



## “Navkar Corporation Q3 FY17 Earnings Conference Call”

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**MANAGEMENT: MR. ANISH MAHESHWARI – CFO, NAVKAR CORPORATION LIMITED**

**MODERATOR: MR. VIRAL SHAH- CENTRUM BROKING**

**Moderator:** Ladies and gentlemen, good day and welcome to the Navkar Corporation Q3 FY17 Earnings Conference Call, hosted by Centrum Broking Limited. 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Viral Shah from Centrum Broking Limited. Thank you and over to you, sir.

**Viral Shah:** Thank you. Good morning everyone. I welcome all the participants to the 3Q FY17 Results Conference Call of Navkar Corporation Limited. We have with us Mr. Anish Maheshwari – CFO of the Company. We would commence the call with the opening remarks from Mr. Maheshwari to give an overview of the company's performance for the quarter. Over to you, sir.

**Anish Maheshwari:** Thank you, Viral. Thank you so much. Good morning everyone and thank you so much once again giving me an opportunity to you giving Q3 results on this call. So, basically I just wanted to tell you looking for the year of demonetization and everything Navkar is doing again well. I will compare to the last quarter numbers and Q3 for the last year also, so numbers are pretty good. On the operational level, there is a significant change in the profit just due to the interest which was realized last year on FDI of the IPO money, there is a major change due to that. Rest operational level if you see our operating profits remain same on the percentage level of around 56%-57%, EBITDA is around 37%. On numbers I will give you total figures in totality consolidated basis, we did the income of 92.06% and operating profit is around 21.16 crores.

On the other side, I just wanted to give the brief about the project of Vapi. So, railway work and the full-fledged on the execution mode, till now Navkar terminal railway we are at earlier stage. We are trying to do completed just before the time line of 31<sup>st</sup> March 2017 and we are verge of that. On the other side logistic park and other things, total project completed till now is 340 crores, so there is around 71%. On that also we are on the same side, will try to complete before 31<sup>st</sup> March 2017. I will get the brief view about the number of TEUs which we handle in the last quarter. We totally handled around 82,472 containers, out of which in the Panvel we did 80,343 and rest 2129 at Vapi. These are all India number. So Viral, I shall give the brief of the numbers and if you want to start the Q&A session.

**Viral Shah:** Yes, operator can you start the Q&A please.

**Moderator:** Sure, thank you very much. We will now begin the question and answer session. We have the first question from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.

**Chintan Sheth:** Sir, just wanted to understand on the volume front you said 80,343 TEUs at Panvel, so this is a 2% drop compared to last quarter. Last quarter we seen some hold-age because of the rain and RTGs, we have been installing at Panvel, Thane. So, why we are seeing a drop because of demonetization as such.

- Anish Maheshwari:** There is a technical impact of demonetization because our model is based on the export as well as import cycle. So, thus due to the demonetization there is a small impact on the export side, if you will compare last year export number, I will just give you the number of exports container, which we handle last year in the same quarter was 38,430 comparative to that this quarter we did 34,214 and the reason behind that is just due to the demonetization because if you will see the crop by then the rain was very pretty in this particular year. Due to the demonetization there is an impact on the unorganized transportation side, so which is impacted numbers on the export side. If there is no impact of demonetization, we are hoping that our number of exports may be around 41,000-42,000 TEUs.
- Chintan Sheth:** And sir on the empty side does we have seen higher numbers this quarter?
- Anish Maheshwari:** No, compared to the last quarter this is little less. This quarter we did empty 4247.
- Chintan Sheth:** And sir, can you give us similar quarter previous year volume numbers on TEUs?
- Anish Maheshwari:** For empty?
- Chintan Sheth:** Everything, for export, import total ...
- Anish Maheshwari:** Last year, you are talking about?
- Chintan Sheth:** Last year same quarter.
- Anish Maheshwari:** Yes, last year we did 38,430 export and 42,385 is the import. In totality number was 80,850.
- Chintan Sheth:** 80,850, there will not be Vapi volume sir, last quarter and sir, empty number last year?
- Anish Maheshwari:** I am not handy empty numbers right now, I will share with you later.
- Chintan Sheth:** And on tax rate, particular reason why we had a very low tax this quarter?
- Anish Maheshwari:** We are in the MAT.
- Chintan Sheth:** So, fully year you guided around 15%, so ...
- Anish Maheshwari:** Yes, approximately 14% to 15%.
- Chintan Sheth:** But this quarter it is around 10 effective tax rate, 8% or 10%.
- Anish Maheshwari:** So, you will have to take our entire yearly basis. So it may be around 13% to 14%.
- Chintan Sheth:** And sir, for next year any guidance on volume what we are expecting, so Vapi ramp up is still a bit slow. What kind of guidance you want to ...

- Anish Maheshwari:** First of all today we are totally focused on the Vapi side, we are just nearing complete the railway work. Execution is very fast mode track. Then after will come back to you on the numbers side definitely, because once we will because our road operations are going smoothly now, everything is going smoothly. If you see the last quarter number on the same road side it was around 1225, so it is almost 100% growth.
- Chintan Sheth:** And for breakeven we need around 200,000 TEUs.
- Anish Maheshwari:** Yes, it may be but the issue is. Now everybody accepting our model and they are coming to us, they are giving us smart volume. In this quarter also there is a good ramp up we are have thought in our mind and railway, once the railway will commence then the ramp up in a good mode. So, first of all our focus in the railway side.
- Moderator:** Thank you. The next question is from the line of Praveen Shah from Edelweiss. Please go ahead.
- Praveen Shah:** Can you repeat the volume of the ICD Vapi?
- Anish Maheshwari:** Vapi ICD 2129.
- Praveen Shah:** And how much of the revenue we generate it from there?
- Anish Maheshwari:** Vapi entity generate the revenue, 4 crores 37 lakh approximately.
- Praveen Shah:** And just on want to know about the rail work as you said over, so signaling as well is done or?
- Anish Maheshwari:** No, it is not over, it is going on. Execution is on.
- Praveen Shah:** Where we are in that like tracks are already there?
- Anish Maheshwari:** Yes, tracks and are already there and we are almost completing our facility tracks. So, now we are practically on the railway line side to connect for the loop line, this is going on.
- Praveen Shah:** So, any estimate like by when we will get operational?
- Anish Maheshwari:** We are trying to do it before 31<sup>st</sup> March 2017. This is our today's scenario. Work is going very smoothly and very fast.
- Praveen Shah:** And on the export, import revenue mix how is that for this quarter?
- Anish Maheshwari:** In percentage, wise?
- Praveen Shah:** Yes.
- Anish Maheshwari:** It is 42:58.

- Praveen Shah:** Export is 42 and ...
- Anish Maheshwari:** 42% is export and 58% is the import.
- Praveen Shah:** And one thing on the JNPT side, there is a direct port delivery system started and aggressively it is pushing our JNPT port. So, how you are taking this as a, will that our CFS utilization will impact with this?
- Anish Maheshwari:** DPD is definitely having an impact but practically on Navkar there is no such impact because we have EXIM mix balance. So, the shipping line having benefit as well as the party. So, till now we are not feeling any kind of impact, such impact. There is a 100% pressures on the DPD side from the port side to others yet but Navkar, we are expecting that there is no such impact.
- Praveen Shah:** Due to our EXIM balance.
- Anish Maheshwari:** Yes, due to our EXIM balance and the services. Because we have a smart tool with us, like we have 700 trucks right now with us, we have a railway model. So, every kind of a facility which exporter as well as the importer require which we have fully operational with us. Sometimes not even by the JNPT port in every case.
- Moderator:** Thank you. The next question is from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** So, starting with the export volumes, so you mentioned 34,214 this is standalone export or on the consolidated basis?
- Anish Maheshwari:** It is standalone only.
- Ankur Periwal:** So, what will be the Vapi export, import mix for the quarter?
- Anish Maheshwari:** It is Vapi 851 containers is the export and rest is import.
- Ankur Periwal:** 851 is export?
- Anish Maheshwari:** Yes.
- Ankur Periwal:** From the Panvel terminal perspective, how many rakes did we run in this quarter?
- Anish Maheshwari:** We did in this quarter some of around 165 rakes.
- Ankur Periwal:** And what will be the incentive number for the quarter which you typically share?
- Anish Maheshwari:** Total incentive which we give in this quarter?
- Ankur Periwal:** Yes.

- Anish Maheshwari:** Around Rs. 12 crores. It is 14.61.
- Ankur Periwal:** 14.61 crores?
- Anish Maheshwari:** Yes.
- Ankur Periwal:** There is a sharp increase in this number, any specific reason for this?
- Anish Maheshwari:** There is an increase there is some shipping lines like Maerskand they added to us, on that we are providing them the incentives.
- Ankur Periwal:** No, if I look at quarter-on-quarter basis, last quarter we were at around 10.5 crores, this time we are 14.5. So, it is only Maersk which has contributed to this job?
- Anish Maheshwari:** Because last quarter if you talk about the incentive numbers only we are calculating incentive as well as the port handling charges. You are taking only incentive numbers for last quarter I think so.
- Ankur Periwal:** So, if you can ...
- Anish Maheshwari:** soincentive to incentive if you compare there is a last quarter incentive was 10.5 crores and this quarter is 12.01 crores.
- Ankur Periwal:** And just looking at our balance CAPEX which is left across the business which is RTGs installation as well as land development and Vapi. As I understand RTGs installation is completely through, right? it is all done?
- Anish Maheshwari:** Yes.
- Ankur Periwal:** So, the balance which is around 10 crores odd CAPEX for the RTGs ...
- Anish Maheshwari:** Which is, we are not paying with the party, we are just feeling the performance of the machines. So, we are just not paying them.
- Ankur Periwal:** So, this 30 crores, if I got it right 30 crores CAPEX is done but the balance payment is yet to be made.
- Anish Maheshwari:** Yes.
- Ankur Periwal:** And the 112 crores CAPEX for the Vapi project will be fully captured into the books by the end of this financial year given a 31<sup>st</sup> March deadline.
- Anish Maheshwari:** Correct.

- Moderator:** Thank you. The next question is from the line of Vikram Suryavanshi from Phillip Capital. Please go ahead.
- Vikram Suryavanshi:** So, just most of the questions were answered, two question is that employee cost we have seen a bit increase in this quarter, so any particular reason?
- Anish Maheshwari:** In this quarter particularly always the employee cost being keep it higher because we are paying them the bonus in this quarter on the Diwali time.
- Vikram Suryavanshi:** And can you just repeat the how much money so far we have spent on the warehousing or logistic project in Vapi?
- Anish Maheshwari:** In totality we have budget for announcement at logistic park was 269 crores on that we spending 156.76 crores and remaining balance is just 112 crores.
- Vikram Suryavanshi:** That will be complete by March ...
- Anish Maheshwari:** Projects any which ways, completed by March there may be balance payment which we be giving to the party after the performance of the entire project. There may delay in payment, money with us for a month while or 60 days but project will be completed before 31<sup>st</sup> March.
- Vikram Suryavanshi:** And RTGs all 6 are now operational?
- Anish Maheshwari:** Yes.
- Moderator:** Thank you. The next question is from the line of Sahil Doshi from Birla Sun Life. Please go ahead.
- Sahil Doshi:** Sir, just wanted more clarity on the rail at Vapi. So could you really explain? You are explaining that Navkars end your work is complete and so could you explain what is the nature of the work which you are doing? What is the nature of the work which is government is likely to do and what is the timeline typically meaning ...?
- Anish Maheshwari:** So, basically what happens for railway operations you will have to take the in principal approval from the railway which is already intact with Navkar. After that we will have to take necessary approach for the execution of the plan, which has already been approved before very years back. So, our operations for filling of the land development for railway tracks, execution work for the, there is an 10 layer execution. So before rainy season we did that just due to the heavy rain in Valsad we just stop the work for 4 months. In 15<sup>th</sup> of December we again start execution on the railway track side, though in our premises which is around 1.5-kilometer track laying for the 4 lines which has already been completed. So, now we will have to take a loop line from the railway siding which is nearby station Sanjan.
- Sahil Doshi:** That loop line work is to be done by the rail authority?

- Anish Maheshwari:** No, which is just done by us only, all necessary approvals with us.
- Sahil Doshi:** So you do not require any approval or any ...
- Anish Maheshwari:** Yes so, today if you see every second day railway guys are come to our premises check the facility which, which is as per the standard.
- Sahil Doshi:** Just to clarify the loop line work is to commence after you finish this 1.5 kilometer work at your end.
- Anish Maheshwari:** Which is already done. It is all simultaneously work, it is all going on.
- Sahil Doshi:** And loop line work is what is the nature of the work sir?
- Anish Maheshwari:** Which is also the line, loop line is also the track which is connected with your all four lines.
- Sahil Doshi:** But there is no rail authority involvement in this?
- Anish Maheshwari:** No, there is no railway authority involvement the track which is linked by us only. All signaling system is linked by us only. Railway is coming on regular basis to check the work, which is as per the standard, all commence being done, all execution work done, then the railway GM will come along with his train, just to check the facility all the tracks and movements and signaling system, then he will give the green signal to run your operations. This is the standard. I am talking about all the execution practically which is done all there.
- Sahil Doshi:** So, in terms of, the now is the work is to be pending from your side, so you assume March is everything should be done and there is no regulation or any other approvals which are pending post ...
- Anish Maheshwari:** Approvals wise we have all the approvals with us, necessary approvals we have.
- Sahil Doshi:** So once this is complete we can run the trains? The understanding is correct?
- Anish Maheshwari:** Yes, correct. Once the GM will visit your facility, because what happens the railway authority come on average weekly basis, twice, thrice in a week they have just come in check, the reports make their own reports and give it to the departments, their internal departments. This is the process. Once you will commence execute entire facility then they will come along with their own train. Just to check the all facility, I am talking about purely about the practical operations. Because if you do not have an in principal approval then there is no need to make that kind of a facility. If you have an in principal approval they will approve your plan then you will have to execute your facility.
- Sahil Doshi:** Sir, just to put our realistic number to this when do you see it commencing?



- Anish Maheshwari:** We just want to execute entire plan before 31<sup>st</sup> March. Once the facility will completed, the entire work will going done, then will before that week because we have a sense after 15 days all the work will going done. And that at the same time we just approach to the GM and necessary team of railway for coming to our premises.
- Sahil Doshi:** Sir second thing now this Vapi facility commencing, in terms of the logistic parks also commencing and the railway operations also starting what are we doing on the management bandwidth side because what steps are we talking to strengthen that also ...
- Anish Maheshwari:** we are already on the verge of that. We have a smart enough team over there, what we are doing right now, we have some captains which is required for the marketing team, we have already local guys they are into the trade, which is already there. If you see if you will visit my facility now in the Vapi side we got all the idea because customs is already there my team and what we did in past, from here we just sent 2 or 3 peoples in every month basis time as and when required, who is having the good enough knowledge of the particular operations and from there we took 2 or 3 people from the local market. This is the strategy which we have right now.
- Sahil Doshi:** But are we doing something on the professional management side on the senior management or any professional CEO over there.
- Anish Maheshwari:** Yes, doing the same thing on the regular basis. This is the business which will running by the shipping lines.
- Sahil Doshi:** No sir, my point is on the senior management side, meaning I understand there are 2 brothers and ...
- Anish Maheshwari:** Yes so Mr. Jayesh Mehta is regularly going over there at Vapi.
- Sahil Doshi:** How is the operation divided between two brothers and their sons and what is the kind of arrangements sir?
- Anish Maheshwari:** So, if you are asking me Mr. Shantilal Mehta is looking after the entire operational activity. With leading by the Shantilal J Mehta, who is having a team of captains who is having a team of operational guys they are looking after the railway as well as the road operations. He is allocating the resources accordingly as and when required with in the premises. This is the major thing, after that Mr. Shantilal Mehta's teams size having around 15 people strength, they are looking entirely operations all the sides, port as well as the Mumbai CFS as well as the Vapi CFS, so which is 100% control by Mr. Shantilal Mehta and Mr. Jayesh Mehta who is looking after the operation of Vapi he is also under the direction Mr. Shantilal Mehta.
- Sahil Doshi:** Sir, just last question one on the last quarter you have announce certain that joint development real estate development at Panvel, any update on that sir?

- Anish Maheshwari:** So, there is no significant change in that , we are still we are looking for some good developers we have a word with 3 or 4 teams but till now we are not finalized anything.
- Moderator:** Thank you. The next question is from the line of Rajeev Desai from India Bulls Mutual Fund. Please go ahead.
- Rajeev Desai:** Sir, repeat on this basically and joint development real estate sir, likely you are is going to be delayed basically
- Anish Maheshwari:** It is not delay sir, we had taken approval from the board in last quarter because we have ideal land with us which is around 45 acres in the Bombay side, on the Panvel side basically. So for we just take the necessary approval from the board to care of that land to monetize the real-estate side with developers. Because Navkar's core base is CFS industry only.
- Rajeev Desai:** But post demonetization do you expect any real estate developer to turn up for you?
- Anish Maheshwari:** Basically we are, why we are monetizing the land because ...
- Rajeev Desai:** Or you need to change of plan?
- Anish Maheshwari:** No, there is no such requirements we are looking for some developers.
- Rajeev Desai:** But I think because of post demonetization either thing on real estate developer who basically commit JNPT development.
- Anish Maheshwari:** No, there is no JNPT development we are going for the ...
- Rajeev Desai:** Panvel land parcel on.
- Anish Maheshwari:** Yes, so there are interest. If you see the infrastructures now affordable housing is the real new concept for them, there is no tax. So, they are coming up with their ideas also. So, we are just looking for that monetization of that line. It not suits to the company as well as the developer side we will notdo that kind of a development relationship with them
- Rajeev Desai:** And the second thing suggests with respect to your Vapi development with railway line. So, just need more clarification just what you said in the previous question. One is you said you have done the railway line for 1.5 kilometers the loop line is remaining, so like in the sense loop line is how much bigger and how it is likely to get, how fast is going to get completed or what is your timeline you have internally set for this loop line
- Anish Maheshwari:** It all simultaneous work, which is going on, on the regular basis. It is not like that once we are commencing or executed entire lining in our premises then we are going for the loop line. Loop line work is all the simultaneous is going on.

- Rajeev Desai:** All the works, but has to be completed by some internal deadline you has been setting for yourself?
- Anish Maheshwari:** Which we have 31<sup>st</sup> March 2017.
- Rajeev Desai:** And post that railway GM will come to inspect that is another 15 days for commissioning.
- Anish Maheshwari:** What happens once we are in very near to the completion of work, we approach to the railway ask to them come to our facility or invite to them come to our facility to visit and giving us the ...
- Rajeev Desai:** By first week of April you should by basically I come for inspection. one week time require for them also.
- Anish Maheshwari:** It may be, it may on the first week of the April, it may 2<sup>nd</sup> week of April, nor much more than.
- Rajeev Desai:** And sir just, how is basically this first one and half in terms of volume like if you see across all your site.
- Anish Maheshwari:** For railway operation or what you want to say?
- Rajeev Desai:** Yes for the in terms of TEUs, you see any traction?
- Anish Maheshwari:** No after railway commencement or like ...
- Rajeev Desai:** After this 31<sup>st</sup> December quarter like this was one and half month January, February was the basically the volume traction you see? in JNPT.
- Anish Maheshwari:** On that I will come back to you after this quarter.
- Moderator:** Thank you. The next question is from the line of Achal Lohade from JM Financial. Please go ahead.
- Achal Lohade:** I just wanted to check the volume numbers which you shared are these including the empty's excluding the empty's, any possible to ...
- Anish Maheshwari:** It is all inclusive.
- Achal Lohade:** All inclusive at console level, right which includes Panvel and ...?
- Anish Maheshwari:** I will give you separate number and Panvel we did 80,343 TEUs, out of this 34214 is the exports, 46129 is the imports. We did in Vapi 2129 TEUs out of this 851 is the export and 1278 is the imports. All together number is 82,472. Out of which in totality 4247 is the empty for Mumbai only because we do not have any kind of empty running over there it in Vapi side.

- Achal Lohade:** And these exports and import numbers include empty, right?
- Anish Maheshwari:** Yes.
- Achal Lohade:** And do you have similar number for the last years' same quarter?
- Anish Maheshwari:** Last year's, right now I do not have any.
- Achal Lohade:** 2016, 3Q FY16?
- Anish Maheshwari:** Q3 FY16 right now I do not have handy with me. Empty numbers I do not have, if you want the export import number?
- Achal Lohade:** Export import and the total numbers?
- Anish Maheshwari:** Export import I have, in totality number is 80,815. Out of which 38,430 is the exports 42,385 is the imports.
- Achal Lohade:** And Panvel and Vapi, Vapi was zero anyways?
- Anish Maheshwari:** Yes, last year Vapi was not there.
- Achal Lohade:** So, that means actually if I look at it Panvel was pretty much flattish or marginal decline?
- Anish Maheshwari:** Yes, looking forward the demonetization impact if there is no impact of demonetization it may much higher. Because our balance of EXIM mix is smart enough for catering the operations because our total export and import mix is around 40% to 58% for last quarter if we will compare last year's exports number it is 38,430. So, there is a dip in the export side just due to the demonetization impact.
- Achal Lohade:** Sir, if you could talk about what was the railway volumes at Panvel? How much has been out of this 80,000?
- Anish Maheshwari:** 165 rakes, last quarter.
- Achal Lohade:** 165 rakes in terms of the TEUs, In terms of the TEUs?
- Anish Maheshwari:** In terms of the TEUs if we calculate 14,850.
- Achal Lohade:** That comes to roughly about 20% or less than 20%.
- Anish Maheshwari:** 71% is the running rate, .

- Achal Lohade:** And what is the advantage if you could elaborate once again of the railways in terms of the advantage what you have over the others. How does it work in terms of operational or the financials?
- Anish Maheshwari:** Basically railway is one of tool of my operations. Just like that for the value-added business if I have the railway model, so it is basically giving benefit to the export cycle. As we give all these example, if someone is coming from the Nasik via road if he has a costing of around Rs. 22,000 per 20 feet container from their premises to the any of the CFS towards Mumbai. If we will run the train, so the per TEU cost may be around Rs. 7000.
- Achal Lohade:** That is from Nasik to our CFS, is that so?
- Anish Maheshwari:** Our CFS. So, that is the only reason and this is the mix of the services which we provide by rail as well as the road.
- Achal Lohade:** This is not between the port and our CFS, this is more to do with the CFS and end customer location?
- Anish Maheshwari:** Yes, this is practically between their premises to the my facility. So, which is very cheap for them as long as the railway operations If you will see they will, there is a huge difference between road and railway by cost or basically by freight. Being end user as an exporter, if today he is having a X plus Rs. 100 cost. As of you the rough number from Nasik guy he is having a total cost for the operations from their premises to my premises or the port is around Rs. 35,000, if he is running the same operation by road there may be around the costing may be around Rs. 22,000-Rs. 23,000. So, he is saving around Rs. 12000 to Rs. 13,000 on each container.
- Achal Lohade:** You said Nasik to our CFS will be 22,000 by road and if it is done by rail it is Rs. 7000?
- Anish Maheshwari:** Yes, it may be around Rs. 15,000 gap. I give the average number. The number of entire operations may be around 30,000 if he will do the same operations he may be earnings saving of operations by road and rail may be around Rs. 15,000. There may be another cost of Rs. 2000 on the loading, off-loading on the railway side. So, the average out there may be saving of Rs. 13,000 in each and every operation. It helps to the to export business.
- Achal Lohade:** And from CFS to the port it is largely by road?
- Anish Maheshwari:** It remains same for everyone. By road or by rail the same similar package from the other CFS as well as me, which is fixed. So, as I said you again I just explain you railway is the product, additional products which we have which promote to the exports and that is the reason we have it is all interlink that is the reason we have a smart mix of export import balance which will give the benefit to the shipping line also because if shipping line do not have exports from any other CFS sales then they will have to run empty containers towards port. So, they may not have any kind of income in that container but just because of the Navkar give them the exports they allow their container for imports to the Navkar. So, this is all interlinked. So, railway is one of ...

- Achal Lohade:** Why it works for imports as well why only exports why not for imports as well the rail product?
- Achal Lohade:** We are also giving right now, it was earlier idea just give to benefit to the because in hinterland if you they are the BCM wagon, so the party is coming up with the box wagons, we destock their box wagons goods to the containers and then towards port. This is actual operations. We are allowing imports also.
- Achal Lohade:** What is the mix in this 21,000, 14,850 TEU, roughly?
- Anish Maheshwari:** We are not separating in, we are not doing any kind of a separate calculation of that but roughly we handle 165 trains. Because we are providing party to entire package we are not segregate any kind of railway, road operation nothing. We give them the entire package for entire operation.
- Achal Lohade:** But who is actually running the, who owns the rakes? Do we own rakes?
- Anish Maheshwari:** We don't own the rakes there is a CTO license holders. From them we are taking rakes on the lease basis. Engine belongs to the railway.
- Achal Lohade:** And who is running the, it is a CTO different entity?
- Anish Maheshwari:** CTO isaltogether different model.
- Achal Lohade:** So, we are not doing the container transportation?
- Anish Maheshwari:** because for CTO license you will have to pay Rs. 50 crores. Next day I got the trains in Rs. 10 lakh, Rs. 15 lakh per months on the lease basis.
- Achal Lohade:** And what is the outlook for the volumes at Panvel how are you looking at the you said impact of demonetization for the exports?
- Anish Maheshwari:** So, there is definitely impact of demonetization but practically as port is coming up with the PSA which may be running by the mid 2017-2018. So, again JNPT port is the one of the largest port or if I said largest port of the India. So, operations wise JNPT having enough operations this is our efficiency to cater to the market and we have a small tool with us. So, operations are good, DPD definitely impacting little bit of the business but in the longer region we feel that they may no impact because operations are going better on the JNPT port. Till last year JNPT was having a total install capacity sum of around 5 million TEUs. They are coming with a new 2.4 or 2.2. So they mainly additional capacity of 7.2-7.4 million TEUs. So, port are having their own efficiencies but the CFS is having their own capability of services.
- Achal Lohade:** Would that mean that the exiting competition among the CFS would kind of reduce given the ore capacity right now in once port has enough volumes, then you may not have the over capacity scenario continuing, so it can improve the realization of the tariff?

- Anish Maheshwari:** Yes, definitely. Practically what happens from last 10 years there is no significant change on the port side, that is the reason CFSs are doing good volumes and if you see Navkars personal growth from year-on-year we have a CAG of 22% to 25%. You got my point? There is no changes on the port volume side but still we are doing well and the reason behind that because we have a Smart tool as I said you again and again as all ownership model. We are not depended on the single operations of the logistics on any one, because we have a fleet which is ownership on the ownership model. We have around 700 trucks this is 100% owned by the company. The land which is 100% owned by the company. All tool which require for the logistic operations which is 100% owned by the company. This is the one of the main thing which Navkar have.
- Achal Lohade:** Any uptick in the volumes that the additional terminals setup by DPW, have you seen improvement in the volumes out there?
- Anish Maheshwari:** You are talking about the PSS?
- Achal Lohade:** DPW sir extension of that terminal, the fourth terminal what they have done.
- Anish Maheshwari:** exact number I do not have handy with me, I definitely share ...
- Achal Lohade:** its picking up because the earlier understanding was it is pretty much flat actually there is no improvement in the volumes.
- Anish Maheshwari:** Practically if you are ask me, there is a huge scope on logistic side in India because as we give the numbers earlier on the call, in totality there is a 900 million TEUs volume across globe. Out of which India is only doing 11 million TEUs. Globally if you see the containerization volume is much higher in comparative to India. Open truck movement is only in India available in major emerging countries. So, as I said you in totality there is a 900 million TEUs volumes again 600 crores population across globe and India did only 11 million TEUs against 130 crores population. So there is a huge scope in this industry but the growth actually will happen it may be in next 3 or 5 years. Because the government of India now only looking after the infrastructure side, they are developing the ports, they are giving them the ballooning in the logistic side. So there is a huge scope in this industry.
- Achal Lohade:** Just last question sir, incentives you said 14.61 crores but it had some other component if you could give that breakup exactly what it is and the last quarter as well?
- Anish Maheshwari:** practically we are giving incentives to the party 12.01 crores, rest we are providing them the port handling services which is covering by expenses which is directly knock off between shipping line expenses.
- Achal Lohade:** Sorry, I could not get it, if you could elaborate on how ...

- Anish Maheshwari:** some shipping lines are taking incentives directly to their pockets as a commission. Other than that, there is a port handling charges which we provide to them in other manner like we providing them services in the port side.
- Achal Lohade:** So, we are incurring the cost you saying right?
- Anish Maheshwari:** Yes. So, practically some shipping lines are taking as incentives some shipping lines as an expenses.
- Achal Lohade:** So, effectively it is on and the same, however we ...
- Anish Maheshwari:** Fully one and the same.
- Achal Lohade:** So, this was 14.61 crores in this quarter?
- Anish Maheshwari:** See in last quarter which is around 13 crores.
- Achal Lohade:** Last quarter meaning 3Q FY16?
- Anish Maheshwari:** No, I am talking about ...
- Achal Lohade:** 2Q FY17.
- Anish Maheshwari:** Yes.
- Achal Lohade:** How much was that sir?
- Anish Maheshwari:** Around 13 crores.
- Achal Lohade:** And the break up?
- Anish Maheshwari:** Which was around 10.5 and 2.5.
- Moderator:** Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir, my first question is on this direct port delivery, so your competitor mentioned on a call yesterday that there is some change in format the way the businesses happening and the port like the DPD cleared container are also being allowed to be carried to the CFSs as well. Sir, so how do you, I mean your views on the same because they mentioned this first time, so ...
- Anish Maheshwari:** It practically positive for us because what happens on the DPD clearance side because port is having their limited efficiency. If they clear cargo in a such a manner then there is no space to cater that cargo in the port side, then what they will have to do? Either they will have to allocate that container after DPD clearance to the CFS.



- Pratik Kumar:** so CFS is primarily warehousing in that case.
- Anish Maheshwari:** Warehousing or whatever storage and everything. So that operations will remain same. The only transport ...
- Pratik Kumar:** But overall I mean the dwelve time of 6,7,8 days whatever used to be the case used to be the function of the poor efficiency of customs and delay in paper work and everything. So if all that work ...
- Anish Maheshwari:** See, personally I am not commenting on that systems are systems. or you will have to choose your own efficiency which is provided by the CFSs. So most of the parties today what happened there is a definitely pressure from the port side for the DPD but practically parties are having huge other losses. Because what happens for DPD you will have to provide them the 3 day advance notices and giving documents to them. Which is practically not possible for each and every cases in India.
- Pratik Kumar:** So, that custom clearance part will happen at CFS or at port only in that case?
- Anish Maheshwari:** Duty will be collected again by the port itself, now it is online system, they will clear the cargo in the port then the cargo will move to the CFS, we are basically collecting from them as a storage charges.
- Pratik Kumar:** While earlier there was storage as well as custom duty.
- Anish Maheshwari:** It really advantage over the CFS what happens earlier scan hold containers were liability of CFS.
- Pratik Kumar:** No sir, I am just asking of basic difference earlier there was storage plus custom duty collection and everything used to happen on CFS.
- Anish Maheshwari:** No, what happens earlier we used charged them as a tariff, transportation as well as the storage as well as the other activity which we may be did in the CFS, which will remain same. If my tariff today for import is Rs. 15,000, it will remain same because all the components which was catered by me earlier which is doing now also. The difference between both operations is only documentation part which was done by the CHA in CFS in that case they will complete documentation portion in port itself. This is the only major difference.
- Pratik Kumar:** And this used to take any number of days or this was very quick process earlier?
- Anish Maheshwari:** Pratik, practically I will tell you port is now practically not much efficient to give the containers to the CFS on time. How can they give directly to the party? If my **(Inaudible) 43.56** is today pending in port is 2000 containers, it takes around 8 to 10 days. So, it is really practically not in such a manner for dual operations.

- Pratik Kumar:** And sir regarding this good monsoon this year, have we started to see some agri-related movement in train or ...
- Anish Maheshwari:** From January onwards because there is a defect of demonetization last quarter, because unorganized players were not having the cash in the hand, so that is the reason they are not moving trucks towards port side or they do not even have the money for domestic operation how can they do the exports? However, the cash has improved post January resulting into the operations are very smooth, January onwards will see the growth in the export numbers.
- Pratik Kumar:** And sir, any change in product mix during the quarter?
- Anish Maheshwari:** Practically there is no gain on any of its commodity which earlier gain like cotton, sugar, there is no gain.
- Pratik Kumar:** You talk about 40% agro, other cargo 45, hazardous 15. So this remains pretty much same?
- Anish Maheshwari:** In the export side, there may be improvement in 2% or 3% in this quarter.
- Pratik Kumar:** And sir, regarding your CAPEX as you have highlighted that, so of the 130 crores CAPEX which was in Panvel including RTGs and the non-notified area as this is primarily done as you said almost done, then Logistic Park CAPEX of 269 crores, 112 crores is pending?
- Anish Maheshwari:** Out of that 30 crores to 40 crores are already done, we are just releasing them payment on a regular basis, that is the only thing.
- Pratik Kumar:** So, 80 crores is only pending.
- Anish Maheshwari:** Yes.
- Pratik Kumar:** And sir regarding Vapi ICD there was 380 crores of CAPEX out of which how much is left?
- Anish Maheshwari:** 65 crores.
- Pratik Kumar:** Railway part is 5 pending only, rest all done.
- Anish Maheshwari:** And all of this include logistic park everything is we expected to complete by March 2017.
- Pratik Kumar:** And sir one last thing on this EBITDA per TEU in the Vapi terminal looks higher than what we have in overall standalone terminal, Panvel. So, this correct thing which we are looking, I mean Vapi profitability for such miniscule volumes are also very high, because the way we calculate it is like it is coming at around 4200-4300 for Panvel operations and 5300 for Vapi operations.
- Anish Maheshwari:** Correct because Vapi in totality will earn of around 23,000 to 24,000 on an average per TEU realization over the period of time.

- Pratik Kumar:** So, that is why the flow through is so high. So at 2000 TEU volumes you are doing such steep EBITDA already so at higher you would be expecting, I mean you are having, this should remain 5000-6000?
- Anish Maheshwari:** First we are into the verge of commencing operation in full speed then after it definitely give you any kind of sense about it. Because right now we are doing chemicals, agro, everything is mixed.
- Pratik Kumar:** So, some of the low margins is also we doing if you might not do later?
- Anish Maheshwari:** So, over at the period of time once our operations will be smooth on the railway side operations also, then after that will get back to you with the exact what will be the quantum of EBITDA on per TEU basis.
- Pratik Kumar:** And sir realization saw some dip which you mentioned at 23-24 this quarter it was around 20-21.
- Anish Maheshwari:** Correct, that is why I am telling you, because we are as I said you, sometimes there is a commodity mix that will have to take its consider.
- Pratik Kumar:** Change in commodity mix would have contributed?
- Anish Maheshwari:** Correct.
- Pratik Kumar:** And sir my last question on this loop line your side of from the Sanjan station to your terminal. So you based on telling about how long is it 1.5 kilometer you have, how much?
- Anish Maheshwari:** 1.5 kilometers.
- Pratik Kumar:** It is same length.
- Moderator:** Thank you. Next question is from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** Sir, got the answer for the dip in the realization, so you mention that January onwards we are seeing again things getting back to the normal on the export side.
- Anish Maheshwari:** Correct.
- Chintan Sheth:** So, we expect a better quarter on the volume front at least?
- Anish Maheshwari:** Practically if you see there is a huge impact of demonetization but there is no dip as of now Navkar's operation. We are doing our best efforts every time. So as we have resources with us allocate in a proper manner and taking up the higher volumes.

- Chintan Sheth:** Sir, can you help me understand why Vapi realizations had break up of warehouse and CFS is mostly because of that reason why the realization...
- Anish Maheshwari:** Our major port is JNPT Port and Vapi is 175 kilometers at from JNPT. There is a transportation component which is much have than the JNPT port area. Another reason average relation in the Vapi is around Rs. 24,000 to Rs. 25,000 competitive to Mumbai Port is around 11,000be basically because of the distance.
- Chintan Sheth:** Logistics between the port and CFS?
- Anish Maheshwari:** Correct.
- Chintan Sheth:** And sir in terms of Vapi realization the cold storage or warehousing, bonded warehousing the realization includes in the package, right?
- Anish Maheshwari:** No sir. It is altogether separate. It is basically based on the cargo weight base, volume based, weight bases, rate base, and **(Inaudible) 50.23**base.
- Chintan Sheth:** So, separate section will for the warehousing going forward once the ICDS operational at ...
- Anish Maheshwari:** No, altogether different ICD operations are altogether different and logistic park operations are altogether different.
- Chintan Sheth:** So, are we planning to report separate?
- Anish Maheshwari:** Yes, they are reporting separately. It is still going then will give the number separately.
- Chintan Sheth:** So, we have that number separately for the Vapi, 4.4 crores revenue?
- Anish Maheshwari:** Vapi Logistic Park is not yet started.
- Chintan Sheth:** Once the rail will be there we can see revenue from that?
- Anish Maheshwari:** Correct, after April, first quarter of 2017-2018.
- Moderator:** Thank you. The next question is from the line of Amit Loonker Jain, who is an individual investor. Please go ahead.
- Amit Loonker Jain:** Are we looking for the acquiring the new geographies or the expansion plan?
- Anish Maheshwari:** Till not now. First of all, we are focusing on the Vapi site and the railway operations.
- Moderator:** Thank you. The next question is from the line of Pariashit Kandpal from HDFC Securities. Please go ahead.

- Pariashit Kandpal:** Just wanted to know out this 2000 TEUs we have done in Vapi. So is there any component shift from the Panvel CFS to this ICD?
- Anish Maheshwari:** No sir. There is no shifting from the Panvel, it is over and above because from Panvel whatever cargo is going over there and we are billing from the Panvel itself.
- Pariashit Kandpal:** So, there is no....
- Anish Maheshwari:** No. it is purely from the Vapi ICD.
- Pariashit Kandpal:** Second thing is that we have earlier said that some of the clients have given us test orders and pilot runs from Vapi ICD and based on the comfort and confidence on this they will ramp up, so within this 2000 how do you expect that partly some of the clients would basically ramping up from this?
- Anish Maheshwari:** There are some clients they are ramping up because last quarter we did around 1225 container. This quarter we did 2129 this is around 80%-90% approximately additional containers. Some of parties are regular parties and some added new.
- Pariashit Kandpal:** So, how much of the lag work we would have covered in terms of TEU landscapes out of total capacities how much would have we covered as of now in terms of offerings our services are made presentation to them with regards to basically shifting there?
- Anish Maheshwari:** So, we have a specific team over there which is working on Delhi on regular basis. They going to the party understand their problems and start operations with them.
- Pariashit Kandpal:** No, earlier we have highlighted that some of them are already having contracted with the existing CFS?
- Anish Maheshwari:** Yes, so that is why I am telling you. Because what happens some parties have there who is having the long-term contacts with any kind of a transporter, so will have to go there on a regular basis. If he is having a lag of 3 months duration right now with him, so on the monthly basis will have to go over there, so this is the strategy which is going on.
- Pariashit Kandpal:** So, these 2000 TEUs will be spilt into how many customers here?
- Anish Maheshwari:** Approximately right now we have around 28-29 customers which was earlier 15.
- Pariashit Kandpal:** So, 15 from 15 customers ramped up to almost 30 customers?
- Anish Maheshwari:** Yes.
- Pariashit Kandpal:** So, big ones or like sizeable ones like container who is handling 5500 TEUs per quarter. So those kind of numbers, so when do you see expect those kind of numbers coming into this ICDs?

- Anish Maheshwari:** Sir, basically as I told you again and again there are certain things which is not in our control but right now looking forward the operations everything there were the external factors like rainy season, then after demonetization after that we are chasing them like anything. So, practically after 2 or 3 quarters will got the actual sense what is the business going over there and railway is also delayed for 4 or 5 months. So, there are certain parties they are coming on with their thought that once the rail will commence and will come up to you.
- Pariashit Kandpal:** So, just on these DPDs has the CFS association made any representation to the government to safeguard our interest?
- Anish Maheshwari:** Practically CFS Associations are working on that I think so, as I got understand from my marketing team but practically there is no such impact on the CFS side and who is having their own services who is having their own model because port is having their own efficiency. There may be impact for a time being may be around 10% maximum what is CFS side who is operating on the good enough level like we are running our CFS at the 100% level.
- Pariashit Kandpal:** So but in case if the custom cleared containers moved out of the port, so will the customer notified areas move out from the CFS?
- Anish Maheshwari:** Sir, practically as I tell you sir. I will just you give the small example. There is a public notification 69 in that port were allowing them to take that delivery directly to any of the CFS which the party would like to do which is very earlier. I think so it may be around 3 or 4 years back. So, practically party did it in a fast manner, they are doing 1 or 2 months like anything. The movement of CFS I just give the example just to understand what will be the situation in future. So, they did their operation for 2 or 3 months after that they got understand CFS was far better than this services. The single one container is stuck on the port side. The coast for entire year logistics may be paying by them. So, these kind of an issues, I definitely, I am not criticizing in the port strategy and I just give the practical example.
- Pariashit Kandpal:** My question was in near future the DPD picks up, so will there be a customer notified area in CFS also and at the port also. So, both will coexist or once the license renewal comes in for the CFS will that customer notified area move out of this CFS?
- Anish Maheshwari:** No, there may be custom notified area. That they will have to do.
- Pariashit Kandpal:** So, they will coexist in both?
- Anish Maheshwari:** Yes. CFS model is always be there because if you are asking that thing then the 100% volume should be going via port which is not practically possible for next 20 years.
- Pariashit Kandpal:** No, I was coming from a point that may be some of the CFS license will not get renewed if the DPD picks up from the port?
- Anish Maheshwari:** It may be but existing CFS will never be having any kind of an impact.

- Pariashit Kandpal:** So, larger ones may exist....
- Anish Maheshwari:** Yes. Practically we are having their own model, who is having an efficiency, who is having a good services, they will definitely having their own business path.
- Pariashit Kandpal:** But the DPD push will benefit the CFS which are closer to the port or it will not discriminate between the CFS?
- Anish Maheshwari:** No, it is not like that. As I said you again it all depends on the services.
- Moderator:** Thank you. The next question is from the line of Rakesh Vyas from HDFC Mutual Funds.Please go ahead.
- Rakesh Vyas:** Couple of question. One can you just tell what is the net debt Panvel and Vapi separately?
- Anish Maheshwari:** Separately, Panvel is having around 250 crores, Navkar Corporation and Navkar Terminal is having 200 crores altogether 450 crores.
- Rakesh Vyas:** And this is the peak debt?
- Anish Maheshwari:** This is the peak one.
- Rakesh Vyas:** Secondly, during budget is there any change in the 80-IA benefits to us for incremental capacities, etc.?
- Anish Maheshwari:** No, there is no change in the MAT.
- Rakesh Vyas:** So, Vapi will continue to enjoy MAT benefit even if, so even if let's say the commissioning of rail etc. delayed we will still enjoy net benefit, there is no issue?
- Anish Maheshwari:** Yes. It is not due to railway the CFS or ICD itself is under the infrastructure 80-IA MAT benefit.
- Rakesh Vyas:** So, that will continue to remain, right?
- Anish Maheshwari:** It will remain the same.
- Rakesh Vyas:** Because I was just wondering whether the 80-IA benefit kicks in only when you have completed the full project or part commissioning is also approved?
- Anish Maheshwari:** It is not like that. Once you got the notification from the port, customs then 80-IA benefit will remain continue.
- Rakesh Vyas:** And just this Vapi seems to have paid tax this quarter despite PBT loss I was just wondering if there is anything that I missing?

- Anish Maheshwari:** On the P&L side?
- Rakesh Vyas:** On the P&L side, Vapi seems to have a loss of almost 1.6 crores?
- Anish Maheshwari:** But practically not because our interest cost is going capitalized till now.
- Rakesh Vyas:** And we book tax that we do is after MAT credit which after expiry of the benefit in Panvel will move to full tax rate for the Navkar Corporation?
- Anish Maheshwari:** Correct sir. But for that we have a time now.
- Rakesh Vyas:** Yes, we have time but just for the understanding where us we currently we are paying 20% tax and therefore the credit will actually start to flow in cash flow term later right?
- Anish Maheshwari:** Yes. Practically from door-to-door it will take that thing, so we have right now till we have 7 years in totality on and average sir, coming to the normal tax slab.
- Moderator:** Thank you. The next question is from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- Nishna Biyani:** So, sir the bookkeeping question is again, what is the cash on books currently?
- Anish Maheshwari:** 137 crores.
- Nishna Biyani:** And sir when we look at, see Y-o-Y and in fact even Q-o-Q the operating cost when you look at the splits, so your three key costs should be going up, right, so incentives is started to inch higher again and container handling?
- Anish Maheshwari:** Average cost basically if we see there is a Rs. 1 crores difference. At the same time if you will see the same that FOREX losses last year it was around 2.19 which is around 2.53.
- Nishna Biyani:** It is only operational expenses head which if you look at your FY16 annual report also the operational expenses there are three key components one would be the container handling and port charges, one would be the incentive, and one would be diesel and petrol expenses?
- Anish Maheshwari:** Sir practically if I will tell you what is the major change in that because our projects are going on both the side. You got my point, like because just due to as I told you again there is a heavy rain. In rainy season, you will have to provide some different kind of equipment's to the operating level. So, this is the small micro level things which impact your cost like at the time of RTG installation I will have to move my operations according to that project.
- Nishna Biyani:** So, I just wanted to understand the direction on your margins, sir, so?



- Anish Maheshwari:** Practically I tell you once all entire projects will go on done then the actual operating cost will be going lesser than that. Once the RTG machines will be in full volume after that actual dip into the direct cost.
- Nishna Biyani:** Standalone Navkar, sir. I am not looking at Vapi at all, I am just looking at standalone Navkar?
- Anish Maheshwari:** There is a project. In Navkar also there is a project RTG machines installation is going on and then non-notified area development is going on. So, in that case what happens, you will have to spread your operations in a manner to catering that project also. So, there may be higher cost.
- Nishna Biyani:** That I understand. I just wondering that if you could some margin guidance?
- Anish Maheshwari:** Once my entire projects will get completed then after there may be definitely positive improvement on the cost sidemeans if today is my operating cost is around 40% there may be cost is around 35%-37%.
- Nishna Biyani:** And any highlight on the FOREX that you have if you could just throw some light on that?
- Anish Maheshwari:** Forex we have total 131 crores FOREX loan now which is FCNR.
- Nishna Biyani:** And currently in this quarter...?
- Anish Maheshwari:** The rate it is on that is around LIBOR plus 500 basis points.
- Nishna Biyani:** But you had some derivative exposure also, so last quarter I was just surprise to see a loss number there, so currency was moving as per your currency was depreciating while quarter?
- Anish Maheshwari:** I tell you Nishna, what happens practically I explained earlier also I will just again explained one more time. What we did, we took a FCNR loan today if I have and INR loan which is average costing me around 12% in INR term. If I will convert into the FCNR which is costing me Libor plus 400 basis point plus premium which may be around 6% all together. There is an open risk of Dollar rate, so what I earn if I have effective rate 12% today after converting that loan my effective rate is 6%, I earn 6% practically in annual basis. When I converted Dollar was around Rs. 66. After the rollover Dollar may be around 67.5 which is around 3%. So what I earned by this operation is around 3%. So, over and all effective rate with FCNR facilities around 9% after converting that Dollar into Rs. 67.5 as compared to 12%. So, practically I save 3% of that cost.
- Nishna Biyani:** No, that I say the entire logic what you have given for the last 3-4 quarters, that I understand I am just wanted to understand that when the currency is depreciating normally in that quarter you should have a FOREX gain and not a loss?
- Anish Maheshwari:** That I will give I will have to give the impact on the balance sheet. You will have to see this is the notional. Practically it will be impacted after the 11 months as and when we have a roll-over

of that FCNR loan this is the impact which is notional. We are not paying to the bank. So, that notional impact I will have to give into the balance sheet on the quarter-on-quarter basis.

**Moderator:** Thank you. Next we have a follow up question from the line of Achal Lohad from JM Financial. Please go ahead.

**Achal Lohad:** Just one clarification I wanted in case of DPD you saying that the customer will pay the customs duty at the port and get his container to the CFS, they can do the same activating?

**Anish Maheshwari:** Correct.

**Achal Lohad:** What I am trying to understand what is the benefits for the customer to really pay at the port if he is to pay the ...?

**Anish Maheshwari:** The custom duty is not paying on the port side sir. Custom duty is today paying online. There is a documentation which is clear by the port like documentation is means what container should be checked by port in direction with the customs because I will just give you the example. If in that container somebody is declared like xthingand after its scanning there is Y thing then they will have to hold that container. That is the process which is done by the port in direction with the customs. So, that they will do in the port side itself.

**Achal Lohad:** Which is currently being done at the CFS?

**Anish Maheshwari:** Which is currently being what happens sir, what port did now being CHA he is paid that duty or not to day what is the operations with the CFS. He is not doing anything he just going to the port or CFS on behalf of party allow me to take that container into my premises and rest the formalities will done into the CFS. What is my duty in that case I will have to clear that cargo if there is a scan hold then I will have to take that container in a separate rake in my premises, custom will come and check that container then they will allow to take that container other in the normal course of business court allow me to take that container on behalf of customs as a custodian on behalf of shipping line as a container owner on behalf of party as the cargo owner. We took that container to my premises then the other formalities party simultaneous done then they will come to me paid my charges and take that delivery to premises or where after whatever wherever they would like to take. That is the process. Only change is what the documentation with CHA was doing to the CFS which will be done at the port rest all the operations.

**Achal Lohad:** What is the incentive for any customer to do this headache actually?

**Anish Maheshwari:** So, practically portis saying that they save money in such a manner but practically if you will ask me parties are coming to us and saying us there is no such change into the operations.

**Achal Lohad:** Probably the larger ones can take the entire containers to their premises just pay and get it cleared?

- Anish Maheshwari:** But larger one is not even doing that because he is happy with the operations of CFS. Because he is having a ballooning. Practically I will give an example tomorrow if shipping line will make sure to the party because my containers is with you. You are not allowing me to take that container to the CFS then how can I rely on you. You will have to deposit first of the valuation of my container and there may be some changes.
- Achal Lohad:** So, have to be really large to have that kind of relationship with them directly?
- Anish Maheshwari:** Yes.
- Achal Lohad:** Sir, the second clarification I wanted is as you said you are basically a custodian of the container in case of CFS obviously the distance is fairly small from the port to the CFS in case of ICD by road right now, we are doing we are moving the containers from Vapi to JNPT by road is not that increased the risk of any issues with the container?
- Anish Maheshwari:** Practically not because we sir today the operations are already there. The same operation is doing by someone else which is also 100% insured. So, we are also having insurance of us. There is a transit insurance, there is a cargo insurance, there is a CFS insurance, there is everything. My truck is also owned by me, which is also insured. So, there is no such risk because somebody is doing that operations today also.
- Achal Lohad:** So, actually to save these insurance related costs obviously, the railway will be more efficient, apart from the logistic cost?
- Anish Maheshwari:** Correct. That is why we are pushing execution work at railway side.
- Achal Lohad:** And if you could just talk once again about the costing part of it road versus rail from Vapi to JNPT?
- Anish Maheshwari:** Road versus rail, today road cost for each and every operations for the single lakh of export or an import I am talking about purely transportation not talking about the CFS or ICD value or costing only road operations is today party is paying some of around Rs. 24000 to Rs. 25000 vice versa if you will do the same operations by our rail there may be cost is around Rs. 8000 to Rs. 10,000 in between.
- Achal Lohad:** It is only the transportation?
- Anish Maheshwari:** I am talking about purely about transportation.
- Achal Lohad:** And if we were to also consider the handling at the ...
- Anish Maheshwari:** So, for that party is paying CFS charges till now which they may have to pay on the ICD also. So, there is no change in that particular component. There is change in logistic cost via rail, via road.

- Achal Lohad:** We were under the impression all along that the railways is more competitive on the beyond 350-400 kilometers but it appears that railway is super competitive at even 170 kilometers is that under.?
- Anish Maheshwari:** Sir, even though 30 kilometers?
- Achal Lohad:** Even for 30 kilometers.
- Anish Maheshwari:** Right now we are running train between port to my premises and my premises to port which is only 30 kilometers, 27 kilometers. In that case, also we are saving Rs. 100 on each container to the party.
- Achal Lohad:** Sir, what is it missing is it handling charges are more in case of railways because?
- Anish Maheshwari:** No, practically what happens there is dual time efficiency first thing. Second thing, handling charges and the haulage which is really far different between road and rail. You can ask somebody today any of the transporter to move your cargo from Mumbai to Vapi region or South Gujarat. He will charge to Rs. 20,000 to Rs. 25000 based on the capacity of the truck because he will charge you return fare. But in the case of rail way there is no return fare concern. There is a destination to destination delivery.
- Achal Lohad:** And this 8000 to 10,000 you saying it includes the haulage charges, is that right?
- Anish Maheshwari:** Yes, it is purely haulage charge nothing else which we will have to pay.
- Achal Lohad:** And how much would be the handling charges in that case?
- Anish Maheshwari:** Which we are taking in the CFS charges now, which is I am taking here also as a CFS charge. Stuffing-destuffing, packing-repacking everything which is the packages of mine as a CFS charge. I am purely talking about the logistic cost between road as well competitive to the rail.
- Moderator:** Thank you. The next question is from the line of Viral Shah from Centrum Broking. Please go ahead.
- Viral Shah:** Sir, basically wanted to check dual time has come down during the quarter?
- Anish Maheshwari:** Little bit.
- Viral Shah:** What will be that number be?
- Anish Maheshwari:** It was earlier around 12 days now around 11 days.
- Viral Shah:** So, can you repeat the empties for the quarter?

**Anish Maheshwari:** Emptyis 4247.

**Viral Shah:** So, this number on quarter-on-quarter basis has increased, right because last quarter it was around 4000?

**Anish Maheshwari:** It was 4400.

**Viral Shah:** And lastly if we recollect correctly in 2Q you had said that you were in talks with around 40 customers to be added at Vapi?

**Anish Maheshwari:** So, that is why I am telling you 40 customers we have added already who is giving me LCL and FCL also. So, now we have around list of 43-44 customers out of which 30 customers' operations we have already been done, like today I have a pendency of 400 containers over there which is not yet cleared. So, we are not billing them, so that list if you will ask me which is around 43-44 customers.

**Viral Shah:** As of date how customers are there around 29-30, right?

**Anish Maheshwari:** Yes, 29-30 which we have already billed.

**Viral Shah:** And how many would be pending for billing?

**Anish Maheshwari:** Around 15-odd customers which is new.

**Viral Shah:** Which are new and pending for bidding, sir there numbers would make come in 4Q, right?

**Anish Maheshwari:** Yes.

**Viral Shah:** And lastly sir, is there this benefit of RTG been sent by you because I am sure there for the first RTG being installed there has been around 6 months now?

**Anish Maheshwari:** Not yet seen Viral. Form this quarter onwards we will definitely see.

**Viral Shah:** So, basically you can expect some margins to improve going forward?

**Anish Maheshwari:** After March quarter.

**Viral Shah:** And on any terms of guidance would you like to give anything on FY18 and FY19 for the volume and ...?

**Anish Maheshwari:** You will see the CAGR of Navkar you will get all the answer.

**Moderator:** Thank you. Next we have a follow up question from the line of Pariashit Kandpal from HDFC Securities. Please go ahead.

- Pariashit Kandpal:** Sir, just wanted to know you said that we had 700 trucks, so what will be breakup of hire truck and own truck in this?
- Anish Maheshwari:** It is all owned by us.
- Pariashit Kandpal:** And as the Vapi ICD ramps up, so are we looking to add more trucks here?
- Anish Maheshwari:** It all depends sir. Gradually whenever we require will definitely add in my fleet.
- Pariashit Kandpal:** So, with the transportation by road here will also be largely by company owned fleet of trucks, right?
- Anish Maheshwari:** Yes.
- Pariashit Kandpal:** So if it ramps up, so it could be a similar size like 700 or 800 truck over a period of say 4-5 years?
- Anish Maheshwari:** As per the requirements sir. If there is a smooth operation in the same fleet, if there is no requirement then definitely I will not add but practically if I will see there may be requirement.
- Pariashit Kandpal:** This 700 trucks we have, so here the utilization, all be the utilization levels of these trucks then?
- Anish Maheshwari:** 100% utilization, sir.
- Pariashit Kandpal:** So, out of this 700 how much will be in Vapi?
- Anish Maheshwari:** Right now, around 50.
- Pariashit Kandpal:** So, that means you will require huge ramp up in Vapi if the volume from the ....?
- Anish Maheshwari:** Yes, definitely that is why I am telling you over the period of time will get back to you as and when we required we definitely took new ...
- Pariashit Kandpal:** But is there any planning for CAPEX for trucks next year, have we some plan?
- Anish Maheshwari:** It is already planned.
- Pariashit Kandpal:** So, how much will be that amount?
- Anish Maheshwari:** Around 200 trucks.
- Pariashit Kandpal:** In terms of crores?
- Anish Maheshwari:** In terms of crores if you will ask me around 50 crores.

- Pariashit Kandpal:** We plan to invest in FY18?
- Anish Maheshwari:** Yes. Which is already part of my NTLproject.
- Pariashit Kandpal:** And sir lastly just one last question.Have we, any of the client shifted out of our Panvel CFS on account of DPD?
- Anish Maheshwari:** In fact, if you will ask we added that customers for Vapi also.
- Pariashit Kandpal:** No, I am talking about JNPT. So, that side Panvel has any customers left because of DPD?
- Anish Maheshwari:** Practically I have not seen in that but if there is any change I definitely let you know. That information I will have to take from my marketing team because it is really a micro information.
- Pariashit Kandpal:** And in terms of total number of customers how much will be having in JNPT, sir?
- Anish Maheshwari:** CHA altogether if will ask me I have around 2500 active CHAs if you will ask me in totality from last 10 years around 7500 CHAs.
- Pariashit Kandpal:** No, the total customers?
- Anish Maheshwari:** CHA practically I am billing to the CHAs, Custom House Agents.
- Pariashit Kandpal:** Active ones right now will be around you say 2500?
- Anish Maheshwari:** Yes.
- Pariashit Kandpal:** So, which is the number on 30 as of now for Vapi?
- Anish Maheshwari:** Yes.
- Moderator:** Thank you. Next question is from the line of Viral Shah from Centrum Broking. Please go ahead.
- Viral Shah:** Just follow up basically you had mentioned that it is 165 rakes, so basically last quarter when you look at we had done higher number of trains?
- Anish Maheshwari:** Yes, 185 approx.
- Viral Shah:** So, there is a dip on quarter-on-quarter basis?
- Anish Maheshwari:** Because exports. Exports are dipped down?
- Viral Shah:** What will be this number be last time, last quarter?
- Anish Maheshwari:** Last quarter, last year was 206.

- Viral Shah:** 206 trains?
- Anish Maheshwari:** Yes.
- Viral Shah:** So, year-on-year also there is a dip?
- Anish Maheshwari:** Yes.
- Viral Shah:** So, why I am asking this question is because if I recollect correctly there was an announcement being made by JNPT where the freight rates were been rationalized for road and rail?
- Anish Maheshwari:** So, practically it was in the mid quarter of last. So, the impact may be in this quarter.
- Viral Shah:** So, the rail volume typically should be higher for this quarter?
- Anish Maheshwari:** Yes, definitely. Because there are two major aspects –major aspect is demonetization due to that export is going down. There is a huge cropbut due to that there is no operations.
- Viral Shah:** But have you seen this export pick up because since it takes 1.5 months for the fourth quarter as well as. So, have you seen that picking up?
- Anish Maheshwari:** Yes.
- Moderator:** Thank you. The next question is from the line of Yashas Bhat from LKP Securities. Please go ahead.
- Yashas Bhat:** A query regarding your trucks now the scrappage policy has in play where discussions are almost at their finalization, so how many number of trucks out of your fleet would be affected by this?
- Anish Maheshwari:** No, single one fleet, we are already in that.
- Moderator:** Thank you. That was the last question. As there are no further questions, I would now like to hand the conference back to Mr. Viral Shah from Centrum Broking for any closing comments.
- Viral Shah:** Thank you everyone, for participating the call. I specially thank the management of Navkar Corporation – Mr. Anish Maheshwari for giving us an opportunity to host the call. Thank you, thank you everyone.
- Anish Maheshwari:** Thank you so much everyone.
- Moderator:** Thank you. On behalf of Centrum Broking Limited that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.