



# Lancer Container Lines Ltd.

Date: - November 23, 2021

To,  
**BSE Limited Ltd. (BSE)**  
P.J. Towers, Dalal Street,  
Mumbai 400 001.

**Sub.: Outcome of analyst meet on held on Thursday, 18th November, 2021 at 4:00 PM IST for Un-Audited Results for Q2 and Half Year ended September 30, 2021.**

Ref: Script Code- 539841 i.e. Lancer Container Lines Limited.

Dear Sir/ Madam,  
In continuation of our letter dated November 17, 2021, In compliance with the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015.

Accordingly, please find enclosed the following:

- i. The Outcome of analyst meet held on Thursday, 18th November, 2021 at 4:00 PM IST for Un-Audited Results for Q2 and Half Year ended September 30, 2021.

Kindly take the note of the same on your records and acknowledge.

Thanking you,  
Yours sincerely,  
On Behalf of Board of Directors  
**For Lancer Container Lines Limited**

**Archana Chandrakant Indulkar**  
Company Secretary and Compliance Officer



Place: - Navi Mumbai

CIN : L74990MH2011PLC214448

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**Lancer Container Lines limited**  
**Q2 FY '22 Conference Call**  
**November 18, 2021**

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**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Q2 FY '22 conference call of Lancer Container Lines limited. As a reminder, all participant's 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 phone. Please note that this conference is being recorded. From the Lancer's Management we have with us Mr. Abdul Khalik Chataiwala, Chairman and Managing Director; Mr. Praful Jain, Executive Director; and Mrs. Ranjana Shinde, Chief Financial Officer. I now hand the conference over to Mr. Khalik Chataiwala. Thank you and over to you, Sir.

**Abdul Khalik Chataiwala:** Ladies and Gentlemen, Good evening and Welcome to Lancer Container Lines Limited investor earning call organized by Impress Strategic Communications Private Limited. I trust all of you and your dear ones and colleagues are healthy and safe in these challenging times. First and foremost, before starting the discussion, I want to put a disclaimer in place as a part of compliance requirement. This conference call may contain certain forward-looking statements about the company, which are based on the beliefs, opinions, and expectations of the company as on date of this call. These statements are not guarantee of future performance and involve risks and uncertainties that are difficult to predict. Lancer Container Lines Limited will not be in anyway responsible for any action taken based on such statements and undertakes no obligation to publicly update these forward-looking statements to reflect subsequent events or circumstances. To begin with, let us run with some of the financial highlights and to take you through them I would request my colleague, Mr. Praful to share brief highlights in the financial performance of the second fiscal quarter of fiscal year 2022. Over to you, Mr. Praful.

**Praful Jain:** Thank you. Welcome to all of you in the second quarter earning call and it is my pleasure to connect with each one of you. Let me first take you through the consolidated financial highlights for the second quarter of this fiscal 2022. The total consolidated revenue from operation stood at 136.91 crore as compared to 73.23 crores for the corresponding period last year, which is an increase of 87%. EBITDA for the quarter was at 10.53 crores as against 5.76 crores during the corresponding period last year, which is also an increase of 83%. You can see EBITDA margins of 7.7% year-on-year, profit before tax grew by 2.5 times to its highest level since beginning at 7.93 crores. Reported profit after tax stood at 6.01 crore for the quarter which is an increase of 162% year-on-year. We have substantially reduced our debt taking debt-equity ratio to 0.29 level. I would now like to handover the call back to Mr. Khalik Chataiwala

to take you through the key business segment highlights and key updates for the quarter. Over to you, Sir.

**Abdul Khalik Chataiwala:** Thank you Praful. First of all, I will take you through the journey from the very beginning when Lancer was incorporated in 2011 to emerge as a leading logistic company. We started in 2011 in a very small rented office of about 200 square foot with two employees in CBD Belapur, Navi Mumbai. In the first year, we moved to a 2000 square foot office in the same building, same premises basically I had purchased with a staff strength of 50 people. Later in 2018, we purchased a three-storey building of more than 20,000 square foot in Belapur itself and headquartered as Lancer House. We draw inspiration to add value to our business, we got ourselves listed in the Bombay Stock Exchange in 2016 and migrated to the main board on 2018. In the beginning, Lancer started container trading and then moved to NVOCC services with a fleet of 20 containers and now the company has around 10,000 containers to service customers globally. To focus on asset light model, we optimized our revenue growth with a mix of lease and self-own boxes. We have expanded our base adding new verticals like freight forwarding, container trading, yard operation, agency network, serving CIS countries etc. We have formed five wholly-owned subsidiaries for bringing more operational efficiency to our business. These subsidiaries have started generating profits from the very beginning and added substantial value for taking Lancer to new heights. We have grown as a team from 12 employees to more than 200 now, catering services to 74 ports. Geographically, we have expanded ourselves to 14 offices in India and one wholly-owned subsidiary in Dubai, which was recently formed covering 30 plus countries with more than 80 registered global partners.

Coming to business updates, during the quarter we have had lot of new developments to drive business growth to next level considering calculative risk we can take to reward business and shareholders. I want to highlight on few of the developments. We have successfully distributed the final dividend of Rupee 0.50 per equity share of face value of rupees 10 each to the eligible shareholders covering and catering to all compliance needs before due date. We have successfully issued bonus equity shares in the proportion of 2:1 to the eligible shareholders on its record date. Lancer Container Lines Limited has successfully increased its authorized capital from 15 crores to 50 crores. Lancer Container Lines Limited has incorporated a wholly-own subsidiary company named, Lancia Shipping LLC in Dubai which should be fully operational by next month. We have hired new talents into the system taking our total staff strength to more than 200 now from 184 last quarter. Lancer has successfully completed more than 75,000 shipments last year and continue to reach new milestones. Our agency network has grown multifold covering new geographies and regions. We have not availed any moratorium in challenging COVID times, rather brought down the debt substantially in fiscal year 2022 primarily on account of the sharp increase in profitability and improved cash accruals. Being socially responsible, we work closely with the community members to understand their needs and take necessary actions to uplift the society in which we operate. Our CSR activities are mainly focused around education, health, and sport development.

Now, I will take you through our short-term and long-term plans. As the pandemic situation eases globally, we are planning to add 2500 to 3000 containers within this financial year. This will be a mix of lease and self-owned containers. We are trying to penetrate to new geographies in more strategic manner covering regions of Europe by setting up delegate team. We have already disclosed in public domain and are in the process of setting up a branch in United Kingdom to look into the Mediterranean market more aggressively. As a long-term target, company plans to set up a manufacturing unit to produce shipping containers. We are presently working with the consultants on this to look out the feasibility report for proceeding further. We as a group in logistic domain believe that to become strong and getting larger base, we should also focus on integration to our services in allied sector. We have long term plan to set up a cold chain storage services and we will positively look to hire shipping vessels once we can able to double the size of the containers from present numbers. We are in discussion with market participants and our consultants working for us to look out a strategic deal through any merger or acquisitions, which can benefit the organization to establish a larger base and achieve our goals much faster. In order to finance these capital ventures, the company plans to issue foreign currency convertible bonds up to 100 million US Dollar in transits from time to time. We expect for fiscal year 2022, company revenue to grow at 80% - 90% for complete year mainly on account of robust exports and elevated freight rates. Further with enormous demand in market, we believe that EBITDA margins will further improve to 10% to 12% with our strategy to increase advance slot booking with vessel operator which will give cost benefit to the company. I now request moderator to keep the session open for question and answer if any. Thanks for your patience.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Kishore Shah, an Individual Investor. Please go ahead.

**Kishore Shah:** Sir, my first question was wanted to understand your outlook on freight rates, from here where do you see them going and what is the reason, like what is happening currently in the supply-demand dynamics because I see rates have fallen a bit from the September peak, so could you speak a little bit about where you see freight rates for the second half.

**Abdul Khalik Chataiwala:** What I personally feel is your freight rates are going to remain similar for at least I think about two to three years, the reason being the ship chartering rate which were \$ 10,000 per day for example, the freight charter rates have become \$ 30,000 per day. Now you can imagine the ship chartering cost has gone three times up and anyone who is taking the ship on chartering, the minimum duration for the contract is about three years now, so if these people are going to take vessels at a higher rate, the freight rates are not going to come down, so we expect that the freight rates are going to remain like this for at least two to three years, at least for two years we expect that the freight rates are going to remain the same.

**Kishore Shah:** Is the Drewry index a right gauge to look at freight rates?

**Abdul Khalik Chataiwala:** You could look at it also, that is also one of the ways you could look.

**Kishore Shah:** What is the reason for raising capital through foreign currency loans rather than equity infusion?

**Abdul Khalik Chataiwala:** Basically, foreign currency loans we will be getting at a much cheaper rate of interest than if we take out with the Indian banks, that is number one. Second is if you are going for equity, equity the cost is going to be much higher.

**Praful Jain:** I just want to include something, we believe in the company, Mr. Chataiwala has formed this company in 2011 and he still believes that there is lot of potential in the company to reach to a new height, diluting equity at present stage will not justify, so we have our objective, we have our mission and vision very clear, so currently, we find debt cheaper in comparison to diluting the equity of the company.

**Kishore Shah:** The reason I am asking is because knowing that this is cyclical industry in terms of rate environment that we have seen from the past, if you raise that much money and then reach to an unfavorable again, then the company will be stuck in a tough position few years down the line, historically rates have fluctuated in a volatile manner?

**Abdul Khalik Chataiwala:** Yes, I agree with you but I would like to remind you during 2018, when the rates had fallen everything you can say the rates were really low and during those times also if you see Lancer has made quite good profits and if you see, 2018 we moved to a bigger office, so we were during those times also, we were planning and executing in a way that we were making progress during that time also, so we do not foresee anything because what we are doing is basic. If you see the profit margins out here, many they will not be that, suppose if you are saying if you are considering that the freight rates would come down and their profitability would come down, I would say to a certain extent if your freight rates come down that means your vessel operator will also be charging you less money in that.

**Kishore Shah:** Yeah, but there is a general consensus that freight rates have gone elevated because of the COVID situation and port shutdowns, so obviously at some point that is going to correct right when things normalize?

**Abdul Khalik Chataiwala:** Let me tell you, freight rates are going to correct if the vessel operators are also going to reduce their ship charging cost. For example, if a vessel has been taken at \$ 30,000 per day which was earlier \$ 10,000 and the contract is for three years, so no vessel operators is going to lose money, so for three years that is what I personally feel that the freight rates will not come down.

**Praful Jain:** I also want to add something over it, the freight rates were subdued from quiet long time. If you see before COVID, it was subdued; now the freight rates have gone up so high, even if it

corrects from this level, the momentum will be not that strong, it will be corrected on a smaller side because it is already subdued for quite long period and that is lot of consultants have the same view which we are portraying right now.

**Abdul Khalik Chataiwala:** I would like to add something more to it, so that it becomes much simpler, it is simple as that. If a western operator, who has bought a ship, who is chartered a ship at a higher rate on a per day basis, he will not sell at a lower rate. He has to at least get some profit out of it. If he is taking at \$ 30,000 per day, he will not reduce it to 20,000 or he will lose money.

**Kishore Shah:** But then there will be incremental ships which will be available right at the supply level, there will be incremental amount of ships available, so the demand will move away and he will be forced to drop rates?

**Abdul Khalik Chataiwala:** Let me tell you one thing is it is in the market, it is in the news that MSE, big, big liners have already ordered for big ships and these ships also which were costing suppose for example is a small amount I would say, it has become doubled, the prices have also doubled for those vessels and let me tell you the demand & supply parity, there is a big difference between the demand and supply at the moment, so I do not foresee any freight exchange for the moment.

**Moderator:** Thank you. The next question is from the line of Abhi Jain, an Individual Investor. Please go ahead.

**Abhi Jain:** Good Afternoon Sir, thank you for this call, I just wanted to understand a couple of things, so the first question and the answer to your first question has summarized your view on the freight rate, but I want to understand a more basic fundamental so I believe that the revenue uptick that you have seen in this fiscal is on back of two things and correct me if I am wrong, one is on the freight rate and second is probably the volume that you are operating, right? There would have been certain increase in the volume in the order etc., so we have given a guidance on the freight rate and you believe that the freight rate probably locks a two-three years if something that will remain instable, but what is the guidance on the volume or on the amount of business that you are doing, are you for example in the next fiscal, we do not see a downtrend in the freight rates, then would you have sufficient uptick in the volumes that you are operating at to be able to offset the increase in the freight rates? Have you added new geographies? How has this fiscal been different on the last fiscal in terms of the expansion of business in terms of volumes, is what I wanted to understand is number one?

**Praful Jain:** You have rightly said that the guidance on margins is provided. Similarly, the outlook for our revenue to increase is also on the similar line, we mentioned that we will be covering new regions. Right now, we are basically catering to Middle East, Southeast Asia, North Africa regions, which we are doing very aggressively. We are now planning to enter the European market, we have already told you that we are setting up a branch over there in United Kingdom, so the coverage will be larger and there is enormous demand into the market. You can

obviously look into the demand-supply gap, which is already there. There is lot of shipment that exporter is not able to fulfill because of the inadequacy of the system or there is no availability of the vessel or availability of the container, so if you see demand is always there in the market, but how will you strategically plan it, that is more important so we are now entering in to new markets, taking care of all those lesser explored markets and we have teams who develop their pricing which market can give a better return, so we will work on that model, so it will be a mix of volume as well as getting better realization out of our current number.

**Abhi Jain:** Sir, can you give any guidance in terms of what has been the last three or four years figures compounded annual growth in terms of volumes, what has been Lancer?

**Praful Jain:** You mean to say expansion on the volumes last three years?

**Abhi Jain:** On the volumes.

**Praful Jain:** Last year we have done more than 75,000 shipments and I think presently we have already crossed that milestone, we will be meeting that and with the number of container we will be adding, we are planning to add 2500-3000 containers, the volume will be much more than this. From past, you can see that Company keep on growing from the perspective of volumes also on year-on-year basis.

**Abhi Jain:** Any guidance on FY '22 total number of shipments, what will be the increase over FY '21?

**Praful Jain:** It should be more than 1 lakh; I still have to evaluate but it should be more than one lakh.

**Abhi Jain:** Sir, my second question is on the 100 million FCCB that you are planning to raise for your expansion, now Lancer has been particularly both company in terms of managing its debt to EBITDA exposure and debt to equity exposures and it has been pretty conservative, which is one of the reason that it has done phenomenally well in the last eight years, I want to understand how will the Management ensure that debt to EBITDA levels while it takes on its expansion are reasonable and it is not stretched in terms of liquidity or in terms of servicing of debt? What is the guidance that you want to give in terms of what will be your debt to EBITDA level for the next three-four years? Will it be in line with the historic level, are you mean trying to track or maintain any, keep any threshold that you will not breach those debts to EBITDA levels because that is very important even where Lancer is today because of a conservative nature and most of it the good business practices?

**Praful Jain:** If you can see our history, our EBITDA margins are either constant or reduced reason being lot of investment had been done for opening up new branches, increased agency commission, hike in slot charges. We have purchased new office, we have to set up new branches and lot of this expansion plan has gone through. Now, what has happened in this current COVID situation, with the freight rates increase, the slot charges has also increased on the same level, so what

we have done is that, we have done advance booking of slots looking in to the demand scenario in the market, we are successfully making good margins out of that because that is done on a lower rate where we are getting a higher freight from our customers, so that I will say our guidance is based on that, there should be a lot of improvement on our EBITDA margins going forward, which I consider, should be more than 10%.

**Abhi Jain:**

Sir, I wanted to also understand that your currently the debt Lancer has had over the last three-four years, it has always ensured that there are sufficient operating cash flows to service that debt, your debt has never exceeded three times of operating cash flows if I understand correctly in the last two to three years, I want to understand that going forward when you increase your debt exposure for your expansion, when you take to about \$ 100 million if you see roughly 750 crores, would you also ensure that you will ensure that debt to operating cash flow or debt to EBITDA level are well within the limits, would you ensure that your incremental debt that you pay will be it will not blow out of proportion, it will be contained and it will be conservative something that you can service? Even your history you have been conservative in terms of your debt levels, going forward also since you have taken a blanket approval of 750 crores for investors or individual shareholders, we want to understand that you will be conservative going forward in taking additional debt and you will ensure that the debt to EBITDA level are well within the limits, that is what I wanted to understand?

**Praful Jain:**

We have always kept our debt in control, even once we take a debt we have our plans ready that we can service our debt in a more efficient manner that is our first priority to look into that. Coming in to your FCCB query, where we have been given a 100 million approval from the shareholders, they should be in multiple tranches, it would not be in one go. Once we have our one plan executed well and we have surplus money, then we can go for a debt raise and even the boxes which we purchase will be a mix of lease as well as debt, so on a leap side we can have volumes, so suppose 3000 containers it should be like that, we will be adding 2000 containers on lease and rest of the containers are through the debt, so we can dutifully manage all the debt and service them so that our ratios will not impact much.

**Abhi Jain:**

Just one more thing Sir, anytime in the future can you also with other guidance like you provide, can you also provide guidance on what will be your debt to cash flow or debt to EBITDA level going forward, that will be very helpful?

**Praful Jain:**

We will definitely take this into consideration going forward.

**Moderator:**

Thank you. The next question is from the line of Sham, an Individual Investor. Please go ahead.

**Sham:**

Sir, please tell us about your expansion plan?

**Abdul Khalik Chataiwala:**

Our expansion plan is such now we have approximately 10,000 containers and what we are doing in Dubai we have opened a subsidiary company and whatever containers goes from



Dubai we will be operating from Europe as Dubai & Europe destination has lot of shipments and a new sector of Mediterranean so one new vertical will start. Right now what we are doing is for Dubai and Gulf countries and for Paris whatever we are exporting from Lancer we are giving from there. And once it will start from Dubai that will for Europe and Mediterranean with putting extra containers and once your containers will increase, your revenue will also increase and profitability will also increase. Because as of today for example I can tell you 5 million containers goes from Nava Sheva and we have only 10,000 containers right now and 14 offices in India so if you see the division of that is very less, and there is a much more scalability. Now we have thought of going to two to three fronts, first things is we are thinking of buying containers and second a talk going on for leasing the containers. Third we have applied for FCCB loan, we have taken the permission from the shareholder for buying the containers on loan and increase our volume. As I have told you earlier, scalability is very high like if you see in Nava Sheva 5 million containers get exported and Lancer export maximum 10000 to 15,000 and our share is very less so we have to increase our share so we have to buy and lease the containers. And going forward our plan is such that like Mr. Modi is talking a lot about Make in India these containers are giving a lot of benefit because we have lots of dependency on China so in India there is no process of container manufacturing so for that also we have appointed a consultant for this. And there are two people just to study and make the feasibility report.

**Sham:** So you are going to manufacturing that is your plan?

**Abdul Khalik Chataiwala:** Yes we have thought that we are going to put up a container manufacturing plant, this is the expansion plan for the moment maybe next year container manufacturing or taking container on lease the talk is going on. Now the Lancer is fully established. I will give you an example we have 200 employees who are working for us and suppose we have around 10000 containers if we add 5000 containers to that we have already the office set up not much of an expenses will be there. I already have employees if I have 10 people so I have to add only 2 employees. I am already paying rentals so expenses will not increase that much. My expenses will increase marginally but profit and turnover will increase exponentially.

**Sham:** So you are tying up anyone or any collaboration or any such thing? We are from Gujarat here we have Mundra port if you have done expansion already been done?

**Abdul Khalik Chataiwala:** Sir we have an office in Mundra. Minimum 25 people are working at Mundra. And we do a lot of exports from Mundra. Lancer is quite famous in Mundra Port and this talk which is going on about container factory we are looking for land in Gandhidham and other locations we are waiting for feasibility report for manufacturing.

**Sham:** You are tying up or collaborating with anyone?

**Abdul Khalik Chataiwala:** We are not tying up with anyone.

**Sham:** You will do on your own?

**Abdul Khalik Chataiwala:** Yes.

**Sham:** So the manufacturing you are planning so will there be any support or subsidy from the government side?

**Abdul Khalik Chataiwala:** Yes, I will tell you one thing. Modi Government is supporting industry a lot. As you know they are giving a lot of incentives, they are making Unit Link on manufacturing plus we are also thinking that the unit is fully for export so we can make it 100% export oriented unit. We are seeing all the feasibilities whatever we get benefit from we will go accordingly.

**Sham:** So do you have any idea of like right now your R&D is going on?

**Abdul Khalik Chataiwala:** I told you about two subsidies like if you put up 100% export-oriented unit then whatever manufacturing material you will order you will get those duty free. And whatever container we are going to make around 99% of that will go for exports. So all the raw material will come that will be without GST, without import duty will come. Everything will be without duty and whatever material we will buy to put up a factory there also we will get rebate and duty drawbacks

**Sham:** And what will be investment for this manufacturing plan approximately?

**Abdul Khalik Chataiwala:** Still we are waiting for feasibility report but accordingly to me minimum it will be 100 crores.

**Sham:** So for that how will you arrange for the fund?

**Abdul Khalik Chataiwala:** We have taken the approval of the shareholders in the last AGM and we are in talks with that FCCB.

**Moderator:** Thank you. The next question is from the line of Utsav, an Individual Investor. Please go ahead.

**Utsav:** Good Evening, thank you for the call. Congrats on the fantastic result, I just had one question, what is the rationale for incorporating an additional UK thing that you mentioned subsidiary and how will it have a role to play in terms of like the future guidance on revenues for this and how do you plan to expand to that region. I heard on the call that you are planning to expand to the Mediterranean and you would be servicing it from Dubai, but I just wanted some sense on the UK side of it as well and additionally what sectors are we catering to currently in terms of containers, is there a split between like is there different types of containers that we are using and what are the kind of key sectors that we are our customer base consists of because you mentioned there are about 80 tie-ups that we have, so any light on what sectors they are from would be very helpful? Lastly, just one request if you can get an earnings transcript also of the full call that would be very helpful.

**Abdul Khalik Chataiwala:** Number one, we have got containers which are 20 foot, 40 foot, open top containers, these are special containers also, open tops you have got flat racks, these are the containers that we have that is what we are doing. Number two, as far your question on which areas we are catering is we are catering to the existing fleet to the total Gulf countries from Dubai, Bahrain, Saudi, Doha, Qatar all the Gulf countries. Apart from that, we are the upper Gulf is Malaysia, Haiphong, Vietnam, Indonesia, Aden, we are catering at the moment for all these countries. Now, apart from that we have got agencies agents, wherever the container goes from here exported, wherever the container is being exported we have got agents out there. These containers go out there with export cargo from India. They go there, it gets destocked from there and import cargo has been laded and sent back to India of our agencies, that is the second part. Third part which you asked about starting Europe and Mediterranean, if you see it is going to be better for us. Dubai we started in, so that we can cater from there also because there is a lot of cargo, which is originating from Dubai, which is a hub for Europe and the Mediterranean, so seeing the potential we have set up this company out there, subsidiary out there. As regard to the UK company that we are planning to float, it will be a gateway, UK is the gateway for Mediterranean and the European countries, that will be better for us if we start in the UK also, so that we get the mileage from there, so that is the reason we are starting a company in the UK also, so what we will be having is you will be having revenues from different source, one is from India, second revenue from Dubai, the third revenue is going to be from the UK, so you can say we are opening doors of revenues from each and every part wherever we are going to open the offices.

**Utsav:** One last question, how does our company compete with the likes of the Government container corporation, what is the competitive dynamics there?

**Abdul Khalik Chataiwala:** Let me tell you, number one, this is a private company which is going to be more aggressive. You must be knowing Government companies how they work, but the big difference that only a Government company, how they will be working whereas the private company would be more aggressive. Second is a Government company your hands are tied whereas the private company you can do just sit across the table, talk to the shareholders, take the details and move forward fast. Like if you see, we have just taken the approval to open Lancia in Dubai and this company has already been formed, place has been taken on rent, the office interior has been done, and most probably on the December 1<sup>st</sup> this is going to be operational, so this is the way we are working. Once we take a decision, we try to implement it and you will be finding more, from January your revenue is going to start from there also, so if you are going to compare with a Government company, it is going to be very difficult. Apart from that, Shipping Corporation of India for example, they have got vessels and we are people who have got the containers, so at that time we are using their facilities, suppose if you want to ship containers to a certain location, we take the rates from them and we give them our container. We are loading on their vessels also at times, so that is what the difference between us and the Government company is.

**Moderator:** Thank you. The next question is from the line of Keshav Garg from CCIBL. Please go ahead.

**Keshav Garg:** Sir, wanted to understand that what would be the cost of our fleet of 10,000 containers, the replacement cost?

**Abdul Khalik Chataiwala:** You mean to say the brand new containers or the old containers, you are talking of the existing containers or what?

**Keshav Garg:** Yes Sir, the existing, the second-hand containers which comprises our fleet.

**Abdul Khalik Chataiwala:** I will tell you today, the price of containers have gone up that you really know. All of you know that the container prices have gone up. Now, if you see today a 20 foot old container is costing nothing less than ₹ 1,50,000 per container. We have got a mix of own containers as well as leased containers, so you can multiply and come to the number what is the asset of your company today.

**Keshav Garg:** Sir, since we all know that these prices are temporary and basically eventually prices will come down of the containers, does it make sense to sell those containers now and again buy them after the price fall?

**Abdul Khalik Chataiwala:** This question has been put to me many times, if you are going to sell your containers today, you will not be able to do business at all, suppose if I sell my containers today, I have got the staff strength of about 200 people out here and we have got an image in the market, the reputation in the market that people know that we have got so many containers and that may cater to certain locations. If we sell the containers today that means you are going to go at a loss of revenue. Apart from that, today you are getting freight rates, which are much higher if I feel, if we do it for two years, the freight levels that you are going to earn are going to go, it will be much more than the cost of the container. The revenues that you are going to earn per container is going to be much more than if you sell it today and just sit waiting for the right time for the prices to correct themselves. You can never time the market; it is going to be like this.

**Keshav Garg:** Sir, also wanted to understand that in FY '19-20 and '21, our operating profit was 21, 22, and 23 crores even though our revenue jumped significantly during this period by over 50%, so during this period the freight rates were low, so that is why despite volume growth our EBITDA was stagnant, so going forward if again freight rates may be after two years when they fall, so then again we can expect a basically flattish or downtrend in our operating profits?

**Abdul Khalik Chataiwala:** No let me tell you. The freight rates are you can say when you compare it, there are two things, there is one called slot rate are being given by the vessel operator, so once your freight rates go down, your freight rates will go down only when your slot rates are going to come down, otherwise, this will not happen.

**Keshav Garg:** Sir, basically eventually they will come down as a function of demand and supply in the market?

**Abdul Khalik Chataiwala:** When it is going to come down, your slot rates will also come down then only the correction is going to happen.

**Keshav Garg:** Sir, basically why was our EBITDA flat for three years, that is my question?

**Praful Jain:** I just want to give it point wise. If you compare past year's EBITDA, the margins are lower, recent there are lot these things have been done. We have more than 80 agents who work for us. There is an agency agreement which we put into place, so the agreements are, the sharing will be on a larger side where we have renegotiated all those commission sharing and had to come to a much lower level. Apart from that, second thing the slot rate we have done the advance booking for the slot, so we have already booked the slot at a much better rate in comparison which is there in the current market, so that way we get the good realization on our performance.

**Keshav Garg:** Sir, basically this 10% to 12% operating margin that you have guided for, this is only for the current year or going forward also you hope to maintain these kind of margins, maybe after two-three years when the freight and slot rates do come down?

**Praful Jain:** We will try to maintain this margins going forward. It has already been started, if you can see comparison to last quarter with this quarter, the margins have improved substantially. Going forward, we also see that the margin will be much better and even if the freight rates comes down, we try to maintain our margins. Moreover, in current situation, we are charging certain premium to our existing customers, so realization will be much better going forward.

**Moderator:** Thank you. The next question is from the line of Deepak Mehta, an individual Investor. Please go ahead.

**Deepak Mehta:** Good Evening Sir, thank you for the opportunity Sir, my question is around the asset turnover, so right now we have around asset turnover of 4.3, so with the new CAPEX what asset turnover we can expect in the future?

**Praful Jain:** This CAPEX which we are planning it will be a mix of lease as well as containers we buy. The asset turnover I think Ranjana will give a better outlook on what will be our turnover ratio guidance. Ranjana over to you.

**Ranjana Shinde:** Our turnover ratio has been increased because of our freight rate and all these things and we purchase new property and everything, but now all setups are in order, so there is no extra cost for this company, we have to just run the business.

**Deepak Mehta:** Madam, can we expect that we can achieve asset turnover of 4 in future?

**Ranjana Shinde:** Yeah, of course.

**Moderator:** Thank you. The next question is from the line of Mohit Kumar from DAM Capital. Please go ahead.

**Mohit Kumar:** Good Evening Sir and congratulations on good set of number, Sir my question is you have indicated that for longer term, you will invest in container manufacturing and the other is to own the shipping vessel, so what is the kind of capital you are looking to allocate this to particular sectors and what is the kind of ship you would like to own in the medium term?

**Praful Jain:** For Container manufacturing, as we have already told that we will be getting funds from FCCB and then we have our own plans to setup taking our consultant into consideration where maybe we can look into some strategic partnership also, which is not yet decided, but there is also a vertical which we can obviously look into. Coming to your question on vessel, owning a vessel is a long-term target which we have, but before that we want to add certain number of containers to our kitty, so once these numbers are achieved as per plan suppose I will have the double the size of my present containers, then I will have a plan to buy a vessel so that it should be more a integration you can say, we are running our own vessel to a destination taking our container for providing the services to these exporter and importer, but on the plans of what type of CAPEX we require, I think we have yet to evaluate and this the reason we have taken a blind approval of 100 million USD from the shareholder to cater to all those needs.

**Mohit Kumar:** What is the kind of capital required for buying 2500 containers?

**Praful Jain:** A container right now costs somewhere around \$ 3500- \$3800 and we have seen in past one month, the prices have come down or settle for the container as well, so we can say that like somewhere 2,50,000 to 2,80,000 a container will cost you a new brand container.

**Mohit Kumar:** Lastly Sir, what is the tenure of the contract we have on our containers with our customers?

**Abdul Khalik Chataiwala:** The tenure of containers, for example the containers that we have taken on lease, the tenure is about five years which can be extended. Apart from that, we have got own containers that belong to us, most of the container fleet at the moment are released, you can say right now a very small portion as a moment that the containers that we have are on debt.

**Mohit Kumar:** Sir, on the customer side, do we have six-month contract, three-month contract on the customer side with our clients?

**Abdul Khalik Chataiwala:** No, let me tell you how we work. We are not stuck to one customer. The market is very big, so what happens is if you are stuck to one customer there are certain things, the disadvantages are there. Number one disadvantage is going to be that we will have to give him a better freight rate that means less margins for us. Number two, we have some select customers, the payment

terms are going to be on credit terms, which we are not allowing at the moment. We never allow, if you see our cash flows are all positive cash flows. The customer is taking the container, shipping the goods immediately when he comes to take the B/L, he is making the payment to us upfront. Similarly, during imports also, the same thing happens. Once the import comes in, he comes, gives us charges, everything, but if we have a customer, big customer, you can name any one of them, they will ask for credit, we are not giving any credit, that is the reason this company is cash rich at the moment.

**Mohit Kumar:** Does it mean that all the contracts are spot contracts, is the right thing to say?

**Praful Jain:** These contract generally they are with agents, we work with multiple agents so they might have direct customers who are their direct contacts. We have a contact with our agents who gets the business for us, these are forwarders.

**Moderator:** Understood Sir, Thank you. The next question is from the line of Akshay from Shivam Capital. Please go ahead.

**Akshay:** Good evening Sir, congrats on the amazing result you have posted, I really appreciate the fact that you mentioned in the last point also that the debtors ratio is very less for your company and that is one thing because of which we are seeing more positive cash flows. I have two questions Sir, one being when are you going to list on the National Stock Exchange because Lancer is quite big a company now. I have been associated with this company as an investor from last two-and-a-half years, so I think we need to move to the NSE index, also, that would be a good addition? Second question is as you mentioned like basically now you are going to double the number of containers we have at Lancer, along with that maybe there is a possibility that we might have a factory, so based on my calculation it is around 30,000 containers and with a factory which gives us about 10 crores in profit, we can basically make 100 crore PAT, so can you give a timeline on when you plan to achieve this milestone of 100 crores in profit after tax along with that about the NSE listing Sir?

**Praful Jain:** For the first question for this NSE, we have certain regulatory things, which need to be catered to, we are already exploring this thing and in discussion with our compliance team to work on it, and if they have any good news, soon we will give that.

**Abdul Khalik Chataiwala:** Basically, I will tell you is once we have the containers, I think most probably if you seeing our past history that is what we were talking today also in the morning, if you see the past history of Lancer, most of our containers have come during the month of January and February, so if you see once the containers come in, naturally the revenue is going to increase and the profits are going to increase, that is number one. Number two, once we start the factory also most probably it will take us at least one year or two years at least for getting the factory running to its optimal level so we foresee that the profits are going to be good, and opening subsidiary companies also all the profits coming in, it is going to be a substantial amount which should

come in to the company. I would not like to tell you how much it would be or something like that and the timeframe, but I would say the company is going to do really good.

**Akshay:** A follow-up question on that, like you said that you will be doubling the container numbers from 10,000, so what is the timeline which you have in mind to double this container like is it one year, two years like a timeline?

**Abdul Khalik Chataiwala:** I think we should be going a bit aggressively this time, because now at the moment Lancer is all set, offices are set, agency is set, all part registrations are, we have registered with all the ports in India, all the ICD, we have got a good network, we have got sales rise, everything is set, so now this is the time that we are going to go a bit aggressive in purchasing of containers and I think this year it should be I think we should add about before March 3000 containers and when following at April to July or September another, you can say we could add another about 2000 or 3000 containers, that is what our plan is at the moment.

**Akshay:** Amazing Sir, really appreciate the way you are working and taking the company forward, wish to see 1 lakh containers with you soon, there is a huge market and you are going to definitely cater to it, thank you, all the best for future Sir.

**Abdul Khalik Chataiwala:** Thank you very much.

**Moderator:** Thank you. The last question is from the line of Puneeth, an Individual Investor. Please go ahead.

**Puneeth:** Thank you for giving me the opportunity Sir and congratulations on good set of numbers, I have two questions Sir, the question number one since you have mentioned in one of the presentations that we are going to manufacture the containers also in the coming time, so how do you see the commodity cycle impacting your business at that point of time, because you are still six to nine months away from starting the business if I understand it well, and commodity cycle is going to expand and our raw material cost could be really high, so what is your take on that? Second question is when you are saying to jump into the cold storage business, so what could be the revenue percentage coming from that business in three years down the line?

**Praful Jain:** Coming to the commodity cycle which I have watched lot of time, people say that cycle is long last for commodity, six years, eight years, but in the history we have seen different things. If you see like right now the steel prices are high, but you never know. Once there is lot of raw material coming into the market through China or some other manufacture, then this prices will go down substantially, so we cannot time the market based on that. We understand our requirement, we understand the market requirement in terms of container, and we understand that even if we buy out raw material at higher prices, we can cater to that demand at that realization, so that is how the we majorly portray our plans and we are also studying and doing a feasibility on that taking into outlook that what is the material required because



there is a specialized raw material which is needed, the corrugated steel, so what will be the cost and where we can procure that, how should we import that, that is all on a working mode, so right now we are not in a position to discuss that but in the scenario on terms of raw material, but of course in our later call or through mail, we will definitely update our shareholders and the analysts.

**Puneeth:** So that means we are still six to nine months away at least from starting that, is that the right understanding?

**Praful Jain:** Right, yeah.

**Puneeth:** Second question on the cold storage, what percentage of revenue you would be targeting in three years down the line from them?

**Praful Jain:** Around 10% to 12% you can expect out of this cold storage.

**Puneeth:** Okay, so do you see, who all would be your peers for that, have you done any work already or it is still work in progress?

**Praful Jain:** We are still working and exploring this.

**Moderator:** Thank you. The next question is from the line of Sahil Gupta, an Individual Investor. Please go ahead.

**Sahil Gupta:** Sir, I want to know basically on the freight forwarding business like the business which you have, just want certain clarity, are you into air freight also, air freight warehousing and the domestic transportation activities as well?

**Ranjana Shinde:** Currently, we are just doing little bit freight forwarding because just we wanted to provide all services under one roof, that is why we are just doing freight forwarding little bit and all that, so freight forwarding also we are doing but not much, sea freight forwarding, not air freight forwarding right now.

**Praful Jain:** Adding to Ranjana, freight forwarding business is a credit business. We play it very safe on our side in terms of when it comes to the credit because you never know one customer is doing good presently, you never know second day what can happen, so it should be even if we are doing freight forwarding business with 10% of our total turnover, the credit to the customer is very limited to only 15 days or 30 days, we do not extend it much and that is also based on the customer to customer. If it is a very large customer then only we extend it to 30 to 45 days, otherwise, we do not provide any credit on that. It is better to do less of business rather than to put ourselves into a difficult situation on the credit side.

**Sahil Gupta:** Like Lancer has seen over the years that they have grown very phenomenally well, but if you see the large MNCs which are there in the market, if we want to target is next five years to grow to that level and take the company to that level, so then the new additions in terms of all gamut of services, you are not thinking of adding it in the later part of the year?

**Praful Jain:** We are doing that gradually, that is the reason we have set up this container trading, freight forwarding, multiple other verticals, so that we can nurture them out and these are different subsidiaries which is taking like different roles separately, and going forward, we will be establishing them in a full-fledged manner.

**Sahil Gupta:** Sir, now since you are now getting into UK market and opening an office, it will be a direct office, you do not want to get into agency, like you want to reduce your agents and you want to get into direct handling of cargo at that location that is how the plan is according to my understanding?

**Praful Jain:** You are correct, that is our later plan on that. Apart from that, see we are operating even in Middle East through agents right now. Now, if we have a wholly-owned subsidiary, it will be directed through it and we did not want to share any commission over there, so that is one of the thing which we are looking.

**Sahil Gupta:** On the transportation side, you are not like delivering the containers at the factory or at the basically wherever there is containers like once you customer. let us say in Dubai then you are also adding transportation services to your business?

**Abdul Khalik Chataiwala:** Not at the moment, clearing and transportation services will be provided by the third party. We are out of that currently here.

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

**Abdul Khalik Chataiwala:** Thank you all for you questions, and hopefully we have been able to answer them adequately. I would like to thank you all for participating on today's call. In case you have any further questions, my team and I will be happy to address that through email. Lastly, we assure you to keep our focus on growth with margins and commitment to maximizing shareholders well. Thank you very much.

**Moderator:** Thank you. On behalf of Lancer Container Lines Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.