, please go ahead.

Bhumika Nair On this shipping business, is it coming in consolidated or is the number reflected in standalone?

S. Suryanarayanan No, it is in the consolidated.

Bhumika Nair So right now the project logistics, so shipping even the new ship that you have acquired reflects in the consolidated.

S. Suryanarayanan Correct, consolidated segment.

Bhumika Nair Okay. So it will not reflect in the standalone segment?

S. Suryanarayanan No.

Bhumika Nair Right now, we have existing three ships and you have added one more ship?

S. Suryanarayanan No, we had two ships, we added one more.

Bhumika Nair So these two ships right now, what kind of revenues and profits are they generating?

S. Suryanarayanan You will have to go voyage by voyage, at an overall level, I can tell you that at PBT level, we are positive.

Bhumika Nair But it would be very marginal, not more than Rs.2-3 crore?

S. Suryanarayanan Yes. At this point of time, you are right.

Bhumika Nair So when we are spending these additional Rs.30 crore on another vessel, do we think it will be value accretive? In two-three years, it will be generating sales amount of Rs.2-3 crore of profit or maybe more?

S. Suryanarayanan It will be more when you take it as the segment together because sometimes what happens is, why it is only Rs.2 crore and not something more is only because sometimes some of these vessels have to go for special surveys. So then you are withdrawing them out of service and then you have to get it back, so that is the reason why you are not seeing the full impact of all the three ships in this quarter.

Bhumika Nair Okay. So this Rs.2-3 crore are only for a quarter or is it every year as a whole?

S. Suryanarayanan This is only for the quarter.

Bhumika Nair So it is only for a quarter, but then basically it would be generating something like Rs.10-12 crores in a year.

S. Suryanarayanan Correct. If everything goes well then that should be the entire profit.

Bhumika Nair Rs.10-12 crore for two ships, so then for three ships, it will be obviously something higher depending on how it actually scales up. So this will be funded entirely by internal accruals or will there be debt taken against this session?

S. Suryanarayanan There is a combination of debts and internal accruals for this.

Bhumika Nair Okay. So can you just tell us what is the standalone debt, the consolidated debt, and also cash?

S. Suryanarayanan Cash, currently, in the standalone side we are at about 90 crores. At consolidated level, we will be roughly about another 75 plus 90, so total will be 165.

Bhumika Nair Okay. This is cash, right?

S. Suryanarayanan Yes. And our consolidated debt would be roughly about 890 crores.

Bhumika Nair And standalone roughly?

S. Suryanarayanan Standalone would be about 570 crores or so.

Bhumika Nair I understand you do not want to give volume numbers separately between the standalone and ECU Line numbers on the NVOCC segment, but we would like to have at least in Euro terms what are the ECU Line revenues and profits like, because in the consolidated, a lot of the other businesses also get added to them, so we do not really get a clear picture of the NVOCC.

S. Suryanarayanan Now the MTO side, that is the only number, there is no other number, because there is no other MTO business that operates.

Bhumika Nair Yes, but also if you could get a sense on the profitability.

S. Suryanarayanan I will tell you a profitable level on Euro terms, we are growing at about 5% when I compare it over previous year and about 21% when I compare quarter on quarter, EBITDA level.

Bhumika Nair 21% in Euro terms?

S. Suryanarayanan Yeah this is in Euro terms, but of course this is done by one-time adjustment in the previous quarter.

Bhumika Nair You said QOQ?

S. Suryanarayanan QOQ, though it is 21%, I think if you knock off that, I think we would be roughly at about the same 7% or 8% at the EBITDA level also even at quarter on quarter.

Bhumika Nair Okay. So what adjustments you have made in this current quarter you said?

S. Suryanarayanan Not in this quarter, last quarter if you remember we had put a note on that, we had converted an operating lease, so that adjustment is what is distorting the EBITDA little bit, but otherwise even if I were to readjust that we would still be growing over the previous quarter.

Bhumika Nair So you would have done something like 95 odd million Euros of revenues in the current quarter?

S. Suryanarayanan Right, we would be doing around 96 million Euros.

Bhumika Nair And how are the shipping rates holding up, just to get a sense on how much is the impact ?.

S. Suryanarayanan On the container side? On our LCL business?

Bhumika Nair Yes sir. I know the pass-through, but just to get a sense on how to look at the revenue angle?

S. Suryanarayanan The shipping companies are trying to raise their rates and I think to some extent, this would go up because as they are trying to recoup, if you look at all the analysis that is coming out of these main shipping companies, the increase, they had the worst margin in the first quarter of this year where it was -12% coming on back of -10% margin decline in the shipping business itself. So obviously all the container guys will be increasing the freight rates to make due to both the decline on a successive quarter and in fact first quarter of this year has been the highest over a period of time.

Bhumika Nair And just lastly on this MHTC, this is a subsidiary which is getting merged with…?

S. Suryanarayanan Merged with the main company. This was what we had acquired last April.

Bhumika Nair On a consolidated basis, there will be no impact?

S. Suryanarayanan No, no impact.

Bhumika Nair Fair enough sir. Thank you very much.

Moderator Our next question is from the line of Abhishek Ghosh from B&K Securities, please go ahead.

Abhishek Ghosh If you could just let us know as to when we expect the JNPT-II CFS to commence and what are the utilization?

S. Suryanarayanan Towards the end of this month, it will happen.

Abhishek Ghosh Okay. And what are the utilization levels that we are expecting?

S. Suryanarayanan We would wait for it to operate fully, otherwise I will just give a number, but there is a plan. Let's wait for the thing to start and stabilize before I say something.

Abhishek Ghosh Sure. And just one more thing, little on the strategy side, because we had heard this news of TAMP cutting rates and the litigation going into the High Court and other stuff. Any update on that or any volume differential we are seeing because of those things?

S. Suryanarayanan That is a different thing where the port operators are fighting with the Supreme Court.

Moderator Our next question is from Chetan Vadia from JHK Securities, please go ahead.

Chetan Vadia What would be the cumulative capacity utilization for the CFS segment for 341,000 TEU?

S. Suryanarayanan At least 341,000 TEUs, he is saying what is our total capacity utilization. I do not have a number that is cumulative. I think I will ask Savli, if you can just wait.

Savli Mangle I will send this to you.

Abhishek Ghosh Okay. That is it from my side.

Moderator Our next question is from Rohit Sanghvi of Prime Securities, please go ahead.

Rohit Sanghvi I just wanted to actually confirm that you reduced volume guidance for your global NVOCC business between 5% to 7%, is that correct?

S. Suryanarayanan I was just responding to a question as to where do I see the volume growth happening. So currently at our ECU business, roughly year on year we are at about 5%. So the question that was asked is where do I see it, I have not reduced it or anything like that, but I believe that this will continue to hold that is the point that I was trying to explain.

Rohit Sanghvi No, because I just wanted to reconfirm that volume growth guidance that you gave for last quarter for this business was around 10%, so is it maintained at that?

S. Suryanarayanan No, that was because we were growing on a quarter on quarter basis at about 10%. And even now this quarter also, we have grown over the last quarter. So I was only trying to explain that, but when you are talking on a year on year growth, at various points in time, the growth would be different depending on how that quarter depended at that point in time.

Rohit Sanghvi Right. So for the full year, you maintain it at around 10%?

S. Suryanarayanan What happens is in some of these quarters, you are having the Chinese New Year impact and other things that are coming in. So if you were to take out all those imperfections then you will have a better number coming in.

Rohit Sanghvi The other question I had is in terms of your project and engineering business, what are you observing as far as the receivable cycle is concerned, are you seeing any dip there?

S. Suryanarayanan You are right, in a few of our projects we are seeing a dip. The receivable cycle is taking sometime, but for those projects that are fully funded and where money is available, they are coming within time so there is no problem. But then we have enough security enhancements into our process that ensures that we do not suffer even if there is an adverse impact in this year.

Moderator Our next question is from the line of Rajesh Kumar from Karvy Stock Broking, please go ahead.

Rajesh Kumar A few more questions, what would be the drivers going forward for the ICDs? How do you see utilization picking up in the ICDs now?

S. Suryanarayanan In our Dadri, it should pick up on a constant month on month basis, we are seeing growth happening, so I don't see an issue as far as ICD Dadri goes. At Pithampur, the market itself will allow us to only grow at a slow marginal level. It is just about, as I see the business, we all have to do a lot of operating efficiencies to be at the level we are in, in terms of EBITDA and PBT. But I do not see dramatic volumes increased in Pithampur.

Rajesh Kumar And the warehousing, the freight forwarding businesses that you are in...

S. Suryanarayanan That was very marginal at this point of time.

Rajesh Kumar At the PAT level, right?

S. Suryanarayanan PAT level and at EBITDA level, their impact was very marginal.

Rajesh Kumar So are we having any CAPEX going forward in these businesses also, because there also we had some CAPEX guidance earlier for this business?

S. Suryanarayanan No that is for whatever warehouses that we have completed and which we are running, but then we are all doing it selectively based on a business plan and the customers for whom these warehouses are built on.

Rajesh Kumar And on the consolidated debtwhat is the average cost of debt that that you are incurring? Are it all rupee debt or you have some foreign debt?

S. Suryanarayanan No, I have foreign debt, abroad it will be roughly about, slightly under 3%, which is roughly about Rs.200 crore and the balance is indian debt.. So our average cost of borrowing is around 9%-9.5%.

Rajesh Kumar So the project engineering business, we have done close to 120 crores in this quarter top line. You said that you have a project order book of close to Rs. 300 crores, so that would be close to for only next two to three quarters only?

S. Suryanarayanan That is why I said over the next 12 to 18 months, we have an order book, but then continuously that is getting added also. So this will also depend upon the milestone, the cycle times that you do it so you could see certain spikes and other things. But we have one order book which will take us through over the next 12 to 18 months.

Rajesh Kumar What I was trying to come to was that for further order book growth, do we need to incur fresh CAPEX ?

S. Suryanarayanan No, we do not have to do much of CAPEX to fulfill those.

Rajesh Kumar Any guidance on the top line across the businesses, for the three businesses?

S. Suryanarayanan A bit difficult to give a number on the top line, but you can take an average of what we are doing and then grow it at that level.

Moderator Our next question is from the line of Mr. Saurabh Arya from Bajaj Allianz, please go ahead.

Saurabh Arya Just one more thing, what is happening on that demerger side, are we still going ahead with that or what exactly is the new status on that?

S. Suryanarayanan For the moment, the demerger of the NVOCC business has been put on hold and then maybe at an appropriate time, the board might take a view on it.

Saurabh Arya Okay, so right now there is no plan to it?

S. Suryanarayanan At this point of time that thing has been put on hold.

Moderator As we do not have any further questions, I would now like to hand the conference over to the management of Allcargo for their closing comments.

S. Suryanarayanan Thank you all for participating in this. And just to reiterate even under this sort of slowdown both in India and a real slowdown across the globe, we are still being able to manage both at the volume level and at an EBITDA level to grow over the previous year. Thank you all for participating in this conference call.

Savli Mangle Thank you so much. In case you have any further incrementall questions, you can always get in touch with us. Thank you.

Moderator Thank you. On behalf of IIFL Capital Limited, i conclude this conference call. Thank you for joining us.