"Navkar Corporation Limited Q4 FY22 Earnings Conference Call hosted by PhillipCapital (India) Private Limited"

May 20, 2022

MANAGEMENT: **MR. ANISH MAHESHWARI – CHIEF FINANCIAL OFFICER, NAVKAR CORPORATION LIMITED**
MR. NITIN SHARMA – GENERAL MANAGER OF FINANCE, NAVKAR CORPORATION LIMITED

MODERATOR: **MR. VIKRAM SURYAVANSHI – PHILLIPCAPITAL (INDIA) PRIVATE LIMITED**

Moderator: Ladies and Gentlemen, Good day and welcome to the Navkar Corporation Q4 FY22 Earnings Conference Call hosted by PhillipCapital (India) Private Limited. This conference call may contain forward-looking statements about the Company which are based on the beliefs, opinions and expectations of the Company as on date of this call. These statements are not guarantees of future performance and involve risks and uncertainties that are difficult to predict.

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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, Sir.

Vikram Suryavanshi: Thank you. Good morning and very warm welcome to everyone. Thank you for being on the call of Navkar Corporation Limited. From the management we are happy to have with us here today Mr. Anish Maheshwari – Chief Financial Officer, Mr. Nitin Sharma – General Manager of Finance and Mr. Kunal.

Now I hand over the call to Mr. Anish Maheshwari for the opening comment. Over to you, Sir.

Anish Maheshwari: I would like to give insights on the result of current quarter. It is pleasant to express that in current quarter also, the business of Company continues the level of operations after revival mode with levels at quite par to the last year as well as the last quarter.

In the scenario of global crisis due to Ukraine-Russia war, where the EXIM business was impacted in huge manner world-wide, it is observed that operating levels of this quarter are almost in line with previous quarter but with a slight decline of 5.7% in the top line of Company from the last quarter but the same has risen on yearly basis from Rs 673 crores to Rs. 860 crores mean a rise by 28%. The priority of Company is to improve the profitability in line with natural growth of business volumes in current units of Company.

The elements of revenue of Company during the quarter are as follows:

In case of ICD/PFT, comparing the annual figure in the case of ICD/PFT, volume of import containers handled rose by 11.2% from 1,04,033 TEUs to 1,15,720 TEUs and in case of exports it rose by 37.8% from 55,377 TEUs to 76,329 TEUs

Now coming to quarter wise date – volume of import containers handled rose by 6.1% from 28,583 TEUs to 30,335 TEUs on Q-to-Q basis and from 37,462 TEUs on Y-to-Y basis the same is down by 19% and the volume of export containers handled rose by 10.1% from 17,573 TEUs to 19,346 TEUs on Q-to-Q basis and from 17,345 TEUs on Y-to-Y basis, the same has increased by 11.5%

At CFS/PFT comparing the annual numbers – Volume of import containers handled rose by 23.1% from 1,03,226 TEUs to 1,27,042 TEUs and in case of exports it rose by 18.8% from 85,822 TEUs to 1,01,988 TEUs.

Quarter wise volume of import containers handled stands at 30,430 TEUs from 36,951 TEUs on Q-to-Q basis which is a decline by 21.4% and from 32,388 TEUs on Y-to-Y basis the same is now down by 6.4%. Volume of export containers handled increase by 2.1% from 28,469 TEUs to 29,084 TEUs on Q-to-Q basis and from 28,728 TEUs on Y-to-Y basis slightly increased by 1.2%

In case of CFS/PFT, the number of trains handled is 1012 in FY21-22 comparing to 972 in last year and in quarter wise comparison, number of trains handled stands at 184 in this quarter comparing to last quarter of 256 trains.

In case of ICD/PFT, the same stands at 2,699 in comparison to 2,177 in preceding year which coming to quarter wise figure is 657 in comparison to 668 in last quarter. Comparing the same with Y-to-Y basis, the trains handled were 324 in CFS/PFT and 774 in ICD/PFT which is overall fall by 23.4%.

Coming to EXIM turnover of ICD/PFT the same rose by 21.9% from 304 crore to 371 crore. And the domestic turnover rose by 62% from 92 crore to 149 crore.

Coming to EXIM turnover of CFS/PFT; the same rose by 14.9% from 224 crore to 258 crore. And the domestic turnover rose by 49% from 38 crore to 56 crore.

Taking overall quarter wise comparison for EXIM and domestic turnover in front of this,

EXIM rose from Rs 159.15 crore to Rs 161.15 crore on Q-to-Q basis, means by 1.3% and this is a fall by 4.4% from that in same quarter of last year of Rs 168.28 crore

Domestic turnover stands at Rs 39.77 crore in comparison to Rs 55.10 crore on Q-to-Q basis and the same was Rs 40.99 crore on Y-to-Y basis.

There are certain facts telling the performance of the Company in this quarter out of which gone by:

First is that the volumes in TEUs is down at CFS, Mumbai location but there is a growth at Vapi - ICD volumes. Further, our domestic business is also down in this quarter by Rs 15 crore on Q-o-Q basis but is in line with Q4 for the preceding year. The reason for such decrease on quarter basis is that some customer for domestic turnover dealing in fertilizers and have ammonia as main product which is imported from Europe. This supply is at halt in current times due to war situation between Ukraine-Russia war. The supply will probably resume in the second quarter of the running year. 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 sustained to be little above the level in last one. There were challenges post the COVID era, but the performance of Company was positive in terms of maintaining grown business volumes.

Operating profits of this year stands at Rs 298.9 crore comparing to Rs 238.31 crore which is a rise by 25.4% And the same in the current quarter stands at Rs 76.12 crores in comparison to Rs 77.43 crore in preceding one which slightly down by 1.7%.

EBITDA margin of whole year is Rs 194 crore comparing to 141.4 crore of last year with a great rise by 37% and the same in current quarter stands at Rs 48.22 crore in comparison to Rs 49.33 crore in preceding one which shows a declined by 2.3%.

Profit before tax of current year is 82.62 crore comparing to 32.7 crore means a hike by 152.7% and the same in current quarter at Rs 20.4 crore in comparison to Rs 21.1 crore on Q-to-Q basis and that was Rs 14.6 crore in Y-to-Y basis.

Now coming on to the figures of profit after tax:

The Company stands at Rs 67.05 crore in whole year in comparison to Rs 15.9 crore for whole last year giving altogether a different picture due to the situation getting normalised after COVID impact in the preceding year.

While in quarter comparison, the same stands at Rs 30.23 crore in comparison to Rs 12.63 crore on Q-to-Q basis and at Rs 8.15 crore on Y-to-Y basis.

The reason of such huge rise quarter wise is that Company has opted for tax benefits under section 80-IA of Income Tax Act from this quarter in respect of operations of ICD of Company at Tumb, Gujarat location. As per the provisions of act, we are allowed 80-IA benefit in any of the 10 continuous years out of 15 years starting from the year when the operations have begun which is in FY 2016-17 in case of ICD at Tumb. So, the 80-IA option is exercised in the sixth year in FY 2021-22 after analysis of possible impact on the tax outflows over 15 years including current year and for this, we needed to wait till last quarter to see whether it is beneficial to take the 80-IA from this current year.

Coming to the area of new project development continuing at Morbi, the current completion stage of the aforesaid project is at around 40% and the Management is contemplating to complete the terms of LoI by the timelines and make the ICD operational by that time. The purpose of the new ICD is to have better connectivity and network to serve the customers better in domestic market. Management is of the opinion that the new facility will help to acquire new customers and increase the profitability of the Company. The Company hopes to start operations lately in third quarter of FY 22-23.

After analysis of above points, I hereby like to state that the Company's performance in growth of revenue was almost at par with slight decline but on a high preferability from the corresponding, looking at this, Company hopes to sustain the operations and profitability in coming two quarters beyond which the probability is improved, and profits is also going on a high side.

Now, I just want to open the floor for Q&A session.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Niraj Individual Investor. Please go ahead.

Niraj: I want to ask you that in Morbi new plant which is going to start when it is going to start new CAPEX?

Anish Maheshwari: Infrastructure work is going on and development almost reached to 40% and we are trying before rainy season at least minimum requirement for notification we should complete that first. Once it gets completed after that we will go for notification and there is a process for that which may take around 45 to 60 days. So, we are targeting that before third quarter it should get intact third quarter means September after that means October onwards we are trying to reach our target to start operations.

Niraj: After once it gets started your debt level when it will start to decrease?

Anish Maheshwari: In this project in this year 100 crores what we have already estimate 100 plus trains replacement as we had told in the last quarter 150 crore additional it will get added, but after that in totality profitability at Morbi or Bombay or Vapi. Vapi our growth path it is free if you will compare on year-on-year and CFS also as we were thinking that CFS business has come into saturation, but last two quarters we have evaluated that CFS business also we are getting growth. Comparatively last two quarters if you will see it is in saturation and in down target side meaning business there also completely we were thinking that after DPD business will be completed, but practically it has not happened and overall if we will see our target is that this year rate will increase, but from next year onwards it will gradually down, but in this year also my repayment that is around 100 crore principal repayment so overall debt comparing to this year debt it can increase up to 50 crore.

Niraj: When is your target to make it a debt free Company?

Anish Maheshwari: It will depend on the business as soon the business pickup according to that our target is. In the past also we have a history our loan does not complete any tenure. If bank has given us a loan of 10 year so it is our attempt that we should complete the loan within 7 years and we have done that in the past. Our banking history is like that where bank has given us the loan our tenure never gets completed and we have not made any payment on penalty, bank also favor based on our past track record we are never late, never delayed so bank also get the comfort and we also think that way that we should not complete the tenure as soon as we receive the cash flow we make the payment. If you will see in last 10 years Company has made something new we have done.

Viraj: Company has made, but shareholder they did not get the proper return?

Anish Maheshwari: Profit number has not come then that will also started happening.

Viraj: This year is the best quarter for this year?

Anish Maheshwari: Yes. After COVID till now ocean freight were very high ocean freight slowly and gradually it is getting reduced movement also is coming in line although if you will see last quarter if you will see in December quarter and March quarter also if you will see in that quarter diesel price almost 20% hike then also profitability is intact.

Viraj: So, from now on what do you think that performance will go down or it will up forever?

Anish Maheshwari: See business how much we change according to that after COVID if you will see that we are gradually growing and we also think that gradually we do a growth and steadily growth can be done extraordinary growth we also do not expect and if it comes our direction goes in that direction only.

Viraj: From now on do you have any plan of CAPEX now you are focusing on Modi?

Anish Maheshwari: Now we are focusing on Modi.

Moderator: Thank you. The next question is from the line of Dinesh Kotecha from KRIC. Please go ahead.

Dinesh Kotecha: What I am trying to say that from the cash flow I found out that that we have spent 282 crores in the last two years for the CAPEX now when shall we get the full benefit of that cash flow that CAPEX that we have made?

Anish Maheshwari: Basically, in that context I can say you this industry itself is a heavy CAPEX based industry. If we do not have an infrastructure facility with us then we cannot be achieving these kind of numbers. So, the question which you are saying that a cash flow which will be free cash flow for the Company once the all project will be done then after we will be taking the benefit of 100% cash flow repaying the loan or improving the efficiency of the working capital cycle.

Dinesh Kotecha: Sir the last quarter results show that the tax benefit we have got for project to the extent of 9.57 crores which is the deferred tax and that is how we got the PAT of 29.99 crores I mean why this sudden change of which you have made in the taxation under 80-IA?

Anish Maheshwari: So, basically what happens 80-IA policy which I told you I am again repeating over there the 80-IA exemption itself is you will get the benefit in the 15 years from inception of your operations correct. So, we start operation over there at ICD in 2016-17 we will have to wait for the profits which will be in line with the taxability of the provisions. So, till now looking at the COVID if the profit is higher than our expectation then we will have to take the benefits any of the 10 years out of 15 years. So, last year itself was a very we were having a planning to take that benefit in 2019-2020 because we got a sense in 2017-2018 that profitability will be higher, but due to COVID that has not happened. So, we evaluate this year till last quarter our profitability which was we assumed will have to wait for the last quarter of this year and then wait for next 15 years we did the exercise if I will be not going to take the benefit of 80-IA then what will be the position for the tax outflow for next 15 years. So, either I have a choice to take the general tax provision or I will go into the net provision 80-IA. After that exercise we got to know now we will take that benefit that is why we just make so ultimately I can say earlier my tax rate was 33% which is now 18%.

Dinesh Kotecha: Sir I also wanted to know the breakup of the turnover in terms of segment wise result of CFS, ICD, temperature control, warehouse, logistic services breakup of the sales?

Anish Maheshwari: So, presentation we have uploaded over there in a website you can take from there before that earlier also I given the clearly see some of the entire numbers. So, to your further queries you can directly call to the Company again.

Dinesh Kotecha: So, another thing is that container train I mean what is the capacity now that we are utilizing from whatever capacity we have got?

Anish Maheshwari: So, we have altogether 1 million TEUs capacity which is on that we are almost on a 50% utilization overall.

Dinesh Kotecha: So, this year what are we plan for the capacity utilization?

Anish Maheshwari: So, our target after Morbi our total capacity will be plus 1 million TEU and our target on the same side on higher side we are always growth path of 10% of capacity utilization that maybe the same number for current year.

Dinesh Kotecha: And sir can you give you also the number of new customers that we have got in the current year the repeated customer percentage?

Anish Maheshwari: In CFS and ICD there are repeated customers. which I can add over here like MG Motor, JSW Steel, ArcelorMittal they are the big clients for us Smart Cam MG Motor added in this year and Morbi we have already been talked about around 2,000 plus clients for the tile as well as paper industry over there, chemical industries over there and they might be from third quarter of this year.

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

Sudharshan: My question is regarding the top line impact you see quarter-on-quarter or year-on-year on the particular Q4 we see a dip in the top line what is a specific reason is it because of any capacity issues in terms of trains or what is the reason for the dip?

Anish Maheshwari: Last quarter there is a decline due to the Ukraine-Russia war and some of our clients were having a fertilizers domestic business and their main product for them is an ammonia which was non imported in the first quarter which will remain strong for this quarter also and we are getting some kind of slight impact from them let me start from the second or third quarter from this year. So, that will again come to us this is the only reason otherwise if you will see our EXIM annual is domestic volumes only domestic volumes was declined by 15 crores which is directly impacted to my top line.

Sudharshan: And you are adding four more trains will that be augmented to the existing capacity to carry more or will you use some of the lease train?

Anish Maheshwari: Capacity is enough with me there is no problem of capacity.

Sudharshan: So, because we are adding four more trains by May 22 that is what we heard in the last call?

Anish Maheshwari: We are replacing the train we are not adding now, existing we have a total 14 trains out of that 2 is owned by the Company 12 are on a lease and nowadays after Gati Shakti scheme proposed by the government we are assuming that gradually we will have to be migrate our lease trains to the ownership model because once the Gati Shakti and PFT DFCC will be getting commenced or started then we will have to replace any which ways. So, we are just replacing those lease trains to our ownership trains.

Sudharshan: One last question regarding the dedicated freight corridor which potentially could come by this yearend or how do you foresee like in terms of the top line or in case net profit?

Anish Maheshwari: So, as all knows after DFCC the operational efficiency will be definitely much better from today's business model and secondly the benefit of freight which is usually for the same tracks and after DFCC will be getting down which will have to be pass on slight benefit we will have to pass on to the customers and the slight benefit we will have to keep with us. So, that is definitely giving us a profitability improvement. Once the operation will start then I will be getting proper visualization on that once the DFCC were getting started.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir for this new CAPEX which was the total CAPEX plan and which is completed as of now?

Anish Maheshwari: So, in totality we have a 135 crores total CAPEX and out of which we have a tie up with the Canara Bank of around 100 crores. So, rest Company is giving by their cash flow and I think so in totality for new CAPEX I will be going to add this year around 200 crores with replacement of trains and 100 to 125 crores will be going to repay of the loans. So, in totality 75 crores loan will be added this year and total CAPEX for that ICD is around 135 crores.

Anurag Patil: For ICD sir how much we have spent in FY22?

Anish Maheshwari: Till March 22 we around 30 crores we already been spent over there.

Anurag Patil: So, total CAPEX for that would be 165 crore approximately?

Anish Maheshwari: No total CAPEX will be 135 out of 35 we have already done in the last year.

Anurag Patil: And the capacity will be 2 lakh ton?

Anish Maheshwari: Yes.

Anurag Patil: As you said the same capacity will add the margin improvement, so how do you see the margin trajectory going forward any color you can provide or the growth driver for the margins if you can break it down that will be helpful?

Anish Maheshwari: So, basically if you see in last two, three quarters if last quarter if there were no legal hike or the Ukraine-Russia issue then it has definitely been a very positive side, but still we did not manage the business in very fantastic manner and which will gradually growing in a positive side itself and after Morbi I can say we are targeting to add at least 50 crores from the first year of revenue this is our additional target which was taken by the marketing team.

Anurag Patil: 50 crore on the revenue side you are saying?

Anish Maheshwari: 50 crore in the revenue side and there also maybe a profitability of around on an operating side will be around 24% to 25% because the issues what you know it will not be the first full year for operations. So, operations will be gradually up and running and we will definitely try to start the ICD Morbi by third quarter he did only two quarters for this year.

Anurag Patil: Sir utilization at Morbi increases so I mean two, three years down the line so what can be the margins possible there?

Anish Maheshwari: So, margin today we are having around 24% that we are targeting around 30% overall in next two to three years.

Anurag Patil: And the key growth driver for this improvement will be the Morbi capacity?

Anish Maheshwari: Vapi growth it is an ICD growth as well as Morbi growth as well as the cross-selling business for all three premise Bombay, Vapi and Morbi.

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

Vignesh Iyer: I just wanted to ask about this operating expense that you have shown in your income statement, so when I analyze it I found out that almost to an operating expenses to the percentage of sales has reduced by 4% to 5%, I just wanted to know what is the nature of the expenses or the operational efficiency that we have achieved that resulted in this fall of expenses in spite of revenue being almost flattish?

Anish Maheshwari: There are two major reasons if you see last quarter we did 217 crores versus this quarter we have around 204 crores and majorly dip by domestic operations as I told on a call and the domestic operations are giving me a slightly lesser profit, but my EXIM operations will be high then the profitability will be improved because in domestic market there are other price and always will have to be competition with the local transporters. Secondly, if you see my operations why our rail is improved. So, the operation via rail versus road comparably expenses will be in a slightly downside. So, this is the key driver for the less trains which we handle the operating cost will be getting little slightly higher side. The more trains we handle or the operations which we do by rail that will be giving me a better profitability. Although if you see last quarter the diesel cost was almost increased by 20% which is not 100% pass on till now. It will be pass on after June so that also will be added in our profit from second quarter of this year.

Vignesh Iyer: Cannot the Company gave a better breakup of what the operating expenses is considering the fact that it is almost more than 60% of your total income revenue and it has been categorized as only operating expense?

Anish Maheshwari: So, basically if you will see the whole year balance sheet you can definitely get somewhere.

Vignesh Iyer: I just suggested for a better to understanding the quarterly numbers as to what has changed in terms of expenses, but I get the idea sir I just wanted to ask you about the CAPEX that you are doing in Morbi if I am not wrong so the amount is 135 crores and it has 1 million TEU?

Anish Maheshwari: Yes 1 million TEUs for Bombay and Vapi till now after Morbi it will be plus over there because in phase 1 when we will start the notified area it will be minimum 10 acres of area and then time we will get to know what capacity will be added over there. So, over and all we are making we are making 2 lakh TEU capacity over there, but we will get to know after notification of the ICD Morbi then we will give you the fair idea about the exact capacity which will be build up over there.

Vignesh Iyer: You mean after Morbi commission your total capacity would be 1 million TEUs?

Anish Maheshwari: Right. I have a 1 million capacity out of that around 4.74 lakh is over there in Vapi and rest is from Mumbai.

Vignesh Iyer: In isolation I wanted to know what is the capacity of Morbi would be?

Anish Maheshwari: So, Morbi we are going to build up 2 lakh TEU capacity with the railway BFT OR domestic. Once the operational stage will be there then after we will get to know how much we are going to use in a phase first.

Vignesh Iyer: Assuming the fact that you get back clearance between 45 days, 60 days what would be the expected revenue in this year as well as what could be the peak revenue that comes from Morbi?

Anish Maheshwari: So, we are targeting almost in the range of 50 crores in first year in the peak revenue from Morbi we will be in the range of around 400 crores.

Moderator: Thank you. The next question is from the line of Rishabh Shah from RS Capital. Please go ahead.

Rishabh Shah: If I mentioned about 400 crore peak revenue from Morbi over what timeline can you expect this?

Anish Maheshwari: Next three to four years we are targeting.

Rishabh Shah: And sir any interaction with government, what is the implementation of Gati Shakti what are the key benefits that you are in as an industry we can see over the next couple of years what is the pace of this?

Anish Maheshwari: Anybody will have to migrate into the Gati Shakti and we are also trying to pitch up for there. Gati Shakti is having benefit for the customer itself. They just say policy under the ease of doing business. So, earlier TFT policy for having so many cost and so many different variations of the cost structure. In Gati Shakti maybe assumed of like I can give you one of example like there was a land licensing fee earlier with the PFT agreement which is not now they are in a Gati Shakti scheme. So, this is one of that benefit then there was a cost of the establishment of the railway pieces over there in a PFT, but in Gati Shakti they waved off. So, these kind of small benefits they just give to the companies who are in a PFT we are also applied for the same and I think so we will get the approval in next one or two months.

Rishabh Shah: What is the incremental margin benefit you will get due to this is there any incremental benefit?

Anish Maheshwari: Basically, our operating margins if you will see now in the range of EBITDA level if you see the 23% to 24% earlier also on calls I told that our first target primary target after considering the DFCC, Gati Shakti, Morbi operations our first target is that we will have to be improved by 20% this is our core target in couple of years.

Rishabh Shah: And sir DFCC by what timelines you are expecting full-fledged operations?

Anish Maheshwari: So, there is no clear guideline on it once it will be that announcement will be come from the government side actually.

Moderator: Thank you. The next question is from the line of Sahil Chopra from KIFS Trade Capital. Please go ahead.

Sahil Chopra: So, going ahead what kind of tax rate we can work with?

Anish Maheshwari: 18% from now.

Sahil Chopra: Till when?

Anish Maheshwari: Next five years.

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

Vignesh Iyer: Considering the utilization is 50% now what is the expected utilization as for the FY23 and 24 that you are targeting no this is excluding Morbi I do not want a Morbi figure excluding Morbi?

Anish Maheshwari: On peak when we were having a PFS we did have almost capacity of 3,10,000 till 2015 and in 2015-2016 itself we cross 3,10,000. So, I can say 100% also be possible, but it all depends on the side of government policy, side of business volumes and if there was no problem on DPD then our actual TEU utilization of this total capacity maybe more than 7 lakh TEUs this is now almost on a 50%. So, we are targeting that gradually it should be in an improvement set of 10% minimum. As I told you in the past questions also the core target on the improvement of in total profit numbers. Capacity may be here and there, but our core target is to achieve the 30% of the EBITDA sometimes what happens not only on the EXIM side like we are focusing on the domestic as well as the cross selling business towards all three locations in that case there may not be an EXIM volume capability may rise, but domestic if you will see you are having 30 crore turnover which is now almost in a 200 crore range. So, it might get more than that also.

Vignesh Iyer: Also considering this container non availability due to China and Russia, are we seeing the containers pricing is being at peak or is it looking like it will sustain at or maybe 10% lower because the historical bid I have never seen this high?

Anish Maheshwari: So, basically I can tell you on the ocean freight side in last quarter and gradually now we have seen that ocean freight getting down it means container availability is there on the bucket that we are having our assessment that will gradually have to grow.

Vignesh Iyer: So, can you give me a rough estimate as to how much percentage the rate is down from ocean freight?

Anish Maheshwari: I honesty would not give you any kind of number on ocean freight because we are not linked with the ocean freight.

Vignesh Iyer: ICD in Morbi so do we have any agreements with client lined up or already we have clients we have clients who are out their business through Morbi anything like this tiles and chemical players?

Anish Maheshwari: So, basically we got to know from our marketing team there is no such ICD over there in that region in Saurashtra region we had a first more advantage. We had already been met almost 2,000 plus clients and we got some fair sense almost from 1,200 plus clients they were ready to start business with us, but once we will have to be going for the notification and then also we will get because our marketing team is there itself in the Morbi region four people were there in the market to find it. When we assess for the Morbi ICD we were having only sort of tile market will be there, but there are cross selling business also because all tiles as well as people industry chemicals were come to Mumbai. So, once we are going to there and assess our visibility and viability over there with the client then we do not understand that industry is having also the watches companies. So, attraction is good clients were giving us few hopes once we will commence with the occasions with the efficiency we will definitely come to you only because pricing if I will be giving them 10% less from the existing one that also will be benefit for them. Today what happens because in that region there is no ICD or the warehousing zone particularly. So, what we will have to do operationally they will have to take the empty container from the various yard or from the port. After our ICD that cost will be saving first cost which is the movement of empty container will be seen by the Company for the vendors which itself impact more than 10%.

Vignesh Iyer: So, considering the fact that you have had talks with lot of clients and also the overall ceramic industries look good in terms of domestic as well as exports and we have heard that Morbi has done some kind of expansion as well. So, there is lot of business so as a Company having a first more advantage you can obviously scale the business quite faster. So, your initial target of 50 crores sales should be a bit conservative on that part?

Anish Maheshwari: Basically, what happens is based on our past experience at Vapi also first year we did around 32 crores business you got my point. So, we are assuming that because we will get only the half year of this year after commencement of the operation. So, there might be a higher numbers, but this is our first target. It might possible we will get a 10 to 15 crore business in the first month itself. This will get the fair idea after I start the operations.

Moderator: Thank you. The next question is from the line of Anurag Patil from Roha Asset Managers. Please go ahead.

Anurag Patil: Sir this year how much trends we are replacing?

Anish Maheshwari: Today right now we have two trains owned by the Company when we are added already in this May month. This year we will replace in totality 7 trains more.

Anurag Patil: So, total 8 owned trains will be there at the end?

Anish Maheshwari: So, 10 trains maybe owned by the Company by the end of March 2023 because train availability is also the issue. If I will order today then it will take more than 10 to 12 months. The timeline is very short after Gati Shakti and DEFC there are only limited vendors four or five vendors are only there. So, if there is an availability then definitely we will go for that.

Anurag Patil: As you change to this ownership model how much savings can this result for our operating expenses?

Anish Maheshwari: I will give you the numbers on it now the lease train is almost in the range of Rs. 16 lakh per month approximately after ownership the cost for the interest and EMI principle repayment maybe around 10 lakh to 11 lakhs. So, Rs. 5 lakh each train each month so if I will add 4 trains then it might be number of I can say around 2.5 crores per annum. This is the number which I am saying you with the current operations. If I will have my own train then my operational efficiency will also be improved.

Anurag Patil: Apart from that in the near term what are the key risk on the revenue and the margin side?

Anish Maheshwari: Key risk I can say last three, four years if you will see COVID, after Ukraine-Russia war there is no financial stability in current till three years. So, those are the risks which I cannot predict otherwise business wise we are targeting every day we are going to meet new customers, every day we are trying to make new awareness because we are having a facility, we are having two facilities, three facilities over there in Mumbai one is in Vapi, which is abundantly good, Morbi is good attraction. So, based on that we cannot foresee that there is any risk in the business apart from that the scenario of the situation I cannot visualized or I cannot take that call what we will be doing in the market of industry if the policy changes also. So, DPD we are never having a thought of, but DPD CFS business is not only for me for the entire industry was a nightmare. When you are afraid of a risk we are evaluating now onwards till 2015 I can say that we were never be having a thought this industry will be having any kind of pain, but after DPD we got understand. Any industry can be having a peak it might be different terminologies, but they can be having any kind of pain or any kind of a risk.

Anurag Patil: And sir diesel prices any impact you are seeing in the coming quarter Q1 etcetera on the margins or we have covered as of now?

Anish Maheshwari: In past two quarters diesel prices were again hike by 20% which was not 100% transfer to the customer yet, but as we discussed with the marketing team and we are going too high around 2% to 3% in this next two or three months then after the diesel cost also will be no impact for me it will be 100% pass on to the customers.

Moderator: Thank you. As there are no further questions from the participants I now hand the conference over to the management for closing comments.

Anish Maheshwari: Thank you so much to everyone for taking interest to the Company and we are hoping that kind of situation Company is in good hand we are going to achieve our targets very soon. Thank you so much thank you to PhillipCapital also.

Moderator: Thank you. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes the conference call. Thank you for joining us and you may now disconnect your lines.