



Lancer Container Lines Ltd.

Date- 28-02-2024

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

Sub. Transcripts of Earnings Conference Call – Quarter ended December 31st, 2023.

Ref. Scrip Code – 539841 i.e. Lancer Container Lines Limited

Dear Sir/Madam,

In continuation of our letter dated 20th February, 2024 and 26th February, 2024, In compliance with the Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulation 2015.

Accordingly, please find enclosed the following:

1. Transcript of analyst meet held on Monday, 26th February, 2024 at 02:00 PM IST for discussion over Un-Audited Results for Q3 ended on December 31st, 2023 FY 2023-24 & Business Outlook.

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

Thanking You,
Yours sincerely,

On Behalf of Board of Directors
Lancer Container Lines Limited

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Miti Tailong
Company Secretary and Compliance Officer

Place- Navi Mumbai

CIN: L74990MH2011PLC214448

Registered Office : Mayuresh Chambers Premises Co-Operative Society Ltd, Unit No.H02-2, H02-3 & H02-4,
Plot No.60, Sector-11, CBD Belapur, Navi Mumbai-400614 Tel.: +91 22 2756 6940/41/42 Web.:

www.lancerline.com

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“Lancer Container Lines Limited
Q3 FY '24 Earnings Conference Call”
February 26, 2024



MANAGEMENT: **MR. A. K. CHATAIWALA – CHAIRMAN AND MANAGING
DIRECTOR - LANCER CONTAINER LINES LIMITED**
**MR. PRAFUL JAIN – EXECUTIVE DIRECTOR - LANCER
CONTAINER LINES LIMITED**
**MRS. RANJANA SHINDE – CHIEF FINANCIAL OFFICER
– LANCER CONTAINER LINES LIMITED**

MODERATOR: **MS. LAKSHMI CHALWADI – CAPITAL SQUARE
FINANCIAL SERVICES**



Moderator: Ladies and gentlemen, good day and welcome to the Lancer Containers Lines Limited Q3 FY24 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 star then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Lakshmi Chalwadi. Thank you and over to you, ma'am.

Lakshmi Chalwadi: Good afternoon, everyone. On behalf of Capital Square Financial Services, I welcome you all to Lancer Containers Lines Limited Q3 FY24 earnings call. We have with us Mr. A. K. Chataiwala, Chairman and Managing Director, Mr. Praful Jain, Executive Director, and Ms. Ranjana Shinde, Chief Financial Officer of Lancer Containers Lines Limited.

Now, I hand over the floor to management for their opening remarks and outlook on business. Over to you, sir. Thank you.

A K Chataiwala: Thank you. Good afternoon, everyone, and a very warm welcome to you all in the earnings call for the quarter and nine months ended as on December 31st, 2023 for the financial year 23-24. Thank you for joining.

I trust you all had a chance to look at our presentation, earnings release, the financial results on the stock exchange and on our company's website. I would like to make some preliminary remarks before we enter into the questioning session. We are delighted to share that our performance remains steady for this quarter, supported by consistent demand for our services.

The quality of our logistic infrastructure and the maturity of logistic services are key constants of both ease of business and by the extension of it from make in India. Our commitment to growth is evident in the increase in the containers, expansion into new geographies, establishing and enhancing stronger foothold in key operating markets, and providing comprehensive logistic solutions. Moreover, in our pursuit of becoming a fully integrated service provider, we are actively exploring opportunities to cater and advance our services internationally across the globe.

Moving further to ensure profitable expansion, we are strategically opening new corridors and conducting market tests before deploying increased capacities. Thank you. Now we are open to address the questions.

Moderator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask question may press star and 1 on their touch-tone phone, if you wish to remove yourself from question queue, you may press star and then 2. Participants are requested to use handsets only while asking a question. Ladies & gentleman we will wait for a moment while question queue assembles. Participants, you may press star & one to ask question. The first question is from the line of Sudhir Padiar from Consultant Capital Advisors. Please go ahead.

Sudhir Padiar: Good Afternoon Gentlemen. Congratulations. Encouraging set of numbers. I had a couple of queries. Sir, how many TEUs have we added in this particular quarter? Hello?



- Moderator:** Ladies and gentlemen, there seems to be a disconnection from the line of the management. Please stay connected while we reconnect the management. Ladies and gentlemen, thank you for patiently holding. We have reconnected the management line back. So, sir, can you proceed with the question?
- Sudhir Padiar:** Yes sir. Good afternoon, gentlemen. Congratulations. Encouraging set of numbers. I had a couple of questions which I wanted to check. Sir, how much tonnage have we added in this particular quarter, TEUs?
- Praful Jain:** We have added approximately 3,200 TEUs. The total numbers have reached around 18,400.
- Sudhir Padiar:** 18,400 TEUs so far, including this 3,200, right?
- Praful Jain:** Correct. Yes.
- Sudhir Padiar:** Okay. Okay. And, sir, generally, what has been the average run rate on a quarterly basis, on average? I mean, if you take a look at the last, you know, eight quarters orders so. I am just trying to assess. So, average quarterly addition that we do normally?
- Praful Jain:** Normally, average quarterly, we are deploying around 2,000 to 2,500 TEUs.
- Sudhir Padiar:** Okay. Okay. Okay.
- Praful Jain:** That is including my subsidiary and the parent company altogether. Okay.
- Sudhir Padiar:** Okay. Okay. And, and how much time do you think it will take to target roughly about, to reach about 20,000 TEUs?
- Praful Jain:** In this year itself, we will achieve this 20,000 number.
- Sudhir Padiar:** Okay. So, somewhere I vividly remember you also mentioning about a target of reaching about 40,000, 45,000 TEUs by FY26. Is that target still in place or is it slightly moved here and there?
- Praful Jain:** No, it is in place. See, for that purpose only, we are planning to do this QIP, which has already been announced. So, from this money, which will be, we will be planning to add another 30,000 TEUs into the kitty within a span of 1.5 years to two years.
- Sudhir Padiar:** Okay. Okay. So, thank you very much. I'll come back in the queue if I have further questions.
- Praful Jain :** Thank You so much.
- Moderator:** Thank you. The next question is from the line of Nipa Haria from Nipnil Investment. Please go ahead.
- Nipa Haria:** Good afternoon, sir. Congrats for the good set of results. I would like to know there is a growth scene in the TEUs and the margins. However, this on the revenue front, there is a decline in



year on year, the revenue was 15% and quarter on quarter it is showing 9.5%. So, what is any specific reason for this? What is the reason for this revenue decline?

Praful Jain: See, major reason for this decline is because of the freight rates, which has come down. So, in this year, the freight rate has been come down drastically, but you can see there is a nil effect into our margins because we have expanded to new geographies where we are getting good margins out of these businesses. So, that covers our margins, that prediction over there. And apart from that, as we told earlier calls also, we always have a fixed margin with the customer, right? So, we keep this margin intact and pass on whatever the rate decrease to the customer.

Nipa Haria: Okay. Okay. Thank you, sir.

Moderator: Thank you. Participants, you may press star & one to join the question queue. The next question is from the line of Bhakti Oza from Bhakti Enterprises. Please go ahead.

Bhakti Oza: Good Afternoon Sir. My question is, can you share your views on Red Sea crisis and its impact on our company? Also, is there any volume data available for a comparative analysis?

Praful Jain: I just want Mr. Chataiwala to address this question in terms of Red Sea operation.

A K Chataiwala: Yes, let me tell you is the Red Sea, actually, we are not operating much in the Red Sea. If you see the crisis are really, you never know what can happen out there and seeing the geopolitical situation. So, we have restrained ourselves not to venture much into the Red Sea area till things clear up. So we are concentrating on other areas at the moment and once the Red Sea crisis opens up and then we'll start with the Red Sea port.

Praful Jain: Also, to add into that, we have specifically designed a team to work into the Mediterranean region and we have right now stopped looking to those models till the time this crisis will eventually go out. So the team is ready, the functions -- the methodologies are ready. Just we are waiting for the right time to look into those regions.

Bhakti Oza: Okay, sir. Thank you.

Praful Jain : Thank you

Moderator: Thank you. The next question is from the line of Nimit Arora, who's an individual investor. Please go ahead.

Nimit Arora: Sir, congratulations for the great set of numbers. My question is around the joint venture we entered with Lotus Shipping Services. So from the announcements, it is clear that, yes, we entered in a JV. I wanted to know that what is the purpose? From my understanding, it is about running the vessel operations.

So, on the operation side, what is the part that Lotus Shipping does for us? How does the profit split work? And what portion of the vessel cost did the Lotus Shipping bear? And what is the model that we are going to follow for the next set of vessels that we own?



A K Chataiwala:

Okay. Now, let me tell you, we joined hands with Lotus, which is a company operating in Dubai, having vast network in the Mediterranean and you can say in the Gulf and the upper Gulf. Now, basically, we've joined hands with them. Lancer has got about 51%. We formed a company by the name of SJ Shipping.

In this, we plan to have vessels and deploy them in our sector. Now, Lancer will be having for 51% of the stake and 49% would be with Lotus. So, the investment part also would be 51% from Lancer and 49% from Lotus. This is how it is going to work. And accordingly, the profits will also be shared.

Now, this company has already been formed, offices have already been taken. Now, we're just waiting for taking a vessel and deploying it. Now, what we plan to do is, we've already hired a captain who's going to look after it and see because we already have captive cargo, for example, from India to Jebel Ali, we already have cargo from there.

So, this vessel, which we are going to take is going to be a small vessel, which can carry approximately 600 to 800 containers. These containers will be moved from Mundra to Jebel Ali or wherever we find the routes more profitable we'll be routing is going to be like a shuttle service, which we plan to deploy because we already have captive cargo.

I've already told you how much is the investment. The investment is approximately \$7 billion, in which 51% is to be put in by Lancer and 49% has to be put by Lotus. And whatever the profits, which are going to come, are going to be shared between the two companies.

Nimit Arora:

All right. Thank you. And on the next set of vessels, so one thing is on this vessel, what is the sales that we're targeting for a particular year, in a year? And what is our plan to acquire more vessels after this?

A K Chataiwala:

See, let me tell you, this is going to be one vessel, which we're going to do on a trial basis, seeing the profitability, we will be going into the next vessel forward. So this is going to be, you can say, a pilot project, which we have because we already have captive cargo. Because if you see, if I'm using someone else's vessel, he is already making profits from us.

But when I have my own captive cargo, I can use it and get all the profits to myself. So, that is the reason we are starting this vessel operation. Going forward, you can say, as we make profits out here, we are going to plough back all the profits into mine or chartering of vessels going forward. That is what the plan is of the management.

Nimit Arora:

I see.

A K Chataiwala:

I hope I have answered your question.

Nimit Arora:

Yes. Thank you.

Moderator:

Thank you. The next question is from the line of Yatin Kapoor, who's an individual investor. Please go ahead.



Yatin Kapoor: Yes, thank you, sir. My question is, first one is regarding Red Sea, I guess that's been a little bit answered. But the second one is regarding the vessel operations that we were supposed to start this from January this year. So have they started or are they still lagged out? And lastly, on the depreciation, we can see a little higher amount of depreciation in the month of -- in the December quarter. So, any specific reason for that? And do we expect the same thing going forward?

A K Chataiwala: See, let me tell you about vessel operations. We've already formed a company which takes time in Dubai. So, we've already formed the company. Actually, we were planning to start in January. But due to the delay, because we had to do up the office and going forward, looking at the market scenario about the Red Sea problem, that is the reason the rates of the vessels have gone up, because of Red Sea problems. That is the reason we've just slowed down on it.

We had planned to start in January. But seeing the scenario, we've just -- we're just keeping quiet because we just formed the company right now. And we are looking out for vessels. Apart from that, we are waiting for the finances also. Finances also, ODI, we've already applied to Reserve Bank of India to send the payment from India. As you must be knowing, if you're sending money, if you're investing in a foreign company, you need to take permission from Reserve Bank of India, which we applied. And we feel that within 15 days, we should be getting the permission. And then we start transferring the funds and having the vessel with us.

Yatin Kapoor: Okay.

Ranjana Shinde: Let me answer for the depreciation increases for this consolidation. If you see in stand-alone, there is not much changes in depreciation. But in consolidation, there is a little bit jump because of we added 3,000 and more containers in our overseas subsidiaries. So they are using their tax rate or something different. We are calculating depreciation on WDV basis, but they are calculating depreciation on straight line basis. So they are using as a 10 years of containers to life. That's why they are increasing depreciation in consolidation, not in stand-alone.

Yatin Kapoor: All right. Thank you. So just on the vessel, by when do we expect this to start another quarter or so?

Ranjana Shinde: Pardon?

Praful Jain: Sorry, you are not audible clearly. Can you please repeat?

Yatin Kapoor: No, I was saying, so when do we expect the vessel operations to be started? Maybe another quarter, then by this April we can expect?

Praful Jain: See, our right now priority is to increase the number of containers, first of all, because this will be a new set of containers which will be deployed into this vessel. So I should be strong enough to sustain this vessel through captive use. Right. So for that, I require the increase of containers, first of all, that is the priority. Maybe in a two quarters time, we should have a fully functional vessel running. That is our forte.



- Yatin Kapoor:** Okay, so just last one. So if we have not started the container as of now, so what is the reason for expansion in margins for this quarter? Any specific reason?
- Praful Jain:** Sorry, not able to hear you.
- Yatin Kapoor:** I'm saying if we have not started the vessel operation as of now, any specific reason we can see an increase in margin for this quarter?
- Praful Jain:** See, increase in margin because of on certain areas we are expanded like in Africa region, we are doing it. So we are getting a very better, very good margin on those sides, as well as the new containers which have come in, which we have deployed into those areas. They are generating good margins in terms of areas which we are covering through India. So most of these margins are through our SOAs or coverage through outside India locations, because the freight rates are not good enough right now in the destinations from India exports.
- Yatin Kapoor:** All right, that's it. Thank you. Thank you very much.
- Moderator:** Thank you very much. The next question is from the line of Amogh Dahiwadkar from Ekdant Investments. Please go ahead.
- Amogh Dahiwadkar:** Good afternoon, sir. Can you hear me?
- Praful Jain:** Yes.
- Amogh Dahiwadkar:** So following the acquisition of 60% stake in Transco Logistics worldwide, can you elaborate on how this strategic move will contribute to Lancer containers Line growth within the freight forwarding business?
- Praful Jain:** See. Transco is already into the business with a very good team up there. And they are doing successfully very good in the past two, three years. They are big enough to look into all the freight forwarding projects and breakable projects. So we want to expand on those regions, on those areas, and we find it very, very good in terms of having joining hands with this company. So it will be moreover to expand to my freight forwarding arm, which is right now doing approx 10% to 12% of total size of turnover.
- I want to expand this operations reaching to somewhere around 20%-25% so that there should be an increase in terms of top line as well as bottom line. And they have a very good operating base into Middle East segment and Southeast Asia, which is also our major hold base. So operating in those areas through freight forwarding division will be added advantage to us.
- Amogh Dahiwadkar:** Okay, sir. And one more question. Beyond the container expansion, are there any ongoing projects or initiatives that could significantly impact the company's future performance?
- A K Chataiwala:** Yes, let me tell you, we've already booked about 1,200 containers starting from April. For the year 1,200 brand new containers, we've given to one company in Ahmedabad. We've just signed the agreement. So you'll be finding for the next year an increase in the revenues and the profits. Apart from that, in China, most probably you will be finding an announcement of, I think, Lancer placing an order for about 2,000 containers, brand new containers in China. So if



you see taking all that into consideration, you'll be finding an increase in the revenues and the profits accordingly.

Amogh Dahiwadkar: Thank you so much, sir.

Moderator: Thank you. The next follow-up question is from the line of Sudhir Padiar from Consultant Capital Advisors. Please go ahead.

Sudhir Padiar: Sir, pardon my ignorance, but what is the correlation between freight rates and vessel rates?

A K Chataiwala: Yes, sir. Let me tell you, the correlation is simple as that. There is something called the freight rate which we are giving to the exporter. That is called the freight rate that we say what I'm selling. And the vessel operator, the rates that he is giving, it is called the slot rates. So it is slot by the vessel operator. And what we are selling to the exporter is called the freight rate. That is how we talk.

Sudhir Padiar: Sorry to interrupt. I'm sorry to interrupt. Maybe I didn't frame my question properly. I'm saying that vessel rate means the rate at which you're purchasing a vessel. For example, you just mentioned that the cost of purchasing a vessel has actually gone up because of the red-sea crisis.

A K Chataiwala: Absolutely.

Sudhir Padiar: I'm talking about the cost of purchase of an asset, okay, like a ship or a vessel, for example. What is the correlation of that and a freight rate? Are they directly correlated? Are they inversely correlated?

A K Chataiwala: They're directly, if you see, they're directly as simple as that. You can say there's something called demand and supply also. Scarcity of containers, all those things are there taken into account. If you see today, if you charter a vessel, I'll give you a small example. If you charter a vessel today, for example, it will cost you nothing less than about \$12,000 a day. Whereas, if you have your own vessel, your rates are going to be substantially down when you're using your own vessels. So, if you see it at the moment, if you're going to have a vessel, if the rates have also gone up, if it is going to be very economical as per the freight rates that we will be enjoying in comparison to the vessel operator rates.

Sudhir Padiar: I can add that, sir. So, I'll rephrase my question once again. So, what I was trying to understand, okay, I normally understand that as and when there are some, crisis that happens, like, for example, the red-sea crisis, okay, the rates of vessels go up, okay, because that's the number of vessels either pulled out or whatever, and the cost of vessels go up. I would also like to believe that, normally freight rates also go up at the same time.

Okay. I was just wondering, you know, how come that equation doesn't work? Because we have seen a decline in freight rates over the last, one quarter or so, right? Because of which we've said that our revenues also declined. So, why is that equation not holding true is what I'm just trying to understand a little bit more?



- A K Chataiwala:** See, basically, if you're going to have, if you're going to deploy your vessel into red sea areas, you will be getting better freight rates, especially the rates have gone up, red sea area rates have gone up. But the other rates have not gone up substantially. If you have your vessel and if you're going to deploy it, you might get about, you can make about \$500 to \$700 on a container if you're doing it to red sea area and taking the risk. But if you're flying it, it's going to be a substantial, it's not going to be substantial, a marginal increase in your freight rates.
- Sudhir Padiar:** Okay. Okay. So, freight rates across the board have not moved up. It's only in a specific geography because of the crisis that has gone up significantly, you're saying?
- A K Chataiwala:** Absolutely. Absolutely. You're right.
- Sudhir Padiar:** Okay. Whereas, on the other hand, you're saying the cost of procuring a vessel has actually gone up in this?
- A K Chataiwala:** Yes, it has much gone up because most of the people, what they're doing, they're taking a risk, they're deploying the vessel in the red sea area, small vessels.
- Sudhir Padiar:** Okay.
- A K Chataiwala:** So, to make a quick buck, what they're doing is they're deploying, that's the reason small vessels, the rates have gone up. So, these are the guys, because the main liners and the vessels, the main guys are not going to red sea area, the small guys are going, that is the reason the vessel rates have gone up. Once the crisis are over, your vessel prices will come down.
- Sudhir Padiar:** Okay. Okay. Okay. I get it. I get it. I've got much better clarity now, sir. Sir, one last question from my end. Yes, sir. Sorry, you were saying something?
- Praful Jain:** Yes, sir. I just want to add something as he mentioned about this. If you can check on the freight index also, the location where, which is the red sea area, the freight rates have moved up. That's the reason this index has been calculated, but other areas you can see the freight rate are not that much. So, that can also be evaluated through that.
- Sudhir Padiar:** Okay. Okay. Okay. I get it. I get it. So, one last question from my end. Okay. Over the last couple of quarters, we've seen the margins anyways improving. Okay. Now, with the expansion of, I mean, we have in mind over the next one and a half years, can you, kind of give us some hint in the direction of margins that we can expect over the next two years? I mean, with the addition of TEUs?
- Praful Jain:** What I can say on that, we are very conservatively maintaining a margin of 13%-14%. I'm talking about on a very conservative level. Though freight rate in certain areas has increased drastically in the recent, in the last quarter because of the red sea. So, you can see the improvement into the margin, which is coming. That is the first reason. Apart from that, once I add more containers into my kitty, I will negotiate with my slot operator in terms of pricing for the slot side. So, that has been better and going forward, once I have more containers, it will be going forward, it will be much more



better in comparison. So, a level of gross margins, you can say, on a lower side, 12% to 13%. On a higher side, it should be like 18% to 20%.

Sudhir Padiar: Okay. So, on a normalized basis, about 200 basis points to 300 basis points, margin accretion is something that we can expect at least over the next 2-3 years?

Praful Jain: Right. And it also depends on detentions in certain areas, the contents are for a very long duration and you can get more money apart from your freight through detention. So, that can also improve a sustainable margin in terms of your growth.

Sudhir Padiar: I get that. Okay. So, thank you very much. I shall come back in the queue if I have more questions.

Praful Jain: Please, yes. Thank you.

Moderator: Thank you. The next question is from the line of Nipa Haria from Nipnil Investment. Please, go ahead.

Nipa Haria: Sir, I would also like to know, okay, what is the expansion plan beyond this container? Do you have any ongoing projects or what are the initiatives you would like to take for the company's future performance?

A K Chataiwala: Now, let me tell you the future. We have already said what we plan is basically we plan to increase the containers to more than 40,000 to 50,000 containers. Going forward, we are also getting into vessel operations also.

So, the first vessel most probably should be in a couple of months, you can say the first vessel should be there. Then as we go forward, we might see where we can see new avenues to increase our revenues and profitability.

Nipa Haria: Okay. Okay. Thank you.

Moderator: Thank you. The next question is from the line of Vaishali Parthiv Kumar from Vihaan Investment. Please, go ahead.

Vaishali Kumar: Thanks for the opportunity. Sir, I missed the investment number which we are doing in Lotus container shipping. So, could you please elaborate on that?

A K Chataiwala: You see, as I told you, a vessel would cost us anything between about \$6 million to \$8 million. So, if you see if the investment is about \$8 million, you are supposed to put in about 51%. So, it comes to approximately if you say 50%, \$4 million would be the investment for a vessel.

Vaishali Kumar: Okay. And in our earlier call, we were talking about the chartering of this vessel, which was having 50% to 55% kind of EBITDA and EBIT maybe. So, what about the factors, you know, margins? Are they, same or will they be better or can you please throw some light on that?



A K Chataiwala:

See, when you are owning your own vessel, the margins are going to be better. And then let me tell you today at the moment is the markets are a bit dicey at the moment. Once the prices come down, your margins will increase because this is a cyclic business.

Now, at the moment, if you see just because of the Red Sea crisis, the rates have gone up. If you would have seen about six months back, the rates would be down. So, this is cyclic once the Red Sea crisis is over, then you will find another when you buy a vessel, there's going to be a spring-back again for us.

Vaishali Kumar:

Okay. Sir, and about our revenue, the way you said that, you know, up, up, up, I mean, freight rate has actually gone down from last year. So, do you see that in next quarter, maybe because of Red Sea, some revenue, figure should be different or maybe higher side or we, as we do not work in the Red Sea, so we are immune to that particular hike of rate, rate in Red Sea?

Praful Jain:

For us, it's more important to look into the margins rather than looking to the top line in terms of revenue, because for getting additional revenue, I'm already, we are already working to add more regions into our kitty and more of operations into different sectors, particularly to the logistics side.

So, eventually, once I have a vessel, eventually, once I am going into other regions, like far, far west, western regions, I will be having revenues coming from those segments as well. Apart from that, we are raising ourselves into the freight forwarding, trying to reach to from 10% to 20% of the total revenue which we are trying to do.

So, from those operations also, from break-bulk operations also, we will be getting revenue. And these tie-ups and JVs, which we are doing also, they will be segmented into different verticals. So, this is much, that where we cover our, this shortage, which we have been done, phenomena of freight is more like demand and supply.

You have already seen the freight rate going down, going up, but it doesn't affect us much because we always try to protect the margins which we are making and try to increase those margins in terms of the better operations which we are planning to do.

Vaishali Kumar:

Okay. And which new routes we are adding?

Praful Jain:

So, routes, we are right now entering into Africa, Latin America we are doing, which is a new region. We have plans for Mediterranean region also, but we have stopped ourselves looking into the scenario which has developed. So, we are getting good freight rate into the regions which are near to those segments. So, we are keeping a wait-and-watch type of strategy over there. We are now planning to enter into European and Western countries also in a strategic manner.

Vaishali Kumar:

Okay. And when we say we are exploring these routes, so we are talking about some kind of JV or we are putting our own offices there? How do we go ahead with that?



- Praful Jain:** See, it's always once we enter into a new region, we have to identify what type of operations and what type of agency network we have established over there. So, first step should be, identify what type of agents which are available and we can enter through agency network.
- Vaishali Kumar:** Okay. So, with these routes which we have discussed right now, we have already done that, you know, means we have already identified the agents and everything?
- Praful Jain:** So, we already have our agents in Africa, Latin America, we already have that. For Western regions, we are working on exploring opportunities with the different agents which where we can establish some relationship.
- Vaishali Kumar:** Okay. So, within one or two years, I think we should be able to enter into Western and European countries or in those routes?
- Praful Jain:** We can be able to do that before that. Within a quarter or two quarters, we can be able to establish our network, agency network over there. So, we already have an initial talk with these people more about signing an agreement.
- Vaishali Kumar:** Okay. And so, you were earlier also discussing about the liquid containers. So, where are we in terms of that?
- Praful Jain:** Sorry, not able to hear you.
- Moderator:** Sorry to interrupt. Vaishali ma'am, there is a lot of disturbance coming from your side, a background noise.
- Vaishali Kumar:** I am sorry. I am saying, I am asking you, we were talking about the liquid containers. So, where are we in terms of discussion of that liquid containers? Where are we?
- Praful Jain:** We have already established a company, Lancer Tank Containers, and we are planning to buy some of the tankers to start this business activity. So, it's on a recent stage, but we are waiting for the funds and we have planned to do a QIP. Some portion of the funds will be deployed to buy these tank containers also.
- Vaishali Kumar:** Okay. And what will be the route for that? Have we already discovered that or it is too early to talk about?
- Praful Jain:** Sorry, come again.
- Vaishali Kumar:** For the liquid container, have we already discussed the route where we want to deploy that or it is, yet to decide?
- Praful Jain:** We will be working with all the developed agency networks which we have with Lancer. So, that is already they are doing some export for tank and handling these tank containers. So, this will be through them only. So, what are the existing routes which where I am functioning right now, will be the same for my tank operation.
- Vaishali Kumar:** And what about the margins? Will it be similar or it will be higher than the normal ones?



Praful Jain: It is in comparison better margins from your standard 20 feet or 40 feet containers, dry containers. Because these are specialized containers and you have a specialist team who can handle liquid cargo. So, it will be a better margin in comparison.

Vaishali Kumar: Okay. And when you say that we are waiting for QIP, so can we see that if we are raising money through QIP, then we are able to buy these liquid containers and what will be the, means are they, these numbers are already factored in when you say 40,000, 50,000 containers you want to take it to?

Praful Jain: Tank containers, we will be not adding a very large quantity. It should be with a start of somewhere around 50 containers. That is how it is because these tank containers are also expensive in terms of that.

And it will be a mix of our self-approvals as well as the money which we are going to receive from QIP. And yes, those plans are in place in terms of when I say 45,000 TEUs two years down the line. So, it has been taken into consideration.

Vaishali Kumar: Thank you so much. This is from my side. Thank you.

Praful Jain: Thank you.

Moderator: Thank you. The next question is from the line of Aditya Bawari from DeLorean Partners. Please go ahead.

Aditya Bawari: Hi, good afternoon. I had a couple of questions. One, what is the amount of QIP that you plan to raise? One. Two, what is going to be the end use of funds for these? This is on the QIP. On the vessel operations, I just wanted to know how far out are we in terms of acquisition of the vessel? What is the proposed means of finance for that in terms of are you going to take some debt for it or is it all going to be financed only through equity? And then, when do we really expect the operations, the vessel operations to start?

Given that, I'm given to understand that this vessel will be a second-hand vessel. So, will there be some refitment, etcetera, etcetera, that will be required, repaired, etcetera? So, realistically, when do we, one, expect those vessel operations, vessel to be acquired, one, given the freight rates are already high and we're waiting for that to come down? And then, when do we, after repair and refitment, when do the operations start? Thank you.

Praful Jain: You see, there's multiple questions which you have put across all together. I just go one by one. Coming to the QIP, the size is INR300 crores, which we are planning to do, and this is the entire money will be utilized for buying containers, which include your tankers as well as the standard dry containers.

Now, coming to the vessel side, as I told earlier also, we are planning to do a vessel operations, most of from other self-accruals, and some of the money is been planning to be infused by the promoter also, which will be put into the vessel side. And this vessel should be like 12 to 15-year-old vessel. We have, we are already looking into this vessel and hired a captain who is specialized more than 30 years into this vessel operation.



So, once we identify, we already identified two-three such vessels and we're just looking to which is much more feasible to take into our operation side. And then, second thing comes to transfer this money through the ODI route to my subsidiary and making this operational. So, I think, I believe within six-months period, we can be able to start these operations from the vessel as well.

Aditya Bawari: All right. Thank you.

Praful Jain: Thank you.

Moderator: Thank you. The next question is from the line of Heet from Ashika. Please go ahead.

Heet: Thanks for the opportunity. So, the kind of vessel which you're talking about 600 to 800 container vessel. So, what would be the price per day if you charter the vessel instead of buying it? You are saying that it is in the range of 7 to 8 million if you buy it. And what would be the rate for chartering that vessel?

A K Chataiwala: See, let me tell you, chartering, if you charter a vessel of the size which I told you, would cost you anything between \$14,000 per day to \$16,000 per day. That would be the cost for chartering a vessel.

Heet: \$14,000 to \$16,000 for chartering a vessel, it is almost 15 years.

A K Chataiwala: Age, see, the chartering rate depends upon the size of the vessel as well as the age of the vessel. Now, the size that we are looking is 1000 TEUs.

Heet: Okay, so 1000 TEUs. You already mentioned of 600 TEUs to 800 TEUs. Okay, so 1000 TEUs.

A K Chataiwala: No, I'm sorry, 1000 TEUs. So, 1000 TEUs if you charter it, that will cost you between the ranging between \$14,000 a day to \$16,000 a day.

Heet: Okay, so that was my question. And my second question is, do you see any opportunity going further? We will hire more vessels like this?

A K Chataiwala: See, let me tell you, as I've already mentioned earlier, this is going to be a pilot project. See, we will be having the containers at the moment as we are intending to increase the containers, it will be more viable for us to have a vessel like a shuttle service from Mundra to Jebel Ali or some other place where the freight rates are going to be high. So, it is like you have your own car, you can move your truck anywhere. Suppose you have your own truck, wherever you're getting more revenue, you're going to shift it that side. So, that is going to be beneficial for the company.

Heet: Fair enough. So, that was my question. Thank you very much.

A K Chataiwala: Thank you.



Moderator: Thank you. The next follow-up question is from the line of Yatin Kapoor, who's an Individual Investor. Please go ahead.

Yatin Kapoor: Yes, thank you, Abdul sir. My question is that, do we have a volume versus price growth for certain quarter? We can see the sales are down because of trade, but our profits are still up, the data is still up. So, if we can get, going forward, how much we have seen increase in volume and what is the price? That would be grateful.

A K Chataiwala: See, as I've told you, we intend to increase the containers. In two years' time, we intend to increase it by about 40,000 containers. So, seeing what we've been doing at 15,000, you can just multiply it, plus and minus 5, 10 percent, that would be your turnover and your profits would be accordingly.

Yatin Kapoor: Okay, thanks. But my question was a little different. So, what I wanted to know is that last quarter, we did roughly INR 166 crores. However, this quarter we have done INR 151 crores, but our profits are still up. So, it could be maybe due to the volume has increased, or maybe we are getting a high margin somewhere. So, if we could get, what's the reason going forward that though the sales have decreased, but the margin has increased by, let's say, 50%, volume increased by 50% that would be a great help.

Praful Jain: See, it is because of multiple reasons. One is the new destination which we have added that is generating better margins. So, that is, of course, one thing. And in the last two months of this quarter, because of this Red Sea crisis, the freight rate into those multiple areas which we are operating from Dubai has increased and that is generating detention to us as well.

So, that is one of the areas where we have seen marginally better improvement in terms of the margins. Apart from that, operations from my freight forwarding arm has also generated better margins in comparison to last quarter.

So, these are the few things which have been shown as surplus in terms of margin growth. And with the increase of containers, as I earlier also said, we have negotiated well in terms of the slot charges. So, the slot cost, which is the highest in terms of my overall cost chart, it comes around 80%, has been reduced to 78% or 77%. So, the margins have improved further for that.

Yatin Kapoor: All right. Thank you. Thank you very much.

Moderator: Thank you very much. As there are no further questions from the participants, we conclude today's conference call. On behalf of Lancer Container Lines Limited, thank you for joining us and you may now disconnect your lines.