# "Navkar Corporation Limited
# Q2 FY2020 Earnings Conference Call"

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**Moderator:** Ladies and gentlemen good day and welcome to the Navkar Corporation Limited Q2 FY2020 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Anish Maheshwari, CFO. Thank you and over to you Sir!

**Anish Maheshwari:** Good afternoon and very warm welcome to everyone present on the call. Along with me, I have Strategic Growth Advisors our Investor Relationship Advisor and from my team Mr. Salil Jain and Kunal are there with me. We have uploaded our Q2 FY2020 investor presentation on the stock exchange and also on the company's website. Firstly I would like to start with talking about the current industry scenario. The economic situation has not improved as we had expected. The environment has not been conductive for the trade and that is visible in the EXIM data. The container movement data at major ports has continued to show a degrowth for this quarter as well. JNPT has been impacted from this decline in volumes which is also reflected in volumes of our Mumbai CFS. However our volumes from Vapi ICD continued to grow and we have been able to achieve a run rate of more than 10000 TEUs per month. The rail container volumes for the industry have also had a degrowth this quarter. Secondly, talking about the new corporate tax again, in the past we had claimed the 80IA benefit for the Maharashtra facility for 10 consecutive years which ended in FY2018, FY2019 and have a MAT credit of Rs.115.62 Crores. Once this MAT credit is fully claimed the company has decided to opt for the consistent tax rate of 25.17 under section 115BAA as there is more benefit than exercising the 80IA for the Gujarat fertility and it also saves company's further legal expense. Starting with the financial updates of the Q2 FY2020, revenue for Q2 FY2020 is Rs.130.5 Crores which is degrowth of 4% on the sequential basis and improvement of 16% on a Y-o-Y basis. The degrowth has been due to 9% drop in volumes Q-o-Q but the average realization has improved by 6% thus restricting the revenue drop.

The operating profit of Q2 FY2020 has decreased by 2% on Q-o-Q basis but improved by 50% on a Y-o-Y basis to Rs.41 Crores. In terms of operating margins, we were able to improve our margins to 31.3% resulting from an increase in per TEU realization and prudent cost measures. The net profit for Q2 FY2020 is Rs.10.1 Crores, which de-grew by 12% on a substantial basis, but increased by 207% comparative to last year. Revenue of H1 FY2020 is Rs.267 Crores, which is an improvement of 17%. The growth has been on back of 12% increase in volume and 5% increase in realizations per TEU. The operating profit has increased by 8% but the margin has dropped slightly to 31% and net profit de-grew by 36% but it is mainly due to 80IA deduction taken till last year.

Now moving on the balance sheet, due to current liquidity squeeze being faced by economy we are currently facing delay in payment which is visible from the increase in receivables as on September 2019 as compared to March 2019. We are working tirelessly towards bringing it down by working closely with the customer in these difficult times. During H1 FY2020, we have incurred a CapEx of around Rs.60 Crores towards railways infrastructure on the borrowing from

Rs.50 Crores, we have a total borrowing of Rs.414 Crores against net worth of Rs.1776 Crores as on September 2019 which gives us a comfortable debt to equity of 0.24X. The volumes of Q2 FY2020 de-grew on a substantial basis by 9% to 97,004 TEUs while improved by 5% on Y-o-Y basis. Volume at Mumbai CFS saw a dip of 17.1% to 64,102 TEUs in Q2 FY2020 compared to last quarter and 9.4% on a Y-o-Y basis. The major dip comes from the exports volume which saw degrowth by 23% to 24,539 TEUs on Q-o-Q basis and 28% on Y-o-Y basis. The imports showed a growth of 7% to record 32,639 TEUs on a Q-o-Q basis and 8% on a Y-o-Y basis. Domestic volumes were also affected with the ongoing slowdown to a record 6924 TEUs, de-grew by 53% on Q-o-Q and improvement of 8% on Y-o-Y basis.

Vapi continued to show consistent growth trajectory. The volumes for Q2 FY2020 were 32,902 TEUs, a growth of 10% on Q-o-Q basis and 51% on a Y-o-Y basis. The Vapi volumes were mainly driven by the import volumes. Import volumes grew by 6% on Q-on-Q and 69% on Y-o-Y basis to 22,352 TEUs. Export volumes were 9227 TEUs, improvement of 23% on Q-o-Q basis and 7% on a Y-o-Y basis. The domestic volumes were flat to come at 1323 TEUs.

On the PFT side, the total train handled for the quarter was 452 trains, which was higher by 24.2 as compared with Q1 FY2020. Mumbai handled 139 trains, an improvement of 18% Q-o-Q and 34% on Y-o-Y basis, while Vapi handled 303 trains that grew by 27% Q-o-Q and 57% on Y-o-Y basis. For the half year, the total volumes increased by 12% to 2,04,122 TEUs. Volumes at Mumbai CFS saw a slight dip of 2% to 1,41,380 TEUs. Exports volume de-grew by 22% to 56,405 TEUs. The imports saw a degrowth of 3% to record 63,214 TEUs. Domestic volumes are 21,761 TEUs. A growth by 239%. Vapi volumes increased by 60% to 62,740 TEUs. Imports volume grew by 107% to 43,372 TEUs. Exports volume were 9227 TEUs, de-grew by 8%. The domestic volumes were 2663 TEUs. The total train handled for the half year increased by 83% to 798 and Mumbai handled 257 trains, a growth of 13% while Vapi handled 541 trains, an increase of 160% all together.

Now we can open for the Q&A session.

**Moderator:** Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, you may press "*" and "1" on the touchtone telephone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Sachin Kasera from Swan Investment. Please go ahead.

**Sachin Kasera:** Good afternoon and congrats for a good set of numbers. My question was regarding this reduction in Mumbai volumes. Is it mainly because of the slowdown of economy or is it because of the heavy rains that the operations were affected?

**Anish Maheshwari:** Majorly because of economy. Rains maybe having an impact, but it is not just because of rain, economic slowdown is the biggest thing.

**Sachin Kasera:** But at the same point of time in case of Vapi we have seen a Q-o-Q improvement, so is it that in Vapi despite the slowdown we are able to gain market share and we are able to show volume improvement over June quarter and Mumbai the impact was more, if you could just explain?

**Anish Maheshwari:** If you see, in Vapi also there is no export improvement technically, but the market share which we have gained, if you will ask me we are getting market share from the other parties.

**Sachin Kasera:** We were stabilizing around 75,000 to 76,000 TEUs per quarter in case of Mumbai and this quarter there is a very sharp drop of 64,000, so should we say that now at least for sometime this is the new way that we are looking at 65,000 to 66,000 TEUs for Mumbai?

**Anish Maheshwari:** I can say exports market from this quarter onwards are a little positive comparative to last quarter. Many commodities were opened for export, so various options of exports, so that maybe giving a positive sign for this quarter itself. In the last quarter itself September month was very bad. Month-on-month July and August were very good comparative to last quarter, so I am thinking that problem for that particular September may be due to certain events, there may be issue of heavy rain from September onwards, there may be certain issues with Chinese year ending, so that may have impacted my volumes for that particular quarter, but we are slightly seeing improvement in this month.

**Sachin Kasera:** Okay, secondly you mentioned about some improvement in realization. Is it mainly at Vapi or both Vapi and Mumbai you saw improvement in realization?

**Anish Maheshwari:** Both the sites.

**Sachin Kasera:** But at a point of time, in Mumbai we saw volume decline, what explains this improvement in realization Sir?

**Anish Maheshwari:** If you see, my domestic volumes in Mumbai have also also reduced. We have major focus on the EXIM volumes that is the major reason on the improvement on the realizations per TEU.

**Sachin Kasera:** Okay, Sir secondly coming on the CapEx front what is the type of CapEx we incurred in the first half and what we are looking in second half? Secondly, you had mentioned that in the Q1 call that we will be looking at around Rs.50 Crores of debt reduction, but because of the CapEx and high working capital now we are no longer looking at reduction or that guidance is still there?

**Anish Maheshwari:** What I just wanted to tell you is, looking at the situation of the market going forward, we are majorly incurring capex on the railway side. Like last quarter, we did around Rs.35 Crores towards railway side due to TXR activity which is non-health complaints for the railway operations. If you see, growth on the railway side, which is really an improvement, quarter-on-quarter andmonth-on-month. Secondly, my Vapi volumes where we are handling major Train activities, last quarter if you will compare my EXIM movements by rail or by road major movements towards Vapi  The EXIM mix last quarter was 26:74 which has improved to 30:70. It is giving me sense for the upcoming two or three quarters. If we are able to improve on the

EXIM volume side, EXIM mix which we have right away which is 30:70, so if it improves then that may be giving me the positive signs for upcoming capex. Today we are doing capex like, in the last quarter call we told you that we are going to buy new trains. For that we are incurring Rs.18 Crores payment towards the railway agency, correct? Other than that we are making payments for the TXR and other activities towards railway. So major capex which we are doing now is not a recurring capex or repair maintenance, it is majorly towards the railway activities.

**Sachin Kasera:** So for the full year what is now the guidance for the capex that you are looking at?

**Anish Maheshwari:** Last whole quarter we did around Rs.56 to Rs.57 Crores of capex towards the railway and other side. For full year it may be in the range of around Rs.80 Crores. We are assuming that it may be in the range of Rs.50 to Rs.60 Crores, which actually will be going up by Rs.30 Crores, it may be in the range of Rs.80 Crores.

**Sachin Kasera:** And on debt reduction Sir?

**Anish Maheshwari:** Debt reduction this year principally we are going to pay around Rs.130 Crores.

**Sachin Kasera:** But the net debt reduction?

**Anish Maheshwari:** And debt reduction may be in the range of Rs.50 Crores.

**Sachin Kasera:** Still Rs.50 Crores.

**Anish Maheshwari:** Yes.

**Sachin Kasera:** Sir in the first half it has gone up by some Rs.20 or Rs.25 Crores?

**Anish Maheshwari:** Yes that is why I am telling you, it has gone up just due to the railway Rs.50 Crores which I have told you, which is taken in this quarter or last quarter itself. So now the remaining payment is only Rs.17 Crores to Rs.18 Crores, and next half year we are having a repayment of around Rs.56 Crores to Rs.57 Crores.

**Sachin Kasera:** Okay thank you very much. If I have some questions I will come in the queue.

**Moderator:** Thank you. The next question is from the line of Ashok Shah from LFC Securities. Please go ahead.

**Ashok Shah:** Thanks for taking my questions. Sir we came out with IPO in 2015. So, still we after doing a whole capex and utilizing the IPO money, we are unable to give any cash flow for the shareholder via dividend. So when can we expect dividend to reap the benefit of the IPO and all the capex?

**Anish Maheshwari:** Ashok Ji, I am frankly telling you that we worked out this quarter also. We have opened the dividend account also, but somehow in board meeting we have decided that we will have to take that call in the next quarter or the quarter after that. After two quarters, we will see more growth in the company side, but we are planning to give some sort kind of dividend to our shareholders. It may take two or three quarters, but we are definitely giving the dividends to our investors.

**Ashok Shah:** And secondly we bought one train. So do you have plans to buy more trains to transport?

**Anish Maheshwari:** We are planning to buy two trains, not one train. Once those two trains come then you will see more improvement in the railway side.

**Ashok Shah:** So two will suffice for the next two quarters?

**Anish Maheshwari:** Two will not all suffice my purpose. For that we are finding some more solutions towards railway side, because right now we are having lease of around eight trains. But with the two trains, we will be in a strong position to enter railway operations. If you will see in Vapi and Mumbai, in both we are into the improvement side of railway operations.

**Ashok Shah:** Okay, we are mostly earning from the railways and not from other companies.

**Anish Maheshwari:** I can share some numbers, I will just highlight, and if you see my operating expenses from last half year to this half year it is around Rs.30 Crores which we are incurring major towards railway. Because what happened is my Vapi operations and Mumbai operations are in the mix of 30:70. Once that gets improved then my cost will be getting reduced. Today what happens is each and every operation where I take the imports, I do the export operations but 20% of the times my trains remain vacant. For that, I have to pay the expense to the railway. The EXIM mix got slightly improved this quarter also. Last quarter it was 74% was my imports and 26% was my exports, which in this quarter itself is 30:70. It is a marginal improvement which is we are seeing Q-o-Q. Once it is in a situation like 55:45 or 40:60, the costing will get reduced.

**Ashok Shah:** Okay, thank you. That is all from my side.

**Moderator:** Thank you. The next question is from the line of Rucha Sengupta from CRISIL. Please go ahead.

**Rucha Sengupta:** Good afternoon. Sir I just wanted to know what will be the EBITDA per TEU for a CFS and ICD players.

**Anish Maheshwari:** Madam we are not separating those numbers because we are doing from both the sides. Invoicing is different, but expense when truck is going from here or the train will be there from imports at the same time we are taking exports or EXIM for that empty container from Mumbai, then I will have to evaluate costing towards both the sides.

**Rucha Sengupta:** Any ballpark number will you be able to give, the kind of margin of CFS players make vis-a-vis an ICD?

**Anish Maheshwari:** It is very difficult to say anything about it because we are not even taking any kind of costing methodology over there.

**Rucha Sengupta:** All right, thank you Sir.

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

**Pratik Kumar:** Good morning Sir. My first question is regarding capex. In this Rs.60 Crores capex which we have done, what would be the split?

**Anish Maheshwari:** I can tell you Pratik major capex is towards the railway side as we are paying the CTO license fees of Rs.10 Crores, and Rs.20 odd Crores we are paying towards trains which we are going to take and the rest is for the TXR activity. TXR is the activity where we are having in-house health checkup of the train which we are running. What happens is there is a term called health checkup of the train, for that there are specific parameters, like any train having a special utilization of limited tonnage as well as limited kilometers, after that they will have to take the train for the health checkup. Earlier we have to take the trains for health checkup, now we are taking the approval from the Indian Railways and we are establishing that TXR activity in-house.

**Pratik Kumar:** Okay, so is it onetime capex or like every year we have to do some?

**Anish Maheshwari:** It is a onetime capex, for that we are getting benefited, now we are taking trains on the lease basis right now. In that case what happens every time we will have to move the train on a per month basis or there may be certain criteria of kilometers basis also, so the train will be going towards the TXR activity, some trains are going twice in a month, some trains are going once in a month, so it may take around four or five days for that health checkup. So what we are doing is major time concentrating towards journey, not for the health checkup.

**Pratik Kumar:** So it sounds like an operating expense?

**Anish Maheshwari:** It is a onetime investment. This activity is not for my regular operations. This activity which was earlier done by the railway, now we are doing it in-house.

**Pratik Kumar:** And we have to do it for leased as well as own trains, both of them.

**Anish Maheshwari:** Yes.

**Pratik Kumar:** Okay and currently we have eight leased trains and one own train and we are looking to go to two more?

**Anish Maheshwari:** There is no single owned train. We are only using those leased trains, the trains which has been purchased by us will be delivered in the next three or four months.

**Pratik Kumar:** Okay. Sir, regarding tax rate we will be having this 40% kind of tax rate in FY2021 also?

**Anish Maheshwari:** No, it is not 40%, the general tax provision is around 35% thus we are taking the mat tax benefit. Earlier we have said we are going to take benefit of 80IA at Vapi which was proposed for FY2021, after the tax new reforms we are using that benefit from this year onwards because we are having Rs.115 Crores of MAT credit with us. So first we are going to utilize that.

**Pratik Kumar:** And when is this MAT credit will get utilized, will it take three, four years?

**Anish Maheshwari:** It may be around three or four may be.

**Pratik Kumar:** So in near term we will have this high tax rate which was currently there in numbers?

**Anish Maheshwari:** Yes, what happened is we evaluated all the parameters after that this new rate of tax, but we found that if we are going to use today tax around 22% and if we are going for MAT it will be 15%, but at the same time we will have to forfeit that Rs.115 Crores all the discounts or all the MAT credits that will be getting lapsed.

**Pratik Kumar:** Correct. Can you give this segment revenue numbers, Vapi revenue and domestic revenue?

**Anish Maheshwari:** I had already put the presentation on the website as well as at exchange. You can take from them. If you have any difficulty, you can tell me.

**Pratik Kumar:** Sir segment revenues are not there in that, only volumes are there.

**Anish Maheshwari:** On presentation we have put, there is a number, but if you require I can give it to you, wait a minute. In this quarter we have total revenue of Rs.130.5 Crores, out of that Mumbai is having 64.9 and Vapi is having 55.6.

**Pratik Kumar:** And Panvel domestic and Panvel EXIM?

**Anish Maheshwari:** I will give the number of TEUs if you require and I will give the number. For Mumbai, total amount of revenue is 64.9, out of which exports is having 20.7, and imports is having 36.8 and domestic is 7.4. For Vapi total of 65.06. For exports 9.1, for imports 55.9 and domestic 0.6 Crores.

**Pratik Kumar:** And just one more data point, in your other financial liabilities, basically just trying to calculate the overall debt of the company, as you said including long term and short term we have Rs.414 Crores a bid, how much is current maturity of long term debt in this first half?

**Anish Maheshwari:** It is Rs.118 Crores.

**Pratik Kumar:** Rs.118 Crores is other financial liability out of that how much is the current maturity of long term right?

**Anish Maheshwari:** We will have to leave Rs.30 Crores, I think it may be Rs.88 Crores.

**Pratik Kumar:** Okay so our total debt has now moved to Rs.500 Crores versus Rs.440 Crores as of March end?

**Anish Maheshwari:** Yes.

**Pratik Kumar:** Okay Sir. I will get back with you, thank you.

**Moderator:** Thank you. The next question is from the line of Nitin Runjun from Capstocks. Please go ahead.

**Nitin Runjun:** Okay. Thanks for the opportunity. I have a few questions and my first question is with respect to your debt maturity profile. You just kind of touch upon this about a few minutes back but again what sort of repayment obligation do we have for the next quarter because for Q1 of next year itself we have something like Rs.44 Crores to repay and are we looking at some sort of a mismatch with respect to cash flows because we have a quarterly run rate of cash profit or something like Rs.20 Crores and Q1 of next year we have something like Rs.44 Crores?

**Anish Maheshwari:** If you see actual cash flow is, in last half year we have a debt payment of Rs.56 Crores which we are doing by cash flow itself, correct? Secondly what we are saying is there may be definitely impact on the cash flow, we may not have surplus cash flow, correct? But there is no problem with the cash flow to meet our obligations. If you see today, the market scenario is not in a positive situation, correct? Although we are not taking much a hit in that half year also as I told you, we are having debt obligation all together may be in the range of Rs.400 Crores, Rs.429 Crores may be probably, but in that case we have an average maturity of four years next. So every year I have a payment of around in the range of Rs.100 Crores and against that I have a cash profit of around Rs.125 Crores all together.

**Nitin Runjun:** But can you be a bit more specific, for this year as per the annual report we have like Rs.78 Crores to repay, what is the exact figure for next year. Because Q1 itself the annual report we have like Rs.44 Crores?

**Anish Maheshwari:** It will be in that same range because we have taken major loan for the Vapi facility and from there we have seven years, eight years of payment.

**Nitin Runjun:** So the repayment obligation for the next year is not something like Rs.150 Crores and it will be in the range of Rs.100 Crores?

**Anish Maheshwari:** It is not like that, it may in the range of Rs.100 to Rs.125 Crores, and after that also I can tell you my average maturity if we will compare it to four years, in that four years also net Rs.100 Crores suffice my purpose of cash flow.

**Nitin Runjun:** Okay but our quarterly run rate of cash profit is Rs.20 Crores, for next year given the fact that our volumes at Mumbai have kind of come down, so there is Rs.40 Crores, are we like looking to refinance the debt?

**Anish Maheshwari:** No, it is not like that. I think there is a problem with your understanding because now my cash profit is in the range of around Rs.84 Crores in a quarter, so 84 divided by 3 it is around Rs.28 Crores and my debt obligation is in the range of around Rs.45 Crores to Rs.48 Crores quarterly so we are having a surplus of Rs.7 Crores per quarter. If you have a specific query you can mail me out, I will revert on it.

**Nitin Runjun:** Okay sure, let us just leave it as that. My next question was with respect to our capital working progress. It stands at about Rs.140 Crores, assuming that we do not have any land component in this, can you give us some sort an estimated breakup of this, what is this and when do you expect to commission this capital work-in progress?

**Anish Maheshwari:** Capital work-in progress is in the process because of our railway activities which we are doing on a Q-on-Q basis correct? There are certain things which have not commenced, one those all activities are in the operating level after that we will be doing the WIP to assets.

**Nitin Runjun:** Okay so Rs.140 Crores of capital work-in progress does not have any land component in this?

**Anish Maheshwari:** No, there is no land component at all. It is pure business operational activity. It may be in the PSR, or may be in the business which we have entered, but they are not yet operational, there are certain checks from the government side also pending. When it gets completed, then after we will do the capex.

**Nitin Runjun:** Sir, all these are some sort of axillary capex right? so this would not increase our turnover in a consistent way, so as and when these capex actually come online or get commissioned our depreciation expenses on a yearly basis could actually go by Rs.14 Crores right? Assuming an average of about 10% and do we have a timeline of when this will get commissioned?

**Anish Maheshwari:** It may be in the next six to nine months.

**Nitin Runjun:** Six to nine months okay, that would kind of build our profits. Okay sure. And one last question with respect to the promoter pledge issue. I believe that our promoters have increased the pledge holding about two or three months and in reading our annular report it actually says that, all pledges are actually related to the term loan which you have taken from SBI, so do we actually forsee a situation where these come into the market because…

**Anish Maheshwari:** I just wanted to clear your understanding that pledge which happened was for the State Bank of India, loan taken by Siddhartha Corporation Private Limited which is the promoter group company and Siddhartha is having a hold of 6% of the shares in the Navkar Corporation and what happens is State Bank of India requesting us that you can just liquidate that stake and repay the debt because that stake is only investment correct? So we just requested the bank, today if we are going to liquidate that stake then the company will be incurring around Rs.100 Crores of loss because the price of shares when the company was having shares around Rs.175 which is now Rs.40. At this time bank is taking our request and they are just pushing for that till that time if you are not getting to sell that stake you will pledge to us. So that is why we are pledging that much of the stake only, the promoter group company where we have a packing credit limit of Rs.150 Crores and where we have exports of Rs.1000 Crores.

**Nitin Runjun:** Okay, fair enough Sir. Thank you, I do not have any further questions.

**Moderator:** Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

**Deepak Poddar:** Thank you very much Sir for the opportunity. My question pertains to the margins, basically two years back we were in the range of about 39% kind of EBITDA margins, now it has fallen in the last two years, so any comments you want to make on that?

**Anish Maheshwari:** If you see the market situation, today the transportation business or the logistic business is in a very bad shape. If you see the shipping line, consolidation is on. Now the truck and transportation companies are getting shutdown. There are several transport trucks, if you see in the Mumbai region itself, several trucks are in a queue for upcoming operations, but there are no such operations. Currently the price power is with the purchaser only. In that case, we are not having any kind of a price pressure or we can put any kind of further pressure on the revenue side. If we would like to revise our tariffs with the inflation rate, we are not able to do that because earlier what happened was there was a peak time when the distance of around 1000 kilometers was having 80,000 of a revenue stream which is now only 60,000 to 65,000, so almost 30% to 40% of tariff getting down on the operational side. Earlier also on the same call, I had clarified to everyone like we have EXIM mix at Vapi of around 30:70. The railway operations which we are doing today on that we are having a higher expense side vice-versa in the upcoming future our EXIM volume will be in the range of around 50:50, 45:55 which was earlier in the Mumbai also and which we are improving. In the last quarter, we had an EXIM volume of 26:74 which in this is quarter 30:70 and we have marginally improved our EBITDA in this quarter also, so it will gradually improve and once the market gets a change, like economic scenario changes, industrial development will be on the positive side and if everything is positive we will be the first beneficiary. Assuming that in the next two or three years, BS-IV is also coming into the picture then also we are getting benefited, okay. So today the reduction of EBITDA is majorly because of slowdown, majorly because of freights getting down, majorly because of there are no such activities in transportation movement side. So once all that improves then it will automatically improve. Further, if DFCC comes then pricing of freight will go down. So our EBITDA will again improve in that range. I am not telling you that today what will be the absolute number or absolute percentage or will we be able to achieve that 39%, 40% in the near future. It is very difficult to say, but we are always trying to do that, we are working on where we can save the cost.

**Deepak Poddar:** Okay, but you were of the view that may be in two to three years, 40% EBITDA margin is what we might be targeting price, so is that we are still currently targeting?

**Anish Maheshwari:** Our core target is that. We will have to achieve that 40%. If you see my last three, four quarter calls, in my transcripts we are always trying to achieve that and for that whatever we can do, like now we are putting some machines in our fuel tanks, in our operating trucks, where we can save around 10-15% fuel efficiency, so that kind of operational things we are doing. I put the TXR operational railway system because we have heavy railway operations and we require in-house something which suffices our purpose. Towards that we are focusing more and one more thing we also maintaining on the revenue side also. In Vapi, we are crossing the 10,000 TEUs per month, so on both sides we are balancing all the things. Today there is a liquidity problem with our customers also, now if we put pressure on them with the tariff revision then I think so most of our customers will be shifted from me to any other one.

**Deepak Poddar:** Okay, thank you.

**Moderator:** Thank you. The next question is from the line of Sachin Kasera from Swan Investments. Please go ahead.

**Sachin Kasera:** Sir just on this trains, currently we have eight trains on lease and two more will be added?

**Anish Maheshwari:** Eight trains we are having on the lease now.

**Sachin Kasera:** And once these two trains come in, you will be retiring two to three of these lease trains or you will be basically using this for increased scale of operations?

**Anish Maheshwari:** Sir it will depend on the market situation at that time, like tomorrow if there is improvement in Vapi with quarterly run rate of Rs.50,000 then I will have to maintain again those eight trains.

**Sachin Kasera:** Okay, secondly if we see this quarter, the operating expenses have come down, so once these trains come into operation we there be further reduction in the operating expenses?

**Anish Maheshwari:** That is why I am telling you, in railway my EXIM mix volume is around 30:70 so once I improve that EXIM volume like 40:60 then the cost will be getting down.

**Sachin Kasera:** I am saying with our trains coming into the picture, because we will be having our own trains from Q4, does it bring down the operating cost for us?

**Anish Maheshwari:** Yes, definitely.

**Sachin Kasera:** Okay. Sir just one clarification on this pledge, from what I understand you said that there is a group company called Siddhartha Corporation, which is having own line of business and they have some term loan from State Bank and against that loan that company had pledged shares in Navkar. Is that what you are trying to communicate?

**Anish Maheshwari:** Initially that company was invested to the Navkar. It was the group company and then what happened SBI was proposing us if you are not selling that stake then you will pledge to us, which will be the viable option for us also.

**Sachin Kasera:** But is that company profitability or loss making, what is the nature of operation of Siddhartha Corporation that would be really helpful Sir?

**Anish Maheshwari:** Siddhartha in the largest exporter of chillies and groundnuts from India. Siddhartha is a profitable company.

**Sachin Kasera:** And they are able to right now service all their roles as per schedule?

**Anish Maheshwari:** Yes, in fact Siddhartha today if you see, Siddhartha is not utilizing Rs.40 Crores of a limit.

**Sachin Kasera:** Okay. I am not able to then understand if there is no stress for Siddhartha Corporation why should be shareholding of Siddhartha Corporation pledged with SBI?

**Anish Maheshwari:** There was a request from the State Bank of India. It was just a request and that because we have an account which State Bank of India since Imperial Bank and if the CGM is giving us a request then how can I deny. If you want to do any cross-confirmation with State Bank of India, our banking is with the **backbay reclaimation** branch, a DGM headed branch, so you can go and ask there also, there is no problem, you can check with the bank also about what is our account in Siddhartha. We are the only operating account in the export side in **that branch**. There are no such accounts till today.

**Sachin Kasera:** Okay Sir, just lastly on this, you mentioned that you have spent some money regarding maintenance of the trains. Is it that it has to be done once in a year, once in 18 months or it is just a onetime exercise you have done because that is not still very clear what exactly you have done there?

**Anish Maheshwari:** First you have to understand this is a onetime activity. TXR is an operational thing from the railway the activity which we did. It is a onetime activity. What happens is each and every train is required a health checkup on a timely basis. Because passenger trains are also on the same track and goods trains are also in the same track, so they require a health checkup of each and every bogie of the train. Each and every train is having 45 bogies where they inspect the breaking system, where they inspect all the major things to run the train, they check over there bogie to bogie, and for that you require a facility. So what happened today with us is we have eight trains with us and each and every train requires health checkup on a monthly basis on a fortnightly basis based on the tonnage which they took in the past or based on the kilometers which they run. So what we requested the railway is why do not you allow us to make the TXR activity in our place. There is a time problem with this exercise for each train, like each train to undergo TXR or health checkup has to go to other stations to get it done and then they will come back, so this exercise may take around four to five days.

**Sachin Kasera:** Basically you created a facility where this activity can be done?

**Anish Maheshwari:** We took approval from the Indian Railway and making that activity in our in-house. First thing is time saving is there for that we are paying the lease monthly.

**Sachin Kasera:** Sir how much you have spent on this facility, if you can quantify?

**Anish Maheshwari:** It may in the range of around Rs.12 or Rs.13 Crores.

**Sachin Kasera:** Okay but still our capex shows…

**Anish Maheshwari:** We made payment for two trains.

**Sachin Kasera:** That is around Rs.18 Crores Sir, right.

**Moderator:** Thank you. The next question is from the line of Jaykant Kasturi from Way2Wealth Securities. Please go ahead.

**Jaykant Kasturi:** Sir I have just two questions, one is that can I know the cost of borrowing at blended level and other is regarding our land any further news about it?

**Anish Maheshwari:** The finance cost has remained the same. Yesterday I read in the newspaper that RBI is going to cut down 40 paisa. If that is going to happen it will definitely be a cost saving for us. Secondly on the land side, there is no such thing which I have to execute today, but exercise is going on both the sides. I think by next quarter we are hoping to get some positive news towards the FSI, There are certain delays in announcement from the government towards that New Mumbai area for new FSI and all, so we are hoping that by next quarter there may be some positives for land itself.

**Jaykant Kasturi:** Sir, you just forgot to mention the number like for the cost of borrowing?

**Anish Maheshwari:** Almost around 10%.

**Jaykant Kasturi:** Okay sir. Thank you

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

**Ankit Panchmatia:** Sir I just wanted to understand this railway circular which came regarding charging on their home tripping basis, so the benefits of the same were not visible in this quarter, could you help me explain this and how this would be a game changer for us?

**Anish Maheshwari:** The circular which was came was of a help to the Mumbai area, where I am not doing any kind of activity towards entry and so that is not at all benefited. Earlier what happed was there was a criteria of 50 kilometers and our Mumbai is having 27 kilometers distance so for just 4 kilometers for both sides I will have to pay, but from Mumbai I am not doing any kind of activity towards that.

**Ankit Panchmatia:** So do you mean to say that from JNPT towards Somathane there is no movement of containers?

**Anish Maheshwari:** Major movement from JNPT to Somathane is not. It is negligible. Major movements from JNPT to CFS is by road and the train which we handle is for majorly from the hinterland delivery.

**Ankit Panchmatia:** Okay, Sir the Mumbai volumes which were reflected in our volumes are not the originating volumes you mean to say, they are just the handling volumes.

**Anish Maheshwari:** It is not like that, it is not originating value, numbers of EXIM volumes are correct, the question which you have asked me was the movement towards port to here and here to port, which is not we are doing.

**Ankit Panchmatia:** Okay and Sir regarding this Vapi market have you been able to see we giving tough competition to the road transportation and have you been seen this market share shift from road to rail?

**Anish Maheshwari:** If you see my Q-o-Q growth in this bad scenario, JNPT port in a degrowth side, railway operations are in degrowth side, but still our Vapi operations are on the improvement side,-Y-o-Y and Q-o-Q, Also if the export movement gets improved in this quarter or next quarter it will definitely be a benefit for Vapi. I can tell you very frankly the only problem with the parties now is liquidity, once the liquidity improves then the market will be churned up, but there is no such raw material with the parties, there is no such finance with the parties.

**Ankit Panchmatia:** Right. How has been the competitor scenario? We have been seeing that both the competitors have taken some sort of price hikes during the quarter or may be the last quarter, and they are able to pass on the prices and at the same time we are not being able to do that. Is there some kind of discrepancy between the data?

**Anish Maheshwari:** Yes. I can tell you the price which we are giving is bottom from our side. Further we are not able to give any kind of discount to the parties. That is why we are having a limitation to operating on the same rate.

**Ankit Panchmatia:** Right, thank you. That is all from my side.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Anish Maheshwari for closing comments.

**Anish Maheshwari:** I just wanted to thank everyone and thanks once again to the SGA and thanks to Chorus Call.

**Moderator:** Thank you. Ladies and gentlemen, on behalf of Navkar Corporation Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.