



TECHNOLOGY ENABLED LOGISTICS

ANNUAL REPORT
2015-16

all cargo  logistics ltd.
Ingenuity In Motion

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Forward-looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise.



160+

Countries

300+

Offices Globally

TECHNOLOGY ENABLED LOGISTICS

The world is becoming smaller, coming closer and moving faster. Our lives are being disrupted every passing day with the advent of technology and imagination.

The logistics industry is no exception, as it undergoes dramatic shifts because of technology solutions that challenge the established order. The ability to consistently innovate, change and transform is the only way to remain relevant, and achieve sustainable success.



As India's leading integrated logistics solutions provider, Allcargo Logistics is charting an attractive growth trajectory through technology enabled logistics solutions.

Despite global economic volatilities and a challenging transnational trade scenario, we have continued to maintain our leadership across our main businesses.

Globally benchmarked quality assurance and standardised processes across a diverse spectrum of services and facilities have enabled us emerge as one of the most reliable and innovative enterprises in the logistics space globally.

FY 2015-16 saw us focusing our efforts and resources on achieving efficiencies through cross-selling, investment in talent, process improvement, cost optimisation and technology enhancement.

We also acquired a controlling stake in Avvashya CCI Logistics. This strategy will enable our emerging business of contract logistics grow significantly and contribute to the revenue mix in the coming years.

We are also planning to foray into the logistics parks opportunity, which will open new frontiers of growth and opportunity for us.

For us at Allcargo Logistics, the overriding focus for FY 2016-17 is on sales and technology to drive growth across all our businesses and markets.

The emphasis is on bolstering revenue and volumes, while at the same time increasing wallet share with existing customers and gaining new customers.

Empowered by best-in-class technologies, our priority will continue to be profitable growth, community support and sustainable value creation for all stakeholders.

OUR WORLD IN A NUTSHELL

Allcargo Logistics is the leading LCL consolidators in the world, and India's first and largest integrated logistics solutions provider in the private sector. We have redefined the global logistics landscape with our distinctive and pioneering integrated logistics services. We operate with the notion that logistics is not just a service, but an opportunity to create solutions that empower businesses globally.

With a wide network of 300+ offices across 160+ countries, we are one of the global leaders in NVOCC services. We acquired ECU-LINE in 2006, which resulted in further efficiency of our operations. In 2016, we rebranded our global identity to ECU Worldwide and consolidated our global presence. This step denoted our well-knit offices and highly-coordinated operations. Our endeavour is to produce benchmarks of quality and consistency, thus co-creating value for all our stakeholders.

Our world-class Container Freight Station (CFS) and Inland Container Depot (ICD) facilities, best-in-class equipment, leadership in Project Forwarding and Coastal Shipping as well as expertise in Contract Logistics Solutions, has helped us sustain our position as one of the most experienced, reliable and innovative organisations in the logistics space globally.

Vision

Become a leader in the business known for pioneering solutions in logistics, worldwide.

Mission

Create benchmarks of quality, consistency and commitment in the integrated logistics business worldwide.

Create better value for clients and for us through ingenuity supported by knowledge, expertise, technology and imagination.

Nurture long-term relationships with all stakeholders through growth, trust and by delivering on promises.

Be a responsible corporate citizen by contributing to the society and respecting cultural sensibilities.

Inspire creativity, initiative and leadership.

Values

Trust

Integrity

Team Spirit

Leadership

Passion for Excellence

Respect for Individuals

Transparency and Openness

CHAIRMAN'S MESSAGE



EBIT

₹ **39,546** Lakhs

EBITDA

₹ **54,832** Lakhs

TOTAL REVENUE

₹ **571,424** Lakhs

Dear Fellow Shareowners,

It gives me immense pleasure to write to you after a challenging but satisfactory year. I am delighted to share with you the highlights of our Company's performance for the year 2015-16.

Despite challenging economic and geopolitical conditions around the world, our Company has continued to maintain its leadership across all its businesses – MTO, CFS and Project & Engineering Solutions.

Our ability to offer integrated and one-stop logistics solutions through the synergy of businesses has made us a preferred partner to our customers.

Today, we:

- Are the largest LCL consolidator in the world
- Are the only logistics company with significant CFS presence at all 3 major container ports of the country, two inland container depots, with land banks at other major cargo centres to be developed in the future
- Have always looked at opportunities to further consolidate our position by opening new CFS
- Have taken huge steps to become a large player in contract logistics business which is likely to grow significantly post GST
- Are among the leading Project Logistics and Equipment Leasing players in India

We will continue to focus on delivering value to our clients by helping them strengthen their logistics value-chain, provide exciting career opportunities to our employees, while further enhancing our profitability and increasing ROCE

across businesses, ultimately leading to maximisation of shareholder value and return.

The global economic scenario remained weak during the year under review. Although India has emerged as one of the fastest growing major economies in the world, its growth was muted and uneven on account of various factors like policy reform setbacks, insufficient rainfall, stress in the Indian banking sector and lack of private sector investments, amongst others. This in turn affected the growth and profitability of companies across sectors.

Seeing the trend continue, we have concentrated our efforts on bringing in more efficiencies through cross-selling, investment in human capital, process improvements, cost optimisation and technology enhancements to ensure that we will remain competitive in a volatile and uncertain global environment.

In our LCL consolidation business, we have continued to increase direct LCL services from our offices globally, to maintain market leadership. We have taken all the steps to get the best value from all our acquisitions made in the recent past. I am very happy to say that all of them have created value to help the Company truly become a global player together with being in line with the estimated payback period.

In our LCL consolidation business, we have continued to increase direct LCL services from our offices globally, to maintain market leadership. We have taken all the steps to get the best value from all our acquisitions made in the recent past.



CHAIRMAN'S MESSAGE CONTINUED

This year, we have consolidated all our international brands into a single brand – ECU Worldwide. The worldwide launch of 'ECU Worldwide' was announced on May 2, 2016. This strategic change, announced after 29 years of brand ECU Line's existence, was supported through a global internal and external communication campaign. The motive of this change is to re-energise the ECU Worldwide brand and reinstate the message of a single global network among our stakeholders. Our rationale was to ensure that we simplify geography for our customers through our presence in 160+ countries and 300+ offices.

In the CFS segment, we are among top operators at all locations we have our facilities in. Despite continued drop in EXIM trade of India and almost no growth in port volumes, we have been

able to increase our business. Soon we will have presence in the east coast of India as we plan to open a world-class facility in Kolkata by the end of 2016-17.

We shall also be among the first few to foray into the logistics parks opportunity, which will be extremely beneficial due to the government initiatives of DFRC and smart cities. In pursuit of this opportunity, we have identified a significant piece of land in Jhajjar (Haryana), where we are looking to set up a rail-connected logistic park. Currently, we are evaluating to develop this in phases, depending on our clients' needs. This facility will cater to Inland Container Depot, Silos for Bulk Cargo handling, offering storage and rail services for domestic Cargo, PFT and warehousing and distribution services, etc.

In our Project & Equipment business, we continued to enjoy good asset utilisation and have remained conservative in our capex spend; while we see Government infrastructure spend increasing, project level investments by our clients are few and far between. We have purchased two vessels and at present, we are the largest player in break bulk shipments using coastal shipping services. Our ships are reasonably deployed in the current depressed market conditions; and the future looks promising on the back of the country's push for such a mode of transportation and the emerging infrastructural spend.

In the past year, we have taken major steps in stepping up our freight forwarding and contract logistic business through a joint venture with a leading company in the Indian logistic

space viz., CCI Pvt Ltd. The new joint venture has been named as Avvashya CCI Logistics Private Limited. It is a strong player across diverse sectors, offering value-added services to its marquee clients. With the acquisition of a majority stake in Avvashya CCI, our emerging business of contract logistics/supply chain management will undergo a paradigm shift, to be among the top 3 supply chain company in the country in the years to come, contributing significantly to the growth of Allcargo. In this financial year, the long awaited GST bill is likely to be approved in the Rajya Sabha. This legislation is expected to be a game changer to the logistic industry. We as an organisation are well placed to derive benefits in large scale from this emerging opportunity. We have drawn plans to grow our Contract Logistics & supply chain management business across the country in the next couple of years, to offer country wide services to our existing and new customers.

We plan to continue our conservative capex strategy in the current year, while leveraging every opportunity to enhance profits and shareholder value. We are focused on revenue and profit growth, ROCE, asset utilisation and cash flows across all our businesses. Strong cash flows generated in the years to come, will be used to bring down the existing debt on the balance sheet as well as to pursue new growth opportunities.

We are confident that in the coming years, along with the growth in domestic consumption and growth in economy, we will not only increase our market share, but also grow across India.

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BUSINESS PERFORMANCE

The consolidated financial performance for the 12 months ended March 31, 2016, is as follows:

- Total revenue from operations stood at ₹ 571,424 Lakhs for the year ended March 31, 2016, as against ₹ 568,141 Lakhs for the corresponding previous period. This growth was supported by increase in volumes and revenues across all our businesses
- EBIDTA touched ₹ 54,832 Lakhs for the year ended March 31, 2016, vis-à-vis ₹ 52,798 Lakhs for the corresponding previous period, registering an increase of 4%
- EBIT was ₹ 39,546 Lakhs for the year ended March 31, 2016, compared to ₹ 37,061 Lakhs for the corresponding previous period, reporting an increase of 7%
- EPS for the year ended March 31, 2016 was ₹ 11 for a face value of ₹ 2 per share.

FUTURE PLANS

The Government has declared its unwavering intent to help manufacturing grow in India. On the infrastructure front too, the creation of the dedicated freight corridor will help to boost the trade specially help the shippers based in north-western and northern India to be more competitive in the global markets. These initiatives will help boost domestic trade as well, and logistics will play a key role.

For us at Allcargo Logistics, 2016-17 is marked as 'The Year of Sales & Technology'. This will drive growth across all our businesses and markets. Besides, it will strengthen revenue and volumes, while at the same time

increasing wallet share with existing customers and help us acquire new customers.

With the aim to build a solid foundation for ongoing digital innovations, 4 years ago we decided to invest in developing our ERP. This project was named as 'Topaz', the new system is integrating four different legacy systems into one global platform to connect all offices worldwide, in a seamless manner. In cooperation with leading software developer TCS, the new software has been built based on the latest technology and is currently being rolled out gradually across the ECU Worldwide network.

The new, 'Topaz' system is now enabling us to establish a 'two speed' IT approach where customer facing new applications can be developed quickly in response to fast emerging market needs. It also allows a much more effective interaction with customers, suppliers, and other third party systems via modern API technology. Following the roll out of Topaz, we have plans to build a digital model for our existing businesses. Accordingly we are currently engaged in the conceptualisation and design of such an initiative.

We see managing information as the core of our business and consider strong digital innovation and design knowledge and capability, to be the most important strategic asset today and in the future.

Going forward, we will continue to focus on our existing businesses. We will leverage our diversified network

and products to further strengthen our leadership in LCL and FCL business. In India, we will continue to concentrate on increasing our market share and targeting newer geographies in CFS and ICD. Besides, we aim to further scale-up our contract logistics business with special focus on e-commerce and chemical warehousing. Moreover, we will continue to retain our leadership position in P&E businesses and strengthen our coastal shipping business keeping in mind a strong customer base in order to earn an ROCE which will be higher than the cost of equity.

I believe, human capital plays a pivotal role in achieving competitive advantage. Thus, we consistently invest in talent and in nurturing their skills to help them function more efficiently. Besides, we strongly encourage employee-engagement activities. I believe that our existing talent pool will enable us to outperform our peers and meet our obligations as an organisation to all our stakeholders.

I thank you all for your immense support and continued confidence in the Management of our Company. I would like to convey my gratitude to our stakeholders – customers, employees, partners, shareholders, business associates and society at large, for their consistent faith in us. We seek the cooperation of all stakeholders to make the journey even more exciting and rewarding, going forward.

Thank You.

Dr. Shashi Kiran Shetty

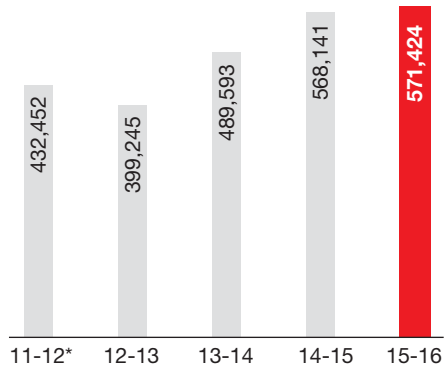
Founder & Chairman

LOOKING BACK AT AN EVENTFUL YEAR

Financial Highlights

Total Income

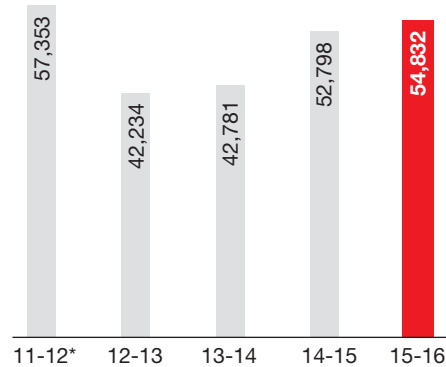
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13.4% 5 YEAR CAGR**

EBITDA

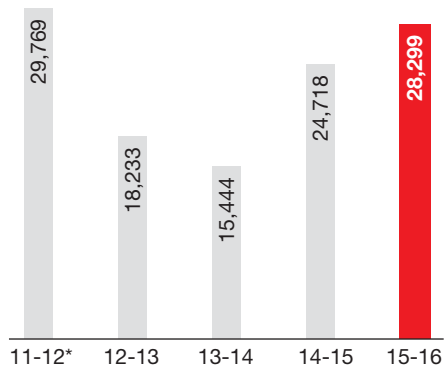
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4.6% 5 YEAR CAGR

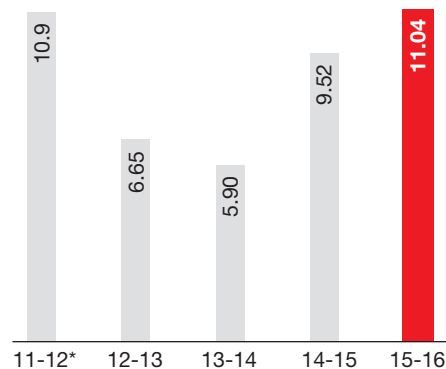
Profit after Tax

(₹ in crores)



4.4% 5 YEAR CAGR

Earnings per Share (Adjusted for bonus issue) (₹)



*15 months

**From FY 11-12 to FY 15-16, FY 11-12 annual number based on simple extrapolation