



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



PhillipCapital

“Navkar Corporations Limited Q2 FY19 Earnings Conference Call”

October 31, 2018



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**MANAGEMENT: MR. ANISH MAHESHWARI-CHIEF FINANCIAL OFFICER
MR. SHAILESH JHA – PRESIDENT (FINANCE)**

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



Moderator: Ladies and Gentlemen, Good day and welcome to the Navkar Corporations Limited Q2 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 now hand the conference over to Vikram Suryavanshi from PhillipCapital (India) Private Limited. Thank you and over to you, sir.

Vikram Suryavanshi: Good morning and very welcome to everyone. Thank you for being on the call of Navkar Corporation Limited. From management, we are happy to have with us here today Mr. Anish Maheshwari – Chief Financial Officer, Shailesh Jha – President (Finance) for question and answer session. Before we get started with the question and answer session, we will have some opening remarks from the management. Over to you, sir.

Management: Good morning everyone and thank you so much Mr. Vikram to give us an opportunity to announce our results once again. So, there is no such good news from our side about the results. I will just give a brief about the results.

First of all, we are not at par at our performance due to certain reasons, but I will give you the gist of our results. We have a revenue quarter-on-quarter dip of 4%. If you will compare with the year-on-year there is a 4% increase and at the same time there is around PAT level if you see there is a huge dip due to certain reasons. One major reason is a diesel prices which was hiked in last one and half month drastically there is a change of around 20%-25% in diesel prices which we are not able to pass through our customer and the major reason behind that is what because our Vapi model which is really new model and Bombay there is already dip on the business side. So, if we are coming up with the new model of a new tariff it is very uncertainty that the clients are not going to accept that kind of a new hike of the rates.

All and all, by this October onwards we are slightly changed our tariff and we are going to change further after discussion with the client-to-client basis. Secondly, there is an operating cost which we were having around double from last quarter. There are three major reasons. One is a diesel price. Second, there is a FOREX loss which is around 8 crores for the whole year due to the exposure of our term loan. Thirdly, there is a huge increase of railway charges which is around 5 crores over and all for both the facilities Mumbai and Vapi. Vapi operations which we did in last quarter maximum operations around 75%, 80% operations we did by the railways. So, railways haulage also increased by that 5 crores. There is a good thing which I just wanted to add over here if we want to use our railway facilities in Vapi, the cost of diesel which will be more in that our business because we used our railway facility we handle around 193 trains at Vapi and that is the major reason we just hopefully coming to the positive results otherwise there may be negative again because the diesel which will be impact the hinterland delivery too.



I will just give you the brief about the number of TEUs which we handle in this quarter. At Mumbai, we handled 64,342 is the EXIM TEUs and domestic I convert by the price of per TEU of realization is around 6,412 TEUs. In totality, domestic as well as EXIM we will calculate as 70,754 TEUs and we handled 104 trains at Mumbai for the hinterland delivery.

Secondly, at Vapi we did 21,848 containers in last quarter out of which around 80% as 193 trains we had lower the rate in Vapi.

So, just of all operationally we are at par if you will see the EBITDA margins on Q-on-Q basis, last quarter our EBITDA was around 42% which is in this quarter was around 25% which has a dip of around 17%. PAT I will tell you till last quarter we have a PAT of around 26% which is in this quarter was around 3%. So, these are the things which has newly come up due to certain reasons and one more thing I just wanted to add over here the number of TEUs which we handled at Mumbai out of 64,342 our export was 34,163 and import was 30,179 and at the same time if we compare at Vapi it is around import is 13,195 and export is 8,653 so ratio at Mumbai is 53:47 vice-versa at Vapi it is slightly better in import side export is slightly lesser. This is over from my side.

So, may I request for a Q&A session for the participant.

Moderator: Ladies and gentlemen we will now begin the question and answer session. We have the first question from the line of Tejas Goradia from Virason Finserve. Please go ahead.

Tejas Goradia: My question is on DPD how bigger threat is DPD to the CFS business as the share of DPD has been growing at a fast pace and the government themselves have been promoting it aggressively, so could you please share your view on the same?

Anish Maheshwari: Practically there is such a huge impact to the CFS industry and if you see the shipping side also there is consultation going on due to the DPD also because till last quarter if you see the last month DPD August was around 41.92% vice versa September was 43.67%. If you will tell me around 75%, 80% cargo till now moving now moving by CFS only which belongs to the DPD, but practically there is a very thin margin it you will move the DPD container from (Inaudible) 7:35. So, that is why DPD is definitely impacted our business for the entire industry itself.

Tejas Goradia: So, going forward are you all doing something about it?

Anish Maheshwari: No, we are just focusing on the new era of business like we have already started domestic market first thing. Secondly, we are further hoping that there are certain news in the market DPD getting stop from sometime after or just like that, but practically we had already impacted around 44% DPD is already there. So, after that I think so there is hardly very much positive 43%-44% it maybe DPD another 1% will be high on 45% but more than that it will be difficult for the port site itself. So, we are hoping that DPD will be stagnant over there at 45% and we also we are already impacted much by the DPD in this quarter itself because earlier what



happens DPD versus CFS cargo which we handle there are margins little bit already impacted, but there was something margin which is left for us, but from last quarter onwards the prices are getting down and the diesel prices itself is getting up. So, which was impacted both the side to us so that is why we are not doing that business, but we are focusing more on the domestic side operating trading from here to another places like last quarter we said that we are doing the Hyderabad, we are doing Pune so that geographies we are looking for the domestic operations.

Moderator: The next question is from the line of Ankur Periwal from Axis Capital Limited. Please go ahead.

Ankur Periwal: If you can repeat the breakup between export and import volumes at Panvel?

Anish Maheshwari: The export is 34,163 and import is 30,179, total is 64,342.

Ankur Periwal: Just on this Panvel volume now trying to understand the dip on the quarter-on-quarter basis from 73 to 64, what led to is this only because of DPD because the dip is across both import as well as export cargo?

Anish Maheshwari: If you will tell me major dip just due to the DPD because earlier as I told you from last quarter onwards there is a certain things that is happening of consolidation at the shipping line side, so most of the shipping line now consolidated. So, some of the shipping line which are giving us import that part shifted to the DPD.

Ankur Periwal: So, that explains the import dip in this quarter?

Anish Maheshwari: DPD is impacted the import itself.

Ankur Periwal: And export is also down on a quarter-on-quarter, year-on-year whichever way we look at, so is this also because of DPD that you are saying or there is more to it?

Anish Maheshwari: That is because of two reasons one is the currency dollar prices are very high due to that there is a less export. Secondly, the diesel prices from hinterland. By road if somebody is coming so diesel prices is like I will just give you the example of Delhi if somebody would come from Delhi there is a 1200 odd kilometer journey. The prices for transportation was 61,000 which is now 85,000 that is the reason there is a dip in export also.

Ankur Periwal: In your opening remark you did mention that we as an all CFS has taken some price hike to pass through the diesel cost, is the entire hike already taken or do you think it is still partial and probably it will take more t?

Anish Maheshwari: It is really partial entire we would not take because this is the process once the diesel price will change, we will not going each and every day or we are not at all in the position to take that call weekly basis that there are certain things earlier what happens if such kind of fluctuations



in diesel prices past two or three quarter back if you see. It was happened in the last and last quarter only. So, there are certain reasons if you see Rs. 65 price is around Rs. 78, Rs. 79 in diesel price in last quarter itself. So, that kind of fluctuation definitely impacted me which I cannot be passed through on a single stretch. Situation is what you know there is impact on business itself right now in that case what happens if I will go again and again to the clients to revision of prices, they will not at all allow me and one more thing I just wanted to add over here now the payment circle is also impacted due to certain things. Earlier my payment circle at Vapi was around 30 days to 45 days which is now 60 days to 75 days. If you will see my receivables which is also hiked by last quarter. So, at all if we see overall impact of the industry as well as the preposition of the EXIM cargo movement. In that case what happens if I will go and revise prices to the party again and again, they will definitely take advantage of the price hike over there at the side of number of days for this making the payment. Earlier we are giving 7 days free in the export side they are asking about 14 to 21 days now. If we are hiking the price, they would take the other advantage so this is the situation right now.

Ankur Periwal:

Going ahead also this mechanism will more or less function like this that probably the diesel pass through may not be immediate or maybe probably monthly or by monthly any thoughts over there or it will be again add on basis will be taken?

Anish Maheshwari:

Ultimately, we have to receive somewhere around 35% to 40% EBITDA anyhow. Right now, we are not at all in the position to take that kind of a call because if I will stretch the party that party will move out of here because they have an option. So, we will have to pass through, but it will be gradually partially based on the volume if somebody is giving me 1000 containers volume, I am not at all giving him any kind of partial rate right now. We will revision after 15 days we will again revision after one month so that will be the process.

Ankur Periwal:

Just lastly on the volume front at Panvel do you believe that most of the DPD led pain is done or probably there could be further downside from this level?

Anish Maheshwari:

Frankly, I just want to tell you till last quarter if you will ask me till 31 March 2018 we would not have a much impact on the DPD side, but from last two quarters because what happens DPD/CFS cargo was giving me another Rs. 3500 to Rs.4000 margin at the time when we did the DPD/CFS, but now onwards what happens that another model which is called the CHA model that impacted my business till that Rs. 35,400 margins is going down by Rs. 2500 to Rs. 3000. If I will do the DPD cargo volume it will be impacted much higher than the today's situation. So, right I do not want to give you any kind of comment on the DPD front because the business is already on a niche side if you will see shipping land industry itself is a very worried about it whatever is going now in this industry now is it really a bad phase that is the reason if you will heard about that announcement everyone has seen covering this industry that DPD is going to shut down due to certain reasons. The major reason is that only because shipping line is also in pain, CFS industry is also in pain due to DPD kind of thing. So, they may further impact but I think so it would may be around 44% is right now it may be around 47% more.



- Moderator:** We have the next question is from the line of Prateek Kumar from Antique Stock Broking. Please go ahead.
- Prateek Kumar:** First question is you mentioned about some haulage charges on Vapi operations has also impacted profitability, can you just elaborate more on that?
- Anish Maheshwari:** Basically, what happened Prateek as I told you first quarter there were a very few trains which we handled, but in last quarter we handled 193 trains. So, out of that 21,840 cargo around 80% cargo we handled by rail. So, there are two charges, one the railway haulage and second one is the railway lease. Railway lease it was earlier Rs. 12 lakhs per train which is now 17 lakhs to 18 lakhs due to more volumes.
- Prateek Kumar:** It is per TEU just because you are handling more volumes.
- Anish Maheshwari:** It is a per rack per month first that impact. Right now, I am handling if you calculate 193/24 days it is around six trains in a day. So, each train is impacted me around Rs. 7 lakhs per month.
- Participant:** So, 12 lakhs to 19 lakhs there is an increase there per rake per month.
- Anish Maheshwari:** Per rake it was 11 lakhs to 12 lakhs which is now 18 lakhs to 19 lakhs.
- Prateek Kumar:** Per month.
- Anish Maheshwari:** Per month per train. Second one is railway freight because that 193 trains earlier if you see my balance sheet total operating expenses was having around Rs. 9 crores of a railways expenses which is now 13.54. So, 5 crores is the railway expense which we increased just due to the handling more train at Vapi.
- Prateek Kumar:** So, that will also reflect in your prices because prices in Vapi are higher which reflects higher haulage or higher operational cost on that?
- Anish Maheshwari:** Correct.
- Prateek Kumar:** So, I think this railway lease per rack I think is a bigger component so you are lesser whoever was giving you trains KRIBHKO I guess so they have individually raised this leases rate is that the right understanding?
- Anish Maheshwari:** Because the reason behind that is earlier, I used around one train in a day. Now I am using six train in a day in and out.
- Prateek Kumar:** So, they should give discount to you I mean when you are taking more train from you.



Anish Maheshwari: So, it is again the question because right now what happens here if I am not using my train ability to serve the parties in that era that diesel prices which is impacted much more on my balance sheet. It was my first statement when I started this call.

Prateek Kumar: My question is basically is this related to railway increasing rate or is it just because of industry shortage of racks and that is why the opportunities increase?

Anish Maheshwari: This is just due to industrial shortage of rack or per se you can say it like that because we are all the users with them so there is a hike because right now this is my requirement.

Prateek Kumar: So, this again you are not able to charge to Vapi customer let say?

Anish Maheshwari: Basically, I will just the package to the party right now. Right now, what is my motive today, I will have to retain my customer in this negative phase of this industry. Today, if I will give them the good facilities with the better prices, they will be long-term associated with me. If today if I will not pass on the benefits which I am getting today, they will never be stay with me for a long term. So, today this is the situation I am really happy to say that 193 train handle there at ICD in just second quarter of this year it is really jump from my side. So, it will definitely be getting benefited not in next one or two quarters, but over and all if you see there will be positive impact of this railway operations.

Prateek Kumar: Sir, is there any shift of customers which has happened from Mumbai to Vapi which has also impacted your Panvel volume and benefited Vapi volumes?

Anish Maheshwari: No dear, there is nothing like that because Vapi is altogether different market earlier also which was already said by me in last three, four quarter's call. Vapi set up is altogether different, Mumbai there is no shift. Mumbai, we reduced the business due to the impact on the profitability. I just wanted to add one more thing right now our marketing team will not at all take any kind of aggressive call on the customer side because today if we will take any kind of aggressive call we cannot take any kind of further charges after the benefit which will be on diesel side or another volume side which will not at all give me the benefit to me in a good phase of the business industry, but today if I will go and give them the price which is below the mark line, it will definitely not going to convert it in future with the same party with the positive kind of freight or prices.

So, we are now stop here. We are just thinking and evaluating properly to arrangement of operation efficiency as well as the client whoever is the good client who give me the payment on time and we are retaining them with the good solutions, with the good services first target is that. Secondly, whoever is adding us in the railway side last quarter we did 17,357 containers vis-à-vis we did in second quarter 21,848 container so we added around 50 party, 60 party odd they are giving me another two, three, four, five containers volume, but we have added quarter-on-quarter not aggressively but easily whoever come to me with my price, with my business strategy, with my services, happy with my services we are taking them. If somebody



is coming and negotiating like anything, we are just hold on, think once again, evaluate properly and then we will give them the quote this is the strategy which we have right now.

Prateek Kumar: Just for book keeping questions what was the Vapi revenue during the quarter it was 35 crores in Q1?

Anish Maheshwari: In totality you are asking me?

Prateek Kumar: Only Vapi revenue for the quarter?

Anish Maheshwari: 40.33 crores.

Prateek Kumar: And incentives which you generally share incentive of empty container during the quarter because now trains which are coming on your way so I guess now you started handling more trains so empty running would have also increased.

Anish Maheshwari: Empty running is not all, export has increased.

Prateek Kumar: Export is empty completely.

Anish Maheshwari: Yes.

Prateek Kumar: So, what would be the empty container number for the quarter?

Anish Maheshwari: I think so each and every quarter we have a range of around 4000 containers which is remained same 3950 containers odd we are handling for the empty side.

Prateek Kumar: Sir, incentive number for the quarter?

Anish Maheshwari: Incentive, I will just give you in totality incentive number is a 7.98 altogether Bombay Vapi for Q2.

Moderator: The next question is from the line of Nitin R V from Kapspocks Private Limited. Please go ahead.

Nitin R.V: My first question is regarding on whether this increase in expenses is about Rs 19 crores has anything to do with we had plan to change of a fleet and whether this has everything to do with our capitalized part of book?

Anish Maheshwari: No sir right now we are not at all thinking about any kind of CAPEX. First thing, the operating level which we have right now I just wanted to clear it out there are certain things which you will have to take up in mind. One is in totality there is no such repair maintenance further on the fleet side. Yeah, definitely right now around 250-odds trailers we have free today we are not using that because today if I am using that for all the DPD and other operations, we are



using purely for the domestic purpose if there is further requirement we are using them or we are focusing that side, but for the silly business which is giving me lower profit, we are not using our fleet. So, there are no further CAPEX for the fleet first thing. Secondly, on operational level if there is any kind of change, we will definitely improve our efficiency on that side that is the thing.

Nitin R.V: But last quarter you said that we are planning to change about 150 trailers or something like that.

Anish Maheshwari: Last quarter 150 trailers we had already taken which we had account for which you will see in the WIP.

Nitin R.V: In this quarter or last quarter sir. It is slightly higher by about Rs. 90 crores.

Anish Maheshwari: So, in that it already there that 150 trailers are there.

Nitin R.V: So, there is no impact on that purchase on our quarterly numbers?

Anish Maheshwari: New fleet why we are taking because earlier we have an old fleet for hinterland delivery the repair maintenance cost was increasing day by day. So, that is why we have taken new fleet and which has come in September month itself. There are certain formalities of RTO, insurance all those things.

Nitin R.V: But then these depreciation expenses should also go up right about 150 trailers?

Anish Maheshwari: Slightly.

Nitin R.V: These 150 trailers charges their depreciation stuff like that will get charged to P&L in maybe one or two quarters down the line right.

Anish Maheshwari: Yes.

Nitin R.V: And what about this capitalized interest about Rs. 50 crores which we have capitalized at Vapi and we have already started operations so does that mean that these expenses will come into P&L?

Anish Maheshwari: Vapi side there are certain CAPEX we had started operation on railway. There are certain CAPEXes related to platforms, other way bridges and the small-small things which we capitlaize in this quarter.

Nitin R.V: But these seems to have started operation these capitalized interests should come back to the P&L, right?



- Anish Maheshwari:** It is already in P&L. That interest already in P&L that is why my finance cost if you see increased by 4 crores.
- Nitin R.V:** And more thing sir basically what you are trying to tell me these margins are going to be the same for the forthcoming quarter these margins would be sign right this is going to be new normal so to speak?
- Anish Maheshwari:** Not exactly, but in the range of it. They maybe slight positive.
- Nitin R.V:** One more thing considering the fact that there were exceptional items and the fact the CONCOR is giving free storage at their ICDs what sort of impact will that have on Vapi because we have come to as a Logistic Park over there which we have already build, CONCOR is giving 45 days storage right, so how will that affect our operations?
- Anish Maheshwari:** CONCOR don't have at ICD at Vapi.
- Nitin RV:** But they had one at Khodiar at Ahmadabad so that would not be affecting us?
- Anish Maheshwari:** How it will be because we are only the player at Vapi at ICD who is having that kind of facility and we are giving the entire package to the party. So, there is no comparable with CONCOR at south Gujarat Vapi there is no such ICD at Vapi of CONCOR.
- Nitin RV:** On calling them up they said they actually take containers from Mumbai to warehouses in Khodiyar in Ahmadabad so that would not have an impact?
- Anish Maheshwari:** Ahmadabad is not at all in my radar sir. Ahmadabad is far away we are catering South Gujarat only.
- Nitin R.V:** Just because we are giving 45 days of leeway that does not mean that we will also have to replicate that?
- Anish Maheshwari:** We would be we are not giving 45 days free because we are already giving that model for 45 days it will be for those parties who is having ease of delivery of cargo, but in South Gujarat whoever party which we added till now they have a delivery model on an urgent basis. So, with that we give them the entire package to their factory.
- Nitin R.V:** Total amount of CAPEX which you have spent at Vapi is about 350 crores.
- Anish Maheshwari:** No, it is around 550 crores altogether.
- Nitin R.V:** But then our increase in depreciation is just Rs. 5 crores does that means that right now in this court also we have capitalized these depreciation expenses?



- Anish Maheshwari:** That out of the 550 crores, more portion is on land and land development there is no impact of depreciation. Depreciation is only on the movable asset land and land development will not impact the depreciation.
- Nitin R.V:** So, there would not be any uptick in depreciation charges to a quarterly number?
- Anish Maheshwari:** It is a peak.
- Nitin R.V:** What is the storage revenue at Vapi for this quarter because last quarter it was around Rs. 3 crores?
- Anish Maheshwari:** This is around 4.5 crores in totality out of 14.33.
- Nitin R.V:** These profit margins would be remaining the same for the next two or three quarters at around 3 percentage?
- Anish Maheshwari:** So, right now I am not in a position to tell you that maybe 3% that will be in the positive side definitely because there is a notional impact of FOREX around Rs. 8 crores.
- Moderator:** We have the next question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.
- Giriraj Daga:** Some clarification if I look at what you have explained so far ideally that Vapi stretch to Mumbai or JNPT everybody must have increased significant amount of cost increase and ideally, we should have beneficiary since we are the only one operating train there. So, are not you seeing that okay we might almost double the volume because the amount of volume which you spoke about like 15 lakhs TEUs for the year, so everybody on the road side is facing the cost increase so are not we able to capitalize on that?
- Anish Maheshwari:** No what do you want to ask the problem today is what I am already using my railway fleet for the delivery till my ICD. Delivery till Ankleshwar-Surat and I have to do my road. So, we are giving them the entire package so that impact my price and today everybody knows I am using the railway for the operation from port to my ICD that I have to pass through because earlier per TEU realization was around 19,900 which is in this quarter was around 18,500.
- Giriraj Daga:** So, I am okay with realization why cannot 21,000 become 50,000 or 1 lakhs on the next maybe two, three quarters I am more looking on that side?
- Anish Maheshwari:** It depends on the mode of business today because industry is already in bad shape, correct? There is no such EXIM movement. There is dollar prices....
- Giriraj Daga:** We are not talking new business we are talking shifting from the road to rail, any movement happening on the road right, why cannot the movement shift from road to rail?



- Anish Maheshwari:** It is already shifted that is why I am asking you our 80% we are doing by rail itself.
- Giriraj Daga:** But the industry volume which is happening right now overall industry volume our market share must be very small right. We are not very large in the Vapi to JNPT as of now?
- Anish Maheshwari:** Correct.
- Giriraj Daga:** So, why cannot that other volume which is happening by road as of now why can't that volume or may be new customer which can come to Navkar and saying okay we are having?
- Anish Maheshwari:** When we are going today to the customers, I am quoting price in Rs. 24,000 parties is paying me Rs. 28,000 he is asking me Rs. 90,000 how could I give him 90,000 that is the issue. That is the issue they may come to me, but not in this market. Each and every day my marketing team as far as you listen my call today what is the situation my entire marketing team is taking the cargo in choosing basis, but not taking any kind of cargo below the margin level. If I will today give them the 19,000 price I will give tell you Giriraj I am not in the position to take 21,000 in next two to three quarters. Today I am not giving him in Rs. 24,000. Tomorrow he might be coming in Rs. 25,000 to me. So, it is a wait and watch.
- Giriraj Daga:** So, you basically want to hold on prices once you will give then next time it will become benchmark.
- Anish Maheshwari:** Market situations are very poor correct. Most of the operator are whoever I will give one of my friend's example who is having 100 trailers. He is stopping entire 100 trailer movement which was usually used for him for a captive consumption. Today he is trading for the parties himself because the freight is on the trading side is higher than the regular price of traditional business model. As Navkar is having a capability to cater till party's factory so I am giving them the packaged from end-to-end in that case I will charge a limited amount. I will just give you an example like somebody whoever is giving me a 90 days payment model I am putting him a Rs. 28,000 prices. Today what he is saying me he will be able to give you Rs. 22,000 with 90 days payment. Can I do that business.
- Giriraj Daga:** You want to hold on the prices because once you dip then next time we will not be able to increase?
- Anish Maheshwari:** Tomorrow when the balance sheet side they got to know 25,000, 26,000 maybe the reasonable price, but 22,000 is not at all a reasonable price.
- Giriraj Daga:** The next question is with that the cost increase which you mentioned on a 12 lakhs to 17 lakhs, 18 lakhs is it pay to railway?
- Anish Maheshwari:** CTU owned by Railway.



- Giriraj Daga:** This 12 lakhs was like what possibly aberration right earlier the normal charges which we have built in our model must be higher when we had built the business plan on the railway side, was it like we had built in Rs. 12 lakhs per rack or was it higher?
- Anish Maheshwari:** Because at that time we got 9.5 lakhs for Bombay.
- Giriraj Daga:** But that was aberration. So, normal should be about 17 lakhs, 18 lakhs or 20 lakhs maybe.
- Anish Maheshwari:** Normal price was also the Rs. 10 lakhs to Rs. 11 lakhs itself.
- Giriraj Daga:** But then why price has gone up on what basis?
- Anish Maheshwari:** Today my volume is high.
- Giriraj Daga:** But your volume will further be hike so this 17, 18 will come to 25 in terms of volume maybe become 400 trains two quarter, four quarter down the line?
- Anish Maheshwari:** It maybe if tomorrow I will handle around 500 trains in a month at that time I maybe in a good negotiation position I will be taking 20 lakhs otherwise the party will ask me 22 lakhs I will have to pay it because I do not have any other options because today if I will compare with the diesel cost and road operations if I will do that 80% out of that 80% I will do the operations 50% by road then impact of diesel which is around Rs. 4 crores maybe around Rs 8 to Rs. 9 crores I will have to balance.
- Giriraj Daga:** My last question on this Mumbai you said that the DPD is less CFS prices has gone down, so just a thought process so what is the next outcome we are sitting on a utilization of less than 60% as of now. We have a very long runaway and volume has been flat so for us the incremental whatever the money we are making should be EBITDA positive, so we think we are rejecting the cargo which is at 2500 to 3000 per TEU because we have long capacity to fill?
- Anish Maheshwari:** Giriraj I just wanted to clear out of here. This is not at all a business for quarter and two quarter and three quarter. Tomorrow situations in 2012, 2013 we have seen that once the price which we negotiate to the party that level, so I will have to cater that in the positive mode of business also. So, in that case what happens can you imagine good cargos which was giving me a good price I will have to refuse because we would not have a capacity at that time. The positive side of business if somebody would like to give me a good price but I am already occupied how can I hike the price. Today if I will compromise with the profit tomorrow everybody will give me the same price.
- Giriraj Daga:** No, I understood you want to hold on prices that was the strategy it is looking?
- Anish Maheshwari:** For a one or two quarters. If tomorrow is there is no positive after two quarters also then after we will have to rethink either we will have to do that business with that party or will have to



take that cargo which will be giving me less margins that we will have to reanalyze because the problem is what you know Giriraj in today's situation everything is negative for this industry. There may be some positive if there maybe incremental volumes come from the EXIM cargo movement that will give me positive sense. We are also analyzing the further raise of business we are also focusing on the domestic cargo volume where I get the good margin that may take some time.

Moderator: We have the next question from the line of Shrenik Jain from JM Financial. Please go ahead.

Shrenik Jain: First if you could tell us simply in terms of realization by road what would be the realization from Vapi Bombay stretch and what is the realization in case of railways?

Anish Maheshwari: Yeah, we are not at all separating any kind of realization by rail and by road because we are giving the entire package to end-to-end towards the party. Sometimes we use the railways for the same operations sometimes by hinter land delivery by the road. So, we would not be able to mechanize that kind of a filler the road will be this price and then rail will be this price. This is not the parameters for me I will have to complete the operations in a one gist. So, we are not segregating any kind of analytic report what will be price for me when I will use the road operations what is the price for me when I will use the rail operations because sometimes I will use the road from as I said 20% cargo till date we are using road way. In that case road price maybe hiked and hinterland delivery maybe we will have to compromise. At the same time some cargo which is coming by rail we have to give them the hinterland delivers by road and sometimes some cargo will be stay in my premises for some longer time some cargo maybe not taking even two days' time so that is the entire package we are giving to the party.

Shrenik Jain: But let say in terms of costing what is the cost of moving by truck or trailer and what will be the cost per TEU if we were to move by rail?

Anish Maheshwari: It is the entire package the cost is also same.

Shrenik Jain: Costing part of it.

Anish Maheshwari: Costing part today if you will ask me there is a marginal impact around 20% to 25% will be cheaper than the road if I will use trains.

Shrenik Jain: What is the road costing you said parties are asking for 28,000 per TEU and the customer is asking me to reduce it to 19,000 TEU to shift the cargo to us, is that right?

Anish Maheshwari: 28,000 if 25% will be minus that price will be Rs. 21,000 after giving them the decent discount if I will use the railway tracks, but parties asking me 19,000, 20,000 how could I give.

Shrenik Jain: It is bit surprising sir I mean if he is already paying 28,000 wouldn't he be happy if you offer him a 22,000 what is the differential here I mean why would one compromise that?



- Anish Maheshwari:** Practically there is not at all a single thing there are certain things they have to set up with the operator, they have a mindset, my operations are going in why I am shifting because for him if we will compare to the logistic cost vice versa the cargo cost it is hardly peanut for him, you know Rs. 4,000 Rs. 5,000 he did not want to shift. When he will shift then the price was getting shrinked or either way when I will offer him that is the price which you are paying today. As if you will see from 6000 whole year containers to reaches around 21,848 containers in a quarter this is the journey which we did with the parties otherwise how could we increment and taking that to our. So, today what is happening 21,000 is a in that we are making only 25%, 26% EBITDA. If I were getting more downside that will give me only 10% to 15% EBITDA which is not at par to my business model. So, those are the situation today market is dicey. You would not have any kind of hanky-panky today I will have to move the import itself. This is not a situation today.
- Shrenik Jain:** Sir helps us understand this reconcile we see port volume growing by 6%, 7% on the western coast we see railways volumes are growing by 10%, 12%, CONCOR volumes grew by 12%. So, I am unable to understand when you say that.
- Anish Maheshwari:** CONCOR gives us announcement of 45 days free days that is the reason CONCOR getting that benefit.
- Shrenik Jain:** That 45 days has come in only in last one-month sir actually they have been reporting double digit growth for sometimes, so what will drive this business sentiments up in your view?
- Anish Maheshwari:** I am only having a presence on JNPT port. Concor is having a presence across India. So, they may have a positive wherever in the port side the first beneficiary of concor itself being private CFS or ICD we have some limitation. So, if we compare with that today there maybe I just wanted to tell you as on Ankur Perival Axis Capital was asking me the same question there is a dip on export side although there is an EXIM cargo movement is a positive in a port side at the same time DPD volumes are increased by 3% which is definitely impacted to CFS.
- Shrenik Jain:** Sir, help me understand this you said Vapi revenue would be about 40.33 crores for the quarter and volume was about 21,842 TEU so that gives me a roughly realization of about 18,460 let say 18,500 which was about 22,300 in the first quarter?
- Anish Maheshwari:** No sir it is 19,870 altogether.
- Shrenik Jain:** First quarter was 17,357 TEUs and revenue was 38.85 crores.
- Anish Maheshwari:** No sir 34. Something. It was already cleared in the call itself. If you will see my call history of last transcript there was a concession of Rs. 4 crores which were added in the Mumbai volume. So, we just give you the reconciliation at the same time it was 34. Something. So, based on that there was a price of 19,800 something which is 18,500 and the much more reason is only that earlier our 100% operations by road and today around 80% volumes we are handling by the rail and again and again on the same call I am telling you people that if I am not using my train



availability at Vapi I was more impacted by diesel in this quarter itself. Diesel impact was 4 crores maybe around 8 crores to 9 crores.

Shrenik Jain: And you said the margin in Vapi what is the margin at this point in time?

Anish Maheshwari: Vapi is not segregating I can give you the revenue numbers because expenditure is altogether to both.

Shrenik Jain: Sir, the other expenses if you could highlight if I see QOQ other expenses seem to have gone up?

Anish Maheshwari: There is a major one reason in the FOREX loss which is around Rs. 8 crores reported. It is a notional loss.

Shrenik Jain: And this pertains to what?

Anish Maheshwari: We have a long term which was we earlier converted into FCRN amounting around 170 crores.

Shrenik Jain: And that is un hedged?

Anish Maheshwari: No it is hedged but at the price of 64 point something and we will roll over at 67.5 so there is an impact of Rs. 3.

Shrenik Jain: And just one last question with respect to Panvel you said the volume is about 64,342 is that right sir?

Anish Maheshwari: Yes sir. This is EXIM volume pure EXIM volume.

Shrenik Jain: And comparable number if you could give me sir for the second quarter last year?

Anish Maheshwari: Same quarter last year 83,145.

Shrenik Jain: So, that means a 23% drop in volume.

Anish Maheshwari: Not 23. There is an incremental volume which we are taking from the Exim cargo movement which is 6,412 so we will have to compare with 70,752 versus 83,145.

Shrenik Jain: Sorry if you could break that 83,000 what is it?

Anish Maheshwari: 83,145 was purely EXIM cargo movement earlier and this year we have a two different business. One is EXIM cargo movement which we have a number of TEUs handled around 64,342 correct other than that we have an additional revenue of 6.5 crores from the domestic operations. If I will convert into the TEU number that number will become around 6,412. So, in totality Bombay we handle 70,754 containers versus 83,145.



- Shrenik Jain:** Okay and when you say 6.5 crores these are the containers handled or the other ship?
- Anish Maheshwari:** entire Cargo not container.
- Shrenik Jain:** What I am saying sir we have this 83,000 TEU in the same quarter last that is only the container we are comparing apple to apple 83,000 TEU has become 64,300 TEU?
- Anish Maheshwari:** The same time I do not have a domestic operation.
- Shrenik Jain:** So, that is separate that is the additional thing which we have in this quarter, but on a like-to-like the pure EXIM cargo has declined is that right?
- Anish Maheshwari:** Yeah right that is correct understanding.
- Shrenik Jain:** This 83 has become 64 so how do we explain that is that what is the split drop in import and export in that case?
- Anish Maheshwari:** Earlier we have an export worth 37,060 and import was 46,000. So, major dip in the import itself due to the DPD. This year we have an export of around 34,163 import is around 30,179.
- Shrenik Jain:** So, it largely led by import.
- Moderator:** The next question is from the line of Krupa Shankar from Spark Capital. Please go ahead.
- Krupa Shankar:** First thing which I wanted to understand is the export volume decline, there is clearly some 8% decline in the export volume so what would be the key reason for this is there any specific commodities which has declined, or any can you just throw some light on that?
- Anish Maheshwari:** Major reason is the dollar prices.
- Krupa Shankar:** Sir but that should ideally increase the export right because it will be more beneficial?
- Anish Maheshwari:** Somebody whoever is exporting from here nobody would like to import from there because the dollar prices are very high. Importer on other side would not like to take on that price.
- Krupa Shankar:** So, is this more of like hazardous goods which is getting imported?
- Anish Maheshwari:** Hazardous goods we are not at all doing any exports. We are only doing export commodity which is majorly Agro.
- Krupa Shankar:** Can you just throw some light as to which is the specific industry wherein, they have seen a drastic decline in the exports?



- Anish Maheshwari:** We are not at all be worried about the industry like we are only taking the cargo whoever comes to me the clarification which I would like to give you why the exports are getting down just major reason is the dollar prices as we got understand from the parties. Second one is a diesel prices from hinterland they have a price hike and there is a very thin margin in the export. So, those are the two reasons. For commodity if you will ask me we are not at all worried about the commodity for me the cotton will go, sugar will go, soya, rice everything I will have to allow.
- Krupa Shankar:** So, second part which I wanted to know is that we also used to handle volumes from Hazira port at Vapi facility so what would be the mix now the entire mix is from JNPT is it because of which the operating cost has also gone up?
- Anish Maheshwari:** 21848 there are around 1100 cargo 1093 cargo we are taking from the Hazira.
- Krupa Shankar:** I think similar to what was there last quarter as well?
- Anish Maheshwari:** I think it was around 1700 I am not handy with me but approximately 1700 cargo last time. The major volume in this quarter is coming from JNPT itself not from Hazira.
- Krupa Shankar:** So, if I have to now breakup my operating expense itself I understand that the fuel prices was one reason, can you just help me out and break it up further later into two, three parts as in what would be the rail lease rental hike as a composition of our overall cost and let say your diesel price etcetera or your road transport rates because that would be far more helpful.
- Anish Maheshwari:** What do you want to understand in totality operating expenses last quarter was around 47.79 vice-versa this quarter 55.33, so you want that breakup.
- Krupa Shankar:** Yes sir.
- Anish Maheshwari:** So, if you will ask me major difference over there is a railway expenses which I have already told you it is earlier and this last quarter was 9.96 crores which is in this quarter was 13.4 crores and diesel prices which was in last quarter was 10.88 quarter altogether which is in this quarter is around 14.57 something major impact is there that small items like electricity expenses, operational expenses, food expenses, repair maintenance. Repair maintenance is also the third component because my fleet is using for the hinterland delivery in the longer distance. So, earlier repair maintenance till last quarter was 4.4 which is in this quarter is around 5.7. So, slight impact also there.
- Krupa Shankar:** And if then if I have to again see the other expenses part wherein you said there is a FOREX loss of 8 crores. So, again, we have seen further depreciation in this quarter as well so there will be another loss incurred in this quarter as well if we have not mistaken? Notional forex loss in Q3 as well?



- Anish Maheshwari:** Q3 there is no notional FOREX loss because I have already converted my entire loan in the INR that is why I am taking that. There is no FOREX loan now in this quarter.
- Moderator:** We have the next question from the line of Jayakanth Kasthuri from Dolat Capital. Please go ahead.
- Jayakanth Kasthuri:** Sir just one question in terms of realization at Panvel for this quarter it is somewhere around 10,000 or less than that?
- Anish Maheshwari:** I said Rs.10,100.
- Jayakanth Kasthuri:** And you expected to be it around that levels in terms of your DPD impact and passing on those fuel price?
- Anish Maheshwari:** Below that we cannot do.
- Moderator:** We have a follow-on question from the line of Nitin R.V. from Kapscocks Private Limited. Please go ahead.
- Nitin R.V.:** Could you please once again explain these depreciation expenses which can actually come up?
- Anish Maheshwari:** You would like to ask me the depreciation how it will increase?
- Nitin R.V.:** Yeah sir because we have done this expansion of about 550 crores there will be an aspect of land.
- Anish Maheshwari:** What I suggest you is I will just give you my email id Anish@Navkarfcfs.com . You will just give me what you want in the depreciation side I will give you the brief of depreciation calculation comparison with the last year quarter and this quarter.
- Nitin R.V.:** Sir, one final question this land which we are at about 45 acres of land at Panvel what is the news on that front?
- Anish Maheshwari:** Anything is positive till now. We are evaluating from last four quarter and I think so more that that, but we are also talking to the people for the outright sales itself, but prices which they are offering now not at all to be satisfactorily pricing to us that is why we are just till today also we are targeting till today also we are going to meet them for any different kind of operative purpose like somebody has come to me for warehousing and all. So, we are evaluating, we are calculating, we are discussing day and day out. Thereby any kind of positive inputs will come in future I will definitely give the lights on to the market.
- Nitin R.V.:** One small clarification this land was actually revalued at the time of IPO right?
- Anish Maheshwari:** No, it is not at all at the time of IPO.



- Nitin R.V.:** This investment property land is for same asset 45 acres which we have planned to dispose off right sir?
- Anish Maheshwari:** This is altogether different line. This is not at all used for the ICD as well as the CFS purpose this is the ideal land.
- Nitin R.V.:** Okay that Rs. 50 crores is an investment property that is a different property altogether.
- Anish Maheshwari:** No this is the same property 50 crores was invested in the same property itself.
- Nitin R.V.:** That amount because you know last quarter you had said that we must actually realize about Rs. 400 crores through the same.
- Anish Maheshwari:** Sir today also the same price. There is a buying and selling market Rs. 400 crores if today if someone will come to me and give me Rs. 350 also I will be ready but nobody has come forward that is the only issue. I will just give you the gist if somebody will come to us with fair idea of around 18 months payment can I have to take that call?
- Nitin R.V.:** No sir my question was that because the price on book value Rs. 50 crores.
- Anish Maheshwari:** Out of that 50 crores was the ancestor land some of the part was ancestor land. Total land which was 45 acre if you will ask me that book value at that time it was capital commitment at the time of IPO wherein we had already paid 20 crores to the party in 2013-2014.
- Nitin R.V.:** Okay this Rs. 50 crores as in four years become worth Rs. 400 crores I am just is that a bit far off do not you think?
- Anish Maheshwari:** Sir today what is the situation the land wherein we have a CFS which was come to the book on company's book in 2004-2005 at that time price was 100 crores I think so today the same land 34 acres land is having a price of around Rs. 900 crores market price. Four years back there is no fair clarity on the airport in that last four years there are several **(Inaudible) 1:03:55** in this area like NA earlier also. It was when we have a capital commitment that was the agricultural land today this is the NA land.
- Nitin R.V.:** Okay four years back we had brought this land this land has actually come into a book at around Rs. 50 crores and you are expecting it to sell it at Rs. 400 is that the right assessment.
- Anish Maheshwari:** This is a fair market value sir we are not having the expectation this is the fair market value. Today in Panvel Rs. 10 crores acres is normal price.
- Nitin R.V.:** So, it does not mean that the promoters have actually given this land at lower price there is nothing like that going on which has actually happened?



- Anish Maheshwari:** Sir, earlier it was several things. The entire company Navkar terminal which was giving by promoter in Rs.99 lakhs only. For him there is no difference between promoters and the company for him the company is equivalent to promoter that is the thought process.
- Nitin R.V:** Thing is that in four years from Rs. 50 crores to Rs. 400 crores it look at bit far of that. So, I asked this clarification?
- Anish Maheshwari:** You are talking to me down the line four years correct. There may certain payment before that also.
- Moderator:** We have the last question from Prateek Kumar from Antique Stock Broking Limited. Please go ahead.
- Prateek Kumar:** Sir I have just couple of follow up questions, so we have like this major receivable increase as you said because of some change in business because you want to retain your customer so the receivable days has increased this. We have increase in debt also long-term borrowing has gone up by around 80 crores or so, so any specific reason there?
- Anish Maheshwari:** There are 150 odd trailer which is costing me around 50 crores plus secondly the railway work which we had done in final mood there is around Rs. 30 crores pending from the State Bank of India which we used. So, in totality there is a Rs. 80 crores add on in this liability.
- Prateek Kumar:** So, now total debt including short term, long term and current maturity how much is the debt at September 18?
- Anish Maheshwari:** September 18 around 360 crores.
- Prateek Kumar:** So, 100 crores is interest fee loan from promoters so 460 crores.
- Anish Maheshwari:** No I said excluding.
- Prateek Kumar:** So, 360 is excluding so we add another 100 because of that interest fee loan.
- Anish Maheshwari:** 105.
- Prateek Kumar:** How much sir you said 360?
- Anish Maheshwari:** 360 plus 105 altogether.
- Prateek Kumar:** And sir regarding this FOREX impact so foreign denominated loan so are we looking to convert that into domestic loan or there were?
- Anish Maheshwari:** It is already done we are now having a loan all entire loan book is in INR.



- Prateek Kumar:** Earlier interest rate was how much now how does it stand for domestic loan?
- Anish Maheshwari:** Sir earlier my interest rate was all together around 10.5% including that FOREX losses. Today it is again 10.5 that Rs 8 crores we are as inclusive for entire year correct?
- Prateek Kumar:** Yeah.
- Anish Maheshwari:** Today this is not at all for the entire year there maybe notional impact that of each and every quarter we will see there is no 7.5 we have to divide Rs. 8 crores divided by 12 into each and every month. For next quarter there maybe additional interest overall maybe around 1.99 crores.
- Prateek Kumar:** So, interest may increase slightly by 2 crores per quarter from next quarter?
- Anish Maheshwari:** We do Rs. 8 crores which is in this quarter.
- Prateek Kumar:** And after that our loan obviously post September 18 which you said 360 plus 105. So, in October post this conversion also it stands at same number.
- Anish Maheshwari:** Same number there is no further CAPEX now. We had made strategy for next three to four quarter there is no single rupee CAPEX we are going to do.
- Prateek Kumar:** One thing why the Vapi proportion changed from 60-40 to 40-60 in terms of export, import mix?
- Anish Maheshwari:** It is a mix which will be changed in each and every quarter it all depends.
- Prateek Kumar:** No specific reason there?
- Anish Maheshwari:** There is no such specific reasons.
- Moderator:** Ladies and gentlemen that was the last question. I now hand the conference over to Vikram Suryavanshi from Philip Capital India Private Limited for closing comments. Sir over to you.
- Vikram Suryavanshi:** We thank the management of Navkar Corporations for giving us the 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 everyone for giving us an opportunity to give the sense and give the opportunity to give all kind of gist of this business. Thank you so much Vikram thanks once again.



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



PhillipCapital

Navkar Corporation Limited
October 31,2018

Moderator:

Thank you very much sir. Ladies and gentlemen on behalf of PhillipCapital (India) Private Limited that concludes this conference call. Thank you for joining with us and you may now disconnect your lines.