



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



PhillipCapital

“Navkar Corporation Limited Update on Board Meeting Held on 16th August 2022”

August 17, 2022



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MANAGEMENT: MR. ANISH MAHESHWARI – CHIEF FINANCIAL OFFICER, NAVKAR CORPORATION LIMITED
MR. NITIN SHARMA – GENERAL MANAGER, FINANCE, NAVKAR CORPORATION LIMITED
MR. KUNAL, NAVKAR CORPORATION LIMITED
MODERATOR: MR. VIKRAM SURYAVANSHI, PHILLIPCAPITAL (INDIA) PRIVATE LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Company Update on Board Meeting held on 16th August 2022 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 the 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 '*' 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: Good morning and very warm welcome to everyone. Thank you for being on the call of Navkar Corporation Limited for an Event Update.

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 about the development, we'll have "Opening Comments from the Management."

Now, I hand over the call to Mr. Anish Maheshwari, Chief Financial Officer of Navkar Corporation Limited. Over to you, sir.

Anish Maheshwari: Thank you so much, Vikram, and thank you everyone for joining us on the deal which we did day before yesterday.

So, I just wanted to be brief on the detail of transaction first. The company has decided to the sale business undertaking situated at the Vapi at the composite deal, value is around Rs.835 crores. And in addition to that, company will receive around Rs.50 crores to Rs.60 crores attributable to net receivables outstanding plus the inventory value at yard on the closing date. So, in totality, we have around Rs.895 crores. And even the amount, company handing over ownership of the following assets. We are giving land at ICD building, railway sidings, sum of around 8 acres we are handing over to them 7x4 plates to tractors, JCB, in the locomotive and RFID system.

Certain assets which we are now transferring them, which is out of this transaction is around 516, we are now handling our railway rack, EDL license and other plant and machinery which is not contributing to the business undertaking.

The company also is undergoing an arrangement with the buyer for the service of transportation to them with next eight months, four months plus four months, four months, we're leaving them the 100% services with our fleet. And after that four months, they gradually put their own transport fleet and we will gradually shift our fleet to the Morbi plant.



After getting that above consideration, the company is going to repay the debt of around Rs.700 crores and sending the book the present time in the order of having tag, new company will be 100% debt-free. After that with the EBITDA of this year plus this consideration which we'll be getting from this deal, company will repay the entire debt, then Rs.40 crores will be utilizing for our Morbi project and Rs.55 crores approximately will be add on for the railway racks which has already been placed on. And loan was already been intact, which was not drawn down. So we will pay there. Then the rest of the money, we are planning to make further attribution to our valuable shareholders.

I just want to give the impact of deal on the financials. Our core objective behind the deal is monetizing business undertaking out of our total five units. We have three units at Mumbai, one is in Morbi which will be upcoming and one we just get the undertaking for our Vapi facility.

With net proceeds after paying the debt, company will target further expansion to create shareholder wealth and towards attribution of 0.2 unit and Morbi expansion which is pending of Rs.40 crores, and again I told that railway rack which is for Rs.55 crores. After sale of this undertaking, company holds a considerable size of business in form of assets base and PRs and Mumbai ICD and Morbi, Gujarat.

If we consider the profitability of 2023, net profit of company is about to rise in comparison to last year. After this transaction, the company business will be positively demonstrate better return on the equity and better return on the capital employed, reduce the net block from the books and intact amount of the net profits which will be quite positive in the financial terms. And company has nothing to lose in this profitability in the coming year. It is having an opportunity to become debt-free so that company can look for the better business opportunities.

EBITDA of company in 2023 was expected around Rs.200 crores including this deal. Earlier, EBITDA which was proposed for this year was around Rs.218 crores, out of which around Rs.51 crores for our EBITDA, will be getting less for half of this year. Then we will be getting total amount of Rs.835 crores plus Rs.60 crores which will be value from the deal, and in totality that amount is around Rs.1,097 crores. After repaying the debt, the company will be having a Rs.400 crores plus cash, and out of that Rs.400 crores company will be having Rs.100 crores approximately for the further expansion at Morbi and railway racks. It'll be taking less of tax and the financial liability for this year, then the net cash for company will be remaining around Rs.250 crores. This is some estimations which we have made for our valuable shareholders. And out of that, Rs.250 crores will be utilizing for the expansion opportunities. And we are also thinking about the execution values for the shareholders.

And I can say, we are definitely even from the business on operating level at Vapi, but at the same time, our Morbi will be generating returns in upcoming years. One more thing, which I just wanted to add, for this year, some of the EBITDA for our transportation services, which we'll be providing to the business undertaking. Our numbers will be remain same and PAT will be on the improvement side.



This is all from my side. Now, we will be open for the question-and-answer.

Moderator: We will now begin the question-and-answer session. The first question comes from the line of Bipin Jhajar. Please go ahead.

Bipin Jhajar: Just want to know being this is a very nice facility very close proximity to national highways, railway track, you have done this fantastic facility, why this 47% of this revenue generating facility you wanted to sell?

Anish Maheshwari: I appreciate your question. I just wanted to give you some sense and light on it. Since last three, four years, we are trying to monetize that asset at Mumbai. But somehow, value propositions were not in line with our expectations. We tried our best for the Mumbai location. But further when we get this opportunity and evaluate, the profits will remain in the improvement side after repaying the debt, right. Yearly, if you go with my interest cost, is around Rs.60 crores and further for that facility from next year onwards, the depreciation will be Rs.37 crores. So, in totality, Rs.97 crores will be adding directly to my profit. If I'll be filling this facility and company will remain 100% debt-free. And further that, company will be adding Rs.250 crores as a cash after doing all the adjustments of repayment of debt and current loans, which will be for upcoming expansion. So we evaluate all in all for our Bombay, Morbi and Vapi facility, then after we decide, it will be the clear positions for repayment to make the company debt-free and value was also good for our perspective.

Bipin Jhajar: So, do you feel that these two facilities of Mumbai will add top line or just saving of this interest cost, this will be sufficient for running the company?

Anish Maheshwari: Practically, I just want to elaborate more here. In Vapi, the ICD business we had already been given to the business undertaking, like we are only giving the EXIM volumes over there. Domestic business last quarter itself also, our domestic business was almost in a 46% right side. So we are more focusing on the domestic over there in this region. So, Arcelor business, which was earlier with us, which is attributing almost Rs.120 crores revenue from our Vapi ICD, which will remain same with the company. So, in Bombay top line if you see is around Rs.400 crores plus Rs.120 crores. So, Rs.500 crores top line with almost EBITDA of 22% or Rs.110 crores. Now you'll see Rs.97 crores directly added to the PAT itself after doing this transaction. So, this was only the core idea and gradually our Morbi will be coming and replacing this facility. Morbi in the second half onwards we will start, then, next year will be the full year for the Morbi. So I can say down the line two or three years, Morbi facility will be adding more operating profits over there. At the same time, if you see last three years, company was having a PAT of Rs.77 crores in 2020 versus Rs.45 crores, '21 was 32 crores versus PAT was Rs.15 crores in the COVID year, '22 PBT was Rs.82 crores with the turnover of Rs.860 crores and PAT was Rs.67 crores. Although in '23, if we see with the same numbers, our top line will be in line after I take my Q1 numbers, my top line will be in the line of around Rs.770 crores after doing this transaction in second half. Till then my PAT will be in the range of Rs.112 crores by saving of interest and depreciation. So first, I can really say it was really a hard decision for a company too, but looking



at the value proposition and looking at the numbers and the debt side, we were able to take that monetization of landscape today or after a year. So we just take the right decision because Morbi will be replacing that facility in six or seven months. And we got this opportunity, we just encash this. This is the point.

Bipin Jhajar: Do you have any plans to redistribute the profit after repaying debt and everything to shareholders?

Anish Maheshwari: So basically, if you see in my opening comments also, we already told you that we will be thinking on adding monetary value to the shareholders. There are some discussions going on the management side. We will definitely come to the market once we finalize the same.

Moderator: Next question comes from the line of Venkat, an individual investor. Please go ahead.

Venkat: I just have two questions. The first question, what I'm looking to ask is like, you've taken a transaction decision of selling this unit. But as per the press release statement from the Adani, what I could read is like this is kind of a game changer. So this is going to add a lot of value and there is an additional Rs.125 crores land bank which is being used for the expansions and everything. So what I could see from the press release of Adani is that in next two or three years, this particular portion is going to create a more applying value on more expansions going to happen here. But why do company taken a decision to sell this particular unit, because when I see the future is going to be good because of reducing the debt why you want to go ahead with this? Why I'm asking this means, during the last transcript on the Q1, what I could read, company stated that with upcoming cash flow which is being generated from all the Mumbai or the Gujarat, all other units, company will be reducing the debt. But the statement now it looks like contradictory. That's why I want to ask this question.

Anish Maheshwari: The reason behind is Adani is having their own port. If you compare with Adani's asset, then we are very small in front of them, and we are also having some limitations to draw business and we are having some limitations to take that from the market. But Adani as a group, you see they have ports, they have their own railway racks, this is a big set up for them. And they are also coming up with warehousing and all those things. So, if I tell towards Adani, that will be definitely value proposition for them because they are coming up with the **(Inaudible) 14:24**, they are doing so much acquisitions, they are doing port acquisitions also. So for them definitely that facility will be adding more. But if you ask for Navkar, as I told you, it was really a hard decision for us, but at the same time we just evaluate that towards the warehousing or further expansion with the debt, then there maybe some limitations for us. So, with that thought and one thing which is doing for the company. I just want to tell you the deal will remain for so many months. I can say two or three months back we will have revenue start. But there were certain things which was not concluded, there was a logistic thing, there was some value propositions, there was some execution thing, there was some operational thing. This is what concluded a very few days back. So then after, we just take opportunity to take this call. Otherwise, if you ask me for Navkar, after remaining payment of that and looking further for the Morbi operations. In the



deal, I just want to add over here, we have limitations of only 100 Kms within the range of ICD, we can't do business, which we agree with them. Then after, there is an opportunity for further expansions for our domestic operations, for our business operations, we are open to do. At Vapi, we made a highway and on a peak side, at that time we spent around Rs.400, 500 crores for the development on that ICD. But Morbi, which we made Rs.200 crores, our future expansion plan will be like that only, rather than we are making big, big facilities, we are also expanding in a gradual manner with the cash profits or the cash generations by the company. So, company took a hard decision on that. We can't grow more debt and we gradually expand. This was the only thing behind it.

Venkat: Rs.825 crores or Rs.890 crores whatever you said this valuation has been arrived at, any external vendors who have evaluated this particular valuation?

Anish Maheshwari: It was basically mutually discussed on a round of three or four times. It was a negotiation part them and us. We were having initially the value which was very high, then they come to us. So, it was mutually decided by both the parties.

Venkat: But whatever the company has made an investment over the years, it's not a loss, we are selling it with the profit, am I right?

Anish Maheshwari: Yes, yes.

Venkat: Have we set up any new ICD, you said you are under expansion plan apart from Morbi and Mumbai, any new ICDs, you said it's a debt-free, so you got Rs.250 crores of cash, so what will be that, because we want to do it as soon as possible because we are not having any sort of cash deficiency, we have a good amount of Rs.250 crores, so what will be the company's focus, how it is going to –

Anish Maheshwari: See, I will just give the light on it. Our Mumbai facility with the domestic operations and the EXIM values we have added over there. Morbi will be coming in third quarter and I told in the last quarter itself. Then after, domestic operations for our CMP and domestic operations for our Udhna which was catered by Vapi, ICD, which will be with us. Then our more and core focus to complete the ICD at Morbi as soon as possible, then we will start operations, this will be our core focus right away. Secondly, the fleet which was deployed at Vapi, after ten months when gradually that shape of the business undertaking, then we will be thinking on those fleet how to utilize for Morbi as well as the other further transportation business. And further cash which we will be having in the company, on that we will definitely take some more expansion over a period of time. Our core target today if you ask me will be completing Morbi as soon as possible, start operations over there in all our assets because after this unit, we have total five units, out of that, we are selling only one business undertaking. All four will remain with the company. So we will definitely think about it and in coming future, we will evaluate the opportunity on how we will take another ICD or further expansion. Again, we will be coming to the market.

Venkat: My last question is about pledge shares. So we can see some 8.9% of the pledge shares. So, is it safe to assume that post this transaction, this pledge shares will be removed?

Anish Maheshwari: Yes, after paying this debt, definitely.

Moderator: The next question is from the line of Riken Gopani from Capital Global. Please go ahead.

Riken Gopani: I wanted to just get some more clarity on the numbers that you were discussing. So, firstly, in terms of the receipts for the transaction, apart from the amount that is mentioned, cash that is going to be received for the working capital. If you just again reiterate what is the exact cash that will come on the balance sheet? How much debt are you repaying? And then what is the net cash that will remain?

Anish Maheshwari: At our Vapi business, cash proceeds for this year which will be contributing PBT, finance cost, depreciation, and the profit which we will be getting from this business undertaking after selling this unit. So, it will be almost in the range of Rs.200 crores. Breakup of that if you ask me, around Rs.180 crores will be railways generating on EBITDA level because half year already been gone, so Vapi unit till September will remain in continuation with us. So, in totality, I will be adding Rs.180 crores as EBITDA plus Rs.20-odd crores after adjusting the tax value, and then I will be getting in totality Rs.835 crores from the deal and Rs.60 crores which we realize... it is just an estimated number. So in the net receivables plus our inventory on the closing date, we have a yard containers, on that whatever maybe billing, should be done, that they will be paying to us. So that number will be in the range of Rs.55-60 crores. So, altogether, our number at the year-end will be around Rs.1,090 crores to Rs.1,100 crores, out of which, we are going to pay Rs.700 crores approximately debt, so around Rs.400 crores will remain in the company, out of which Rs.100 crores for further expansion which is pending from the company side, Rs.40 crores for the Morbi expansion, Morbi is having around Rs.150 crores, out of which Rs.110 crores company had already put it, Rs.50 crores is more there, and Rs.55-57 crores we will have to pay for railways tracks which has already been ordered in last two or three months. And then, Rs.24 crores will be finance cost we had for the financial year and then total tax will be in the range of around Rs.23-24 crores. Net cash after the year will be Rs.250 crores approximately. This is all estimated numbers which we have and based on the past quarter Q1 number which we did itself.

Riken Gopani: So, at the end of the year, you will have net cash of about Rs.250 crores is what you are guiding after repaying all the liabilities. The second question is simply if we were to understand your numbers for FY'24, when you will not have any contribution from the Vapi asset, what will be the full year EBITDA for the current business that you will have and what is the potential that will get added by the Morbi asset, if you could explain that?

Anish Maheshwari: If I am assuming that the current numbers which we have for the CFS and ICD business, if I am getting less in ICD, I can give you the slight highlights on that. If I will be taking only 5% growth, then our top line at Mumbai will be plus Rs.400 crores. And domestic business where



we have for the Vapi, if I will be taking 5% only there, then that number will become Rs.130 crores. So, Rs.530 crores plus Morbi, we are adding Rs.100 crores for next year which is very comfortably achievable number. So that top line will be in the range of Rs.30-50 crores. This is our assumptions, on which we are progressively working on.

Riken Gopani: For the Mumbai business plus the business you would have at Vapi, which is the domestic business, what kind of EBITDA margin would you have on a steady state basis in FY'24?

Anish Maheshwari: We will be having a top line of Rs.650 crores, then EBITDA will remain in the range of approximately 24-25%.

Riken Gopani: So, Morbi will be basically a positive margin to the current reported margin if I understand in the previous quarter about 22%. So –

Anish Maheshwari: That will be getting zero now. So, without that company, it will be on a cash, then you will be getting vendor payments easily and where you will add 2-3% additional discounts. So that we are targeting.

Riken Gopani: So that will influence the margin. Just one clarification here. So the business either at Vapi or at Mumbai, the operating margins of both those businesses are very similar to each other, is that correct assumption to make?

Anish Maheshwari: We can say that.

Moderator: The next question is from the line of Rishikesh from RoboCapital. Please go ahead.

Rishikesh: Sir, my first question is what was the PAT contribution of Vapi for FY'22?

Anish Maheshwari: Vapi half year in totality it was almost in the range of Rs.95 crores on EBITDA level.

Rishikesh: So, almost like half?

Anish Maheshwari: Which I added here, that for this year, out of Rs.199 crores which we have assumption, Rs.54 crores was my first quarter EBITDA, out of which Rs.110-115 crores EBITDA will remain continue with me. Then after the transport service which will be providing by the company to the business undertaking which we are going to sell, from where we will be earning around Rs.15 crores of EBITDA over a period of time. So, it will add around Rs.135 crores in totality in EBITDA.

Rishikesh: But Vapi numbers will be reported for FY'23 and from FY'24 onwards it won't be reported if I am not wrong?

Anish Maheshwari: So, separately we are not going to report that number, but if you see on a revenue side, CFS, ICD and domestic, we have separately given. So, now what happens, CFS, domestic and the



Morbi number will continue from next year. In domestic there, Udhna business of Arcelor-Mittal was added in Vapi which will continue with us.

Rishikesh: Sir, whatever profitability or the EBITDA numbers contributed by Vapi, same kind of numbers can be done by Morbi in next two to three years if I am not wrong?

Anish Maheshwari: What I told you on a call itself, our PAT will be an improvement from now onwards, because our interest cost will be getting zero and the depreciation from next year onwards, there may be around Rs.35-37 crores for the Vapi unit. So, almost Rs.97 crores which we are assuming after a period of time of our assessment, will be added to our PBT itself.

Rishikesh: For FY'23, it will be around Rs.110 crores, something of that, I think?

Anish Maheshwari: Yes, that is a fair assumption.

Moderator: The next question is from the line of Yogesh Mittal, an individual investor. Please go ahead.

Yogesh Mittal: I wanted to ask about why the company has decided to sell a business which is contributing more than or equivalent to 50% of the EBITDA contribution which the business has been run for so long, was the company not able to serve the debt or something, what compulsion had been? The earlier participant asked and the answer was Rs.95 crores EBITDA contribution by this business and if we divided by Rs.835 crores of the proceeds, it's about only 8.7x multiple of the EBITDA, it seems to be pretty low, and in this kind of business, land value should have been pretty high as well. So, since the valuation has been very much depressed plus combined with having you selling the business which is your major business, and also given your history of no dividend thing, please explain how the company is positioning in next few years plus this transaction how you are trying to make with the Morbi's shareholders?

Anish Maheshwari: Point #1 which you ask, why the company sell, I had already answered it, but again, I just wanted to say that we just wanted to monetize our any of the facilities in class-III of four years. Before COVID itself, we were having a land bank over there in Mumbai. Out of that also, we tried a lot, but there was a price which was decided by the company not at par. Secondly, you ask around 8-plus the multiple which we got, in last three, four years profits coming over there. and if you ask me there were a pressure of that, not at all a pressure of that, company was having sufficient cash to repay the debt. But at the same time, the company did not utilize their own expansion due to high debt on the company. Once the company will be debt-free, then it will be open for the company. We can go more aggressively with the debt-free company, with cash surplus, with further expansion also. So, point I can address with that philosophy. Once any of the assets which we would like to monetize for our future expansion, so we got this opportunity and we got that. For future expansion, once the company will have cash, company will do more distribution or to take for further expansion in ICD business, for the warehousing business, for the transportation, in any which way. So, this was our philosophy to take care of it plus we will be



debt-free. Secondly, we will move gradually and steadily our expansion plan. That was only philosophy behind it.

Yogesh Mittal: So, approximately what is the current value of the land of the ICD Vapi thing which is being transferred?

Anish Maheshwari: Current value if you ask me, the circle is very less over there. But we will have to take as a whole business undertaking. So, whole business undertaking which is Rs.835 crores. If I take a circle over there, which will be hardly Rs.25 or 30 lakhs per acre.

Yogesh Mittal: And there will be land and the value of asset plus the EBITDA which is being generated, somehow the valuations seem to be a bit low.

Anish Maheshwari: Value of land is always appreciable plus all the asset which we have made over there is appreciable.

Yogesh Mittal: The replacement cost, the current year, I can understand. But may still not very clear to me, one single asset out of multiple assets of you contributing more than 50% of EBITDA being sold one point there, so becomes very much difficult for me to digest.

Anish Maheshwari: As I told you, that was really hard things for us also, but looking at the value proposition and looking at the debt-free company, definitely appreciate the company, company. If you see last two or three years, the COVID situations were coming into picture. And in that case, value proposition for a company after repaying the debt will be in a more positive side, our PAT will be in a positive side, our ROC, ROE, EPS will be in a positive side. I can understand that –

Yogesh Mittal: But that was very much doable with the kind of cash flows you are generating from the operations?

Anish Maheshwari: Two years if you see, with the operating margins which is generated by the company on a cut-to-cut basis, like we have earning of around Rs.200 crores on EBITDA level, we were having a repayment of Rs.190 crores. So, it's a cut-to-cut basis. So, there was no problem with the company where the company was not able to repay the debt. But I can personally tell you that for a company being a 100% debt-free will make more value for the shareholders. Because there maybe liquidity for that, company will definitely think about the shareholders which have already been conveyed to you in the past call also. Secondly, from here onwards, expansion which will be in line of company with the limitations of the cash, for further one or two years, we are not looking at a cash debt for the company till the time our Morbi and the railways will be up and running. This is our strategy till now. Thereafter, we will definitely think about it and we will add more ICD or the other business to address.

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



- Nirmal Shah:** Just one clarification sir. You mentioned in Vapi, there is range of 100 Kms within which you can't take the business, right. So that is applicable even for domestic part?
- Anish Maheshwari:** No-no-no, for the business undertaking, the business which we had given to them and the volumes which we have a non-compete agreement with them in the range of 100 Kms, that's it.
- Nirmal Shah:** No, my question was they will touch your business within the 100 Kms radius. Are you trying to say that?
- Anish Maheshwari:** We are not going to open any other ICD under 100 Kms. For 100 Kms I can start another ICD or any of the arrangements.
- Nirmal Shah:** Sir, for next two years, do you think that you will continue to remain debt-free. Beyond that again, as a company, you have a philosophy of taking more debt?
- Anish Maheshwari:** Today, are we having a philosophy of taking debt? No. If our cash flow will allow me to make further expansion plan, then we will go for the same. Is there any further environment and is there any opportunity which will be lucrative will be seen, but evaluating that facility...because what happens, today, once the company will become debt-free, then cash profits will surprise our surplus in two years if I like to make any kind of ICD with Rs.100 crores of PAT. After giving dividend also, we will be having a surplus cash with me around Rs.150, 160-odd crores. So, with that, I can make another ICD. That will be the first purpose.
- Nirmal Shah:** Some sort of a philosophy I wanted to understand on the promoters, like you mentioned that for last three, four years, you were trying to monetize the land parcels for your Mumbai facility, but the price expectations were not matching, right. And on the other side, it also looks like at the background the debt repayment was one of the big focus for the company and you got an opportunity to monetize that. But, till that time, you could have actually put a stop for your Morbi operations as well, right, because the sale happen right now, but you started working on Morbi much before. So, at that point of time, despite such a big amount of debt on your balance sheet, you still went ahead with your CAPEX plan, right. So, at that point of time, what was the philosophy because now it looks like you will have a free cash, you can do much more –
- Anish Maheshwari:** There was no opportunity on the floor. Nobody came to me and expressed their pressure to take my ICD.
- Nirmal Shah:** No, I got that, but the very fact that you are saying the philosophy of giving this business for a debt repayment, still you had amount of debt which was significant on your balance sheet even one, two years back during the lockdown, right, but you are still going ahead with your Morbi expansion plan. At that point of time, there was no monetization opportunity, but you still went ahead and taking further CAPEX, taking more debt and now on the contrary with the same logic you are trying to say that, now, I got an opportunity, I want to become a debt-free.



- Anish Maheshwari:** At that time, if you compare my Morbi ICD altogether, we are making Rs.160-170 crores and at the same time if you ask me for the Vapi ICD which was the biggest expansion for the company compared to Morbi expansion. Why we started Morbi at that time because we were evaluating after Vapi, Vapi, we started in 2016, so four years we didn't anything for the further facility, we started Morbi after five years. So behind Morbi, as most of you are aware, with rs.100 crores of debt, if I am adding Rs.100 crores of revenue, so there was a clear rationale with me. It was a better asset compared to other asset. So that was the only philosophy at that time. And then we had this opportunity to repay the debt. Repay the debt was not only the question. The deal itself was really lucrative for us. Getting Rs.900 crores with the asset, we were running from five, six years, and we are responding in next five, six, seven years profit today. So, it's a good opportunity for the company. This will remain in a higher side.
- Moderator:** The next question comes from the line of Abhinav Bhandari from Sohum Asset Management. Please go ahead.
- Abhinav Bhandari:** Just wanted to have a few questions. One is as of March '22 closing balance, what was the gross block of Vapi?
- Anish Maheshwari:** If you are asking me for the business undertaking which we are going to sell is in totality.
- Abhinav Bhandari:** No, in totality, how much was the gross block in our balance sheet. If I remember correctly, it was north of Rs.1,200 crores. So, if that number is correct?
- Anish Maheshwari:** It was altogether Rs.1,200 crores, out of which the asset which are not going for them and all the things, which we are transferring to this business undertaking around Rs.800 crores.
- Abhinav Bhandari:** Just to understand this, I think you mentioned initially, but I missed that. So what remains with you is one is the CTO license which you talked about and what was the –
- Anish Maheshwari:** CTO license will be with me. All racks which is owned by the company which is almost in the range of around Rs.60-70 crores will be with the company. All the fleet which is almost around Rs.520 crores which will remain with the company. And the plant and machinery which we are not transferring to the business undertaking, it is not essentially required for the business, which will remain with the company.
- Abhinav Bhandari:** So, on our balance sheet, roughly about Rs.500, 550 crores of capital employed would still remain pertaining to Vapi which you will be moving to Morbi?
- Anish Maheshwari:** Correct.
- Abhinav Bhandari:** The other question was this 129 acres of additional land that you have, to your mind how much incremental Adani can expand on this, what would be the overall expanded capacity, what's the scope here to expand?



- Anish Maheshwari:** If you ask me this question, really tough to answer from my side, because Adani can look at their warehousing business, Adani can look at their other operations, they can expand further on it. That depends on them how they gradually would like to monetize that.
- Abhinav Bhandari:** You have 0.5 million TEUs today. From a physical capital perspective how much this could be moved up to?
- Anish Maheshwari:** We did vertical expansion in the past at Mumbai. We will expand themselves further of around 30-40% on the same facility.
- Abhinav Bhandari:** Which you are saying excluding this 129 acres or including this 129 acres?
- Anish Maheshwari:** The land which we are giving them is around 129 acres. On that, they can expand further if they like for expansion, if they like to make another warehousing things and all, even they can expand more 25-30% capacity enhancement. That is my estimation. They will have their own strategy, they will have their own strength, in that they can go with 200% also, because in this kind of a business they would like to run over there, that will be their choice.
- Abhinav Bhandari:** The related question was today whatever volumes that you are handling there, how much is Hazira bound roughly and how much is JNPT bound, a broad understanding?
- Anish Maheshwari:** 75-80% is the JNPT company that you will get.
- Abhinav Bhandari:** So this 70% volume which is JNPT port, won't it impact your business at JNPT because that would give a direct foothold in JNPT also now, right?
- Anish Maheshwari:** Not at all, sir. JNPT business was already impacted after DPD. JNPT business will not be impacted much because even I can say at the same time the domestic opportunity which I have today and I am adding racks and I have a category-I CTO license which was awarded to the company in April-May. So, I have ability to serve more from my Mumbai as well as Morbi operations and wherever we don't have a facility, we can make a tie-up, we can use the further facilities with them. This category-I license I can do railways operations to and across India, point #1. Point #2, if you ask me for the transportation activity which we are giving to the business undertaking, so, after that also, we will have to take further trust towards Morbi, we will be utilizing from here onwards. And Mumbai if you ask me with the domestic market from Morbi which we had already told in the past too, tiles and domestic movement towards Mumbai is very high. That will again add to my domestic business.
- Abhinav Bhandari:** So how much is the size of Morbi of your ICD? And what is the total investment that you are doing for that including this Rs.40 crores which you said we will be putting?
- Anish Maheshwari:** Morbi in totality 150 acres of land approximately, out of which our first phase development is going on 90 acres of land, where we had already put photographs and detail, 75% work had



already been taking over there in Morbi. So if you ask me size, initially, we are making ICD which will be catering to ability of two lakhs containers were there.

- Abhinav Bhandari:** For that two lakh, how much we are spending?
- Anish Maheshwari:** In totality, for domestic and EXIM volumes, we are spending Rs.150 crores including land value.
- Abhinav Bhandari:** Do we have any land in Vapi ICD or within that 100 Kms more though I understand you can't do this business?
- Anish Maheshwari:** No, in that I think there is no land.
- Moderator:** The next question is from the line of Ravi Mohan Makeja, an individual investor. Please go ahead.
- Ravi M Makeja:** The business operations after yesterday's modification, whatever has taken place, would it be diverted to JNPT or how this would be managed? Will it affect the profits in the next three quarters?
- Anish Maheshwari:** Which operations you are talking?
- Ravi M Makeja:** The Vapi existing operations which were happening, now that the operations would be shifted to which ICD?
- Anish Maheshwari:** Vapi operations will be remain at Vapi itself. The domestic operations which we were doing from the Udhna to our Mumbai EFS, billing was happening from Vapi which will remain same with us.
- Ravi M Makeja:** So, once the sale is happening, are you all allowed to carry on business over there?
- Anish Maheshwari:** Which business?
- Ravi M Makeja:** The Tumb ICD?
- Anish Maheshwari:** No-no-no, sir, I am not doing business from ICD. Domestic operations which we are catering to that particular region from CFS, Mumbai, in the vehicle which we will propose to go over there from ICD which will be moving from the Mumbai itself or the operations from the Udhna, train will come to our place at CFS, Mumbai, which will remain same.
- Ravi M Makeja:** How the progress would be effected?
- Anish Maheshwari:** There is no impact on profits, they will remain same.
- Ravi M Makeja:** But your Morbi plant is supposed to be operational in end of '23 or '24?



- Anish Maheshwari:** Two different things I think you miss out. You are talking with me about the ICD domestic operations which we are originally doing from Mumbai, will remain with us. So there is no question about Morbi.
- Moderator:** The next question is from the line of VP Mundra from VO Commercial Limited. Please go ahead.
- VP Mundra:** I just wanted to know by March '24 you plan to do Rs.650 crores, right.
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** And your EBITDA would be around 25%?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** You are talking about Rs.162 crores EBITDA?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** And what will be your depreciation after adding all your investments?
- Anish Maheshwari:** Around Rs.33 crores.
- VP Mundra:** I would say that you will be making Rs.130 crores PBT?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** And tax will be around 21%?
- Anish Maheshwari:** Maybe 20-21%.
- VP Mundra:** So, you are making about Rs.102 crores PAT?
- Anish Maheshwari:** More than that. It will be in the range of Rs.108-110 crores.
- VP Mundra:** By March '23 balance sheet, you would have a surplus cash flow go to Rs.150 crores?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** By March '23 balance sheet, you will have about Rs.250 crores free cash flow, right?
- Anish Maheshwari:** It's an approximate number based on our Q1 number.
- VP Mundra:** I presume that after getting all your consideration from Adani and paying back your loans put together, you will have a net cash flow of about Rs.250 crores?



- Anish Maheshwari:** Yes, sir.
- VP Mundra:** After making the investments at Morbi, correct?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** So, what I am trying to say is Rs.250 crores, how do you intend to use it then?
- Anish Maheshwari:** I told in my primary comment itself that going forward we will be for the expansion opportunity and other than that we are evaluating how well have to be executed to the shareholders. That we are further discussing with the board.
- VP Mundra:** Your balance sheet will have a zero debt as on March '23, correct?
- Anish Maheshwari:** Correct, sir.
- VP Mundra:** Even asset block would be somewhere around Rs.1,500 crores?
- Anish Maheshwari:** Yes, sir.
- VP Mundra:** So, you have an opportunity to borrow money in '23-24. So why do you need to carry Rs.250 crores in your balance sheet, why don't you buy back the shares?
- Anish Maheshwari:** We are evaluating the opportunity which will be –
- VP Mundra:** Today, cost of money is around 8%, 9%.
- Anish Maheshwari:** Because we don't want to hold the cash in book. We also want to do further business expansion opportunities. We are working on it. And on that also, we are looking at it. So, really a very execution to us also. Once the deal is closed, the amount will come to the company and then we will be definitely evaluating how we will have to move further on that cash. But that is really not done, the company is not having any kind of that, carry the cash which we do.
- VP Mundra:** The idea is the cost of equity is a most expensive matter of financing any project. So, you could borrow at about 9%, 10%, and if you take the income tax, so you are basically saying about 8% interest cost and your cost of equity would be somewhere around 20%, 22%. Any company which makes return on equity should be around 20%, 25%, then only there is worth making money in that shares for a promoter and also a shareholder. So you should try to redeem your share capital. To enhance the value of the shareholders, the best thing is to buy back the shares. And that you should be doing it every year. Or you should distribute 80%, 90% of your profits if you don't make cash, because you have a chance to borrow, no. In infrastructure project you can always borrow, no.

- Moderator:** The line of the individual investor got disconnected. We will take next that is Mr. Mohit Kumar from DAM Capital. Please go ahead.
- Mohit Kumar:** What was Q1 FY'23 EBITDA contribution from the Vapi asset?
- Anish Maheshwari:** Q1 total EBITDA was Rs.55 crores, out of which we were having around Rs.28 crores from this Vapi.
- Mohit Kumar:** Secondly, on the Morbi, what could be a total CAPEX once it is operational?
- Anish Maheshwari:** Rs.150 crores will be the total CAPEX and we are trying to pass COD and start operations by third quarter of this year.
- Mohit Kumar:** What will you do with the asset which is left from Vapi, are we going to move it to Morbi, is the understanding correct?
- Anish Maheshwari:** Yes, yes. If there is any further requirement at Morbi, we will be shifting over there and next we will come to Mumbai. It's based on our requirement and the further business expansion and further business yields.
- Mohit Kumar:** Sort of Rs.550 crores. Is it fair to assume that Rs.200, 300 crores asset might move to Morbi?
- Anish Maheshwari:** Correct.
- Mohit Kumar:** What will be the capacity which you can expand in Morbi from 0.2 million TEU over next three to four years if the business picks up given the land cost?
- Anish Maheshwari:** Yes, yes, in next two to three years.
- Mohit Kumar:** From 0.2 million TEU, how much is that? You are planning 0.5, 0.6 million TEU or up to 1 million TEU is possible?
- Anish Maheshwari:** In cash also you can see, our Morbi facility, we will be making 2 lakh containers volume capability over there. And down the line two to three years, looking at our capacity utilization... because we have a 150 acres over there, so 50 acres land again we can make the same facility or same expansion over there. If there is any requirement, we can be doubling the capability over there. Instead of 2 lakhs, we can go till 4 lakhs.
- Mohit Kumar:** Maximum projection is 4 lakh TEU?
- Anish Maheshwari:** 2.5 million TEU like I said.
- Mohit Kumar:** And the land is around 150 acres?



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Anish Maheshwari: Yes, yes.

Moderator: As there are no further questions, we have reached the end of question-and-answer session. I would now like to hand the conference over to the management for closing comments.

Anish Maheshwari: Thank you so much to Chorus Call and PhillipCapital for giving us an opportunity to give a light on our deal.

Moderator: On behalf of PhillipCapital (India) Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.