

## Transcript

### “Navkar Corporation Limited 2QFY17 Earnings Conference Call”



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#### **PRESENTATION SESSION**

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**MANAGEMENT: MR. ANISH MAHESHWARI – CHIEF FINANCIAL OFFICER, NAVKAR CORPORATION LTD**

**MODERATOR: MR. VIRAL SHAH – SBICAP SECURITIES LIMITED**

**Moderator:** Ladies and Gentlemen, Good day and Welcome to the Navkar Corporation Q2 FY17 Earnings Conference Call, hosted by SBICAP Securities 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 '\*' and 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 SBICAP Securities Limited. Thank you and over to you, sir.

**Viral Shah:** Good morning, everyone. I welcome all the participants for the 2Q and FY17 Earnings 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. Over to you, sir.

**Anish Maheshwari:** Good morning, everyone. Before I just wanted to tell you about the numbers, I just wanted to give you a brief about two announcements which were given by the Navkar last week. First one was regarding KRIL agreement which we just terminated, there were certain reasons for that. We are chasing Kribhco from last two - three months and they were not able to suffice that issues. They also have some kind of issues with them so we just terminated that particular agreement.

Two or three things which I just wanted to highlight over here. One was that we start our operation over there at Kribhco before four months and from there onwards we are chasing to them for shifting their coal jetty volumes from there which they were not able to do in last three or four months. And due to that our major deposition which is agro commodity trade which was got impacted due to the coal dust. And we are discussing with them since last three weeks, they are not giving any kind of a clear signal to clarify those things. Second one was bonded warehousing facility which we give them solutions to going for the notification which is also not done. Third one is hazardous cargo movement, because the entire region is with the hazardous cargo and they have not even taken hazardous carbon notification from last three months.

So, these are the three major issues, due to that we just stopped our operations over there. We also found out some other solution with the same reason, but now we just stopped the operations over there and we terminate our agreement with them. These are the highlights which I just wanted to tell you.

There were no any kind of CAPEX on those particular areas and there is no further OPEX. We just stopped our payment to them from last three months, so there is no impact of the profitability and the numbers on the Navkar's balance sheet. This is one thing.

Second is a thing which we announced last week also, it is related to the real-estate thing. But I just wanted to clear out here, Navkar do not have any kind of direct real-estate things **in their throat 3.24**, we are already focused on the CFS business and we also just focus on the CFS activities only. So I just wanted to brief about that particular Board approval. We took a Board approval for idle land which is on the books of Navkar, we have a 45 acres land near by the Indiabulls World City Project, which is idle right now for Navkar with RTG machines and other installations on the CFS side. So for next three, four, five years we have enough land and with enough capacity with us to cater to JNPT port. So Board just have a thought in their mind about what we will have to do with that land which is right now idle.

So we just took a decision and take approval from the Board to give that land to any of the developer. Navkar directly would not do any kind of a real-estate thing, we just wanted to share our land with the building developer and encash that land. And with that profit Navkar will repay the debt of book. That is the core object with that particular land which is near by the Indiabulls World City, 45 acres' land. And we have just taken approval from the Board to find out any of the developer in this region to develop that land and by that money we will just repay our debt. That is the first object. After that, if we will have any kind of a surplus money we will think about another thing. That is the core idea about that.

So those are the announcements which we did last week. Right now, I just wanted to brief about the financial numbers. In last quarter, our numbers were a little bit dipped, just due to the heavy rain continuously for three months across India. Second thing, if we will compare from last year's same quarter numbers, we have around 5% to 6% growth on both the sides, profit as well as revenue side and half yearly basis you will see we have a growth of 7.25%, approximately. But overall, looking at the overall scenario of the JNPT Port, JNPT Port is having a dip of 1% in last year on the EXIM volumes, they might have a volume slightly higher than the last quarter but there is a empty movement much higher than that. Last quarter we did 82,330 TEUs, out of which the Vapi thing, in the last quarter if you will see Vapi was having 305 TEUs volume which was in last quarter was 1,225 TEUs, three or four times better. So Vapi is in a good move and we have a dip in the TEUs number at Panvel due to the heavy rain and the port volumes.

Our EBITDA margin levels are little bit less, around 4% to 5%. There are two major reasons, one is the Vapi thing because in the Vapi side we did Rs. 3 crores volume and at the same time there the expenditure is in the same mood, so the dip in EBITDA on the Vapi thing. And second thing, the operational cost due to the heavy rain in last quarter was a little bit higher because our operations were getting stuck due to the load position and load conditions. Second thing, we will have to put more efforts on the labor side and more efforts for the operational thing. So, those are the reasons because our EBITDA margins were getting less. But overall, our performance is again, I just wanted to say looking from the market scenario and JNPT port scenario, performance is again good, numbers are looking good, Vapi is on the mood, Vapi is having a good ramp-up.

I just wanted to give a brief about the project situation. Fifth one RTG already installed, total five RTGs are on the working condition. Sixth one is on the erection mode which may be completed by 15<sup>th</sup> of December, so all six RTGs are on place right now. Logistics part and thenon-notified area development, almost 75% has been done. So total project cost was Rs. 483 crores out of which this September quarter we did around Rs. 313 crores, which is approximately 65%. So these are the things. Developments are on the move, logistics part is also on the move.

On the railway bit, Navkar Terminal ICD railway execution work which we start before 15 days, in last one quarter Valsad was flooded two times in the quarter, there were huge rains. Due to that we stopped our execution work over there. We started our railway work, it may be completed in the next three months, that is our whole group thing.

So now we will just go for the question-and-answer session.

**Moderator:**

Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Praveen Sahai from Edelweiss. Please go ahead.

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- Praveen Sahai:** Sir, can you just give the volume numbers for the quarter?
- Anish Maheshwari:** Quarter volume number is all together 82,330.
- Praveen Sahai:** And how much is at the Vapi ICD?
- Anish Maheshwari:** Out of which Vapi ICD is having a 1,225 containers.
- Praveen Sahai:** And also in this present quarter not in the second quarter, is there any impact due to demonetization we are seeing in the business?
- Anish Maheshwari:** You are talking about right now things, or...?
- Praveen Sahai:** Yes, right now thing.
- Anish Maheshwari:** Right now there is no such issues, in very first week there were some issues but we have a all organized fleet and we have all operators on the roll. So maybe we would not get stuck just due to the demonetization.
- Praveen Sahai:** So the utilization rate of the fleet is as it is?
- Anish Maheshwari:** Yes, our operations are on move and one more thing I just wanted to clear in front of all of you, because we have a rail so on the railway side we got good volumes, due to the condition on road because there are unorganized players.
- Praveen Sahai:** So basically we are getting enough benefit due to that?
- Anish Maheshwari:** Yes, practically we are hoping that we will definitely get that benefit.
- Moderator:** Thank you. We have the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Just one or two questions, like the Vapi volumes are they as per your expectation or they are a little lower?
- Anish Maheshwari:** As per our expectation if you will tell me, there is really good number, because last whole quarter there were huge rains, Valsadgot flooded 2x. So we just went to the parties and they accept our model. In the rainy season they just chose Navkar, that is good for Navkar, because in rainy season nobody would like to change their operations with any of the operator.
- Shalini Gupta:** Sir, so when the Vapi volumes are so far off, a very small percentage of the overall volumes, and so by say end of financial year 2018 we expect them to be same as JNPT volumes?
- Anish Maheshwari:** So, it really is interesting question, I just wanted to brief you about that. Navkar is having a strength of 20% CAGR from last three or four years, if you will see ports were not doing much and this year also ports are doing the same volumes. So looking forward the volumes, we just hope that we will be on the track.
- Shalini Gupta:** And sir, if you could say how much you transported by railways this quarter by the rail?

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- Anish Maheshwari:** At Vapi or...?
- Shalini Gupta:** No, total.
- Anish Maheshwari:** Total we handled 195 trains last quarter.
- Shalini Gupta:** 195?
- Anish Maheshwari:** Which was in the same quarter last year was 165 trains.
- Shalini Gupta:** And sir, if you could give the import-export split if possible, and also the market share?
- Anish Maheshwari:** Yes, I will give you the import-export mix for this particular quarter. Import was 40.50% which is due to EXIM volumes was very less exports was not done. So our export ratio was 40.5% and import is 59.40-odd. So it is a 40:60 ratio.
- Moderator:** Thank you. We have the next question from the line of Ankur Periwal from Axis Capital. Please go ahead.
- Ankur Periwal:** A couple of things. So first on the Vapi side, so in this quarter we have done around Rs. 3 crores of revenue at Vapi, right, across the 1,200-odd TEUs?
- Anish Maheshwari:** Right.
- Ankur Periwal:** So probably still premature to look at the numbers but realization stands at around 24,000-odd versus 18,500 Q-on-Q. So this 24,000 as I understand is a mix of road as well as rail?
- Anish Maheshwari:** Not yet, it is purely by road.
- Ankur Periwal:** Not rail but the entire end-to-end logistics?
- Anish Maheshwari:** Yes, end-to-end logistics. Because we are not in any kind of railway operations over there in Vapi, this is purely by road.
- Ankur Periwal:** And how will be the export-import mix at Vapi? Last quarter we were very low on the export volumes, if you can help us with the numbers for import and export.
- Anish Maheshwari:** This quarter we have a 25:75 ratio.
- Ankur Periwal:** So 25% for import?
- Anish Maheshwari:** Yes. Around 300 containers a day for exports. So ramp-up will be in a slightly export mode because right now we are focusing first on the chemical hazardous cargo movement side, because there is a good volume. And then afterwards we will be focused majorly on the agro. So we split the marketing team between export as well as import.
- Ankur Periwal:** And we will be addressing chemical hazardous earlier and then probably agro?

- Anish Maheshwari:** Yes, because at the same time because right now due to the rain the crop will be coming in this quarter or next quarter, so we will be more focused right now on the chemicals side because in the rainy season nobody will be going for exports.
- Ankur Periwal:** And the earlier number which you mentioned, 59.4% for import and the balance for export, that is for the aggregate company as like consolidated or it is only for one way?
- Anish Maheshwari:** No, it is consolidated.
- Ankur Periwal:** Lastly, if you can help us with empty volumes, because empty been a trouble.
- Anish Maheshwari:** Yes, last quarter we did empty something around 7,000 TEUs, we did only empty of around 4,400.
- Ankur Periwal:** I am sorry, I missed the number.
- Anish Maheshwari:** Last quarter we have empty volumes which was round 8% of the total volumes, if we compare it is 6,900 TEUs, this quarter we have empty number of 4,400 TEUs, around 5.5%.
- Ankur Periwal:** 4,400 for this quarter and the same number YonY what, 6,900?
- Anish Maheshwari:** Yes. So empty is lesser this quarter. And if you will compare, export is also getting down and at the same time empty number is also getting down, because empty is basically going for export.
- Ankur Periwal:** And the sharp jump in the other OPEX in this quarter you mentioned is predominantly because of the heavy rains due to which there was a higher...?
- Anish Maheshwari:** Yes, because in the rainy season what we will have to do, our operational cost definitely will be higher than the last quarter. On the road position if my truck will usually take a time of 12 hours, in the rainy season it may take 16 to 18 hours. First thing is that. Second thing, operation thing, for that we will have to use other equipments, other accessories for the rainy season.
- Moderator:** Thank you. We have the next question from the line of Prabhat Anantraman from HDFC Securities. Please go ahead.
- Prabhat Anantraman:** Sir, just wanted to know this Vapi volumes that you have put 1,225 TEUs in this quarter, is this fresh volumes at Vapi or is it just shift of volumes from the Panvel to Vapi ICD?
- Anish Maheshwari:** It is fresh.
- Prabhat Anantraman:** These are fresh volumes, so...
- Anish Maheshwari:** There may be TEUs which definitely win order of Navkar, but it is really a very less number, hardly 100 TEUs which will come to Navkar, rest definitely belongs to South Gujarat. Because the client base which we are catering right now, like Karani Papers, and Welspun, they will not be client of mine in Mumbai.
- Prabhat Anantraman:** Okay, so they were not your clients in Mumbai, so they are basically new client acquisitions?
- Anish Maheshwari:** Yes.

- Prabhat Anantraman:** Sir, just wanted to know this land that you are developing...
- Anish Maheshwari:** I just wanted to correct you, we are not going for developing that land, we are just giving the development rights to any other party.
- Prabhat Anantraman:** I will correct myself, the land that we own which is going to be given to somebody else for development purposes, this is part of your Somatane?
- Anish Maheshwari:** No, this is not part of our Somatane land, not even part of our Ajivali land. In fact, Napoli and Dahivali which is just near to Sarivali Indiabulls World project.
- Prabhat Anantraman:** Yes, but this is hardly stone throw away from Somatane I guess?
- Anish Maheshwari:** Yes, from Somatane it may be around 2 kilometers away.
- Prabhat Anantraman:** Sir, just wanted to understand that we have built this capacity that we are doing at Somatane to match ourselves after the CAPEX had happened at JNPT, the first phase one right. So there is an obviously a phase II happening and then there are talking about the new port coming just above Virar and Dhanu, and there are very long-term projects coming up for the container traffic movement. So just wanted to know sir that why would you want to give somebody the rights to develop land, building or a residential project on your land while you could have kept this parcel aside for further capacity expansion in the CFS business itself?
- Anish Maheshwari:** Your question is very well valid, I just wanted to brief you. Right now we have land at Somatane is around 56 acres, out of which we are already using 44 acres only. So we have left land out there in Somatane of around 12 acres, which if we would like to use in the future we have an option and opportunity. Second thing, other than that 46 acre land we have another land parcel of around 11 acres - 12 acres. So we have enough land to catering that market for near future of five to six years. We installed the RTG machines right now which is with the capacity of 550,000 on the Somatane station. It is on the 43 acre, 44 acre land area. If we require in future another RTG machine, if we would like to put, so we have another scope over at Ajivali land. Ajivali, right now we are using wheel-stackers, if there is a capacity build up in future after four to five years, so we have enough land to cater another 250,000 TEUs to 300,000 TEUs additional handling capacity. So from now onwards if I require an additionally 300,000 TEU volume, if we would like to capture all the Vadhva and all the JNPT port which is a story of five to six years, so we have enough space with us. So we had discussion from last 20-25 days on the same thing. After that because this land is situated at near-by of the residential project, so why don't we encash that land, Navkar will never be able to put single penny on that particular land development, we just give the development rights to the other party. And with that money we just repay the loan, that is the core object. Right now there is no such issue with repayment of loan and other things. But the company is having a thought, why leave the 25% outflow year-on-year. And we have an opportunity as well, if there is no land then there is no question to develop that thing. But we have an opportunity in our hand, so why don't we encash that. That is the core idea and that is the core object, there is nothing further thing.
- Prabhat Anantraman:** Sir, just one or two more questions. What was the debt this quarter?

**Anish Maheshwari:** The total debt of my book is around Rs. 444 crores which is bank debt, and Rs. 105 crores is promoters' money. So altogether if we will calculate...

**Prabhat Anantraman:** We have reduced that I guess to what you have paid on this....

**Anish Maheshwari:** Yes, Rs. 550 crores. Because if I will share any development rights to anyone it may take 1.5 - 2 years' time, because if we will look for anyone it may take three, four months' time to finalize. So what we try to do, in the period of time the first objective is the same, again, we just wanted to use that land to encash our proposition, that is the only thing.

**Prabhat Anantraman:** And sir just one last question, now that we are seeing some kind of traction coming at Vapi, so would you be comfortable to give, maybe you would not be able to throw a number for the run rate that you are expecting at Vapi but some kind of guidance where...

**Anish Maheshwari:** Yes, I will just give you the guidance on that. The model is already been accepted from the industry, we have sum of around 150 clients in our list right now, they have a good volume, they really have a handsome volume in that region. So Vapi market is altogether 50,000 TEUs per month right now which is going directly to Vapi, and indirectly which is going via Bhiwandior Kalher which is around another 50,000 TEUs. So altogether there is a market of 12 lakh TEUs, 1.2 million TEUs. Out of which there are 1,250-odd big parties who are having 10 TEUs, 200 TEUs or 500 TEUs volume. I will give numbers like Karani Papersis having 500 containers volume per month, like Welspun is having 100-odd containers volume per month. So there are certain parties in chemical industry, there are several parties we have a good business. With that we have a connect, they start business with us, as if it is like someone is having a 200 containers volume in a month, he just starts with 20 containers right now. And because there is rainy season nobody would like to get any kind of a chance, if there is any problem with office of Navkar then they will completely shut in the rainy season. So they start with Navkar, gradually they will ramp-up their volumes. Once they are satisfied then they will be use... like when we start our Navkar yard one, Navkar Corporation Panvel, in first eight or nine months we had a volume of 1000 containers average. And after getting comfortable with every party, then the first month volume was 9,000 containers. So this is like that, I just gave you the example. This is fair enough to understand. So there are certain things, somebody is having a contract with any other operator for longer term like six month or one year, so how he will give entire volumes to me, he will have to suffice their aim also. And logistics is a sector where you will have to chase parties regularly. So we start our marketing before 15 months. So at the time when we go, once they will be come up with your ICD, now we are going over there they are giving us volumes. So now the ramp-up is in good mood, in rainy season we would not have, we seriously would not have any expectation to ramp-up that kind of volume but we got good share of the market.

**Prabhat Anantraman:** Yes, at this point you come pretty close.

**Anish Maheshwari:** Yes, you just understand because parties will never ship any of the cargo which will make this point. So that is the reason the ramp-up is good, we are hoping that now the order books with 1,225 containers, there are I think 40-odd parties which are connected with me, we are sending another 140 parties and there is a market of around, big players, around 1250 parties. So there is a scope, business is there, volume is there, parties are there, they are just willing to do work with Navkar also, costing wise we are getting benefitted. Earlier we went to the party, some parties are giving us the sense that the cost remains same which will provide earlier operator then we will give the entire brief of the total cost of their

destination delivery. Then they got to understand, there is a marginal difference of 25% - 30%. So these are things which we are addressing every day.

**Prabhat Anantraman:** In your realization that you are charging 24,000 - 25,000, can you give a breakup between what was in this quarter between CFS and transportation?

**Anish Maheshwari:** There is no such breakup right now available with me, this is the composite, per TEU realization 24,120-odd number.

**Prabhat Anantraman:** But can we expect that the realization at the ICD would be somewhat of the same range as you charge for realization at JNPT, say 10,000 - 11,000...

**Anish Maheshwari:** Yes, JNPT may be 10,000 - 11,000 but ICD for near future one year's time, it may be around 23,000 to 24,000 or higher than that.

**Moderator:** Thank you. We have the next question from the line of Pratik Kumar from Antique Stock Broking. Please go ahead.

**Pratik Kumar:** Sir, my first question is, further detail on the Vapi facility. Sir, so what should be the target completion timeline for the rail? As you mentioned that that was impacted earlier, so...

**Anish Maheshwari:** The operations are on track, road operations there is no issues at all. In the rainy season also there is no single event on the road side, there is no single event, everybody is satisfied. So railway side we start our execution work before I think 10 days, so we have already connected with the railways, we already got quotation from the MNC which is the railway authorized company for lying of the track. So the work has already started.

**Pratik Kumar:** So the work is done by Navkar Terminal or work is done by a government authority? I mean, is it under our control or it is someone else's control?

**Anish Maheshwari:** There are three different parties, the execution will definitely be done by Navkar itself.

**Pratik Kumar:** I mean, my question was at what point there is a bottleneck, can it get delayed beyond six months or we should expect by March to conclude?

**Anish Maheshwari:** There may be marginal difference of quarter maximum, because we were having a hope that if the rain got stopped in August itself so we have a hope to start out operations by January. I think October, because I think three months. We start our execution in mid-October, but at the Ganpati time there is heavy rain in Valsad. We started our execution for four - five days then we will have to stop, it was a situation. If there is any external factor which is not in our control we will have to stop. But if everything is going good then probably by March we will have done everything.

**Pratik Kumar:** And sir in terms of Vapi volume only, we did like 1,200-odd last quarter, what would be the sort of run rate in current quarter with October-November almost behind now?

**Anish Maheshwari:** On the same thing, do you want exact numbers of the ramp-up I will get you back by January 15. But I will just give you the fair sense. In last quarter, in first quarter if you will see we have only volumes of 305 containers, in second quarter we have 1,225 containers. So the run rate maybe remain same, we

are trying to chase our numbers, our number in the sense which is our growth rate, that you will have to change.

**Pratik Kumar:** And sir on the cargo mix at Panvel, so is there any change in cargo also which has probably impacted the margins or it is the same 45% agro and...

**Anish Maheshwari:** Yes, it is slightly lesser agro commodity, other cargo movement is much higher in this quarter.

**Pratik Kumar:** Sir so what would be the mix?

**Anish Maheshwari:** Last quarter we had a mix of agro was 43% and hazardous was 14% approximately and rest 43% - 44% was general cargo. In this quarter we have a mix of agro around 40%, 15% hazardous cargo and 45% is general.

**Pratik Kumar:** Sir, so does this product mix change also negatively or positively impact margins or is it same....?

**Anish Maheshwari:** Little bit because we have other commodities which we not do right now, so for product mix definitely 1% of differentiation.

**Pratik Kumar:** And sir one last question on the real-estate part, when do you expect the inflow of the money from that thing to come for the company?

**Anish Maheshwari:** I think we are not much aggressive on that, it might be in your mind. So we just need the approval from the Board now, so we will just find out the various developers, they are just giving good deals then we will finalize who will be coming in as developer. Then we will negotiate with them and then we will come to you what will be the proposition of value.

**Moderator:** Thank you. We have the next question from the line of Abhijeet Vora from Sundaram Mutual Fund. Please go ahead.

**Abhijeet Vora:** I have two questions, one is, this realization and EBITDA per TEU, they are down sequentially, sequentially as in Q1 versus Q2 as well as Q2 last year versus Q2 this year. What is impacting the realization?

**Anish Maheshwari:** There are two, three things, one is the Vapi thing because these are the numbers which are consol basis.

**Abhijeet Vora:** Vapi realization is higher, right?

**Anish Maheshwari:** Yes, so the realization is higher but at the same time Vapi expenditure are 100%.

**Abhijeet Vora:** No, I am talking only about realization.

**Anish Maheshwari:** Per TEU realization?

**Abhijeet Vora:** Yes, consolidated realization last year same quarter Q2 FY16 was Rs. 11,000.

**Anish Maheshwari:** Second thing, as I said on the call, in the rainy season our cost is going a little bit higher and in this particular year there will be huge rains for entire quarter. At that time we will have to, if in a general day

my truck is taking around 12 hours time to catch the vessel on the port side, in this rainy season it was taking around 18 hours time. So, one major reason is the operation. And second thing, in this quarter we just put more equipment and more energy to cater the operations. There are very, very small things like raincoats, we will have to give them the shoes that's the reason these are small, small components which we will have to use in this quarter.

**Abhijeet Vora:** Just two classification, one is, what is the FOREX element in revenue you said?

**Anish Maheshwari:** If we compare it in last quarter...

**Pratik Kumar:** But you charge your customers in dollars, is it?

**Anish Maheshwari:** No, we do not charge, there was loss.

**Abhijeet Vora:** Just in for loss, I am talking about only the top-line, FOREX loss and gain is given as a separate item, so I have separated that, only the top-line I am talking about. For example, this time it is Rs. 87.8 crores, last time it was Rs. 84.2 crores, so the total volumes you have given is 82330 this year, last year it was 76753. So the realizations have declined, Rs. 300 they have dropped.

**Anish Maheshwari:** Per TEU realization?

**Abhijeet Vora:** Yes, that is the reason, just because of as I said the same thing in last quarter, we straight away there is incentive element which was added in our tariff earlier in the import side which most of the shipping lines, I think two or three shipping lines are stock incentive, they directly collect from the parties. Earlier what happens, per TEU realization added incentive value also which we have reduced now.

**Abhijeet Vora:** And agri component is also lower this particular quarter compared to last year?

**Anish Maheshwari:** Yes.

**Abhijeet Vora:** Agri has better realization for you, is it?

**Anish Maheshwari:** Practically not, but sometimes which commodity we are using, like after this rainy season if we will do sugar the realization will be much higher than other commodities of agro, that is basically based on the mix of agro commodities also. If we do cotton, the cotton per-TEU realization is only 6,500, in the sugar side it may be 11,000.

**Abhijeet Vora:** So product mix is also impacting the realization?

**Anish Maheshwari:** The thing which is being impacted.

**Abhijeet Vora:** Secondly, what will be further cost increase at Vapi in the near-term before the volumes ramp-up? Let us say volumes by March will pickup, but in between do you have to see further cost increase at Vapi or this will be the optimal...?

**Anish Maheshwari:** No further cost.

**Abhijeet Vora:** Whatever you have to incur we have incurred, the operating expenditure and all is captured in current market?

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- Anish Maheshwari:** Yes.
- Abhijeet Vora:** Okay, so the difference between standalone and consolidate is about Rs. 3 crores per quarter?
- Anish Maheshwari:** Yes.
- Abhijeet Vora:** About Rs. 12 crores of per year expenses is in Vapi, is it?
- Anish Maheshwari:** Yes, practically.
- Abhijeet Vora:** That is very little right, limited?
- Anish Maheshwari:** It all depends, because per TEU, if we will see out of the 24,126 half of the cost is variable, so in that case whatever the TEUs will handle there the expenditures will be incurred accordingly. But right now the fixed cost we will have to depute administrative staff, we will have to give security. So for a single container or for thousand container it will remain same. However, my ramp-up will gradually upgrade, at the same time my fixed cost will be doing diluted.
- Abhijeet Vora:** That is coming only about Rs. 5 crores - Rs. 10 crores per year, not more than that, Vapi?
- Anish Maheshwari:** It depends, if my ramp-up tomorrow, I will give you a hypothetical example. If we did around 9,000 containers in December in that case my fixed cost will remain same but my variables will be variable. So it all depends. More and more volume which we will utilize our capacity, the fixed cost will go down and variable will remain...
- Abhijeet Vora:** Last question, now that you are again further progressing on CAPEX what will be the peak debt? Right now it is about Rs. 550 crores including promoter's debt.
- Anish Maheshwari:** We are not going for any CAPEX.
- Abhijeet Vora:** No, by completion of the current CAPEX itself, what will be the peak levels of debt, next year probably?
- Anish Maheshwari:** Additionally I have a Rs. 70 crores debt which is not drawn on by Navkar Terminal ICD. At the same time when we utilized that Rs. 70 crores, at the same time my repayment may be around Rs. 20 crores. So it reaches at maybe around Rs. 550 crores at any time.
- Abhijeet Vora:** Yearly repaying Rs. 20 crores?
- Anish Maheshwari:** Yearly repayment right now is sum of around Rs. 70 crores per year.
- Abhijeet Vora:** Repayment is Rs. 70 crores and you will draw Rs. 70 crores?
- Anish Maheshwari:** Rs. 80 crores per year. So in the next five months we will additionally take Rs. 60 crores which is not used for ICD, railway side. At the same time, in next six to five years we will repay around Rs. 40 crores - Rs. 45 crores odd. So the debt level remains same, hardly there will be difference of Rs. 10 crores to Rs. 15 crores.
- Madan:** I have some additional questions, Madan here. First on the Panvel side have we finished with our investments there, the RTGs?

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- Anish Maheshwari:** RTG machines, we already put five RTGs, one is there which will be before 15th of December, erection is going on. But the entire work is done.
- Madan:** Got completed?
- Anish Maheshwari:** Yes.
- Madan:** Are you seeing benefit of that, the volume in this quarter was lower so that is because of monsoon you are saying?
- Anish Maheshwari:** Yes, that is because of monsoon. But by this quarter as per the rain crop is good, so exporters are already coming to us. So in this quarter definitely we will get some kind of benefit of that.
- Madan:** Same growth compared to same period, say October-November period last year?
- Anish Maheshwari:** Right now I do not give any kind of sense to you, but we are on the growth side.
- Madan:** And on the Vapi front you are saying current run rate, what will be your exit run rate for the current year like last say quarter or month, what sort of volumes per month you should be doing?
- Anish Maheshwari:** At Vapi?
- Madan:** Yes.
- Anish Maheshwari:** In first quarter we did 305 containers.
- Madan:** Yes, I know the volumes now, I am just asking like what sort of numbers you will be doing, your expectations in say Q4 or something.
- Anish Maheshwari:** Q3 or Q4?
- Madan:** Q4, what will your targets?
- Anish Maheshwari:** Madan, we have expectations of good growth on numbers because we are restricted we would not give any kind of a sense to you on that number. But it is definitely good, if you will compare quarter-to-quarter first quarter was having only 305 container, second quarter is having 1,225 container. So the business houses are accepting Navkar's model. So it is all about the ramp ups, how they ship their containers to us.
- Madan:** At what point Vapi will breakeven for you?
- Anish Maheshwari:** One usage around 50% of our capacity utilization.
- Madan:** That is what is the PAT breakeven is it, cash breakeven?
- Anish Maheshwari:** Yes, correct. Once we will reach 2 lakh containers then the breakeven will be there.
- Moderator:** Thank you. We have the next question from the line of Manish Goel from Enam Holdings. Please go ahead.

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- Manish Goel:** Anish, if you can just give us the sense on the development of the logistics part, the warehouses and other things, how is it progressing?
- Anish Maheshwari:** 65% development had been done till September, rest will be completed by December itself. So the cold storage and agri equipment, everything is there only.
- Manish Goel:** So everything will be complete by December?
- Anish Maheshwari:** Yes, we are trying to get by December. But the work is done already.
- Manish Goel:** And on empty, Anish, can you give me the volume for first half what was it and comparable number for first half last year?
- Anish Maheshwari:** If we calculate, the particular first half was around 11,330 containers empty or half used.
- Manish Goel:** As compared to...?
- Anish Maheshwari:** See, we right now not have the empty numbers, but I will share after the call. It will be a little bit lesser than that, because in last year there is no such volume of empty movement.
- Manish Goel:** No, because for Q2 last year you gave 6,900 as the empty volume, so that was one thing. During Q1 call you gave the empty number for Q1 as 5,300, now the total number is coming to be much higher.
- Anish Maheshwari:** 6,900 I gave last quarter. I just gave the number, 6,900 altogether per-MTU movement, which was around 8%. Just check with me, I do not have any issue, after the call you call me again, I will have all numbers with me.
- Manish Goel:** And on the land development, Anish, we would not be doing any investment from our side, right?
- Anish Maheshwari:** No, single penny Navkar will not spend....
- Manish Goel:** And what is amount expected say maybe over the period of next three to four years, what kind of amount can be expected from this land parcel?
- Anish Maheshwari:** Sir, I will just give the fair sense on that. Right now we have 45 acres land which can be used for developed. Generally in this market I think so three FSI is permissible I think so. So after development if somebody will share with me 30% or 40% or 50%, that maybe the number, but the conservative side if you will see, I will just give a fair sense. If we have got around 20 lakh square feet area with us to salable area with Navkar as share of that developer deal, so it maybe on the rate of Rs. 3,000 per square feet, Rs. 600 crores maybe come to Navkar book. This is the calculation which we discussed in our internal committee.
- Manish Goel:** So 20 lakh square feet is your share you are saying?
- Anish Maheshwari:** Minimum. 45 acres land if we calculate, the total lot of per square meter is around 19,57,000 square feet.
- Manish Goel:** So basically roughly 58 lakh square feet development can happen?

- Anish Maheshwari:** No, not like that sir. Whatever land you have, as per our discussion with our internal team or the operational team, if we have a plain land of 45 acres and if there is a three FSI permission that we will get any kind of developer and out of which if Navkar will be on 50% of the share... I am just giving a hypothetical example, with that whatever number may come and out of which the usable area may be around 20 lakh square feet, so if we will sell it out on Rs. 3,000 square feet rate Navkar will get around Rs. 600 crores on the books.
- Manish Goel:** Without any cost?
- Anish Maheshwari:** Without any cost. It may be over the period of three or four years, maybe around two or three years. That is the only reason, we just want to encash that land, that is the thing and we will get that.
- Manish Goel:** So the basic premise is you should get 50% of the development right?
- Anish Maheshwari:** No, we just share the development rights which we have idea of 50% right now.
- Manish Goel:** 50%, yes that is what, your expectation is 50% which is equivalent to 20 lakh square feet?
- Anish Maheshwari:** Approximately, yes.
- Moderator:** Thank you. We have the next question from the line of Mukesh Saraf from Spark Capital. Please go ahead.
- Mukesh Saraf:** Most of my questions are answered, just had one thing. You had announced recently about the land lease payment to central railways, so in July you had mentioned that you have agreed to pay an amount. So is that part of this quarter results?
- Anish Maheshwari:** But actually which was earlier paid.
- Mukesh Saraf:** But there is nothing that you have paid one-time.
- Anish Maheshwari:** No, what happens we have a litigation with central railways and we paid money sum of around Rs. 4 crores which under protest and the court order was in the favor of Navkar, railway was having a total liability sum of around Rs. 9 crores, plus interest and it may be around Rs. 13 crores - Rs. 14 crores. Against that we paid Rs. 4 crores under protest. And by that award board decided we will have to pay only Rs. 3.5 crores approximately. So we have a Rs. 50 lakh advance with railway right now. So we do not give any kind of money to railway this quarter.
- Mukesh Saraf:** And second thing is, like you have mentioned about the impact on our operational cost, we are seeing that our other expenses have gone up QoQ. Would there be any way you can quantify what will be a non-recurring expense because of the rains, is there something that you can say in terms of a broad number?
- Anish Maheshwari:** Two things, like I was giving sense on the call also, we will have to give all employees raincoats, these are very, very micro things, we will have to give them rainy suites. So there are several things which is really very micro.
- Mukesh Saraf:** But sum total number can you say which is not recurring from this?

- Anish Maheshwari:** On the numbers end, I will share you after this call.
- Moderator:** Thank you. We have the next question from the line of Dixit Mittal from Subhkam Ventures. Please go ahead.
- Dixit Mittal:** Sir, you mentioned that you are doing at Vapi business with around 40 parties right now and you are getting around 1,200 per month if we take the last quarter's volumes. So sir, what is the potential that how much ton this container parties are currently doing with other logistic operators that you may get some share of?
- Anish Maheshwari:** Approximately as we got the sheet from our marketing team, with those 40 parties they are having around 8,500 containers per month and we are just right now having a negotiation with the 140-odd parties on the same reason.
- Mukesh Saraf:** And sir, have you got any commitments like just a ballpark estimate like how much volume they will be willing to shift?
- Anish Maheshwari:** No, we would not get any kind of specific commitment but we are chasing them, because if someone is using my services and he is having a hundred containers volume and right now he is giving me 10 containers, we give them better solution and better services. So now they are giving me 10 to 20, this is like that only. So I will have hundred containers 100%.
- Mukesh Saraf:** And sir, tax rate for first half is only 11% versus 15% - 16% if we compare with last two, three years, so any particular reason or will it normalize in next second half/
- Anish Maheshwari:** Yes, it may normalize, we will have to look the entire business model of Navkar on yearly basis. Because sometimes like last whole quarter was heavy rain this is an excellent factor. But the export and import volume will never be stuck because the quarter will compensate by this quarter. There may be some impact of demonetization, but not much I think so.
- Mukesh Saraf:** And sir after this installation of RTGs, have we seen the pickup in the run rate in terms of monthly volumes at Panvel?
- Anish Maheshwari:** Towards that, the market is same, parties are same. For parties RTG is not making much sense, this is really for me to ramp-up our capacity. So we are going to the market, the last RTG will be installed in this December month the we will full fledge go to the market and tell them, because there may be difference of cost another 1% to the party. So we will give them the value of the cost and then afterwards the ramp-up will happen. That is our core idea, our marketing team is going to them and tell them we have just a put RTG machine, our operations may be slightly fast.
- Moderator:** Thank you. We have the next question from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** Sir, just wanted to get a clarity on the incentive side, so as you said that earlier we used to account the incentives on our realization as well and which is now tapering off and we are not including in our realization basically.

- Anish Maheshwari:** No, not like that. What happens, earlier there were models in that the incentive was the component of my total tariff. In this particular half year what happens that some of the shipping lines stopped the incentive consent. At the same time my incentive is a little bit less and if we will see compared to last year.
- Chintan Sheth:** So it is basically getting off from our revenue as well as on expenses side that...
- Anish Maheshwari:** Yes, that means the numbers are on the same side, it will affect on the costing side also, so there may be impact of both sides.
- Chintan Sheth:** Are we going to see any further tapering of that model with other shippers or this is what we are looking at?
- Anish Maheshwari:** No, this is for everyone.
- Moderator:** We have the next question from the line of Sunil Jain from Nirmal Bang Securities. Please go ahead.
- Sunil Jain:** Sir, this is regarding the interest cost and depreciation which are coming in this result. So since our project have started, so are we factoring in full interest or depreciation or some portion is still needed to capitalized?
- Anish Maheshwari:** No, it is all based on the working capital cycle. If I have money already capitalized because the project is going on, so whatever proposition which we will capitalize, on that we will charge interest on our P&L, depreciation also.
- Sunil Jain:** So what about the Vapi ICD?
- Anish Maheshwari:** The major is right now with WIP only. It will be by March.
- Sunil Jain:** So this year it will be more of running like this and then next year it can be?
- Anish Maheshwari:** Yes, correct. But the depreciation side I just wanted to brief you about that, because in our project the land development position is much higher, depreciation component is very less.
- Sunil Jain:** Yes, but the interest need to increase.
- Anish Maheshwari:** Yes, interest definitely will be there.
- Sunil Jain:** Thank you. We have the next question from the line of Rakesh Vyas from HDFC Mutual Fund. Please go ahead.
- Rakesh Vyas:** Can you give what is the incentive paid this quarter?
- Anish Maheshwari:** Amount?
- Rakesh Vyas:** Yes.
- Anish Maheshwari:** Rs. 12.48 crores.
- Rakesh Vyas:** Which was broadly same as last quarter?

- Anish Maheshwari:** Yes, numbers are a little bit higher in the last quarter.
- Rakesh Vyas:** So why is that we are seeing this decline in the margins per TEU at Panvel also, because I understand some portion...?
- Anish Maheshwari:** Are you are talking about the margins?
- Rakesh Vyas:** Yes, margins. I am saying when I look at per TEU margins at Panvel adjusting for all this, it seems to be declining. So any specific reason for that?
- Anish Maheshwari:** As I think you may recall a little bit later, in this quarter there are two reasons, one is, as heavy rains my regular expenditures are definitely high. If you will compare my cargo handling services from last quarter, it is little bit higher and at the same indirect expenditures. Due to heavy rain some kind of expenditure which is not on the recover basis. So which has definitely has impacted my per TEU profit margins.
- Rakesh Vyas:** And I think someone else asked this question, realization per TEU also on quarter-over-quarter seems to be declining at Panvel. So because I think the incentive and all got adjusted last year itself, so first quarter is more or less comparable to second quarter this year and therefore we are seeing a realization decline also, despite MTs being lower than first quarter. So I am just wondering as to why it should happen like that.
- Anish Maheshwari:** Because there are certain commodities which we were not doing earlier. On the same point, I think I will give the answers on the same line. It all depends on the commodity mix also.
- Rakesh Vyas:** So hazardous will actually increase, right?
- Anish Maheshwari:** Hazardous is for what, it is only 1% but rest exports which was earlier last year if you will see there was sugar exports, and this time there is newspaper is exported. It all depends on the commodity mix. So you will have to calculate my number on the yearly basis, per TEU realization as well as the comparison of the last year. In this particular quarter if there is a good agro and sugar will not be there, at the same time other commodities like soya and etc will not have any kind of dip, then the margins will be pretty good. It all depends on the commodity mix also.
- Rakesh Vyas:** And the full year tax rate we expect to be closer to 15% - 16% right, is that a fair assumption?
- Anish Maheshwari:** Yes.
- Moderator:** Thank you. We have the next question from the line of Prabath Antraman from HDFC Securities. Please go ahead.
- Prabhat Anantraman:** Sir just want to have some more clarity on this incentive structure. Can you just explain to us like what is the difference in accounting that you are doing between the previous...?
- Anish Maheshwari:** There is no accounting difference, there is no impact of IndAS. What happened, earlier shipping lines were taking incentive from me, at the same time we are charging the incentive which is part of my tariff which what we saw in this particular year. Some of the shipping lines stopped the incentive structure who directly take their money from the party as a freight forward.

- Prabhat Anantraman:** I mean, I am sorry but I do not understand, so incentive is basically a kind of fee that you give the shipping line for them to choose you as business partner?
- Anish Maheshwari:** Right, so they give us the job.
- Prabhat Anantraman:** But then why would now the parties as it is obligated to work with the shipping line, so why would they kind of give the incentive to the parties?
- Anish Maheshwari:** Earlier we just gave them the solution because what happens shipping lines start with me on per TEU basis, how many TEUs they give me that we will have to give them. Some of the shipping lines just stopped the incentive method. There are certain reasons, not only the CFS reason, there are certain reasons due to that incentive structure middle part is called CHA they just take that money from the party and not give it to CF. So that is the reason we are stranded, they just give them the entire structure for this rate and other commissions. So we are just the facilitator for them. Why they stopped? That question you will have to pass to the shipping lines.
- Prabhat Anantraman:** So in this quarter that 81,000 volume that we turned from JNPT, what percentage of those TEUs had the incentives? We are not doing that calculation?
- Anish Maheshwari:** We are not doing that calculation
- Prabhat Anantraman:** And just one more question sir, so this impact of demonetization is believed to have heavily impacted the truckers in the industry, so you are doing your Vapi volumes is purely on the basis of trucks, we are yet to start rails and I think by the end of this year you would have done your first rail volumes. So even for the next two quarters it is purely going to be trucks lead volumes for you. So how is this impacting your logistics business from Vapi to JNPT and how are you looking at this?
- Anish Maheshwari:** Practically there is zero impact because our entire fleet is organized, we have operator on our board. Day one when the demonetization happened, same day we just went to State Bank of India and requested them for ATM machine. Rather than we are waiting for anything for good news or anything for demonetization we just started execution on that side. Like already in this last 15 - 20 days we opened sum of around 200 additional accounts of new fleet operators. For us we paid them salary via cheque or direct RTGS. We already started before a year due to that petrol payment diesel and fuel payment directly to the diesel vendor. So he was issuing the receipt on each and every truck, the receipt going to the diesel vendor and they will fill the fuel, which we started earlier, I think 1.5 year back. So our entire operation right now is having a very less requirement of cash, very less which is just for toll which is now we would not have to pay the toll. Second thing is the dearness allowance which we just remit to their accounts. So this situation has practically not impact our business operations.
- Moderator:** Thank you. We have the next question from the line of Shalini Gupta from Quantum Securities. Please go ahead.
- Shalini Gupta:** Just wanted to check something you have already said. So basically we have 12 acres free at Somatane which remains with us. And we have another 11 acres Ajivali which again remains with us, is that so?
- Anish Maheshwari:** Yes, it is open land.

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- Shalini Gupta:** Yes, but that remains with us?
- Anish Maheshwari:** Yes, that is on the books of company.
- Shalini Gupta:** And 12 acres at Somatane still remains with us?
- Anish Maheshwari:** It is not right now used actively for CFS operations, the main use of parking and everything else. But if you would like to develop that land and use for the other operations, we will use.
- Shalini Gupta:** So 12 acres at Somatane which we are not using right now will be used for land development as and when possible?
- Anish Maheshwari:** Yes. This will be same as activity land development. CFS related activity if we require, we can definitely use that land.
- Shalini Gupta:** So 12 acres and 11 acres, that is the land that we have right now?
- Anish Maheshwari:** Yes.
- Shalini Gupta:** And will be available for the next three, four, five, seven years?
- Anish Maheshwari:** Yes, whenever we will require we will definitely develop that land.
- Moderator:** Thank you. We have the next question from the line of Chintan Sheth from Sameeksha Capital. Please go ahead.
- Chintan Sheth:** I heard the explanation and you mentioned that the change is because both on the mix side as well as the change on the incentive structure side which lead decline in the realization on QoQ basis. Sir, on the land side you mentioned that you expect net inflow of around Rs. 600 crores, if everything goes as per your expectation.
- Anish Maheshwari:** This is our minimum expectation.
- Chintan Sheth:** Minimum expectation from your end over the next three, four years. So this one as you said will be used to reduce the debt level, which include the promoter side right?
- Anish Maheshwari:** Yes, correct.
- Chintan Sheth:** So the demonetization will help to repay the promoters as well as external lenders?
- Anish Maheshwari:** Correct.
- Chintan Sheth:** Andsir on the Vapi, we are expecting the terminal starting by March, i.e. expected?
- Anish Maheshwari:** No, already started.
- Chintan Sheth:** Not rail terminal.
- Anish Maheshwari:** Rail terminal, yes, it may start by March end.

- Chintan Sheth:** And sir on the demonetization, as you said you explained that cash requirement at your end for the operations, but have you seen any demand tapering from your client side, because their working capital has been impacted because...
- Anish Maheshwari:** Yes, slightly there is a difference, there is a variation but at the same time we got understanding from the market, even the small players are going in the consolidation mode but they just find out a way how to deal with that kind of a situation. So what happens, in early period by 15<sup>th</sup> of December we hope that we just got clarity on all demonetization thing, but operation wise there are two things, because Navkar is having a rail so we would not be impacted much. They will find out the solution whoever is the organized player right now into the industry. Let me give the example, if someone is having export of onions, if right now he is dealing with unorganized operator, would he stop the operations? No, he will definitely find out the solution from the market. If someone is organized and he is just ready to cater that operation, definitely we are going to him, but he will not stop his exports. Like in Gujarat first three or four days in APMC there is no transaction, but now if you will go to APMCs the transaction has already been started.
- Chintan Sheth:** But for the future side we are talking to many of the chemical manufactures of the south Gujarat belt and they are facing a stiff situation right now.
- Anish Maheshwari:** Yes, definitely. But what I just told you, there is the timing issue. But the export or import maybe stopped if there is a demand of chemical in Gulf Countries. I will just give you a hypothetical example, if there is a demand of agro commodities in Far East, so what happens, somebody will export that, he may be the organized player but export should not stop.
- Chintan Sheth:** So it may be those would not be able to do.....
- Anish Maheshwari:** Yes, they will do the business.
- Chintan Sheth:** So that way you have not seen any kind of volume tapering of both two weeks of demo?
- Anish Maheshwari:** Yes, right now not. We got the fair sense, after 15th of December.
- Moderator:** Thank you. We have the next question from the line of Dheeresh Pathak from Goldman Sachs. Please go ahead.
- Dheeresh Pathak:** Anish, the ICD at Vapi will be operational by when?
- Anish Maheshwari:** Railway?
- Dheeresh Pathak:** Yes.
- Anish Maheshwari:** As I told you on the call, we are expecting that by March end.
- Dheeresh Pathak:** Any more land in the company which is similar to the 45 acres that we are planning to go through?
- Anish Maheshwari:** No, nothing. This is the parcel, at the IPO time there is a capital commitment which got title in last year and the all title clearance in all document comes to us before two or three months. So we are having a

discussion on that and find out the various ways. The way which we take approval from the Board is very appropriate form any of the company's team.

**Dheeresh Pathak:** No, that I understand. I am saying any more land which is of similar nature which might be there so you can tell us now so we know that.

**Anish Maheshwari:** Yes, I got your point. There is no further land.

**Dheeresh Pathak:** And earlier in the call you gave some number on logistics park, Rs. 480 crores of project and 65% complete, it is different from what I earlier had.....

**Anish Maheshwari:** No, total number if you want to write it down, capacity enhancement of proposed RTG machines...

**Dheeresh Pathak:** RTG I know, just form the logistics park...

**Anish Maheshwari:** Logistics park total establishment cost of Rs. 314.56 crores.

**Dheeresh Pathak:** It got revised to Rs. 270 crores?

**Anish Maheshwari:** Yes, I will just give you the total numbers, it got revised to Rs. 269.25 crores out of which we incurred Rs. 140.62 crores till September. So remaining was Rs. 128.63 crores.

**Dheeresh Pathak:** So what is that number, Rs. 480 crores you said earlier in the call, what was that?

**Anish Maheshwari:** It was in totality, Rs. 483.34 crores was proposed total IPO money utilization. Out of which revised cost of Rs. 79.89 crores was capacity enhancement, Rs. 46.92 crores is for non-notified area development, Rs. 269.25 crores is logistics park and Rs. 87.28 crores is for repayment of debt.

**Dheeresh Pathak:** So the balance Rs. 138 crores on logistics park will get done in this fiscal year FY17 or...?

**Anish Maheshwari:** Yes, work had already been done Dheeresh, we are just making payment after few days or 10 - 15 days, at the end of December.

**Dheeresh Pathak:** And on ICD the total project cost was Rs. 380 crores?

**Anish Maheshwari:** Rs. 379 crores.

**Dheeresh Pathak:** Yes, so almost Rs. 380 crores, so how much have we done on ICD side?

**Anish Maheshwari:** ICD side we have left around Rs. 90 crores only.

**Dheeresh Pathak:** That is mainly on the rail side, right?

**Anish Maheshwari:** Yes, mainly on the rail side.

**Dheeresh Pathak:** And you said some shipping lines have stopped taking incentives, then they are giving us business without any incentive from us?

**Anish Maheshwari:** Yes. What they did, the problem is what you know because this is a question which has again and again come into the same call, I will just give you the brief that why the shipping lines stopped that

methodology. What happened, in last one year there are certain people they may have CST license and anything else. They took delivery directly from the port under PN69, Public Notification 69. So in that what happened, shipping line got impacted their entire volume from the CFSs, and that is the reason they stopped the incentive taking from CFS, then they start directly to the party in the ocean freight. If you heard about I think two or three months back, Maersk suspended three or four people just involving in that kind of activities. What they did they directly negotiated the party as a CHA and they delivered from any of the CFS on behalf of shipping lines. So that is the reason the shipping line just revised their entire tariff and their entire procedural things. It is like that, Dheeresh, some one or two people of Maersk line, as I have a I have understanding from their point of view, they were just discussing with CHA directly and deliver directly to the party, that was the issue. That is the reason the shipping lines just stopped, most of the shipping lines. In that case what happened, because why shipping lines come to Navkar because they have additional volume mix, if they would not get end exports from any of the party then the empty will move directly to the port. In that case the incur losses of ocean freight. So that is the reason any of the time...

**Dheeresh Pathak:** So other companies you are saying incentives are going up, nobody has mentioned that incentives have been completely scrapped by some companies.

**Anish Maheshwari:** No, no there are various shipping lines, I will just give the example of NYK. NYK stopped the incentives. There are few more shipping lines, the stopped the incentives.

**Dheeresh Pathak:** But we thought it was an important source of earning stream for them, so why would they stop it?

**Anish Maheshwari:** As I said, because what happens in the case of direct delivery what happens, PN69, CHA will take direct delivery to any of the CFS, the shipping line having knowledge of incentive, at the same time we would not get the exports. They were also having knowledge of ocean freight. So what they did, some of the shipping lines looking for major things of the ocean freight and stopped the incentives, which was earlier mentioned by us, there are three - four shipping lines that directly stopped the incentives.

**Moderator:** Thank you. We have the next question from the line of Parikshit Kanpal from HDFC Securities. Please go ahead.

**Parikshit Kanpal:** I just wanted to know, suppose if we chose a developer A and will this project be marketed totally by developer A or our name will also figure in that?

**Anish Maheshwari:** No, totally it will be definitely going via developer only.

**Parikshit Kanpal:** And what happens to your 2 lakh square feet which you get, so who sells that, developer A only sells that or you would be selling it?

**Anish Maheshwari:** No, developer may be giving directly to Navkar.

**Parikshit Kanpal:** So then you will be selling these apartments directly?

**Anish Maheshwari:** Yes, we will be definitely selling that apartments.

**Parikshit Kanpal:** That will go in your name?

- Anish Maheshwari:** Yes, the industry standard whatever will come up, this is only the approval, there are various options that we will have to figure out.
- Parikshit Kanpal:** Why cannot we go for a profit share instead of a free sale area share where in your name you would be selling...
- Anish Maheshwari:** That is why I am telling you, there are four or five possible various ways. What will suit us, what will be good for company, what will be giving much profits we will evaluate that proposition and then get back to the market.
- Parikshit Kanpal:** Is it like we are testing the real-estate sector with this project and we will have more projects coming up in future wherever we have vacant land or unutilized land we will be putting in real-estate monetization?
- Anish Maheshwari:** No, our core object, as we said earlier on every call and our management will be only in the CFS side. So first of all whatever money we have been gaining by that particular deal we will use that money first to repay the loan, secondly, we will definitely see the other opportunity on the CFS or ICD line.
- Parikshit Kanpal:** Why don't you sell the land directly?
- Anish Maheshwari:** See, today if we would like to go and sell the land the margin may be very less.
- Parikshit Kanpal:** Actually I also track real-estate here at HDFC Securities, so whatever little sense I have on the market, so Panvel is...
- Anish Maheshwari:** If someone is giving me good rates, if tomorrow my mean of Rs. 10 crores per acre, is someone is coming to me and tell me I will straight away give you Rs. 450 crores, I am willing to do. So there are various methods, that I said you again and again, there are various method. If somebody will suffice whatever we want as a company which will be much profitable, that option we will definitely chose.
- Parikshit Kanpal:** No, I was just coming from the side that the project which is Indiabulls is still highly oversupplied and if you take a construction risk is taken by the developer but eventually the sale...
- Anish Maheshwari:** Sir, you just give me the idea about that, today the land which is no use for me stands with me today, what I will have to do with this land in next five years.
- Parikshit Kanpal:** I mean when you had acquired this land you would be having some sense that you will do something with this land right, some business plan would have been there. So now if you are diverting this towards real-estate then...
- Anish Maheshwari:** We are not diverting to real-estate, we are just taking the opportunity in our mind to encash that opportunity. So Navkar is not going into real-estate.
- Parikshit Kanpal:** So this will be just to the first and the last project we are doing basically in this segment?
- Anish Maheshwari:** Yes. We are just demonetizing the land use and encash the opportunity, that is the core idea.
- Moderator:** Thank you very much. That was the last question. As there are no further questions, I would like to hand the conference back to Mr. Viral Shah for any closing comments.

**Navkar Corporation Limited**

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- Viral Shah:** Thank you, everyone, for participating in the call. I specially thank the management of Navkar Corporation Mr. Anish Maheshwari for giving us the opportunity to host the call. Thank you, Anish.
- Anish Maheshwari:** Thank you so much. Thank you for giving this opportunity, Viral.
- Moderator:** Thank you very much. With that, we conclude this conference. Thank you for joining us, Ladies and Gentlemen. You may now disconnect your lines.