

Y 2012 Earnings Call - Arshiya International

Dt-16 May'12

Operator

Ladies and gentlemen, good day. And welcome to the Q4, FY12 Earnings Conference Call for Arshiya International Limited. We have with us today, Mr. Ajay S Mittal, Chairman and Managing Director; Mr. Sandesh Chonkar, Executive Director and CFO; and Mr. Nijay Nair, Chief Strategic Initiatives. As a reminder for the duration of this conference, all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. I would like to hand the conference over to Mr. Nijay Nair. Thank you and over to you, sir.

Nijay N Nair, Strategic Initiatives

Yes thanks. Good morning, everybody. On behalf of our Group Chairman and Managing Director Mr. Mittal, our Executive Director and CFO Mr. Sandesh Chonkar and all of us at Arshiya welcome you all for this earnings call. Getting started from an FY12 annual perspective your company would like to think that we've had a good year, where we've pretty delivered what we said we would. Our top line has grown about 28% to about 1,055 crores in this FY12 as compared to 822 crores in the last year.

EBITDA has grown about to 270 crores recording a 70% increase over last year while EBITDA margin we've been able to register a healthy 26% as compared to 19% in the last year. Our PAT for the year is also risen by about 42% to about 118 crores versus 82 crores in the last year.

Importantly for FY12 your company has been able to increase EBITDA margins 10% to 26% and this is the primary driver has been the Free Trade Zone business in Mumbai. So while we'll explain some of the effects of the free trade on our bottom line and important transformation we would like to bring to everyone's notice on the call that your company in this year FY12 has driven about 42% of its overall revenues from our asset businesses of FTWZ and rail. In So, in submission if you look at the Free Trade Zone and the rail businesses totally has contributed about 440 crores out of the 1,055 odd crores of this last year and that has come with capitalized assets in this space of about 1,000 crores. And that 1,000 crores we've been inducting on a modular basis sequentially through the year. So, with that said I think the major transformation is as becoming an elite, unified, integrated and asset driven logistics company which is the differentiator for us in the market. Our margins also as I said has driven up healthily by the free trade zone business and if you look at the FTWZ business on a sequential quarter-on-quarter basis this is our sixth quarter of inception of operations in the Free Trade Zone, so mainly we are fairly new at this is business, but still you will see sequentially 30% growth quarter-on-quarter with an average EBIT margin of about 70%.

So that is what is creating the effect on our P&L. So we've also as we said we would increase the penetration with our customers quarter-on-quarter and the way we measure our business which is the value optimized services to the rental component, the current quarter which is Q4 FY12 we've registered about one point four is to one which is the VOS to rental ratios. On a quarter top-line of about 58 crores.

So mind you just a few quarters back, we were at a VOS to rental ratio or value optimized services to rental ratio of about 0.5, so we've steadily increased our service levels and penetration with our customers, all while increasing our customer base. So, our conversion from the trials to actual customers is also been about 100% and we're getting faster at this conversion. So, again we do think that through this year of FY13 we will continue to increase our value optimized services penetration with our customers. And now with about 250 plus customers and many of the major market important 500 companies in - we're extremely confident on this front.

As major operational highlights of the quarter again with regards to the Free Trade Zone business we're very happy to announce that some new customers that we've added in the last quarter has been Volkswagen, BHEL which is a very important PSU for all the project and moving product from our Free Trade Zone and they're handling all of that and also Sandvik these are three very big accounts and I'm not mentioning some smaller ones.

But also we've been able to increase complex value optimized operations for customers like World Kitchen in fact some of you would have seen the new ads of Corelle on TV just this last week and we are very proud to say that this infrastructure of Free Trade Zone has allowed the launch of this new products from the company World Kitchen for PAN-India India distribution. This is also an eventual Free Trade Zone customer. And this times testament to our Free Trade zone and this integrated supply chain model which is delivering unparalleled advantages in such product distribution.

Overall for FY12 the Free Trade Zone has contributed about 16% of our overall top-line registering about a 172 odd crores. Again this 172 odd crores has come out of a capitalized asset in the FTWZ space of about 580 crores.

Now in terms of the status of the Free Trade Zone we are operating currently five warehouses in the Free Trade Zone and we've added one warehouse in the Phase two in this last quarter and that's considering the demand and order book we have.

We will continue to build and build quickly in order to build and build quickly in order to meet this demand and capitalize on this position that we find ourselves in the market in. In fact talking about the Free Trade Zone I can't resist on behalf of all of us here in our

share to enhance that we're extremely proud and happy that day after tomorrow after many a month of operational planning and testing we're officially inaugurating Cisco's regional distribution hub in our Bombay FTWZ. This is a great moment for us on many counts and our testament to a conviction and ability in the space of ailed and unified logistics services.

So, Cisco opens the regional distribution hub for us day after tomorrow, they have got people from their Board down and it's actually one of the most proudest moment for us a lot of work in order to achieve this has gone into this Q4 FY12 which we are bearing the results now.

Now coming to the Rail business we've registered a 60% increase in the top line in this segment in this year as compared to the last. So we've stuck to our plan of unified and integrated end-to-end service delivery in the rail space with customized and fixed route operations that has born these results.

Even some sequential quarter-on-quarter basis this Rail segment has delivered 15% growth quarter-on-quarter for us and on an average. We began FY12 with 15 trains and now exit the year with 20 trains and while we have announced important customer acquisitions in this space before two big editions to our customer base in the rail space has been Arshiya Rail starting a by weekly train service connecting North India to Cochin Port Trust and the first train for us carried 90 TEUs of JK White Cement from their Jodhpur facility to Cochin for eventual distribution across Kerala and Tamil Nadu this is a new that they've started also we've commenced loading for Prism Cement which is a major Grey Cement manufacturer and we load from their plant siding in Madhya Pradesh and then distribute to South India this has been major additions for us in the rail space.

In addition to the above we're also very happy to announce that we will have two big announcements in regards to rail space coming up in the next month. One, which will be customer related and another will be a strategic partnership that will greatly increase our financial and operational efficiency we are very excited about how and what kind of difference this will make to the rail space for us in FY13.

From a quarter perspective of Q4 FY12 the Rail business has generated revenues of about 84 crores for us, which when you compare to the same quarter of the last year is about 70% higher. For the whole of FY12 Arshiya Rail has contributed about 272 crores in this year. That is a total about 26% contribution to Arshiya's overall top line of 1,055 crores. And for the record this 272 crores has been generated by capitalized assets in the rail space of about 400 crores.

So again looking forward to FY13 with the launch of our rail terminal in Khurja which will be the largest and best private rail terminal in the country, which will be operational in the next few months. We will be able to handle more trains and our integrated domestic storage in FTWZ park both coming up in Khurja we are very excited because this will mean a new business line contributing to the Rail business P&L, which will allow us to become a consolidator for rail movement space for both EXIM and domestic cargo connecting the North.

This today in whatever numbers we reflect of our rail which is pure play domestic segment will be a new addition and this is bound to have an upward momentum push for our P&L both on a top line and bottom line basis, which we are very excited about. Coming to the core business point of view our logistics business which has contributed in this year about 600 crores which is about 58% of our total revenues in FY12 if you compare this to the last year in FY11 the contribution was higher at about 76%. The reduction in contribution from the logistics space is primarily explained by our focus on India that we've announced before and we are shutting down of the operations of Oman and Qatar which we already did shutdown. And as we expand our India Infrastructure footprint our focus and engine of growth will continue to be India. So, that has been one result in that contribution.

But the Free Trade Zone and the Rail business continue to augment our growth as a business. From a margin perspective you will see the logistics business we've been kind of flattish this year and we are registering EBIT margins in the range of 20% odd but having said that if you break that down to the domestic India logistics business you will see an upward momentum on our EBIT margins because through our Free Trade Zone we are able to leverage stronger relationship with shipping lines and therefore develop better trade lanes where we offer an integrated service where Free Trade Zones and rail as part of our service offerings where we have seen a push in our margins. So that will be a focus for us to drive our logistics and other allied supply chain and logistics services as a function of what we are delivering out of our actions. So that effect is visible when you look at the evolution of P&L from last year to this year.

Lastly when you look at the snap shot of our financial performance just for the quarter, we've got a top line of Q4 FY12 of about 310 crores where we've grown 33% of the corresponding quarter of the last year. And EBITDA growth is about 47% so we've done well. Our PAT for the quarter is also risen about 44% to just under 30 crore. From an overall perspective however, if you look at Q4 FY12 and compare it sequentially to Q3 FY12 you will see that there has been an increase in top line of about 13% but some of you would have noticed a small decline in our profit margin while Mr. Sandesh Chonkar will explain this in more detail, I would like to clarify upfront that there are two main reasons for this.

Firstly, we have capitalized assets during this quarter and added that into our infrastructure like I mentioned the fifth warehouse in our Bombay first phase. So, as we modularly induct just CapEx, you will find some interest cost increase also there is some one-time processing fees and therefore added depreciation that you will see.

And secondly, we have also witnessed a ForEx loss on our account outstanding debtors due to the appreciation of the value of the rupee against the dollar to the tune up about 4% or 5% as on March 31, 2012. This is a notional loss again will be explain a little more, but an

accounting practice which has basically costs this in India. So Mr. Chonkar will explain this in a little more detail. But that was one point we wanted to bring up.

Overall from a CapEx perspective your company spending on our business totaled to about 2,797 crores as of 31 March, 2012 out of which debt is about 1,800 crores and the equity is just under 1,000 crores. So now while we made all of these investments considering that we are a project company in a growth phase. These assets keep getting commissioned in modular fashion. So again out of this 2,797 crores that have been spent, the capitalized assets is about 1,000 crores which in the last year alone has generated about 443 crores of top-line. So that is for perspective and this is in that 443 crores that we have generated we've been only modularly increasing the scope of our operations in the Zone and have reached the 1.4 BOI to rental ratio only in this quarter. So, the next year the same assets will drive much larger results for us.

But that was just the submission we wanted to make.

And as we do all of this and we continue to grow obviously our organization team strength also continues to grow and since we last updated you on this we have grown to about 1,300 employees Pan India to strengthen our operations on the subject of people one announcement that we did make was the resignation/retirement of our Executive Director Mr. Shivkumar.

So, while Mr. Shivkumar had to resign on account of the technicality around this contract what has actually happened is he's got a health related issue which for which he has thought of retirement and while this is unfortunate he will continue to be available on all the key projects in the capacity of Adviser to Chairman going forward. So this was one announcement that we wanted to make and after a long standing relationship with Arshiya this is just to announce that he's going nowhere. This was a health related issue which needed to be addressed. And as we end our introduction again what's to expect in FY13 well on behalf of all of Arshiya this is the beginning of the big three years of Arshiya's evolution if you ask us. Where we will see a culmination of all our assets into revenue generating businesses.

And these revenue generating businesses will include the drafting of five new lines of business for Arshiya as a Group. So one of them is Free Trade Zone Phase II in Mumbai adding to the Phase I. Then the Free Trade Zone Phase I and Domestic Distripark Phase I with the rail terminal in Khurja which has three more new business lines. And therefore Arshiya Rail would be able to compete without much competition in the consolidated rail space movement of EXIM and domestic cargo connecting the North. All of this will be over and above the domestic rail space and the Phase 1 of Free Trade Zone that has allowed your company to grow 30% year-on-year when you compare the last year.

So, as we grow we believe this is just the beginning and with said that looking forward to a great FY13 with you all I hand this over to Mr. Sandesh Chonkar to discuss the financials in a little more detail and then open this for questions.

Sandesh Chonkar, Executive Director and Chief Financial Officer

Thank you Nijay. Good morning to investors. As Mr. Nijay Nair has already covered all the aspects of financial analysis on quarterly results and annual performance of this quarter. And I'm very sure that you also have must have analysed the results for the current quarter and the year. I just want to touch upon few numbers where I'd like to During this quarter your company has achieved a turnover of Rs.309 crores and EBITDA of Rs.79.50 crores versus previous quarter's turnover of Rs.273 crores and EBITDA of 71.24 crores.

During the year, we all have witness a huge fluctuation in the rupee and dollar exchange rate, the same as per the accounting standards and as per a prudent accounting practices has been accounted in our books also.

We have seen and we have already discussed in earlier two quarters that company has shown 400 crores in quarter three, quarter two and 7.56 crores in quarter three as exchange gain. These are mainly on account of interim value of the quarter end debtors. This fluctuations have been accounted and in current quarter the same is been accounted as a loss of 4.15 crores. This is only a notional and accounting entry in real realization we have recovered the money in -. As you all are aware that in SEZ the income is accounted on U.S. dollar billing basis.

As 60% of our expense in FTWZ is towards rental in U.S. dollar what company has decided to go ahead and not to hedge any of these U.S. dollar earnings, but then to convert the Indian Rupee loans into a U.S. dollar loan by swiping the Indian rupee loans and take advantage in the interest saving

rather than reaching the dollar and saving on the current fluctuations. With this I think we are covering our profitability and also saving on interest in big way. I think we can now hand over to Mr. Mittal for taking the question-and-answers.

Ajay S Mittal, Group Chairman and Managing Director

Good morning everybody. I am open today for any kind of question-and-answers. So please don't hesitate to ask any questions. Let's

start this.

Questions And Answers

Operator

Thank you very much. We will now begin the question-and-answer session. [Operator Instructions]. We have the first from the line of Varun Rao from Akshayam Capital. Please go ahead.

Varun Rao

Yeah, hi. Congratulations for fantastic set of numbers. There have been some restructuring, what I have seen is comparing to amalgamated some of the holding companies and there has been some divestments and all that. So, I just wanted to get some color on the same.

Ajay S Mittal, Group Chairman and Managing Director

There is no restructuring as such Varun, what we have done is that we had subsidiaries in Arshiya where we had Northern FTWZ, Western FTWZ, Southern FTWZ, Central FTWZ and Eastern FTWZ and same thing with Domestic Distripark. We now have decided as a company to put all FTWZs that we will open eventually five of them and eventually five Domestic Distripark in one company rather than having them in five companies. So, all we have done that these subsidiaries which are only a Rs.1 lakh capital structure one that having a capital of about between Rs.1 lakh to Rs.5 lakh has been -- the name has been changed and those companies have been sold out for the same value so there is no capital gain in this there is nothing and just keeping the subsidiaries which are dormant absolutely was not making any sense and amalgamating all the FTWZ under one umbrella was what was making sense to us.

Varun Rao

Okay. Thank you. So, we would be going ahead with opening more FTWZ maybe that is down the line so the plan is still there?

Corporate Participant

Of course we will open many more and we will open under one company only not under five different companies.

Varun Rao

Okay. Thank you. Second one was account keeping question can I just get the breakup of interest expense in terms of gross interest expense and capitalized interest expenses for the year?

Sandesh Chonkar, Executive Director and Chief Financial Officer

Yeah, the gross interest expenses 252.77 crores out of that 102 crores has been charged to profit and loss account and 150 crores has been capitalized.

Nijay N Nair, Strategic Initiatives

This also includes the initial fees that we pay to the bank for indication of loan which is they do down selling of loans. So that cost term as a heavy cost right up front. So this particular interest cost include that element too.

Varun Rao

Okay, how much would that be?

Sandesh Chonkar, Executive Director and Chief Financial Officer

It will be about 4 crores. 102 crores is the interest and 4 crores is the processing fees the total charge to profit and loss account if you

see is 106 crores.

Varun Rao

Okay. Okay and as on March 2012 what is the net debt on book and what is the CWIP on book?

Sandesh Chonkar, Executive Director and Chief Financial Officer

The assets which are capitalized on the books as of 31st of March is 1,517 crores and the CWIP which is carried over is 1,332 crores. Okay. And the net debt.

Sandesh Chonkar, Executive Director and Chief Financial Officer

Net debt on the books is 2,372 crores.

Varun Rao

Okay. Thanks a lot. All the very best for the coming quarters.

Nijay N Nair, Strategic Initiatives

Thank you very much.

Operator

Thank you. The next question is from the line of Prateek Kumar from Religare Capital Market. Please go ahead.

Prateek Kumar

Hello?

Nijay N Nair, Strategic Initiatives

Yeah, hello Prateek.

Prateek Kumar

Hello yes sir. Sir a question regarding the Rail segment. We have in the Q4 we have the EBITDA margin in Rail segment EBIT margin in Rail segment as 15.4 which was almost inline with what we had in Q3. So what we had in Q3, so going forward like last year what kind of increment we can expect like it can go to 17% or it might remain at like 16 or?

Nijay N Nair, Strategic Initiatives

I see a substantial rise probably not in this quarter which is Q1 of FY13, but we see a substantial rise in this EBITDA margin from Q2 of FY13 because we will have our Khurja siding coming up. What problem we have is the efficiency level with Indian Railways and their system which mainly 25% of our time, in a month almost seven days gets wasted for doing mechanical testing at depots which are allotted to our rakes. Now, what happens if our rake is flying between say, Mumbai and Delhi sometimes the depot allocated is Calcutta and that takes about seven days time. We can change the depot which is a process what we are doing now is with the Khurja siding coming up our CapEx in the Khurja siding has gone up a little bit because we've added a mechanical testing center at the Khurja siding which is approved by the Indian Railways and our rakes will now within a time frame of six hours instead of seven days have the mechanical testing done on a month-to-month basis. So, the saving for us would be almost 6.5 days plus which will add

Prateek Kumar

So sir any guidance regarding the EBIT margins for the Rail segment I mean.

Nijay N Nair, Strategic Initiatives

I'm non amended to give any kind of future guidance at this point of time but we surely would get into that phase shortly also.

Prateek Kumar

Okay, sir. And sir just the second question regarding the number of rakes you have currently 20 rakes and the press release said that you expect to take 10 rakes which are obviously on lease so you expect to take all those 10 in FY13 only?

Ajay S Mittal, Group Chairman and Managing Director

Well, I did not say it's on lease. It is going to add 10 rate in FY13.

Prateek Kumar

10x in FY13, so you expect that 10 more rates in FY13 itself.

Ajay S Mittal, Group Chairman and Managing Director

Yes.

Prateek Kumar

Okay, okay. Sir, one more question regarding this interest expense, so we can expect the run rate for interest expense going forward in the range of 334 crores or can it further go up?

Ajay S Mittal, Group Chairman and Managing Director

Well we have already started making repayment of our term loans, and to that extent further borrowings would happen as the projects would get enhanced and we add more capacity in terms of our warehouses and in terms of our rates. But we are looking at certain options which Nijay mentioned would be announced in the next couple of weeks with regard to bringing in financial and operational efficiencies within our rail business. So that may bring down, let me say financial efficiency, that may be leading towards bringing down our CapEx in the rail sector.

Prateek Kumar

Okay, okay and sir last question. Regarding the CapEx in the FTWZ Panvel. So is it still like 60 crores, sorry 600 crores remaining CapEx for Panvel?

Ajay S Mittal, Group Chairman and Managing Director

You're very right. 600 crores of CapEx is still remaining for Panvel. At this point of time I'm more than happy to announce that we have visibility for 10 additional warehouses we are operating five and we've have a visibility for 10 additional warehouses in terms of our occupancy and that is where we are concentrating, we are having rails, we are very conscious that the rails are around the corner. So we have done preliminary work which is contributing to almost 40% 50% of the cost and which takes away almost 50%, 60% of the time in terms of building a warehouse that work has almost been completed prior to the range starting to that and we can - our building of warehouses with the kind of volume growth that we're seeing in this business in the last few quarters. And this will also mean that much for increase in our VOS activities.

Prateek Kumar

Okay. So, we can expect the VOS activity to go move up 1.4 currently to like 2.5 times, 3 times by FY14?

Ajay S Mittal, Group Chairman and Managing Director

I hope so.

Prateek Kumar

Okay, you expect that. Okay. That's all from my side. Thanks.

Operator

Thank you. The next question is from the line of Tejas Sheth from Emkay Global. Please go ahead.

Tejas Sheth

Yeah, hello everyone. Sir just wanted to understand your CapEx for FY13 in which segment this would be?

Ajay S Mittal, Group Chairman and Managing Director

CapEx for FY13 will continue as the second phase of the FTWZ in the Western region. And the rate additional would come in the rail business.

Tejas Sheth

Sir, can you put an amount to it?

Ajay S Mittal, Group Chairman and Managing Director

I am coming to that. And there would be a distinct CapEx that we will have in the second phase as we see visibility of the FTWZ in Khurja. So the amount of CapEx that would be there in FY13 envisages to the tune of about... 500 crores. Okay. And how much of this would be debt driven?

Ajay S Mittal, Group Chairman and Managing Director

Well about 300 odd crores will be debt driven.

Tejas Sheth

Okay, sir your peak debt should be at around 2,700 crores?

Ajay S Mittal, Group Chairman and Managing Director

Let me put it the other way round it would be around 2 to 2.2 debt to equity ratio.

Tejas Sheth

Okay. Sir, how sooner you plan to convert your Indian currency loan to this ForEx loan

Nijay N Nair, Strategic Initiatives

I think this is an excellent question. We are now having complete visibility and I think we've already managed to do over a 100 plus crores of conversions.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

In the next couple of days we've been watching the dollar going up everyday. So we are kind of being tempted to wait to do the conversion to get better returns on our ForEx. So we are just... we're in a position to do up to 300 crores because we have visibility of our earnings coming in dollars and hence no hedging required natural hedge on the dollar repayments of the loans up to 300 crores and which I think as per my guidance from the President of Finance Mr. Santosh Maheshwari should be done by the end of this month or probably by early of next month up to 300 crores.

Tejas Sheth

Okay. So your peak ForEx loan would be around 300 crores?

Nijay N Nair, Strategic Initiatives

At this point of time, yes.

Okay. And sir just wanted to have this on this new client acquisition like in terms of Cisco which gives you as you said a good visibility also for your new warehouses in Mumbai can you just throw some light on that and elaborate it?

Ajay S Mittal, Group Chairman and Managing Director

As Cisco started with us almost about seven, eight months back as a client, they did a lot of trials then they made us up for their India business only. Now, on the 18th which is day after tomorrow a Global Board member of Cisco is flying down to India -- to do a ribbon cutting ceremony at our FTWZ where they have invited people from the CBAC they have invited people from the Commerce Ministry and they are actually exhibiting that they are moving their regional hubbing from Singapore to India which will not happen over night but they have started from 18 they would be starting moving their regional hubbing from Singapore to India and I would ask Nijay to elaborate particularly on this subject since we had greater knowledge.

Nijay N Nair, Strategic Initiatives

Good question actually the if you look at the scope of operations for us with Cisco this fiscal they have routers and switches.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

Different configuration for different service for their customers. Now, one of their customer is RBI for example.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

When you have these different configuration servers all over they keep the spares for their routers and switches in our Free Trade Zone. The scope of operation is that they might not know what will go down and when Cisco signs an agreement with RBI they have a downtime agreement fix which is a six hour service level that if something were to go wrong in their service they need to fix it in six hours.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

So, what they use it they make sense to understand of using the Free Trade Zone as a hub where they would keep all kinds of parts and then you use that as a hub to not only service India but the regional. What our job will involve will be bringing these parts putting it there, picking and packing depending on what time they would require doing the custom clearance and delivering it to the site. So that is one example of what we're doing with Cisco.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

And obviously having the refrensability of a product like Cisco which will have very very very stringent service levels. It's what has allowed us to also penetrate Volkswagen business because again this is the similar kind of business where we look at auto spares again non linear, you do not know what part of your car will go wrong when.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

So the automobile company have become a state where they need to store everything in order to provide a customer service levels. So that's what we use even when we do with an L&T is the same thing they have got projects coming up for which they need parts and solar panels et cetera. So the EPC Engineering, auto technology spares this the kind of services that we offer. Now since you have also questions when you are looking at just storing those router or switches or parts is the one component which is the rent that we earn from them. The whole distribution when these parts come putting it into a WMS system, sinking it with their ERP, doing a control quality control check which is done by their supervisors and placing it in the appropriate place in the Free Trade Zone and then picking it and then delivering all of that constitutes as the value optimize services.

Tejas Sheth

Okay.

Nijay N Nair, Strategic Initiatives

So that is what explains now in this case it's obviously much higher than a 1.4. 1.4 is the average of the whole zone. But in this particular account it will be a lot more than that. So similarly with the world kitchen which is picking and packing of all kinds of crockery so they have a precarious problem in India that joint families in Gujarat are much bigger than joint families in Maharashtra. So an average dinner set here is different from there. Now as a country we do not allow the flexibility of such packing if you don't have a Free Trade Zone.

And that exercise of packing is the value optimized services. So, since you are on the question I just thought more.

Tejas Sheth

Okay, okay. So, just last question on this 1,000 crore of top-line how much billing is done in dollars?

Ajay S Mittal, Group Chairman and Managing Director

Very good question in fact about 150 crores worth of billing would be done in dollars.

Tejas Sheth

Okay.

Ajay S Mittal, Group Chairman and Managing Director

So, that is why we have the visibility and that has happened about less than the time frame about 130 crores of billing is been done in dollars.

Tejas Sheth

Okay.

Ajay S Mittal, Group Chairman and Managing Director

That gives us a visibility that 300 crores of billing would be definitely be done in dollars in the next in FY13.

Tejas Sheth

All the FTWZ revenues is not done in dollar?

Ajay S Mittal, Group Chairman and Managing Director

Sorry?

Tejas Sheth

The Mumbai FTWZ billing is not done in dollar the full?
It is, it is.

Tejas Sheth

So, logistics is fully rupees event.

Ajay S Mittal, Group Chairman and Managing Director

Yes. It is, well FTWZ billing is done in dollars 100%.

Tejas Sheth

Okay.

Ajay S Mittal, Group Chairman and Managing Director

But you need to understand that's broken up into two parts. One is our expenditure is in rupees and now with the conversion of the loans from rupee to dollar. We also have a expenditure in dollar.

Tejas Sheth

Yeah, and I agree and what it provides a hedge in terms of...

Ajay S Mittal, Group Chairman and Managing Director

We broken up our income when we build to our customer we build some of customers in rupee denominated dollar.

Tejas Sheth

Okay.

Ajay S Mittal, Group Chairman and Managing Director

And some simply in dollars.

Tejas Sheth

Okay. And going forward what would be this, what amount of debtors that we see ForEx loss in this quarter?

Ajay S Mittal, Group Chairman and Managing Director

What is the amount of debtor -- about 90 crores of debtors.

90 crores of debtors. And there is a predominantly from Mumbai FTWZ only the debtors outstanding?

Ajay S Mittal, Group Chairman and Managing Director

Yeah, you need to appreciate that we have -- these debtors outstanding debtors they are 90 crores is normally in our business about 60 days is the normal cycle, 60 to 90 days is a normal cycle. But we been we have to account now what really happens is that is you see the dollar which was at about 53, 50 plus on the north of 50 December 31st went down to about 51, 50 or something on 31 of March. So that difference is the just the notional difference like an accounting entry which shows you a loss. But actual realization of this 90 crores we have almost realized about till date about 45 crores to 50 crores have rupees has been realized. Out of which it has been realized at a higher cost, whatever it is.

Tejas Sheth

Okay

Ajay S Mittal, Group Chairman and Managing Director

And at a higher cost that we have been able to realize. So this notional loss is just on paper, but if you really see what is the realization it's actually gives us a profit than a loss situation.

Tejas Sheth

Okay, sir. That's it from side. Thank you very much.

Ajay S Mittal, Group Chairman and Managing Director

Thank you very much.

Operator

Thank you. The next question is from the line of Rajesh Ravi from Karvy Stock Broking. Please go ahead.

Rajesh Kumar Ravi

Yeah. Good morning sir. Congratulations on good set of number.

Ajay S Mittal, Group Chairman and Managing Director

Thank you Rajesh.

Rajesh Kumar Ravi

Yeah. Sir would you break the CapEx data for FY13 once again. You said 500 crores is the total CapEx, correct?

One second. Yeah.

Rajesh Kumar Ravi

Yeah. What would be the breakup on the three divisions. Panvel, Khurja and the ?

Ajay S Mittal, Group Chairman and Managing Director

Yeah, I will give you the Panvel FTWZ is about 150 crores.

Rajesh Kumar Ravi

Okay.

Ajay S Mittal, Group Chairman and Managing Director

Rail 50 crores.

Rajesh Kumar Ravi

Okay.

Ajay S Mittal, Group Chairman and Managing Director

Khurja FTWZ about 100 crores.

Rajesh Kumar Ravi

Okay.

Ajay S Mittal, Group Chairman and Managing Director

And Khurja Domestic Distripark 100 crores.

Rajesh Kumar Ravi

Okay. Sir you said that you added, we have 20 rakes currently. We had at the start of Q4 we had around - two rakes in the month of February and March, correct?

Ajay S Mittal, Group Chairman and Managing Director

You added four rakes we had 20 rakes today.
So the two additional rakes came in the start of FY13?

Ajay S Mittal, Group Chairman and Managing Director

No, no at the end of FY12 we had 20 rakes.

Rajesh Kumar Ravi

Okay. So all the four rakes were added in the last quarter.

Ajay S Mittal, Group Chairman and Managing Director

Yes.

Rajesh Kumar Ravi

Okay. And what is the current status at Khurja like how many warehouses are operational and revenue generating?

Ajay S Mittal, Group Chairman and Managing Director

Three warehouses of the FTWZ are operational and revenue generating.

Rajesh Kumar Ravi

Okay at Khurja?

Ajay S Mittal, Group Chairman and Managing Director

At Khurja. And Domestic Distripark is yet to get into commercial operations. And the real timing which as Nijay mentioned is not only the largest and most efficient and most modernized - but it is the most, it is the largest and most efficient and good modernized rail in the country. Which will be operational sometime in end of June or early July.

Rajesh Kumar Ravi

Okay. So, what I'm coming to you like what sort of customers we are getting at the Khurja because Mumbai we understand that it's mostly other similar profile of customers which we are getting at Khurja or is it slightly different business model at the Khurja FTWZ?

Ajay S Mittal, Group Chairman and Managing Director

90% of our Khurja customers are Mumbai customers.

Rajesh Kumar Ravi Ajay S Mittal, Group Chairman and Managing Director

I think, that answers the question.

Rajesh Kumar Ravi

So, being connected by train would be an additional benefit for getting new customer?

Ajay S Mittal, Group Chairman and Managing Director

Extremely.

Rajesh Kumar Ravi

Okay.

Nijay N Nair, Strategic Initiatives

Also I would like to add this is Nijay. There is see, when you are in Free Trade Zone in the West you have a lot of customers who do re-export et cetera.

Rajesh Kumar Ravi

Right.

Nijay N Nair, Strategic Initiatives

But, when you go the North, and this is the phenomenal we are seeing in the North and we see with people like Marks and Spencer and many others is that there is lot of manufacturing happening there for export. So, Khurja in a sense there is a whole slew of customers who do export consolidation.

Rajesh Kumar Ravi

Okay.

Nijay N Nair, Strategic Initiatives

Where you are able to do consolidation of product in Indian soil but technically after the supplier is able to get a drawback for that export. So this business we are seeing a lot in Khurja which is slightly different as a mix customer mix. So you have some time we have customers like Marks and Spencer who is doing imports with us in the Free Trade Zone in Bombay and managing export out of Khurja. So you have the same customer but different kind of operations. So Khurja we will see a lot of exports shipment also including exports to Bangladesh et cetera that have benefits of going through a Free Trade Zone. So that kind of business is ramping. Okay. So export will be a major business driver at the Khurja STWZ?

Nijay N Nair, Strategic Initiatives

Yeah, it will be a substantial contributor and I was speaking more from the difference of the Free Trade Zone in the West with the North.

Rajesh Kumar Ravi

Right. Okay and sir what the cash position currently? Hello?

Sandesh Chonkar, Executive Director and Chief Financial Officer

Yeah. We are on the net debt position as of today okay. But then we also have about 50 crores of cash at various companies.

Rajesh Kumar Ravi

How much sir please?

Sandesh Chonkar, Executive Director and Chief Financial Officer

Capital expenditure.

Rajesh Kumar Ravi

Sorry I didn't get the number?

Corporate Participant

50 crores of cash.

Rajesh Kumar Ravi

50 okay.

Sandesh Chonkar, Executive Director and Chief Financial Officer

Yeah.

Rajesh Kumar Ravi

Okay. That's all from my side. If more I'll come back again. Thank you.
Thank you.

Operator

Thank you. [Operator Instructions]. We have the next question from the line of Himanshu Nayyar from Quant Broking. Please go ahead.

Himanshu Nayyar

Yeah. Good morning all of you. And congrats on a good set of numbers. My first question would be towards the recent news on you guys looking at setting up your next zone in Chennai before Nagpur. So just wanted to know the status on that. I mean if you can give some broad time line and what assets have you acquired land already or still looking to finalize the site?

Ajay S Mittal, Group Chairman and Managing Director

Yeah, good question. If you see what we have done in Mumbai FTWZ vis-à-vis what we've done in Khurja as a consolidated FTWZ Domestic Distripark in a rail siding, that is something we are unable to do on our Nagpur land.

Himanshu Nayyar

Right.

Ajay S Mittal, Group Chairman and Managing Director

And that is the right kind of model obviously it's a learning curve it's evolving business it's a sunrise industry so we are also learners out here everyday. So, what we felt that even in Nagpur we need and we are in the process very openly to sell out the land that we have purchased in Nagpur. We are getting good responses towards selling out that land so that we can acquire a larger piece of land to do the Nagpur project. In the meanwhile, our customers who are here in the FTWZ at Khurja as well as in Mumbai, their desire is to start Chennai prior to starting Nagpur because they feel that they have lot more access to customer base from Chennai today and Chennai can serve faster even to the Nagpur region or Mumbai can also serve to the Nagpur. But ultimately Nagpur would also become very important centre.

Himanshu Nayyar

Right.

Ajay S Mittal, Group Chairman and Managing Director

See Nagpur prior to Chennai was based on the fact that Nagpur would also become a huge airline industry hub which it has not happen with the unfortunately with the policy issues that one faces in this country at this point of time. These kind of things have not happened yet. So Nagpur has been put on the back burner. Chennai land has been identified our lawyers are at this point of time checking the documentation in terms of ownership for the land if there are any issues with regard to any borrowings on those lands and all those issues. It's a process it will take indeed one quarter for us to even decide whether we are going ahead with that purchase of land but what we've identified Tamil Nadu is one of the What wet land means it's cultivable land. So we are really looking at very very - land or very very a land which cannot have a single crop also in the whole year.

So getting those kind of lands in the whole of Tamil Nadu is not the easiest of things so we've to follow the laws of land. We've identified the land. Now we're looking at the legal status of the land. And then three months before we can actually finalize on this piece of land. Which will have 4% or 3% in the rails the FTWZ and the Domestic Distripark.

Himanshu Nayyar

Okay okay. Secondly on the notional loss that you talked about earlier, I mean just wanted to know that if I look at it in third quarter you had this other income positive other income of 76 million. So just wanted to know whether that was notional profit as well?

Ajay S Mittal, Group Chairman and Managing Director

Yes yes. To a large extent it was a notional profit and I wouldn't say completely notional profit. Because it is on the, the day we get paid in dollars is the day that we get the X number of rupees.

Himanshu Nayyar

Right.

Ajay S Mittal, Group Chairman and Managing Director

Okay, so we can't give you exactly what will be the notional loss and notional profit exactly, but more or less our experience has been not only our company but even with our people who have been working in other companies profit doing similar kind of things that more or less when it is a debtor driven notional loss. A debtor driven, I am using this word very carefully debtor driven notional.

Normally we tend to not have any profit or gain substantially because of the fluctuation of the rupee to the dollar. Unless and until perceptually the dollar is going up and continuously which have been in the past one week or so, but that is not sustainable I guess and I hope for the culture. But if that being the case, well we'll keep on making more money I guess, but that's not we intend to do any money would get paid off against our loan that we will take in dollar. So, there will be no real gain for us in terms of this notional loss, investment profit.

Himanshu Nayyar

Okay, got that sir, got that. And sir next on the Free Trade Zone margin this time, I mean sequentially margins for last quarter were 84% and this quarter have come down to 63%. So, sequentially what really has happened has the increased the revenue from Khurja they are under this margin decline?

Nijay N Nair, Strategic Initiatives

Yeah, sir this is Nijay. This will be an trend as we view as for value optimized services penetration increases effect, because all those value optimized services we will not enjoy the same margin and rent as a component because rent will have the right margin.

Himanshu Nayyar

Right.

Nijay N Nair, Strategic Initiatives

All these services for which we will render land up yes we will charge but we will also pay. So, that margin in the Free Trade Zone business is broken into rent and into the value optimize. So, as we increase penetration you will find the downward effects on the overall margins but the - will get larger.

Himanshu Nayyar

Got that. So where were we last quarter in terms of what's the rental ratio?

Ajay S Mittal, Group Chairman and Managing Director

About 1.25

Himanshu Nayyar

Okay, okay.

Ajay S Mittal, Group Chairman and Managing Director

We have become about 1.4 in this quarter. Now again that is the average for our entire occupancy.

Himanshu Nayyar

Okay, okay.

Ajay S Mittal, Group Chairman and Managing Director

So, if you pick some customers that are high as 17 and as low as 0.5 and now the point will be to skew most of the customers towards that direction and we will come to a stage in FY13 where we would be in a position to choose those customers for whom we get larger share of the VOS - to date.

Himanshu Nayyar

Got that. And sir okay, one final thing on what's the actual amount of CapEx that we've done for FY12?

Nijay N Nair, Strategic Initiatives

The CapEx what we've done for 2012 is 2,797 crores.
2,000?

Nijay N Nair, Strategic Initiatives

797 up to -- he is asking specifically for that year.

Himanshu Nayyar

For the year I'm asking sir.

Ajay S Mittal, Group Chairman and Managing Director

1,517.

Himanshu Nayyar

1,517. And sir in terms of warehouse capacity if you can just give me the number what is our current warehouse capacity and if we have certainty as to where we would be at the end of the FY13 now?

Ajay S Mittal, Group Chairman and Managing Director

We would be operating in we are operating five warehouses and the huge over dimensional cargo yard and while the container yard facility at the Sai village we would be moving into managing another 10 warehouses by FY13 equivalent I would say. Some warehouses are larger in size as compared to the normal warehouses.

Himanshu Nayyar

Right.

Ajay S Mittal, Group Chairman and Managing Director

See what happens is it's a great question. When we first started this Free Trade Zone we got to make something available where we go at market it to the world. Today again the whole point for us is, as we move forward in the auto space we would like to go and customize warehouse for people depending on different sector so for auto space, for auto DKB, SKB assembly you need a particular kind of warehouse.

Over the next 12 months, that is why Mr. Mittal said warehouse equivalent which you can use for your model construction but what we would endeavor to do is customize solutions for people including the infrastructure and this is a huge space and it's a untapped

marketplace. So, we will create particular kind of warehousing for particular kind of customers in sector.

Himanshu Nayyar

Got that. So, in aggregate but we would still have equivalent of 15 warehouse at the end of FY13?
Correct. Absolutely right.

Himanshu Nayyar

Okay. And sir, when can we expect the audited balance sheet numbers?

Sandesh Chonkar, Executive Director and Chief Financial Officer

We are planning to have it in second or third week of June.

Himanshu Nayyar

Alright sir. Okay, sir that's all from my side. Thanks and all the best.

Sandesh Chonkar, Executive Director and Chief Financial Officer

Thank you.

Operator

Thank you. The next question is from the line of Sneha Potddar from Sharekhan. Please go ahead.

Sneha Poddar

Yeah, good morning, sir.

Ajay S Mittal, Group Chairman and Managing Director

Sorry to disturb you, Sneha. Can you please ask once single question because we have got four or five people and we have got only about five, seven minutes left. So...

Sneha Poddar

Sure sir. Sir most of my questions have already been answered. Sir, just one question in terms of Khurja sir would we see the similar VOS to rental ratio as we see in Panvel or is it different?

Nijay N Nair, Strategic Initiatives

No, so Sneha if you look at the evolution of -- we'll answer it this way if we look at the evolution of our Free Trade Zone business over the last six quarters you would definitely see a similar evolution of business with Khurja as well. Now, obviously because this is the second time around that we have doing this we should be faster but it's a whole new location it's a different kind plus we are talking about exports. So I think for you could assume that we will do the same trajectory of evolution of business that we've done in the last four quarters of this year with Khurja.

Okay. Sir but then I mean like 90% of our clients are from Panvel itself so wouldn't that help in like getting higher VOS rentals.

Ajay S Mittal, Group Chairman and Managing Director

You are very right 90% of our clients are there but not a single employee from our western region is working in Khurja it's a separate employee culture out there and so on and so forth trading and all that Khurja is not a manufacturing kind of a centre as such. So, we have

to take into account many factors it is not as simple as thing if I can do if I ride a Mercedes Benz in Bombay and if I ride a Mercedes Benz in a village in India I'm sure the deterioration of the Mercedes Benz in the village in India would be far higher than the deterioration of a Mercedes Benz in Mumbai but it's not probably the best example to give you but, there are going to be difference see Mercedes Benz will remain a Mercedes Benz but there would be certain differences. So we don't want to over speculate or over promise you guys in terms of what Nijay say make structural sense to meet that let us just go saying that the trajectory would be almost the same as what we have in Mumbai.

Nijay N Nair, Strategic Initiatives

But we will add one effect that you will find is our cost of sales will definitely be much lesser. So your customer acquisition cost will reduce. So that will eventually show in our margins. But that would be the effect that you would see in this Sneha.

Sneha Poddar

Okay. Sir currently what have been we've been witnessing in Khurja?

Nijay N Nair, Strategic Initiatives

Sorry?

Sneha Poddar

Currently I mean VOS rental ratio is standing at what levels in Khurja?

Ajay S Mittal, Group Chairman and Managing Director

It's about 0.5 level.

Sneha Poddar

0.5 okay. And sir in terms of visibility in Khurja by FY13 how many warehouses should we be doing?

Ajay S Mittal, Group Chairman and Managing Director

About close to five or six equivalent.

Five or six. Okay thanks a lot, sir.

Ajay S Mittal, Group Chairman and Managing Director

Thank you.

Operator

Thank you. The next question is from the line of Mihir Jhaveri form Religare Capital Markets. Please go ahead.

Mihir Jhaveri

Yeah most of my -- hello?

Ajay S Mittal, Group Chairman and Managing Director

Yes. Mihir.

Mihir Jhaveri

Yeah sir. Basically just sorry I just missed out on that I just missed out on that rail thing which you said that we are adding 20 rakes and probably the CapEx is around 50 crores. So, just if you can just please elaborate on the same that?

Ajay S Mittal, Group Chairman and Managing Director

We're adding 10 more rakes and please wait for an announcement which we said in the next two weeks we will be announcing.

Mihir Jhaveri

Okay.

Ajay S Mittal, Group Chairman and Managing Director

With regards to having financial and operational efficiency.

Mihir Jhaveri

Okay.

Ajay S Mittal, Group Chairman and Managing Director

So, just bare with us for the next two weeks.

Okay.

Ajay S Mittal, Group Chairman and Managing Director

The justification of 150 crores in the rake business with 10 more rakes being added.

Mihir Jhaveri

Fine sir. That's about that sir, all my questions are answered. Thank you.

Ajay S Mittal, Group Chairman and Managing Director

Thank you.

Operator

Thank you. That was the last question from the participants. I would now like to hand the floor back to Nijay Nair for closing comments.

Nijay N Nair, Strategic Initiatives

Yeah. Thank you everybody for your participation more importantly on behalf of Mr. Mittal, Mr. Chonkar and all of Arshiya thank you all for your support over the last year. Again we believe that all the work that we've been doing over the last three years will culminate and generate over the next 12 months and we look forward to your continued support and guidance and we're ever so grateful for being together in this trajectory of revolutionizing logistics in India. Thank you very much.

Corporate Participant

Thank you.

Operator

Thanking all on behalf of Arshiya International Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines. Thank you.