



“Navkar Corporation FY21 Earnings Conference Call”

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MANAGEMENT: MR. ANISH MAHESHWARI –CFO, NAVKAR CORPORATION
MR. NITIN – NAVKAR CORPORATION
MR. KRUNAL – NAVKAR CORPORATION
MODERATOR: MR. PRATEEK KUMAR – ANTIQUE STOCK BROKING

Moderator: Ladies and gentlemen, good day and welcome to Navkar Corporation Q4 FY21 Earnings conference call hosted by Antique Stock Broking. As a reminder, all participant 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. Prateek Kumar from Antique Stock Broking Ltd. Thank you and over to you sir.

Prateek Kumar: Hello all good morning on behalf of Antique Stock Broking warm welcome to all in the conference call for Navkar Corporation 4th quarter FY21. This conference call may contain forward looking statements about the company which are based on facts, beliefs, opinions and expectation of the company as on date of this call. The statements are not guarantee of future performance and involves risks and uncertainties that are difficult to predict. I now hand over the call to Mr. Anish Maheshwari, CFO Navkar Corporation for his opening remarks and then we will move to Q&A. Over to you sir.

Anish Maheshwari: Thank you Prateek and I would like to thank first to Antique Capital. Good afternoon everyone and warm welcome to everyone present on the call I have with me Mr. Nitin and Mr. Krupal from my team.

As we are all aware, the novel corona virus or COVID-19 overwhelmed the entire globe leading to its declaration as a pandemic by the World Health Organization (WHO) in beginning of 2020. After a span of one year, the things are gradually improving and entered into new normal with a positive outlook. Throughout the year we all are affected by this but we have observed the growth in revenue was positive being engaged in essential services.

In the fourth quarter, the business volumes continued to be on track of growth and turnover of company rose from Rs 190.04 crore in third quarter to Rs 213.61 crore in fourth quarter. The factors contributing to this growth are as follows:

- In case of ICD/PFT;

Volume of import containers handled increased by 22% from 30,622 TEU’s to 37,462 TEU’s on Q-to-Q basis and from 21,513 TEU’s on Y-to-Y basis the same is now up by 74%, And

Volume of export containers handled increased by 20% from 14,514 TEU’s to 17,345 TEU’s on Q-to-Q basis and from 12,378 TEU’s on Y-to-Y basis, the same is now up by 40%
- In case of CFS/PFT;

Volume of import containers handled increased by 9% from 29,587 TEU’s to 32,388 TEU’s on Q-to-Q basis and from 26,096 TEU’s on Y-to-Y basis the same is now up by 24%, And

Volume of export containers handled increased by 18% from 24,412 TEU's to 28,728 TEU's on Q-to-Q basis and from 33,000 TEU's on Y-to-Y basis, the same has declined by 15%

- Number of trains handled increased from 270 in last quarter to 324 at CFS/PFT and from 613 to 774 at ICD/PFT which is an overall rise by 24% on Q-to-Q basis. Comparing the same with Y-to-Y basis, the trains handled were 234 in CFS/PFT and 367 in ICD/PFT which is overall rise by 83%
- EXIM turnover rose from Rs 144.77 crore to Rs 168.28 crore on Q-to-Q basis, means a rise by 16% and this is a rise by 36% from that in same quarter of last year of Rs 123.97 crore

Company is committed to the path of growth to expand the client base in EXIM as well as domestic turnover.

In terms of revenue and business, this quarter was best in the history of company. There were challenges in the COVID era but the performance of company was positive in terms of growth in of company's business volumes.

Now coming on the profit figures for Quarter 4 FY20-21,

Operating profits of current quarter stands at Rs 68.69 crores in comparison to Rs 72.73 crore in preceding one which shows a decline by 6%. This was a slight decline in spite of rise in turnover belongs to following reasons:

- Change in the commodity mix of the cargo handled leading to more handling cost in hands of company due to nature of commodities in EXIM volumes as well as domestic volumes
- Increase in empty containers movement due to EXIM mix change from 45:55 to 47:53
- Due to COVID pandemic, there was continuous scarcity of manpower in areas of operators and labours in the field. Along with that the fluctuations in diesel prices also played the role in increased cost of variables.

EBITDA margin of current quarter stands at Rs 40.83 crore in comparison to Rs 46.51 crore in preceding one which shows a decline by 8.5%. Apart from decline in operating profit as mentioned above, the reasons attributed to the fall in EBITDA margin were:

- Writing off of debtors amounting to Rs 1.07 crore included in other expenses. These belong to the debtors who were unable to pay the storage cum detention charges due to COVID pandemic crisis. There was no such impact in last quarter.

- Booking of notional loss of Rs 2.56 crore as loss on sale of old vehicles. The same is included in other expenses.

The depreciation cost of company declined by Rs 1.61 crore in current quarter as compared to that in last one. The reason for such change was revision of useful life of railway sidings at the location of ICD in line with that at CFS.

Profit before tax of current quarter at Rs 14.82 crore in in comparison to Rs 18.05 crore on Q-to-Q basis and that of Rs 14.57 crore in Y-to-Y basis.

Profit after tax of company stands at Rs 8.15 crore in comparison to Rs 13.90 crore on Q-to-Q basis and at Rs 8.59 crore on Y-to-Y basis. Apart from reasons mentioned above, one more impact was rise in income tax expenses from Rs 4.14 crore to Rs 6.68 on Q-to-Q basis. This includes change on account of:

- Deferred tax impact due to decline in booking of mat credit booking by Rs 1.8 crore in comparison to last quarter due to decline in gross margin

Now coming to the area of borrowings, I like to state that the borrowings from banks and financial institutes as held by company increased by Rs 63.16 crore .from Rs 439.70 crore as on 31st December, 2020 to Rs 502.86 crore as on 31st March, 2021. This was due to following events during the quarter:

- Sale of 103 old trailers which were free from finance and purchase of over 200 new trailers being financed
- Repayment of working capital of Rs 41.42 crore during the quarter
- Availment of ECLGS facilities of Rs 46.31 crore during the quarter

After analysis of above points, I hereby like to state that the company's performance in growth of revenue was pleasant and the impact on profitability is foot print of presence of abnormal items of expenses in current quarter as discussed so far. Looking at this company hopes that the in upcoming periods, the impact of growth will be visible not only in the revenue side but also on profit side. I would like to add here one more point, company was having one investigation from GST department, it was mainly in relation to GST credit taken by the company and there was a difference made by them and that was led by due to the parties were not filing return on time and because of that we had a liability of Rs 1.8 crore and out of which almost around Rs. 1.05 crore which we had taken credit in this current year on justified grounds. Hence, the net impact was not significant as such. Looking at these situations, the company hopes that in upcoming periods, the impact of growth will be visible not only in the revenue side but also on the profit side.

Now, we will open the floor for Q & A session.

- Moderator:** Thank you. 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. The first question is from the line of Rishikesh Ahuja from Robo Capital, please go ahead.
- Rishikesh Ahuja:** Sir I have three questions, so one is you said the EBITDA margins dropped, so as far as I understand is it a onetime drop?
- Anish Maheshwari:** Yes, it is a one-time loss, Rs. 2.56 crore on account of sale of assets, we sold around 103 old vehicles from our fleet which was more than 10 years old.
- Rishikesh Ahuja:** Okay so we can see the range of 24-26% of margins from next quarter itself?
- Anish Maheshwari:** Yes, hoping that sir because these kinds of losses were very abnormal. So, that is why if you see my operating level profit was on a same line.
- Rishikesh Ahuja:** Okay and my second question is sir what is the strategy for the Mumbai operations now?
- Anish Maheshwari:** So, there is a decline in exports at Mumbai operations but we are at looking some more revenues on a domestic side, so in last quarter also if you were there on call I explained about this but I like to tell you again, we are exploring some domestic movement over the Maharashtra division and somewhere we got a setting success that is the reason our movement if you see on revenue side is on a higher side, comparative to the last quarter.
- Rishikesh Ahuja:** Okay and we have done 55,000 TEUs in Vapi this quarter, so can we say that like is it fair to assume that this will continue for the next 4 quarters, 55?
- Anish Maheshwari:** Yes, sir we are trying to reach over there by, the situation is now this quarter, I think so after COVID pandemic that is for sure. So, many parties were having a belief on us on the services side and that we are gaining from Vapi as well as Mumbai region.
- Rishikesh Ahuja:** Okay and my last question sir could you please share outlook on debt?
- Anish Maheshwari:** Sir, basically last year also on the last quarter I told and gave the guideline about the 200 new vehicle purchases but right now there is no such further asset which like to be involved but I just wanted to add over here as you are asking me, like we before last year we paid two trains for our operations, now we are having a train option on higher side, so in that front we can be at around 4 trains in next coming year and definitely the trains will be having process of one year. Further to that there is no such asset we were looking for and we do not want to take further loan on that.
- Rishikesh Ahuja:** Okay so sir how we are planning to reduce the debt, like what levels would you be paying this year?

Anish Maheshwari: So, basically this year we have around Rs. (+100) crore repayment and next year also the same repayment we have. After two years I think so, we were having a repayment of Rs. 60-70 crore per annum, next 4-5 years we are maximum debt level will be getting down.

Moderator: Thank you. The next question is from the line of Nagraj, an Individual Investor. Please go ahead.

Nagraj: Can you just highlight something about your land sale which you wanted to do, and it is not happening for the past 3-4 years?

Anish Maheshwari: Sir past 2 years we were having a two plan on that land, one was in relation to the warehousing and storage to may quarter, first. Second was sale of land which we have lying idle over there at RC and this was CFS which is 45 acres but in this current situation we would not get a price in line with which we required, first and secondly, there is no such interest to buy the land form any of the market players who were in the real estate. So still that option is available to so many parties, we were approaching to JLL, we were approaching in past to Ana rock for various things but since last pandemic, one year plus there is no such discussion on that line.

Nagraj: Okay and is there any documentation problem with respect to land, this is what some rumors are there in the market that documents are not clear that is why Navkar is not able to sell that land?

Anish Maheshwari: No, sir that is not at all a point because my entire land, if there is any kind of discrepancy on land documents that should be in my DRHP or the prospectus also. So, there is no land related issues for documents, there is a real price clause which would be there which is not we are getting yet.

Nagraj: Are you expecting to sell this year or next year, land?

Anish Maheshwari: Practically not because there is no such movement in this year from the real estate side, with the price if I provide any kind of a 40-50% discount, then maybe such situation will be arrived but we are not having that kind of movement in this area we had seen selling yet.

Nagraj: Okay my next question is when are you shifting to reduction in taxation, shifting to next plan for reduction in taxation?

Anish Maheshwari: So, tax we have for Vapi this is the last year, this last year for Vapi from next year onwards we will be taking benefit of 80IA.

Moderator: Thank you. The next question is from the line of Vikram Vilas Suryavanshi from Phillip Capital India Pvt. Ltd. Please go ahead.

Vikram Vilas Suryavanshi: Sir how was the performance of the Valwada Ahmedabad ICD?

Anish Maheshwari: Sir Valwada ICD is not having such performance yet because when you take last year Valwada and we are not yet making around taking (+500) containers over there, so which we include in

our Vapi ICD orders. So, Valwada ICD I would like to trace the Hazira and Mundra Port but we would not get that kind of volumes over there and we were having volumes over there at Vapi, our ICD.

Vikram Vilas Suryavanshi: Okay and Vapi volumes are mostly coming to JNPT or is there any improvement in, like...?

Anish Maheshwari: Vapi volumes are mostly coming from JNPT only.

Vikram Vilas Suryavanshi: Okay and Hazira would be how much? Or not much more?

Anish Maheshwari: It is in the range of 5%.

Vikram Vilas Suryavanshi: Okay and in last quarter I think we were operating around 12 trains, so is there any change in that or 12 is the same.

Anish Maheshwari: No, sir in this quarter particularly if you ask me we are focusing on the JNPT port volumes and the situations scare, Vapi clients whoever would like to be add, they were all added from the JNPT port itself because they do not get any kind of services from JNPT port side from various transporters and all, so that was actual shift and they got understanding whoever is having a strong service base, they will be going with them only and that is the only reason, Vapi level rises, if you see quarter on quarter also, when we started in 2017, whole year we were having only 40,000 TEUs volume, we are reaching around 55,000 TEUs in a quarter itself, so this is mainly added by JNPT port.

Vikram Vilas Suryavanshi: Okay, my question was more about we have own two trains, and 10 was leased, so I think that 12 number is still there, we are operating 12 trains.

Anish Maheshwari: Totally we are using around today, if you ask me last till March, we were having 12 trains in operation out of which 2 trains, which is owned by us and 10 trains we were taking on a lease, so with those trains, there were two major operations, we will handle on a domestic side for Smart camp and Arcelor Mittal. So, major train operations we did in last was domestic operations.

Vikram Vilas Suryavanshi: Okay and you are planning to add 4 more trains, will that be we are buying on our own or that will be on leased basis?

Anish Maheshwari: So, we are in planning to take our own trains that is why I told that it is all based on the financial viability, first thing and secondly availability of trains with the vendors.

Moderator: Thank you. The next question is from the line of Sudarshan an Individual Investor. Please go ahead.

Sudarshan: I have two questions, one is about Dwarf containers which is being right now tested from JNPT to Mehsana so in this current route and they said around 50% more efficiency is there in terms of the capacity, so any plans to introduce or handle such containers?

Anish Maheshwari: Pardon, I did not get your question actually.

Sudarshan: So, there is something called as Dwarf containers, so recently from Mehsana to JNPT, they have tested it, which means like we can support double stack containers on the existing track itself, so something has been tested like this in the JNPT to Mehsana route. So, this is the case, any plans to introduce because that increases the capacity by approximately 50%, so is it something we are planning to handle it any such containers which could improve the operational matrix?

Anish Maheshwari: So, we are already having those containers, we have movement on our lines over there at ICD as well as Mumbai as both are CFS and ICD will be PFT, so these kinds of containers we are already been handled, ICD movement which we are doing from port and is 100% by rail.

Sudarshan: My second question is in terms of the Vapi capacity and is it something, we are having only a linear route or are we expecting to add more clients because if you see the data, the JNPT data some January to March is also very high, so is it something only from the existing clients to are we in the process of adding new clients as well from Vapi.

Anish Maheshwari: Yes, we are adding everyday new clients at Vapi because as I told you, there are so many issues with the clients on a service basis, so we are new added clients less is very high now. And those are for, it is like we were earlier having a good and big client, now we were having a variable client of five containers, ten containers, fifteen containers, hundred containers. So, both the clients, directly they are coming to us and that is the reason our operating cost is also going high a little bit because the commodity mix was getting changed. Earlier we were used to do the, you know, heavy commodity and paper and Pharma, now everything is in a mix and match. So, there are definitely change of clients over there in Vapi.

Sudarshan: Is it possible to give month wise TEUs for January to March?

Anish Maheshwari: Month wise we are not separating yet but I can give you separately, if you will call me up.

Moderator: Thank you. The next question is from the line of Rishikesh Ahuja from Robo Capital, please go ahead.

Rishikesh Ahuja: Hi Sir. Two more questions from my side; first is the revenue, we have planned around Rs. 215 crore this year quarter, so can I say is this sustainable for the next year and is it fair to assume that we can do around Rs. 900 crore of revenues in FY 2022?

Anish Maheshwari: This is all depends on, after this quarter actually because this quarter also there is announcement of a COVID Pandemic lockdown, correct? So thus, we will be getting quarter number of June, then after only we can say that it will remain same for quarter-on-quarter for next couple of

quarters and three, four quarters because this is really very early to say. If you will see last whole year and compared to last year quarter for the same, there were a Rs. 155 crore top line versus Rs. 213 crore, correct? So there is definitely significant changes in the sales, it is all depends on the new normal policy introduced by the government, then it will also depend on the situations of the market. So right now, if you will tell me, the parties whoever is working with me, they are so much happy with the services, so after one or two quarters there may be certain centralization issue but at the same time, we will add some more clients. So, we are hoping and assuming that, that will remain there by couple of quarters but it will be rightly, I can say after one or two quarters, that will remain continue or not, because right now what happens, so many clients who were not getting good services from the variable counterparts, that is why they are coming to me. If there is a filterization process we will be getting from those sides, there might some clients will be changing their possible going towards the task scenarios but I can say, there might be a percentage of 5% to 10% but increment side is more than comparative to that.

Rishikesh Ahuja: Okay, and Sir my last question is, like when do you expect to go back to 30%, 33% kind of EBITDA margins?

Anish Maheshwari: Say, on that I can give you the guideline like, whole year we were facing so many challenges on the operating side. The commodity mix, then there were labor issues, then if you see the diesel prices, in last quarter, in January there was a diesel price of Rs. 79, which was in whole but around Rs. 88. So dynamics are getting changed, there are so many things which is not under our control. So, with looking at the current situation, I can say they might take another two to three quarters for getting that range again.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock Broking Ltd., please go ahead.

Prateek Kumar: Yes, I have few questions. Firstly, you just highlighted on now, how is the competitive intensity at the entities, so now things related to, like direct port deliveries is now like, it has broadly settled. So how the services are for ourselves evolved in the past two years, how has the services changed versus pre-DPD era which we use to offer and how is the general competitive intensity at the port?

Anish Maheshwari: So basically, putting as on the specific answers of the questions, like DPD as a situation, which has really impacted badly to the CFS industry and any CFS was looking on different kind of mode of operations; like some were they were generally into the warehousing and there were certain things, like we also changed ourselves to the competitive DPD situations, we are also moving to the domestic markets also. So, I can say, on the port side the movable will be same, services wise, like down the line if you will see next one or two years, once the DFCC will be coming into the picture, then again, the price war will be again on the railway side. Now that price war is on the road side, on the trucking side. So, that is all depending on the situations will be getting changed after the COVID Pandemic with the new normal policies and all, what kind of services people would like to preferably do and then the normal operations of the labors and truck drivers will be getting happened, then we will get to know how the services will impact to

the other businesses. So today if you ask me, with the DPD, the impact is already there and every CFS has already been impacted. Yes, I can say, certain shift, which we are hoping since last two or three quarters and on that, due to the lack of services we got some kind of benefits as we have a full facility with us. We have a railway tracks, we have a railway facility, we have a warehousing facility, by Vapi we are giving 100% multi model solutions to the clients and that has really helped the client as well as us to moving towards the revenue models.

Prateek Kumar: Okay and Sir on Cape, Capex has remained above Rs. 100 crore for since our IPO that much higher than Rs. 100 crore in some of the years. So based on our, like we are looking to add four trains in this year with would, probably until Rs. 550 crore To Rs. 560 crore? The total Capex would still exceed Rs. 100 crore for this year?

Anish Maheshwari: Probably not. I might say, by today's condition if you will ask me, trains why I would like to do Prateek because the issue is what you know, earlier the train which we got around in Rs. 11 lakh to Rs. 12 lakh on a lease basis, which is now Rs. 20 lakh. So, if you will, in March 2020, we did take two trains which has really helped me in this kind of a situation and now onwards, if financial capability will remain continued with the company, then only we will think about to take the trains or it should be giving me with the benefit of further business operations. Otherwise, we are not having any kind of a plan to take any kind of a train or asset side.

Prateek Kumar: Okay and just one question on your domestic operations, for some reason that number, like product came down in this quarter terms of revenue.

Anish Maheshwari: Slightly I think so, Rs. 40 lakh or Rs. 50 lakh due to February was doing 28 days.

Prateek Kumar: But generally, business across the economy macro, like sort of accelerated in Q4, so yours did not accelerate that way.

Anish Maheshwari: This year, Prateek I just want to interrupt you here. This year it is all, everything was abnormally changed, you know. Means in first quarter or last quarter, we were always having good set of numbers. So, on revenue side, we have definitely improvement and it was not because of COVID Pandemic, it is a general market situation or whatever you can say.

Moderator: Thank you. The next question is from the line of Vishal Doshi from Sunshine, you may please go ahead.

Vishal Doshi: Hello, good afternoon Sir. We have heard some news from the market that Navkar Corporation is going to expand its business, in Mumbai or Vapi and is going to start some new business model. So just wanted to know, how true is this news?

Anish Maheshwari: What kind of business model have you hear about, Sir? In Vapi, we have already expanded, our notification has already been extended. In Mumbai, there is not going to be any expansion, this has already been decided.

Vishal Doshi: No, with the permission of the Chairperson, you were supposed to start some new business in this quarter when the results were to be declared, that is what we had heard.

Anish Maheshwari: What have you heard Sir; can you please repeat it?

Vishal Doshi: You were supposed to take the permission of the Chairperson, to start a new business, so I just wanted a clarification on that. Are you going to start some new business or are you going to expand any existing business in Mumbai, Sir?

Anish Maheshwari: Sir, we have not thought about any new business as such. If anything as such development occurs, we will definitely let you know, in the market what happens Sir, and any such kind of information will have to give to the exchanges first. And before that all board meetings need to take place; it is all a process. You cannot just switch over to any business like that, first thing. Secondly, in relation to business, if our any CFS ICD or domestic related business is there, then we are definitely doing something or the other new every day. Like what you have heard about the domestic operatives, I am not exactly aware of, but ...

Vishal Doshi: Actually, what happened Sir, two days before the results were declared on Friday, the rates had started increasing for Navkar Corporation and from the delivery person also it had started increasing. So, we used to feel that there are some changes that are coming in the company and something new is going to start that is why we felt that something is due to happen because from the delivery percentage also 34-35%, Rs. 38-40 lakhs delivery as used to happen that is why we are asking you sir.

Anish Maheshwari: No, you are asking that is fine but definitely I would tell you only this that the existing business that we have in that we always do something or the other new we always do, like we are exploring the business in Maharashtra as I told you in domestic market like we were doing Pune, now we are operating in Chalisgaon, we are in Bhusawal, we are also doing work in Surat, Rajkot, so earlier what used to happen till the 200 Km range we used to go until Surat, now we are getting work from Ahmedabad, so on that lines definitely we are thinking, in market what perception is going on I do not know, what are the means we do not know and I really want to say that share prices will go up always when the company is doing good, so we cannot predict about it like what perceptions are going on in the market and what people do rest if you ask me business wise, you are seeing our revenue growth, expenses wise definitely the company has incurred some costs which the company had to spend on and we have accordingly given guidelines for future, last year also we had mentioned clearly that we have to buy vehicles, in second quarter we had informed, similarly for train we have not planned as such now but if its physical permission liability fits in then definitely we will do something. And Mr. Vishal in business I would like to tell you that in this line of business we always think of something every day, every day we are planning for making improvements because we have land with us, business tools we have with us, so we are brain storming every day on how to increase the business and thereby increase profitability coming out of it. So, every day we have talks with our business affiliates to bring in new business to the company.

Vishal Doshi: No, sir the sales that are increases on quarter-on-quarter basis, the expenses are also increasing very much, so what can we think these expenses are increasing owing to the company's development or what is the source for these increasing expenses?

Anish Maheshwari: Sir on revenue you yourself are seeing there is growth in the company and the losses that have come from the operations side to the company it is due to some reasons and that we are working towards improving it further, rest otherwise it is so that now wherein the majority of the players in the market are doing bad, there I can say you that now also the strength that we had with us on 1st April, 2020 from then we have increased a 100 more people we have not removed anyone from the job.

Vishal Doshi: And sir the diesel prices and petrol prices that are increasing, have you passed over the price hike onto your customers or not yet?

Anish Maheshwari: Sir we have done it definitely, whatever contract we have in that we drive a policy and mostly 75-80% people agree with it because diesel prices if you go to see were Rs. 62-63 per liter a year ago and now it has gone up to Rs. 90, correct. So, if we take all of that burden upon us then this profit of us will take a hit and in lot of cases we pass it on and in very rare cases are such wherein we are not able to pass on at first but now the fluctuation has become so much that when we speak with the customer while dealing itself we inform them, so for 75-80% of the people we are able to pass on, only 20-25% parties are such that, like a new party we affiliate with and with the new if we have done contract and now diesel price increased then suddenly he will not increase and give it to me no, that impact is there which is quite nominal, impact is there definitely but we pass it on.

Vishal Doshi: And sir last question in Vapi the tax benefit that we were supposed to get, from which quarter will we start getting it?

Anish Maheshwari: Next year we will start getting it.

Vishal Doshi: Next year not from this year?

Anish Maheshwari: We have bracket of 15 years, in 15 years you can take any 10 years, this year we are not taking that benefit from next year onwards we will be taking that benefit.

Vishal Doshi: How much is the tax sir now in Vapi?

Anish Maheshwari: Now the 60% business that we do is from Vapi only, so if you go to see my tax is also 60% from Vapi.

Moderator: Thank you. The next question is from the line of Suraj an individual investor please go ahead.

Suraj: Hi just wanted to check you know if you could remove the one offs which has happened in this quarter what would be the EBITDA margins after removing these one offs?

- Anish Maheshwari:** EBITDA margins?
- Suraj:** Yes, after removing these one offs, like the back debt and the sale of the truck you talked about?
- Anish Maheshwari:** It is almost in the range of 26-27%, which is as per the last quarter it is on the higher side only, one or two percent higher side. If I will adjust these kind of abnormal losses.
- Suraj:** Okay so what will be the exact number Anish if you could mention that? You said 27% which is same as last quarter, or you saying it will be 29%?
- Anish Maheshwari:** Last quarter if you see my EBITDA margin was in the range of wait I will just give you the numbers also, on EBITDA level I was having Rs. 46.51 crore in last quarter and in this quarter was Rs. 40.83 crore and if I will add these abnormal items almost in the range of Rs. 4.5 crore, so it is in the similar range of Rs. 45 crore, so the decline was 8.5%, which is almost 2% if I will be taking the exact margins after adjustment of these kind of losses.
- Suraj:** Okay got it so you are saying Rs. 45 crore but still that will be lower than last month.
- Anish Maheshwari:** Yes, sir because there was certain changes of Exim mix also I told, if you see I am not putting the exactly diesel prices but there were challenges from the manpower supply also, so will have to be retained with some incentivization which we did in last quarter also and in entire pandemic situation we did the same presumably with our truck drivers and labors, so that is major component of our operating cost elements.
- Suraj:** And are you passing these costs to end customers also, considering that there is...
- Anish Maheshwari:** Sir in many of the cases we can pass on the cost because in past 1.5 year we have seen that the change of diesel pricing and this kind of incentivization is very high, so earlier what happens sir so many clients which are regular with us, we were having a change of new rate with the quarterly basis or the half yearly basis or the yearly basis but now we were having agreements with these kind of customers and we were having a special clause on that thing, if there is a change of diesel prices and due to that we were having a further cost increment that will be taken care by the client.
- Suraj:** Got it and what about the manpower increase also that is also passed?
- Anish Maheshwari:** Sir this all depends on the situation because, if there is a specific case, if somebody is coming with 500 containers of the exports in that case we can ask him for the extra labor cost but if somebody is coming with the 5 ton container, we cannot be changing the rates every time, it is all dependent on the movement, if there is a bulk movement definitely we will have to charge extra but if there is a small movement, short movement, how can we change every time the rate of movement or every time the rate of cargo handling.

- Suraj:** And how often do you reset these contracts now, like you mentioned now earlier it used to be quarterly, then before half yearly but right now is this happening on a monthly basis or how frequently are you resetting these contracts?
- Anish Maheshwari:** Sir in a larger chunk if there are operations, if you ask me, top 20-25 clients we are revisiting on each and every consignment and we are revisiting on a monthly basis but if there are little small clients or having a 50 containers movement in a month, then we will have to think and we will have to evaluate on the quarterly basis.
- Suraj:** Another question is that what is the current debt level you have in the company?
- Anish Maheshwari:** So, we have a current debt level of in totality Rs. 502 crore.
- Suraj:** And what will be the cash?
- Anish Maheshwari:** Cash now we have Rs. 40 crore + with us.
- Suraj:** So, about Rs. 460 crore of net debt. And what do you think is the overall outlook in terms of freight rates, do you think that these are likely to increase and with that do you think on margins will only forward look better? And do you think also with the given situation, do you think this manpower issue will sort of continuing or you see sort inflow of people coming in?
- Anish Maheshwari:** Sir I think so that will remain continued for one or two quarters, this quarters definitely we were hit very badly because the second wave of the COVID was very bad for each and every sector as well as the community, correct. In the first wave there were no high death rate, in second wave there was high death rate due to that we were facing so many challenges, so it will remain same for another one or two quarters, 1st and 2nd quarter, then after it should be normalized because government is also having their own capability.
- Suraj:** Also considering you all are big with Pharma, are you seeing some traction over there and increase in rates also with the Pharma Company?
- Anish Maheshwari:** Sir there is no such changes there.
- Suraj:** And are we part of the entire vaccine roll out value chain also?
- Anish Maheshwari:** Yes, it was very less sir. It depends on the availability of the vehicle as well as the situation, so we definitely did contribute in that but there is no freight price changes in these kinds of operations.
- Suraj:** Okay and what is the broad breakup from industry perspective that we have?
- Anish Maheshwari:** Pardon?

Suraj: Any broad number that you can share with revenue perspective which are the biggest end contributors, from industry perspective?

Anish Maheshwari: Are you talking about the client revenues or what?

Suraj: No client specific and industry specific revenue share.

Anish Maheshwari: Sir in imports we are not tracking any specific type of commodities because we will not even know the container which we are arriving at our ICD or CFS, what commodity is in that but I can say you that there are so many things in the commodity like we are dealing with Pharma, Heavy Equipment, Steel, steel is larger chunk for domestic and then we do have exports of agro-commodity.

Moderator: Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Maheshwari for closing comments.

Anish Maheshwari: Yes, so thank you so much once again to Antique Capital and Prateek. I would like to thank everyone for joining on the call, I hope we have been able to respond to your queries adequately and also would like to say, stay healthy and take your safety first. Thank you so much.

Moderator: Thank you. On behalf of Antique Stock Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.