"Navkar Corporations Q1 FY19 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, Good day and welcome to the Navkar Corporations Q1 FY19 Earnings Conference Call for hosted by PhillipCapital (India) Private Limited. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone telephone. I would now like to hand the conference over to Vikram Suryavanshi from Philip Capital. Thank you and over to you Mr. Vikram Suryavanshi.

Vikram Suryavanshi: Good morning and very welcome to everyone. Thank you for being on the call of Navkar Corporation Limited. From management we have with us Mr. Anish Maheshwari – Chief Financial Officer, Shailesh Jha – President (Finance). Now I hand over the call to the management for their opening comments and then we will have questions and answer session. Over to you sir.

Anish Maheshwari: Good morning ladies and gentlemen thanks to the Philip Capital to give us an opportunity to share our financial numbers with the existing shareholders and researched guys. So this quarter our numbers are slightly flattish comparative to last quarter and if you compare with the quarter-on-quarter last year our numbers are in a very nice shape. June quarter 2017-18 our top line was around 98.84 crore vice-versa this year we have around 117 crore which is around 18% to 19% growth on the top line and at the same time if you compare with the bottom line the same quarter last year we have a profit after tax was around 25 crore which is 30.16 crores and operating regions if you compare to last quarter and last to last year quarter our Q4 was 50.80% vice-versa which is around 60% in this quarter also and comparative to last year it is 58.70%.

EBITDA it will compare so last year our EBITDA margin were around 39.45% which is this year 42.64% in compared to last quarter is around 43.61% slightly down and our total PAT if you compare with the last quarter was around 24.23 crore which is now this quarter is around 25.66%. And I just wanted to share the numbers of TEU which we handle in this quarter and Mumbai we handle 73102 TEUs and that export is 38,366 and import is 34,736 whereas we are handling at Vapi 17,357 TEU and that imports is around 7783 and export is 9574 out of that 17,357 the Hazira volumes are getting pretty good it is around altogether 3152 TEU we handle the Hazira port.

So this is a good news for us the port JNPT as well as Hazira is both the sides we are working in a **scientific 3.21** manner at Vapi. Last quarter we handled around 14 train in Vapi and Mumbai we handle 124 train the information which I wanted to share with you it will calculate the per TEU realization level. So at Mumbai per TEU realization is around 10,178 and in top line around 82,410 we had a domestic realization of around 8.01 crore and at Vapi because we had started our warehousing services too so altogether our top line at Vapi is 36,085 crore on that per TEU realization is around 21,230 where we handled 17,357 TEUs at Vapi. Our numbers are lined in last quarter, but we are in a progressive mood. We are not yet satisfied with our number because there is a certain thing which we are into the path and we are doing certain changes in our fleet also because earlier we had a fleet of around 600 trailers out of which some fleets is around 40, 45 acres we had sold out. We retired those vehicles because there is a long-distance journey from Mumbai port to Vapi and from Hazira to Vapi so we require some new fleets which we add on in this last quarter is around 100 fleets which we bought new. So train will be continued for couple of quarter it maybe we have a target of another 150 trailer we will have to buy because fuel prices are include and same time are fleet which is which we are usually use from the Mumbai container terminal for Vapi operations which is slightly older that is why we are just changing our fleet some of around 100 to 150 trailer in this quarter also and older one we will retire. So these are the numbers which I just wanted to highlight over here. Over to you Vikram Suryavanshi for the question and answer session.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We would take the first question from the line of Ankur Periwal from Axis Capital. Please go ahead.

Ankur Periwal: Coming to Panvel first so you did mention around 8 crores odd of domestic income and the balance around 76 from Exim side?

Anish Maheshwari: Correct.

Ankur Periwal: Just wanted to check on the DPD front because other competitors, other players have been facing pressures in terms of volume as well as in terms of margin, what is your thought over there and how do you see the volume growth going ahead?

Anish Maheshwari: First of all I just wanted to give the brief about on the DPD if you take the DPD numbers DPD numbers are now in the range of around 40% which is from last three, four months continuous range, but there is a slight change in the DPD model the CHA model is in a boom right now. So there is a impact on the profitability on the DPD cargo handling. So while we are focusing on more domestic because we have a PFT terminals with us. So we are more focused on the domestic volumes like Vapi terminals also in a good shape we have a four rack right now which lease out for entire month. So we have three facilities right now where we are working when we having a five train volume towards Mumbai to Hyderabad we are using somebody else PFT for those operations. We are taking not only on lease model we are just giving them per rack basis freight to them.

So this is one advantage to us for the domestic market because in DPD if you see the earlier the Cargo and container was dominated by the shipping lines and right now the entire business of 40% of imports shifted towards the CHAs and the importer directly. So the CHA right now is in a role playing mode they are giving them Indian people whoever is having a shipping line control over here. They have some kind of incentive model with them and that is the reason we are also putting our hands down on DPD and Cargo which is moved from port as DPD that also we are handling but compared to last quarter we are slightly down trade mode, we are more focus on the domestic market right now. And the non-distant Cargo movement like from here to Vapi we are also taking care of domestic cargo as well as Exim. From here to Hyderabad we are taking care of Exim as well as the domestic Cargo like we are at a limelight Dr. Reddy, Cipla those are players we are working with them for Hyderabad. Reliance is also our client for same journey.

Ankur Periwal: If I got it right you are as Navkar you are reducing your exposure to the DPD volumes essentially because of lower profitability there.

Anish Maheshwari: Correct because earlier on per TEU realization basis on DPD side. We are having the profit of around 4500, but with that CHA model the prices are getting down and there is slight pressure on the industry itself. So we are not taking those Cargo where we are not having a margin of 4500, 4400 for DPD and if there is less than that we refuses those Cargo we are more focus on the domestic side. We also started the parcel services from Mumbai toward Vapi.

Ankur Periwal: Will that imply the volume growth at JNPT will be lower versus expectations of a low single digit number earlier?

Anish Maheshwari: Practically it will be on the same range which we are right now. If we calculate domestic per TEU realization plus the total number and divide by the per TEU realization then it will be number of around 19000 TEU altogether 82,000 TEU which is in the range of our last two, three quarter. So it may impact my container volume but not at all in the top line revenue it maybe in a positive side.

Ankur Periwal: Because it will get adjusted with the increase in domestic volume?

Anish Maheshwari: Domestic as well as parcel services which we are going to start very soon. We have a setup we have started also, but it is in a very chunk of a business. So right now, in a position to take it through over there because there is no additional expenditure which we are going to incur by the company. We are just making their offices and four or five offices for parcel business consolidation in Mumbai first. So for that we are not spending much money, but with that model we will be getting some smart cargo like doing by the Blue dart, DHL and all those people. So the cargo maybe in a very small side but it will be very profitable cargo.

Ankur Periwal: Just second thing on Vapi volumes if you can share some uptake in terms of the exit run rate on a monthly basis what cargo we are handling there?

Anish Maheshwari: Vapi I will give you top 10, 15 names they are really giving us good business like Apar industries, Grasim, Aluminum NR. Agarwal plastic blends, Polycab well known Walmart is also our client, Reliance, Hamilton. Reliance is right now is giving a 1000 plus container on a month on month basis. So KIA, Kalpavriksha, Chandan Steel, Mudra Industrials.

Ankur Periwal: All these customers are already contributing?

Anish Maheshwari: They are already contributing, and they are top 15 names which I just told you in the call those people are giving a good volume right now to us. So with that I think so with this quarter we will see almost around 5800 containers we are reaching at Vapi without rail and in that we are only handling 14 trains in last quarter, but comparative to train which is right now going on I just give you the July numbers where we are handling around 50 plus trains only in July.

Ankur Periwal: If I do average for this quarter per se we are at roughly 5800 TEU, but my sense is exit run rate will be higher or it is largely flattish on a month by month basis?

Anish Maheshwari: Ankur I will just give you the sense in a very conservative side that trains which is right now around 5800 to 6000 TEU remain same for two or three months probably but it may be in the range of 6000 to 8500 TEU, but with that railway preposition slightly our realization per TEU is slightly getting downside like right now we are having a per TEU realization at Vapi is around 21000 which may be in the range of Rs. 19500 to 20,000, but our profitability will be intact people whoever using my railways like Reliance, Welspun, Walmart they are Hamilton is also using my railway services with warehousing zone. So we are giving them the entire package. I will give you the numbers slightly micro 34.63 crore is my revenue topline from Vapi by the way of handling of TEU and around 2.15 crore is my warehousing at other income 2.22 crore which includes my total package facility.

Ankur Periwal: So this is the warehouse that we had the logistic part.

Anish Maheshwari: So we are giving them the package deal for certain days and with using the railway services. So they are right now not yet asking about the discounts, but because volumes are getting high in the next two or three quarters so we will have to propose some kind of Rs. 1500 as a discount by the way of using railway, but our profitability will be slightly in the incremental side. Like today if I am comparing with overall realization per TEU basis around 5400, 5500 altogether as a Navkar which maybe in the range of 5600, 5700 or 5800 it is not getting done that is fair sense Hazira is now in a boom. Per month we are getting sum of around 1000 container export import from Hazira because some of the clients like classic marble and Welspun like they are also calling vessels from the Hazira because from Hazira to Vapi it is 140 to 150 kilometers.

Moderator: We would take the next question from the line of Achal Lohade from JM Financial. Please go ahead.

Achal Lohade: Can you help us with the number once again with a comparative number for the past quarter as well starting with the CFS what the volume for the current quarter was including your domestic cargo if at all.

Anish Maheshwari: So if you compare with the last quarter Mumbai my number was 73,920 container and this quarter is around 73,102 if you compare with the last quarter number of domestic realization top line was 7.55 crore vice-versa this quarter is 8.01 crore out of my total volume handling and if you compare with the Vapi number last quarter we handled 14,433 container and in this quarter we are handling 17,357 containers.

Achal Lohade: What is the overall top line for Panvel?

Anish Maheshwari: Panvel overall topline if you compare at Panvel Vapi is 36.85 and Panvel is 85.06 altogether is 117.52 and if you would like to say about the last quarter, last quarter numbers was Navkar Panvel was 85.32 crore and Vapi was 30.24 crore total number was 115.56.

Achal Lohade: I wanted to understand in terms of the volume growth guidance both at CFS or Vapi or revenue growth you are looking for the current year?

Anish Maheshwari: Overall as we have bonded with the future guidelines, but I can give you the surety about that next one or two quarter probably we under slightly positive side but after that third or fourth quarter of this year may be very positive that is a 100% try towards the business opportunity which we are getting from another market like we are also exploring Pune. Pune is a good market where we are those models which we are right now doing like Mumbai and Vapi centralized operation for us right now. So Vapi we would not do any kind of further CAPEX and expansion it may be the asset light model, but there is an opportunity to movement from JNPT port by CFS or the DPD cargo and the same time we are doing for the Hyderabad also. So those facilities and business which we are going with the utilization of PFD.

Achal Lohade: What is typically the profitability for the domestic cargo is it line with what is it is for Exim or it is better?

Anish Maheshwari: Sometimes if you tell me for Vapi and Hyderabad it is in a positive side because it is a long-distance journey and if you compare with the road and rail if you use our railways right now we are doing Hyderabad in and out around 10 train in a month 5 inward, 5 outwards. So with that if you compare the profitability it is much higher than the local cargo which we are handling by the way of Exim Cargo.

Achal Lohade: So you think long distance journey obviously will have better position?

Anish Maheshwari: If you compare with the Pune slightly on the same range, but for Hyderabad, for Vapi it may be on a positive side profitability is little bit higher with the movement of domestic cargo also because comparison is such high it will take the cargo movement from road to Vapi in today scenario because export was slightly high in last quarter so in that case what is the price from the transportation is around 24,000 to 26,000 per TEU and we are giving the entire package towards Vapi till the party destination is in 21,000 only, but if we compare with the domestic market from Vapi to Mumbai and Mumbai to Vapi profitability is slightly higher.

Achal Lohade: Any status update on the real estate the land bank monetization?

Anish Maheshwari: I will just give you the slightly micro info on land which we have and earlier which we announced 45 acres land. Right now, in mid or two three last discussion which was held in around first quarter of last year and in this quarter itself there is certain discussion is going with the outright lease with three, four parties and second thing is with the JV model.

Achal Lohade: So you are saying basically we are still not decided whether we want to outright.

Anish Maheshwari: We have land parcel is with us. Right now we do not require for our existing operations for near future we have enough land, enough space we have done all the CAPEX which we require for our volume handling capacity of around 5 lakh to 6 lakh container over there in Mumbai and right now we are on the level of around 3,10,000, 3,15,000 container in a year so we have enough capability to handle the volumes which will be the growing path in next three to five years. So the land which we have idle with us which is around 45 acres of land on the books of company so that land we are having three prepositions and three proposals with the market and discussion are going on from two, three quarters like one is outright sale second thing is if somebody would like to make an arrangement we are not at all going into the residential project and commercial projects with anybody else. We just thinking about it we will be going with the JV model and that they will be giving certain percentage to us as our propositions of land and rest they will be developed third model which we are looking for as a leasing model to the big parties like we have a discussion last time with the Amazon, there are certain people like JLL we also had a discussion with them for if somebody would like to make a lease model for a long term lease and if they will give a per square feet this is we have a ballpark like 15 to 20 per square basis it will get definitely give it to the commercial purpose. We are also exploring right now towards three things wherein somebody would like to take the entire land we can give them on with the taking of some advance money and we will develop that land and we will give for a long term lease for 5 to 7, 10 years those three options we are looking and our management is also looking for these three options and they are open to take call if it will be positive for them as well as a company.

Achal Lohade: Sir what is a total debt as of 30th of June and the cash and bank balance?

Anish Maheshwari: Total debt was on 30 June in 350 out of which 250 crore is at Vapi NTL it was merged with now with Mumbai itself so total debt secured debt is on 350 crore 100 is for Mumbai, 250 crore is for Vapi.

Achal Lohade: And cash and bank?

Anish Maheshwari: Cash and bank is hardly around 3 crores.

Moderator: We take the next question from the line of Ralson Lewis from individual investor. Please go ahead.

Ralson Lewis: My question was regards to the deferred tax payment we saw that profit before tax was comparatively positively, but because our deferred tax the profit after tax showing positive, so you just wanted to understand your inputs on that?

Anish Maheshwari: There are two different thought process on that one is our MAT. We are having a exemption of 80IA and wherein we are not using that MAT availability at Vapi unit because we are at Vapi unit we are at a general tax provision. Second thing from this year onwards we are taking benefits of 35D.

Ralson Lewis: My second question was regards to the oil prices the impact of the increase in oil prices in the last quarter and going forward?

Anish Maheshwari: So there is a impact of slightly if you see my operating expenses comparative to last year which is slightly high due to the oil prices only. We are changing our fleet also because most of the fleet which we had taken in 2011 to 2014 we are having a fleet of around 603 levels. So maximum trailers which was earlier using for JNPT port to our CFS spaces the difference of 27 kilometer and vice-versa from port to here and here to port the distance was only 27 to 30 kilometers, but now we are using our fleet towards Vapi which the distance is 175 km. So due to the old fleet we are having two different level of cost. One is a fuel efficiency because the trucks were very old so the average per liter was with the new vehicle is around 4.5 to 5 kilometer vice-versa if we compare with the old vehicle so it is around 3.5 to 4 kilometer. Secondly the repair maintenance which is towards the 175 km distance is slightly higher than the existing new fleet because initiatives altogether for one and half years we want to see about the repair and maintenance. So the direct expense if you compare with the last quarter and the last year quarter it is slightly higher side and those are the two major reasons. One is repair maintenance second one is a diesel price.

Ralson Lewis: My last question from my side was with regards the projection EPS 10 which you had mentioned in earlier quarter for this year at the same line?

Anish Maheshwari: From a company perspective we are not yet satisfied with the number, we are just thinking, and we are doing altogether different kind of mechanism and innovative ideas for improving our top line as well as realization. Numbers, So if you compare with the market and industry definitely positive, definitely good comparative to our other peers numbers are really nice and the thought of our company and vision which we have in our mind with the new location at Vapi those numbers are below expectations which will definitely improve in next two or three quarters.

Ralson Lewis: We take the next question from the line of Prateek Kumar from Antique Stock. Please go ahead.

Prateek Kumar: First few clarifications on numbers stated previously so sir export, import mix have it changed in favor of exports now?

Anish Maheshwari: last quarter exports was very nice.

Prateek Kumar: So just to get numbers right it is around 38,366 at Bombay and 9574 at Vapi.

Anish Maheshwari: The reason behind that is Prateek there is a impact of DPD purely on imports, why our numbers are usually are coming down other players are not having exports earlier too, but we were the players who are having always the exports not only with that we do not even handle a single container for our captive cargo consumptions. We are not even doing single container volume for data. This is all 3800 TEUs were near and JNPT and Vapi 9574 is all together from the other parties and export was really nice last quarter. We have did Zuari, we have did Deepak fertilizer, we have did Renuka sugar, sugar was opened for last quarter.

Prateek Kumar: So is this change in Exim mix does it benefit or does not benefit in terms of our profitability, how is it neutral I mean this mix changing is neutral for us in general?

Anish Maheshwari: Earlier if you will ask me earlier export Cargo volume and profitability is slightly lesser than that, but we are using our railway terminal services maximum. So that is the reason today whatever cargo which we are handling or with the Mumbai and Vapi which comes from the train the profitability is slightly higher than the earlier model which was maintained by the road. So there is no such impact on our profitability. If the mix will remain same. Earlier our import was around 55 and export was 45, but if you see today scenario 55 export and 45 is the import but our profitability and realization is not at all getting down because Prateek in exports our expenditure are also very less.

Prateek Kumar: Generally, export is considered as less remunerative but that has not impacted us in general?

Anish Maheshwari: Yes if you will use your fleet or use the transport by road itself then itself then it will be definitely impacted your profitability. Vapi as well as Mumbai so we are getting the good profit in railway we have a good margin comparative to road.

Prateek Kumar: This Hazira number which you told for Vapi 315 to TEUs what was the like to like numbers for Q4?

Anish Maheshwari: Q4 right now I do not have a handy for Hazira, but it was in the range of 2000 TEUs all together for three months for last four quarters, but I will clear you later on.

Prateek Kumar: Regarding these number of trains you mentioned 124 so these number of trains which you handled this quarter 124 at Mumbai and 14 at Vapi similar numbers for Q4?

Anish Maheshwari: Not similar number last but 124 train which we handled in April to June quarter at Mumbai is purely DCM long distance trains. We are not even taking I think so hardly two or three trains which we handle between port to here and here to port because there were no such concession in port. So maximum trains which we are handling out of 124 is your long-distance train which we are using for domestic, as well as Hyderabad and Vapi facility.

Prateek Kumar: Sir what is Hyderabad facility?

Anish Maheshwari: Hyderabad right now we are handling five trains for in and out Hyderabad inward 5, outward 5 10 trains in a month. So we are taking somebody terminals whoever terminal is having over there we are using that terminal on the freight model basis we will not do any kind of CAPEX over there. So if somebody would like to use my PFT or Vapi or Mumbai they can use on their own railway model that we are also using somebody to PFT whoever is available over there. So we are giving on a freight on a train basis.

Prateek Kumar: So without having terminal using giving train is profitable as well?

Anish Maheshwari: Yes.

Prateek Kumar: Sir 124 train what was the like-to-like number in Q4?

Anish Maheshwari: It was all together Q4 we have 130 trains.

Prateek Kumar: And there was none at Vapi in Q4?

Anish Maheshwari: Yes Vapi there was none. Vapi we handle first quarter 14 trains.

Prateek Kumar: Which has gone to 50 trains in July only I mean on a month basis?

Anish Maheshwari: Yes.

Prateek Kumar: And sir just for clarification for Vapi revenues which you said so it was 36.85 crore in Q1 and around 30.24 crores in Q4?

Anish Maheshwari: Correct.

Moderator: The next question is from the line of Dikshit Mittal from Subhkam Ventures. Please go ahead.

Dikshit Mittal: Sir can you give the EBITDA breakup between two terminals for the quarter?

Anish Maheshwari: EBITDA breakup last quarter also we are giving that sense because we are not even making a separation of expenditure. Last quarter also we clarified that we can give you the revenue top line because invoicing we are doing on the unit basis like Vapi is different and Mumbai is different, but expenses which we incur in Vapi as well as Mumbai which is altogether on the consolidated basis because the same fleet is using Vapi and the same fleet is using for Bombay. So operation team always giving the DO to the truck operator on the basis of volume which they have in line with Vapi as well as Mumbai. So we cannot separate the expenditures.

Dikshit Mittal: In terms of sales you mentioned 84 and 33 right?

Anish Maheshwari: Yes 85 and 37. 85.06 at Mumbai and 36.85 as at a Vapi total is 117.52.

Dikshit Mittal: You mentioned in your remarks that you expect uptake from third quarter and fourth quarter so what gives you the confidence?

Anish Maheshwari: Railways operations are in Mumbai and I frankly tell you Mumbai the growth is slightly tough, but we are taking that likely to likely basis we are also making some innovative ideas and some innovative thoughts in Mumbai operations also. Mumbai maybe in same level or maybe in a slightly positive level but Vapi we have full confidence because of client basis is very nice from now onwards because we added like Walmart, Hamilton, Reliance, Welspun, Well-Known, Polycab, Calvin Klein, NR. Agarwal, Chandan Steel.

Dikshit Mittal: So any visibility by when can we fully fill up our Vapi capacity?

Anish Maheshwari: Fully fill up it may definitely take three years but if you will ask me for next couple of quarters or three, four quarters it will definitely in a very **(Inaudible) 36.52** side. If you compare with the last quarter and with the vice-versa last year quarter numbers are totally changed. Last year quarter June quarter2017 was 5718 containers vice versa this quarter we have 5718 containers and the number of same quarter is 17000 depletion 1500 growth all over the rate of Vapi. So, the tradition of that growth of Vapi there may be some positive or negatives, but growth is there.

Dikshit Mittal: So for full year can we expect around 80,000 this year from Vap?

Anish Maheshwari: Dikshit frankly I just wanted to tell you because this is really a very futuristic question and very specific, but I can give you assurement will definitely in a very nice shape.

Dikshit Mittal: Lastly, we have seen jump in interest and depreciation charges in this quarter is there any new capitalization that has happened?

Anish Maheshwari: There are three different reasons external factor if you ask me in a finance cost one is MCLR which is two times revise in last quarter. So and our entire loan is MCLR plus basis. Secondly capitalization which we did in March quarter as our railway operation commenced in March itself, so this is an impact on depreciation and secondly interest cost which were earlier paid by the IDC interest during construction which was funded by the project. So that impact of interest is expense for this quarter which will be in a down trend from next two, three quarters and third major impact on finance cost is an IndAS impact.

Dikshit Mittal: So, any FOREX loss in this interest expenditure?

Anish Maheshwari: No there is no FOREX loss of interest of cost.

Moderator: We take the next question from the line of Nirmal Shah from Seraphic Management. Please go ahead.

Nirmal Shah: I just wanted to get I do not want any specific future guidance but what I remember that earlier we were looking at minimum volumes of close to 92,000, 100,000 from Vapi in next rolling basis 12 month basis, so now as per your recent commentary you are saying that coming two quarters we should expect mild improvement but probably from December onwards you see a significant ramp up in Vapi volumes, is it that way?

Anish Maheshwari: This quarter is already announced correct, next quarter we are saying that maybe in positive range, but it is not like that it will be jump of 10,000 TEUs but from third and fourth quarter. Earlier also I mentioned in my previous two, three calls if you remember at Mumbai when we start our first yard we have container volume for continuously nine months. It may be in a range of 900, 1,000, 1,200, but from the tenth month of that particular year we got the volume of 9000 TEU. So it was 800% improvement in single quarter so what I just wanted to give you the numbers likely to Subhkam guy Dikshit was also having the same question that but we are not giving any kind of fixed number share on call, but I just give you the sense that number maybe in a range of expectations which we have which we targeted internally.

Nirmal Shah: So sir let me put in other way by end of financial year that is by March '19 you at least expect that on a monthly basis exit run rate should be 10,000 volumes am I right in understanding?

Anish Maheshwari: Ultimately, you are asking me the same question by the way of different point of view.

Nirmal Shah: But I am not asking on an overall basis for the year I am saying you are expecting a ramp up right but that ramp up would have timeframe, right?

Anish Maheshwari: We are expecting total capability which we have over there is around 4,75,000 TEUs. We are definitely expecting around 20% to 25% in between this year. This is our expectation internally.

Nirmal Shah: Sir what you said that 22% to 25%?

Anish Maheshwari: Total capability which is around 4,75,000 TEU so we are expecting our expectance in the range of 20% of total TEUs in the range of 1,20.000 TEUs but what will happen in this quarter we have a 17,000 TEUs it may go in next quarter too or it may be in a same range that is only my focus and point, but throughout the third and fourth quarter maybe altogether different ballgame that is our pure expectation and that is our vision too because we made a facility just because my break even too will be in the range of same level. So we are thinking like that only. We are like to do the maximum uses of our facilities which we have built up there in Mumbai and Vapi that is our core target by the way of MSA, by the way of Exim, by way of PFT, by way of warehousing, by way of logistic park facility, by way of garage facility, by way of cold chain whatever we have the facility which we build up in last two years we would like to make sure we would like to take the maximum uses of those facilities which we build up in last two years because right now there is nothing which is pending from the government approval side, all approvals are intact with the company like railway, PFT, DFCC everything is intact with the company. Now onwards we just have to focus on the business itself.

Nirmal Shah: Sir my second question was actually about the resolution of your land parcel which you already mentioned in your comments. So, I understand it would be based on your price expectations whatever route you decide to take it, but based on the current set of conservation whatever you are having is there some timeframe we can look forward in terms of resolution in any of the routes whatever you mentioned the three routes which you were trying.

Anish Maheshwari: We are trying from last one and half year frankly speaking to you. Certainly what happens real estate market was not doing well in the last one and half years so we got from opportunities we also discussed on a second round of meeting with the parties like we have a first discussion with Tata like we have 45 acres of land so it was an oral and primary discussion with the Tata team what they are asking us you can give us a 5 acres of land first then we are announcing some affordable housing or some qualitative housing with the 5 acres of land because Tata is not having a presence in the Panvel market. So what we were talking to them you can take the entire 45 acres of land. You can make us JVs for the entire 45 I will give you the example which kind of communication we had with the different kind of parties like I will just give the example of Tata. So Tata we are asking we can go with the 5 acres of land but in that case what happens they will choose the land which is near to the main highway then rest 40 acres land they would not be make any kind of JV for a longer term future then what I will do with the plan the price of entire 45 acres of land due to the certain land which is directly connected to the main highway if for the rest of 40 acres of land there is no access then what will be going with the land prices. So those kind of thought processes we just discuss with the local builders also but there is again local builder I am not giving any kind of name to you but whoever is working in New Bombay area they would not have a reputation like that then how can we sure and how can we make our interest towards that kind of a property and how to gain profits from them. Those are the things which is in our mind. Secondly, certain parties last time I think so I think three quarters back somebody come to us and asking about Amazon required the big chunk of land for warehousing over there in Mumbai. So they were looking towards Panvel itself because our property is based on Panvel itself. So they were coming up with the thought of Rs. 8 to Rs. 9 per square feet which is administrative cost right now over that in that area. So we were proposing that if somebody will be coming in the range to 18 to 20 or 15 or 20 in between then we will make monetize that land towards that particular leasing model. So discussions are going on but fair sense I can give you we are really want to do that monetization of land and with that money also last time also we are saying that we will definitely repay the debt of the company first then after we will think what we have to go into next. So this is our core idea. We are also thinking about the outright sale if somebody would like to give the money on the period of five to six months' time we are open for that also. But right now, any of the builder, any of the commercial chamber they would not have such a money because 45 acres land minimum price of around 7 acres to 10 acres because nobody is having a 45 acres for the entire Panvel either we can be make 5 acres plot either I can give entire one package to anybody else. So, those kind of thought process which we have in our brain and we are working towards that also. 10 crore acres means 450 crores is idle with the company right now which is we would not have a use for that land for next three to five years. Management was also thinking about it.

Moderator: We would be taking the next question from the line of Krupa Shankar from Spark Capital. Please go ahead.

Krupa Shankar: Just wanted some couple of clarity on one data point so the revenue from JNPT would be 85.06 crores and from Vapi it would be 36.85 crores right?

Anish Maheshwari: Correct.

Krupa Shankar: So sum of these two is coming up to about 122 crores is there any knockoff in the revenues as well how it is?

Anish Maheshwari: Other income which is 4.88 which we considered in 122 so altogether it is 117 it is double number accounted in 34.63. So, if you take the entire number is 82.41 plus 2.66 plus 34.63 just for a moment I will just give the clear clarification on that. If we take the number 82.41 at MCL Bombay and 34.63 at Vapi is the correct number.

Krupa Shankar: Okay, got it, right. Sir, one more aspect on Vapi. We have handled 14 trains in this quarter, so what is the overall maximum capacity of trains which you can handle at the terminal?

Anish Maheshwari: We have a shift, capability is much higher than the existing. We have four active tracks over there in Vapi, four active tracks, out of which if we will handle single train in a day, so it may be number around 120 trains in a month, but we have a capability of 3 trains in a day on a single track, like eight hours duration for each train, eight hours duration which is given by the railway. In that eight hours you will have to vacate the train.

Krupa Shankar: Got it, got it, right, and my last question was on the CFS volume. So, given that the government's directive is to increase the DPD percentage to about 80% and given that we are reducing our emphasis on DPD because the profitability is quite low. You know don't we see a longer term benefit because of accepting more of DPD volumes?

Anish Maheshwari: I just wanted to tell you from the last few quarters if you will see, the government is announcing the same thing from the last two or three quarters, but if we will compare the numbers from last three quarters, which has remained same. The DPD volume, which was in the range of earlier to same number if we will compare with three-four months back, was around 38% to 40%, correct, which is now also the same.

Krupa Shankar: Right, right.

Anish Maheshwari: Last DPD was, April '17 number if you will see, it was around 27.62%, and DPD cargo was around 40,000 TEUs, correct. Now look, there onwards, I think for mid-December, that number was 55,000 TEUs, around 37%, which in July is around 58,000 TEUs. This is only 39%. So, the changes, which has happened in the last four quarters towards DPD is intact. So, the reason being, there are two, three reasons. I am not denying the fact that government is not announcing those things, but the problem is what you know, port also should be having that kind of a capability to handle those cargos. That is one point, second point, certain parties, if you will see, they won't be going into DPD. There is a public notice of 69, which is also available in 2012-13, correct, but nobody is going into that because they want the delivery on time, dot-time, so those people were making those planning via CFS only, which is not at all possible in DPD. Second thing, I just wanted to highlight over here. CFS industry also looking for stay on the DPD, which is going last two or three quarters, those are thought processes which we heard from the market.

Krupa Shankar: So, but the fourth terminal, which has just been commissioned from January onwards, and now there is an additional slot and additional infrastructure available for DPD container storage and that terminal.

Anish Maheshwari: The problem is not at all with the ports, problem is with the parties. The problem is what you know, in India, around 90% parties are having only 10, 15, 20 containers volume, correct. If they would like to make that surety of DPD cargo handled via them then they will have to ware house or store somewhere else. That is the reason several CFS have converted their own facilities into the warehousing and storage division. This is also a very profitable business, so we are also on the verge of that. We have a property over there in Mumbai. If something going negative at a port, if tomorrow DPD volumes will take place of around 50%, I am assuming, in that case they require a much amount of land near hinterlands, because port will give delivery in two to three days, correct. After that, if party, whoever is having a stock of next 10 days, where he will put, because he does not have any facility or any factory. Then he will have to warehouse somewhere else. So, in that case what happens, that money which was going to CFS right now will go into warehousing zone, and warehousing zone. Again, who is having or owning the land, CFS only, so the model will be getting changed. If you will see that 40% which I am talking right now, out of that 40%, 72% cargo will be moving by CFS also. In our terminology, DPD/DPD, DPD/CFS, so ultimately the problem behind DPD is not getting resolved.

Krupa Shankar: That is true, that is true. That is what I am saying, so if my focus is to increase my DPD volumes to 80%, the CFS would be key beneficiary again because the infrastructure at the port is limited but given the profitability of DPD volumes as compared to that lower.

Anish Maheshwari: There may be, certainly, there may be impact of profitability for certain time only. Once everything is getting resolved then profitability or rates will definitely be going on the same. This story we are seeing for the last 10 years. Sometimes, shipping lines dominated the cargo, sometimes importers will be in a fighting mode, and they will go into direct port delivery. They will come again to the CFS, the drama will go on for the next three to six months then it will be somewhere in the range of amounts where he will have to spend. He will decide how much amount I will have to spend towards cargo till my factory. It is a fixed amount. Today, if you are going to any of the importer and ask after DPD what is your price comparative to your earlier price? There is a marginal difference of 2% to 5%, maximum I am telling you, because that money, which was earlier going to the CFS or the shipping lines, it is going to the CHA now, because now CHA is the role model for them. So ultimately, what happens here, ultimately you need a permanent solution that may be for a temporary.

Krupa Shankar: So, if the average volume per customer is roughly about 10 to 15 containers per month, our customer base also handles similar sort of volumes only or this is at a higher basis?

Anish Maheshwari: If you will see my 30% volume is from top five shipping lines. Rest is from 95 shipping lines. So first thing, this is the key thing Sir. Whoever is having the infrastructure with the logistics part, whoever is having a fleet with him, whoever is having a service or a capability to handle each kind of cargo that will definitely end in a win-win situation ever. There may be impact for certain, two, three, four quarters, but ultimately you require a facility in India. If you have a good facility with a good service providing solutions, then it may take certain amount of time to grow up yourself but will be definitely in a growth path.

Moderator: Thank you. We take the next question from the line of Jaykanth Kasturi from Dolat Capital. Please go ahead.

Jaykanth Kasturi: Hello sir. Now I can see that, as you mentioned, your Vapi realization for this quarter was 21,220?

Anish Maheshwari: Correct.

Jaykanth Kasturi: Yes, and when I compare it to the Q4, it was somewhere around 29,500?

Anish Maheshwari: 29?

Jaykanth Kasturi: Yes.

Anish Maheshwari: No, I think there is a problem with number I think. It was 21,000 boss. My topline was 30.24 crores, and we handled TEUs of 14,433.

Jaykanth Kasturi: Okay, so it was 21,000 only. So, in terms of JNPT realization this time it was around 10,178, so this is like a Rs. 300 fall per TEU?

Anish Maheshwari: Yes, so there is an impact of DPD, which we have already discussed.

Jaykanth Kasturi: Okay. Sir, so in terms of this realization, this is inclusive of your DPD volumes, right?

Anish Maheshwari: Yes, it is altogether.

Jaykanth Kasturi: Sir you gave your domestic, you gave your domestic revenue number as around 8 crores, so in terms of volumes how much it was?

Anish Maheshwari: It is not in volumes. It is loose cargo, as well, it is tonnage basis basically, but we won't calculate the tonnage. It is parcel delivery basis kind of.

Jaykanth Kasturi: Okay. It was more of like parcel services?

Anish Maheshwari: It is more of case-to-case basis.

Jaykanth Kasturi: Okay. Sir, the CAPEX for this year, any number like, if you can give?

Anish Maheshwari: CAPEX, I can give you the guideline. Altogether, we may add new fleet of around 150 trailers, 3 or 4 reach-stackers which we require new, and 5 odd forklifts. So, it may cost me around 50 to 60 crores. It may be the further for this year, but at the same time we will retire the old fleet, so which will be around 25 crores to 30 crores will be compensated that, and we have a cash surplus in this year, probably, around, if you will see this quarter itself is around 30 odd crores. So, we have a surplus cash with us, first thing. Secondly, if we will add any new fleet, we will retire our old fleet. So there may be impact of 50% addition in the asset side of 60 crores. So, 25 crores to 30 crores will be added in this year, which is around 2% of my block.

Moderator: Thank you. We take the next question from the line of Prateek Kumar from Antique Stocks.

Prateek Kumar: Yes sir, thanks for the follow-up sir. Is there, I mean, could you give data on empty containers handled during the quarter?

Anish Maheshwari: Empty, altogether, from Vapi and Bombay per quarter basis around 4,400 containers. It is around 13,000 TEUs from Mumbai, Vapi, both the sides.

Prateek Kumar: And Mumbai alone?

Anish Maheshwari: Mumbai alone, I won't segregate because this number is maximum from Vapi itself.

Prateek Kumar: We used to do some 4,000-odd?

Anish Maheshwari: We are not segregating numbers at empty because sometimes empty is taking from here to Vapi, sometimes here cargo which is nearing to the port, and the empty is taken towards Vapi. So, we are not segregating that number right now.

Prateek Kumar: Do we get 21,000 realization on this container also?

Anish Maheshwari: For empty, it is averaged out, slightly down maybe, but that is average out. For me because the realization on empty towards Vapi also, the prices remain same for me, so we are giving the package to the party.

Prateek Kumar: Okay. So both ways, prices are factored-in in your….

Anish Maheshwari: Both ways there is slightly down-trending in the cost side, but prices remain same. They may be few sides slightly down, but it will compensate with the loaded cargo.

Prateek Kumar: Okay, sir like-to-like number of Q4 and Q1 if you have?

Anish Maheshwari: Right now, I don't have handy, I will give you separately.

Prateek Kumar: Okay, and sir incentives data if you can share, which you generally share in the call?

Anish Maheshwari: Incentive, last year quarter was 9.58 crores vis-à-vis this year only 6.21 crores for Q1.

Prateek Kumar: And for Q4, number you have?

Anish Maheshwari: Q4, wait a minute. Q4 was 8.64 crores.

Prateek Kumar: So, this number would be lower year-on-year, maybe because DPD is going down, that's why?

Anish Maheshwari: Certain shipping lines have stopped incentive itself. Either it will be as an import of EXIM cargo at CFS or either DPD cargo. They stopped. It will be DPD or it will be CFS, they won't take any kind of incentive.

Prateek Kumar: Okay, Sir just to revisit numbers. You were saying that the Vapi numbers were 36.9 crores earlier. You said that it is 34.6 crores. So on 34.6, the realization comes at 20,000 actually. On 36.9, it was coming at 21,000?

Anish Maheshwari: At 20,123 vis-à-vis it is 19,951.

Prateek Kumar: Yes, so 19950 is the realization?

Anish Maheshwari: Which is in the range of last quarter also. Last quarter was 20,799, and this quarter is around 19951, which will remain same for next quarter also. They may be slightly lower side, 19,500 may be possible also, but our per TEU realization profitability will be on a higher side. This is just due to railway.

Prateek Kumar: Okay. In other expense, you generally report that foreign exchange loss. Is there any number for the quarter?

Anish Maheshwari: There is no such FOREX loss. It is marginal, hardly 0.2, because we did that FCNR conversion at 67.5.

Moderator: Thank you. We take the next question from the line of Pawan Parakh from Renaissance Investment.

Pawan Parakh: Based on your communiqué, it appears that the impact of DPD is largely bottomed out, and we shouldn't see any meaningful decline in volumes because of DPD for us. Is that the right assessment?

Anish Maheshwari: There is an impact on EXIM cargo movement by the way of DPD. Till now whatever impact which was getting done, which is clearly done, but we are exploring new options for domestic as well as our PFT utilization.

Pawan Parakh: So basically, these 73,000 odd TEU volumes that you did in Q1 and you said that you had forgone some of the volume because it was ….

Anish Maheshwari: 72,000, may be 74,000. There may be marginal difference.

Pawan Parakh: So sir my point was that 73,000 odd that we did, that is largely going to be stable, and there is no further 5%-10% or more than that decline?

Anish Maheshwari: We are fighting for that only. Our team is fighting for that only, that numbers should be improved. They are considering the domestic as well as the PFT.

Pawan Parakh: And profitability, the EBITDA for TEU also should be stable from here on?

Anish Maheshwari: Yes, we are always thinking of EBITDA around 38 to 40%. So certainly sometimes, it may be 42%. Year-on-year basis if you will see, that number should range in the range of 40%. So, in some quarter it may be 38%-37% because certainly somewhere some seasons also working. Like, if tomorrow there is a good agro chunk, which will be for exporting, like sugar is giving me a good margin, good number of realization but at the same time if the cotton will come to me, so per TEU realization today for sugar is 10,000-11,000, that may be 7,000-7,500. So, you will have to evaluate the company's number on year-on-year basis. So, year-on-year basis if you will see, my profitability ratio may be in the positive notch of 40%. It will never be in the range of 35-36%. It will never happen. It will be in the range of 38, 39, 40, 41, 42. So, there is a margin difference of 2% because our policy, our management and our business policy itself is very clear, we won't be going beyond the line. Like, if we have a ballpark number to make this business running in running situation with the same kind of asset, then we will have to make sure we will be getting the EBITDA level of around 40%. Without that, we won't do any kind of business.

Pawan Parakh: And sir, would that bottoming of DPD impact on volumes, will that be true for the entire industry also, I mean, industry-wide also you do not expect any further deterioration in CFS volumes?

Anish Maheshwari: Industry wise, if you will ask me the impact on industry has already been there. That is the only reason valuations are very less from last year's same quarter if you will see because the industry is already impacted by the DPD. Whatever impact was getting down in the industry which is already there. So, everybody is searching for new era, new horizon, new business model, new innovative ideas because they have a land, they have an asset. They will have to utilize that asset.

Moderator: Thank you very much. Well ladies and gentlemen, that seem to be the last question for today. I would now like to hand the conference over to Mr. Vikram Suryavanshi for his closing comments.

Vikram Suryavanshi: Thank you for giving us opportunity to host the call and taking time out for interacting with the stakeholders. Thank you all for being on the call.

Anish Maheshwari: Thank you so much Vikram. Thank you so much to everyone.

Moderator: Thank you very much. Well ladies and gentlemen, on behalf of PhillipCapital (India) Private Limited, we conclude today's conference. Thank you all for joining us. You may disconnect the lines now. Thank you.