
Allcargo Global Logistics Limited.
Investors/Earnings Conference Call
(May 5, 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, over to you sir.

S. Suryanarayanan: Thank you. Good afternoon all of you for participating in our conference call. I have with me my colleagues Saurabh Sharma, General Manager – Finance. I have Sunil Rajak – the Head of Investor Relations. I have Ayush Jain and Rahul with me. To start off our consolidated revenues were 585 crores for the quarter is up by 22% over the corresponding quarter last year. Our net profit at a consolidated basis after minority interest is at 34 crores for the quarter up 23% over this corresponding quarter last year. You have the press release in front of you so what we can do is we can start with the question and answers.

Moderator: 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 with your question.

Apurva Doshi: Yes sir, congratulations on great set of numbers.

S. Suryanarayanan: Thank you.

Apurva Doshi: Can I have the volume number for MTO segment?

S. Suryanarayanan: The volume numbers, just to give you a brief overview. In the volume side we have grown both on quarter-on-quarter on the sequential basis and quarter-on-quarter compare to the previous year. The growth has been on a sequential basis at about 3% over the previous quarter and as compared to the previous year is at about 21%.

Apurva Doshi: If you can you give me the exact number India and ECU Line both?

S. Suryanarayanan: We will give you.

Saurabh Sharma: Okay, I will just give you the total number first. Our total volume in quarter one of 2010 stands at 58,243 TEUs compared to 48,348 TEUs in the same quarter last year. This is an increase of 20% on a year-on-year basis, if you compare it to the previous quarter that is quarter four of 2009 the volumes are 56,716 TEUs.

Apurva Doshi: What is the number, because I have some wrong number I have 47,855.

Saurabh Sharma: That would be the CBM that would be only LCL probably or otherwise.

Apurva Doshi: Okay so what is the number?

Saurabh Sharma: 56,716. So, on a sequential quarter basis we have grown at 3%, if you want a break up in terms of India and ECU operations?

Apurva Doshi: Yes.

Saurabh Sharma: India quarter one 2010 stands at 6,978 TEUs, which is 19% higher compare to the same quarter last year.

Apurva Doshi: Can you give the exact number?

Saurabh Sharma: 5,861 and over Q4 of 2009 we are 4% higher, Q4 numbers are 6,720.

Apurva Doshi: Correct okay and ECU Line?

Saurabh Sharma: ECU Line Q1 2009 numbers 42,487 and quarter one of 2010 is 51,265 that is a growth of 21% year-on-year.

Apurva Doshi: And Q4?

Saurabh Sharma: Q4 is 49,996 so on a sequential quarter basis we have grown at 3%.

Apurva Doshi: Okay that is fine. Sir, in terms of CFS we have seen a significant growth in volumes, can you just highlight?

S. Suryanarayanan: Yes that is basically because the growth is coming from two at JNPT we are holding strong. In Chennai we are really growing at a much faster pace.

Apurva Doshi: Yes I know and Mundra has actually gone down, so most of the growth is I think in JNPT?

S. Suryanarayanan: No, even in Mundra it is growing.

Apurva Doshi: Mundra, again I seem to have wrong numbers, no, no I am saying sequential, sorry YoY, yes you have grown?

S. Suryanarayanan: At a sequential basis.....

Apurva Doshi: It was 5,809 and this year it is 5,119.

S. Suryanarayanan: Yes, but that is okay, but otherwise we still see this from performance at Mundra, the thing is still continuing there and in fact in the month of April we have had further record in Chennai of around 50,000 TEUs. So, the growth is strong in this year for this segment.

Apurva Doshi: But sir in JNPT like we have changed the scale now from 25, 28 to 35 so there is almost 35,000 TEU per quarter is sustainable or there was some one-off containers during the quarter?

S. Suryanarayanan: Yes this is sustainable, at least on the quarter-on-quarter basis at least as we are seeing, the volume is developing at least over the last two to three months, they are all coming in at the same level.

Apurva Doshi: Okay, so the growth is sustainable in the CFS business?

S. Suryanarayanan: Yes. You must look at it in the context of the port volumes are growing at about 10% and the containers that go through the CFS is also growing at about 10%. So, considering the growth that is taking place through both at the throughput at the port and the CFS at the combine level, we would say the growth is sustainable.

Apurva Doshi: Yes because even on sequential basis our growth is very commendable at 15%, so such a huge growth is achievable going forward or it could come down in moderate with high base effect?

S. Suryanarayanan: It is little bit here and there but if the volumes continue to grow through the Indian ports and the Indian CFS system I think it will sustain.

S. Suryanarayanan: Yes to some extent dwell time when you compare it with the previous quarter it is coming down by one or two days.

Apurva Doshi: So, it is what currently around 10 days or 8 days?

S. Suryanarayanan: Volume is increasing but the dwell time is coming down, I think from 11 to 9.9 days or something like that.

Apurva Doshi: Okay that is why, average realization of EBITDA are down?

S. Suryanarayanan: Yes.

Apurva Doshi: Okay correct that is fine. On the ECU Line front, okay. Sir, volumes in ECU Line have gone up significantly but if you see revenue?

S. Suryanarayanan: See, as we explained to you even during the last quarter and in some of the meetings that I have had with some of you, what has happened in the last quarter is, the first-half of last year when the freight rates were coming down, the lag affect of the passing on was taking place to the customer, so even though volumes were dropping our margins were improving only because we were able to buy at a much lower level and still maintain the selling rate to the customers. In second-half and continuing it to January-February of this year, we had a reverse effect freight rates were going up but our ability to pass it onto the customer was taking time, but with effects of month of March that tide has turned, where the increase of the freight rates, we are in a position to pass it onto the customer, but the volumes in the underlying trade have been continuing to growth. So, our sense is going forward, we believe this trend can be sustained over a period of time.

Apurva Doshi: Okay correct. Sir, in terms of numbers, if you can give me this ECU Line number for Q1CY10 is 4,064, revenue, EBITDA, PAT and NPAT, EBITDA is 146, what is PAT?

S. Suryanarayanan: PAT we have given that.

Apurva Doshi: NPAT is 56 before minority.

S. Suryanarayanan: The net profit after minority interest is at 56.

Apurva Doshi: No, no before that, before minority.

S. Suryanarayanan: It is at 72.5.

Apurva Doshi: Okay, I will just read the similar numbers for Q4 just correct me, it is 4,029, 186, 83 and 55 are they correct?

Saurabh Sharma: 4,029 can you please repeat the other two numbers again?

Apurva Doshi: 186 EBITDA, 83 PAT and 55 NPAT?

Saurabh Sharma: Yes perfect.

Apurva Doshi: And can you give me for Q1CY09 same numbers?

Saurabh Sharma: Yes please note it down.

Apurva Doshi: Yes.

Saurabh Sharma: Total income 3,620, EBITDA would stand at 226, PAT at 124 and net profit after minority interest is 85.7.

Apurva Doshi: Okay, so even again I think, okay fair enough. EBITDA has again gone down, sir. I think sequentially it should improve with the volumes improving?

Saurabh Sharma: What?

Apurva Doshi: Sequentially, the EBITDA has again gone down from 186 to 146?

S. Suryanarayanan: That is only because of, I told you compression in the margins in the last two months whereas last year the reverse was taking place.

Apurva Doshi: But absolute EBITDA would at least remain the same?

S. Suryanarayanan: No not necessary, because today what is happening when people are coming out of the recession some of your competitors instead of passing on the freight rates to the customer, if the freight rates are increasing and you are also decreasing your pricing forward to the customer, you are getting a double hit. So everybody, the game was as they were coming out of the recession and into the recession every other person was just wanting to hold onto the volumes that is why if you see for us, for us if I were to give it to you in a perspective from month of March the reversal has really taken place for us, but we have been able to pass on, the margin increase is also taking place so you will get a very fair big ideas to what exactly I am telling.

Apurva Doshi: But the freight rates have also started moving up?

S. Suryanarayanan: Yes, freight rates started moving up right from the second-half of last year because as the shipping lines are not sustainable at the low level of freight rate, it is increasing the freight rate. However, for us as a group and as a company in less-than container load what happened was, we were not in a immediate position to pass on to the

freight rate to the customer only because every guy who has come out of the recession both our competitor, they all resorted to keeping the same pricing level to vis-à-vis the customer, even though the shipping lines were increasing the freight rate. That is where we were seeing compression of the margins started happening.

Apurva Doshi: Correct okay. Sir, also if you can give me ECU Line numbers in million euros?

S. Suryanarayanan: And then you also have to factor it that there is a depreciation effect is reverse of about 3.5% in this quarter. Last year I think we used an exchange rate of about 66 for the translations, this year.....

Apurva Doshi: Okay now euro is okay-

S. Suryanarayanan: Yes now the euro is now dropping.

Apurva Doshi: Okay yes that is why I wanted your million euro numbers, so that I could compare it.

S. Suryanarayanan: I think that is about 3.5%.

Saurabh Sharma: Apurva, please note down the ECU numbers?

Apurva Doshi: Yes.

Saurabh Sharma: Revenue stands at €63.7 million, EBITDA is €2.3 million, profit after tax is €1.14 million and after minority interest becomes €0.88.

Apurva Doshi: Okay and similarly for the last year it would be 55, 3.4, and 1.3?

Saurabh Sharma: 3.4 is what?

Apurva Doshi: EBITDA.

Saurabh Sharma: Yes.

Apurva Doshi: PAT is 1.3 and what is the after minority?

Saurabh Sharma: 1.29.

Apurva Doshi: Okay and lastly if you could give me project cargo numbers revenue EBITDA, PBT?

Saurabh Sharma: Here our current order book is at about 105 crores.

Apurva Doshi: To be executed in what time?

Saurabh Sharma: That will be executed over a period of 12 to 15 months. 70% of that would be executed this year and first we have already executed about 45 crores plus this year, in addition to that, this is the status of the order book. Now, Apurva please note down the numbers.

Apurva Doshi: Yes.

Saurabh Sharma: Revenue is 414 million, EBITDA is 76.8 million.

Apurva Doshi: 76.8 okay and PBT?

Saurabh Sharma: PBT is 73.5 million.

Apurva Doshi: Lastly, for the project cargo. Can you give me the full year CY09 numbers, revenue and PAT?

Saurabh Sharma: Yes please note it down. Revenue is 1,060 million, EBITDA is 158.4 million and PBT is 144.7 million.

Apurva Doshi: Which for CY08 was 808 and what is the EBITDA?

Saurabh Sharma: EBITDA was 127 million.

Apurva Doshi: 127 and PBT was 112, right?

Saurabh Sharma: 119.4 yes.

Apurva Doshi: 119.4?

Saurabh Sharma: Right.

Apurva Doshi: And EBITDA is 127?

Saurabh Sharma: Right.

Apurva Doshi: Okay thank you sir, thank you very much I will come back if I have more questions.

Saurabh Sharma: Yes.

Moderator: Thank you Mr. Doshi. We have our next question from Mr. Ankur from Religare, please go ahead with your question sir.

Ankur: Yes hi, congrats for the good set of numbers sir.

S. Suryanarayanan: Thank you.

Ankur: To start with like on the CFS front, as you said these volumes are sustainable at say JNPT level but do we see even the Mundra volumes to pick up going ahead or it will be more or less on the same?

S. Suryanarayanan: With Mundra you must look at it in a different way. There is a little bit of seasonality that happens because Mundra is more of an export market rather than an import market, so to that extend you will see a bit of seasonality there but otherwise if I were to give you an answer as long as the port volumes and as long as the throughput through the CFS

volumes are increasing at the levels at which we are currently seeing, I guess the volumes are sustainable.

Ankur: Okay fair enough. And sir amongst our expansion plans at both CFS and ICD front, only Mundra capacity is expected to be doubled by CY11, right?

S. Suryanarayanan: Correct.

Ankur: And any expansion plans in Chennai CFS-?

S. Suryanarayanan: Chennai CFS is also getting expanded in terms of increasing the capacity on a vertical basis.

Ankur: Okay. Sir, if I am not wrong, currently we have a capacity of 84,000 TEUs over there?

S. Suryanarayanan: Right, about 86,000.

Ankur: Okay and sir amongst ICDs. How is the Indore ICD doing right now and what are the realizations broadly working over there?

S. Suryanarayanan: The current throughput through the ICD there is at about 800 and odd TEUs.

Ankur: Okay and sir I understand that the realization at Indore will be significantly lesser than the normal ports, may be 3000 to 3500 per TEU realization would be a fair assumption?

S. Suryanarayanan: Yes just a moment, just one second but I think that would be it. So, far it is just an insignificant part of our, it has not yet become a very, how should I use the word. The results are little insignificant for it to make an impact, but it starts ramping up, I think it will start giving you.

Ankur: Okay. And sir on the realization front 3,000 to 3.5000 looks a fair assumption?

S. Suryanarayanan: Yes.

Ankur: Okay and sir, Dadri ICD, when do we expect it to come operations?

S. Suryanarayanan: I think it will come sometime in the month of September or so, construction has just begun.

Saurabh Sharma: The total realization in ICD Indore is around Rs.7000 per TEU and what else you wanted?

Ankur: Okay and sir this, the volume figure if you can help me with at Indore?

Saurabh Sharma: It was 718 TEUs in March and 566 in February and 374 in January, it is picking up.

Ankur: Okay and the realization as we mentioned 7,000 per TEU?

Saurabh Sharma: Yes.

Ankur: Okay good. And what sort of realization can we look at Dadri ICD?

S. Suryanarayanan: It is difficult to say at this point in time, let us see and then we will get a better feel of the market because what happened is when you are at a small number as longer as the market picks up and ramps up then only we will get a better sense of how the realizations will pan out.

Ankur: Okay fair enough. And sir other ICDs at Bangalore, Hyderabad and Nagpur they will be coming in next financial year only or may be beyond that?

S. Suryanarayanan: See, we are slowly developing these places. Some of these locations are strategic, we are looking at warehousing. We will do it in a very-very phased and controlled manner.

Ankur: Okay fair enough and sir and then equipment business. What are the current numbers of cranes that we have?

Saurabh Sharma: 74.

Ankur: Sorry.

Saurabh Sharma: 74.

Ankur: And what will be say high-volume cranes that we have been having currently?

Saurabh Sharma: 750 ton is the highest capacity crane that we have.

Ankur: Okay so may be say, greater than 500 tons will be say around three or four cranes or more than that?

S. Suryanarayanan: We will get back to you on this question.

Ankur: Sure sir, fair enough and sir if I understand it correctly, the equipment business is more of an order driven business right?

S. Suryanarayanan: In the sense?

Ankur: Like we will be getting orders and then we will be say going ahead with acquisition of new cranes and-?

S. Suryanarayanan: Yes more or less that is the way we operate.

Ankur: Okay and current order book, if you can please help me with that number?

S. Suryanarayanan: Order book in the sense of what?

Ankur: Outstanding order book that we will be having currently in the equipment business?

S. Suryanarayanan: These are all contracts; the cranes that we have bought are automatically deployed. The utilization levels are roughly at above 95%.

Ankur: Okay fair enough. And sir, what is the CapEx plan at a group level for us going ahead?

S. Suryanarayanan: See the group level for the current year we are looking roughly at about 220 crores over 12 to 15 months.

Ankur: Okay fair enough. Thanks a lot sir that is it from my side.

S. Suryanarayanan: Just a minute please, capacity cranes.

Ankur: Yes.

Saurabh Sharma: About 300 tons we have eight cranes as of now.

Ankur: Okay and going ahead I believe, our focus will be more on the hiring cranes right?

Saurabh Sharma: Correct.

Ankur: Fine sir, fair enough thanks a lot.

Moderator: Thank you Mr. Ankur. We have a next question from Ms Jyotsna from Enam Securities, Ms Jyotsna please go ahead.

Jyotsna: Good afternoon sir, good set of numbers. Just wanted the breakup of the export and import LCL-FCL?

S. Suryanarayanan: For the Indian operations or for?

Jyotsna: The ECU Line.

S. Suryanarayanan: ECU Line, just a second. Jyotsna for the LCL export you can note down the breakup, 14,345 TEUs and import is 14,968 TEUs, so that gives us a total for LCL and FCL total is 10,131. The breakup is almost like 55-45, 55 imports and 45 exports. Sorry, this is for Q12009. I will give you the comparative figures for the-

Jyotsna: This is Q1CY10, what you just said?

S. Suryanarayanan: The figures that I just gave is quarter one last year, now I will give you the figure for quarter one this year. LCL export is 17,266, can you hear me?

Jyotsna: Yes I can hear you.

S. Suryanarayanan: 17,266 is LCL export, LCL import is 18,484, FCL is 11,706.

Jyotsna: Okay so broadly export and import are moving in line, there is not much difference between the two numbers?

S. Suryanarayanan: Yes, to break it up export growth is about 20% year-on-year and import growth is 23%.

Jyotsna: Okay sir thank you.

Moderator: Thank you Ms Jyotsna. We have a question from Ms Bhumika Nair from IDFC Securities. Please go ahead with your question ma'am.

Bhumika Nair: Yes good afternoon sir.

S. Suryanarayanan: Good afternoon.

Bhumika Nair: What will be the total debt of books, both standalone and consolidated as well as cash?

S. Suryanarayanan: The total consolidated debt is about 218 crores and the cash is 129 crores. Actually, this cash 129 is only from the Indian side of the operation, so if I take about the cash thing ECU Line then the cash position will be further increased.

Bhumika Nair: Which would be roughly what 40 crore – 50 crores in ECU Line?

S. Suryanarayanan: It takes about €3 million to €4 million.

Bhumika Nair: Okay got it and this includes the recent QIP money also the 129 crores?

S. Suryanarayanan: No, this does not include basis of QIP money.

Bhumika Nair: Okay so plus 100 crores of QIP, which will take you to about 229 plus €3 million, €4 million of cash in ECU Line, okay. Sir, you said earlier during the call that we have increased our rates from March to pass on the freight increases, sir broadly what would be the range of average increase in an overall basis in our freight rates?

S. Suryanarayanan: See, it is difficult to answer this question because, we are dealing with so many trade lanes, so many port pairs, for me to give you a number like that would be very difficult, but I can only talk to you in terms of the margin expansion that is happening for us. So, in terms of margin I will tell you, if earlier say we were at about 30%, 31% we are now at about 35% for the month of March.

Bhumika Nair: Okay so about 3%, 4% increase in margins from 31-?

S. Suryanarayanan: Right.

Bhumika Nair: Okay. Sir, the other thing is in terms of you mentioned dwell time has fallen in the CFS especially in JNPT. Now, is this trend likely to continue going forward or do you see just a one quarter?

S. Suryanarayanan: We are seeing it, when I told you that dwell time has fallen means, it is just a relative term of where it was some time back and where it is, but over the last two-three months we are seeing it at the same level.

Bhumika Nair: Okay at about 9-10 days.

S. Suryanarayanan: This is only a JNPT because at Chennai and Mundra they all have a different dwell times.

Bhumika Nair: Yes sir and could I have the dwell time numbers across the three CFSs that you mentioned?

S. Suryanarayanan: Yes, we will give you it is at about 10 in JNPT, it is at about 12 in Chennai and Mundra is more of an export market, so the dwell time there is hardly anything, because it comes in and then he moves through the CFS.

Bhumika Nair: Okay and sir this would be for the current quarter. Could I have that for say for first quarter of last year?

S. Suryanarayanan: First quarter of last year in Chennai would be at about 11 and JNPT would also be between 12 to 13 days because that is what helped us in the first quarter of last year.

Bhumika Nair: Okay and sir if I look at in this quarter the equipment leasing business wide on a sequential basis things have improved, but YoY there is drop in the EBIT number from say six crores to about four crores.

S. Suryanarayanan: The EBIT number is dropping only because of the aggressive–

Bhumika Nair: Incremental depreciation?

S. Suryanarayanan: Right.

Bhumika Nair: Okay just wanted to check on that. Great sir that answers all my questions, thank you very much.

S. Suryanarayanan: Thank you Bhumika.

Moderator: Thank you Ms Nair. We have our next question from Mr. Rohit Shimpi from SBI Mutual Fund, Mr. Shimpi please go ahead.

Rohit Shimpi: Yes good afternoon. My question is on ECU Line basically we have seen all, I think European trade orders reports pretty decent numbers on volume for this quarter, I mean but what is the actual reason for the trends driving this specifically?

S. Suryanarayanan: For the increase in the volumes?

Rohit Shimpi: Yes sir, how is the scenario?

S. Suryanarayanan: I mean for us also as we have reported our volumes are also growing.

Rohit Shimpi: Including new assets?

S. Suryanarayanan: Yes, what I am only saying here is the economic activity is now slowly picking up across, so that is what is driving the activities.

Rohit Shimpi: Any specific industry trend or anything....

S. Suryanarayanan: Because it is very difficult, we never track the industry trend that goes through our containers because we are a consolidated of consolidator, so that one is very difficult to track, which industry is moving through the container processes.

Rohit Shimpi: Okay, no color on countries or anything like that?

S. Suryanarayanan: No, nothing like that but the sense is now the pick up is taking place on the China you are up trade, China to the rest of the world trade is totally now picking up, so in that sense China becomes a little more of a how should I use the word, it is more of freight producing type of a country now, because of the export is in there.

Rohit Shimpi: Okay, sir and any update on the planned acquisition?

S. Suryanarayanan: It is at an extremely advanced state that much I can tell you.

Rohit Shimpi: Okay sir.

S. Suryanarayanan: Okay, we are just a step away from signing the MoU here.

Rohit Shimpi: Okay thank you sir, all the best sir.

S. Suryanarayanan: Thank you.

Moderator: Thank you Mr. Shimpi. We have a next question from Mr. Bhavin Gandhi from BNK Securities, Mr. Gandhi please go ahead.

Bhavin Gandhi: Good afternoon sir, most of my questions have been answered and just if you could just give us the break up of the CapEx that you gave 220 in terms of different businesses?

S. Suryanarayanan: I think the rough break up would be about 120 crores in the equipments side of the business, may be another 50 crores – 60 crores into CFS's business and then another 10-15 crores worth of office space and then the balance are miscellaneous expenditures.

Bhavin Gandhi: Sure and sir if you could give us an update on our JV with Hind Terminals and how is it progressing?

S. Suryanarayanan: Well that is the one at Indore, where slowly we are ramping up, where we gave you the TEUs that are picking up. My sense is now as we start getting more of their volumes because Hind Terminals is a very big player in the indoor market and more of their volumes are now switched toward to us because they represent a number of shipping companies, I think their throughput will now become much faster.

Bhavin Gandhi: Alright and some of the other locations where were looking at developing with them, is there any progress on that side?

S. Suryanarayanan: There we are first waiting for just to kick off and then we will do the plant expansion into the rest of the ICDs.

Bhavin Gandhi: That is all, thank you so much.

Moderator: Thank you Mr. Gandhi. We move onto our next question from Mr. Jignesh Dhabalia from India Capital Market, please go ahead with your question sir.

Jignesh Dhabalia: Sir, congratulations on the numbers. I want the numbers from the MTO in the operations for the export import for LCL and FCL for this quarter?

Saurabh Sharma: Sir, could you please repeat the question?

Jignesh Dhabalia: The Indian operations, MTO operations for the export and import, LCL and FCL?

Saurabh Sharma: Please note it down.

Jignesh Dhabalia: Yes.

Saurabh Sharma: Export is 4,929 TEUs and import is 2,049, yes export is grown at 31% over the last year and import is almost stable last year, flat.

Jignesh Dhabalia: Okay, the second question is as you told the volumes are increasing on sequential basis in the ECU Line so I just wanted to know, what you expect in the second quarter of the CY10?

Saurabh Sharma: Growth trend will be roundabout between these 3% to 4%.

Jignesh Dhabalia: It will be between 3% to 4%.

Saurabh Sharma: Yes.

Jignesh Dhabalia: So, the main regions where we are expecting the growth, is it from the European markets or the US market in consolidate?

S. Suryanarayanan: It is very difficult for me because it is all at an aggregate level but at a broad basis I can tell you that China, Europe market is now growing so the exports from China to Europe is happening, the reverse is also happening, the imports from Europe into India into other countries is also happening. We are quite strong in Brazil so to that extent there are lot of imports that are also happening into Brazil, so on overall basis the numbers that we are giving you are 3% to 4% is sustainable.

Jignesh Dhabalia: On sequential basis?

S. Suryanarayanan: Yes.

Jignesh Dhabalia: And about the pricing structure as the shippers have increased their freight rates and we have passed onto our clients, so how you see the same freights will grow and continue in the next six months?

S. Suryanarayanan: It depend on how the shipping companies are reacting to their financial host that they are in, so to that extent I will take. This increase if your ability to pass on to the customer – because otherwise the rest of what you call competitors have realized that many

of them are leading far more the margin compressions and what we were hit with because our ability to extend that was far higher than some of our competitors.

Jignesh Dhabalia: Okay so that the decline in the margin is because of any other particular reason that you have?

S. Suryanarayanan: There is no particular reason it was just a factor of the rates not being passed on today to the customer.

Jignesh Dhabalia: We are not passing on. So, we want to get in the more market share in the volumes?

S. Suryanarayanan: Not only us everybody, but now some of our competitors realized that it was hurting them more by not passing onto the customers, therefore now everybody has resorted to passing it onto the customer.

Jignesh Dhabalia: Okay so we expect the margins will be continue in this 9% to 10% only, next going forward?

S. Suryanarayanan: Correct.

Jignesh Dhabalia: Okay fine thank you sir.

Moderator: Thank you for your sir. We have our next question from Mr. Vishal Jajoo from Centrum Broking; please go ahead with your question.

Vishal Jajoo: In the sense we have got good amount of cash and we have got this QIP issue we have done, could you throw some light on the inorganic growth strategy of the company going forward?

S. Suryanarayanan: As we explained, we are looking at certain strategic acquisition in China and once these, we are just a step away from closing the acquisitions and that is I would have been given you more details on them. I think some of our monies will start going into these inorganic opportunities, some of them are quite big.

Vishal Jajoo: So, I understand to be too premature to ask right now but then are we planning to leverage on for this kind of acquisition or what is the kind of strategy that we are dealing and with the amount of cash that we have in the books with that only we will try and close the acquisitions?

S. Suryanarayanan: I have the ability both to leverage and use this, so I can do a combination of these, it will all depend as we get closer but we might do an element of leveraging on this.

Vishal Jajoo: Okay thank you.

Moderator: Thank you Mr. Jajoo. We have a question from Ms Bhumika Nair, from IDFC Securities, please go ahead with your question ma'am.

Bhumika Nair: Sir just one question I had is in terms of MAT credit, have we utilized anything in the current quarter in the standalone business?

S. Suryanarayanan: MAT credit, no we have not utilized, we have taken impact of about 4 crores.

Bhumika Nair: 4 crores, okay and sir how much would have our total cumulative you know MAT credit that we can utilize going forward now outstanding?

S. Suryanarayanan: It is about 29 crores including this 4.

Bhumika Nair: Including this 4, so that we will basically we are looking to utilize in CY10?

S. Suryanarayanan: No, I will tell you how, you must understand, what is this MAT credit, this is like more like an advance tax that we are paying, that when it comes to making their actual when you are paying a full tax then this is like an advance tax that you have already paid, so to that extent I do not have to pay the department the 29 crores, okay?

Bhumika Nair: Yes sir.

S. Suryanarayanan: So, the utilization will happen only if I come out of the MAT credit. For example, I think in JNPT, in 2012 we will come out of the, what you call, the tax holiday itself.

Bhumika Nair: Okay in 2012?

S. Suryanarayanan: And that is when we start paying the full tax then all these will now start getting utilized against that.

Bhumika Nair: Okay, sir this year, current year sir what kind of tax rate should we expect for the current year?

S. Suryanarayanan: In your modeling you can use the same MAT tax?

Bhumika Nair: Okay so on a console basis what do you roundabout 17.5% that is what we should present?

Suryanarayan: More or less that will stay at that level.

Bhumika Nair: And similarly for next year as well?

S. Suryanarayanan: Yes.

Bhumika Nair: Okay sir, great sir thank you very much.

S. Suryanarayanan: Thank you.

Moderator: Thank you Ms Nair. We have a question from Ms Jyotsna from Enam Securities, Ms Jyotsna please go ahead.

Jyotsna: Sir I was just analyzing the ECU Line numbers, the margins have come down by about 100 bps sequentially, but whereas our revenue asset have on rupee terms have remained flat, so any specific expense that we saw in this quarter?

S. Suryanarayanan: Well, that is what Jyotsna I was explaining.

Jyotsna: Sir, I must have missed out on that I think.

S. Suryanarayanan: See when freight rates are going up, which also comes as a part of my revenue, I am not able to pass it on fully to the customer-

Jyotsna: But it will come in the cost?

S. Suryanarayanan: Yes.

Jyotsna: Okay fine. Sir, next quarter we should again go back to our 4.5% to 5% range given that if we pass on the balance into, the revenues we pass on the cost.

S. Suryanarayanan: Correct.

Jyotsna: Okay thank you sir.

Moderator: Thank you Ms Jyotsna. As there are no more questions, I would now like to handover the conference to Mr. S Suryanarayanan, over to you sir.

S. Suryanarayanan: Thank you. Thank you for all participating to reiterate. We had a strong consolidated quarterly performance; we are quite encouraged with the volume on volume that is continuously happening in all our business segments. Hopefully, we believe that this will also continue throughout the year, thank you.

Moderator: Ladies and gentlemen this does conclude your conference for today. We thank you for your participation and for using iJunxion Audio Conference Service. Thank you and have a great day.