"Navkar Corporation Limited
Q3 and 9M FY2019 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day and welcome to the Navkar Corporation Limited Q3 and 9M FY2019 earnings conference call. This conference call may contain forward-looking statements about the company, which are based on the beliefs, opinion and expectation of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anish Maheshwari, CFO from Navkar Corporation Limited. Thank you and over to you Mr. Maheshwari!

Anish Maheshwari: Good afternoon and warm welcome to everyone. I have along with me Mr. Shailesh Jha, President (Finance) and Krunal also on call we have our Investor Relation Advisors, SGA.

Before I move on the financial update for the quarter, I would like to spend a few minutes on the operations of the company considering the industry scenario.

At Navkar, we act as an interchange for cargo transit from one mode to another through various services offering across Container Freight Station, Private Freight Terminal, Inland container Depots etc. With the locational advantage of being present at JNPT, our operations are fully integrated to EXIM trade as well as the domestic movement for the operations. In the current business environment, the customers are not looking for only a service provider, but a service provider who can add value at every turn. Our own PFT terminal bonded warehouses, onsite customer services, rail connectivity to our own Inland Container Depot at Vapi offers unique combination of services under one roof.

From being just a service provider of transportation, we have enhanced our offering over period of time here vital player in Customer's supply chain management with the facility like multi-model logistics park, warehousing, Empty Container Depots, Cold Storage Chambers and consolidation of cargo and special arrangement of hazardous cargo movement, we have in-house Patho-lab. We offer our customers customized services and act as one stop solution shop for all their logistics needs.

Although, with the advent of DPD, our volumes at Mumbai CFS has been impacted, we have seen improved volumes at our Inland Container Deport at Vapi, which had also been aided by the introduction of Private Freight Terminal operations. Currently approximately 22% of volumes is moving through rail and it is expected to increase around 30% in medium term. Under the DPD scheme as well, the containers which are not cleared in 48-hours or the containers, which are damaged are default moved to CFS and these type of a containers accounts approximately 10% to 20% of all DPD containers. DPD policy also has allowed the importers to use railways as mode of transport and with PFT option available at our CFS, we become their preferred choice for delivery of their container under the DPD schemes as well. Another major boost to volume is expected to come as the Western Dedicated Freight Corridors become operational which is being implemented by DFCC of India Limited. By the year 2021-2022, the Western DFC is expected to cater a container volume totaling to 5.3 million TEUsTEUs. With PFT now fully operational at Vapi ICD, we expect it to be one of the key beneficiaries due to its close proximity to western DFC as well Delhi-Mumbai Industrial Corridor.

Now moving on to the financials update for the Q3.

Revenue for Q3 FY2019 has been Rs. 123.4 Crores, which had improved by 10% as compared to the Q2FY19. However, as compared Q3 financial 2018, the revenue has improved by 16%. The improvement has been mainly led to volumes, which has increased by 16% year-on-year basis and 3% on Q-on-Q basis, which implies improvement in average realization by 7% for Q3 FY19 as compared to Q2FY19.

The operating profit for Q3 FY19 has increased marginally by 1% to Rs. 37.9 Crores as compared to Q3 FY18 whereas compared to Q2 FY19 the improvement is much better at 39%. The sequential improvement of the operating profit has been mainly due to lower forex loss booked in Q2FY19. The forex loss was approximately Rs. 8 Crores for the whole year was due to the foreign currency loan we had which has been since converted into the Rupee loan, so going forward there will be no forex losses to be accounted for the same. However, excluding the forex loss of Rs. 8 Crores in Q2 FY19, the operating profit grew by 8%. In terms of operating margins, we reported 30.7% for Q3 FY19 as compared to 35.3% for Q3 FY18; however, the operating margins were lower by 65 bps as compared to 31.4% for Q2 FY19 adjusting for forex loss. The operating margins were mainly impacted due to diesel prices in Q3 FY2019 as compared to corresponding quarter last year.

The net profit Q3 FY19 is Rs.9.2 Crores, which has been lower by 63% as compared to Q3 FY18 mainly due to the reasons mentioned earlier and also due to the higher depreciation due to the capitalization of our ICD-Tumb project. Another reason for lower net profit has been higher provisions for tax due to as we have not started to take benefit of 80IA exemption which is available for a block of 15 years and we will start taking those benefits once profit will be improved at our ICD.

Now, moving on to the financial updates for the nine months.

The revenue for nine months FY19 has increased by 13% as compared to 9M FY2018. The higher revenue is mainly driven by growth of 7% in volumes and 5% growth in the average realization. The operating profits degrew by 2%, to Rs. 114.6 Crores in nine months FY19 as compared to nine month FY18, however adjusting for forex loss the operating profit grew by 3% to Rs.122.6 Crores as compared to nine months of FY18. The operating profit margins for nine month FY19 degrew by 487 BPS to 32.5 as compared to 37.4%.

The net profit of nine month FY2019 came into 50.7 Crores as compared to 73.3 Crores in nine months FY2019, a degrowth of 31%.

Now I am moving on to the operational update.

The volumes at Mumbai CFS has been almost flat at 72,537 TEUs of which 25,598 TEUs were for imports, 37,768 TEUs were for export and 9,175 TEUs for domestic moment in Q3 FY19.

Now volumes at Vapi ICD in Q3 FY19 have more than doubled to 23,097 TEUs as compared to Q3 FY18. The import volumes at Vapi were 16,758 TEUs, exports were 6,399 TEUs and no volume for for domestic movement as our EXIM movement itself is having total volume inclusive of our domestic storage. On the PFT side Mumbai handled a total 110 trains whereas Vapi is handling around 211 trains in Q3 FY2019. On the sequential basis, volumes at Mumbai CFS grew by 2.5%, volume at Vapi grew by 5. 7%. The PFT operations also witnessed growth on substantial basis with the Mumbai growth of 5.8% and Vapi grew at 9.3%. On nine-month basis Mumbai CFS handled 2,16,393 TEUs, which was a degrowth of 8%. Of the total TEUs handled at Mumbai CFS 90,513 TEUs were for imports,1,10,293 TEUs were for export and 15,587 TEUs were altogether domestic operations.

The volume at Vapi ICD has increased by 1.5 times to 62,303 TEUs for nine months FY19. The total EXIM volumes includes last mile delivery in domestic market has been 62,302 TEUs of which imports were 37,736 and exports were 24,566 TEUs in nine months of FY19. The PFT operations grew by 86% in nine months FY2019 with Mumbai handling 338 trains and Vapi handling 418 trains.

Now I open the floor for the Q&A session and over to you.

Moderator: Thank you. Ladies and gentlemen, we will now begin the question and answer session. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Aejas Lakhani from Edelweiss. Please go ahead.

Aejas Lakhani: Sir, could you just speak a little slowly with regards to the number on TEUs for the JNPT CFS and the ICD, could you repeat that for export, import and domestic and the ICD numbers, could you repeat that slowly please?

Anish Maheshwari: Yes. In totality we handled at Mumbai by the way of EXIM cargo movement 63,362 TEUs out of that import is 25,598 TEUs and export is 37,764 TEUs and 9,175 TEUs for the domestic. At the same time, at Vapi we handled 23,097 TEUs altogether out of which 16,758 is from the imports and 6,339 as exports and I just wanted to add over here, we handled total trains at Vapi is around is 211 and Mumbai CFS is around 110.

Aejas Lakhani: Sir, can I make a request that next time in your press releases at least if it is possible this TEUs data because it gets very difficult to capture it on the phone when we speak?

Anish Maheshwari: Yes, we are going to share our presentation on our website also.

Aejas Lakhani: Sir, getting down to the CFS business, could you now explain what is the status on DPD whereas it has reached as a percentage, as it moved greater than 44% number and what is the overall atmosphere or the outlook for the CFS business now?

Anish Maheshwari: To be honest with you on DPD, there is no comments and no commentary because DPD is almost around 45% right away and there are certain news, which we also heard I think two or three months back wherein the DPD will be stopped very soon, but we have not heard anything further from the port side or any other authorities about the DPD. On the CFS. there is really a dip as you have seen from last two or three quarters or so, so we are focusing more on the domestic as well as DPD as well as local cargo movement and other operations for the warehousing and all, so that is the story may be for the CFS over here. We are focusing more on the ICD side because at ICD we definitely got some improvement because now a days the market for transporters are not in good shape, so there is a huge price war, like anybody can give any kind of rates, so this year there is difficulty to get those kind of a business, but overall if you see because as we are always mention on our call India is having a logistic cost of around 14% to 15%, which globally is around 4% to 5%, so there is a huge scope in this industry, it is ifs and buts, positive or negative, but ultimately there may be some revival, we are hoping.

Aejas Lakhani: Sir, I wanted to get your sense that with this DPD shift, , has the bargaining power really shifted or is it still that you guys are able to command the prices you all where commanding two quarters, three quarters back?

Anish Maheshwari: Today what is happening is because there is no smooth industry movement also, if you see the movement of cargo there may definite improve on the port side, but practically the movement on the side of manufacturer or the industry there is certain dip, everybody is having the goods or raw material whoever they require for their operations only, so in that scenario what happens, price is definitely a thing wherein whoever is giving the less prices, the business is going to shift over there, but we are hoping that tomorrow the market may improve and the price war definitely will be easing off because today's market has really bottomed out. We have sense about that because today what happens I heard from the bankers that transporters are not able to pay their EMI, so in that case what we are doing as operators are, you know any of the levels wherein they get stuck, so there is no margins over there with them also, so in this market if we increase the prices, nobody will come to me, so we will have to maintain this era for a few days or for few months itself, but after that, that market will definitely improve that is our sense.

Aejas Lakhani: Thanks, that was helpful. I will ask one more question before I will come back into queue, Sir, what is the situation in JNPT in terms of supply of CFS, so today is the situation such where there is a lot more CFS capacity this is built in?

Anish Maheshwari: No, new capacity is not at all built, the capacity which was earlier in the CFS is there, but today because after DPD customers, brokers, there are three to four different kind of models within the industry, so there is no choice about the customer only, there is a choice about CFS, there is a choice of broker, so CFS are working with the DPD also, but whoever is in the business in CFS because they also have a pressure of banking loans, so they are taking that kind of a cargo wherein margins are very less, but I hope so after sometime it may improve. Because whoever is having a facility like Navkar is having all kind of a facility like we have a CFS, ICD, railway track, our own fleet, our own garage, so those peoples will be definitely getting benefit over the period of time.

Aejas Lakhani: Sir, actually I will just put a follow up on that, is that is the whatever number of CFS are there at JNPT I know that there are no new incremental capacity coming, but if earlier they were operating at say X%, how much has that come down to, so what is the JNPT CFS operating at as an industry right now?

Anish Maheshwari: Practically as you calculate 44% is the total percentage of DPD. As we heard from the market also out of which around 65% to 70% cargo is moving by CFS only. Hardly I think so 30%, which was by PN69 or DPD cargo, which is also by the same era, but the way there are two kind of a terms, one is the DPD/DPD, second one is the DPD/CFS, so out 100%, 44% to 45% cargo, which move by DPD out of that 45% is still move by the CFS.

Aejas Lakhani: Thanks for that. I will follow back in queue.

Moderator: Thank you. The next question is from the line of Ankit Panchmatia from B&K Securities. Please go ahead.

Ankit Panchmatia: Sir, good afternoon and thanks for taking my question. Sir, just what your update on DFCC, so as far as the industry guys gives an update that by September 2019, the first should commence, so are we of the same view or we expect some delay on the same?

Anish Maheshwari: Till now as we understand from the authority, they are trying for Western DFCC as early as possible because earlier the timeline was 2021-2022 itself, but some portions have already started for these trials, so that may start very soon. Tenders are completed, so entire DFCC will be aimed by 2021-2022 or may be by 2023, but before that they will be starting trial, they will start for the 200 km stretch then they will start again for 100 km stretch, there may be push to the DFCC.

Ankit Panchmatia: Sir, which station would get connected near to ours, can give us some view?

Anish Maheshwari: For our ICD, Sanjan station itself there will be under DFCC because our lines will be connected with the Sanjan station and for Mumbai they may be from Panvel or Vasai.

Ankit Panchmatia: Sir, which station?

Anish Maheshwari: Sanjan.

Ankit Panchmatia: Who need to add an additional line to connected to our Vapi ICD right?

Anish Maheshwari: No, not at all Sir. It is not like that because once we are making our operations with the railway lines then DFCC will be the main line and they will connect with the main line also, so in future what is going to happen once we will on the main line then main line itself will be connected with the DFCC, so we will directly be getting those lines operational for us like my CFS at Somatane, we have a railway site in our premises, which we are connected with the Somatane station and then if tomorrow DFCC will come to the JNPT jasai station probably then that line also will be going there at Jasai and from Jasai will be using that DFCC that will be the operational as per our understanding.

Ankit Panchmatia: Sir, any internal studies, which suggest that what kind of volume ramp up we can see post this commencement or how is our estimation or dialogues with the customer regarding shift of the volume from road to rail?

Anish Maheshwari: So, that question I just wanted to give you an answer in a different manner. Today, railway operations if you see on the main line, so goods train will be on the least priority, after DFCC what is going to happen is that, the goods trains will be prioritized on DFCC ,today the train sizes are 900 meters approximately with that capability of 3500 tonnes and then after DFCC the train size may be around 1500 meters with the capability of 6000 tonnes and today, the train speed for goods train is around 30 to 40 km per hour because we have a 10 km signaling system. In DFCC, I think so it may be approximately 15 km signaling system in that case the train speed may be around 70 to 80 km per hour, so the distance will be getting less, price definitely will be very less than the road, so that will definitely change, the shift from the road to rails. Globally, if you see China is having 60% to 65% operations from water and around 25% from the rail and rest will be by road. In India we have 65% operations are by road. That shift will definitely happen.

Ankit Panchmatia: That is all from my side. Thank you.

Moderator: Thank you. The next question is from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

Pratik Kumar: Good afternoon Sir. My first question is, can you just give the revenue numbers of domestic segment and all revenues at Vapi and Panvel and domestic?

Anish Maheshwari: So, Vapi we have revenue number if you see, Vapi we have altogether inclusive of package and Mumbai we have definitely separate numbers, so I will give you the total number at Vapi and Mumbai. Mumbai we have total of Rs. 74.3 Crores out of which around Rs. 9 Crores is from domestic and Vapi we have topline of Rs. 49.07 Crores.

Pratik Kumar: Vapi Rs. 49.07 Crores?

Anish Maheshwari: Compared to last quarter if you see our Q2 number at the same time Mumbai was Rs. 71.72 Crores and Vapi was Rs. 40.35 Crores. There is an improvement on per TEU realizations also.

Pratik Kumar: Exactly, so any specific reason attributable to, in Vapi there is a realization back to now 21000 versus 18000-19000 you are just seeing like last two quarters?

Anish Maheshwari: You are absolutely correct. The situation is what now today Pratik. We are not having that kind of a positive pressure on the parting side, expenses which we were earlier incurred from our premises to the factory delivery, there are certain changes in that model also, we are providing them the entire package in the factory, so we are doing warehousing in our premises as in wherein basis they require their stuff in our factory we are providing that solution today on the cost-to-cost basis.

Pratik Kumar: As we understand that there is like price competition in general, because at both the facilities whether that being Vapi or Panvel EXIM, we seem to have high realization on a Q-on-Q basis so this is reflection of increase in diesel price, which we have passed on to customers?

Anish Maheshwari: No, it is not because of that, it is due the service of last mile delivery that we have started in Vapi as our rail movement has really improved. Last quarter we did 193 trains, this quarter we did 211 trains, before last quarter in Q1, we did only 15 trains, so with an improvement our operational efficiency over the rate of Vapi is really super fantastic. Now what we have started with the parties we are giving them the last mile delivery till in their factories, so in that entire operation today like the radius of 20 to 25 km there may cost around Rs. 3000 additionally that is the reason our revenue per TEU is around Rs.21000 to Rs.22000, which was earlier Rs.18000 plus, so that we are charging them at cost-to-cost basis today, tomorrow what will going to happen is that the party will get comfortable with Navkar then they will give more volumes for warehousing as well as for the factory delivery too, that is our objective behind that.

Pratik Kumar: Understood and Sir, regarding refinancing of debt from foreign loan to domestic loan now, so what will be rate difference, I mean what is the rate of interest now? What was it earlier?

Anish Maheshwari: Pratik, I just wanted to clear over here, my entire price for the lending was 10.5% to 11% altogether earlier as well, but we are taking that risk of FCNR till effective price for me, so what we are going to do we are taking FCNB loan at the X price, it may be around LIBOR plus 225 basis points, so practically my cost was all inclusive without hedging that loan was around 4.5% so in that we are taking the option premium, which will allow me to take care of my existing borrowing cost like existing borrowing cost is 10.5% to 11%, so we are taking that risk till that price only.

Pratik Kumar: So, cost of interest does not change?

Anish Maheshwari: What happened was last quarter which the forex losses, which was incurred in a single quarter due to the dollar prices, which was in that range only, so we just incur the losses in a single quarter, but now what happens my practical cost was earlier also 10.5% to 11%, which is still the same.

Pratik Kumar: But there is an increase in interest expense from an Rs. 11 Crores to Rs. 12 Crores plus?

Anish Maheshwari: Yes, we are taking additional loan in last quarter, Rs. 40 Crores loans for our trucks and fleet in June quarter, so that EMI has also started from this quarter, June to July quarter.

Pratik Kumar: Sir, now including working capital loan and everything, in working capital loan, interest free loan from promoter and the interest loan, how much is the total debt?

Anish Maheshwari: The total debt is around Rs. 500 Crores in that there are three different kind of an interest. One is for my existing term loan, second one is a WCTL, third one is the Ind-AS impact, so we will have to make the provisions.

Pratik Kumar: Sir, but everything now is domestic term loan except for the promoter loan, which is interest free loan?

Anish Maheshwari: Correct.

Pratik Kumar: Okay and Sir just last clarification on the tax rate why is the tax rate higher this quarter?

Anish Maheshwari: It is due to Vapi. In Vapi what happens, our operations have improved at Vapi, correct. If you see last quarter my total business at Vapi was Rs. 40 Crores and this quarter is around and if you will compare with my last quarter number, last quarter was Rs. 40.39 Crores, which is this quarter Rs. 49.07 Crores, almost 20% on the Vapi business side and where we are not taking 80IA benefit because 80IA benefit will be allowing me for next 15 years block, so till now we are in the normal tax provisions at Vapi because tomorrow the profit will be increased at Vapi at that time will be using that 80IA benefit because out of that 15 years block, we are getting continuous 10 years for taking MAT benefit, so our Vapi business is till only the general tax provision.

Pratik Kumar: The operating losses there to that extent only we are compensating for lower taxes overall, I mean there is no incremental tax 80IA benefit which we thought of like generally?

Anish Maheshwari: In Vapi, we are not using 80IA benefit right away.

Pratik Kumar: When it is expected? I mean since from when which year, which we are planning to take the 15 year slab,?

Anish Maheshwari: From now it will be after two years because my five year block will be completed by next yearitself because Vapi operations were started two years back, so we are not yet taking any kind of 80IA exemption over there at Vapi, so we are in a regular tax provision at Vapi so that is the reason my tax little high in this quarter because Vapi operations all together 20% higher in this quarter itself.

Pratik Kumar: Can we segregate profits now between Vapi and Mumbai, which you are thinking?

Anish Maheshwari: Revenue topline if you see, my revenue topline in Q2 was Rs. 40 Crores, correct, which is in just quarter was Rs. 49 Crores.

Pratik Kumar: Okay. Revenues you are comparing. Sir on your Panvel volumes, there is absolute reduction again on a Q-o-Q basis so if further contribute to, I mean we continue to used to pushing volumes?

Anish Maheshwari: No. Last quarter my total TEUs at Mumbai about 64,342 TEU as EXIM cargo movement, which is this quarter 63,362 TEU, so last quarter absolute TEUs was around 70754 TEU in Q2 including the domestic volumes so if you will calculate total 63,362 plus 9,175 which will be 72537 TEUs all together, so total number compared with the last quarter is really improved, not less at Mumbai.

Pratik Kumar: Okay now we should say it as more like EXIM plus domestic volumes then only domestic.

Anish Maheshwari: You will have to calculate on both sides.

Pratik Kumar: Okay Sir. Understood. I will get back to the queue. Thank you.

Moderator: Thank you. The next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.

Jaikant Kasturi: This is regarding realization in JNPT at present? How are you seeing it and going forward how do you see it?

Anish Maheshwari: Practically the saturation is there only. There maybe a slight dip or slight positive on both the sides. Till now we are getting import business, we are trying for import business itself, so they may be slight improvement itself, but tomorrow if the DPD again improves by 2% or 3% more then it will be on a same basis.

Jaikant Kasturi: Sir right now what is the realization at JNPT?

Anish Maheshwari: JNPT, per TEU realization?

Jaikant Kasturi: Yes.

Anish Maheshwari: It is almost Rs.10245 including our domestic volumes.

Jaikant Kasturi: Okay. So if we exclude with the domestic then it would be somewhere around Rs.10100 something around that range, which was similar to Q3?

Anish Maheshwari: EXIM cargo is maybe 10500 because in domestic that is less.

Jaikant Kasturi: Sir and in terms of your in terms of your empties and incentives during the quarter?

Anish Maheshwari: Empty I will just give you the number of empty. Vapi is all inclusive, Panvel we did empties of all together out of 63,362 TEUs we did around 15,417 TEUs all together, import as well as export.

Jaikant Kasturi: That is for Mumbai plus Vapi you are talking?

Anish Maheshwari: It is all together. Empty we are doing for both stations. Because what happens from Vapi station, it will require empty here, so that we do not account as two.

Jaikant Kasturi: Okay and Sir incentives during this quarter?

Anish Maheshwari: **Rs.** 9.5 Crores all together.

Jaikant Kasturi: Thank you Sir. I will join in the queue.

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 first on the CFS part, what is the CFS industry growth at JNPT according to you, have we done better or at par with the industry?

Anish Maheshwari: Our CFS?

Achal Lohade: Yes.

Anish Maheshwari: Our CFS is doing better comparatively to industry.

Achal Lohade: Okay. Do you have the nine months for how much would be the industry growth at JNPT?

Anish Maheshwari: Actually I do not have the data currently with me but as I understand from the other players that certain CFS are getting down, they have just shifted to the DPD itself, so with that base, we are definitely seeing with that, they may four or five CFSs are in a good shape right away. But I am sure with that scenario we are feeling that other CFSs business, they are moving to the DPD, we are doing good.

Achal Lohade: Okay. If you could help me again with the number, I got a little confuse with respect to the numbers, so 63,362 is the EXIM number for CFS, is that correct?

Anish Maheshwari: Yes.

Achal Lohade: And what is the domestic number?

Anish Maheshwari: 9175.

Achal Lohade: 9175 is the domestic?

Anish Maheshwari: Correct.

Achal Lohade: And how was it for the second quarter compared to this quarter?

Anish Maheshwari: The second quarter total was 70754 out of which only CFS EXIM movement was 64342.

Achal Lohade: That has slightly come down you are saying, right? 64 has become 63?

Anish Maheshwari: Yes. Overall domestic as well as EXIM if you compare total number is 72537 compared to 70754.

Achal Lohade: Yes. When you say domestic basically you are including the movements from Vapi to Mumbai?

Anish Maheshwari: No. It is purely for hinterland of Maharashtra like we are doing delivery till Pune, we are doing delivering for Hyderabad also. Vapi is all together different.

Achal Lohade: I understood. And the revenue against that you said is Rs. 74.34 crores is that right?

Anish Maheshwari: All together, it all together for EXIM as well as the domestic.

Achal Lohade: Okay and what was it for the second quarter?

Anish Maheshwari: It was Rs.71.72 Crores.

Achal Lohade: Of this domestic was Rs. 6.5 Crores, if I am remember correctly for second quarter?

Anish Maheshwari: Yes, last quarter was Rs. 6.5 Crores, this quarter is around approximately 9 Crores. Then we had started Pune, Nasik, Aurangabad, and Hyderabad.

Achal Lohade: Got it and what about Vapi, you said 23,097 is the total volume and Rs. 49 Crores in the revenue?

Anish Maheshwari: Yes. Correct.

Achal Lohade: And you mentioned that this Rs.3000 would be the additional cost for the customers we are doing now door-to-door delivery.

Anish Maheshwari: It should be in the range of 2000 to 3000 wherein we provide delivery to their factory also in the radius of 30 km from our ICD.

Achal Lohade: Got it. If you could help me with the export import once again if you do not mind Sir?

Anish Maheshwari: Where you want Mumbai?

Achal Lohade: Both. Mumbai as well Vapi?

Anish Maheshwari: Export is 37,764, and import is 2.5598. At Vapi, import is 16,758, and export is ,6339.

Achal Lohade: I see a significant imbalance actually in case of Vapi, how are you able to mange this?

Anish Maheshwari: We are working on it. Like earlier the ratio also if you see, last quarter also import was 13,195, the export was 8653. So in that case we are doing the empty movement also, so that is the reason is my empty is getting improved.

Achal Lohade: In terms of the empty for Vapi has actually increased, right.

Anish Maheshwari: No all together. We did empty as around 16,000 TEUs for Vapi and Mumbai both. What we are doing if there is no need cargo or container over there at Vapi, it is shifted to Mumbai. And from here we are using that for exports, so if you see my volume at Mumbai, is higher than the import volume.

Achal Lohade: Correct, which has been the trend all along or at least for last three quarters?

Anish Maheshwari: Correct. Yes. But it is significant change. Last quarter my export was 34,163 and import was 30,000. It was almost 55 to 45 range but if you see this quarter my export is 37,764 and import is 255,98. We are using our both facilities for all kind of operation. In that case, shipping line will be in a leased model.

Achal Lohade: Got it. All right. Thank you so much.

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

Vikram Suryavanshi: Good afternoon Sir. Sir I just joining a bit late, so some of questions might be repeating pardon for that. One is that how many trains we are having from Vapi?

Anish Maheshwari: Vapi, we run 211 trains against last quarter 193.

Vikram Suryavanshi: Yes. Got it. And for domestic, what was that number from JNPT?

Anish Maheshwari: From JNPT to Vapi, you are trying to ask?

Vikram Suryavanshi: No domestic. From JNPT to Pune and other locations?

Anish Maheshwari: No, that is all together. From JNPT we are doing any kind of a domestic operation. We are doing domestic operations from my CFS.

Vikram Suryavanshi: From your CFS?

Anish Maheshwari: Last quarter in the December quarter we have handled 110 trains at Mumbai.

Vikram Suryavanshi: Okay and 110 including some of them are going to export also and domestic also?

Anish Maheshwari: Yes.

Vikram Suryavanshi: Thanks, I got it. Can we get that what was the warehousing revenue at Vapi?

Anish Maheshwari: We are not segregating. We are giving the entire package to the party.

Vikram Suryavanshi: That warehousing as well as the last leg transportation, everything is included?

Anish Maheshwari: It is part of my overall operations..

Vikram Suryavanshi: Thank you Sir.

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

Ankur Periwal: Just going back to the earlier discussion, the entire DPD space including us, had taken a price hike last quarter, more to pass through the higher diesel prices, any benefit of that that we have visible in this quarter full because if I look at Q-o-Q, the realizations have not increased as significant.

Anish Maheshwari: There is no benefit because diesel prices are getting down.

Ankur Periwal: So there was a reversal of pass through?

Anish Maheshwari: Yes. What happens Ankur, we had already started charging Rs.1000 more on our actual tariff, but at the same time diesel prices are getting down and the operator industry is in a very bad shape in quarter itself. So nobody is giving me the price hike.

Ankur Periwal: If I got you right initially the industry pass through or took a price hike of Rs.1000 and then it was reversed because the diesel prices came off?

Anish Maheshwari: Yes. Industry wise I do not want to give you any kind of a comment. The problem is the diesel prices in the June quarter had drastically changed. It was changing on a daily basis, which was the reason we were not getting pass through. In that scenario, we have just increased our tariffs from mid September or from the October onwards, but parties were not giving me that price because the diesel prices were getting down in the same quarter itself.

Ankur Periwal: Okay. Fair enough. That is helpful. One clarification on Vapi, now Q-o-Q there is an improvement, and which if I got you right is because of the end to end service that we are providing to the customers, so this is another let say Rs.2000 to Rs.2500 or Rs.3000 cost, but this is cost to cost, are we earning any incremental margin on it or it is just a Q-o-Q basis?

Anish Maheshwari: Not right away, Ankur. It will be definitely give me the best scenario in next one or two quarters. There definitely bewould be incremental revenue over there. Because today what happened, the last mile delivery may be for, Ankleshwar so in that case what happened I will have to run by vehicle empty, so volume of export and import both will improve over there then that benefit itself will directly be converted into profit. Those facilities which we have started for the movement towards factory delivery, so right away there may be imbalance, but that balance will be get and done in one or two quarters. For that we have strengthened our IT team wherein we are making the GPS systems and RFID for entire Vapi container movement as well as the cargo movement.

Ankur Periwal: Can we have the breakup for Vapi volumes into Hazira and the JNPT volumes if we have?

Anish Maheshwari: Hazira is almost around 17%-18%. I will give you the number all together. It is around 4,000 TEUs we did from Hazira and rest is from JNPT.

Ankur Periwal: How was this number Q3 last year?

Anish Maheshwari: Last quarter I do not have it handy with me but I will share with you later.

Ankur Periwal: No worries. And just last question on the export import imbalance, given the DPD pressure, the import volumes are sort of still declining on a standalone, which is the Panvel facility. Do you think the bottom is there or probably there could be some more pain in the coming quarters?

Anish Maheshwari: Practically, the bottom is there. I think because from last quarter if you compare my import volumes are getting down. It is already on a bottom side. We are focusing on the domestic as well as exports.

Ankur Periwal: Will it be fair to say that domestic will be making a slightly lesser margin than the EXIM business for us at Panvel?

Anish Maheshwari: Yes. Definitely. Slightly lesser, not much difference, but in EXIM we will definitely earn more. In EXIM certainly we have a little bit of price power with us, but in domestic there are several players.

Ankur Periwal: Okay. Fair enough. That is it from my side. Thanks a lot.

Moderator: Thank you. The next question is from the line of Krupa Shankar from Spark Capital. Please go ahead.

Krupa Shankar: I had a question pertaining to the Vapi facility. I can see that the export numbers have been declining over the last three quarters, so we were focusing more on the granite and others?

Anish Maheshwari: That may be impact of commodity. There may be impact of commodity change because ICD number has improved.

Krupa Shankar: That is right. I just wanted to understand is there a change in the mix of commodity from a whole, wherein you are moving from tiles, etc. to other commodities, just wanted to get a sense on that?

Anish Maheshwari: In exports practically we are not taking only non-vegetarian items, other than that whatever we got we are taking further EXIM volumes like scraps, tiles, marbles and newspaper, chemicals and agricultural, whatever we are getting, we are taking, but in Vapi, even South Gujarat region majorly is around newspaper are more and marbles are more. There may be commodity mix, will be definitely differ over there. In Mumbai what happens, all kind of agro commodities also exported from the Mumbai port, JNPT port.

Krupa Shankar: Right. But on the import side as in the commodity mix, so you are saying more of newsprints, etc., or scrape is coming down in higher composition, is that right?

Anish Maheshwari: Practically at Vapi we are moving raw materials of PTA then chemicals then newsprints, we are also having good volume in Marbles.

Krupa Shankar: Okay and the realization when I take a breakup, it will be more JNPT will give roughly about 20,000 versus Hazira roughly about 8,000 is my understanding correct?

Anish Maheshwari: You were asking me about Vapi.

Krupa Shankar: Yes in Vapi itself I have the breakup, the volumes coming in from JNPT versus the volumes coming in from Hazira port?

Anish Maheshwari: There is no such difference.

Krupa Shankar: On the realization front, I thought there is a difference.

Anish Maheshwari: There is marginal 2-5% maybe there here and there. But till the parties destination, the entire package will be similar kind of a range

Krupa Shankar: All right. One more question pertaining to this tax part wherein the previous question, I understand that the 80IA benefit is not taken into consideration due to which the tax rate has overall increased but given that the profitability wise it has come down, so I did not get it, why the number is right from earlier if I take FY2018 numbers on a consolidated the tax was about 21% and now that number is roughly about 41% in the third quarter?

Anish Maheshwari: CFSs are under the general provision.

Krupa Shankar: But starting happening from FY2019 onwards?

Anish Maheshwari: FY2019 itself. Because in Mumbai Somatane, Ajivali has started in FY2008-2009, the 10-year block has completed last year itself.

Krupa Shankar: Going forward from the next two years, knowing that Vapi will take about two years to take the benefit of 80IA, so the tax rate will roughly be about 40%, is my understanding correct?

Anish Maheshwari: It may be in the range of 35% to 40% after that it will be drastically changed by 20%-21% again. Once I will take the benefit because Vapi ICD is definitely, Mumbai my realization for per TEU may be in the range of 10,000 to 11000, correct, at Vapi we have realization of 20-21,000 on a period of time it will definitely increase, correct? Profitability will also be increased and in 2020, why we are not taking 80IA benefit right away because after railway movements will be started over there in 2020 or 2021, then the business will be definitely more than that, which is today. In that case what happens, my costing on the railway side will drastical change in the price of freight and railway. In that case what happens, my profitability will definitely increased. So I did not take the 80IA benefit at that time.

Krupa Shankar: Anish if my understanding is correct, currently about 82% to 83% of my Vapi volumes are moving by rail, if I do a rough math?

Anish Maheshwari: Yes.

Anish Maheshwari: You will take total volume approx at 23,000, I will be having a train movement of 211 x 90 containers it is around 18,990 divided by 23,000 approximately so 82.5%.

Krupa Shankar: All our rakes are taking 90 containers; I mean all your rakes are taking 90 containers per day?

Anish Maheshwari: Yes. If you calculate 211 divided by 24 working days it is around 8 trains vice versa in and out. It means four trains each day.

Krupa Shankar: Got it Anish. Thank you and all the best.

Moderator: Thank you. The next question is from the line of Ankita Shah from Elara Capital. Please go ahead.

Ankita Shah: Sir the debt has been continuously increasing, so what is the outlook going forward on debt?

Anish Maheshwari: We are not taking any incremental debt, So today our idea as I mentioned on last call also is that debt will reduce each year, we have repayment obligation of around around Rs. 62 Crores to 65 Crores, so average maturity of this debt would be around five years approximately. So we are not taking any further debt till the time business outlook will be ispositive for next two years.

Ankita Shah: Your reduction happening on debt?

Anish Maheshwari: Yes. Last quarter I mentioned the same thing, the land which have right away with us like 45 acres of land, we are searching for the buyer if we get the right value, we will definitely liquidate that land parcel and pay the debt. That is our idea.

Ankita Shah: Okay. What would be your comfortable Debt figure by FY2020 end?

Anish Maheshwari: It may be in the range of Rs. 250 Crores.

Ankita Shah: Okay. By March 2020?

Anish Maheshwari: Yes. By March 2020 it may be in the range of Rs. 300 Crores because it is 2019 going on, by next year we will be pay of around Rs.100 Crores all together if there is nothing happening positively in the real estate space, because in this budget, practically if you heard, the real estate market will be in again good shape for next year in that case my land will definitely be liquidate.

Ankita Shah: Is there a breakup between debt at Vapi and Mumbai?

Anish Maheshwari: Mumbai we have almost around Rs. 100 Crores of debt. In Vapi we have Rs. 300 all together including commercial equipment, commercial vehicle.

Ankita Shah: Okay. Got it and Sir your outlook for next year in terms of performance?

Anish Maheshwari: We are always positive Ankita.

Ankita Shah: Any number in terms of growth?

Anish Maheshwari: I had a discussion with a Bank last week. The operating industry of transporters are in a very bad shape, our regular payment from the truck operators whoever have taken the CV loan, commercial vehicle loan that has delayed by 100 days. With that situation if you ask me we are in very good shape. We are paying our EMI on time. There is no default. We are paying incentives to the parties. We are giving bonus in this situation of market. On Diwali, we gave a bonus of approximately 10% to our entire staff. We are in very good shape and we are positive for the business. We are trying our best, which we are giving our efforts towards the right direction.

Ankita Shah: Sure. Got it. Thank you so much. Wish you all the very best.

Moderator: Thank you. The next question is from the line of Prateek Kumar from Antique Stock. Please go ahead.

Prateek Kumar: Thanks for the follow up. Sir just couple of questions on trains running on domestic route, so this is the same operator, which we used to lease trains for EXIM to Vapi?

Anish Maheshwari: Same operator.

Prateek Kumar: Now because we are ramping up our domestic volumes also, so is there any reduction in lease rentals or it remains high, which was like then early compliance than last quarter?

Anish Maheshwari: It all depends on distance. So the freight will be charged by railway, this is the standard by IR or RR system.

Prateek Kumar: So that is cost of that is some one who is given you rakes, he is charging you some cost, which you are paying him and not railways?

Anish Maheshwari: It is on both the side. Whatever he is charging me, same I am paying to him and there is a escrow arrangement, whatever RR receipt which is generated by the railway we are putting that money into the escrow account itself.

Prateek Kumar: Because generally they will have some shortage of rakes for which reason there was generally escalation of lease rentals or something of trains?

Anish Maheshwari: It has increased last quarter itself, which we are already mentioning in our call.

Prateek Kumar: Sir regarding this import export mix, so there is like around 4,500 drop in volumes at Panvel and this is around 3,500 jump in import volumes at Vapi, so are these volumes related or I mean there are different volumes to different customers?

Anish Maheshwari: It is all together different volumes, different customers also because for my Mumbai exports, this is the entire region, which we are capturing from Nasik.

Prateek Kumar: This is import.

Anish Maheshwari: No, for exports also. Exports, we are catering in Mumbai is more or less from the Maharashtra Goa border region, Karnataka border region, but for Vapi, it is all together different set of our business till Ahmedabad. The CHA maybe same but the parties are all together different.

Prateek Kumar: Would that be the same case of the import volumes are now shifting from Panvel to Vapi because their locations I mean those customers are located on that route?

Anish Maheshwari: That cannibalization which may be around in the range 10% to 15% maximum.

Prateek Kumar: Sir any specific reason for higher empties in this quarter 15,000 which you mentioned, which was generally 4,000 last quarter?

Anish Maheshwari: It includes my normal Vapi volumes, because Vapi if you see my imports are more than the exports. That operations for empty movements from Vapi to Mumbai itself, both the side, because is having high exports compared to Vapi. So we will be using the same empty for Mumbai.

Prateek Kumar: Higher trains are coming empty from Vapi on reversed route that is why the volumes are higher?

Anish Maheshwari: I think it may be in the range of 20% to 25%. Out of 211 that empty is giving revenue also. For me that empty from Vapi is in EXIM trade.

Prateek Kumar: Sir, I had one last question has CONCOR also started this service direct port delivery service on trains on that Vapi location?

Anish Maheshwari: On that I am not commenting because we also heard about that, but practically the operations capability, which we have, I think so that kind of operation efficiency they may not have. As I have an understanding from the market they are handling around one or two trains a week against we are handling 9 x 6 approximately around 50 plus trains in a week.

Prateek Kumar: That is it from my side. Thank you.

Moderator: Thank you. The next question is from the line Mayur Jain. Please go ahead. As there is no response to the current participant, we moved on to the next participant that is from the line of Vivek Kumar from Anand Rathi. Please go ahead.

Vivek Kumar: Congrats for the better results. Just wanted to understand how Vapi traction building up, can we see the vapi overtaking this JNPT, if yes how time it will take?

Anish Maheshwari: Today if you will ask me, we are focusing more on our marketing and also on Vapi volumes, because of the cannibalization from ICD movement over there from other CFS that we would like to capture. Vapi is having around 1.5 million TEU volume areas across at Vapi belt or south Gujarat belt. We are focusing more on that. Now our train efficiency remained operational we had 211 trains in this quarter, that is really a positive sign and not only for us for the client base whoever is working with me. The 8,000 TEUs is not at all small number for Vapi in this situation of the market.

Vivek Kumar: What is the maximum number of trains you can handle?

Anish Maheshwari: We have four active tracks,. In recent we can handle all together in and around 15 plus trains per day.

Vivek Kumar: Thank you.

Moderator: Thank you. The next question is from the line of Jaikant Kasturi from Dolat Capital. Please go ahead.

Jaikant Kasturi: Sir in terms of the rise in your operating expenses during this quarter, you can primarily attribute to the non-passing of the fuel price rise in terms of fuel price raise as well as the diesel price which went up?

Anish Maheshwari: The diesel price raise plus the Vapi operations, which we are doing for the last mile delivery is on cost-to-cost basis.

Jaikant Kasturi: Okay. Thank you Sir.

Moderator: Thank you. We will be taking the last question that is from the line of Pawan Parakh from Renaissance Investments. Please go ahead.

Pawan Parakh: Basically in the last quarter you had highlighted three, four reasons for decline in profitability, one of which was about Rs. 8 Crores of some forex impact. If I look at your consolidated EBITDA quarter-on-quarter has increased by about Rs. 10 odd Crores and Rs. 8 Crores of which, practically the difference in EBITDA quarter-on-quarter is all explained by your forex charge, which essentially means?

Anish Maheshwari: Major is by forex and second when as I told you that the domestic operations in Vapi for the factory delivery, which we are doing on the cost to cost basis.

Pawan Pareek: Decline in diesel prices, so that benefit entirely has not been seen in this quarter or how should we read that?

Anish Maheshwari: Pardon, what do you want to say?

Pawan Pareek: I mean the crude prices have fallen and the diesel prices have fallen and that happened somewhere from November, December onwards so that benefit should accrue to you right?

Anish Maheshwari: If you see last quarter there were two different kind of reason behind my losses, one is for the forex and second one on the diesel prices. Diesel prices hike in the quarter of July, correct wherein which we are not into the mood to pass on to the clients, which are hoping that from

October onwards will be passed on. But at the same time diesel prices are getting down. So it was nullified.

Pawan Pareek: No, but my point is that now diesel prices have hovering around say Q1 FY2019 levels right and without any price hike also we should make more profitability?

Anish Maheshwari: You are talking about this quarter itself?

Pawan Pareek: Yes, this quarter?

Anish Maheshwari: This quarter that is why I am telling you this quarter might be positive if the price will not be hiked and at the same time at Vapi also the last mile delivery which we are doing on cost basis today that will definitely be reducing. We are really positive for that that profit will be increased but as somebody was asking me on the DPD which was started by the CONCOR,that will impact me or not, that kind of small, small thing may be impacting me again. I am not giving that wrong or false hopes that will be giving me positive hit, then a certain positive impact also the negative impact. So we will definitely get the sense after the quarter what was being thought.

Pawan Pareek: But so far you have not seen any impact of this CONCOR right?

Anish Maheshwari: Yes, so far we are not feeling that kind of impact.

Pawan Pareek: Assuming this is how it is changing Q4 even with similar volumes your profitability should be higher in Q4?

Anish Maheshwari: Correct.

Pawan Pareek: Sir one final thing you said that services from Vapi, you are offering at cost, so what is the time horizon by with these pricing will be profitable for you?

Anish Maheshwari: Once the operations will be set.

Pawan Pareek: That is like three-month period, six month period.

Anish Maheshwari: Yes. It may be in the next one or two quarters. In that time, there are certain impact of liquidity also for the price, today the situation if you want to know the debtors, which was earlier in the range of Rs. 45 Crores to 50 Crores, which is now Rs. 70 Crores to Rs. 75 Crores because if today in that situation I would like to raise the prices nobody will be associated with me. These will change the hands.

Pawan Pareek: Okay and in last quarter you had highlighted that I think one of the earlier participant also asked this, but you would highlight it that your railways lease per rake per month has increase from about Rs. 11 lakhs-12 lakhs to about Rs. 18 lakhs to 19 lakhs, so what is that number as of now?

Anish Maheshwari: It has remained the same.

Pawan Pareek: Rs. 18 lakhs to Rs. 19 lakhs.

Anish Maheshwari: Yes.

Pawan Pareek: And when do you expect this to actually taper down?

Anish Maheshwari: Frankly speaking to you, we are setting from different kind of arrangements with those people, so that may be a positive side. Once that may happen then we will definitely announce it to the market.

Pawan Pareek: Thank you.

Moderator: Thank you. Ladies and gentlemen that was the last question, I now hand the conference over to Mr. Maheshwari for his closing comments.

Anish Maheshwari: Thank you so much. I would like to thank everybody for joining on the call. I hope we have been able to respond to your all queries. For any further information, I will request you to get in touch with SGA those are our Investor Relations Advisors. Thank you so much.

Moderator: Thank you. Ladies and gentlemen on behalf of Navkar Corporation Limited this concludes today's conference. Thank you for joining us. You may disconnect your lines. Thank you.