



M/s Navkar Corporation Ltd
Container Freight Stations & Rail Terminals



PhillipCapital

“Navkar Corporation Limited Q1 FY23 Earnings Conference Call”

August 11, 2022



M/s Navkar Corporation Ltd
Container Freight Stations & Rail Terminals



PhillipCapital

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

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

Moderator: Ladies and Gentlemen, good day and welcome to the Navkar Corporation Limited Q1 FY23 Earnings Conference Call hosted by PhillipCapital (India) Private Limited.

This conference call may contain forward-looking statements about the Company which are based on beliefs, opinions and expectations of the Company as on the date of this call. These statements are not the 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 ‘*’ then ‘0’ on your touchtone phone. Please note that this conference is being recorded.

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

Vikram Vilas Suryavanshi: Thank you. Good evening and very warm welcome to everyone. Thank you for being on a 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 (Finance) and Mr. Kunal. Before we start with the question and answer, we will have opening comments from the management. Now I hand over call to Mr. Anish Maheshwari for opening comment. Over to you, sir.

Anish Maheshwari: Thank you so much, Vikram, for giving us an opportunity for Q1 call. Good afternoon and warm welcome to everyone present on the call. I would like to give insights on the results 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 the better operations level than the last as well as the same quarter of last year.

The Indian logistics market is forecasted to have robust growth given by the growth and demand for logistic services. While there are short-term challenges with fuel prices, global commodities, impact of Russia and Ukraine conflict, recovery and growth in the other sectors will further boost demand. 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 the quarter are in better position with previous quarters with 16% hike in the top line of company from 204.98 crore to 237.84 crore, and the same has risen on yearly basis from 215.79 crores by 10%.

Looking at the figures of the results printed, I like to mention that position of the current quarter had shown growth on the account of normalization of global trading environment. The priority of company is to improve the productivity in line with the natural growth of the business volumes in current units of the Company.

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



In case of ICD at home, volume of import containers handled rose by 22% from 30,335 TEUs to 36,907 TEUs on Q-o-Q basis and from 30,368 TEUs on Y-o-Y basis which shows a similar rise. And volume of exports container handling down by 16% from 19,346 TEUs to 16,335 TEUs on Q-o-Q basis and from 19,797 TEUs on Y-o-Y basis, the situation is almost similar.

Now coming up to the EXIM turnover of ICD/PFT, the same rose by 1.4% from 95.8 crore to 97.14 crore. Speaking about the domestic turnover at ICD, the same rose by 33% from 34.3 crore to 45.6 crore.

In case of CFS, volume of exports containers handled stand by 33,811 TEUs from 29,084 TEUs on a Q-o-Q basis which is rise by 16%, and from 25,455 TEUs on Y-o-Y basis, the same is now up by 33% Y-o-Y basis.

Volume of import containers handled declined slightly by 3% from 30,430 TEUs to 29,590 TEUs on a Q-o-Q basis and 30,364 TEUs on a Y-o-Y basis. The same was down by 3%.

Coming to the EXIM turnout of CFS, the same rose by 21.5% from 65.3 crores to 79.4 crore. About the domestic turnover rose by 148% from 5.45 crores to 13.6 crore

In totality, domestic volumes we did have around 59.2 crores, which in last quarter was 39.777 crores almost 49% rise in domestic turnover, and last year was 49.71 crores, which is 19.09% high.

In case of CFS, the train handled is 245 this quarter comparing to 184 in the last one. In case of ICD/PFT, the number of trains we handled is 783 in comparison to 657 in preceding quarters.

Now I just wanted to share the profit figures for Quarter 1, FY2023. Operating profits of this quarter stand at 84.16 comparing it to 76.14 crores, which is rise by 11%. Comparing the year-to-year figures, same for 73.46 crore from which there is a rise of 14.57%.

EBITDA margins in current quarter stands at 53.1 crore in comparison to 48.22 crores in preceding ones which saw the rise by 10%. Comparing year-on-year to figure the same was 49.25 crores from which there is a rise by 7.8%.

Profit before tax of current quarter was 29.99 crores in comparison to Rs. 20.42 gross Q-o-Q basis which is rise by 47%, and from that Rs. 22.25 crores on a Y-o-Y basis. The same is up by 35%.

Now coming on the figures of profit tax of company, the same stand at 23.84 crores in this quarter comparison to 30.23 crores for the last quarter. Here I just wanted to add that the profit after tax of last quarter comes after getting the effect of tax benefit under section 80-IA for whole year in last quarter due to which the tax impact was the line of negative 9.57 growth. When we rationalize, the impact of tax deduction after Section 80-IA for whole year, the profit after tax of last quarter comes at 16.29 crore, which is rise by around 46% up to current quarter ended.

Further with respect of profitability of company for this quarter I would like to add few points. Profitability of company more higher than that. I just want you to be highlighted on the point. First is that we used to get 5% waiver in respect of railway freight, in respect of transportation through rail, and railway receipts issued by railways to us, but the same is withdrawn from 1st May 2022.

The operating profit and EBITDA margin is affected by 2.15 crore, but despite that figures are positive. Further there comes better rise in profit before tax and profit after tax as told earlier. This is because of Company was availing the benefit of Section 80-IA in case of Vapi unit because of which effective tax rates are maintainable at the considering lower rate.

Coming up to the area of new project development continuing at Morbi, the current completion stage of aforesaid project is almost 70% and the Management is contemplating to complete the term of LoI by the timelines and make the ICD operational by that time. The purpose of the new ICD is having better connectivity and network to serve the customers better in domestic market as well as the EXIM market towards that products or region. 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 that we are going 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 in quite better position. Looking at this, Company hopes to sustain the operations and profitability.

Now, I would like to open the floor for Q&A session.

Moderator: Thank you. The first question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: I just wanted to know about this ICD Morbi, what is the status of, you know, the project as of now? And how much we have spent? And how much is left to be spent on it, if you could just brief us on that?

Anish Maheshwari: So, that project cost is almost in the range of Rs. 135 crore, out of which we had already been achieved 94 crores over there, and financial tie-up was with the Canara Bank. So, I can say that 70% work had already been completed over there.

Vignesh Iyer: And by when are we expecting it to be commissioned? Quarter two or quarter three maybe?

Anish Maheshwari: Lately quarter three. We are trying to completion partial COD by September or October. We are hoping that will be start by the late quarter of quarter three.

Vignesh Iyer: Late part of the quarter. Can you tell me if the company, you know, plans to take any rate hikes or have already taken some rate hike in July?

Anish Maheshwari: So, revisions are already been there. Certain revisions we had already been made in May. Certainly revisions we had already been did in July also. So, this is the ongoing activities wherever we required if the price hike or there in a diesel and all, we just pass it through over the period of time. Otherwise, this rate hike, which we have taken around 2 to 3% in July itself.

Vignesh Iyer: In July have taken 2 to 3% rate hike, right?

Anish Maheshwari: Rate hike will be coming in this quarter two.

Vignesh Iyer: Oh, in quarter two. And can you tell me on quarter-on-quarter basis, how much 16% revenue growth we can see on quarter-on-quarter basis? Can you give me a breakup of what is percentage in relation to the volumes and what percentage is in relation to realization, if you could give me a breakup?

Anish Maheshwari: I can say that volume we are having over there at ICD, we have a volume in this quarter, in totality, 53,242 TEUs, and at CFS, 63,401 TEUs.

Vignesh Iyer: But as in the blended volume increase, if you could just give me a figure of like from 205 crore?

Anish Maheshwari: CFS we did revenue of around 79.4 crore for EXIM volume and ICD 97.14 crore. In totality, 176.54 crore and domestic, we have at ICD 45.6 crore and domestic 13.6. In totality, 59.20 crore. So, over and all, total revenue was 237.84 crore.

Moderator: The next question is from the line of Vikram Vilas Suryavanshi from PhillipCapital. Please go ahead.

Vikram Vilas Suryavanshi: Sir, this Morbi operation, will it start? When we can see the rail operation will start from Morbi and if you can highlight on our plans to add more trains for more operation as well as growth in existing business, how the rate addition will happen?

Anish Maheshwari: Actually, right away, we just wanted to be commencement first. So, we are targeting that by September, we can do our more development work, infra work over there, and we will start partial operations with the partial COD. For that we required notifications for which we had already been applied for. So, once we will be receiving in September or October, then we will start operations over there in Vapi by road, as well as we are trying to reach around 2 to 3 months by rail also. So, this is our plan right away. So, if I can say, starting operations will be quarter three and starting operations by rail will be in quarter four.

Vikram Vilas Suryavanshi: And as per your expectation, what could be the cost difference between road and rail for Morbi? And to what extent the rail can really help us to get a market share there?

Anish Maheshwari: So, I just wanted to leverage here. There is no such ICD over there in that region. So, by road also we will be getting some good business, and after that railway, I can say almost price benefit which we will be going to pass on to the party, because what happens now, and early cause also

I just giving the highlight on the movement over there in that region. Empty moment is much higher because all the time, they will have to take the container from the port side and then at the same time, they have to be shared, share that container to the shipping area or the port.

So, after that ICD over there in Morbi, that will help to reduce their cost by the, you know, operational efficiency towards the EXIM movement, which will be getting less, point number one. Point number two, after railway, it will further one-third cost will be getting down. That is our expectations right now. Then once we start operations, how much we have our empty movement over there by railway, they are not really getting the real sense.

Vikram Vilas Suryavanshi: And what kind of a rack addition or railway addition we are expecting for this Morbi as well as existing growth?

Anish Maheshwari: So, right now we are not making plans towards that, but yes, once our operations will be start, then we will get the fair sense about the need of railway racks. So, primarily, we will be, you know, handling our operations by our existing facilities, our existing railway modes. Like we have a leased train and in total where we are running around 16 to 17 rails. So, with that we will start operations gradually by our own rack because we have right away. Then we will be making decide then how will I have to be move for the after the operation start.

Vikram Vilas Suryavanshi: And in terms of a domestic railway operation, what kind of growth we are expecting or new routes we can see in the domestic side of the business for a growth along with the EXIM business?

Anish Maheshwari: if you can see, Vikramji, in past six or eight quarters, our domestic operations have always been a higher mode, like last quarter we did 39 crore volume in totality, which was in this quarter 59 crore. So, we had Reliance also. We have ArcelorMittal, which we had already been told, then Smart Cam. So, there are a few industries which we are catering in the domestic market, and on a usable level. Domestic players are having a high score. On that we are also focusing more on it. As there is margin little bit thin comparatively to EXIM, but yes, I can say that volumes are very high.

Vikram Vilas Suryavanshi: Because what we are seeing is that like in case of CONCOR and all that, their domestic growth is almost like 30% plus miners, and they are really focusing on like bulk cement, industrial salts. So, are we seeing like new markets coming for domestic market or any new routes we can start which can--?

Anish Maheshwari: Definitely, and we are exploring in Morbi also because there is volumes from to-and-fro. Correct? So, there is a market which is catering towards the Morbi is a tile hub and consumption of tiles were very less over there in that particular market, but from there it is demanded across India, so there is a supply.

So, definitely, we are going to focus on that too for the domestic market supplies and all. And we have a railway network and we have a railway, three trains we have already been owned.

One might be coming in next one or two months. So, after that we will be having owning our four trains and around 12 to 13 will always be on a lease basis. So, we just wanted to be monetized over there in that operations. We are hoping that we more focusing on the EXIM as well as the domestic market because Morbi is new area further for us. There is industries like newspaper, tile, chemicals. That is definitely there, and then also, if you will see from **(Inaudible) 18:34** we are doing operations for Arcelor.

Similar line we are doing operations for Smart Cam Deepak fertilizer. We are doing operations for Reliance. So, domestic is having a scope and in last quarter, you can see there was a 39 crore top line by domestic, which is in this quarter 59 crore. So, almost 46% growth. So, domestic market we are focusing over and all.

Vikram Vilas Suryavanshi: And just to understand competitive and improvement in the JNPT business, are we seeing like pricing getting stabilized? And how is the pricing between because during COVID we had benefit of ground rent income substantially for CFS operation, but now if you can give sense between how the pricing has been, is it stabilized or within that ground rent and handling income, how things are looking in terms of competitive scenario at JNPT? I just wanted to get sense about environment at the JNPT for CFS operations. Is the pricing stabilized at overall CFS operations at JNPT for industry? And how do you see profitability at JNPT sales?

Anish Maheshwari: So, if you see CFS last quarter and last year same quarter, we are, you know, leaving last quarter around 33,811 TEUs, which was in last quarter, fourth quarter of 2021-22 was 29,084. There is a hike of 16% and YOY basis if you see the 33%, correct? Same quarter last year was 25,455. I can say that there is a limitations towards the EXIM volumes with the CFS and there are very few CFS giving the profitability over there. So, in that scenario, we are focusing again on that and CFS volumes if you see since last three or four quarters are we are in improvement, right? And price power as we all know after DPD, there is no such price power with us. Yes, very likely I can say there may be a 2, 3, 4, 5% hike over the period of time, but we are more focusing on the volume side because we have a facility over here. So, EXIM as well as the domestic, again I am telling you, that that is the core focus area for us for this facility too.

Moderator: Thank you. The next question is from the line of Vishal Modi, an individual investor. Please go ahead.

Vishal Modi: I want to know one thing. You said operating expenses this financial; it shows it is very high compared to quarter-to-quarter and year-to-year as well. So, can we get some justification why are operating expenses so high currently?

Anish Maheshwari: So, based on the operating expenses, we were getting 5% rebate from the railway earlier which is getting stopped, and in that account almost we are having a loss I can say, or that incentive loss is around 2.15 crore. So, that was the impact over there only. And secondly, in a same manner if I will be having a domestic operation high. There is a margin which will be a little bit lesser than the EXIM volumes. So, if you see last quarter, our total revenue was 39 crores in a

domestic which is in this quarter 59 crore. So, there is a margin which is there is a threshold of margin in the domestic volumes where we are getting less margin there comparatively to EXIM. That is the major reason because operating cost over there is higher than the EXIM operating cost.

Vishal Modi: And second question. Are you increasing your customer base compared to last year? Have you increased any customer base in your database?

Anish Maheshwari: So, in our operations I can say, in database if you will ask--

Vishal Modi: Any new customers added or you are running with the same old customers?

Anish Maheshwari: if you will ask me with these running with the same old customers is not a tricky question for me, because in this business, once we are capturing the business from the CHA shipping line or the exporter or importer, then they will remain the same for the period of time. Is there any further addition or the commodity exchange, then the customer will come to us. So, I just wanted to give you the jest, more of the customer, more of the time will remain the same. We maybe add less of 5 to 10% each and every quarter. It may be the commodity wise there may possible, some customers will be getting down or there maybe possibility there in the commodity change, then the customer will have. So, practically, if you will ask me, gradually, we will be arranging with that model and we were having a 2%, 3% customers will be in a change mode or an addition mode. Otherwise, once your ICD will be set up, four, five years after later on the customers will remain same. Their operations will be getting high or less.

Vishal Modi: Operations will be higher.

Anish Maheshwari: So, like if you ask me, paper industry, if there is the exports getting down or import getting down in that particular industry, like last whole year, we were not having a single PTA customer. And this year we were having almost 800 to 1,000 contains per month. While last year there was down in rayon, so there were no customer of PTA. So, this kind of a commodity mix streams and the customer will come. Further, there are 13% of the customers, they are getting high, and then they will be coming to us if they will be getting compared by their current operations, but there is a very few, few changes in the customer list, very marginal.

Vishal Modi: And one more thing I wanted to ask. I understood on last Con-Call, the interest costs were very high for the company, interest what we are paying. So, has that been reduced or the interest cost remains the same? Honestly, I haven't gone through about interest cost, but has the interest cost reduced for the company this year or interest liability?

Anish Maheshwari: Interest was high. Cost I can say high. Percentage wise it was more high, but cost remains same because our Morbi project up and running. Last year we took three trains. This year our Morbi project came. For that we had taken 95 crores loan. So, definitely for next couple of years, there might be an interest cost remains same. Then after gradually it will be getting down.

Vishal Modi: And Morbi operations, I understand, as you say that it will be into operations in September, October, right?

Anish Maheshwari: I can say that we are trying to achieve that day October, November, December of the quarter. September I can't say that because Quarter 3 we are targeting, and we can say that we will achieve that by November or December. Freight operations will be started.

Vishal Modi: Finally, last question, sir, as an investor. So, when can we expect break even off our price? What we have invested like when would the prices of share increase?

Anish Maheshwari: On the share price I cannot comment.

Vishal Modi: Sir everything is going great with the Company but the share prices aren't giving a good feeling. Now obviously, last quarter has been good as an investor.

Anish Maheshwari: Sir, as an investor, if you see, last quarter my, whatever my share price, in this quarter what is my share price.

Vishal Modi: Exactly. But sir, my investment is at a very high price.

Anish Maheshwari: Share price, I can only say this. Share price cannot be controlled the reason is that Company's job is to do the business and which we are doing in the best manner. If you would see with the all scenario, all competition, everything if you see, our numbers 219 crore revenue which is now 237 crore. So, almost 10% growth is there in every quarter you can see so gradually you're your expenses will go down and gradually you will grow and gradually if we will do something positive for the Company then price will always be matter when the market will pay you positive. So, for so many year a negative base is created because of DPD and the company's number have become weak so it will change gradually change and it will add definitely. What is our duty? Our duty to perform positively with our best of our efforts. That we are doing.

Vishal Modi: Sir, that's why we have put in so much of money in your shares.

Anish Maheshwari: Being a shareholder if you have trusted the Company then it is Company's responsibility that they will do their best. So, I can only assure you that, gradually, as and when your profit numbers will increase, as and when the debt level will get lower from the peak and anyways we are repaying Rs. 100 crores to Rs. 150 crores, our outgo for principle repayment of Rs. 12 crores for every month and you are reducing Rs. 150 crores loan on the book and on the loan of Rs. 500-600 crores book if Rs. 150 crores it gets reduced over the period of two or three years, then straightway Rs. 50 crores interest will get saved. Plus your growth will increase and if Morbi also starts and in the first year if I assume that Morbi will contribute Rs. 50 crores. We are trying to achieve that number because we are assuming Rs. 10-15 crores we will capture from existing business. In worst case scenario, it will be taking by 30 crore, 10 crore minimum then Rs. 30 crores revenue will add and top of that if we catch 30% of EBITDA or 25% of EBITDA on the operating level, that might be coming around Rs. 10 crore. So, we are trying our best to achieve

the numbers. If you would notice the number over the last four to six quarters numbers are on the positive mode. Yes. There is certain fee. So, this is the point where we can put our efforts in a right direction.

Vishal Modi: Sir can we expect the dividend in the future?

Anish Maheshwari: As long as Company is under the pressure of debt I can say that after paying off the debt we have tried last year also. Once debt gets reduced, then we will definitely come up with the policy of dividend.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments. Please go ahead.

Vignesh Iyer: Regarding this multi-facility like ICD in Morbi, if I'm not wrong, we have got a first mover advantage in this, you know, area. So, I just wanted to know what is our preparedness in terms of tying up clients? Because if I'm not wrong in last quarter you had said that we have been in engagement with our clients and we were like trying to finalize as to the clientele list, because if our facility is going to start in Q3, and we are trying to, you know, start our facility, and I have a target of around 50 crores. So, can you just give us an idea as to what is the preparedness of the company in that aspect?

Anish Maheshwari: So, in last quarter, if you see we were almost around the 30 to 40% work done over there, which is 70% now. So, Morbi infra we are having a sense that we will be completing infra work by October and with partial COD, we will start the operations, point number one, which I have told earlier too.

Second point which you arise by you that customers base, we are in that region since last two years. Our marketing team were there and exploring the customer base. They are going to meet them. They are just going to understand what is the mode of operandi and which kind of operations they are having right away, how they have an arrangement with the transporter as well as the logistics solutions.

With that, we are having a fair sense that we almost reached around 2,000 plus clients, 2,200 plus clients till now, out of which so many customers, they were giving us a comfortable, once you will be start with your operations will be the first mover because the issue is what, you know, if you are going with some math, right now you are doing this. After we, when the Navkar will establish over there, that will be your cost, correct?

So, I'm just giving you example, like, for particular some operations, if you are paying Rs. 10,000, with Navkar, that will be cost you around Rs. 9,000 or Rs. 9,500. Party will definitely move to us just for a check, whatever we are saying correct or not. Once it will getting done, then action of party will be 100% moving towards us. It was happened in our past history also when we started, the customer base was 17,000 containers in the first year. Next year, we reached around 40. Third year we were having a 1.5 lakh containers volume almost. You got my point.

So, what happens, once we start the operations, there may be a comfort. Because the issue is what, you know, they are also having that the different kind of arrangement with different kind of logistic players. So, in day one, they can't be changed. Correct? Once they will start services, taking services from me, they will get that comfort. After that, they will gradually migrate to us.

So, this is the process of operating situations. It might take three, six or nine months, but once the party will having a complete circle with me, they will understand how we are doing operations, what cost they are saving. Then after definitely, they will come to, so if you will see in Vapi, there is no second choice for the party. The same way in Manaba. There is no second choice of the party. There is no second ICD over there. So, whatever business we will be taking from the existing market, because we are not going there and making new market or we are taking new business over there. We are just capturing the existing business which is already been there. Morbi is a tile hub. There is a volume. Well, volume is there. We just wanted to shift from there to us. That is the point.

Vignesh Iyer: So, it would be correct to say that we have got some pricing power and also the fact that we have a good combination of mix of a rail and road. So, it will be cost efficient plus having a pricing power over our existing business. Would it be right to say?

Anish Maheshwari: So, if you tell me pricing power, I can't say right away, because if I will be going with the cost benefit method to the party, definitely party will join me with the good hands and that is my core also. In past also we did the same. We are going with the good prepositions of business with a good valuation with good value of the price. So, party definitely try me and once they will try me, they will get understand what is the price which we are paying earlier and now where we are getting the benefit. So, that philosophy will remain continue for the Manaba also, Morbi also. Of course, railway, there is no railway lining with anybody else. There is no railway ICD over there. So, we will be having a first mover and railways will always be cheaper than road.

Vignesh Iyer: No doubt. And as in there is no delay etc., as well. It is quite smooth compared to any other. So, is it fair to assume that, let's say, for this quarter, we have made a margin of around 22.3% EBITDA margin. So, we can say that the starting of Morbi facility, that facility would surely have like 250, 300 bps more margin than your existing business?

Anish Maheshwari: So, sir, right now I can't comment on it. Once my operations will be getting start, then only I will be getting that understanding how I will be getting the pricing power and how I will have to be add the EBITDA over there.

Vignesh Iyer: And coming to the debt part, so currently, the short term, long term it is around 560 crore and I am assuming long term is around 480 crore. So, what level of debt are we comfortable with or are we planning to prepay some of it in financial year '23? What is the plan when it comes to that?

- Anish Maheshwari:** If you will ask me for Morbi, we are having a plan to further debt of around 50 crores in this current year. After that, this year we are already being paid advance EMI till February 2023. It is almost for this year we were having a payment of 150 crore, which is sufficiently able to pay, and gradually, it will remain the same. Yeah. If you will ask me for adding new loans, we are not having any kind of resources towards there. For Morbi, we are having already financial, you know, independence that with the Canara Bank and out of which we have already been 57 crore, we have already been taken. Around 37 crores has been pending with them which will be complete till this October, partial COD. Then after there is no further need of loan. I can say, gradually, it would get down year-on-year. If there is a cash surplus with the Company, we try to repay the debt. First target, first priority for the company is that any kind of a cash, further cash with the Company from the business, we will definitely repay the debt. That is the pure objective of the company.
- Vignesh Iyer:** So, we can say more or less we will be maintaining debt around this level for the next, for this financial year at least.
- Anish Maheshwari:** Not more than that.
- Vignesh Iyer:** So, I forgot to ask about this. Morbi at a peak level, can you give me a rough estimate of the turnover? Or can you give me the asset turn as to what would be the peak revenue when it comes to Morbi?
- Anish Maheshwari:** Peak revenue will be around we were having a capability over there at 2 lakh containers in phase one, correct? So, if I will be taking Rs. 20,000 per TEU margin, per TEU realization will be around 400 crore on a peak level. It's a rough estimate that we just wanted to give you.
- Vignesh Iyer:** 2 lakh TEUs and 400 crore on phase one. So, okay, we have some plans post this as well in Morbi, you mean to say or is there any something on drawing board?
- Anish Maheshwari:** Correct.
- Moderator:** Thank you. The next question is from the line of Abdulkadir Raja from Ratnabali. Please go ahead.
- Abdulkadir Raja:** Sir, I would just like to know one thing. Sir, if you could just throw some more light on the CTO license which you have, you know, gained just in the past week?
- Anish Maheshwari:** So, earlier we were having a CTO license Category 2, and Category 2 license will suffice the purpose of a specific port. And now we are getting the Category 1 license, which we have taken from ARC, Edelweiss ARC and it got transferred to us. With Category 1, I can do all kind of railway operations for the goods rails across India from any of the port, for any of the port, for any of the destinations. It can be domestic as well as the EXIM volume. So, this is the liberty which we get by CTO license Category 1.

- Abdulkadir Raja:** And sir, like any payment which will have to be done for this?
- Anish Maheshwari:** Yeah. We paid almost around Rs. 12 crore for the CTO license. Rs. 12 crore. We are interested to sale the CTO license Category 2, which might be done in a couple of months probably. So, we did take a CTO license, Category 1, Category 2 was 10 crore, and now we spend 12 crore for the Category 1. So, originally, if you say, if you'll ask me, Category 1 license, we will have to pay Rs. 50 crore as we got this license in auction in Rs. 12 crore. So, that license is having remained eight years' time, nine years' time. So, for that we paid Rs. 12 crore. Over and all duration for the Category 1 license is 20 years. For that we would have to pay Rs. 50 crore to government, and we have this license for next nine years as we have taken this license from auction. So, for that we pay Rs. 12 crore.
- Moderator:** Thank you. The next question is from the line of Parth Shethji from Robo Capital. Please go ahead.
- Parth Shethji:** I had a question like can you tell us about how will be the revenue growth for FY23?
- Anish Maheshwari:** Revenue growth you were asking me?
- Parth Shethji:** Yes, revenue growth.
- Anish Maheshwari:** So, if you see in first quarter, we were having almost a container-wise if you see, we were having a growth over there, and revenue-wise we were having around 16% to 17% growth in Quarter 1. So, we are hoping that in similar line we will be targeting and the Morbi will more add in Quarter 3 or Quarter 4. Then it will be in addition to that.
- Parth Shethji:** And also like how do we see the EBITDA margins in the next two, three quarters going ahead?
- Anish Maheshwari:** So, EBITDA margin, if you'll will ask me, right now we are at 22% to 23%. We just wanted to be maintained there first, because past two, three quarters it was in the range of 21, 22, 23%. So, our first target is 23% to 24% will have to be maintained. After Morbi will come in picture, then we will see and revise the number or relook at that, what we are getting and what we are earning from that. So, that is our core target and our historical if you will see, our number was almost in the range of 37% to 38% EBITDA. But that targeting in couple of years or I can say, we just first target we are taking 30% of EBITDA in couple of years, two, three years I can say.
- Parth Shethji:** And can you tell me what will be like the tax rate for this financial year?
- Anish Maheshwari:** We are in the mid for both ends. So, it may be in range of around 20%.
- Moderator:** Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for the closing comments.

Anish Maheshwari: So, thank you everyone for joining us for the quarter call. I would like to thank you again to the chorus and the PhillipCapital for giving us an opportunity to highlight our business operations as well as the Morbi situations as well as the profit. Thank you so much.

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