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#### Moderator

Ladies and gentlemen, good day and welcome to the Allcargo Earnings Call for Q2 FY `17 hosted by Prabhudas Lilladher Private Limited. As a reminder all participants' lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishna Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

#### Mr. Nishna Biyani – Prabhudas Lilladher

Thank you Stanford. Good afternoon to all participants and I would thank the management of Allcargo for taking out time for today's Con Call to discuss their quarterly financial performance of Q2 FY `17. We have with us Mr. Prakash Tulsiani, Executive Director & COO, Mr. Suryanarayanan, Executive Director, ECU LINE and Director Finance, Mr. Jatin Chokshi, CFO. We will begin this call with opening remarks from Mr. Prakash Tulsiani following which we will open the floor for an interactive Q&A session. Before we begin I would like to mention that certain statements in this call could be forward looking statements in nature and are subject to risks and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management belief as well as assumptions made by information currently available to them. I would like now handover the floor to Mr. Prakash. Thank you and over to you sir.

#### Mr. Prakash Tulsiani - Executive Director & COO

Hi Nishna, thank you very much and good afternoon everyone and thanks for joining us on the call. Mr. Jatin Chokshi, CFO and Suri, our ED of EQ Worldwide join me on this call. I hope all of you have received the results and gone through the quarterly and full year, half year financials by now else you can view them along with our presentation on the website. Our numbers for this quarter and half year have been regrouped as per the IndAs accounting principles. Given the current scenario and the global trade and EXIM in India we have delivered a good set of numbers. Our focus continues to be on improving our ROCE across each of our businesses. Our strategy for growth is also driven by the ROCE. Our ability to offer complete and integrated logistics solutions through synergistic mix of businesses has enabled us to become a preferred partner with our customer and in most of our businesses, we are at a leadership position. While we continue to focus on being the best in our existing businesses we have scaled our next wave of profitable growth that is our two young fast growing and emerging businesses of Contract Logistics and Logistics Park. Our latest M&A ACCI, that is Avvashya CCI is performing as per expectations and we shall grow in this business. We are currently present in the western region of India and our expertise is in the sectors of chemicals, pharma and auto. Our plan is to go pan India and expand to other growing area sectors of retail and FMCG over the next 2-3 years. We are amongst the Top 3 in Contract Logistics in India. As regards the logistics part project Jhajjar we are in the final stages of completing the due diligence and also plan to file for the rail connectivity within the



next few months. We have also announced a buyback to reward our shareholders, the buyback price has been decided as Rs. 195 per share, the total buyback size is upto 64 lacs shares that translates to approximately 2.15% of our total number of shares outstanding. The total amount which will be for this buyback is Rs. 124.8 crores, we expect this to be completed by the fourth quarter of this financial year. Starting with quarterly updates Jatin will take us through the consolidated financials. Jatin over to you.

#### Mr. Jatin Chokshi – CFO

Thanks Prakash. Coming to the consolidated quarterly financials of our company. Before that please note that the consolidated profit and loss statement for Q2 of FY `17 does not include the financials of Hindustan Cargo, air freight and freight forwarding and contract logistics as these businesses have been transferred to new JV, ACCI while the Q2 of FY `16 and the Q1 of current FY `17 includes the financials of those verticals. Our total revenue from operations stood at Rs. 1,410 crores for the quarter ended September 30, 2016 as compared to Rs. 1,456 crores for the corresponding previous period, a decrease of 3%. This was mainly on account of the reducing freight rates worldwide in the shipping industry which is a pass through course for us and as explained earlier due to JV accounting as per the IndAS standards. The Gross Profit for the quarter was Rs. 452 crores, there was also a 50 basis points increase in margins as compared to the last year's on account of improvement in operating efficiencies in CFS and P&E businesses. The EBITDA for the quarter under review was Rs. 127 crores a decline of 6%. During this quarter we also saw a slowdown in our project logistics and shipping business. As there are no new projects really taking off the ground we also have consciously moved away from the lower ROCE business like trailers and selling of aged assets. Also there has been a transfer of similar business to ACCI. All these factors have impacted our topline and bottomline. The PAT for the quarter was at Rs. 64 crores a Year On Year increase of 7% mainly on account of decrease in interest cost and depreciation. Coming to Balance Sheet, as on September 30, 2016 the networth stood at Rs. 1,868 crores, our net debt stood at Rs. 263 crores and our current net debt to equity is healthy at 0.14 reflecting a very strong and great Balance Sheet. The consolidated Return On Capital Employed is 16%. Moving to the performance of each of the businesses starting with our global business, Mr. Suryanarayan will take you through the MTO business. Over to you Suri.

#### Mr. Suryanarayanan – ED & Director Finance

Good afternoon. As you are aware we are a global leader in the LCL business operating out of 300 plus offices in 164 countries. Our MTO business has been performing in line with our expectations. As you are all aware the excess capacity in the shipping lines has led to a fall in freight rates and currently we are operating in this environment. Despite these low freight rates as indicated in my previous quarter discussions, we are still being able to continue to grow and we are seeing good growth in our volumes which has also reflected in our growth in our EBIT during the quarter. We continue to see growth coming from our key markets of China, India and South East Asia. The volumes in the quarter increased by about 8% to 127,000 TEUs. For the quarter the revenue stood at Rs. 1,209 crores a Year On Year decline of about 1%, this is mainly due to the decline in freight rates. The EBIT for the quarter increased by 4% to Rs. 50 crores and Return On Capital Employed was around 29%. Our aim is to continue to maintain our global market leadership and we continue to strengthen our network across all the markets that we operate in and strive to be between number 1 and number 2 in each of the markets that we are operating in. Prakash will now talk about our India businesses.

#### Mr. Prakash Tulsiani - Executive Director & COO

Suri, thank you very much. Starting with CFS and ICD operations, we expect our Kolkata CFS to be operational in the next quarter. This will make us emerge as the only player in India that is present across major container ports of JNPT, Chennai, Mundra and Kolkata. These major ports account for 83% of the container traffic of the country and we are the only one. We were also the only one when we were in three but now with Kolkata we will also be the only service provider, logistics service provider in India present in four major ports. The expansion of JNPT two warehouses is also well underway and should be operational in the next calendar



year. We have bagged the contract to manage and operate Central Warehousing Corporation which is CWC's Container Freight Station in Mundra, the CFS facilities located adjacent to our CFS in Mundra with 40 acres of space we are poised to transform the way operations are conducted in Mundra with the expertise in CFS operations. We will bring in a new level of supply chain capabilities and will serve as a benchmark and this will be the benchmark. In our CFS business we were able to maintain our volumes for the quarter for the four CFS facilities at 69,260. And this is despite Chennai losing volumes to Kattupalli and JNPT not growing at all. The volumes of the two ICDs which are in Dadri and Khera for the quarter grew by 24%. The revenue for the quarter grew by 5% to Rs. 111 crores and EBIT for the quarter was at Rs. 40 crores, an increase of 18% mainly on account of higher operating efficiencies. Realisations from long standing containers at JNPT CFS specifically and improve revenue for specialised cargo at Chennai CFS. The Return On Capital for this business is at 35%. Now going to project and engineering businesses, asset utilisation of the crane fleet continues to be strong. I am happy to share with you all that Allcargo has been awarded as the Best Projects Logistics Company in Asia by Llyods List Asia Award. Llyod List is amongst the best which we can get in terms of associations for the innovative work done using local resources for North East Agra project. So the award was for the project that we did in North East Agra, this was grid works which was being done. We are seeing an opening in the investment by government and infrastructure projects supported by investments also coming from the government. Though some of them are PPP projects but most of them are supported by the government, these are in the sectors of power, wind, nuclear and refineries. And most of them are in the last stages of resource onboarding and logistical finalisation. Our experience in professional team combined with our unique product offering of factory to foundation logistics is aggressively participating in all such opportunities. And we are bidding for these tenders which we expect to see results in the coming six months. However, in the current quarter we did see a slowdown in our project logistics business as there aren't many projects as even Jatinbhai pointed out that is the reason the results of this P&E segment were impacted. The revenue for the quarter was at Rs. 99 crores, a decline of 29%, an EBIT was at Rs. 11 crores, a decline of 21%. The reasons for this decline include the slowdown in the quarter and also on account of businesses which were earlier part of this segment but have now been transferred to the JV Avvashya CCI. In addition our conscious decision to move away from lower margins business and less profitable assets has also impacted the topline and the bottomline of the business. We have always examined our business performance closely across all businesses whether it is P&E or otherwise and to take steps to move away from lower ROCE business. For example in P&E it was tractor trailers which were operating in the port area, we sold it. And we sold also some aged assets so that we were able to deliver better returns. Some of the vessels which are completing their useful life we may plan to sell them also going forward. So basically, we are applying the very well known GE formula that is bottom 10% look at it whether it is performing, whether it is delivering results that we want otherwise look at working differently to improve the ROCE. So to conclude globally, Suri touched upon it, globally we see that the container shipping environment is changing, consolidation seems to have become the name of the game and there are mergers and acquisitions happening there are lot of joint ventures happening. And presently there are low 20 shipping lines in the world, we expect post all these M&As, consolidation, it could come down to 11 over a period of next 2 to 3 years. We continue to leverage our global network to consolidate our leadership in LCL business by opening new offices wherever needed in the geographies, to increase our footprint and scale alongside increasing our product offerings. In India, we will continue to focus on increasing our market share in CFS, ICD and P&E business and keeping an eye on the ROCE and also looking at scaling our contract logistics business. We have strong cash flows combined with a very healthy Balance Sheet to look at various growth opportunities that may evolve over a period of time in the future. Our goal as mentioned before is to focus on improving ROCE across all our businesses and ensure that we generate top quarter returns for our stakeholders. Thank you very much. And now we are open for questions.

**Moderator**

Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press “\*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue you may press “\*” and “2”. Participants are requested to use handsets while asking a question. Ladies and gentlemen we will wait for a moment while the question queue assembles. To ask a question you may press “\*” and “1”. We take our first question from the line of Mr. Vikram Suryavanshi from PhillipCapital. Please go ahead.

**Mr. Vikram Suryavanshi – Phillip Capital**

Hi. Good afternoon sir. Sir, basically, I want to know how is the development at JNPT 2, will that be a whole CFS will be converted into warehouse and what are the plans there?

**Mr. Prakash Tulsiani - Executive Director & COO**

No, it's only a part of the area where we had land available, we are converting or rather we are constructing a warehouse because that's where the demand is coming in. Look at our Indian economy we are very consumption driven economy and look at the imports which are continuing to rise. There is a need from our clients and the business to have more warehouses and to ensure that we are able to deliver that product, we went into this construction.

**Mr. Vikram Suryavanshi – Phillip Capital**

Okay. So basically we will have like pallettes and all that general warehouse typically....?

**Mr. Prakash Tulsiani - Executive Director & COO**

No, no, it is within the CFS and you are right, in the warehouse there could be any type of storage possibility so with that pallettes will also do that so all possibilities are open, bales, whatever.

**Mr. Vikram Suryavanshi – Phillip Capital**

So how much money would you be spending and when it will start?

**Mr. Prakash Tulsiani - Executive Director & COO**

It has already started, it is almost at completion stages, not much it is approximately Rs. 35 crores.

**Mr. Vikram Suryavanshi – Phillip Capital**

And in case of Mundra, the new agreement how long that agreement is and will that be again like multipurpose business or it will be focused again related to container?

**Mr. Prakash Tulsiani - Executive Director & COO**

It is more related to container but we have a warehouse inside there also and the contract period is for 5 years, it is only for O&M. So there is no capital outlay except for some OPEX expenses or semi I would say CAPEX are there.



**Mr. Vikram Suryavanshi – Phillip Capital**

And in project basically utilisation rate what we use to share was above 90%. So has that been remained above 90% in this quarter also and how outlook is going forward?

**Mr. Prakash Tulsiani - Executive Director & COO**

No, it is indeed above 90% and we believe that this should continue, infact it could improve also because as you talked about there are lot of projects now coming out for finalisation. And over a period of next 5-6 months hopefully these projects should materialise.

**Mr. Vikram Suryavanshi – Phillip Capital**

Okay, thank you sir.

**Moderator**

Thank you We take our next question from the line of Mr. Amit Agarwal from Kotak Securities. Please go ahead.

**Mr. Amit Agarwal - Kotak Securities**

Good afternoon sir. Sir, can we have the CFS figures for, only the CFS figures for Q1 FY `17? Q1 FY `17 volume figures in the CFS segment.

**Mr. Prakash Tulsiani - Executive Director & COO**

Are you talking about volumes?

**Mr. Amit Agarwal - Kotak Securities**

Yeah, only the volumes.

**Mr. Prakash Tulsiani - Executive Director & COO**

Only the volumes, one second we are just getting you that.

**Mr. Amit Agarwal - Kotak Securities**

Because I think you have changed the format how you present it from this quarter onwards.

**Mr. Prakash Tulsiani - Executive Director & COO**

In the range of 75,000 TEUs, it was 65 for these four and 10,000 for other two JVs. Correct, you are right it is in the range of 70-75,000.

**Mr. Amit Agarwal - Kotak Securities**

Second question is on the status of Kolkata CFS, when we are expecting to start operations in Kolkata?



**Mr. Prakash Tulsiani - Executive Director & COO**

Kolkata we are expecting to be there with commercial operations somewhere around March or April in 2017.

**Mr. Amit Agarwal - Kotak Securities**

Okay. That would be beginning of FY `18 and are we targeting any volume for Kolkata CFS?

**Mr. Prakash Tulsiani - Executive Director & COO**

Well let us get that up and running but let me tell you the port volumes are approximately 55,000 TEUs a month.

**Mr. Amit Agarwal - Kotak Securities**

Sir, any volume guidance, sorry the revenue guidance for the Mundra agreement that you recently signed?

**Mr. Prakash Tulsiani - Executive Director & COO**

No, I would refrain from doing that at this stage because we have just taken over that and we are still working along with CWC to get this operational and running. So allow us some more time and we will come and revert with that.

**Mr. Amit Agarwal - Kotak Securities**

Okay. Sir, lastly on the CAPEX for the next two years?

**Mr. Prakash Tulsiani - Executive Director & COO**

Well, other than what we announced about Jhajjar and Kolkata and additional expansion of the JNPT 2 CFS, there is nothing materialised at this moment but yes any opportunity or predominantly it will be a maintenance CAPEX for the software and existing assets. But yes, whatever is the major CAPEX we have already announced.

**Mr. Amit Agarwal - Kotak Securities**

Okay. Thank you sir. That's it from my side.

**Moderator**

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

**Mr. Bhavin Gandhi - B&K Securities**

Good afternoon sir. Just if you can highlight what do you think would be the impact of demonetisation on each of your businesses?

**Mr. Prakash Tulsiani - Executive Director & COO**

Well, as you know that we are predominantly or almost we are dealing with B2B segment of the business. So there is no immediate impact to demonetisation because all of our business models are cash n carry models and it has got implications in terms of detention and storage and bills not getting released and other things. So we don't see any immediate impact of demonetisation

even our transport business our very small P&E segment which are by and large catering to our own captive use for the CFS and port transportation. So, the overall impact of the economy for example we don't know if there would be a reduced import down the line and kind of thing, that may affect the entire industries or entire EXIM trade of India, impact can be known only after 1-2 months when the actual shipment will start coming. But at the moment we have no impact of demonetisation.

**Mr. Bhavin Gandhi - B&K Securities**

Sure. Secondly, can you give us some direction on how we should look the P&E business as you mentioned there were no projects on the ground so do you think profitability can substantially go down from these levels or more or less steady state operations?

**Mr. Prakash Tulsiani - Executive Director & COO**

I think we are in a very steady state of operations, infact it can only improve from here. And there were no projects so far but now we have received a lot of enquiries, we can see that the government is coming out and spending and specifically in 3-4 sectors so it should only look up.

**Mr. Bhavin Gandhi - B&K Securities**

And sir can you also Jamnagar J3 project would come to a close shortly. So those assets have been redeployed or you are looking for...?

**Mr. Jatin Chokshi – CFO**

I mean assets what we have deployed J3 projects in Jamnagar has already been started releasing six months back in a phased manner and all such released assets have already been redeployed for a medium to long term contract. And now very few equipments have been left there and we have no issues because we already have honor in the pipeline for redeployment of all such equipments. So that is the reason we are continuing using 90% of our capacity irrespective of release which is a part and parcel of the business of the equipment.

**Mr. Bhavin Gandhi - B&K Securities**

Sure. Just one last question, how do you see the impact of these direct port deliveries on the CFS business?

**Mr. Jatin Chokshi – CFO & Mr. Prakash Tulsiani - Executive Director & COO**

In terms of direct port delivery today you will realise and agree that first of all how was the CFS setup, there is a reasoning behind why the CFSs were setup and why India followed that model. This is actually dating back to time when Bombay Port Trust would be operational and there were a lot of people inside the port rather than being outside and that was a man machine safety issues and also delays and many other issues on labour also were there. So the government when they moved into JNPT they decided that all the activities where the people are involved should never happen inside the port premises but should happen outside in a dedicated area in a smaller area. So, the government decided that the port shall have only sufficient space to keep containers until a period of maybe 1-2 days and that all the other activities would be done at the CFS. Now, if we have made all efforts in that fashion then it becomes very difficult to change the model. However, the government has come out and said that they would like to promote the direct port delivery which they have approved for few I would say consignees and reputed consignees. What I understand is not more than 7-8% of the total volumes of the port actually goes from direct port delivery. And the ports are also not equipped to deal with it because then if a higher number has been done over there that will call delays. But the situation could change over a period



of 3-4 years when we have Terminal IV, we will have to see how the volume growth is there and if that growth also keeps in pace with the capacity created then the CFS would be needed any which way. And the financial impact of, I mean you must have seen the results of other peers in the industry this has got a direct impact on some reduction in the rate which is translating into our slightly lower realisation in terms of ground rent. But again if you look in totality our CFS segment business numbers vis-a-vis our peers in the industry, I mean we are performing better because there is a lot of scope for further improvement by achieving operational efficiencies and then leveraging your existing space and so many I mean other factors are there which we are constantly working. And that is how we are able to generate better numbers even in this situation compared to the competitors or industries or whatever it maybe. So we believe that yes, I mean there can be an image impact with the port terminal coming and the DFC coming on definitely as Prakash said there could a volume spot and there could be a lot of positive opportunities as well. To take it further and in addition to what Jatin just mentioned, that is the reason we are also building warehouses because that is where the demand is there for us. And our customers are asking for it, even if there is a DBT they need such a facility so obviously because of the increased volumes and demand or need of the business. And that is the reason we are changing as well as the need be and basis the requirements of our clients.

**Mr. Bhavin Gandhi - B&K Securities**

Sure. That's it sir. Thank you.

**Moderator**

Thank you We take our next question from the line of Mr. Sandip Jadwani from Narnolia Securities. Please go ahead.

**Mr. Sandip Jadwani - Narnolia Securities**

Good afternoon sir.

**Mr. Prakash Tulsiani - Executive Director & COO**

Good afternoon.

**Mr. Sandip Jadwani - Narnolia Securities**

My question is on sir CFS...

**Mr. Prakash Tulsiani - Executive Director & COO**

Sorry, we can't hear you if you can speak up please.

**Mr. Sandip Jadwani - Narnolia Securities**

Am I audible now?

**Mr. Prakash Tulsiani - Executive Director & COO**

Yes.





**Mr. Sandip Jadwani - Narnolia Securities**

My question is on CFS, what was the CFS number in Q2 FY `16, only CFS?

**Mr. Prakash Tulsiani - Executive Director & COO**

69,000 TEUs in Allcargo and JV there was in addition to that.

**Mr. Sandip Jadwani - Narnolia Securities**

69,000. Okay. Sir, I just need the ICD number in Q2 FY `17?

**Mr. Prakash Tulsiani - Executive Director & COO**

ICD was 9,570.

**Mr. Sandip Jadwani - Narnolia Securities**

9,570.

**Mr. Prakash Tulsiani - Executive Director & COO**

Yeah.

**Mr. Sandip Jadwani - Narnolia Securities**

Okay. And my next question is sir if you look at the other expenses during the second half of FY `16 which was on the higher side compared to H1 FY `15. So how should we look at for the second half of the current financial year?

**Mr. Jatin Chokshi – CFO**

Which are these other expenses, I mean which number are you referring to, if you can be giving us more information please?

**Mr. Sandip Jadwani - Narnolia Securities**

Second half of the FY `16 numbers, other expenses is 8.5 or 8.7 which was higher compared to the second half of `15.

**Mr. Jatin Chokshi – CFO**

I think it is marginally higher, it is not, the number in the H1 FY `16 is approximately 1,792 and now we are 1,836. I don't see that, I mean this is normal change in business. Increased volumes or inflation or whatever it may be these are normal.... Yeah, these are normal changes so nothing significant please.

**Mr. Sandip Jadwani - Narnolia Securities**

Okay. So going forward we assume normal range of other expenses?

**Mr. Jatin Chokshi – CFO**

Yes, indeed.

**Mr. Sandip Jadwani - Narnolia Securities**

Okay, thank you. That's it from my side.

**Moderator**

Thank you We take our next question from the line of Mr. Prateek Kumar from Antique Stock Broking. Please go ahead.

**Mr. Prateek Kumar - Antique Stock Broking**

Good afternoon everyone.

**Mr. Prakash Tulsiani - Executive Director & COO**

Good afternoon.

**Mr. Prateek Kumar - Antique Stock Broking**

Sir, my first question is with respect to the freight rates, sir obviously freight rates have been falling but off late haven't we started seeing some improvement in the freight rates? I mean directionally for past 3-4 months I guess or is it....?

Suryanaranan It is happening only in the few sectors, it is not happening across the board but it augurs well for us as we move into the coming quarters.

**Mr. Prateek Kumar - Antique Stock Broking**

Should we for modelling purpose should we see a further decline in realisations I mean which is a pass through as we know but should we see further decline in realisations or is it I mean the short term...?

**Mr. Prakash Tulsiani - Executive Director & COO**

I think you can maintain at the current levels.

**Mr. Prateek Kumar - Antique Stock Broking**

Okay, okay. And sir we did some decline in margins during the quarter in MTO segment specifically. I mean if you see just on a quarter on quarter basis...

**Mr. Jatin Chokshi – CFO**

No, we are seeing an improvement. You look at it from a half year-half year perspective.

**Mr. Prateek Kumar - Antique Stock Broking**

Sir actually last year, I don't know how do we see it because last year what you have done in your reporting is we have a higher depreciation and the depreciation number used to be lower, let's say a 42 crores which was revised upwards to 56 crores in this quarter in current press release because of the amortisation and reason and NDS adjustments. But this year that depreciation number looks lower. So if we can get an EBIDTA margin number on a year on year basis that I think will be a better comparison.

**Mr. Prakash Tulsiani - Executive Director & COO**

Prateek our request would be not to look at sequential quarters. The reason is the seasonality kicks in. For example the seasonality is very clear and simple. July through September there would be a lot of shipments for Christmas. While starting this quarter that is the quarter under where we are, the numbers would be slightly different. So every quarter is a very different quarter.

**Mr. Jatin Chokshi – CFO**

That's how we always look in totality...

**Mr. Prateek Kumar – Antique Stock Broking**

See where I was coming was every year Q2 and Q1 margins were broadly similar. I amount harping on the fact that Q1 this quarter, Q2 this quarter is lower than Q1. But I am saying that last year the number which we had previously were around 5% margin which have been restated now according to NDS adjustment. It looks like now are lower than 4%. And the main difference which is coming is because of the higher depreciation which we have restated in our last year's numbers. And so that's why I was saying that it would be better if we could get some details on ebidta margins if they are similar or maybe better.

**Mr. Prakash Tulsiani - Executive Director & COO**

But if you take the half yearly EBIDTA margins, they are generally flat. So please don't go this quarter on quarter...

**Mr. Jatin Chokshi – CFO**

Yeah there were a lot of depreciation in interest which has got largely to do with some discarded, some addition to the assets kind of thing. So the right number to look is the ebidta margin which are flat.

**Mr. Prateek Kumar – Antique Stock Broking**

Okay sir. Okay sir I will take the top line. And sir with regards to the revenues from the Avvashya CCI did we account that in current quarter, the new JV?

**Mr. Jatin Chokshi – CFO**

Yes, yes. But definitely as per the JV accounting you may be aware that we can't have a line by line item additions. So it has been shown separately after the profit after tax share in JV. So we have already started accounting from this quarter effective 1st July, the ACCI PAT number is already to the extent belonging to All Cargo has already been reflected in the financials.

**Mr. Prateek Kumar – Antique Stock Broking**

Okay. Sir so I mean that number also doesn't look higher as in with respect to historical numbers or if that maybe the case the overall numbers for Avvashya CCI doing the quarters is very low. Because the share of associate numbers doesn't look higher.

**Mr. Jatin Chokshi – CFO**

See it has got a lot of factors that is the reason we are saying that this being the first quarter let us look at the numbers for the entire year that is for the remaining 2 quarters as well which will give you a right procedure. Because since this is the first quarter we are doing there are a lot of NDS implications in terms of depreciation and other adjustments and other things which will be evened out like in the next two quarters. So I mean okay as far as the business is concerned we are on track as per our own estimation projections and internal estimation and projections. So I think March numbers will reflect the clear cut picture of the CCI contribution.

**Mr. Prateek Kumar – Antique Stock Broking**

Okay.

**Mr. Prakash Tulsiani - Executive Director & COO**

And we had also mentioned to you that over a year we anticipate that we should be able to deliver top line of 350 crores approximately going forward. Yeah?

**Mr. Jatin Chokshi – CFO**

We are on track.

**Mr. Prateek Kumar – Antique Stock Broking**

350 crores of which net income 61% we have to account in some associate for All Cargo.

**Mr. Prakash Tulsiani - Executive Director & COO**

350 is the revenue number. 350 is the revenue top line.

**Mr. Jatin Chokshi – CFO**

Top line.

**Mr. Prateek Kumar – Antique Stock Broking**

Yeah so to that extent I mean let's say a PAT margin of 5% or 4%. We should account 61% of that number in our income.

**Mr. Prakash Tulsiani - Executive Director & COO**

That's correct.

**Mr. Jatin Chokshi – CFO**

That's right.

**Mr. Prateek Kumar – Antique Stock Broking**

Okay. And sir one last question. You mentioned about discarding assets in P&E segment. So last quarter you said that we have some 135 cranes. Have we gone further down from there or...

**Mr. Prakash Tulsiani - Executive Director & COO**

Not in this quarter, nothing happened. In the sense we have not been able to sell all of them. Sorry any of them, sorry. And that's a continuous process. So it depends on where is the right moment, and what is needed, what is the market development. Based on that we will decide.

**Mr. Prateek Kumar – Antique Stock Broking**

Okay sir. Sir that's it from my side and thanks.

**Moderator**

Thank you. We will take our next question from the line of Viral Shah from SBICAP Securities. Please go ahead.

**Mr. Viral Shah – SBICAP Securities**

Yeah good afternoon gentlemen.

**Mr. Prakash Tulsiani - Executive Director & COO**

Good afternoon Viral.

**Mr. Viral Shah – SBICAP Securities**

Sir in terms of EBIT per TEU in the MTO business when you look at that declined by 4%. Just to understand what is the rationale for that because the volume growth is 8% and EBIT margin have grown by 4%. So there is a decline in EBIT per TU even if you look at from an EBIT per TEU...

**Mr. Suryanarayanan – ED & Director Finance**

Realisations per TEU or what...

**Mr. Viral Shah – SBICAP Securities**

No EBIT per TEU has declined sir because when you look at EBIT per TEU for the quarter it stands at around 1300.

**Mr. Suryanarayanan – ED & Director Finance**

You are right, you are right. As we spoke earlier, the volume growth is there. And the lower yield on the TEUs are getting compensated by the volume growth. And that is how it is getting through and that is how we have been operating across even in the previous quarters also.

**Mr. Viral Shah – SBICAP Securities**

Okay.

**Mr. Suryanarayanan – ED & Director Finance**

So this will continue to be like that at this point in time as the freight rates are continuing to be at the level we are seeing pick up. But it will take some more time for it all to go up further.

**Mr. Viral Shah – SBICAP Securities**

Okay then it is fair to assume that this is something EBIT per TEU we could build in or...

**Mr. Suryanarayanan – ED & Director Finance**

That's what I said. You take it at current levels and move forward.

**Mr. Viral Shah – SBICAP Securities**

Okay, okay got it sir. Secondly in terms of CFS also when you look at from a margin perspective or EBIT per TEU perspective, this has been the best quarter. I understand that you had ran the ODC Cargo and as a result in a higher EBIT per TEU. What is the sustainable EBIT per TEU we can take in the CFS business going forward?

**Mr. Jatin Chokshi – CFO**

Almost on the similar line unless we see our major change in or some factors which is happening which we do not foresee as an industry player. So I think whatever currently we are achieving it could be depending on quarter to quarter seasonality plus there is an earlier mention there could be a slight impact on demonetisation on the overall imports on Exim of the country. That could change the number with the variance of say 5% plus or minus. But we see whatever currently what we are achieving should be sustainable.

**Mr. Viral Shah – SBICAP Securities**

Okay.

**Mr. Jatin Chokshi – CFO**

So I think that is what we believe being in the industry.

**Mr. Viral Shah – SBICAP Securities**

Okay. And can you elaborate more on this transaction where we have taken this CWC, and what is the utilisation level there currently or what will be the capex or opex which we are planning to...

**Mr. Prakash Tulsiani - Executive Director & COO**

As we mentioned that this is a O&M contract and the plot or the area where we have taken over from CWC is adjacent to our current CFS. The capex is typically not there because this is on O&M and this is still owned by PWC. We are just operating and managing. So obviously there is no capex for us. But there will be some Opex's in the nature of you know IT services, some office materials and so on and so forth. So that is nothing major. And we expect the utilisation to go up. We have just started over there. And let us discuss more in the next two quarters on this particular business.

**Mr. Viral Shah – SBICAP Securities**

Okay. Sir just to understand what is the utilisation of CWC as of now? Because I understand the capacity there is 1.35 lakh TU if I am not wrong right for the CFS which we have bought in? So what will be the – as on date what will be the capacity actually utilisation levels there? And how is the agreement in terms of O&M? Are we supposed to pay some royalty on how TU is being handled over there? Or how is the agreement between CWC and us? Can you elaborate more on that?

**Mr. Prakash Tulsiani - Executive Director & COO**

On CWC it is total of 40 acres of land. I presume that they were operating anywhere around 50 to 55% on the capacity.

**Mr. Viral Shah – SBICAP Securities**

Okay.

**Mr. Prakash Tulsiani - Executive Director & COO**

I don't have the exact numbers but I suspect they were at around 50-55.

**Mr. Viral Shah – SBICAP Securities**

50-55. And sir in terms of anything in terms of monetisation or in terms of the value you could elaborate whether we have to give some royalty payment to them or how is the agreement between us and the CWC? That would...

**Mr. Prakash Tulsiani - Executive Director & COO**

Frankly I would like to keep that a bit confidential because this is definitely commercially sensitive. So because this is the business of CFS and there are many other operators in that area also. Please allow us to pass this question.

**Mr. Viral Shah – SBICAP Securities**

No problem sir. And just to reconfirm the capacity is 1.35 lakh TUs of the CWC CFS right? Am I correct?



**Mr. Prakash Tulsiani - Executive Director & COO**

Yeah indeed.

**Mr. Viral Shah – SBICAP Securities**

Yeah. Secondly sir in terms of CCI can you share the number for the quarter in terms of sales ebidta and PAT?

**Mr. Prakash Tulsiani - Executive Director & COO**

As mentioned by our CFO Jatin bhai that please let us discuss this because this has just been first quarter. There are a lot of NDS, many one time and adjustments and otherwise.

**Mr. Jatin Chokshi – CFO**

Being a notional and non-cash expenses as well as the reversal also in the form of deferred tax and other things. So there are a lot of plus and minuses there. That is the reason I mentioned that let us review and share those numbers in the right perspective as on 31st March by which 3 quarters would also have been passed. And everyone will get a right kind of perspective and number for the ACCI.

**Mr. Viral Shah – SBICAP Securities**

And finally in terms of P&E, basically two questions. One in terms of shipping what are the ships? Were there any dry docking ship for the quarter? And how has been the utilisation level there for the ships we own, coastal shipping business?

**Mr. Prakash Tulsiani - Executive Director & COO**

Pardon? You asked about?

**Mr. Viral Shah – SBICAP Securities**

For the coastal shipping business were there any ship being dry-docked during the quarter? Or how have the...

**Mr. Prakash Tulsiani - Executive Director & COO**

No, there were some maintenance and breakdown issues. But that's normal. And there were no dry dock issues coming up.

**Mr. Viral Shah – SBICAP Securities**

And how has been the utilisation level of the shipping business?

**Mr. Prakash Tulsiani - Executive Director & COO**

The shipping is in the utilisation of 85% upwards.





**Mr. Viral Shah – SBICAP Securities**

Okay. And finally sir just to reconfirm, the P&E segment now consists of the cranes of 135 and the ships and the project logistics has been completely transferred to ACCI.

**Mr. Prakash Tulsiani - Executive Director & COO**

No, only the freight forwarding and contract logistic business now is a part of the ACCI.

**Mr. Viral Shah – SBICAP Securities**

ACCI. Okay got it.

**Mr. Prakash Tulsiani - Executive Director & COO**

Project logistics, now P&E consists of ships what we own cranes and trailers what we own, and project logistics business.

**Mr. Viral Shah – SBICAP Securities**

Okay. Sir in that case contract logistics may have been a major part right? And when you look at the P&E segment only, in terms of revenue 99 crores of revenue was booked. So these three segments put together had de-grown or it was a contract logistics was the major part of the income so you had to...

**Mr. Prakash Tulsiani - Executive Director & COO**

No because as we mentioned project logistics businesses were slow and of course in the previous year same quarter we had certain tracking activities rather call it as tractors and trailers which operated in the port area. That we sold it out completely.

**Mr. Viral Shah – SBICAP Securities**

Okay fine.

**Mr. Prakash Tulsiani - Executive Director & COO**

Of the terminals because we have two terminal operations. One terminal we sold it completely.

**Mr. Viral Shah – SBICAP Securities**

Yeah. Okay got it sir. Thank you so much sir. That's it from my side.

**Moderator**

Thank you. We take our next question from the line of Abhishek Ghosh from Motilal Oswal Securities. Please go ahead.

**Mr. Abhishek Ghosh – Motilal Oswal Securities**

Thanks for the opportunity sir.

**Mr. Prakash Tulsiani - Executive Director & COO**

Yeah Abhishek welcome.

**Mr. Abhishek Ghosh – Motilal Oswal Securities**

Thanks. Just wanted to understand in terms of how different is the return ratio profile of a warehouse compared to a CFS? Is it meaningfully different? How has the revenue model been like?

**Mr. Prakash Tulsiani - Executive Director & COO**

See again this is a very difficult one to give a finite answer for it because we don't know how long a container would stand in a yard versus how long would the cargo stay in a warehouse. So can't give you a comparison because they are very different. They are very different type of activities.

**Mr. Abhishek Ghosh – Motilal Oswal Securities**

Okay. And just one more thing, post this demonetisation have we seen an uptake in our dwell time because we have kind of seen what we are hearing from media is this problem at the road logistics part of it. So are we seeing some kind of uptake for our dwell time in terms of...

**Mr. Jatin Chokshi – CFO**

Not really. It could be marginally for a week's time or so. But not really much change. Because earlier also the monetisation everyone was paying online RTGS and that kind of thing. Only the small portion which could be in services or some add on kind of thing Rs. 100, 200 or 300 that was used to pay in cash, so now they are bringing the cheques if they don't have the cash. So really I mean for any CFS we don't see any major uptake or in the dwell time by and large.

**Mr. Prakash Tulsiani - Executive Director & COO**

Yeah business as usual. But to take your question let me answer that particular one because what we hear in the market area is that the open truck business is what is affected, not the container trucks. Because they are very different types of activity and operators also. The container truck operators are very organised in the sense that their business is connected with EXIM. So obviously they get their payments electronically and via the banking channels. While the open trucks do operate on cash basis.

**Mr. Abhishek Ghosh – Motilal Oswal Securities**

Okay, okay, okay, okay. That is really helpful. Thank you so much sir for answering my questions. Thank you.

**Moderator**

Thank you. We take our next question from the line of Harsh Shah from Dimensional Securities. Please go ahead.

**Mr. Harsh Shah – Dimensional Securities**

Yeah good afternoon sir.



**Mr. Prakash Tulsiani - Executive Director & COO**

Hi good afternoon.

**Mr. Harsh Shah – Dimensional Securities**

Sir my question is related to again the DPD scheme by the port authorities. Sir I wanted to ask in case to my understanding, in case of DPD the responsibility of clearing the cargo remains with the party to whom the cargo or whom the cargo belongs. So how convenient will it be to ship from CFS model to DPD model?

**Mr. Prakash Tulsiani - Executive Director & COO**

Frankly I think there are only very large accounts which have a green channel approach go in for the DPD. In the sense which they were able to do any which way earlier also that they have within the customs agreed in green channels sort of or lifted accounts where they deposit a bank guarantee or customs duty in advance or whatever system they had. They are the ones who are able to do the DPD very conveniently. But what you say is right. There are clients where they were using let's say a custom house agent or assistance in customs clearance. They continue to follow the same old method. So I believe that those volumes also come to the CFS and then they get cleared. Because there is a reason behind it. The ground rent in a port is far higher than a ground rent at the CFS.

**Mr. Harsh Shah – Dimensional Securities**

Correct. And my other question is in the long term is there any existential threat to CFS?

**Mr. Prakash Tulsiani - Executive Director & COO**

See there can be. I mean we can't be blind of anything like that because if the ports are able to deliver then of course DPD can be there. But I believe that the ports do not have the sufficient area per yard to conduct the DPD operation. Because in a DPD let's assume that you have three containers and you go to the port and say I need my three containers. And let's assume those three containers are sitting in the bottom tier of a sky high stack. Imagine the amount of time the port would take to get you to the bottom container and give as a delivery. In the meantime the vessels are waiting over there. In the sense the main activity is ship to shore rather than giving deliveries in the yard. While the CFS activity is mainly giving a delivery in the yard rather than doing anything else because we don't have a ship to shore operation right?

**Mr. Harsh Shah – Dimensional Securities**

Corrects. Fair enough. That's it from my side.

**Moderator**

Thank you. We take our next question from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.

**Mr. Prakash Tulsiani - Executive Director & COO**

Hi Nishna. Hello?

**Moderator**

Mr. Biyani your line is unmuted, you can...

**Mr. Nishna Biyani – Prabhudas Lilladher**

Yeah sure. Sir this question is for Suri sir. So basically just wanted to understand what is the MTO region wise split currently in this quarter and how historically is any change which he is forcing. That is my first question.

**Mr. Suryanarayanan – ED & Director Finance**

And what is your second question?

**Mr. Nishna Biyani – Prabhudas Lilladher**

Sir second question is you know in the last 4 quarters as one of the participants had also highlighted that there has been some pressure that has been observed on the margin front of the MTO part of it. So just wanted to understand what is it that we are doing currently to enhance the margin profile again. Are there some internal efficiencies worked out or how should one look into it going into FY'18? FY'17 I feel it is more of a consolidation kind of a year. But in FY'18 you know what kind of synergies one should look at while modelling.

**Mr. Suryanarayanan – ED & Director Finance**

Regarding your first question I think I have always said and I will repeat myself, when you are in a network business like the way we are in to look at region to region and other things doesn't make sense. You will have to look at it at a network level. And that is what we have to try to highlight when we are stating our results. It would be a little – how do I use the word – maybe a little difficult to start giving you which way it is all flowing because then these are all competitive information that will come out in the public domain. So to a large extent I think it is better that we stay at the aggregate level. For your modelling you can take the current levels that are operating and then you can move forward on that direction.

**Mr. Jatin Chokshi – CFO**

But there is a growth in volumes all along.

**Mr. Suryanarayanan – ED & Director Finance**

That is regarding the first part of your question. Second part of your question is what are we doing with regard to our margins and how we are doing it. If you have seen consistently across all our quarters we are growing in volumes. We will continue to do so irrespective of whether the freight rates come down or freight rates go up, it's a constant battle for market share and I think we are growing in the market and we are taking away market share from our competitors. So this is a continuous basis. In a low freight scenario it is difficult to make more absolute margins. So in that sense it will get reflected in the volume growth. So that is how the combination of both is what is making us continue to grow. When the situation improves then you will continue to see better margins. So for me when we look at this business I think we are there. I don't see it falling much below than where we are. I think we are at where it is. I only see up sides from here. And if it happens at that level, then you will see a lot more growth happening far beyond what we are seeing. So that is the opportunity that has been built into this model itself. If I were you, while you could be a

little bit subdued in a quarter of your forecast, but as I would put it, take it a lot more forward, I see upsides happening in this business.

**Mr. Prakash Tulsiani - Executive Director & COO**

And to add to what Suri said just now, it is also backed by the events taking place in the global shipping market. The global shipping market is consolidating. And that is why whatever Suri just said is also backed by what is happening in the market place.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Agreed sir. Sir one more question. Though this maybe a repeat but when I look at the contract management business which you are getting into in Mundra, which is with CWC, just wanted to understand what is the rationale for going into such kind of a business?

**Mr. Prakash Tulsiani - Executive Director & COO**

Basically there was an opportunity which was available and the Mundra market is very different. It is driven more by exports. And that is reason we felt that having two facilities over there will help us gain more market share. And it was available from CWC with a very good area that is 40 acres and that is what we needed. And we believe that this is a right step in gaining the market share there.

**Mr. Jatin Chokshi – CFO**

And it is adjacent to our existing facilities for a lot of operational synergies and the benefits we as a player have compared to our other operators or earlier operators.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Thank you. Good. Jatin sir just some two book keeping questions. When I look at your tax rate in this particular quarter it has fallen. So what should be your guidance on the tax rate front of it?

**Mr. Jatin Chokshi – CFO**

There is a tax rate we expect to remain the same between 20 to 22-23% kind of thing. We don't see any change in this going forward.

**Mr. Nishna Biyani – Prabhudas Lilladher**

So it should be between 22-23 because in the last quarter you had highlighted between 28 and 29%. So I am just...

**Mr. Jatin Chokshi – CFO**

That was because of the deferred tax and assets and liabilities kind of thing. So I mean the effective tax rate would be between 20-23%. And as far as the cash flow for India operations is concerned it will be equivalent to the met percentage because as you may be aware that we have a lot of met credit available for retailisation.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Okay. And sir when I look at the cash generation in the first half of FY'17 it is almost 200 crores plus in your business. And the capex the guidance which you have given for Jhajjar, say some part may be here and some part may flow into FY'18. Calcutta should be 50 crores. So you know so is there chances of debt getting further reduced from here? Or at 200-250 we are at rock bottom and this should be...

**Mr. Jatin Chokshi – CFO**

It may slightly further reduce also. That is the reason we have announced the buy back since we have the free cash available with us.

**Mr. Nishna Biyani – Prabhudas Lilladher**

So does the promoter participate in the buyback?

**Mr. Jatin Chokshi – CFO**

Yeah. See as announced in the public announcement it is through a tender offer route. So all shareholders are eligible for participation including promoters.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Okay so dividend distribution in say next year, we were looking at some dividend distribution policy. So over the next 2 years it may so happen that promoters may look to – you have limited room in terms of you are holding already 70%. So in the next 2 years there is limited room wherein you can up your stake too.

**Mr. Prakash Tulsiani - Executive Director & COO**

I think this is a reward for the shareholder. Let us take it in that fashion.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Good. Sir one last question from my side. Jatin bhai can you just give the capex guidelines for FY'17 including the first half what you have done?

**Mr. Jatin Chokshi – CFO**

No, I mean for the year two major expansion is going on. One is of course the Calcutta which is not 50 crores as you mentioned. It could be between 35 to 40 crores and another is CFS 2 expansion at JNPT 2 CFS expansion which is again equivalent amount of 35 crores. So both the CFS put together could be around 70-75 crores. And Jhajjar is happening. Some more part investment could be there in current financial year. So these are other than small maintenance capex could be there. So there are no other capex plans at the moment.

**Mr. Nishna Biyani – Prabhudas Lilladher**

So you have done 130 crores of the acquisition of ACCI. And you add another 80 crores odd of 210 and you look at Jhajjar. That should be all. Some part of it.



**Mr. Jatin Chokshi – CFO**

Yes.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Okay. Thank you sir. That answers my question.

**Moderator**

Thank you very much. Ladies and gentlemen that was the last question. I now hand the conference over to Mr. Prakash Tulsiani for closing comments.

**Mr. Prakash Tulsiani - Executive Director & COO**

Thank you everyone who is on the call today. Thanks for taking out time and going through with us on the numbers. Thank you very much. Appreciate it.

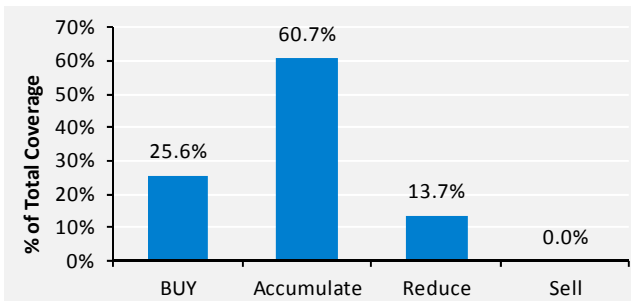
**Moderator**

Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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