



Lancer Container Lines Ltd.

Date: - 06-03-2023

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

Sub.: Outcome of analyst meet held on Friday, 3rd March, 2023 at 4:00 PM IST for Un-Audited Results for Q3 and Nine Months ended December 31st, 2022.

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

Dear Sir/ Madam,

In continuation of our letter dated February 21, 2023, 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. Outcome of analyst meet held on Friday, 3rd March, 2023 at 4:00 PM IST for Un-Audited Results for Q3 and Nine Months ended December 31st, 2022.
- ii. Link to listen the Conference Call –
[https://drive.google.com/file/d/1T5mv0Qtd15k9CHU1IbHDFqXUwXCwcfL/vi
ew?usp=sharing](https://drive.google.com/file/d/1T5mv0Qtd15k9CHU1IbHDFqXUwXCwcfL/view?usp=sharing)

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

Mahendra Gupta
Company Secretary and Compliance Officer

Place: - Navi Mumbai

CIN: L74990MH2011PLC214448

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“Lancer Container Lines Limited
Q3 FY23 Earnings Conference Call”

March 3, 2023



MANAGEMENT: **MR. ABDUL KHALIK CHATAIWALA – MANAGING
DIRECTOR AND CHAIRMAN – LANCER CONTAINER
LINES LIMITED**
**MR. PRAFUL JAIN – DIRECTOR – LANCER CONTAINER
LINES LIMITED**
**MRS. RANJANA SHINDE – CHIEF FINANCIAL OFFICER
– LANCER CONTAINER LINES LIMITED**

MODERATOR: **MR. PRIYADARSHI SRIVASTAVA – MONARCH
NETWORK CAPITAL LIMITED**



Moderator: Ladies and gentlemen, good day and welcome to the Lancer Container Lines Limited Q3 FY '23 Earnings Conference Call hosted by Monarch Network Capital Limited. This conference call may contain 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 guarantees of future performance and involve risks and uncertainties that are difficult to predict. Lancer Container Lines Limited will not be in any way 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.

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 Mr. Priyadarshi Srivastava from Monarch Network Capital Limited. Thank you, and over to you, sir.

Priyadarshi Srivastava: Thank you. Good evening, everyone. I welcome you all on Q3 FY '23 Earnings Call of Lancer Container Lines. Today, we have with the management, Mr. Abdul Khalik Chataiwala, the Managing Director and Chairman, Mr. Praful Jain, Director; Mrs. Ranjana Shinde, Chief Financial Officer. Without taking much of your time, I pass the floor to the management for their opening remarks. Over to you, sir.

Abdul Chataiwala: Thank you, sir. Good evening, everyone. Thank you for joining us for our third quarter FY '23 Results Conference Call. We are pleased to have this opportunity to update you on the progress of LCL and answer your queries. Before we start with the question is, I would like to give a brief background of the promoter and how we started Lancer.

My name is Abdul Khalik Chataiwala, age 58. I've done my graduation in commerce, done my Export Management and I am an MBA in Shipping and Logistics Industry. 11 years back, we started this company with two people and on a 100 square foot office, with about 50 containers. We've grown in this 11 years into an office, where we are sitting in our office, which is about 20,000 square foot and a staff strength of about 250 people working for us.

Apart from that, we have about 14 offices all over India. And we have our own container yard also. We have broad segments, which are liner services NVOCC, which contributes 85% of business revenues and profits. Second is container trading, which is about 10% and freight forwarding, which is 5%. The first segment, which is the NVOCC, which contributes 85% of business, I would like to give you a brief about what NVOCC is.

Basically, we are container operators, the full form of NVOCC is Non-Vessel Operating Container Carriers. That means, we are providing logistics services and are owners of containers, but we do not own vessels. In this segment, you have two people, the main liners, who are the people, who have the vessels as well as the containers.



There is another segment, which has only the vessels. The people who have the vessels require containers. So this is where we come in and 85% of our business and revenues and profits come from NVOCC. Second is container trading, in which we are buying containers and selling it to the exporters and importers, in India and abroad.

Third is freight forwarding, in which we act as the agents between the vessel operator and the exporters. A brief about Lancer, I would like to let you know again. Lancer was established in 2011. Since then, we have grown from 50 containers to 14,000-plus containers. In this period, we increased our presence in Indian sub-continent, Asia, Middle East, CIS countries, Europe, Africa and South America. Currently, we are providing liner services to 74 ports worldwide and 36 major ICDs in India.

We have 14 branches in India and more than 250 staff members. Moving on to our third quarter FY '23 results, we achieved INR 177 crores as against INR 158.9 crores, registering a year-on-year growth of 11%. Our EBITDA is at INR 23 crores versus INR 14 crores in Q3 FY '22, registering a Y-o-Y growth of 69%, with a margin of 13.4%, mainly on account of overall better performance and better container utilization, addition of new TEUs and adding newer territories, PAT is at INR 13.6 crores as against INR 8.3 crores, registering year-on-year growth of 63%. Thank you very much.

Praful Jain:

We can open up with a question and answer session. This is just a brief introduction about the company. We like to handle the questions because that is much more important to address for the investor community.

Moderator:

Thank you very much. We will now begin the question and answer session. The first question is from the line of Vijay from V2F. Please go ahead.

Vijay:

Congratulations for the good results. Essentially, the last quarter, we've seen the EBITDA margin are improving overall previous quarters. I just want to understand about your guidance for the FY 2023 and 2024 -- also recently, though, you raised around INR 250 crores by the way of FCCB How the company is planning to utilize that fund? And understand the freight rates are falling, what impact it could have on the company and their recent announcement related to the Russia, Dubai and the other subsidiaries what you have created. So how it will benefit to overall organization?

Praful Jain:

Yes. Thank you for the question. There's a lot of -- I think, four, five questions added into one question. I'd like to answer all those them altogether. See coming to, first of all, this FCCB, which you have question now. Yes, we have raised around 30 million from investors through FCCB. We have floated a new subsidiary in Dubai, to set a new regions, which we want to cater to. So right presently, before this FCCB, we have around 10,000 TEUs with us.

And while nurturing to these other different nations like Africa, Mediterranean, European nations, we require additional capacity to function on. And that's the reason certain portion of these funds will be utilized to purchase those containers, to service these countries. Apart from



that, we are also looking into different verticals like port logistics, looking into project cargo and warehouses. So a certain portion of the funds will be utilized for there, and we are working on that on the present model. Coming to your different question, which I think Mr. Abdul Khalik Chataiwala like to answer.

Abdul Chataiwala:

Thank you, Praful. We would like to, as I've already pointed out, that our main business is NVOCC, means we are buying containers, taking containers on lease and moving it for the logistics industry. Now basically, 85% of our revenues come from NVOCC, 10% comes from containers and 5% comes from forwarding. This is how we've got the revenue lines.

Now if you ask me how the future is going to be, what we plan is basically, let me tell you is the amount of containers that we have is approximately 14,000 containers only. The market is very huge. We have our competitors, the main liners, who have got millions of containers. So you can imagine the scalability of this business. India is an exporting country, exports are increasing, government is giving a lot of emphasis on infrastructure and exports, and they're trying to bring down the cost.

So in a huddle, I would like to say is, within two or three years we intend doubling the capacity of where we are staying. So you can imagine a turnover of about, reaching a turnover of about, last year we did a turnover of about INR 650 crores. This year we should, seeing the rates come down still, we should reach approximately nearing about INR 1,000 crores.

So when we double our capacity, you can imagine what the turnover would be. I would not like to put a number, seeing the freight rates going up and down, but naturally things are becoming expensive, inflation is there. So your freight rates are bound to come back because your fuel costs, everything is going up. So we see in two-three years' time, we will be doubling our inventory and you will be finding that I think, I don't think there should be any problem in doubling our revenues and consequently our profits.

Now there's another question which you asked about the rates on the revenue part. The freight rates that are falling, as you must be knowing that the freight rates have gone skyrocketing. Everything was, after COVID, all the rates had gone up. In fact the container rates as well as the freight rates had gone up. Correction was due and the correction has just been, you can say it's been done at the moment.

The rates have come down drastically, but if you see, if you ask us, let the rates remain, our profit margins are going to remain the same. Your freight rates going up or down doesn't make any difference. If the freight rates goes up, we charge correspondingly the same rates we are going to ask from our customers and we are going to pay more to the vessel operators. And if the freight rates come down, we will be charging less to our customers and consequently paying the vessel operators also less.

So I myself do not see any change in it. Basically I feel it's going to remain the same unless something drastically happens.



Vijay: So should we expect the EBITDA margin would be now onwards, will be in the double digits, higher of higher trend?

Praful Jain: Yes. See, as I'm increasing my capacity, apart from my capacity, I'm also increasing my geography. New destination, new regions where I will be giving those services which I'm providing presently to a limited location. So this will add new volumes to my business. So apart from that, with the new containers coming in, I am in a more better negotiation power with the slot operators. So I can negotiate more with them. My cost of operation will going to come down and thus my EBITDA margin is going to increase.

Vijay: Last question, before someone comes in the queue. Recently we had seen the stake of promoter going down compared to what used to be earlier 73%, 74%. So if we are so confident about the growth and all, maybe there will be some reason if you can throw some lights on that, on this part as well?

Praful Jain: Right. Yes, you correctly said promoter's stake has come down a little bit. See earlier our stock was illiquid. So to address that free float concern, we have reduced our stake and the stake is majorly offloaded to the fund houses and not to the retail investors. And moreover, if you can see the promoters have infused certain portion of the money back into the company to add capex. And as I regularly keep on talking to them, they told us that they will be willing to buy back their stake maybe in the near future going forward once they are in a position to do that.

Vijay: And any plans to reward the shareholders by way of dividends?

Praful Jain: There is no such plan as of now, but we keep on informing our valuable investors once we have something like that.

Moderator: The next question is from the line of Padmaja Ambekar from Parmeshwari Advisors.

Padmaja Ambekar: Sir, I want to ask how many containers we own and how many of them are on lease? And do you have any target for next two-three years? How many containers we will be owning, or, can you throw some light on that?

Abdul Chataiwala: Thank you very much. At the moment, we've got about 14,000 containers in our inventory. If you want to know the lease containers, we've got about 2,000 containers on lease and 12,000-plus containers are owned by us. Our projection for the next two years, you could say, we would be increasing, you could say, we would be doubling our capacity. It could go to above 20,000 containers. That is what our plans are at the moment.

Moderator: The next question is from the line of Vaishali Parkar from Vihaan Investments.

Vaishali Parkar: Very congratulations for good set of numbers. So I want to understand that in this quarter, especially our other expenses have seen a sharp decline of 43% on year-on-year. So was there any one-off or what was the reason for that? And is it sustainable in going forward?



- Ranjana Shinde:** Actually, expenses have been declined for this third quarter because second quarter, we already done that FCCB, then more share split division and all this for professional fees, we paid extra amount. And CSR also we paid INR 8 lakhs. Before that in second quarter, we paid INR 23 lakhs. That's why that sharp -- some decline in quarter 3 and quarter 2, it shows a high amount.
- Vaishali Parkar:** So going forward, how do you see this always trend of that...
- Ranjana Shinde:** It will be average, not more like a second quarter.
- Vaishali Parkar:** And can you give us the geography-wise revenue bifurcation for this quarter and how many geographies we are planning to add next few quarter?
- Praful Jain:** See, we are functioning in Indian subcontinent, Southeast Asia, Middle-East, these are major our geographies we are functioning on. We have recently added Mediterranean and African region. It will be difficult for us to evaluate region-wise, because see, these continents are keep on moving there's a lot of transshipment which happens. So one shipment goes from here to distant region and there's a transshipment in between. But we try to give you a geography-wise revenue bifurcation and maybe we try to put it in our quarterly release next time which we include in that.
- Moderator:** The next question is from the line of Piyush Parag from Nuvama Wealth and Investment.
- Piyush Parag:** Congratulations, sir. Very wonderful results. My questions would be more again, I will like again, just before me, they asked about the geography, this person, how is your revenue distributed? But if you could please throw some light on it, how is it going to impact? The idea is to understand which geographies, with there is some issues and that's going to impact either in the side, like either positive and negative.
- So that was the idea to get strength on that. And how is your customer or end user industry distribution as well? So if you can just throw some light on the customer pattern or geography and which are the sectors where do you think would be really good for your growth? And even the idea also to understand the concentration between one geography, one customer or maybe one product line. So it's some, can you throw some light on this? That would be really great. Thank you.
- Praful Jain:** Right. See, we have seen in our historical performances that most of my revenues come from the Middle East nations, right? Because the duration of the shipment is little lesser and we got, we got detentions also from these regions. So that will add more, more revenues to my kitty. We have seen similar type of pattern in the African regions as well, because we have certain customers who are, who are exporting a lot of minerals, metals from Africa.
- So that destination we have recently entered into and East Africa, we have penetrated and we are looking into more aggressively into those regions. We do less of American as well as European region because certain times we have seen containers stuck for a long duration over



there. And that will impact my time saving cost in terms of getting back the container. So that's the reason we cater to majorly nearby regions to the Indian destination, all the nearby ports.

If you can see Indian subcontinent, Southeast Asia, Malaysia, Indonesia, Middle East, Dubai, all these regions, we are very aggressive and we have catch hold with all the agents over there who are providing a good number in terms of shipment, in terms of booking. So we focus more aggressively to these regions, but Yes, entering into new region like Africa, we will go a bit slow, not very aggressively.

Piyush Parag: Okay. So this is for minerals and metals, but for other, there...

Moderator: Sorry to interrupt you Mr. Parag the audio is breaking from your line. Please repeat your question.

Abdul Chataiwala: Okay.

Piyush Parag: Is it audible now?

Praful Jain: Yes, yes, please.

Piyush Parag: So I just wanted to understand, has it indicated this to industries, mineral and metals? So apart from that, is something like automobile or other...

Praful Jain: Yes, we are doing from textile, tyres, automobile, scrap, agriculture, a lot of things. We are into everything, but my trade team will look into the margins where we are getting. So it depends on the customer destination and the margins we are getting from a particular shipment. But we are open to the idea to all commodities. We are not commodity agnostic in terms of that.

Piyush Parag: Okay. So also if can you, how is your customer concentration as well as you can get like maybe top 10 customers would be amounting how much of your total revenue?

Praful Jain: See, majorly our customers are freight forwarders. We have limited direct customer reason being a big customer always ask for credit, which we are not willing to provide at the moment. We are doing good business in terms of the freight forwarders because they are giving us a business and a lot of business coming to the freight forwarder also. So we have a good rapport, we have a trust factor, we have integrity to work with them.

And that's the reason and of course, there's no credit. So if you can see our balance sheet, if you're reading that, that's the reason, this is one of the reason we have a negative working capital influence. We don't require working capital that we have a cash flow never impacted. So we try to work with the freight forwarder. Yes, we have customers also direct customer, but with no credit. These are customers which provide us certain portion of the volume. But if you ask me the mix of that, around 80% of my business is through the forwarders and agents and 20% through the direct customers.



Piyush Parag: Okay. This is good. So that's for my side, sir. I will come back with the other questions. Thank you.

Praful Jain: Thank you.

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

Varshit Shah: Hi, sir. Thanks for the opportunity and appreciate the company's initiative of coming out in public and talking to investors. So we'd like to see more of this going forward as well. So my first question, since most of my questions have been answered, the larger question is that if you see across business cycles over a 10 year period, where too highs and too lows of sorts, is the period, what is the range of fluctuation happens in the in the margin profile?

The reason I'm asking this question is in the context that there are various conversations globally about the economy slowing down and eventually then trade also slows down. So I just wanted to understand how this actually kind of impacts the industry and then how we are, what we are doing and how our business model is kind of placing to this.

Praful Jain: See, I think Mr. Chataiwala has already answered this question earlier, but I want to reiterate this again. There's always been some impact being the freight rate going up and down. This is business and freight rate goes up, freight rate goes down, economy is volatile, market conditions are volatile. So it will going to remain. It will going to remain always.

But what is important is the sustainability of the business, the right strategies which we are going into place, how we are working. So if you can see, freight rate before this COVID time, that was high, three months, four months back time, and it has come down, but it has not impacted my margin. My top line has gone down, reason being freight rate is down, but my margins are intact.

As we rightly said, I had pointed out earlier also, when the freight rate was high, I have to pay higher slot charges also. My margins are same. When the freight rate has come down, I have negotiated and I have a lesser slot charges to pay. So my margins are intact. If you see my EBITDA margin, they are still 12% to 13%, which was earlier before the freight rate coming down. So it depends on how we strategize our business.

And apart from that, we are entering into new geographies. We are catering into new volumes. So we will cover the top line as well going forward, because there should be more volumes coming into the system.

Varshit Shah: Understood. So that's fairly well answered. Sir, my second question is on similar lines. So if you see since you are want to expand your own containers, will that be more margin accretive? I mean over a 5 year -- 3 years, 3 to 5 year period because will a most flexibility to price it? Or that doesn't really make a difference on the operational level?



Abdul Chataiwala: I would like to answer that question. I would like to inform you that we've got about 14 offices in India. The infrastructure is that in place at the moment are costing everything, your rentals, your electricity will remain the same. Once we double our capacity -- what happens is our cost remains the same or it increase by about 2% or 5% of the revenues, whereas the revenues will double -- so you can imagine the impact that it will have when we increased our inventory to about 20,000 or 25,000 our infrastructure -- the expenses on the infrastructure remains somewhat the same or maybe about by 5%, that will increase. The balance would be the profit. So you will be seeing the profits are increasing consequently.

Varshit Shah: So is it safe to say that our long-term margins should be actually about 12%, 13% once this expansion kicks in, because of the operating leverage which you mentioned?

Abdul Chataiwala: Yes, absolutely. That is what we feel it should. And if you do the calculations, or basic, if you see, basically also if you put 1 plus 1, it becomes 2. You can see if you could do it in the same way, it would see that because again, I'm saying is your employee cost remains the same. If you have 10,000 to 15,000 or 20,000 containers, it will increase by 5% maximum, because we've got the software, we've got everything in line, we've got the agents everything is there. We've already spent money on the infrastructure part. So we will not be increasing the infrastructure cost, whereas our revenues and the consequent profits will increase.

Varshit Shah: Understood. So just one last extension on this. I'm sorry for moving too much around this. So, one of my larger questions is that you are expanding, I'm sure there should be some expansion from other competitors as well. So eventually the demand, it's a demand supply game, which helps you to do the pricing, but I mean, we'll be able to tell all the customers, but the pricing then also can get affected if the supply is too much.

So how do you see that, I mean, in terms of any number or even a ballpark idea you want to show about the past overall additions in the market in the region which we operate in, obviously geography specific. So in the region which we operate in largely, because this is a tight supply market so far, the last three, four years, and hence this kind of expansion probably would get absorbed. But if other people are also expanding, eventually the rates, the realizations will have some pressure. So if you can throw some light on how do you see competition around.

Abdul Chataiwala: I would like to tell you is, as you know, recession is creeping in, people are saying markets are going down. We've been in this market since last 11, 12 years. And let me tell you, during 2008, we had the recession, crept in inside, a lot of players moved out. Because if you don't have the right strategy, right network, you cannot sustain in the market. And apart from that, so you will be having now, you see the downturn.

So you'll be finding a lot of small players, you've got about 100 containers, 200 containers, or 1,000 containers moving out and creating that space. Secondly, again, now we've only let me tell you, again, as I said, we've got only 14,000 containers at the moment, our competitors have millions of containers. So if you see if you compare us with them, we are nowhere close to us.



So our scale scalability is going to be very high. If I put in about 15,000 containers today, I can move the containers apart from that we are opening new corridors, new sectors.

So if I double my capacity also suppose if I'm starting America or Europe, in a big way, so all these containers are going to be just move out. For example, I'll tell you is in Nhava Sheva only, if you see the monthly exports and imports is in lakhs, it might be in a million in a month. And we are doing about only about 800 containers in a month, because we do not have the capacity, we do not have the inventory.

So you can imagine only one part you've got Nhava Sheva a million containers moving in a month. In Mundra, you've got some a few millions, which are moving. And what are we doing? We're doing about 2,000 containers in a month. That's it. So you can see how much we can scale it up. And once we increase our inventory, we can negotiate with ports for the charges. We can negotiate with the vessel operators.

We can negotiate with our agents also for giving us better rates. So overall, if you see, seeing the scenario, everything, I think there should not be any problem for us increasing it. In fact, I would say if we increase it by three folds also no problem at all for us.

Moderator: This is the operator. So the current participant has left the question queue. We'll move on to the next question from the line of Sudhir from Consultant Capital, please go ahead.

Sudhir: Yes, thank you very much for taking my question and very encouraging results in this challenging time. Pardon my ignorance and at the cost of repetition, I've got a couple of questions to ask. Taking a cue from your previous answer that, you know, we are relatively a smaller player in the overall scheme of things.

I would be inclined to believe that we are more of price takers and not price seekers. Such an environment, how would you gain market share? I mean, when there are competitors who are having millions of containers, okay, how would we get market share? Incremental market share, I'm saying, because our growth is much higher as compared to that of the market.

Abdul Chataiwala: See, when I said about the MLOs, the people who have the vessel as well as the containers, like Maersk, MSC, these are very big players. They do not have that personal touch. If you go to Maersk Line, you will not be talking to the person directly. If you give them a shipment, you've got to track it out, out there. There are certain things which you cannot go and talk to a person. That personal touch is not there. The service is missing out there. So, this is where we come in.

Apart from that, let me make it very clear. There are certain sectors in which the main line operators do not go venture into. For example, they would not like to get into the Gulf countries, because they would like to go for long hauls where they get a big sizable amount of freight rates for them. So, I would say seeing our goodwill in the market, the personalized service that we are giving, we are sure that we can take the competition hands down. It's simple as that.



It's going to be a bit tough at the moment. But still, let me tell you, India is expanding. The government is giving a lot of policies. The infrastructure is coming up. The roads, ports, SEZs, all these things are coming. And let me tell you, the coastal. So, you have a lot of, you can say, inquiries coming in. But I do not see any problem or downturn or something for us.

Sudhir: So, I agree with your point of view that, you know, the larger ones may be looking for the long haul. So, you said the larger ones may not be interested in supplying to, say, for example, the Middle East. But there is already someone supplying to the Middle East. And maybe a smaller share as compared to the long haul. So, when you are taking, when you are grabbing market shares from them, is it the only personal touch, the added advantage that you are providing over someone who's already supplying to that region?

Abdul Chataiwala: See, let me tell you, Yes, I would like to add one more thing is, the personal touch is very important because your cargo is very expensive. It's very important if you are giving your cargo, which is worth about INR 50 lakhs or a crores rupees to a shipping line and a person who's not answering. Whereas our sales guys are always meeting people. They know where the container is. That is number one.

Second is, your costing part is also very important. The MLOs, the main liners, their costing is something very different. It's very high. Since we've got, we already have a good rapport with the vessel operators, we get one of the best rates from the vessel operators, and we can offer this to our customers. And seeing our trade levels, we find a lot of people coming to us.

Sudhir: So our ability to offer better rates backed by a personal servicing that we are giving to clients, you're saying it's getting incremental market share?

Praful Jain: Yes, absolutely.

Sudhir: Great. So, my second question is that when you decide to go in for capex, is it that the freight forwarders give you a captive order saying that, okay, this is the amount that I'm going to move, so I'll make this many containers? Or you first place your order for containers, and then you start scouting around for your volume of business?

Abdul Chataiwala: See, let me tell you is, what we do is we usually increase the containers in small numbers. We do not take 10,000 containers at a stretch. We can say at a time, we do not take 10,000 containers or 15,000 containers. We take containers gradually, 200 containers, 300 containers, and we add up to our inventory. So, if I'm adding, if I've got about 14,000 containers, if I'm adding about 200 containers in a month, that is hardly if you say it's about 2% or 3% of my inventory in a month. And deploying these 200 containers, 300 containers is not much for us.

Sudhir: Okay. So, you would already have the feel of some of your freight forwarders, so this much incremental demand can come to us. So, that's how we keep slowly adding up to your capacity.



Abdul Chataiwala: Yes, absolutely. And as I told you, we are opening new corridors also. So if I send one container, it takes me about approximately about, depending upon the destination, it takes me about a month for the containers to reach and then come back. So, that circle keeps going on. So, if I keep adding containers, it's like that. And my containers do not, it is not from India, it goes to Dubai and comes back.

From Dubai, if I get a good cargo for any of the regions, like Malaysia, I send it from Dubai to Malaysia. So, it's not from India to Dubai or it comes back. It can go anywhere, wherever I get cargo, my agent gets cargo. And where I have my network, we send the containers out there.

Sudhir: Okay. And my last question, now that we are venturing into newer geographies, okay, existing geographies, we are well aware of the risks and the margin fluctuation and the volatility that comes in your business. Are there any incremental risks that you are forcing, or challenges that you are forcing in the new regions that you are venturing into?

Abdul Chataiwala: See, we will be starting in the new regions in a small way. We would not be going, we would not be pumping in about thousands of containers out there. We would like to test the market and then go forward. We start initially with two containers, five containers, 10 containers, and then building the confidence, seeing the revenues, seeing the profits, we would be increasing. And this is how we've been doing it since the last 11 years. We've been having this policy. We are testing the market, how much do we make? Are we comfortable with the agents? We go and meet them. And after seeing everything, then we increase our numbers.

Sudhir: Okay. Not a problem. Thank you very much for responding to my questions. If I have any further queries, I'll join the queue. Thank you.

Abdul Chataiwala: Thank you very much.

Moderator: Thank you. The next question is from the line of Vijay from V2F. Please go ahead.

Vijay: Good afternoon, again. Earlier, we indicated that the company is also planning to manufacture the containers. So, have we progressed anywhere on that? Or we are evaluating to either take on lease or buy it out directly?

Abdul Chataiwala: Well, let me tell you, I think we never said that we're going to manufacture containers. We were testing the feasibility of having a container manufacturing unit out here. But we've already seen it that we cannot compete with China, because China is getting a lot of incentives. So we cannot, I don't think, because it is very-very capital intensive. And the returns are negative, if you compare yourself with China.

To answer your next question regarding lease or buying the containers, we have a mix of both. But majority, we prefer owning the containers, taking loan from the banks, and buying the containers. Because lease, as you must be knowing, is always very expensive. Taking loan from the bank, if you're paying interest, it's much lesser.



Because naturally, the leasing companies also buy containers on taking loans from the banks. They add-up the margins, and they give it to us. And at the moment, let me make it very clear, we are very happy to say that most of the banks are very happy with us. They are willing to give us great, big trade, which we are very reluctant to take.

So we are taking according to our requirements only when -- so we've got our limitations on that, and we're taking risks, which is very-very calculative, seeing the long run, because we are long-term players, not short-term players.

Moderator: The next question is from the line of Nipa Haria from Nipnil Investment.

Nipa Haria: I would like to know, what is the current capacity utilization? And then this new container, whatever you are planning, how much time it will take to reach full capacity utilization?

Praful Jain: See, for our industry, which we have seen, generally 60% of the capacity utilized is very good in the market standard. Most of the companies, they do not cross 65%, 70%, because there's always a timeline where the container is moving or the containers are stranded somewhere in the port. So of course, and I think we are beating this. We are more than 60% we utilize our capacity.

For any new capacity which we add, I think it's around generally, which we have seen, what our strategy is that if I'm buying a container from some destination, I first find out where there's an export from that destination or not. If there's export from that destination, it starts from the very first day itself. My revenue starts from the very first day itself.

So suppose I'm buying a container from China, and I have a shipment from China to Dubai, I will buy the container there. My freight starts from there itself, on the very first day. So this is a strategy we follow usually. Generally, we're looking for demand supply also. We buy out the container. And we have seen the containers moving around in our 10 days, 15 days time period. The new inventory added-up.

Nipa Haria: And the second question which I have, in this listed space, what is your market share? I mean, who are your competitors, and how much market share you have in this?

Abdul Chataiwala: See, basically, in the listed domain, you have only Allcargo, which is about 35 years old company. That is the only company in the listed segment. Unlisted segment, you've got players like Goodrich. You've got Mexicon, Vision. These are the companies which are there in the market since I think more than 20 years now, 20 years to 25 years. So if you see, relatively, we are, you can say, it's about 11-year-old company. And we've got a team which is very young. If you don't consider my age, if you see, I think 35 should be the average age of the people. And if you ask me, people also tell me I'm too aggressive. Maybe I can compete with the youngsters also now at the moment.



So I do not see anything, but these are the people who are competing with us in the market. But the plus point is that we are a younger team. Those people are in their -- you can say, approaching their 70s. The owners are approaching their 70s. And as I told you, we are a younger lot.

Moderator: The next question is from the line of Tony Nawani, an Individual Investor. Sorry, Mr. Navani, the audio is not clear from your line. We request you to rejoin the question queue. We'll take the next question from the line of Varshit Shah from Veto Capital.

Varshit Shah: Sir, just one last question, which I missed last time, was that for the expansion, so how should we look at in terms of our future once this revenue starts coming in from the expansion of new containers? So will the absolute debt go down, or the absolute debt will remain kind of in this range? And since the balance sheet itself and the P&L will expand in size, does the ratio automatically get moderated with time, or do you also intend to pay down the debt in absolute terms over a two, three-year period?

Praful Jain: Yes, see, our debt has been increased, certainly, because we are on the expansion mode as of the present time, looking into the market. And we can see there should be a heavy investment cycle going forward. But of course, we try to bring down this ratio to less than one, which we are confident to maintain in the long term. So at the present moment, yes, of course, the debt ratio will be higher. The debt portion will be higher. Reason, have a high investment cycle going forward. But we try to bring down the debt going forward.

Varshit Shah: So is it safe to assume that till the time, you come down to 1:1 ratio, probably there will be no major expansion? We'll have some small expansion here and there. But the big-bang expansion like we are doing, probably, will be post when the ratio normalizes?

Praful Jain: Yes, you're right.

Moderator: The next question is from the line of Purvesh Shelatkar from Monarch Network Capital Limited.

Purvesh Shelatkar: I wanted to ask why the tax was low in this quarter at 16% versus 28% in the last quarter?

Praful Jain: See, generally, because it was the freight rate, it was the turnover which has dropped down to the low freight rate into the market. But if you see the margins, that margin, I think it will be in the same level or improve.

Purvesh Shelatkar: And as competitors, who do you see as your major competitors in listed and unlisted space? Like, you told that Allcargo and Godrej is one of your competitors, that they are one of your competitors. So apart from that, do you see any other competitor that could be a potential competition to your business in the near future?

Praful Jain: See, in listed space, there are very few names in terms of doing exclusively any of this business. Either they are very big players who are on various sectors, not only logistics, multiple sectors. There's a group company. Or either there's nobody like that. So I can say, in listed space, there are few names. We can compare ourselves with the Allcargo like that, or in unlisted space, there



are few players who own the container, but not that capacity, but not that size. Or either they are big lines who are not Indian companies, or they are offshore companies, a big line.

Purvash Shelatkar: And like in terms of competition, if Allcargo has certain plan in the near future, so how is your company going to counter those plans in long-term and short-term?

Praful Jain: See, the market is too big to nurture. We have already discussed more than 5 lakh TEUs is done from JNPT port. We are just doing 200 TEU, 300 TEU on one port, one terminal. The market is huge enough. And I cannot comment on somebody else's strategies. Yes, but we have our strategies in place where we can calculate what type of volumes which are coming from which destination. Our pricing team works on that. Our freight team works on that. And we calculate that.

So I assume that even there's a lot of competition into the market, the market will grow, economy will grow, the export-import business will grow. And there are a lot of business will be coming in the near future.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments.

Praful Jain: Thank you all. And thank you for arranging this call by Monarch. There's a lovely con call which has happened. And we'd like to do it on a regular basis once we finish our quarterly results to keep ourselves and our investors updated in terms of what is happening, what we are doing in the company. And we are here for a very long run to keep the trust going forward. And we work together and make it a success. Thank you all of you. Thank you so much.

Abdul Chataiwala: Thank you.

Moderator: Thank you. Ladies and gentlemen, on behalf of Monarch Network Capital Limited, that concludes this conference. Thank you for joining us. And you may now disconnect your lines.